Report on Banks

NOVEMBER 2004

Central Bank of Argentina

Year II – No. 3

Contents

Note: This report contains information from November 2004 balance sheets available on 21/12/04. Description centers mainly on the behavior of the main financial variables for the private bank aggregates (including breakdowns by uniform subgroups), except for certain variables that explicitly refer to public banks and the entire financial system. Figures provided (particularly in the case of profitability) are preliminary, and may be subject to change.

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Summary

- The domestic financial system progressed significantly in the first 11 months of the year, indicative of the path toward complete normalization following the crisis of 2001-2002. There was a strengthening of the funding for private deposits, clearly a sign of increased confidence in the system. The reestablishment of growth in the credit lines linked to production activity, such as those associated with private consumption, was also seen. In turn, portfolio quality approached pre-crisis values. These factors, together with several entities' capitalization processes, led to a notable improvement in the system's solvency.

- November's financial system result was -$190 million or -1.2%a. of assets. The final result for the first 11 months of 2004 is a $700 million (-0.4%a.) loss, one-sixth of that recorded for the same period a year before. This cumulative result becomes a $1.36 billion (0.8%a.) profit, once eliminating the influence of the main factors arising from the gradual acknowledgement of the costs of the crisis (amortization of court orders and valuation adjustments of public sector assets), thus providing a certain approximation to the profitability conditions of current banking business.

- Private banks recorded a negative result of $251 million (-2.6%a. of assets) for the month. The number of institutions showing profits held steady compared with the previous month (34, 56% of the total). For the first 11 months of the year, they have built up a loss of nearly $900 million (-0.8%a.), confirming important progress in terms of the results recorded for the same period in 2003 (-$3.09 billion, -3%a.). Excluding the effect of the amortization of court orders and valuation adjustments, a profit of over $400 million (0.4%a.) is noted for 2004.

- Results for the month markedly reflected the effect of the acquisition of one private institution's main assets and liabilities by another, acknowledging losses arising from said operation. In addition, for the whole of the private banks, lower profits due to changes in market prices and increased loan loss provisions were observed, overshadowing gains achieved in the area of net income from both interest – thanks to the growth of private loans – and services.

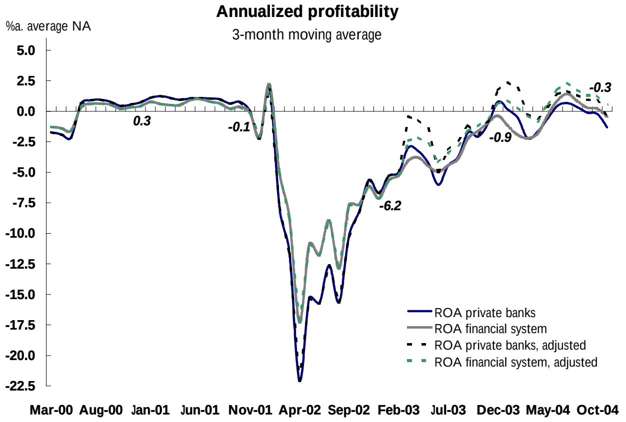
- Solvency indicators for the whole of private banks showed improvement due to the capitalization observed for the period, carried out mainly by means of a debt swap of a group of foreign institutions ($ 720 million). The net worth of private institutions thus rose 3.2% in November, to a level similar to that recorded a year ago.

- Consolidated financial system assets kept up with October's expansion pace, rising 15%a., with a 7.3% y.o.y. change. Toward the end of 2004, the financial system's credit to the private sector continued to increase, driven mainly by commercial lines, which rose 3.5% during the month (50%a.), and consumer lines, which saw a 5% (77%a.) increase. Standing out are lines associated with the financing and pre-financing of exports, which went up 4.3% (66%a.).

- Private banks' loan portfolio non-performance dropped more than 1 p.p. to 17%, led by the commercial portfolio, which registered a decline of nearly 2 p.p. in its non-performance. The ratio of total non-performing loans not covered by provisions as a percentage of net worth improved nearly 1 p.p., dropping below 5%, as a certain increase in coverage by provisions was observed, and in view of the rise in net worth.

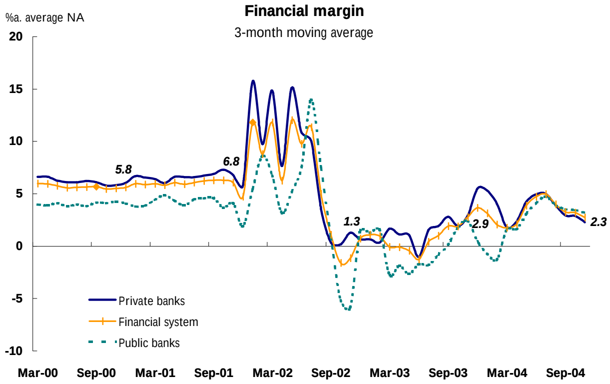
- November witnessed the growth of both public sector (5%) and private sector (1.6%) deposits. There was a greater channeling of public sector deposits to public banks, along with an increase in private sector deposits to private banks. CER-adjusted time deposits saw a 10.5% rise for the month, surpassing $4.7 billion.

Chart 1
Annualized profitability
3-month moving average



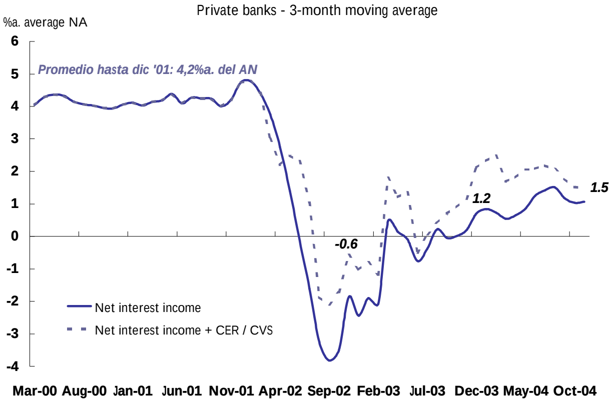
Source: BCRA

Chart 2
Financial margin
3-month moving average



Source: BCRA

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



Source: BCRA

Profitability:
Negative results of a non-recurrent nature

The financial system registered a $190 million loss in November, representing an annualized (a.) return of -1.2% in terms of assets. For the last three months, aggregate system losses totaled $230 million(-0.5%a. of assets), signifying an improvement with respect to the same period in 2003 (with a -0.9%a. ROA) and in 2002 (with losses of -7.1%a.). As can be observed in Chart 1, despite persistent volatility, profitability indicators remain within the pattern of progressive improvement seen since mid-2002. Cumulative losses for 2004 total nearly $700 million (-0.4%a.), showing a marked decline as regards the same period in 2003, when the negative result was in excess of $5.0 billion (3%a. of assets). Adjusting 2004's cumulative results to exclude the main factors linked to the slow recognition of the costs of the crisis -valuation adjustments on assets and amortizations of court orders– a $1.36 billion (0.8%a.) profit is obtained.

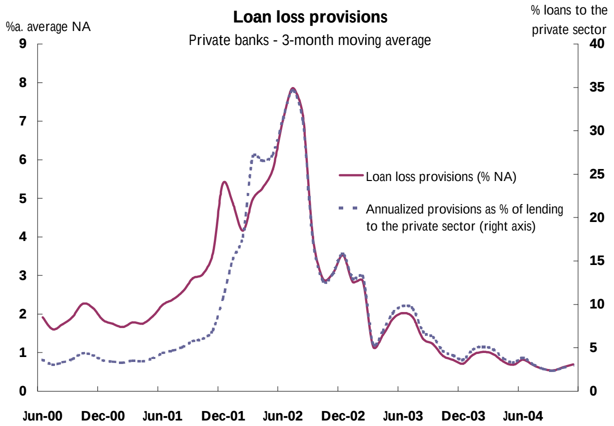
The month's losses were mainly concentrated in private banks, whose results were -$251 million (-2.6%a. of assets). In fact, the number of banks recording positive results held steady between October and November (34 institutions). So far in 2004, there is a -$896 million (-0.8%a. of assets) cumulative result, well below the losses seen for the same period in 2003 (-$3.09 million, or 3%a. of assets). Likewise, excluding the impact of valuation adjustments and the amortization of court orders, adjusted profitability has been positive for 2004: $438 million (0.4%a. of assets).

Private banks' accumulated profitability for the month was largely affected by the impact of the acquisition of a large part of the assets and liabilities of one institution by another, thus obligating the former to acknowledge different losses. These losses are of a non-recurrent nature and are therefore not representative of the current evolution of bank profitability. As a result, the increased variation recorded in the private bank results chart was in the sundries heading, dropping close to 1 p.p. to -0.7%a. of assets, given the losses registered in light of the adquisition. Within this framework, the ceding institutions had to acknowledge losses in terms of the differences between the book values of the assets sold and the value finally traded. Furthermore, said institutions withheld intangible assets that should have been chalked up as losses[1].

The financial margin of private banks witnessed a 0.5 p.p. decline for the month, to 2.2%a., explained by the combined effect of a fall in profits because of changes in market prices (which went from 0.4%a. to nil in terms of assets) and a significant setback in income from assets (see Chart 2). The latter of these, however, with income from assets dropping 0.8 p.p. to 0.3%a., was in large measure the result of one institution's reclassification of public sector asset

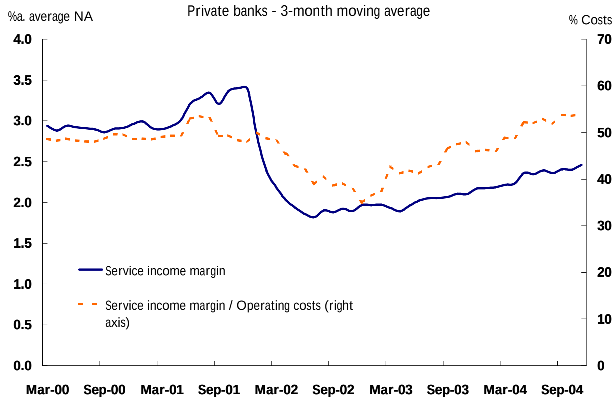
[1] Excluding this institution from the sample, the sundries results go from 0.3%a. to 1.1%a. between October and November. It should be recalled that in October the disaffected provisions, which comprise this heading, had fallen sharply (see Report on Banks, October 2004).

Chart 4
Loan loss provisions
Private banks - 3-month moving average



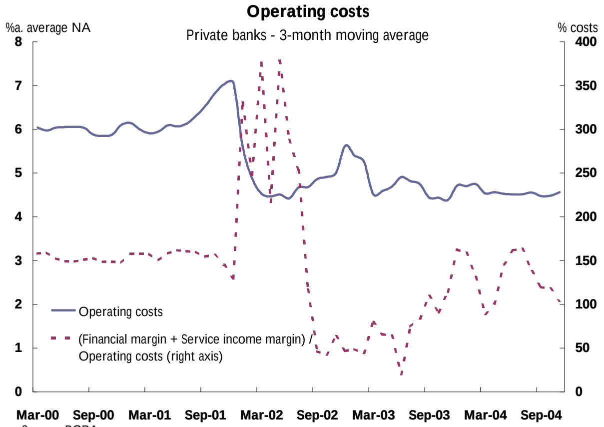
Source: BCRA

Chart 5
Service income margin
Private banks - 3-month moving average



Source: BCRA

Chart 6
Operating costs
Private banks - 3-month moving average



Source: BCRA

valuation adjustments as income from securities[2]; thus, the lower results on government securities are largely offset by the correction to the decrease in adjustments linked to Communication "A" 3911, which for the analysis carried out in the Report are excluded from the financial margin. These developments overshadowed the favorable change in the asset's yield: while the CER adjustment component remained stable, interest income rose to 1.4%a. of assets (see Chart 3, which shows the quaterly change). Interest accrued on loans led the way in this last variation, in particular interest accrued on overdrafts, the credit line which most increased in November. This development is an example of the positive effect of the progressive reactivation of credit to the private sector on the status of bank results, showing existing incentives for institutions to intensify their efforts in the way of credit expansion.

The setback in the financial margin was accompanied by an increase in costs associated with expected loan losses: loan loss provisions rose 0.3 p.p. to 0.7%a. of assets for private banks. An interpretation of this variation, nonetheless, must bear in mind two factors. First, the monthly behavior of these provisions is characterized by considerable volatility. In addition, these provisions continue to move within a band of relatively low values (see Chart 4), both in comparison with the extraordinary levels recorded during the crisis and in terms of historical average values.

Income from services reached its highest level so far in 2004 for private banks, with the accrual of nearly $250 million in net income on commissions (2.5%a. of assets). Thanks to banks' efforts to expand their transaction activity, there has been a steady positive trend in this income heading: for the last 3 months, income from services are almost 30% and 20% higher than those for the same period in 2002 and 2003, respectively (see Chart 5).

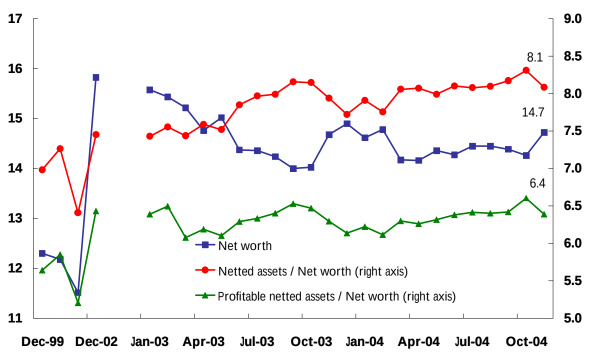
Operating costs rose 0.2 p.p. in November for private banks, up to 4.7%a. of assets, partially explained by an increase in accrued compensations. The impact of this type of expenditure, however, should evidence a downward trend in the medium term, hand in hand with the profits expected as a result of progress in the area of consolidation, to which must be added the changes made by this Central Bank in order to reduce the maintenance cost of informative regimens[3]. These expectations as to the rationalizing of the cost structure continue even if one considers the possible effect of factors such as progress in the sector's salary adjustment process and the greater sales efforts needed to expand loan activity.

Thus, given the monthly erosion recorded in the financial margin and in spite of the increase noted in income from services, the ratio of coverage of cost by income declined from 114% to 100% for private banks in November; the ratio therefore continues to show total coverage of operating costs by income. As shown in Chart 6, private banks' coverage ratio for the last three months totals 104%, 10 p.p.

[2] This reclassification is related to the substitution of provincial public debt for BOGAR, with the subsequent transfer of a significant amount of loans to securities. Excluding this institution from the sample, income from assets goes from 0.4%a. to 1.3%a. between October and November.

[3] See Com. "C" 40562.

Chart 7
Netted assets and net worth
Private banks



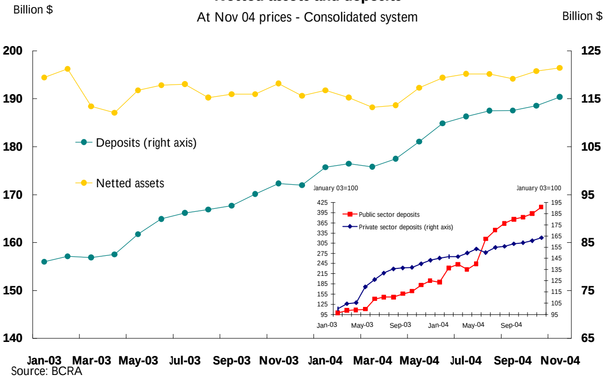
Source: BCRA

Table 1
Main developments in December

	Nov	Dec	Chg. %
Prices			
Exchange rate ($/US$)1	2.95	2.97	1.0
CPI	150.04	151.30	0.8
CER[1]	153.56	153.67	0.1
	%		Chg. (p.p.)
Average percentage rates			
Lending[2]			
Overdraft	14.7	14.4	-0.3
Promissory notes	9.9	10.3	0.5
Mortgage	11.2	11.4	0.2
Pledge-backed	11.5	11.0	-0.5
Personal	26.8	26.7	-0.1
30- to 44-day time deposit	3.5	2.5	-1.0
1-year LEBAC in pesos, w/o CER	5.9	5.9	0.0
	million $		Chg. %
Balance1 - Private banks			
Peso deposits - Private sector	47,878	49,692	3.8
Sight deposits	25,834	27,539	6.6
Time deposits	20,695	20,930	1.1
Peso loans - Private sector	23,702	23,420	-1.2
Overdraft	5,841	5,225	-10.6
Promissory notes	4,794	4,997	4.2
Mortgage	5,151	5,121	-0.6
Pledge-backed	774	815	5.2
Personal	2,132	2,112	-0.9

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

Chart 8
Netted assets and deposits
At Nov 04 prices - Consolidated system



Source: BCRA

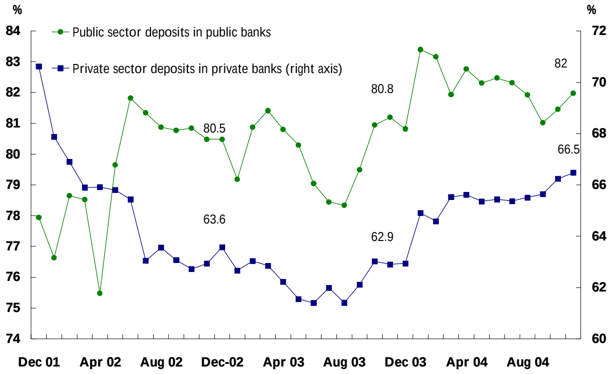
below its level for the same period one year earlier, but well above the levels seen up to mid-2003, when income was only able to cover between 40% and 70% of operating costs.

In solvency matters, **the debt capitalization (lines from abroad) of two foreign-controlled banks totaling $720 million more than offset the losses calculated by private banks for the month,** leading to a 3.2% increase in the net worth of private banks. This growth resulted in a 0.2 p.p. drop in their leverage (assets over net worth), to 8.1% in November (see Chart 7), given the slight 0.4% increase in these banks' netted assets. Despite the rise in assets – associated with greater lending to the private sector – the growth in private institutions' net worth led to a 0.7 p.p. increment in capital compliance, to 15.8% of assets, or 1.9 p.p. higher than in December 2003. Lastly, the capital position (compliance in excess of total requirements) climbed 9.3 p.p. to 187%, thanks to the aforementioned capitalization processes.

Outlook for December

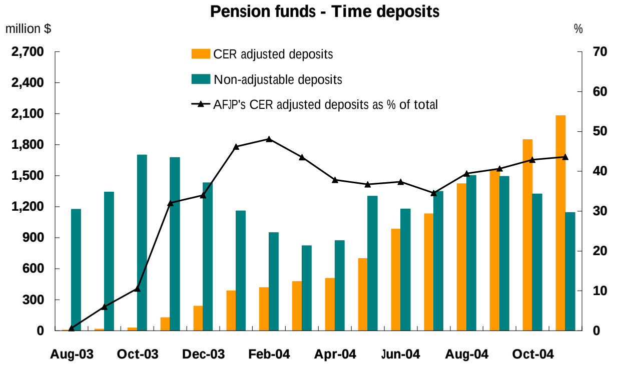
Within the pattern of recovery of financial system profitability, and in view of adjustments of an extraordinary nature which negatively impacted November's results, **it is hoped that December will see new signs of a gradual recovery in the status of results. The possibility of there being profits, however, appears to be complicated by certain seasonal-type movements, mainly as relates to operating costs and loan loss provisions.** In addition, as the close of the 2004 exercise approaches, new adjustments of a non-current nature (both positive and negative) might be observed, which could serve to intensify result volatility. With respect to the financial margin, it is expected to show a certain recovery, to the extent that there not be any adjustments of magnitude in its more volatile components, such as income from assets. As regards interest income, an important decline in overdraft balances was observed (see Table 1), partially offset by increases in pledge-backed loans and promissory note acceptances. As these last two are lines having interest rates below those charged on overdrafts, there could be something of a decline in interest income. With respect to interest paid, a rise in lower-cost funding was observed (sight deposit accounts); time deposits, although showing a slight rise, did so within an environment of declining interest rates, as a result of which no great changes in the outflows of this heading are expected. Lastly, there could be a decrease in CER accrual, given that December's variation in this index (less than 0.1%) is about one-fifth that registered in previous months. As it is based on the mechanism used to calculate the CER that this index will reflect the seasonal increase in December's CPI during January and February, it is expected that this situation show a turnaround in the balances for the first months of 2005.

Chart 9
Deposits by sector and type of institution



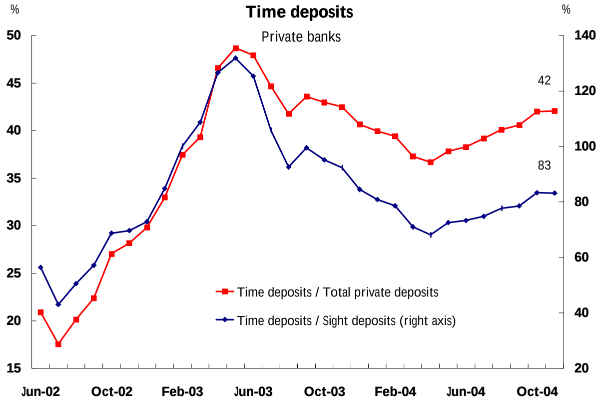
Source: BCRA

Chart 10
Pension funds - Time deposits



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

Chart 11
Time deposits



Source: BCRA

Activity:
Toward an encouraging yearly close

Consolidated financial system assets expanded 15%a., maintaining October's pace, with a year-on-year (y-o-y) variation of 7.3%. In real terms, net of the change in retail prices, the 1.5% y-o-y increase was 1 p.p. lower than in October (see Chart 8). Throughout 2004, the growth in consolidated financial system assets principally reflected the effects of an increased holding of liquid assets by public banks, as well as more activity in private banks in credit to the private sector.

According to balance figures, consolidated financial system deposits[4] continued on their upward trend in November, with an increase of 2.5% (34%a.), showing a 12-month cumulative variation of 26%. Just as in the previous month the behavior of the public sector explained most of the absolute increase of deposits in the system. Public sector deposits rose 5% for the month, with public institutions concentrating 82% of the balance of this type of deposit to November 2004 (see Chart 9). The current development of consolidated public sector fiscal accounts explains the bulk of these deposits, whose balance was close to $34.9 billion in the whole of the financial system, representing a y-o-y increase of 111%. The rise in total deposits of the private sector accelerated in November, up to 1.6% (10% y-o-y), after 4 months of not having surpassed one percentage point. The trend toward a greater participation by private banks in total private sector deposits continues to strengthen, a trend first observed in the second quarter of 2003 as confidence in the financial system recovered.

The private sector deposit balance in private banks increased 2% in November (16% y-o-y), with both sight deposits and time deposits rising, by $600 million (2.3%) and $460 million (2.1%), respectively. CER-indexed time deposits rose 10.5%, with a balance already in excess of $4.7 billion. The AFJPs (pension fund managers) constitute the main holders of this type of deposit: to November, their holdings represented 44% of the whole of indexed deposits (see Chart 10), surpassing, as of September, their non-adjusted deposits in pesos.

Private banks have witnessed, as of April 2004, a steady recovery of the relative participation of time deposits within the total of private deposits, leading to an improvement in the average maturity of these institutions' liabilities. In line with a scenario of borrowing rate increases, between April and November 2004, this variable shows a 5 p.p. cumulative increase, attaining a level of 42% at the end of said period (see Chart 11). Despite the increase recorded in the last few months, the participation of time deposits remains at a lower level than those observed in the years prior to the crisis of 2001-2002.

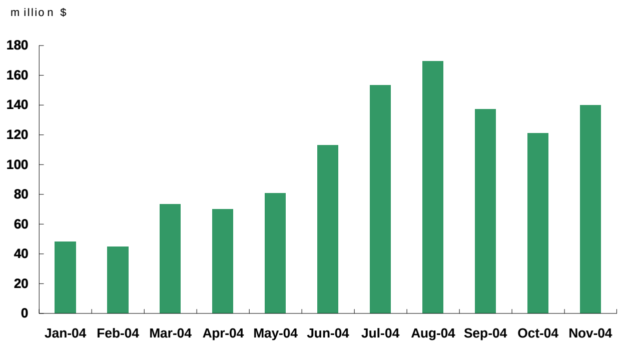
[4] Includes deposits of residents held abroad, deposits in government securities and total accrued interest and adjustments. Does not include deposits of the financial sector, or rescheduled deposits to be exchanged for government securities.

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

	2004	HII 2004	Nov-04	Share of total Nov-04
Public banks				
Total loans	***22***	***43***	***53***	***28***
Commercial	50	72	72	19
Consumer	119	199	191	23
Collateralized	-4	3	16	42
Other	-12	6	2	28
Private banks				
Total loans	***28***	***28***	***33***	***70***
Commercial	51	36	45	81
Consumer	39	41	44	70
Collateralized	-1	3	3	57
Other	9	35	38	72
Total system				
Total loans	***27***	***33***	***39***	***100***
Commercial	50	42	50	100
Consumer	56	73	77	100
Collateralized	-2	4	10	100
Other	4	27	25	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
"Total system" includes data from public banks, private banks and non-bank institutions.
The private bank group includes three financial institutions currently undergoing
a restructuring process and under administration of a national public bank.
Commercial loans include overdraft, acceptance of promissory notes and export credit.
Consumer loans include credit card and personal loans.
Collateralized loans include pledge-backed loans and mortgages.
Source: BCRA

Chart 12
Financial system mortgage loans



Source: BCRA

Table 3
Estimated sources and uses of funds
Private banks - November 2004
million pesos

Source		Uses	
Private sector deposits (excluding CEDRO)	1,200	Loans to non-financial private sector (1)	775
LEBAC and NOBAC stocks (net of repos)	130	Liquid assets (2)	440
Public sector deposits (excluding CEDRO)	130	Reverse repos	-360
Other	85	CEDRO (3)	170
		BCRA rediscounts	100
		Outstanding bonds and foreign lines of credit	60

(1) Adjusting for credit written off from balance sheet and transfers between loan portfolios and trust funds.
(2) Minimum cash compliance (cash, current account with the BCRA and special collateral accounts), other liquid assets (with foreign branches or head offices) and reverse repos with the Central Bank
(3) Includes the difference between the deposit repayments by banks using the market exchange rate and their balance sheet value (converted at a 1.40 $/US$ rate plus CER)
Source: BCRA

Financial system credit to the private sector[5] strengthened its upward trend, with a 2.8% (39%a.) increase for the month, thus accumulating a 33%a. rise over the last five months (see Table 2). So far in 2004, the different credit lines have demonstrated uniform behavior, with commercial credits and consumer ones standing out[6], evidencing increases of 50%a. and 56%a., respectively, as opposed to collateralized loans, which decreased 2%a.. Even though on observing their yearly behavior private banks continue to show a higher total private loan growth rate, public institutions have seen a significant acceleration in this area's rate of growth thus far in the second half of 2004.

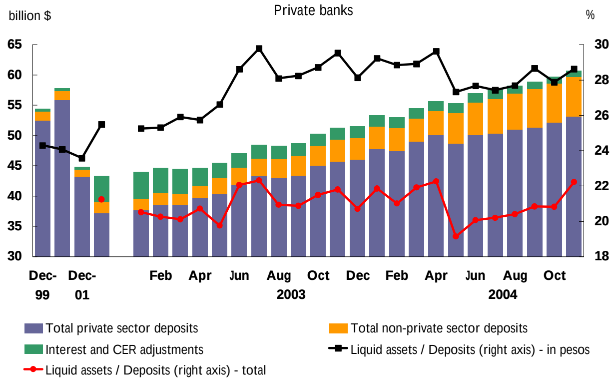
An analysis of the breakdown of the financial system's principal commercial loan lines reveals an increase on the order of 3% (43%a.) in November in both current account overdrafts and for notes discounted, while financing linked to export operations rose 4.3% (66%a.) to a participation of close to 4% of the private sector credit. In line with what has been observed throughout 2004, November saw credits linked to consumer lines lead the growth in total private credit. There was a nearly 6% rise (94%a.) in consumer loans this month, while financing on credit card purchases increased 4% (56%a.).

In reference to collateralized lines, one must differentiate between pledge-backed loans and those tied to mortgage operations. As regards the former, a 6.5% (113%a.) increase is observed with respect to October, in line with the behavior witnessed since February 2004. For its part, mortgage lending has shown a downward trend in 2004, fundamentally because the amortization process of the stock of outstanding credits. In addition, one must keep in mind that one of the system's most important institutions securitized mortgage loans during 2004, issuing mortgage bonds for close to $100 million, a factor which magnified the total decline in the balance. Lastly, given the growth rate in mortgage loan amounts transacted for the whole of the system (see Chart 12), a scenario with new deposits offsetting declines due to amortization appears ever closer.

Table 3 shows an estimate of private bank fund flows, which allows for a more complete view of the operation of this subgroup of institutions in November. As regards the source of funds, the dominant factor was the $1.2 billion increase in private deposits[7] (excluding CEDRO), while the consolidated public sector contributed nearly $130 million more in deposits. In a complementary fashion, the management of institutions' assets portfolios was aimed at reducing the position in BCRA securities –the holding of LEBAC and NOBAC not linked to repo transactions- constituting a source of $130 million in additional funds.

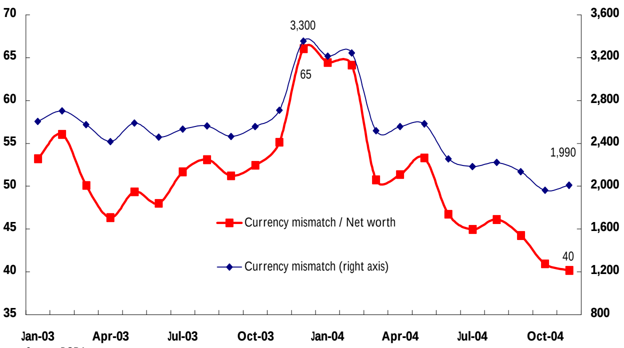
[5] Information corresponding to balance sheet balances. Includes neither interest accrued nor adjustment for CER. Not adjusted for loans considered to be unrecoverable written off from balance sheets.
[6] Commercial: current account overdrafts, promissory notes and export pre-financing and financing; Consumer: personal loans and credit cards.
[7] Excludes deposits of securities, accrued interest and CER adjustment, as well as the variations in dollar balances as a result of changes in the exchange rate.

Chart 13
Deposits and liquidity
Private banks



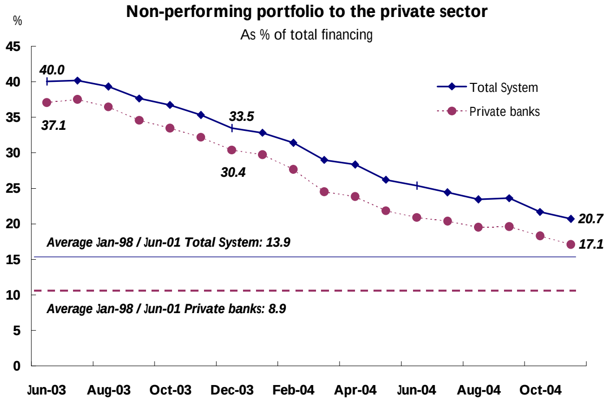
Source: BCRA

Chart 14
Currency mismatch - Private banks



Source: BCRA

Chart 15
Non-performing portfolio to the private sector
As % of total financing



Source: BCRA

Private banks continued to channel most of the funds taken during the month to the placement of credits in the non-financial private sector: November saw $775 million destined to this end. Secondly, there was a $440 million increase in the liquid assets of private institutions' portfolios, due to the rise in the compliance of the minimum cash requirement ($690 million), partially offset by a drop in the balance of these institutions' repos with the BCRA ($360 million). In view of the lower percentage variation of total deposits, the stated increase in liquid assets led the liquidity indicator to equal 28.6% of deposits (0.6 p.p. higher than in October), which was accompanied likewise by the liquidity indicator for items in pesos (see Chart 13).

As in previous months, a $170 million decrease is seen in the residual CEDRO amount[8], dropping in November to $890 million (1.7% of private deposits). These institutions also repaid rediscounts with the BCRA ($100 million) as per November's "matching" scheme installment. Lastly, private entities' foreign credit line balances fell considerably for the month as a result of the capitalization process seen in two foreign-owned entities. Although the aggregate balance of corporate bonds and foreign credit lines decreased by almost $780 million, setting aside the aforementioned movement, the month's flows for these items totaled a $60 million application of funds.

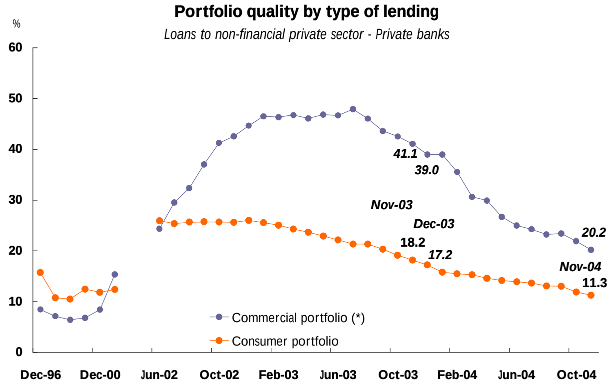
During 2004 private bank balances show a nearly 40% decline in the total foreign currency mismatch, mainly the result of the reduction in dollar-denominated public sector credit exposure. Given the aforementioned private bank capitalization, the total foreign currency mismatch, measured in terms of net worth, experienced a 0.8 p.p. decline, 26 p.p. with respect to December 2003 (see Chart 14).

Portfolio quality:
The commercial portfolio improves

November saw a continued strengthening of financing portfolio quality, in line with the recovery pattern observed as of mid-2003, when the commercial portfolio began showing signs of improvement. For the whole of the financial system, the non-performance level of financing to the private sector registered a 1 p.p. decline, to 20.7%. This level is half the peak figure recorded in mid-2003 (see Chart 15), with the decrease so far this year being nearly 13 p.p.. This important improvement does not imply that there is not still significant progress to be made in terms of portfolio quality, however. In this sense, in order to return to the delinquency levels prevalent prior to the crisis and approach the usual parameters for emerging economies, the non-performance level for private banks needs yet to be substantially reduced.

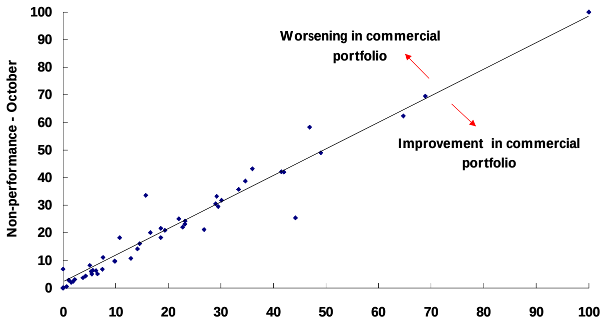
[8] Includes the difference paid by institutions, between deposits at market dollar value and the pesification at 1.40 plus CER, in terms of court order payments.

Chart 16
Portfolio quality by type of lending
Loans to non-financial private sector - Private banks



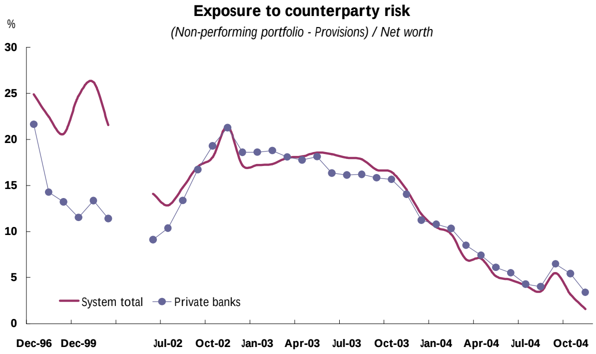
(*) Includes commercial portfolio up to $200,000.
Source: BCRA

Chart 17
Monthly change in commercial portfolio non-performance
Private banks - November and October 2004



Source: BCRA
Non-performance - November

Chart 18
Exposure to counterparty risk
(Non-performing portfolio - Provisions) / Net worth



Source: BCRA

The change in November's non-performance was led by private banks, with a 17.1% indicator; this is 1.2 p.p. lower than in October and 13.3 p.p. below non-performance levels in late 2003. There continues to be wide dispersion and asymmetry in the distribution of the non-performance indicator per bank within this subgroup: over 40% of the financing extended by private banks show a non-performance level of less than 15%. At the same time, fewer than one-sixth of the banks has a non-performing portfolio in excess of 30%, with amounts representing 12% of all financing.

The improvement in private banks' non-performance level was due both to the fall in the amounts classified as non-performing and the increased volume of financing extended. The latter of these was driven by the increase in commercial portfolio financing, representing 64% of financing to the private sector. This portfolio recorded the main decline in non-performance, having dropped 2 p.p. in November to 20.2%, with a cumulative decline of 18.8% for the year (see Chart 16). This reduction in delinquency was generalized, there being few cases in which a notable deterioration in the quality of the commercial portfolio occurred (see Chart 17). The portfolio destined to consumer lines recorded drops both in the total amount of total financing and in that classified as non-performing. The fall, however, was slightly higher in this latter item, allowing for a 0.6 p.p. decline in the non-performance level, down to 11.3% for private banks.

Together with the decrease in financing classified as non-performing, amounts provisioned declined as well in November, but to a lesser amount. The result was increased coverage by provisions: the ratio of provisions to the total amount of non-performing financing rose nearly 1 p.p. for private banks, to 86.6%. In addition, and in view of the increase in net worth resulting from capitalizations, the ratio of total non-performing financing not covered by provisions as a percentage of net worth slightly declined (0.7 p.p.) to 4.7% (see Chart 18).

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” 4234 – 11/05/04
Time investments with variable payment. Modifications in the variable payment time investment regimen (“DIVAS”) were introduced, for the purpose of transforming them into instruments that contribute to moving the resources of investors (institutional or individual) with the profitability they seek in terms of their needs, likewise achieving that the necessary conditions prevail for institutions to accede to more stable funding.
In this sense, the indicators that can be used to calculate yield (basically, price changes for national government securities, commodities – soy, corn, wheat, sunflower oil, petroleum and gold – domestic and foreign stock indexes, anmd interest rates) have been updated, maintaining the minimum term on deposits at 180 days, without early cancellation. Furthermore, the entities are given the possibility of directly arranging coverage in domestic or foreign markets, added to the existing possibility of agreeing to coverage with first-rate foreign banks.
It should be recalled that the dispositions establish the obligation for institutions taking resources in this manner of obtaining coverage for the variable yield they are offering; thus, from the institutions’ point of view these become placements having a predetermined cost.
In addition, the objective of the measure adopted is to provide operating fluidity, for which it will be possible to directly access the exchange market – that is, without the need for prior authorization from this Institution – to transfer currency and thus pay premiums for the acquisition of the coverage demanded by the rule when said coverage is arranged abroad.

Communication “A” 4238 – 11/12/04
Financial institutions’ minimum capital. There is a $10 million increase in the minimum basic capital demand for functioning institutions to Oct. 31, 1995. Institutions expected to have a greater capital requirement have until Feb. 28, 2006 to meet compliance.

Communication “A” 4242 – 11/22/04
Modifications to the rules on Guarantees. An extension from 6 months to one year was established in the residual term of transactions covered by cash guarantees, time certificates from the same institution, and in transactions whose guarantee is the cession of toll payments, in addition to the sureties and credit letters issued by foreign banks having a “AA” international rating.
Likewise, greater flexibility was given to the requirements for the discount of dispersed loan security portfolios (mainly deferred-payment checks): so long as the nominal value of the instruments comprising the portfolio not exceed 15% of the regulatory capital, institutions will not have to compute the observance of maximum exposure limits with each issuer.
Lastly, in order to help reduce the cost of financing and increase the amount of same, appraisementwere eliminated, with which discounted loan securities with responsibility for the one ceding in cases in which the party obligated to pay is a first-ranked company and the guarantees are granted by reciprocal guarantee companies or by provincial funds constituted with the same aim as these companies, are calculated as a guarantee at 100% of its value.

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 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.

Consolidated (or aggregate) assets and liabilities: Those arising from excluding operations between financial 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 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.

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 (NA) and liabilities: Those net of accounting duplications inherent to the recording of repurchase agreements, term transactions 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: Interest income and net CER and CVS adjustments related to intermediation, plus service income and gains from securities, less tax charges in relation to interest and services, operating costs and loan loss provisions.

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.

Statistics: Financial System

Balance Sheet

In current pesos (millions)	Dec 99	Dec 00	Dec 01	Dec 02	Nov 03	Dec 03	Oct 04	Nov 04	Change (%) Month on month	Accum. 2004	Year on year
Assets	**153,140**	**163,550**	**123,743**	**187,532**	**187,586**	**186,873**	**210,569**	**211,192**	**0.3**	**13.0**	**12.6**
Liquid assets[1]	20,423	20,278	13,005	17,138	28,675	27,575	29,085	31,049	6.8	12.6	8.3
Public bonds	8,531	10,474	3,694	31,418	45,034	45,062	55,283	54,558	-1.3	21.1	21.1
Private bonds	477	633	543	332	223	198	363	357	-1.6	80.5	59.8
Loans	83,850	83,277	77,351	84,792	67,906	68,042	72,726	73,639	1.3	8.2	8.4
Public sector	12,138	15,164	22,694	44,337	32,689	33,228	30,966	31,027	0.2	-6.6	-5.1
Private sector	67,934	64,464	52,039	38,470	33,457	33,398	39,769	40,744	2.5	22.0	21.8
Financial sector	3,778	3,649	2,617	1,985	1,759	1,417	1,991	1,868	-6.2	31.8	6.2
Provisions over loans	-6,001	-6,907	-6,987	-11,952	-9,549	-9,374	-7,962	-7,748	-2.7	-17.3	-18.9
Other netted credits due to financial intermediation	38,156	50,716	21,485	39,089	26,092	27,030	34,227	32,447	-5.2	20.0	24.4
Corporate bonds and subordinated debt	1,115	794	751	1,708	1,614	1,569	1,025	1,008	-1.7	-35.8	-37.6
Unquoted trusts	1,336	2,053	2,065	6,698	4,461	4,133	2,888	2,965	2.7	-28.3	-33.5
Compensation receivable	0	0	0	17,111	14,597	14,937	14,378	14,231	-1.0	-4.7	-2.5
BCRA	81	141	84	3,360	1,494	650	419	493	17.7	-24.1	-67.0
Other	35,623	47,728	18,585	10,212	3,925	5,741	15,516	13,750	-11.4	139.5	250.3
Assets under financial leases	814	786	771	567	396	397	595	644	8.2	62.1	62.7
Shares and participation	1,838	2,645	2,688	4,653	5,186	4,591	3,478	3,552	2.1	-22.6	-31.5
Fixed assets and sundry	4,973	4,939	4,804	8,636	8,202	8,164	7,863	7,822	-0.5	-4.2	-4.6
Foreign branches	996	1,115	1,057	3,522	3,217	3,144	3,441	3,464	0.7	10.2	7.7
Other assets	3,560	3,950	5,334	9,338	12,203	12,043	11,471	11,408	-0.6	-5.3	-6.5
Liabilities	**136,252**	**146,267**	**107,261**	**161,446**	**165,090**	**164,923**	**189,041**	**189,159**	**0.1**	**14.7**	**14.6**
Deposits	81,572	86,506	66,458	75,001	94,755	94,635	114,523	117,321	2.4	24.0	23.8
Public sector[2]	7,232	7,204	950	8,381	16,535	16,040	33,207	34,880	5.0	117.5	110.9
Private sector[2]	73,443	78,397	43,270	59,698	74,494	74,951	78,940	80,170	1.6	7.0	7.6
Current account	6,478	6,438	7,158	11,462	14,372	15,071	16,303	17,132	5.1	13.7	19.2
Savings account	13,047	13,008	14,757	10,523	16,094	16,809	22,298	22,656	1.6	34.8	40.8
Time deposit	48,915	53,915	18,012	19,080	33,888	33,285	34,059	34,180	0.4	2.7	0.9
CEDRO	0	0	0	12,328	3,498	3,217	1,346	1,169	-13.2	-63.7	-66.6
Other netted liabilities due to financial intermediation	50,361	55,297	36,019	75,737	64,638	61,690	67,563	64,934	-3.9	5.3	0.5
Call money	3,793	3,545	2,550	1,649	1,587	1,317	1,712	1,634	-4.5	24.1	3.0
BCRA lines	315	102	4,470	27,837	27,222	27,491	26,770	26,557	-0.8	-3.4	-2.4
Outstanding bonds	5,087	4,954	3,777	9,096	7,421	6,675	7,934	7,853	-1.0	17.7	5.8
Foreign lines of credit	10,279	8,813	7,927	25,199	16,534	15,196	10,464	9,557	-8.7	-37.1	-42.2
Other	30,886	37,883	17,295	11,955	11,873	11,012	20,683	19,333	-6.5	75.6	62.8
Subordinated debts	2,206	2,255	2,260	3,712	3,166	2,028	1,524	1,480	-2.9	-27.0	-53.3
Other liabilities	2,113	2,210	2,524	6,997	5,597	6,569	5,431	5,424	-0.1	-17.4	-3.1
Net worth	**16,888**	**17,283**	**16,483**	**26,086**	**22,497**	**21,950**	**21,529**	**22,033**	**2.3**	**0.4**	**-2.1**
Memo											
Netted assets	126,432	129,815	110,275	185,356	187,586	184,371	198,030	200,227	1.1	8.6	6.7
Consolidated netted assets	122,270	125,093	106,576	181,253	183,037	181,077	194,135	196,425	1.2	8.5	7.3

(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	Annual					First 10 months		Monthly						Last
netted assets	1999	2000	2001	2002	2003	2003	2004	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	6 months
Financial margin	5.6	5.7	5.7	6.5	1.1	0.9	3.2	4.8	3.2	4.0	2.6	3.0	2.6	3.4
Net interest income	4.3	4.0	3.8	-1.7	-0.5	-0.6	0.9	1.7	1.1	1.1	1.0	0.8	1.2	1.1
Restatement by CER and CVS	0.0	0.0	0.0	3.9	1.3	1.1	1.1	2.7	1.2	1.0	0.7	0.8	0.8	1.2
Gains on securities	0.9	1.2	1.2	1.7	1.1	1.1	0.9	0.0	1.0	0.9	1.3	1.1	0.6	0.8
Foreign exchange price adjustments	0.2	0.1	0.2	2.8	-0.5	-0.4	0.5	0.9	0.7	1.2	-0.4	0.3	-0.1	0.4
Other financial income	0.2	0.4	0.5	-0.1	-0.3	-0.3	-0.2	-0.4	-0.7	-0.2	0.0	0.1	0.0	-0.2
Service income margin	2.9	2.8	3.0	1.9	1.9	1.8	2.0	2.0	2.0	2.0	2.1	2.1	2.1	2.0
Loan loss provisions	-2.1	-2.4	-2.6	-4.7	-1.1	-1.1	-0.6	-0.8	-0.5	-0.5	-0.9	-0.4	-0.5	-0.6
Operating costs	-5.9	-5.8	-6.1	-4.4	-4.2	-4.2	-4.1	-4.2	-4.0	-3.9	-4.1	-4.0	-4.2	-4.1
Tax charges	-0.4	-0.4	-0.5	-0.3	-0.3	-0.2	-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	-0.2	-0.1	-0.1	0.0	0.0	0.3	-0.1	-0.1	0.0
Adjustments to the valuation of government securities (*)	0.0	0.0	0.0	0.0	-0.4	-0.4	-0.2	0.1	-0.1	-0.1	-0.2	-0.2	0.1	-0.1
Amortization payments for court-ordered releases	0.0	0.0	0.0	0.0	-0.6	-0.5	-0.9	-0.9	-0.8	-0.9	-0.8	-0.9	-0.9	-0.9
Other	0.5	0.4	0.6	-1.8	0.9	0.8	0.6	1.3	0.4	0.7	1.5	0.4	-0.1	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	0.0	0.0
ROA before income tax	0.6	0.4	0.2	-8.7	-2.7	-2.9	-0.3	1.9	-0.1	0.9	-0.1	-0.3	-1.1	0.2
ROA before monetary results	0.2	0.0	0.0	-3.1	-2.9	-3.0	-0.4	1.8	-0.2	0.9	0.1	-0.4	-1.2	0.2
ROA	0.2	0.0	0.0	-8.9	-2.9	-3.0	-0.4	1.8	-0.2	0.9	0.1	-0.4	-1.2	0.2
ROA adjusted (**)	0.2	0.0	0.0	-8.9	-1.9	-2.1	0.8	2.6	0.8	1.9	1.2	0.7	-0.4	1.1
Indicators (%)														
ROE	**1.7**	**0.0**	**-0.2**	**-59.2**	**-22.7**	**-23.9**	**-3.6**	**16.0**	**-1.4**	**8.1**	**1.3**	**-3.3**	**-10.5**	**1.6**
Financial margin + service income margin / Operating c	142.5	147.4	143.3	189.1	69.3	65.4	126.4	159.6	131.9	152.1	114.0	125.9	111.9	132.4
Interest income (with CER and CVS) / loans	..	13.0	15.2	11.8	7.5	12.9	8.0	10.1	9.2	8.2	7.7	4.6	5.6	8.0
Interest payments (with CER and CVS) / deposits	..	5.3	7.3	9.2	5.1	5.8	2.1	2.6	2.3	2.2	1.9	2.4	3.4	2.3

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	Nov 03	Dec 03	Mar 04	Jun 04	Sep 04	Oct 04	Nov 04
Non-performing loans (overall)(1)	11.5	12.9	13.1	18.1	18.8	17.7	14.9	13.5	12.8	12.3	11.8
Non-performing loans to the non-financial private sector	14.0	16.0	19.1	38.6	35.3	33.5	29.0	25.4	23.6	21.7	20.7
Commercial portfolio	11.7	13.7	21.4	43.8	41.0	38.9	34.6	29.1	27.2	25.4	24.0
Commercial portfolio up to $200,000	21.5	22.8	17.3	46.3	31.6	28.0	26.4	25.2	39.1	33.1	32.5
Consumption and housing portfolio	16.6	17.3	17.5	31.4	29.2	28.0	22.3	20.4	14.7	13.3	12.8
Provisions / Total non-performing loans	59.6	61.1	66.4	73.8	76.3	79.2	86.4	90.1	88.2	92.7	93.4
(Total non-performing - Provisions) / Overall financing	4.7	5.0	4.4	4.7	4.5	3.7	2.0	1.3	1.5	0.9	0.8
(Total non-performing - Provisions) / Net worth	24.7	26.2	21.6	17.2	14.5	11.9	7.0	4.8	5.5	3.2	2.7

(1) As a percentage of each lending category.

Statistics: Private Banks

Balance Sheet

In current pesos (millions)	Dec 99	Dec 00	Dec 01	Dec 02	Nov 03	Dec 03	Oct 04	Nov 04	Change (%) Month on month	Change (%) Accum. 2004	Change (%) Year on year
Assets	**108,778**	**119,371**	**82,344**	**118,906**	**116,576**	**116,633**	**124,480**	**124,152**	**-0.3**	**6.4**	**6.5**
Liquid assets[1]	13,228	13,920	10,576	11,044	15,158	14,500	15,429	16,174	4.8	11.5	6.7
Public bonds	6,433	7,583	1,627	19,751	21,809	22,260	24,051	23,282	-3.2	4.6	6.8
Private bonds	410	563	451	273	173	172	313	299	-4.4	73.8	73.0
Loans	56,916	56,035	52,319	51,774	47,409	47,017	50,076	50,660	1.2	7.7	6.9
Public sector	6,389	8,172	13,803	25,056	23,660	23,571	21,387	21,414	0.1	-9.2	-9.5
Private sector	47,705	45,103	36,636	26,074	22,921	22,816	27,594	28,170	2.1	23.5	22.9
Financial sector	2,823	2,760	1,880	644	828	630	1,095	1,076	-1.8	70.8	30.0
Provisions over loans	-3,119	-3,248	-3,957	-7,463	-5,495	-5,225	-4,163	-3,955	-5.0	-24.3	-28.0
Other netted credits due to financial intermediation	30,285	42,696	13,037	27,212	23,200	22,148	24,560	23,536	-4.2	6.3	1.4
Corporate bonds and subordinated debt	1,022	724	665	1,514	1,433	1,394	839	823	-1.9	-41.0	-42.6
Unquoted trusts	958	1,609	1,637	6,205	3,855	3,571	2,191	2,257	3.0	-36.8	-41.5
Compensation receivable	0	0	0	15,971	13,518	13,812	13,582	13,436	-1.1	-2.7	-0.6
BCRA	12	35	865	377	310	415	318	334	5.0	-19.5	7.7
Other	28,293	40,328	9,870	3,146	4,083	2,955	7,630	6,686	-12.4	126.3	63.7
Assets under financial leases	796	776	752	553	386	387	579	627	8.2	62.1	62.5
Shares and participation	1,371	1,651	1,703	3,123	3,370	2,791	1,544	1,577	2.1	-43.5	-53.2
Fixed assets and sundry	3,246	3,225	3,150	5,198	4,937	4,902	4,734	4,707	-0.6	-4.0	-4.7
Foreign branches	48	75	112	-109	-134	-136	-69	-55	-20.1	-59.5	-58.9
Other assets	2,120	2,190	2,574	7,549	7,855	7,816	7,426	7,301	-1.7	-6.6	-7.1
Liabilities	**96,474**	**107,193**	**70,829**	**103,079**	**103,988**	**101,732**	**110,216**	**109,427**	**-0.7**	**7.6**	**5.2**
Deposits	54,447	57,833	44,863	44,445	52,411	52,625	59,782	60,836	1.8	15.6	16.1
Public sector [2]	1,342	1,276	950	1,636	3,109	3,077	6,157	6,286	2.1	104.3	102.2
Private sector [2]	52,460	55,917	43,270	38,289	46,782	47,097	52,252	53,261	1.9	13.1	13.8
Current account	5,022	4,960	7,158	8,905	10,864	11,588	12,421	12,971	4.4	11.9	19.4
Savings account	9,702	9,409	14,757	6,309	10,162	10,547	13,870	13,924	0.4	32.0	37.0
Time deposit	35,218	39,030	18,012	11,083	19,419	18,710	21,912	22,376	2.1	19.6	15.2
CEDRO	0	0	0	9,016	2,621	2,409	1,018	888	-12.8	-63.2	-66.1
Other netted liabilities due to financial intermediation	39,045	46,271	22,629	49,341	44,549	42,367	44,981	43,119	-4.1	1.8	-3.2
Call money	2,146	2,293	1,514	836	986	726	1,346	1,253	-7.0	72.5	27.1
BCRA lines	274	83	1,758	16,624	16,891	17,030	16,776	16,586	-1.1	-2.6	-1.8
Outstanding bonds	4,990	4,939	3,703	9,073	7,301	6,674	7,934	7,853	-1.0	17.7	7.6
Foreign lines of credit	6,680	5,491	4,644	15,434	10,428	9,998	6,895	6,038	-12.4	-39.6	-42.1
Other	24,954	33,466	11,010	7,374	8,944	7,939	12,029	11,388	-5.3	43.4	27.3
Subordinated debts	1,683	1,668	1,700	3,622	3,102	1,850	1,379	1,366	-0.9	-26.1	-55.9
Other liabilities	1,299	1,420	1,637	5,671	3,927	4,890	4,074	4,106	0.8	-16.0	4.6
Net worth	**12,304**	**12,178**	**11,515**	**15,827**	**14,679**	**14,900**	**14,264**	**14,725**	**3.2**	**-1.2**	**0.3**
Memo											
Netted assets	85,918	88,501	73,796	117,928	116,576	115,091	118,552	119,044	0.4	3.4	2.1

(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 1999	2000	2001	2002	2003	First 10 months 2003	2004	Monthly Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Last 6 months
Financial margin	6.1	6.2	6.4	7.6	2.3	1.6	3.1	4.8	2.9	4.0	1.9	2.7	2.2	3.1
Net interest income	4.5	4.1	4.3	-0.2	0.1	0.0	1.0	2.0	1.2	1.3	1.0	0.8	1.4	1.3
Restatement by CER and CVS	0.0	0.0	0.0	1.1	0.9	0.7	0.8	0.2	0.8	0.7	0.3	0.5	0.5	0.5
Gains on securities	1.1	1.4	1.2	2.5	1.7	1.4	0.9	1.9	1.0	1.1	1.2	1.1	0.3	1.1
Foreign exchange price adjustments	0.3	0.2	0.3	4.4	-0.3	-0.3	0.7	1.4	1.0	1.1	-0.5	0.4	0.0	0.6
Other financial income	0.3	0.5	0.7	-0.1	-0.2	-0.2	-0.3	-0.7	-1.1	-0.1	-0.1	0.0	0.0	-0.3
Service income margin	3.1	2.9	3.2	2.0	2.0	2.0	2.3	2.3	2.4	2.3	2.5	2.4	2.5	2.4
Loan loss provisions	-2.2	-2.5	-3.0	-5.0	-1.3	-1.3	-0.7	-1.1	-0.2	-0.4	-1.0	-0.4	-0.7	-0.6
Operating costs	-6.3	-6.0	-6.4	-4.8	-4.6	-4.6	-4.5	-4.7	-4.5	-4.5	-4.5	-4.5	-4.7	-4.6
Tax charges	-0.4	-0.4	-0.5	-0.4	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.4	-0.4	-0.3
Income tax	-0.5	-0.4	-0.3	-0.2	-0.3	-0.2	-0.2	-0.2	0.0	0.0	0.5	-0.1	-0.1	0.0
Adjustments to the valuation of government securities (	0.0	0.0	0.0	0.0	-0.6	-0.6	-0.1	0.1	-0.1	-0.1	-0.1	-0.2	0.3	0.0
Amortization payments for court-ordered releases	0.0	0.0	0.0	0.0	-0.7	-0.6	-0.9	-1.0	-0.9	-1.0	-1.0	-1.0	-1.0	-1.0
Other	0.5	0.4	0.7	-3.0	1.0	1.1	0.5	1.1	-0.1	0.7	1.7	0.3	-0.7	0.5
Monetary results	0.0	0.0	0.0	-7.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ROA before income tax	0.8	0.6	0.5	-11.1	-2.2	-2.7	-0.6	1.2	-0.7	0.8	-0.8	-1.0	-2.4	-0.5
ROA before monetary results	0.3	0.1	0.2	-3.8	-2.4	-2.9	-0.8	1.0	-0.8	0.7	-0.3	-1.1	-2.6	-0.5
ROA	0.3	0.1	0.2	-11.3	-2.5	-3.0	-0.8	1.0	-0.8	0.7	-0.3	-1.1	-2.6	-0.5
ROA adjusted (**)	0.3	0.1	0.2	-11.3	-1.2	-1.8	0.4	1.9	0.2	1.8	0.8	0.1	-1.9	0.5
Indicators (%)														
ROE	**2.3**	**0.8**	**1.4**	**-79.0**	**-19.1**	**-22.9**	**-6.8**	**8.3**	**-6.2**	**6.1**	**-2.5**	**-8.8**	**-20.5**	**-4.0**
Financial margin + service income margin / Operati	146.0	151.9	150.9	199.3	92.6	79.4	120.4	151.8	119.4	141.6	98.3	114.1	100.2	120.9
Interest income (with CER and CVS) / loans	..	13.9	16.1	24.7	9.0	8.0	8.2	10.1	9.2	8.2	7.7	4.6	8.3	7.6
Interest payments (with CER and CVS) / deposits	..	5.7	7.8	21.9	5.8	5.8	2.2	2.6	2.3	2.2	1.9	2.4	2.1	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	Jun 04	Sep 04	Oct 04	Nov 04
Non-performing loans (overall)(1)	7.6	8.3	9.9	19.8	15.7	12.5	11.2	10.4	10.5	9.8
Non-performing loans to the non-financial private sector	8.9	9.8	14.0	37.4	30.4	24.5	20.9	19.6	18.3	17.1
Commercial portfolio	6.2	7.6	15.2	44.5	39.9	31.1	25.0	23.5	22.1	20.4
Commercial portfolio up to $200,000	11.7	14.6	16.4	46.4	26.8	24.8	24.9	22.8	19.2	18.1
Consumption and housing portfolio	12.5	11.9	12.4	26.0	17.2	15.3	13.9	13.0	11.9	11.3
Provisions / Total non-performing loans	69.4	67.7	75.7	73.4	79.0	81.3	87.1	83.7	85.8	86.6
(Total non-performing - Provisions) / Overall financing	2.3	2.7	2.4	5.3	3.3	2.3	1.4	1.7	1.5	1.3
(Total non-performing - Provisions) / Net worth	11.5	13.4	11.4	18.6	11.2	8.5	5.5	6.5	5.4	4.7

(1) As a percentage of each lending category.