Report on Banks

APRIL 2005

Central Bank of Argentina

Year II - No. 8

Contents

Note: This report contains information from April 2004 balance sheets available on 17/06/05. Description centers mainly on the behavior of the main financial variables for the private bank aggregate (including breakdowns by uniform sub-groups), except for certain variables that explicitly refer to public banks and the entire financial system. Figures provided (particularly in the case of profitability) are preliminary, and may be subject to change.

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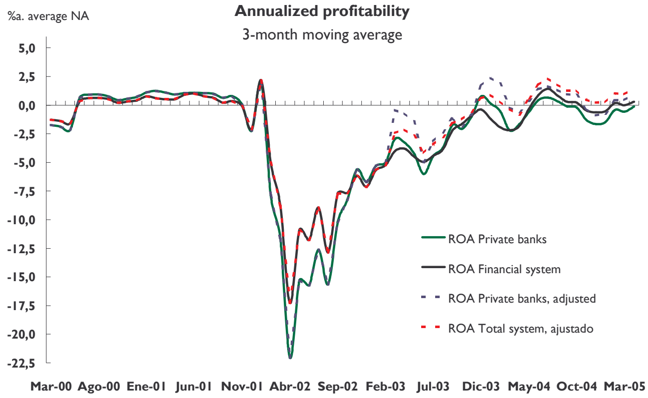
Summary

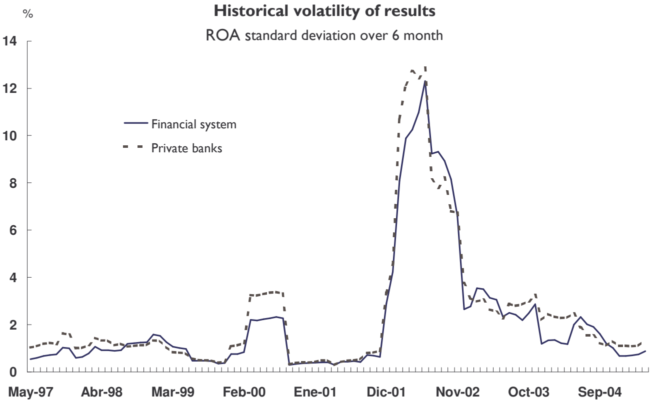
- **In April the financial system continued to send out signs of a sustained and gradual process of recovery**. With traditional intermediation growing steadily (both private sector deposits and loans are rising), declining exposure to the public sector, an improving private sector loan portfolio quality and a falling level of currency mismatching, the prospects for the sector are favorable. In this context, the recording of positive results in April has helped to improve the solvency of the sector.
- **The financial sector recorded book profits in April of close to $145 million (an annualized 0.8% of assets)**, reversing most of the loss for the previous month. **If payments under court orders and public sector asset valuation adjustments are excluded, the sector recorded an adjusted profit for the month of $370 million (2.2%a.).** In the first four months of 2005 the financial system has built up a profit of $140 million (0.2%a.), a notable recovery compared with the losses in the same period of 2004 (-$1.31 billion,–2.1%a.).
- **More than half the profits in April for the financial system were accounted by private banks ($78 million, 0.8%a.)**, although there were no significant changes in the number of banks showing positive results. **Private bank profits were driven by both a significant improvement in financial margin**, on the basis of improved results on bonds, **as well as a reduction in costs**, with lower loan loss provisions and operating costs.
- Despite dividend payments, **private bank profits led to an increase in their net worth of 0.4% in April**. The capital compliance ratio for these banks rose slightly to 15.8% of risk-weighted assets.
- **Financial system assets rose 1.8% in April, driven by loans to the private sector, which went up 3% for the system as a whole. There was significant dynamism in commercial lending, which rose by 4.6% in the month. Exposure to the public sector continued to decline, with a drop of almost 1 p.p. to 37.2% of assets,** accumulating a fall of 6.5 p.p. over the last twelve months.
- **The total of new mortgage loans granted during the first four months of the year ($520 million) rose 120% compared with the same period of 2004, increasing the level of lending to households, while lending for terms of over 15 years has reappeared.** Despite these positive signs, factors still persist that hinder the sustained growth in this loan segment.
- In a context of declining credit risk, increased lending to the private sector led to **an improvement for the month in the quality of the loan portfolio, with delinquency declining by half a point for the financial system and for private banks (to 14.4% and 12.2% respectively)**. This development was led by the commercial portfolio, with a non-performing rate of 14,4% for private banks, although delinquency also fell for consumer loans (to 8%**).**
- **Financial system deposit totals rose 3.2% in April**, with positive variations for both public sector deposits (10%) and those of the private sector (1%). In the case of the latter, there was a notable **increase in time deposits (2.6%)**.
- With a smaller portfolio of liquid assts in dollars, **private banks reduced their foreign currency mismatching in April: it fell 2 p.p. to 35.2% of net worth** (33% of net worth for the system as a whole).

Chart 1
Annualized profitability
3-month moving average



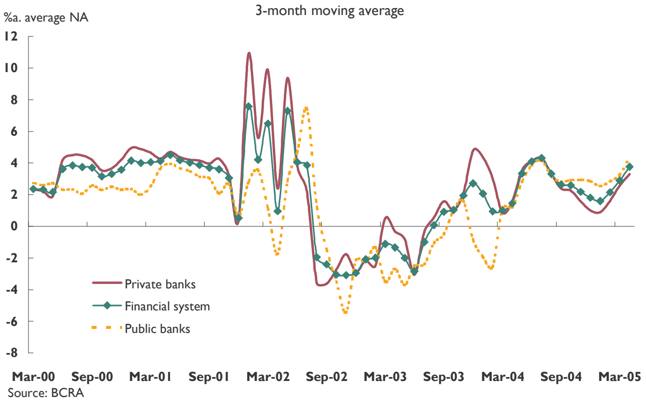
Source: BCRA

Chart 2
Historical volatility of results
ROA standard deviation over 6 month



Source: BCRA

Chart 3
Financial margin adjusted by loan loss provisions
3-month moving average



Source: BCRA

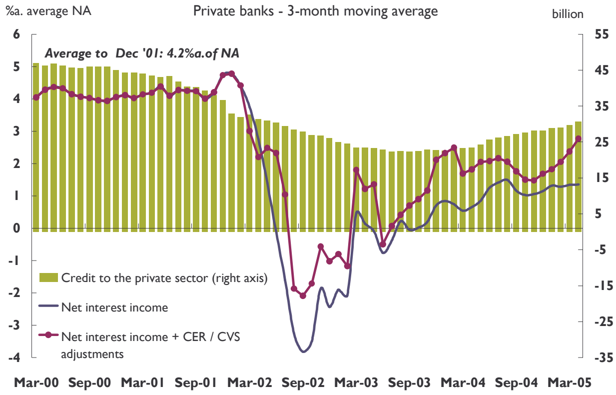
Profitability:
Financial margin improves, costs decline

In April the financial system recorded a profit of $145 million, or an annualized (a.) 0.8% of its assets, succeeding in recovering almost all the loss posted in March. As a result, in 2005 to date a profit of close to $140 has been built up (0.2%a. of assets), evidence of a considerable recovery in profitability since the losses recorded in the same period of the previous year (-$1.31 billion or –2.1%a. of assets). This is a clear indication of the continued, steady recovery in the results recorded by the domestic financial system (see Chart 1), a process which is nevertheless not exempt from a certain degree of volatility, explained mainly by the mismatching that still exists and the adjustments of a non-recurring nature associated with the crisis (see Chart 2). Furthermore, **excluding the impact of the amortization of court-ordered payments and adjustments to the valuation of public sector assets (items linked to the gradual recognition of the costs of the crisis in 2001-2002, unrelated to the profitability of current banking activity), an adjusted profit of almost $370 million would have been recorded in the month (2.2%a. of assets). In the first four months of 2005 an adjusted profit of $860 million (1.3%a. of assets) has been recorded** by the financial system, demonstrating a notable recovery in comparison to the adjusted result for the same period of 2004 (-$320 million or –0.5%a. of assets).

Over half the positive results for the month were accounted for by the profits of private banks ($78 million), achieving a ROA of 0,8%a., a significant recovery following the losses recorded in March. Nevertheless, the number of private banks recording positive results remained almost unchanged in April (rising from 36 to 37), as in March losses were centered mainly on one institution (see Report on Banks for March 2005). In the year to date private banks have built up a loss of almost $100 million (-0.2%a. of assets), a notable improvement when compared to the negative results for almost $780 million (-2%a. of assets) recorded in the same period of the previous year. Excluding the impact of the amortization of court-ordered payments and adjustments to the valuation of public sector assets, the adjusted profit for the year to date is approximately $320 million (0.8%a. of assets), an evident improvement compared with the adjusted losses for almost $120 million (-0.3%a. of assets) in the same period of 2004. Public banks recorded profits for almost $70 million in April (1%a. of assets), totaling almost $230 million (0.9%a. of assets) in the year, a figure that compares favorably with the loss of $520 million (-2.3%a. of assets) in the first four months of 2004.

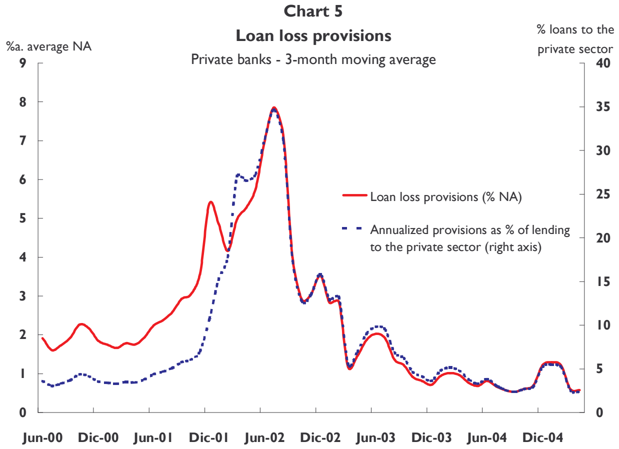
The progress in the month recorded by private bank profitability was driven by a significant improvement in financial margin from gains from securities. In addition, CER adjustments increased slightly, making it possible to offset a modest fall recorded by interest income, which nevertheless remains at a level above the average for recent months, as a consequence of a recovery in the local credit market. **In April there has also been a reduction in the cost structure, given the drop in loan loss charges, operating costs and income tax accrual,** at the same time as there has been a slight increase in sundry income.

Chart 4
Net interest income



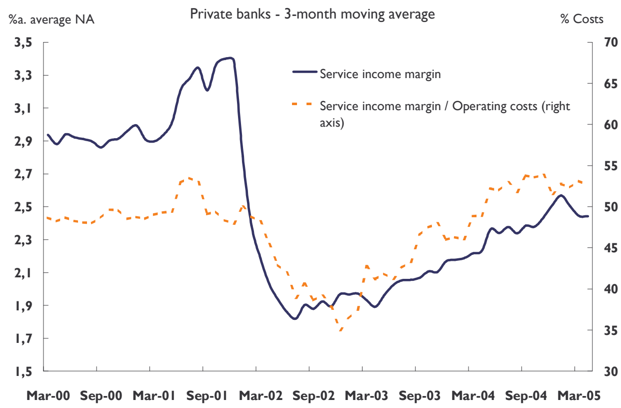
Source: BCRA

Chart 5
Loan loss provisions



Source: BCRA

Chart 6
Service income margin



Source: BCRA

The financial margin for private banks in April reached a level of 4.6%a. of assets (1.8 p.p. more than in March), the highest figure for the last 9 months (see Chart 3 showing the moving quarterly average). Growth was led by gains from securities, which reached a level of 1.4%a. of assets for the month, turning around the losses recorded in March. The April profits reflected the non-recurring effect of an adjustment to the book value of securities provided in guarantee by one specific bank.

The financial margin base, formed by interest income and CER adjustment, remained steady in the case of private banks at 2.9%a., significantly higher than the average for 2004 (1.8%a. of assets). The stability of the aggregate of these components in April took place as a result of a slight increase in accrued CER adjustments (up to 1.5%a. of assets), on the basis of the increase recorded in the corresponding index. This increase enabled the offsetting of the drop of 0.2 p.p. in interest income, which totaled 1.3%a. of assets. Despite the slight decline for the month in interest income, the year-on-year performance remains positive: the April figure remains above the average for the period between January 2004 and March 2005 (see Chart 4). Exchange rate differences remained steady at 0.3%a. of assets, as the impact of the slight reduction in the rate of exchange was more than offset by the gains from foreign currency trading.

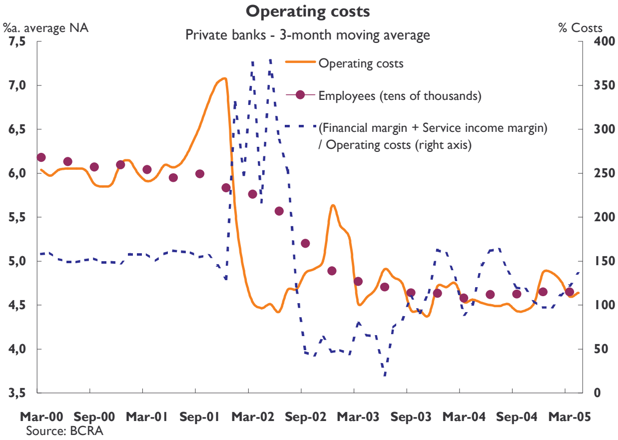
Loan loss provisions by private banks, which had increased in March, reflecting the adjustments made in advance of the quarterly balance sheet closing, fell 0.2 p.p. in April to 0.5%a. of assets. As a result, the costs of providing for anticipated loan losses have remained at relatively low levels in comparison with the recent past, as well as with the figures for the period prior to the end of 2001 (see Chart 5). This is consistent with the lower counterpart risk linked to the loans granted in a sound macroeconomic context. In April these provisions totaled 2.1%a. of private sector loans, 0.7 p.p. less than one year previously, and below the pre-crisis average.

Private bank income from services remained at a level of 2.5%a. of assets, slightly above the level recorded in 2004 (2.4%a.). The upward trend recorded by service income (see Chart 6) is in line with the strategies adopted by financial institutions to broaden the range of their transactional business, at the same time as encouraging the use of banking services across the economy. The increase for the month in net commission income has meant that the private bank segment has covered almost 55% of its operating costs with this source of income, above the 49% recorded on average for the 2000-2001 period, prior to the crisis.

Private bank operating costs fell 0.3 p.p. in April (to 4.6%a. of assets), after a temporary increase in the previous month (see Chart 7) (see Report on Banks for March). In 2005 to date these costs have increased 8.8% (0.1 p.p. of assets) compared with the same period of 2004, due mainly to the increase in wages and in services and fees paid. The increase in the payroll reflected both the increase in personnel numbers (total staffing increased by approximately 570 or 1.2%, to a total of 46.370 employees at the end of last March) and the improvement in the average wage in the sector. This rise in

Chart 7

Operating costs



Source: BCRA

Table 1

Main developments in May

	Apr	May	Chg. %
Prices			
Exchange rate ($/US$)[1]	2,91	2,89	-0,9
CPI	158,16	159,11	0,6
CER1	160,70	161,81	0,7
	%		Chg. (p.p.)
Average percentage rates			
Lending[2]			
Overdraft	14,1	15,1	1,0
Promissory notes	9,8	10,5	0,7
Mortgage	11,9	11,4	-0,5
Pledge-backed	10,2	9,2	-1,1
Personal	26,6	27,9	1,2
30- to 44-day time deposit	3,3	4,0	0,8
1-year LEBAC in pesos, w/o CER	7,0	7,3	0,3
7 day BCRA repos	3,2	3,8	0,5
	million $		Chg. %
Balance[1,2] - Private banks			
Peso deposits - Private sector	54.156	54.521	0,7
Sight deposits	29.280	29.192	-0,3
Time deposits	24.075	24.637	2,3
Peso loans - Private sector	25.761	26.112	1,4
Overdraft	6.128	6.283	2,5
Promissory notes	5.213	5.417	3,9
Mortgage	5.096	5.034	-1,2
Pledge-backed	895	935	4,4
Personal	2.641	2.744	3,9

([1]) End of month figure.

([2]) Estimation based on SISCEN data (provisional data subject to change).

In million of pesos

Soure: INDEC and BCRA.

employment is not restricted to the private bank segment, as public banks have increased their payroll by 540 employees (1.5%) in the last 12 months. **The drop in operating costs in April had a positive impact on the ratio for the coverage of costs by income (financial margin and income from services) by private banks, which totaled 157%.** This is an increase of almost 50 p.p. compared with March, and 44 p.p. above the level recorded in the same period of 2004. Nevertheless, the ratio still shows significant monthly volatility, reflecting the variations in financial margin.

Private bank sundry income recorded a slight rise in April, to 0.2%a. of assets. This movement was led by an increase in loan recoveries and in lower charges under other provision headings, more than offsetting the drop for the month in the release of provisions. In addition, in April there was a lower income tax accrual by private banks, which totaled 0.1%a. of assets, 0.2 p.p. less than in March. Lastly, the main lines related to the gradual recognition of the costs of the crisis (public sector asset valuation adjustments and the amortization of court-ordered payments) held steady, together accounting for a charge equivalent to 1%a. of assets.

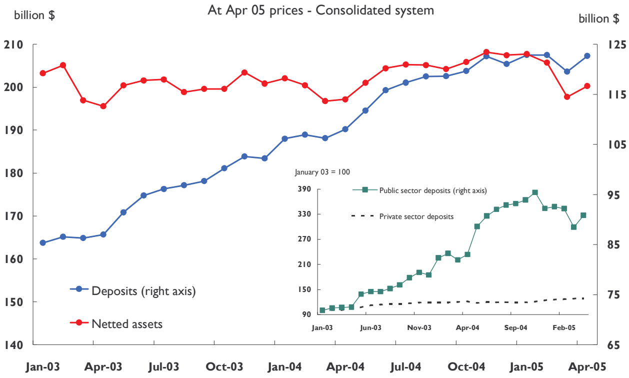
Outlook for May

In the first four months of 2005 the recovery in financial system profitability gained in strength, setting a favorable stage for coming months. These favorable prospects for the banking sector are further reinforced by the dynamism shown by the level of economic activity. It is expected that balance sheets for May will show a rise in interest income, on the basis of the increase recorded in the balance of loans to the private sector (particularly in the case of commercial lending lines), marginal improvements in the interest rates agreed for these lines, and the continued recovery in portfolio quality (see Table 1). Furthermore, financial institution repo income will continue to increase, in line with the higher rates of interest recorded in this market. In addition, in April the Central Bank called a new tender for installments under the matching scheme, with the acceptance of bids from a group of institutions[1], and these operations will be reflected on the accounts as from May[2]. Reduction of liabilities with the Central Bank will result in lower interest payments by banks. These factors could be partially offset by increased interest payments on rising time deposit totals, in a context of higher interest rates. The CER component could show a slight decline, as the coefficient recorded a variation of 0.7% in May, almost half that seen in April. As a result, given the slight reduction in the peso/dollar exchange rate (from 2.91 to 2.89), there could be some deterioration in the financial margin during the month. Nevertheless, as loan loss provisions are still at relatively low levels, service income is rising steadily, and operating costs are stable, it is expected that the positive trend in profitability will be maintained.

[1] One bank in particular settled all its outstanding obligations with this Institution in advance.

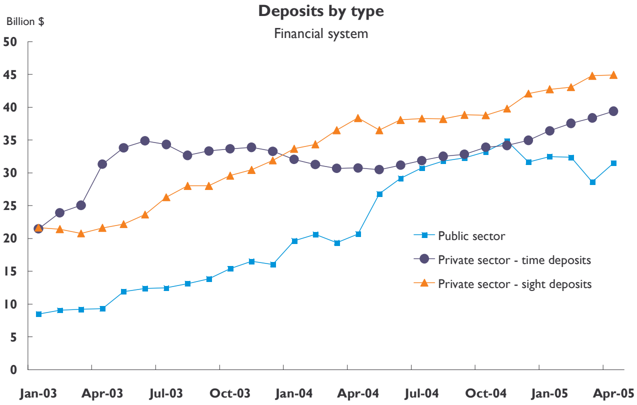
[2] In addition, one private bank decided to make an early repayment of its debt with the Central Bank in April, and the accounting impact of this payment will be reflected as from May.

Chart 8
Netted assets and deposits
At Apr 05 prices - Consolidated system



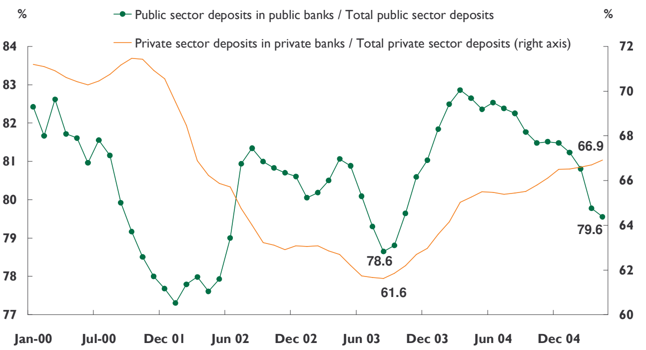
Source: BCRA

Chart 9
Deposits by type
Financial system



Source: BCRA

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



Source: BCRA

Activity:
Further progress by financial intermediation

There continued to be signs of renewed vitality in domestic financial intermediation during April, with growth in the volume of both private sector loans and deposits. This performance is in line with the pattern that began to be seen at the end of 2003, and which has been gaining strength in the year to date. In particular, **in April the netted assets of the consolidated financial sector grew 1.8% (24.2%a.), equivalent to a year-on-year increase of 10.5% (almost 1 p.p. above the rate of growth for March).** Adjusted for the change in the general level of retail prices, assets recorded a real positive variation of 1.6% y-o-y (see Chart 8). Focusing exclusively on private banks, the increase in netted assets in April was 0.3% (3.6%a.), with a year-on-year variation of 7% (-1.5% in real terms).

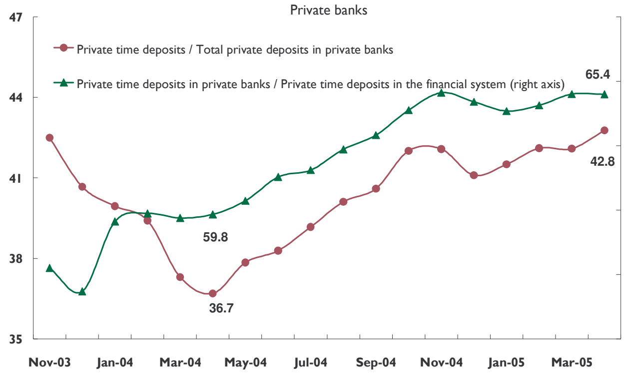
Total financial system deposits[3] rose again in April, increasing 3.2% (45.6%a.) compared with the previous month and 23.5% against the same period of 2004. The change for the month reflected both the behavior of public sector deposits (which, after falling in February and March recorded some improvement in April, increasing 10%) and those of the private sector (see Chart 9). The latter rose 1% in April, driven by time deposits, which went up 2.6% (36.7%a.) in a context of rising interest rates. The growth by time deposits was accompanied by a rise of 1.5% (20.2%a.) in savings accounts, which more than offset the reduction in current account balances (-1.3% or -14.2%a.).

Increased deposits by the public sector –as a result of tax revenues– were concentrated on the public bank sector, which recorded an increase of 13.2% in April in this type of deposit. As a result, public banks continue to account for 80% of all public sector deposits in the financial system (see Chart 10). **Private sector deposits (and time deposits in particular) continued to be channeled preferentially to the private banks, although the bias this month was less marked: close to 65% of the increase in time deposits made by the private sector took place in private financial institutions.** The proportion of time deposits in private banks compared with total time deposits in the financial system remained at a level of 65.4% in April, a weighting of almost 5 p.p. more than that recorded one year ago. This indicates a certain recovery in the confidence of the public in private financial institutions, as the negative effects of the crisis are lessened.

Furthermore, in April time deposits amounted to almost 43% of total deposits by the private sector held in private banks (see Chart 11), **6 p.p. above the total one year earlier**. The increased share of funding accounted for by time deposits reflects the gradual return to normal by banking activity, reversing the significant gains by sight accounts that took place in recent years. The increase in the weighting of sight accounts was not just a product of the increase in transactional activity, as it also reflected the uncertainty caused by the

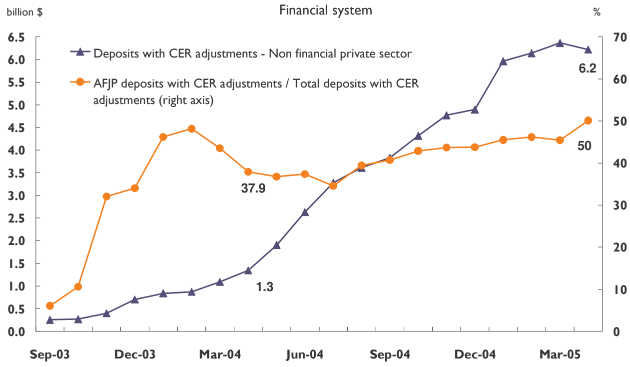
[3] Includes deposits of government securities and deposits by residents abroad, in addition to accrued interest and adjustments. Excludes financial sector deposits and rescheduled deposits to be exchanged for government securities.

Chart 11
Time deposits
Private banks



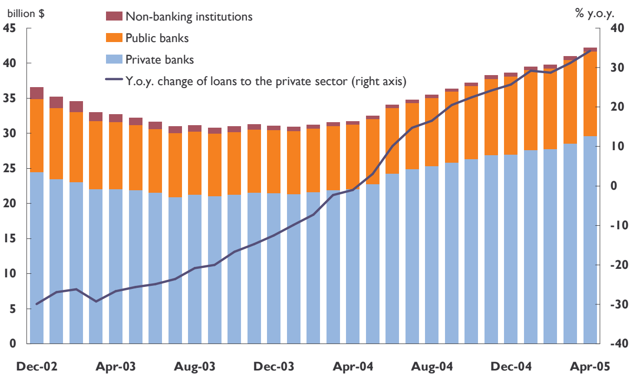
Source: BCRA

Chart 12
Time deposits with CER adjustments
Financial system



Source: BCRA and SAFJP

Chart 13
Balances of loans to the private sector



Source: BCRA NOTE: Does not include accrued interests or adjustments

crisis situation experienced, and additional factors such as the disincentive on setting up time deposits from the tax on bank deposits and withdrawals (partially eliminated later for deposits set up in the same financial institution) in a situation in which interest rates were declining.

In April, the balance of private sector time deposits restated by CER fell 2.3% (-24.2%a.) for the financial system as a whole. Nevertheless, in year-on-year terms a significant increase (363%) can still be seen, given the preference shown by various types of agents for deposits that provide a hedge against the effects of retail inflation (a similar situation to that involving other assets such as LEBAC, NOBAC and adjustable National Government securities). This product is particularly in demand by institutional investors such as the Pension Funds (AFJPs), which hold almost three-quarters of their time deposits in instruments subject to adjustment. The AFJPs continued to increase their stock of time deposits adjusted by CER in April, with a monthly increase of 7.8%, being responsible for half of all such deposits in the financial system (see Chart 12).

The balance of loans to the private sector maintained its rate of growth in April[4] (see Chart 13)**, increasing 3% (43%a.).** In the first four months of 2005 the financial system accumulated an annualized increase of 32% in its lending to the private sector (see Table 2). **This month the increase was strongly driven by commercial lending (with an increase of 4.6% or 71%a.),** although consumer lines also recorded significant gains (3.1% or 44%a.). **Private banks led this monthly improvement, accounting for almost 80% of the increase in loans to the private sector.** Public banks recorded a significant dynamism in their consumer lines, contributing almost one third of the increase for the month for this segment in the financial system as a whole.

In the case of commercial loans, which recovered at a faster pace in April, the performance by overdrafts was particularly significant. Led by private banks, and in view of increased corporate liquidity needs, overdrafts rose by 6.4% (110%a.) in April in the financial system as a whole. Promissory notes and special lines of credit to finance and pre-finance exports, although rising by lesser amounts, also recorded notable variations : 2.4% (33%a.) and 6.3% (109%a.), respectively.

Consumer credit lines continued their upward trend in both private and public banks, although the monthly rate of growth slowed, being 1.2 p.p. below the average for the last 12 months. In this credit segment it was personal loans that led the increase, with balance sheet totals rising almost 4.7% (73%a.) for the system as a whole[5]. As a result of the strategies implemented by various institutions (for example, cross-selling of credit products to payroll-account holders, as these are transactions with a lower implicit credit risk that can be offered at more competitive interest rates), this line of loans has been recording a relatively strong performance during the year, with

[4] Calculations are based on financial statement balances. Loans in foreign currency are stated in pesos (if the balances for several months are considered, an average exchange rate is used). Interest and adjustments are excluded. No adjustment is made for unrecoverable loans written off from the balance sheet.

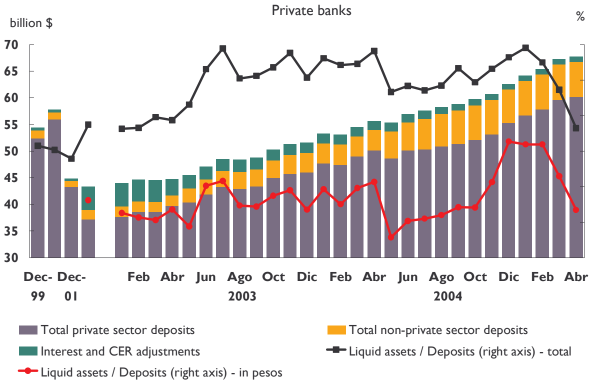
[5] The growth by this type of lending is even greater (6.1% or 103%a.) if it is corrected for the effect of the transfer to trusts of one private bank's loan portfolio.

Table 2
Loans to the private sector by group of banks
% change based on balance sheet totals

	H2 04	2005	Apr-05	Share of total 2005
Public banks				
Total loans	**41**	**31**	**22**	**29**
Commercial	69	54	36	22
Consumer	177	87	54	29
Collateralized	4	4	0	42
Other	1	-12	12	23
Private banks				
Total loans	**24**	**32**	**52**	**69**
Commercial	24	45	84	78
Consumer	42	46	41	64
Collateralized	3	5	22	56
Other	41	23	24	77
Total system				
Total loans	**30**	**32**	**43**	**100**
Commercial	32	46	71	100
Consumer	70	58	44	100
Collateralized	5	7	14	100
Other	33	8	19	100

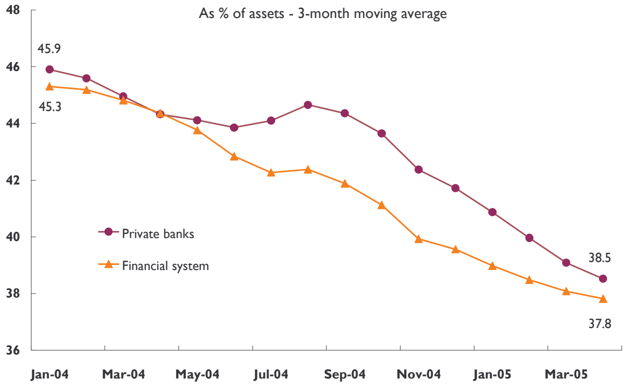
Does not include accrued interest or CER/CVS adjustments.
Balance sheet totals not adjusted by transfers between loan portfolios and trust funds or by loans written off balance sheets.
The private bank group includes financial institutions currently undergoing a restructuring process and under administration 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 14
Deposits and liquidity
Private banks



Source: BCRA

Chart 15
Exposure to public sector
As % of assets - 3-month moving average



Source: BCRA

accumulated growth of 84%a. for the financial system as a whole. Credit card lending recorded a modest change in April, with growth of almost 1% in the month for the financial system aggregate, although in the first four months of the year this segment has posted an increase of 30%a..

There was slight growth in collateralized loans in April across the financial system as a whole (1.1% for the month), although if adjusted for the effect of the reclassification of sundry credits to mortgage loans by one bank, the variation would be smaller (0.4% for the month). As in previous months, this behavior was mainly a reflection of a market in which amounts of new mortgage loans are insufficient to offset the amortization and early settlement of existing loans in this credit segment. Adjusted to reflect the transfer to a trust fund, the variation in the balance of mortgage loans is -0.2%. It was possible to offset this negative balance in April because of the dynamism shown in the pledge-backed loan segment, which achieved its highest monthly increase for the year: 3.4% (49%a.).

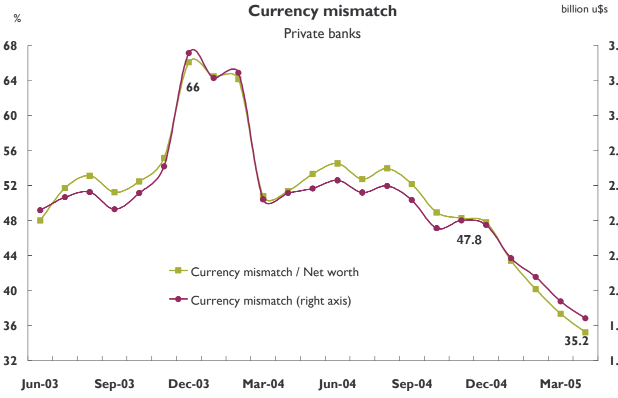
In line with the gradual normalization of the financial intermediation process, in the context of renewed vitality in private sector lending and greater efforts to reduce borrowings from the Central Bank, in April there was a drop in the portfolio of bank liquid assets. In particular, the liquidity ratio (liquid assets over total deposits) for private banks fell 2 p.p. to a level of 25.3%, still at levels above those recorded prior to the crisis (see Chart 14). The fall in the liquidity ratio in April also reflects the effect of the increase in deposit balances, particularly in the private sector.

While lending to the private sector has maintained its positive trend, exposure of the financial system to the public sector (exluding the holding of Central Bank assets) has recorded a downward trend, gradually reversing the increase posted during the recent crisis (see Chart 15, showing the moving quarterly average). **Financial system exposure to the public sector fell by over one percentage point during the month, to 37.2% of total assets (38% in the case of private banks)**. As a result, financial system exposure to this sector shows a drop of almost 6.5 p.p. in the last 12 months. In the case of private banks, unlike previous months, when the drop in exposure was led by the declining size of the public sector portfolio, in April the determining factor was the downward correction in the amount of compensation to be received.

On the basis of the flows of funds observed during the month, with a decline in liquid assets denominated in dollars, **the foreign currency mismatching for private banks recorded a drop of almost US$100 million,** confirming the downward trend that has been recorded in 2005 (with an accumulated reduction in excess of US$500 million, see Chart 16). **Until April, this mismatching was equivalent to 35.2% of private bank net worth, almost 2 p.p. below its March level and 13 p.p. less than at the end of 2004.** In the case of the system as a whole, the change in April was similar, as the mismatching fell from 35% to 33% of its net worth.

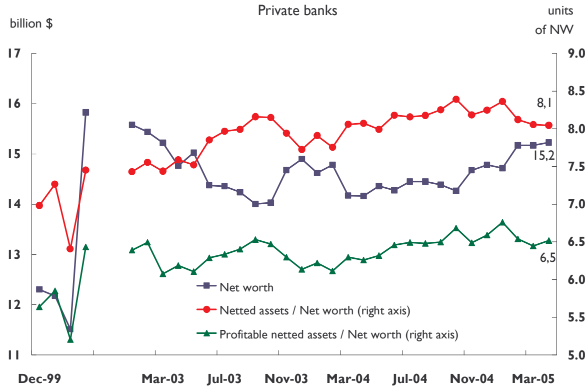
On the matter of solvency, **in April a slight increase was recorded in the net worth of the financial system (0.3%), given the profits**

Chart 16
Currency mismatch
Private banks



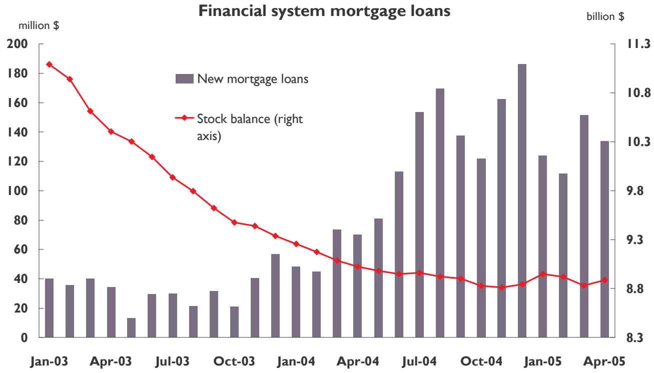
Source: BCRA

Chart 17
Netted assets and net worth
Private banks



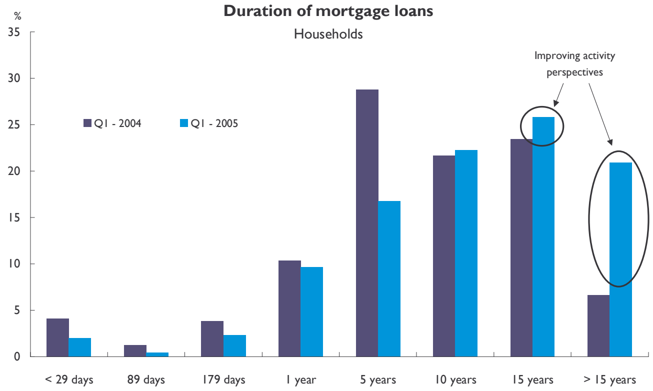
Source: BCRA

Chart 18
Financial system mortgage loans



NOTE: Balances not adjusted for transfers between balance sheets and trusts funds.
Source: BCRA

Chart 19
Duration of mortgage loans
Households



Source: BCRA

recorded during the month, which were partially offset by profit distributions by two private banks. In the specific case of private banks, net worth rose by 0.4% in April, accumulating growth of 3% in 2005. In a context of asset growth, the private bank leverage ratio (netted assets over net worth) remained at a level of 8 times net worth during April (see Chart 17). **The capital compliance ratio for private banks rose slightly in April, reaching 15.8% of risk-weighted assets (14% for the financial system as a whole).** Lastly, the capital position of private banks rose from 134.5% to 159% of the total requirement, reflecting the impact of both the increase in minimum capital compliance (following the mentioned increase in net worth) and a fall in the requirement. A similar performance was recorded by the financial system as a whole (from 145.8% to 159.7% of the requirement).

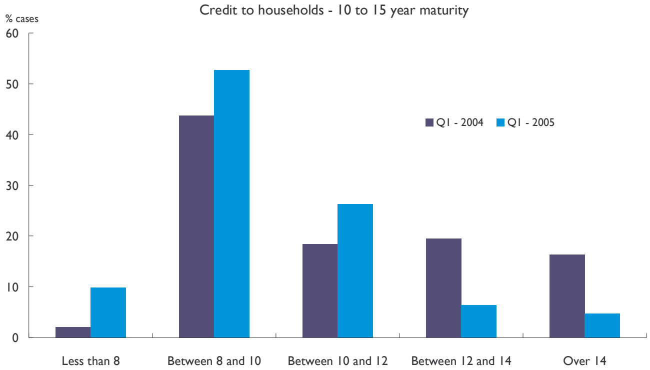
Mortgage loans:
Housing loans for more than 15 years available once again...

Since mid-2004 there has been a notable recovery in mortgage lending, although the rising volume of such loans has still not been sufficient to offset total repayments and early settlements (see Chart 18). **In the first four months of 2005 mortgages were granted for an amount of approximately $520 million, 120% up on the same period of the previous year.** Although the reappearance of mortgage lending after the crisis in 2001-2002 received an initial impulse from the gaining of corporate clients, **by mid-2004 mortgage loans for households began to take the lead. In effect, this sector currently accounts for two thirds of all transactions under this heading.** The less uncertain macroeconomic climate and the gradual increase in the purchasing power of wages (which translates into a relatively more solid position in relation to the path of expected income), added to the lengthening of terms and the reduction in interest rates, help to explain the reappearance of households in this segment.

Given the relative increase in property values (almost 150% since December 2001), financing needs for families for house purchases have required larger amounts for longer terms. As a result, growth in the number of operations in these lines was matched by an increase of close to 11% in the average amount of the mortgage loan, comparing the first four months of 2005 with the same period of the previous year. The effect of the extension of terms was one of the factors that enabled families to comply with the required technical ratios (such as the relationship between the installment and income), expanding the universe of potential borrowers. During the first four months of 2004, only half of all home mortgages were granted for more than 5 years, whereas in the same period of 2005 this proportion was in excess of two thirds of the total (see Chart 19). **In 2005 signs were seen of a revival of 15-year mortgage lending, with this segment increasing eightfold compared with 2004.**

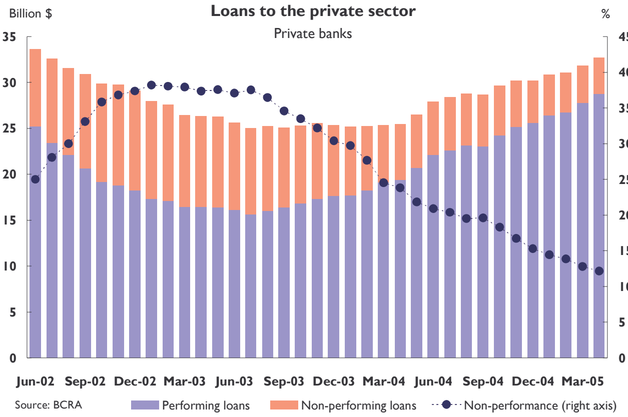
Declining rates of interest were another key factor in the start of recovery in household mortgage lending. Whereas interest rates on lines for up to 15 years fell by around 1 p.p. between the four-month

Chart 20
Mortgage loan interest rate
Credit to households - 10 to 15 year maturity



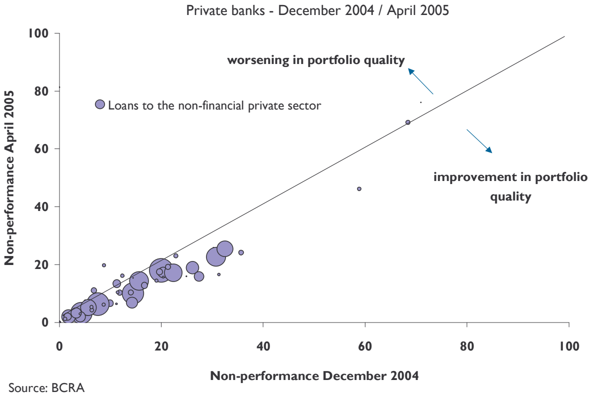
Source: BCRA

Chart 21
Loans to the private sector
Private banks



Source: BCRA

Chart 22
Non-performance by type of portfolio
Private banks - December 2004 / April 2005



Source: BCRA

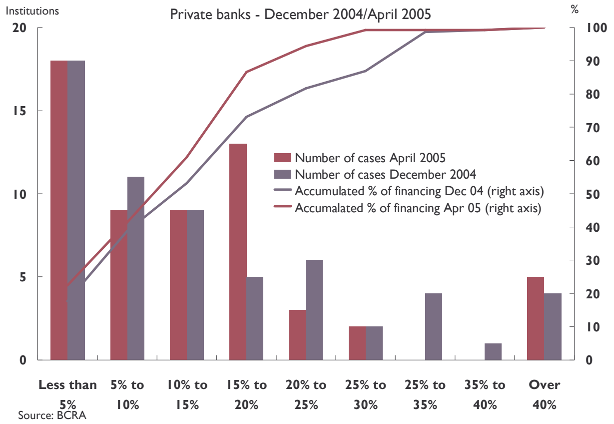
periods being compared, in the case of lines for over 15 years the reduction was 3.2 p.p.. This was due in part to the favorable macroeconomic context, which was reflected in a widespread drop in interest rates. Increased competition among financial institutions (seeking to position themselves in a segment with significant potential for improved financial margin, closely linked to the development of customer loyalty) also explains the fall in house purchase financing costs experienced by families. In the first months of 2005 **there was a visible** (see Chart 20) **and a notable increase in the number of institutions offering mortgage loans, compared with 2004**. In the up to 15 years segment, the number of banks almost doubled, while the number of institutions offering lines for periods of over 15 years increased threefold. Nevertheless, mortgage credit transactions continue to be concentrated on a small number of institutions (4 banks account for three-quarters of the amount lent).

Despite the clearly positive signs seen to date (leading to hopes that the balance of such loans will begin to rise during 2005), **there continue to be certain factors that condition the rate of growth of mortgage lending, making it likely that the rebuilding of this market will take place gradually.** On the supply side, the main restrictions continues to be the low term to maturity of funding, although term mismatching is a characteristic that is inherent to the banking business. It is hoped that with the recent completion of the sovereign debt restructuring, the planning horizon of the various economic agents will in general be extended. Furthermore, increased activity in the issue of financial instruments such as mortgage notes would help to improve funding characteristics. On the side of demand, the principal conditioning elements continue to be related to the recovery of income levels, employment stability and participation in the formal economy. As long as the macroeconomic context remains stable, families will be in a better position to take decisions related to the purchase or change of housing. The deepening of the mortgage market will then become more dynamic, particularly if there continues to be active competition between lending banks that results in overall terms and financing costs that are increasingly attractive.

Portfolio quality:
Large banks lead drop in non-performance

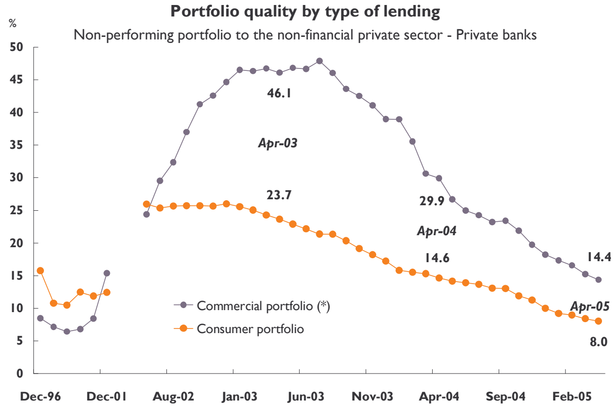
In April, portfolio quality continued with the progressive recovery observed since 2004. In the context of rising lending and a lower implicit counterpart risk, **non-performing loans to the private sector fell 0.7 p.p. for the aggregate financial system during the month. As a result, the level totaled 15.2% (its lowest since 2000 and almost one third of the levels recorded in 2003), accumulating a drop of 3.4 p.p. in the first four months of 2005**. The favorable conditions being faced by manufacturing sectors, together with the recent changes in regulations by the Central Bank to facilitate access to credit, will help ensure continued growth in lending. This will in turn lead to further gains in financial system portfolio quality, as portfolios are rebuilt on the basis of new loans agreed under improved macroeconomic conditions.

Chart 23
Non-performing portfolio to the private sector
Private banks - December 2004/April 2005



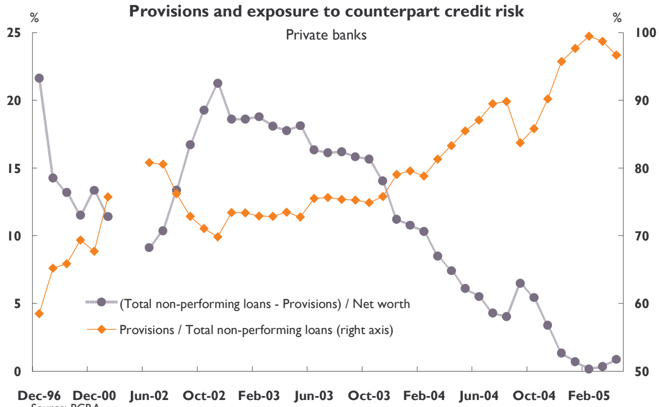
Source: BCRA

Chart 24
Portfolio quality by type of lending
Non-performing portfolio to the non-financial private sector - Private banks



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

Chart 25
Provisions and exposure to counterpart credit risk
Private banks



Source: BCRA

The monthly improvement in portfolio quality indicators is accounted for mainly by private banks, which recorded a fall in non-performance of 0.6 p.p., to a level of 12.2 (see Chart 21). This level, a drop of 3.1 p.p. in the year to date, is already below the level at the end of 2001 and is equivalent to less than one third of the peaks recorded during the past crisis. Although the cut-back in non-performing rates was widespread, there was a notable performance by those institutions with greater weight in terms of loan volumes (see Chart 22). Together with a reduction in aggregate delinquency levels, there has been a reduction in dispersion within the private banks group (see Chart 23). Banks with a non-performing rate of under 15% account for 60% of loans, while a few institutions, making less than 6% of all loans, have a non-performing loan rate in excess of 25%.

The favorable development of non-performing ratios for private banks in April was explained by the joint effect of a sharp increase in loans granted (of a higher quality), and to a lesser extent, by a slight decline in the amounts of loans classified as non-performing. The effect of portfolio growth was especially noticeable in the case of commercial lending, although there was also some increase in loans granted to consumption. As a result, **the improvement in the non-performing ratio was greater in the commercial portfolio, which recorded a drop of 0.9 p.p., to a level of 14.4%** (see Chart 24). This level is significantly lower than that seen at the end of 2001, although there is still a considerable margin for improvement. The consumer portfolio reduced its non-performing ratio by 0.4 p.p., to 8% of loans. The greater relative level of non-performance in the commercial portfolio encourages expectations that this segment will lead the reduction in delinquency in coming months.

The reduction in the amounts classified as non-performing in April was accompanied by a more than proportional drop in the balance of private bank provisions. This was reflected in a drop in the indicator of cover by mans of provisions, which fell from 99% to 96%, remaining well above historical levels (see Chart 25). In view of this latest decline, the indicator for total portfolio not covered by provisions in terms of net worth (measure of the exposure of net worth to credit risk), increased 0.6 p.p. to a level of 1% at the end of the month. The low level of this indicator is a sign that the impact on net worth of unexpected potential losses is very limited in the case of the private bank aggregate.

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" 4331 – 04 April 05
The minimum term for deposits adjusted according to the Reference Stabilization Coefficient ("CER") is increased from 270 days to 365 days.

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	May 04	Dec 04	Apr 05	Change (%) Month on month	Accum. 2005	Year on year
Assets	**153.140**	**163.550**	**123.743**	**187.532**	**186.873**	**189.839**	**212.562**	**218.080**	**0,7**	**3,3**	**15,7**
Liquid assets[1]	20.423	20.278	13.005	17.138	27.575	31.668	29.154	26.622	4,9	-4,2	-11,8
Public bonds	8.531	10.474	3.694	31.418	45.062	44.175	55.382	57.694	2,2	6,5	33,5
Private bonds	477	633	543	332	198	199	387	386	11,3	11,0	115,9
Loans	83.850	83.277	77.351	84.792	68.042	71.584	73.617	77.008	0,9	5,5	8,5
Public sector	12.138	15.164	22.694	44.337	33.228	34.697	30.866	30.235	0,4	-1,6	-12,5
Private sector	67.934	64.464	52.039	38.470	33.398	35.122	41.054	44.706	1,3	10,3	28,9
Financial sector	3.778	3.649	2.617	1.985	1.417	1.764	1.697	2.067	-1,0	20,5	15,9
Provisions over loans	-6.001	-6.907	-6.987	-11.952	-9.374	-8.395	-7.500	-7.003	-2,4	-8,8	-18,5
Other netted credits due to financial intermediation	33.679	42.361	21.485	39.089	27.030	23.385	32.554	34.751	-4,8	1,7	41,5
Corporate bonds and subordinated debt	1.115	794	751	1.708	1.569	1.186	1.018	813	-0,8	-20,7	-31,9
Unquoted trusts	1.336	2.053	2.065	6.698	4.133	3.893	3.145	2.973	3,1	-2,5	-21,3
Compensation receivable	0	0	0	17.111	14.937	14.662	15.467	14.862	-19,0	-22,2	-17,9
BCRA	81	141	84	3.360	650	761	376	368	3,0	0,7	-50,2
Other	31.146	39.373	18.585	10.212	5.741	2.883	12.547	15.735	6,9	34,0	483,3
Assets under financial leases	814	786	771	567	397	424	611	770	3,9	31,0	88,6
Shares and participation	1.838	2.645	2.688	4.653	4.591	3.362	3.871	3.942	0,4	2,3	17,8
Fixed assets and sundry	4.973	4.939	4.804	8.636	8.164	8.062	7.782	7.693	-0,3	-1,4	-4,8
Foreign branches	996	1.115	1.057	3.522	3.144	3.231	3.524	3.434	-0,4	-2,9	5,9
Other assets	3.560	3.950	5.334	9.338	12.043	12.145	13.180	12.783	-2,7	-5,6	2,4
Liabilities	**136.252**	**146.267**	**107.261**	**161.446**	**164.923**	**168.666**	**188.683**	**193.550**	**0,5**	**3,1**	**15,4**
Deposits	81.572	86.506	66.458	75.001	94.635	105.618	116.655	123.668	1,7	7,8	19,1
Public sector[2]	7.232	7.204	950	8.381	16.040	26.790	31.649	31.494	1,1	0,6	18,8
Private sector[2]	73.443	78.397	43.270	59.698	74.951	76.202	83.000	89.968	2,0	10,6	20,5
Current account	6.478	6.438	7.158	11.462	15.071	16.810	18.219	19.569	4,2	11,9	21,3
Savings account	13.047	13.008	14.757	10.523	16.809	19.699	23.866	25.357	0,5	6,8	29,3
Time deposit	48.915	53.915	18.012	19.080	33.285	30.498	34.944	39.385	2,1	15,0	31,8
CEDRO	0	0	0	12.328	3.217	2.246	1.046	613	-17,6	-51,7	-77,5
Other netted liabilities due to financial intermediation	50.361	55.297	36.019	75.737	61.690	59.031	64.928	63.587	-1,3	-3,3	6,4
Call money	3.793	3.545	2.550	1.649	1.317	1.509	1.461	1.803	4,4	28,8	24,7
BCRA lines	315	102	4.470	27.837	27.491	26.875	27.726	25.697	-7,0	-13,8	-11,1
Outstanding bonds	5.087	4.954	3.777	9.096	6.675	8.097	7.922	6.258	-2,1	-22,6	-24,3
Foreign lines of credit	10.279	8.813	7.927	25.199	15.196	10.807	8.884	7.773	-13,5	-24,3	-37,8
Other	30.886	37.883	17.295	11.955	11.012	11.742	18.934	22.057	9,6	27,6	105,8
Subordinated debts	2.206	2.255	2.260	3.712	2.028	2.080	1.415	1.349	-1,9	-6,4	-36,3
Other liabilities	2.113	2.210	2.524	6.997	6.569	6.413	5.685	4.945	-4,1	-16,5	-26,0
Net worth	**16.888**	**17.283**	**16.483**	**26.086**	**21.950**	**21.173**	**23.879**	**24.530**	**1,8**	**4,6**	**18,0**
Memo											
Netted assets	126.432	129.815	110.275	185.356	184.371	189.839	202.447	204.668	0,2	1,3	8,0
Consolidated netted assets	122.270	125.093	106.576	181.253	181.077	186.199	198.462	200.258	0,2	1,1	7,8

(1) Includes margin accounts with the BCRA

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

Source: BCRA

Statistics: Financial System

Profitability structure

In annualized terms

As % of netted assets	Annual						First 4 months		Monthly			Last 6 months
	1999	2000	2001	2002	2003	2004	2004	2005	Feb-05	Mar-05	Abr-05	
Financial margin	5,6	5,7	5,7	6,5	1,1	3,1	1,9	3,9	4,5	3,4	5,2	3,5
Net interest income	4,3	4,0	3,8	-1,7	-0,5	0,9	0,5	1,2	1,1	1,3	1,2	1,1
Restatement by CER and CVS	0,0	0,0	0,0	3,9	1,3	1,0	0,9	1,7	1,9	1,8	2,2	1,3
Gains on securities	0,9	1,2	1,2	1,7	1,1	0,4	-0,1	0,0	0,5	0,1	0,2	0,0
Foreign exchange price adjustments	0,2	0,1	0,2	2,8	-0,5	0,9	0,8	1,0	1,1	0,1	1,4	1,0
Other financial income	0,2	0,4	0,5	-0,1	-0,3	-0,2	-0,2	0,1	0,0	0,1	0,1	0,0
Service income margin	2,9	2,8	3,0	1,9	1,9	2,0	1,9	2,1	2,0	2,2	2,2	2,1
Loan loss provisions	-2,1	-2,4	-2,6	-4,7	-1,1	-0,7	-0,7	-0,6	-0,7	-0,4	-0,6	-0,8
Operating costs	-5,9	-5,8	-6,1	-4,4	-4,2	-4,2	-4,2	-4,1	-4,0	-4,4	-4,1	-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	-0,2	-0,1	-0,3	-0,4	-0,2
Adjustments to the valuation of government securities (*)	0,0	0,0	0,0	0,0	-0,4	-0,2	-0,4	-0,1	-0,2	-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	-0,8	-0,9	-1,2	-1,0
Other	0,5	0,4	0,6	-1,8	0,9	0,8	0,7	0,5	0,7	-0,1	0,4	0,7
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	0,4	1,1	-0,7	1,3	-0,1
ROA before monetary results	0,2	0,0	0,0	-3,1	-2,9	-0,5	-2,1	0,2	1,0	-0,9	0,8	-0,2
ROA	**0,2**	**0,0**	**0,0**	**-8,9**	**-2,9**	**-0,5**	**-2,1**	**0,2**	**1,0**	**-0,9**	**0,8**	**-0,2**
ROA adjusted (**)	0,2	0,0	0,0	-8,9	-1,9	0,7	-0,5	1,3	2,0	0,1	2,2	0,7
Indicators (%)												
ROE	**1,7**	**0,0**	**-0,2**	**-59,2**	**-22,7**	**-4,2**	**-18,6**	**1,7**	**8,2**	**-7,6**	**7,0**	**-2,1**
Financial margin + service income margin / Operating costs	142,5	147,4	143,3	189,1	69,3	122,9	92,6	145,3	161,8	127,5	176,8	133,2
Interest income (with CER and CVS) / loans	..	13,0	15,2	11,8	13,1	10,3	10,0	12,8	13,3	14,0	14,1	12,0
Interest payments (with CER and CVS) / deposits	..	5,3	7,3	9,2	5,7	1,8	1,9	2,3	2,4	2,4	2,6	2,1

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

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

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

Source: BCRA

Portfolio quality

As percentages	Dec 99	Dec 00	Dec 01	Dec 02	Dec 03	Mar 04	Dec 04	Jan 05	Feb 05	Mar 05	Apr 05
Non-performing loans (overall)	11.5	12.9	13.1	18.1	17.7	14.9	10.7	10.2	9.8	9.3	9.1
Non-performing loans to the non-financial private sector	14.0	16.0	19.1	38.6	33.5	29.0	18.6	17.7	17.1	15.8	15.2
Commercial portfolio (*)	12.1	14.9	20.7	44.0	38.0	34.0	22.8	22.0	21.3	19.5	18.7
Consumption and housing portfolio	16.6	17.3	17.5	31.4	28.0	22.3	11.0	10.4	10.1	9.6	9.1
Provisions / Total non-performing loans	59.6	61.1	66.4	73.8	79.2	86.4	102.9	102.7	105.0	105.0	106.2
(Total non-performing - Provisions) / Overall financing	4.7	5.0	4.4	4.7	3.7	2.0	-0.3	-0.3	-0.5	-0.5	-0.6
(Total non-performing - Provisions) / Net worth	24.7	26.2	21.6	17.2	11.9	7.0	-1.0	-0.9	-1.6	-1.5	-1.9

(*) Includes commercial assimilable portfolio to consumption.

Source: BCRA

Statistics: Private Banks

Balance Sheet

In current pesos (millions)	Dec 99	Dec 00	Dec 01	Dec 02	Dec 03	Apr 04	Dec 04	Mar 05	Apr 05	Change (%) Month on month	Change (%) Accum. 2005	Change (%) Year on year
Assets	**108,778**	**119,371**	**82,344**	**118,906**	**116,633**	**114,324**	**128,065**	**129,649**	**130,588**	**0.7**	**2.0**	**14.2**
Liquid assets[1]	13,228	13,920	10,576	11,044	14,500	16,488	15,893	16,014	14,969	-6.5	-5.8	-9.2
Public bonds	6,433	7,583	1,627	19,751	22,260	18,935	24,817	24,509	24,979	1.9	0.7	31.9
Private bonds	410	563	451	273	172	164	333	335	312	-6.7	-6.1	90.7
Loans	56,916	56,035	52,319	51,774	47,017	49,225	50,741	51,470	52,737	2.5	3.9	7.1
Public sector	6,389	8,172	13,803	25,056	23,571	24,937	21,420	20,443	20,667	1.1	-3.5	-17.1
Private sector	47,705	45,103	36,636	26,074	22,816	23,498	28,213	29,738	30,731	3.3	8.9	30.8
Financial sector	2,823	2,760	1,880	644	630	790	1,107	1,289	1,339	3.8	20.9	69.5
Provisions over loans	-3,119	-3,248	-3,957	-7,463	-5,225	-4,456	-3,717	-3,371	-3,346	-0.7	-10.0	-24.9
Other netted credits due to financial intermediation	27,330	36,600	13,037	27,212	22,148	23,057	25,753	26,437	26,673	0.9	3.6	15.7
Corporate bonds and subordinated debt	1,022	724	665	1,514	1,394	994	829	673	624	-7.3	-24.7	-37.2
Unquoted trusts	958	1,609	1,637	6,205	3,571	3,612	2,362	2,121	2,147	1.2	-9.1	-40.6
Compensation receivable	0	0	0	15,971	13,812	12,917	14,657	14,401	14,050	-2.4	-4.1	8.8
BCRA	12	35	865	377	415	294	311	299	300	0.6	-3.4	2.3
Other	25,338	34,232	9,870	3,146	2,955	5,241	7,594	8,943	9,552	6.8	25.8	82.3
Assets under financial leases	796	776	752	553	387	398	592	688	751	9.1	26.8	88.7
Shares and participation	1,371	1,651	1,703	3,123	2,791	1,491	1,892	1,992	1,941	-2.5	2.6	30.2
Fixed assets and sundry	3,246	3,225	3,150	5,198	4,902	4,903	4,678	4,643	4,633	-0.2	-1.0	-5.5
Foreign branches	48	75	112	-109	-136	-68	-53	-63	-75	20.0	42.8	11.1
Other assets	2,120	2,190	2,574	7,549	7,816	7,949	7,137	6,995	7,012	0.2	-1.8	-11.8
Liabilities	**96,474**	**107,193**	**70,829**	**103,079**	**101,732**	**103,921**	**113,285**	**114,483**	**115,358**	**0.8**	**1.8**	**11.0**
Deposits	54,447	57,833	44,863	44,445	52,625	56,464	62,685	67,283	67,763	0.7	8.1	20.0
Public sector[2]	1,342	1,276	950	1,636	3,077	3,564	6,039	6,356	6,285	-1.1	4.1	76.4
Private sector[2]	52,460	55,917	43,270	38,289	47,097	50,907	55,384	59,686	60,270	1.0	8.8	18.4
Current account	5,022	4,960	7,158	8,905	11,588	13,640	13,966	15,061	14,777	-1.9	5.8	8.3
Savings account	9,702	9,409	14,757	6,309	10,547	13,320	14,842	15,660	16,024	2.3	8.0	20.3
Time deposit	35,218	39,030	18,012	11,083	18,710	18,379	22,729	25,096	25,754	2.6	13.3	40.1
CEDRO	0	0	0	9,016	2,409	1,836	798	583	481	-17.5	-39.7	-73.8
Other netted liabilities due to financial intermediation	39,045	46,271	22,629	49,341	42,367	41,756	45,083	42,231	42,852	1.5	-4.9	2.6
Call money	2,146	2,293	1,514	836	726	824	1,070	1,201	1,269	5.6	18.6	54.0
BCRA lines	274	83	1,758	16,624	17,030	16,589	17,768	15,894	15,927	0.2	-10.4	-4.0
Outstanding bonds	4,990	4,939	3,703	9,073	6,674	6,469	7,922	6,339	6,258	-1.3	-21.0	-3.3
Foreign lines of credit	6,680	5,491	4,644	15,434	9,998	8,145	5,444	4,960	4,926	-0.7	-9.5	-39.5
Other	24,954	33,466	11,010	7,374	7,939	9,729	12,878	13,837	14,472	4.6	12.4	48.8
Subordinated debts	1,683	1,668	1,700	3,622	1,850	1,344	1,304	1,233	1,240	0.5	-4.9	-7.8
Other liabilities	1,299	1,420	1,637	5,671	4,890	4,358	4,213	3,735	3,503	-6.2	-16.8	-19.6
Net worth	**12,304**	**12,178**	**11,515**	**15,827**	**14,900**	**14,164**	**14,780**	**15,167**	**15,229**	**0.4**	**3.0**	**7.5**
Memo												
Netted assets	85,918	88,501	73,796	117,928	115,091	114,324	121,889	122,160	122,522	0.3	0.5	7.2

(1) Includes margin accounts with the BCRA

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

Source: BCRA

Statistics: Private Banks

Profitability structure

In annualized terms

As % of netted assets	Annual						First 4 months		Monthly			Last
	1999	2000	2001	2002	2003	2004	2004	2005	Feb-05	Mar-05	Abr-05	6 months
Financial margin	6,1	6,2	6,4	7,6	2,3	2,9	2,1	3,5	4,1	2,8	4,6	2,9
Net interest income	4,5	4,1	4,3	-0,2	0,1	1,0	0,6	1,3	1,3	1,5	1,3	1,3
Restatement by CER and CVS	0,0	0,0	0,0	1,1	0,9	0,8	1,1	1,2	1,3	1,4	1,5	1,0
Gains on securities	1,1	1,4	1,2	2,5	1,7	0,6	0,1	0,2	0,6	0,3	0,3	0,0
Foreign exchange price adjustments	0,3	0,2	0,3	4,4	-0,3	0,8	0,5	0,8	1,0	-0,4	1,4	0,6
Other financial income	0,3	0,5	0,7	-0,1	-0,2	-0,3	-0,2	0,0	0,0	0,1	0,1	0,0
Service income margin	3,1	2,9	3,2	2,0	2,0	2,4	2,2	2,5	2,3	2,5	2,5	2,5
Loan loss provisions	-2,2	-2,5	-3,0	-5,0	-1,3	-0,9	-0,9	-0,6	-0,5	-0,7	-0,5	-0,9
Operating costs	-6,3	-6,0	-6,4	-4,8	-4,6	-4,6	-4,5	-4,6	-4,4	-4,9	-4,6	-4,8
Tax charges	-0,4	-0,4	-0,5	-0,4	-0,3	-0,3	-0,3	-0,4	-0,4	-0,4	-0,4	-0,4
Income tax	-0,5	-0,4	-0,3	-0,2	-0,3	-0,2	-0,6	-0,1	-0,1	-0,3	-0,1	-0,1
Adjustments to the valuation of government securities (*)	0,0	0,0	0,0	0,0	-0,6	0,0	-0,2	-0,1	-0,1	-0,1	-0,1	0,1
Amortization payments for court-ordered releases	0,0	0,0	0,0	0,0	-0,7	-1,0	-0,9	-1,0	-0,9	-1,0	-1,0	-1,0
Other	0,5	0,4	0,7	-3,0	1,0	0,7	1,1	0,5	0,7	0,1	0,2	0,6
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	-0,1	0,8	-1,6	0,9	-0,9
ROA before monetary results	0,3	0,1	0,2	-3,8	-2,4	-1,0	-2,0	-0,2	0,7	-1,8	0,8	-1,0
ROA	**0,3**	**0,1**	**0,2**	**-11,3**	**-2,5**	**-1,0**	**-2,0**	**-0,2**	**0,7**	**-1,8**	**0,8**	**-1,0**
ROA adjusted (**)	0,3	0,1	0,2	-11,3	-1,2	0,2	-0,3	0,8	1,7	-0,8	1,8	-0,1
Indicators (%)												
ROE	**2,3**	**0,8**	**1,4**	**-79,0**	**-19,1**	**-8,1**	**-16,1**	**-1,9**	**5,4**	**-14,9**	**6,2**	**-8,4**
Financial margin + service income margin / Operating costs	146,0	151,9	150,9	199,3	92,6	115,0	94,9	130,8	144,3	108,6	157,0	114,0
Interest income (with CER and CVS) / loans	..	13,9	16,1	24,7	9,0	8,2	8,0	11,2	11,8	12,4	12,5	11,2
Interest payments (with CER and CVS) / deposits	..	5,7	7,8	21,9	5,8	2,2	2,1	2,9	3,0	2,9	3,2	2,9

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	Apr 05
Non-performing loans (overall)	7.6	8.3	9.9	19.8	15.7	12.5	8.9	8.3	8.0	7.6	7.3
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	12.2
Commercial portfolio (*)	6.8	8.4	15.4	44.7	39.0	30.6	18.2	17.4	16.6	15.2	14.4
Consumption and housing portfolio	12.5	11.9	12.4	26.0	17.2	15.3	10.0	9.2	9.0	8.4	8.0
Provisions / Total non-performing loans	69.4	67.7	75.7	73.4	79.0	81.3	94.2	97.7	99.4	98.7	96.7
(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	0.2
(Total non-performing - Provisions) / Net worth	11.5	13.4	11.4	18.6	11.2	8.5	1.8	0.7	0.2	0.3	0.9

(*) Includes commercial assimilable portfolio to consumption.

Source: BCRA