Report on Banks

OCTOBER 2004

Central Bank of Argentina

Year II - No. 2

Contents

Note: This report contains information from October 2004 balance sheets available on 23/11/04. Description centers mainly on the behavior of the main financial variables for the private bank aggregate (including breakdowns by uniform sub-groups), except for certain variables that explicitly refer to public banks and the entire financial system. Figures provided (particularly in the case of profitability) are preliminary, and may be subject to change.

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Summary

- The financial system recorded book losses for $70 million in October, equivalent to -0.4% of assets in annualized terms (a.). In the last three months a profit of 0.2%a has been recorded, well above the loss in the same period of 2003, (-1.6%a.). Although the result for the year to date has been a loss of $510 million (-0.3%a.), excluding the amortization of court orders and adjustments to the valuation of public sector assets, the adjusted result shows a profit of $1.4 billion (0.9%a.).

- Private banks recorded a negative result of $105 million for the month (1.1%a. of assets), for a total profitability in the last three months of –0.2%a, which compares favorably with that for the same period of 2003 (-2.1%a.). In 2004 they have built up a loss of $640 million (-0.7%a.), although excluding the effect of court orders and valuation adjustments, a profit of a similar magnitude would be recorded.

- The increased loss for the month by private banks reflected lower results from non-intermediation transactions (basically, lower releases of provisions compared with September). Despite the erosion of the final result, there was an improvement in the financial margin, driven by changes in market prices accrued and a drop in loan loss provisions. As operating costs remained stable, the monthly improvement in the financial margin of private banks led to an increase in the ratio for coverage of operating costs by income to rise from 98% to 114%.

- Consolidated financial system assets returned to the path to growth, reflecting the impact of increased lending to the private sector. Growth in lending to the private non-financial sector has been firm in both consumer and commercial segments. In the year to date the main consumer lines have increased 54%a., with public banks playing a leading role, while loans granted mainly for commercial purposes increased by 50%a., with private institutions leading the way. Collateralized loans still show no growth. Increased lending to companies has included a larger proportion of loans for small or medium-sized amounts.

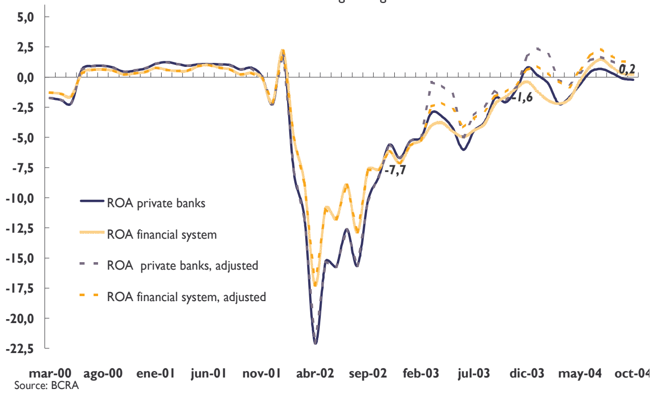
- Loan portfolio non-performance continued to decline. In the case of the financial system as a whole, there was a 1.6 p.p. drop to 22%, while in the case of private banks the improvement was of 1 p.p. to 18.5%. Although improvements were widespread across all types of lending, there was a notable performance by private bank consumer loans, for which delinquency levels have fallen to pre-crisis levels. Non-performing loans net of provisions, as a percentage of net worth, dropped to 6.1% in the case of private banks.

- Financial system deposits maintained their upward trend, with higher private sector deposits (channeled through private banks) as well as public sector deposits. Time deposits in pesos in particular recorded an increase of 6% in October, with a 14% rise in deposits restated according to CER. Pension funds continued to play a leading role in the behavior of time deposits restated according to CER, holding 43% of the total.

- In the case of private banks, 40% of the funds taken during October, consisting mainly of deposits by the private sector ($1 billion), and to a lesser extent arising from the repayment of lending to the public sector ($130 million), were applied to private sector lending ($490 million). The remainder of the resources obtained by the sector were used to increase positions in LEBAC and NOBAC, and to settle CEDRO and Central Bank rediscounts. Transactions during the month served to consolidate the downward trend in foreign currency mismatching (assets less total liabilities) which in the year to date has shown a drop of 42% measured in dollars.

Profitability:
Better financial margin, less favorable results

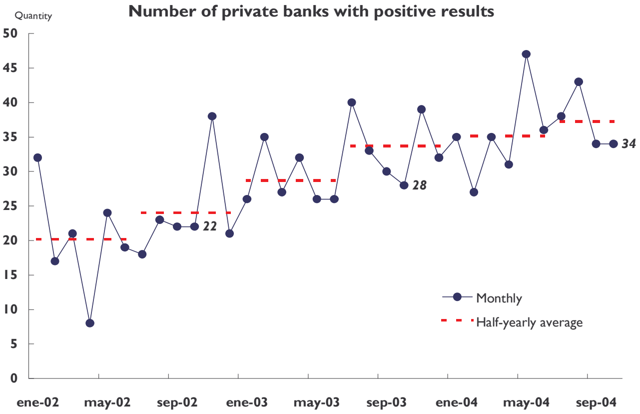
Chart 1
Annualized profitability
3-month moving average



Source: BCRA

The financial system recorded a loss of close to $70 million in October, showing an annualized (a.) return of –0.4% in terms of assets, which compares favorably with the result for the same month in 2003 (-0.6%a.). If results are adjusted to exclude the impact of the amortization of court orders and adjustments to the valuation of public sector assets, the financial system recorded a profit for the month of $110 million. **On the basis of the aggregate for the last three months, the profitability of the financial system has remained positive, with a ROA of 0.2%a.** (see Chart 1), a significant improvement on the same period of the previous year (-1.6%a.). In 2004 to date the financial system has accumulated losses for $510 million, with profitability of –0.3%a. of assets, a significant year-on-year improvement, as at October 2003 accumulated profitability stood at -3.4%a. Nevertheless, the adjusted result for the year to date is a profit of $1.4 billion (0.9%a.).

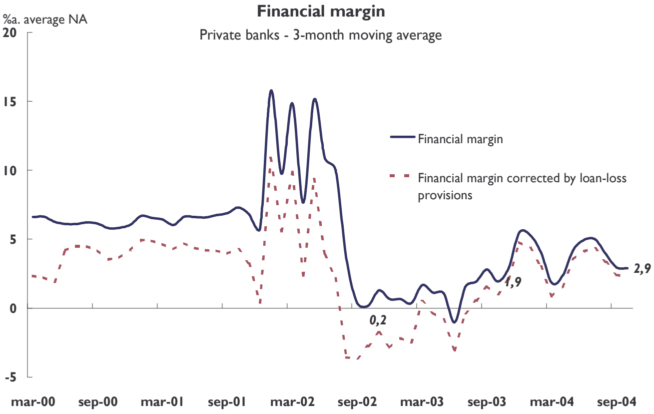
Chart 2
Number of private banks with positive results



Source: BCRA

Private banks recorded a loss for the month of $105 million (-1,1%a. of assets, an improvement of 0.1 p.p. compared with the same month of the previous year), which is transformed into a profit of $9 million if the adjusted result is considered. Despite the loss for October, **results for the last three months show a year-on-year improvement in profitability: while ROA was –0.2%a for the August-October 2004 period, in the same period of 2003 losses totaled 2.1%a.** In 2004 to date the accumulated result for private banks totals close to -$640 million, with a profitability of –0.7%a. (almost 2.5 p.p. better than in the same period of 2003). Profitability before the impact of amortization of court orders and adjustments to the valuation of public sector assets has been a positive $620 million (0.6%a.). Chart 2 shows that the number of private banks recording profits has been improving steadily, although in September and October the number of banks recording gains remained unchanged (34 institutions). As indicated in previous issues of this Report, since the severe crisis in 2001-2002 private banks have been rebuilding their profit margins, a gradual process not exempt from volatility, with significant progress still needing to be made.

Chart 3
Financial margin
Private banks - 3-month moving average

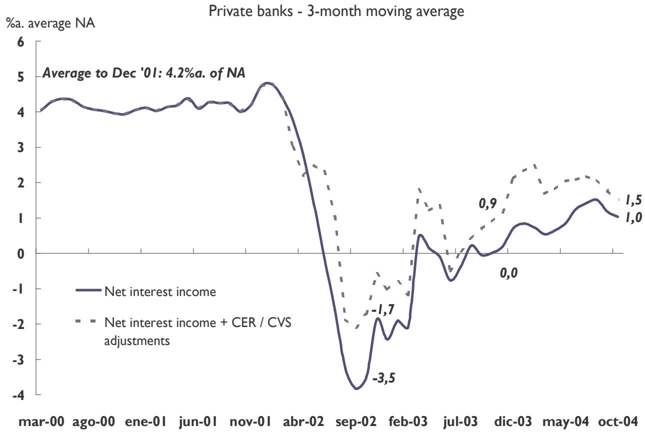


Source: BCRA

The deterioration in private bank results in October was particularly influenced by a drop in accounting gains not directly related to normal intermediation business. This lower net income, included under the sundries heading, is largely explained by a lower level of provision releases, an item in the profitability structure that had recorded an exceptionally high level in September. In the overall total, this fall overshadowed the improvements recorded in two fundamental categories of operating income: the financial margin (which increased driven by greater gains from price differences) and loan loss provisions. The remaining items corresponding to the profitability heading, income from services and operating costs, did not record major variations during the month.

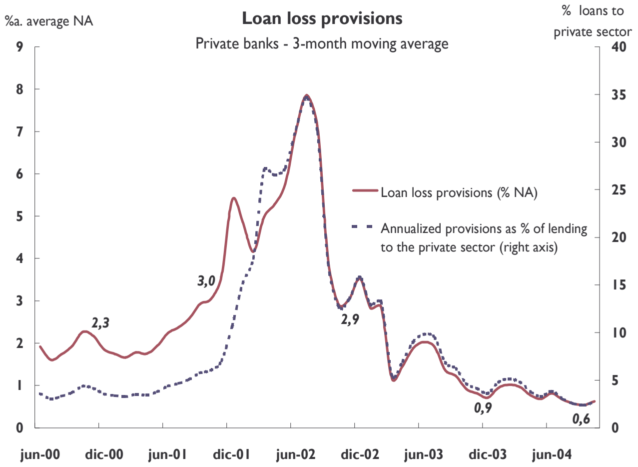
Private bank financial margin improved almost 1 p.p. between September and October (to 2.7%a.), largely because of the absence in

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



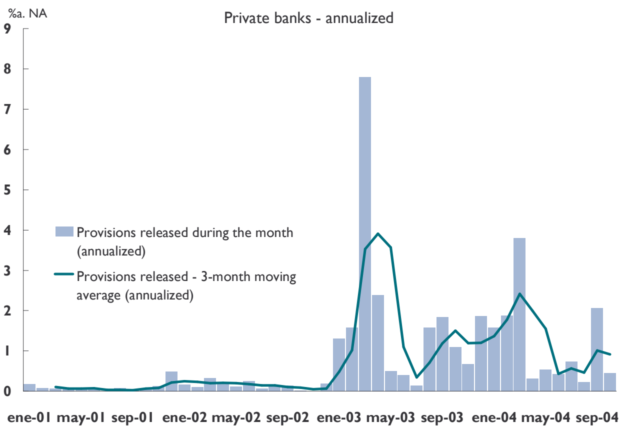
Source: BCRA

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



Source: BCRA

Chart 6
Provisions releases
Private banks - annualized



Source: BCRA

the latter month of market price differences (see Chart 3). **The sum of the main components of financial margin (interest income and CER adjustments) remained stable** at 1.3%a. of assets; as shown on Chart 4, current levels remain in line with the pattern of recovery seen since the last quarter of 2003. During October there was a slight decline in the interest component that was offset by an increase in CER accrual (in line with the monthly variation in this index). The interest component has however been distorted this month by the action of one bank that reclassified a significant volume of secured loans as bonds. This reclassification has meant only a change in the composition of the financial margin, without affecting its level. As a consequence, the result on assets remained at over 1%a. of assets, recording a slight monthly decline.

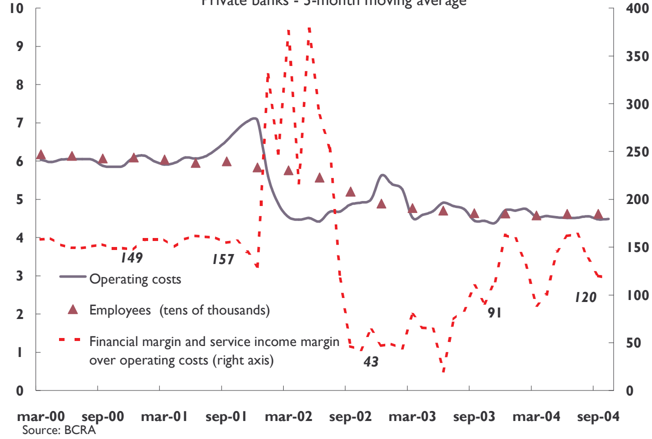
Loan loss provisions fell in October after a temporary increase in September at the time of quarter-end closings. In the case of private banks these charges dropped by 0.6 p.p. in October to a level of 0.4%a. (see Chart 5). However, this variation was only partly able to compensate for the lower release of provisions. This latter highly volatile category had seen a sharp increase in September, reflecting a series of significant adjustments on the balance sheets of certain institutions. The decline in the release of provisions (see Chart 6), together with a certain increase in other sundry losses, led the sundry income heading to record the largest variation in the month, dropping from 1.7%a. to 0.3%a..

Private bank income from services remained at a relatively high level (2.4%a. of assets, 0.2 p.p. above the level in the same month of 2003) despite a slight monthly decline. Operating costs remained at a level of 4.5%a. of assets for the fourth month in succession, although there has been a slight increase in the year-on-year comparison. **In view of the improvement in the financial margin, the private bank ratio of coverage of costs by income was able to recover in October, rising from 98% to 114%.** In the last three months this ratio has averaged 118%, almost 30 p.p. above the level recorded in the same period of 2003 (see Chart 7).

The main adjustments arising from the gradual recognition of the costs of the crisis continued to represent slightly more than 1%a. of assets for private banks. While the amortization of payments made under court orders remained at a level of 1%a., adjustments to the valuation of public sector securities rose slightly to a level of 0.2%a. of assets. In October, income tax accruals totaled 0.1%a. of assets. As accruals under this heading had been adjusted downward in the previous month (leading to a book "profit" of 0.5%a.), this variation contributed to a relative decline in the overall profitability for October.

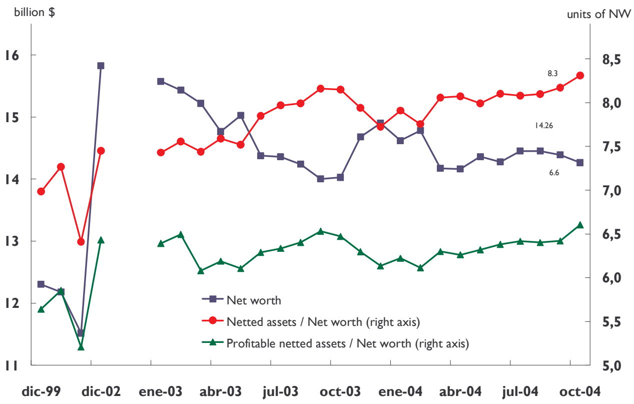
In October, private bank losses had a direct impact on net worth, (which declined by 0.9%), as there was no activity in the form of capitalization, for example, to offset the effect of the results for the month (see Chart 8). This decline, combined with the increase in netted assets (see chapter on Activity) led to the recording of a slight increase in leverage -netted assets over net worth- for private banks, to a level of 8.3 at the end of October. Despite a moderate rise in bank risk-weighted assets -linked to increased lending to the private sector-

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



Source: BCRA

Chart 8
Netted assets and net worth
Private banks



Source: BCRA

Table 1
Main developments in November

	Oct	Nov	Chg. %
Prices			
Exchange rate ($/US$)1	2,98	2,95	-1,1
CPI	150,04	150,04	0,0
CER[1]	152,88	153,56	0,4
	%		Chg. (p.p.)
Average percentage rates			
Lending[2]			
Overdraft	15,3	15,2	-0,1
Promissory notes	11,6	11,2	-0,5
Mortgage	12,6	11,9	-0,7
Pledge-backed	11,3	11,0	-0,4
Personal	26,0	26,6	0,6
30- to 44-day time deposit	3,4	3,5	0,1
1-year LEBAC in pesos, w/o CER	6,1	5,9	-0,1
	million $		Chg. %
Balance1 - Private banks			
Peso deposits - Private sector	46.796	47.463	1,4
Sight deposits	25.105	25.491	1,5
Time deposits	20.146	20.618	2,3
Peso loans - Private sector	22.956	23.576	2,7
Overdraft	5.510	5.830	5,8
Promissory notes	4.571	4.787	4,7
Mortgage	5.186	5.157	-0,6
Pledge-backed	726	758	4,5
Personal	2.083	2.135	2,5

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

in a context of falling net worth, the level of capital compliance in relation to such assets remained relatively stable at around 15.1%. During 2004 this indicator has shown growth of 1.2 p.p.. In addition, the capital position (compliance in excess of total requirements) dropped 2 p.p. in October, to a level of 177%.

Special mention should be made of public banks, which recorded gains for $40 million (0.7%a. of assets) in October, the sixth consecutive month of positive results for this bank segment. The relatively better performance by this subgroup of institutions has mainly been due to two factors. In first place, they have recorded an increase in their financial margin in relative terms as a result of lower real interest rates (because of the greater size of the asset position in instruments adjusted by CER held by such banks), reinforced by a particularly low cost of funding (reflecting the lower rates of interest on time deposits and the increased weighting of sight accounts in public bank liability structures). Furthermore, public banks benefited from the lower relative weight of their cost structure. Although the weighting for personnel costs is similar to that of private banks, payments of fees and services and “sundry costs” have a lower weighting.

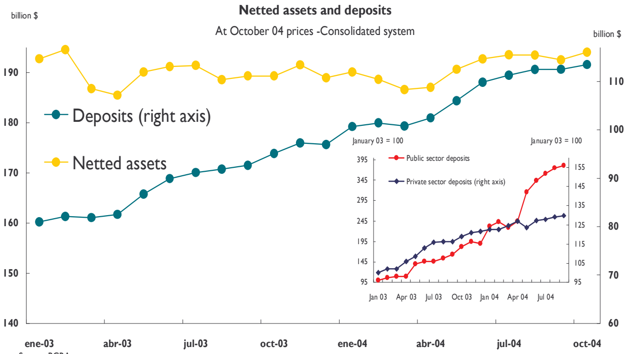
Outlook for November

It is expected that in November bank profitability will continue to show signs of a steady recovery. The performance of deposits and loans (both in terms of balances and interest rates) encourages optimism regarding the prospects for interest income, as long as no significant adjustments are made to accruals. As shown on Table 1, although time deposits increased by almost $500 million (while interest rates remained steady) there has also been a significant increase in the balance of loans to the private sector ($600 million). Increased lending (in particular, overdrafts and promissory notes), will result in higher interest income; this will take place even in a context of declining lending rates, given the rate spread that exists for the various lines of credit and the cost of funding through deposits. CER accrual should remain stable, although it could possibly decline slightly, given the performance of the corresponding index (the CER increase for November was 0.4%, 0.2 p.p. less than the variation in the previous month). Nevertheless, the potential for positive results will be contingent on two factors: the performance by the exchange rate, which having declined slightly in November could give rise to losses from the revaluing of positions in foreign currency-denominated assets, and the performance of, the traditionally volatile sundry income heading, which could end up determining the eventual profitability for the month.

Activity:
Lending growth gains strength

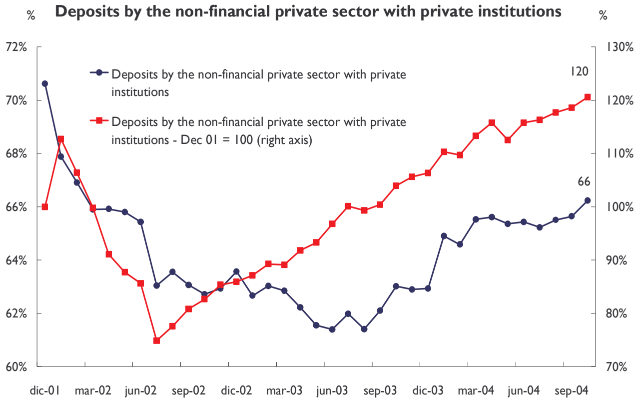
Financial system assets returned to the growth path first embarked upon in March, after a brief period of stagnation. At consolidated level, **financial system netted assets recorded a year-on-year (y-o-y)**

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



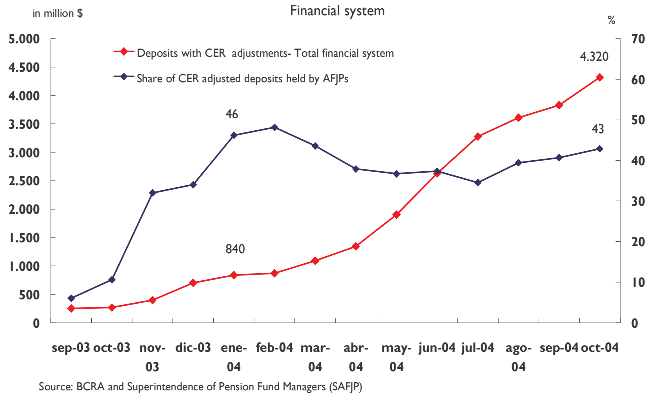
Source: BCRA

Chart 10
Deposits by the non-financial private sector with private institutions



Source: BCRA

Chart 11
Time deposits with CER adjustments
Financial system



Source: BCRA and Superintendence of Pension Fund Managers (SAFJP)

variation of 8.3%, an improvement of 0.7 p.p. compared with the previous month. Measured in real terms -eliminating the impact of changes in retail prices- the increase in financial institution assets totaled 2.5% y-o-y, 0.8 p.p. higher than in the previous month (see Chart 9). Private and public banks contributed in similar proportions to this growth during October, explained by both increased lending to the private sector and a larger position in LEBAC and NOBAC.

During October balance sheet deposit totals[1] for the consolidated financial system continued their upward trend, growing 1.3% in the month and 26% y-o-y. Deposits held by the public sector accounted for almost two-thirds of the increase for the month, having risen by 2.8%. Public banks, which continue to be the main beneficiaries of the primary surplus recorded by the consolidated public sector, increased their deposits from that source by $ 890 million (3.4%), accounting for 81% of the total balance of public sector funds in the financial system. Such funds totaled $33.2 billion at the end of October, close to one third of all deposits in the system.

Private sector deposits in the financial system as a whole grew by 0.7% in the month, with a variation of 8% in the last 12 months. Private sector deposit growth was channeled towards private banks, which recorded an increase of 1.7% compared with September. After the crisis in 2001-2002, this preference for the placing of funds in private banks by the private non-financial sector began to be seen as from the second half of 2003 (see Chart 10). The growth in private sector deposits in private banks in October was centered on time deposits in pesos ($ 1.1 billion, 6%). Time deposits in pesos restated according to CER held by the private sector in private banks went up by slightly over $415 million (14%). **Pension Funds continue to account for a leading share of such time deposits, increasing their holdings by $290 million[2] ($285 million in private banks) when compared with September. These institutional investors hold over 40% of total deposits adjusted by CER** in the financial system (see Chart 11). This increase in CER-adjusted time deposits held by Pension Funds took place at the same time as there was a reduction of $170 million in their time deposits not subject to restatement. Furthermore, within the private sector there is a movement away from sight deposits and into time deposits, to take advantage of the higher borrowing rates recorded during the month.

Loans to the private sector[3] by the financial system increased 2.3% (32%a.) in October, strengthening a trend recorded since September 2003 and taking the variation in the second half of 2004 to date to 32%a. (see Table 2)**.** During this period, private banks (which account for 70% of all such loans) recorded a rise in private sector lending of 27%a.. In harmony with a relatively favorable macroeconomic context, **the main lines of commercial loans[4] granted by the financial system have followed this positive trend, increasing 57%a. in October and**

[1] 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.
[2] Source: SAFJP
[3] Information based on balance sheet totals. It does not include interest accruals or CER/CVS restatement. No adjustment is made to reflect unrecoverable loans written off from the balance sheet.
[4] Including current account overdrafts, promissory notes and export pre-finance and finance.

Table 2

Loans to the private sector by group of banks

% change based on balance sheet totals

Public banks	2004	HII 2004	oct-04	Share of total Oct-04
Total loans	***19***	***40***	***52***	***28***
Commercial	48	67	117	*20*
Consumer	113	202	180	*26*
Collateralized	-6	0	6	*42*
Other	-13	8	-15	*24*
Private banks				
Total loans	***27***	***27***	***22***	***70***
Commercial	51	34	44	*79*
Consumer	38	40	46	*67*
Collateralized	-2	3	-8	*57*
Other	6	34	-14	*74*
Total system				
Total loans	***25***	***32***	***32***	***100***
Commercial	50	40	57	*100*
Consumer	54	72	79	*100*
Collateralized	-3	3	0	*100*
Other	2	28	-13	***100***

Does not include accrued interest or CER/CVS adjustments.
Balance sheet totals not adjusted by transfers between loan portfolios and trust funds or by loans written off balance sheets.
"Total system" includes data from public banks, private banks and non-bank institutions.
The private bank group includes three financial institutions currently undergoing a restructuring process and under administration of a national public bank.
Commercial loans include overdraft, acceptance of promissory notes and export credit.
Consumer loans include credit card and personal loans.
Collateralized loans include pledge-backed loans and mortgages.
Source: BCRA

Table 3

Estimated sources and uses of funds

Private banks - October 2004

million pesos

Source		Uses	
Private sector deposits (excluding CEDRO)	1.000	Loans to non-financial private sector	490
Credit to the public sector	130	LEBAC and NOBAC stocks (net of repos)	270
Public sector deposits (excluding CEDRO)	30	Liquid assets (1)	50
Other	20	Reverse repos	950
		CEDRO	270
		BCRA rediscounts	100

(1) 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
Source: BCRA

recording a variation of 50%a. in the year to date, with a significant contribution by private banks (which record 79% of the total balance of such financial system lending). During the month there was a slight rise in current account overdrafts, while notes discounted rose at a rate of 5.7%. **As has been the case throughout 2004, there was a relatively greater increase in the consumer loan portfolio[5]:** balance sheet totals for these loans by the system as a whole increased 79%a., taking growth for the year to 54%a.. Consumer loans in particular went up by 7.6% (141%a.) in October, while credit card lending rose by close to 1.8%. **Public banks record the greatest relative growth in the main consumer lending lines, with a variation during the year of** 113%a., more than double the relative increase in such lending by private banks.

The balance of collateralized loans recorded no change in October, an advance on the negative trend that has predominated in recent years, explained mainly by the positive performance by pledge-backed loans (up 5% in the month). In the second half to date, balance sheet totals for pledge loans have recorded a variation of 58%a.[6], with private banks leading the way. Mortgage loan totals continued to decline in October, losing $ 76 million, as repayments exceed new lending. **While private banks have continued to record a declining trend in their mortgage lending, public banks posted slight growth for the second consecutive month.**

To be able to provide a comprehensive picture of the operations of private banks in October, an estimate is provided below of their cash flows, based on their balance sheet accounts. **In October, private sector deposits** (here excluding CEDRO) **represented the main source of funds for that segment, totaling almost $ 1.0 billion[7]** (see Table 3). A slight increase in public sector deposits ($ 30 million) and a reduction in lending to the public sector ($ 130 million) complete the main sources of funds. **Slightly over 40% of the funds taken in the month were used for loans to the private sector ($490 million).** Uses of funds, by order of relative importance, were: increased holdings of LEBAC and NOBAC not related to Central Bank repos ($ 270 million) and the settlement of CEDRO ($270 million). Lastly, this group of banks repaid Central Bank rediscounts for $ 100 million, this being the installment due in October under the so-called matching agreement, and they recorded a marginal increase in their portfolio of liquid assets. Given the performance by deposits, this latter action led to a reduction in the level of the broad liquidity measure[8] of 0.8 p.p., to a level of 28% at the end of October (see Chart 12). Nevertheless, measured on the basis of items in pesos, the liquidity indicator remained at the levels recorded in September.

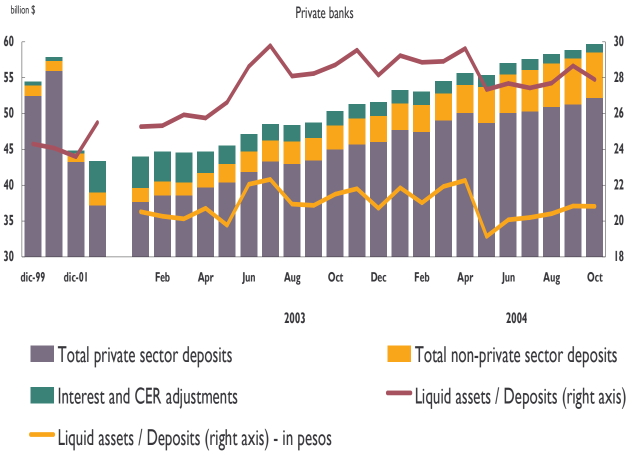
[5] Including consumer loans and credit card lending.

[6] If balance sheet totals are adjusted for changes due to the establishing or winding up of trusts, the variation falls to 48%a..

[7] Excluding deposits in securities, accrued interest and CER restatement, as well as variations in balances in dollars due to changes in the rate of exchange for the local currency.

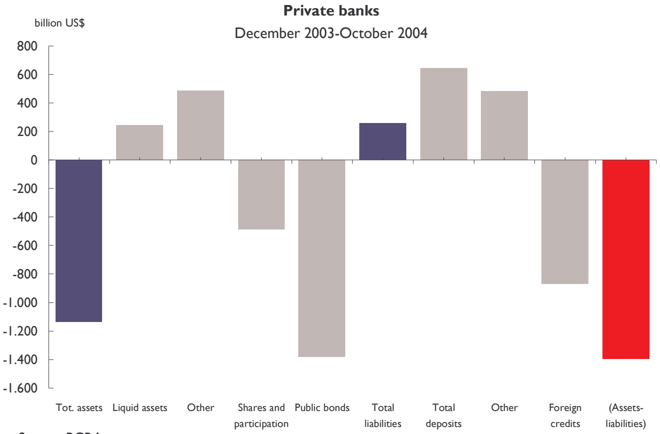
[8] Defined as the ratio of liquid assets (sum of minimum cash compliance, other liquid funds and reverse repos with the Central Bank using LEBAC and NOBAC) to total deposits.

Chart 12
Deposits and liquidity
Private banks



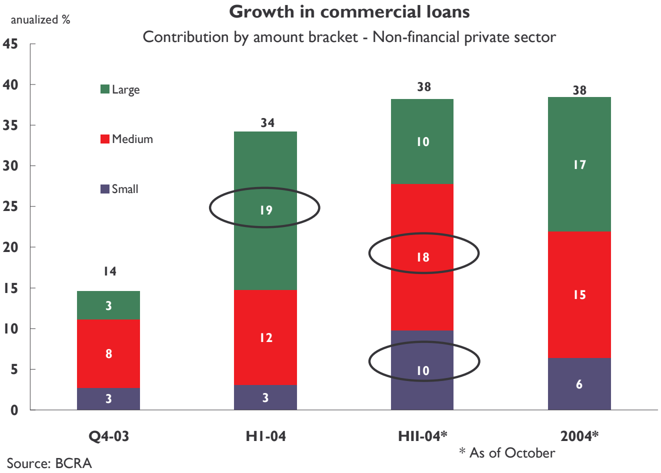
Source: BCRA

Chart 13
Currency mismatch
Private banks
December 2003-October 2004



Source: BCRA

Chart 14
Growth in commercial loans
Contribution by amount bracket - Non-financial private sector



Source: BCRA

It should be noted that **in recent months, private banks have been lowering their credit exposure to the consolidated public sector**[9], which recorded a drop of 0.5 p.p. in October and almost 4 p.p. in 2004 to date (to a current level of close to 43.7%). In addition, **the form this reduction in credit exposure has taken (mainly in lending denominated in dollars) is helping to achieve a significant reduction in the overall mismatching in foreign currency** of this bank sub-group (see Chart 13). As a result, it can be seen that in October private banks lowered the mismatching (assets less liabilities in foreign currency) in absolute terms by 8%, with a reduction in the year to date of 40%. Measured in terms of net worth, the mismatching totaled 41% in October (25 p.p. less than in December 2003).

Lending to companies:
Growth in medium and small-size loan segments

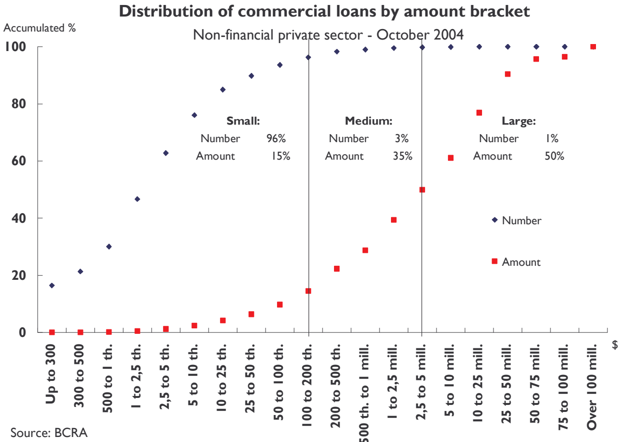
Bank lending to the corporate sector[10] has been increasing over the course of the year, although it has consisted mainly of short-term loans. Lending to companies increased 34%a. and 38%a. in the first half and in 2004 to date respectively, after rising by 14%a. in the last quarter of 2003. **It should be noted that the contribution by size of loan to the total growth in lending to the corporate sector has differed widely between the first half of 2004 and the second half.** This analysis gains significance as debt size is assimilated to the size of the borrowing company.

The rise in lending to companies in the first half of the year was driven by loans of a larger relative size (mainly associated with major corporations). Loans for amounts of over $5 million accounted for 19 p.p. of the total growth rate (34%a.), with medium-size loans (more than $200 thousand but less than $5 million) and small loans (under $200 thousand) playing a lesser part. **Growth in the second half of 2004 has been upheld mainly by the latter two types of loan, which together contributed 28 p.p. of the total variation (38%). There has been a notable increase in the share accounted for by smaller loans, associated mainly with small companies, which have explained 10 p.p. of the total variation** (see Chart 14). The increased contribution by medium and small-size loans to the total rise in lending to companies is consistent with the strong growth between halves by segment (from 22%a. to 74%a. in the small segment, and from 35%a. to 53%a. in the mid-size segment) at the same time as there was a slowdown in lending in the larger segments (from 37%a. to 20%a.).

This progress in lending is making a significant contribution to the normalization and future development of the financial system. **By broadening the scope of their lending business to include smaller**

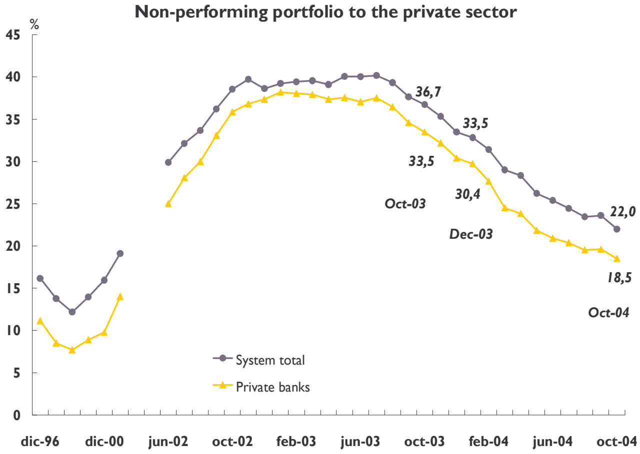
[9] Including balance sheet totals for Government Securities, Loans to the Public Sector, and Compensation to be received from the public sector.
[10] Based on information submitted by banks to the Information Regime for Financial System Debtors and Composition of Economic Groups. Excludes one relatively significant public bank for which information was unavailable at the time of the analysis.

Chart 15
Distribution of commercial loans by amount bracket
Non-financial private sector - October 2004



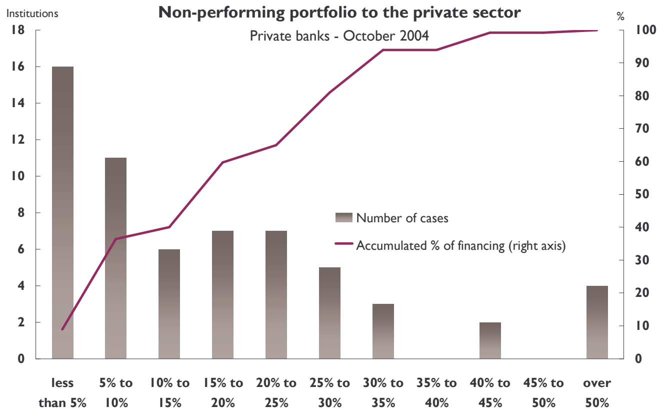
Source: BCRA

Chart 16
Non-performing portfolio to the private sector



Source: BCRA

Chart 17
Non-performing portfolio to the private sector
Private banks - October 2004



Source: BCRA

borrowers, banks in addition to benefiting from the development of new markets also achieve greater diversification for their assets, strongly reducing their exposure to credit risk. Further effort is still required in this area. At present, the large borrower segments (mainly major corporations) account for less than 1% of the total number of loans granted to the productive sector, but half their total value (see Chart 15).

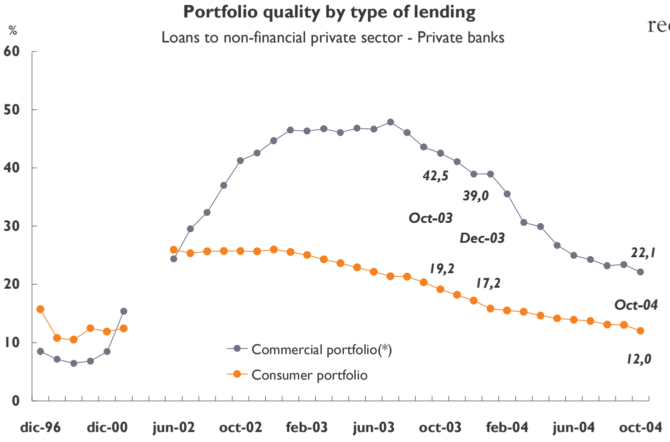
Portfolio quality:
Non-performing consumer loans at pre-crisis levels

Improvement in the quality of private sector loan portfolios held by the financial system continued in October, with a drop in non-performance of 1.6 p.p. for the month. The non-performance rate for October of 22% means that the system has achieved a reduction of 11.5 p.p. in this indicator in 2004 to date. **Private banks recorded a reduction of 1 p.p. in non-performance for the month, taking it to a level of 18.5%**, an improvement in the year to date of almost 12 p.p. (see Chart 16). Nevertheless, portfolio non-performance rates vary considerably between individual banks. As shown on Chart 17, a significant number of banks record non-performance levels below the weighted indicator for all private banks: **almost half of all private banks, responsible for 40% of private sector lending, record non-performance levels of under 10%. Banks with relatively high non-performance indicators account for a very low percentage of total loans.**

The reduction in non-performance levels for private banks in October reflected the combined effect of a significant increase in the volume of loans granted and the continued decline in the amount rated as non-performing. This improvement has been recorded by both the commercial and consumer portfolios (see Chart 18). The commercial portfolio -which represents almost 64% of all loans granted to the private sector- recorded a non-performance level of 22.1% in October, with an improvement of 1.3 p.p. for the month and almost 17 p.p. in 2004 to date. Non-performance in the consumer portfolio was 12% in October, in line with the levels recorded in the period prior to the outbreak of the crisis in 2001-2002. This segment of the portfolio has recorded a drop of 1 p.p. compared to the previous month and 5 p.p. compared with December 2003. Chart 19 shows that **improved consumer portfolio quality indicators are a widespread phenomenon:** in most cases the current level of consumer portfolio non-performance is at least one third lower than that of the commercial portfolio.

Lastly, **during October the percentage of non-performing loans not covered by provisions fell slightly to 6.1% in the case of private banks**, thus remaining low in historical terms. This decline reflected a drop in non-performing loans that was greater than the decline in the

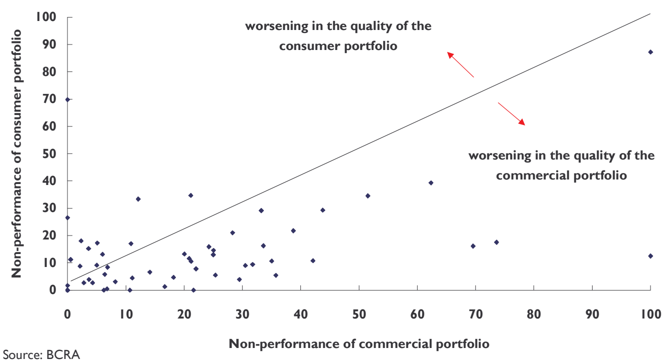
Chart 18
Portfolio quality by type of lending
Loans to non-financial private sector - Private banks



Source: BCRA

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

Chart 19
Portfolio non-performance by type of lending
Private banks - October de 2004



Source: BCRA

amount of provisions, while net worth shrank as a result of the losses recorded during the month.

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" 4230 –10/15/04
Accounting treatment for repo transactions using government securities recorded at the lower of present or technical value, for which volatility has been informed by the Central Bank, to determine the capital requirement for market risk. In addition, clarification is provided of the criterion to be followed for including government securities subject to minimum capital requirements for market risk, to comply with the limits on transactions with the public sector.

Communication "A" 4232 –10/19/04
In accordance with the terms of Decree 1220/04 (Official Gazette 09/16/04) the regulations on social security savings accounts have been repealed.

Communication "A" 4233 –10/22/04
A 30-working-day suspension has been decreed for the enforcement of regulations regarding the several liability of University professionals, their partners and associates, on a personal basis, for fines that may be applied as a result of their performance as external auditors of financial institutions, under the terms of the penalties established for violations of the law on financial institutions, its regulations and the resolutions issued by the Central Bank and the Superintendence of Financial and Exchange Institutions in the exercise of their duties.

Notes on methodology

(a) Aggregate balance sheet information is taken from the Monthly Accounting Information System (non-consolidated balances). To calculate data for the system aggregate, for institutions not providing data for the month under review, the latest information available is repeated in the aggregate balance sheet. When estimating income flows, however, consideration is given exclusively to those institutions providing data on the month in question.

(b) Due to the possible lack of data for a number of banks at the time of writing this Report, and given the possibility of subsequent corrections to the data provided by financial institutions, the data included – particularly for the last month mentioned – is of a preliminary nature. As the latest available data is always used, data related to earlier periods may not coincide with what had been previously mentioned in earlier issues of the Report. In these cases, the latter version should be considered as that of the best quality.

(c) Data on deposits and loans relate to balance sheet information and do not necessarily agree with those gathered by the centralized System of Information Requirements (SISCEN). Reasons for discrepancies include the exact date taken into account for the calculation of monthly variances and the items included in the definition adopted in each case.

(d) Qualitative information on specific transactions involving specific banks has been taken from the notes to the financial statements of the banks, or obtained on the basis of inquiries made of the supervisors at the Superintendence of Financial and Exchange Institutions.

(e) Estimates of the main sources and uses of funds: this table summarizes the aggregate principal movements of funds in the corresponding period, derived mainly from the institutions assets and liabilities management policies. In view of the source of this information – the main variations in the aggregate balance sheet headings for the institution aggregate – and the purpose of the table, when preparing it certain changes have been made, mainly on the grounds that changes related to the revaluation of items (for exchange rate or inflation adjustment, etc.) should be eliminated, as should those related to the accrual of provisions, depreciation and amortization, changes in the way certain transactions are recorded and the elimination from the balance sheet of assets for which recovery is doubtful (with 100% provisioning). In particular, balances of foreign currency items at the end of the period are restated at the exchange rate at the beginning of the period.

(f) The profitability indicators provided have been calculated on the basis of monthly results estimated on the basis of the changes in the amount of accumulated results during the year in progress. Unless otherwise indicated, profitability ratios have been annualized.

(g) Initially, the breakdown by group of banks was determined on the basis of the majority existing in decision-making – in terms of shareholders' meeting votes – distinguishing between privately-owned institutions and public institutions. With the aim of deepening the analysis, private institutions were further broken down according to their geographical and commercial coverage. As a result, wholesale banks were defined as those specializing in the large corporation and investor segment, which usually do not depend for their funding on deposits from the private non-financial sector. Retail banks were divided into those carrying out business at national level, those located in specific geographical regions – municipal, provincial or regional institutions – and institutions specializing in a financial sector niche market – generally smaller institutions. Lastly, it should be noted that this grouping has been carried out solely for analytical purposes and does not represent the only methodological criterion for grouping, while in addition, the detailing of the characteristics of each group of institutions has been established in a general manner.

Glossary

%**a.**: annualized percentage
Consolidated (or aggregate) assets and liabilities: Those arising from excluding operations between financial system institutions.
Gains from securities: Includes income from government securities, short-term investments, corporate bonds, subordinated debt and options. In the case of government securities, it includes the results accrued from income, quotation differences, exponential increase on the basis of the internal rate of return (IRR), and from sales, as well as the charge for impairment to value.
Income from services: Commissions collected less commissions paid. Includes commissions on liabilities, credits, securities, guarantees granted, rental of safe deposit boxes and foreign trade and exchange transactions, excluding in the case of the latter results from the trading of foreign currency, which are recorded in the "Exchange difference" accounts (here included under the heading "Other financial results"). Outflows include commissions paid, contributions to the Banking Social Services Institute (ISSB), other contributions on service income and charges accrued for gross income tax.
Interest income (interest margin): Interest collected less interest paid on financial intermediation, on an accrual basis – taken from balance sheet – rather than on a cash basis. Includes interest on loans of government securities and premiums on repos and reverse repos.
Liquid assets: Minimum cash compliance – cash, current account at Central Bank and special accounts in guarantee – and other liquid items, including correspondent accounts.
MAE: Mercado Abierto Electrónico. Electronic over-the-counter market.
Net operating revenue: Interest income plus net adjustments according to the CER and CVS indexes in relation to financial intermediation plus service income.
Net worth exposure to counterparty risk: :Non-performing portfolio net of allowances in terms of net worth.
Netted assets (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: Private Banks

Balance Sheet - Private banks

In current pesos (millions)	Dec 99	Dec 00	Dec 01	Dec 02	Oct 03	Dec 03	Sep 04	Oct 04	Change (%) Month on month	Change (%) Accum. 2004	Change (%) Year on year
Assets	**108.778**	**119.371**	**82.344**	**118.906**	**116.351**	**116.633**	**122.556**	**124.480**	**1,6**	**6,7**	**7,0**
Liquid assets[2]	13.228	13.920	10.576	11.044	14.448	14.500	16.343	15.429	-5,6	6,4	6,8
Public bonds	6.433	7.583	1.627	19.751	21.816	22.260	19.393	24.051	24,0	8,0	10,2
Private bonds	410	563	451	273	172	172	205	313	52,7	81,8	82,2
Loans	56.916	56.035	52.319	51.774	46.952	47.017	53.044	50.076	-5,6	6,5	6,7
Public sector	6.389	8.172	13.803	25.056	23.668	23.571	24.874	21.387	-14,0	-9,3	-9,6
Private sector	47.705	45.103	36.636	26.074	22.564	22.816	27.193	27.594	1,5	20,9	22,3
Financial sector	2.823	2.760	1.880	644	719	630	978	1.095	12,0	73,8	52,3
Provisions over loans	-3.119	-3.248	-3.957	-7.463	-5.616	-5.225	-4.299	-4.163	-3,2	-20,3	-25,9
Other netted credits due to financial intermediation	30.285	42.696	13.037	27.212	22.178	22.148	23.615	24.560	4,0	10,9	10,7
Corporate bonds and subordinated debt	1.022	724	665	1.514	1.388	1.394	820	839	2,3	-39,9	-39,6
Unquoted trusts	958	1.609	1.637	6.205	3.841	3.571	2.171	2.191	0,9	-38,7	-43,0
Compensation receivable	0	0	0	15.971	12.901	13.812	13.702	13.582	-0,9	-1,7	5,3
BCRA	12	35	865	377	307	415	311	318	2,3	-23,3	3,6
Other	28.293	40.328	9.870	3.146	3.741	2.955	6.611	7.630	15,4	158,2	104,0
Assets under financial leases	796	776	752	553	392	387	545	579	6,3	49,8	47,8
Shares and participation	1.371	1.651	1.703	3.123	3.384	2.791	1.550	1.544	-0,4	-44,7	-54,4
Fixed assets and sundry	3.246	3.225	3.150	5.198	5.005	4.902	4.755	4.734	-0,4	-3,4	-5,4
Foreign branches	48	75	112	-109	-122	-136	-71	-69	-2,8	-49,3	-43,5
Other assets	2.120	2.190	2.574	7.549	7.742	7.816	7.475	7.426	-0,7	-5,0	-4,1
Liabilities	**96.474**	**107.193**	**70.829**	**103.079**	**102.324**	**101.732**	**108.167**	**110.216**	**1,9**	**8,3**	**7,7**
Deposits	54.447	57.833	44.863	44.445	51.399	52.625	58.935	59.782	1,4	13,6	16,3
Public sector [1]	1.342	1.276	950	1.636	2.933	3.077	6.130	6.157	0,5	100,1	110,0
Private sector [1]	52.460	55.917	43.270	38.289	46.071	47.097	51.400	52.252	1,7	10,9	13,4
Current account	5.022	4.960	7.158	8.905	10.464	11.588	12.673	12.421	-2,0	7,2	18,7
Savings account	9.702	9.409	14.757	6.309	9.845	10.547	13.845	13.870	0,2	31,5	40,9
Time deposit	35.218	39.030	18.012	11.083	19.329	18.710	20.831	21.912	5,2	17,1	13,4
CEDRO	0	0	0	9.016	2.806	2.409	1.153	1.018	-11,7	-57,7	-63,7
Other netted liabilities due to financial intermediation	39.045	46.271	22.629	49.341	44.223	42.367	43.833	44.981	2,6	6,2	1,7
Call money	2.146	2.293	1.514	836	854	726	1.466	1.346	-8,1	85,4	57,6
BCRA lines	274	83	1.758	16.624	16.846	17.030	16.764	16.776	0,1	-1,5	-0,4
Outstanding bonds	4.990	4.939	3.703	9.073	7.051	6.674	7.953	7.934	-0,2	18,9	12,5
Foreign lines of credit	6.680	5.491	4.644	15.434	10.918	9.998	6.892	6.895	0,0	-31,0	-36,8
Other	24.954	33.466	11.010	7.374	8.554	7.939	10.759	12.029	11,8	51,5	40,6
Subordinated debts	1.683	1.668	1.700	3.622	2.927	1.850	1.402	1.379	-1,7	-25,5	-52,9
Other liabilities	1.299	1.420	1.637	5.671	3.775	4.890	3.996	4.074	1,9	-16,7	7,9
Net worth	**12.304**	**12.178**	**11.515**	**15.827**	**14.027**	**14.900**	**14.389**	**14.264**	**-0,9**	**-4,3**	**1,7**
Memo											
Netted assets	85.918	88.501	73.796	117.928	114.294	115.091	117.610	118.552	0,8	3,0	3,7

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

([2]) Includes margin accounts with the BCRA

Statistics: Private Banks

Profitability structure - Private banks

In annualized terms

As % of	Annual					First 10 months		Monthly						Last
netted assets	1999	2000	2001	2002	2003	2003	2004	may-04	jun-04	jul-04	ago-04	sep-04	oct-04	6 months
Financial margin	6,1	6,2	6,4	7,6	2,3	1,2	3,2	7,3	4,8	2,9	4,0	1,9	2,7	3,9
Net interest income	4,5	4,1	4,3	-0,2	0,1	-0,1	1,0	1,0	2,0	1,2	1,3	1,0	0,8	1,2
Restatement by CER and CVS	0,0	0,0	0,0	1,1	0,9	0,8	0,8	1,3	0,2	0,8	0,7	0,3	0,5	0,6
Gains on securities	1,1	1,4	1,2	2,5	1,7	1,3	0,9	1,4	1,9	1,0	1,1	1,2	1,1	1,3
Foreign exchange price adjustments	0,3	0,2	0,3	4,4	-0,3	-0,5	0,8	3,8	1,4	1,0	1,1	-0,5	0,4	1,2
Other financial income	0,3	0,5	0,7	-0,1	-0,2	-0,2	-0,3	-0,2	-0,7	-1,1	-0,1	-0,1	0,0	-0,4
Service income margin	3,1	2,9	3,2	2,0	2,0	2,0	2,3	2,4	2,3	2,4	2,3	2,5	2,4	2,4
Loan loss provisions	-2,2	-2,5	-3,0	-5,0	-1,3	-1,4	-0,7	-0,7	-1,1	-0,1	-0,4	-1,0	-0,4	-0,6
Operating costs	-6,3	-6,0	-6,4	-4,8	-4,6	-4,6	-4,5	-4,4	-4,7	-4,5	-4,5	-4,5	-4,5	-4,5
Tax charges	-0,4	-0,4	-0,5	-0,4	-0,3	-0,3	-0,3	-0,4	-0,3	-0,3	-0,3	-0,3	-0,4	-0,3
Income tax	-0,5	-0,4	-0,3	-0,2	-0,3	-0,3	-0,2	0,0	-0,2	0,0	0,0	0,5	-0,1	0,0
Adjustments to the valuation of government securities (*)	0,0	0,0	0,0	0,0	-0,6	-0,7	-0,1	-0,1	0,1	-0,1	-0,1	-0,1	-0,2	-0,1
Amortization payments for court-ordered releases	0,0	0,0	0,0	0,0	-0,7	-0,5	-0,9	-1,0	-1,0	-0,9	-1,0	-1,0	-1,0	-1,0
Other	0,5	0,4	0,7	-3,0	1,0	1,2	0,7	-1,4	1,1	-0,1	0,7	1,7	0,3	0,4
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	-3,0	-0,5	1,8	1,2	-0,7	0,8	-0,8	-1,0	0,2
ROA before monetary results	0,3	0,1	0,2	-3,8	-2,4	-3,3	-0,7	1,8	1,0	-0,8	0,7	-0,3	-1,1	0,2
ROA	0,3	0,1	0,2	-11,3	-2,5	-3,3	-0,7	1,8	1,0	-0,8	0,7	-0,3	-1,1	0,2
ROA adjusted (**)	0,3	0,1	0,2	-11,3	-1,2	-2,1	0,6	2,8	1,9	0,3	1,8	0,8	0,1	1,3
Indicators (%)														
ROE	**2,3**	**0,8**	**1,4**	**-79,0**	**-19,1**	**-25,7**	**-5,4**	**14,1**	**8,3**	**-6,1**	**6,1**	**-2,7**	**-8,8**	**1,8**
Financial margin + service income margin / Operating cost	146,0	151,9	150,9	199,3	92,6	70,5	122,5	222,1	151,8	119,4	141,6	98,3	114,1	140,7
Interest income (with CER and CVS) / loans	..	13,9	16,1	24,7	9,0	8,4	8,0	9,6	10,1	9,2	8,2	7,7	4,6	8,0
Interest payments (with CER and CVS) / deposits	..	5,7	7,8	21,9	5,8	6,4	2,1	2,5	2,6	2,3	2,2	1,9	2,4	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.

Portfolio quality - Private banks

As percentages	Dec 99	Dec 00	Dec 01	Dec 02	Oct 03	Dec 03	Mar 04	Jun 04	Sep 04	Oct 04
Non-performing loans (overall)(1)	7,6	8,3	9,9	19,8	17,4	15,7	12,5	11,2	10,4	10,6
Non-performing loans to the non-financial private sector	8,9	9,8	14,0	37,4	33,6	30,4	24,5	20,9	19,6	18,5
Commercial portfolio	6,2	7,6	15,2	44,5	43,4	39,9	31,1	25,0	23,5	22,3
Commercial portfolio up to $200,000	11,7	14,6	16,4	46,4	32,8	26,8	24,8	24,9	22,8	20,0
Consumption and housing portfolio	12,5	11,9	12,4	26,0	19,2	17,2	15,3	13,9	13,0	12,0
Provisions / Total non-performing loans	69,4	67,7	75,7	73,4	74,9	79,0	81,3	87,1	83,7	84,2
(Total non-performing - Provisions) / Overall financing	2,3	2,7	2,4	5,3	4,4	3,3	2,3	1,4	1,7	1,7
(Total non-performing - Provisions) / Net worth	11,5	13,4	11,4	18,6	15,7	11,2	8,5	5,5	6,5	6,1

(1) As a percentage of each lending category.

Statistics: Financial System

Balance Sheet - Total System

In current pesos (millions)	Dec 99	Dec 00	Dec 01	Dec 02	Oct 03	Sep 04	Oct 04	Change (%) Last month	Change (%) Accum. 2004	Change (%) Last 12 months
Assets	**153.140**	**163.550**	**123.743**	**187.532**	**186.573**	**205.766**	**210.559**	**2,3**	**12,7**	**12,9**
Liquid assets[2]	20.423	20.278	13.005	17.138	27.361	30.996	29.085	-6,2	5,5	6,3
Public bonds	8.531	10.474	3.694	31.418	39.796	48.527	55.283	13,9	22,7	38,9
Private bonds	477	633	543	332	224	236	363	53,9	83,4	61,7
Loans	83.850	83.277	77.351	84.792	71.938	75.717	72.726	-4,0	6,9	1,1
Public sector	12.138	15.164	22.694	44.337	37.331	34.705	30.966	-10,8	-6,8	-17,1
Private sector	67.934	64.464	52.039	38.470	33.017	38.946	39.769	2,1	19,1	20,4
Financial sector	3.778	3.649	2.617	1.985	1.590	2.066	1.991	-3,6	40,6	25,2
Provisions over loans	-6.001	-6.907	-6.987	-11.952	-9.598	-8.175	-7.962	-2,6	-15,1	-17,0
Other netted credits due to financial intermediation	38.156	50.716	21.485	39.089	28.010	31.654	34.227	8,1	26,6	22,2
Corporate bonds and subordinated debt	1.115	794	751	1.708	1.538	1.000	1.025	2,5	-34,7	-33,3
Unquoted trusts	1.336	2.053	2.065	6.698	4.444	2.870	2.888	0,6	-30,1	-35,0
Compensation receivable	0	0	0	17.111	13.985	14.487	14.378	-0,7	-3,7	2,8
BCRA	81	141	84	3.360	1.454	538	419	-22,0	-35,5	-71,2
Other	35.623	47.728	18.585	10.212	6.589	12.759	15.516	21,6	170,3	135,5
Assets under financial leases	814	786	771	567	402	561	595	6,1	49,9	48,0
Shares and participation	1.838	2.645	2.688	4.653	5.196	3.476	3.478	0,1	-24,2	-33,1
Fixed assets and sundry	4.973	4.939	4.804	8.636	8.272	7.913	7.863	-0,6	-3,7	-4,9
Foreign branches	996	1.115	1.057	3.522	3.131	3.401	3.441	1,2	9,4	9,9
Other assets	3.560	3.950	5.334	9.338	11.842	11.460	11.462	0,0	-4,8	-3,2
Liabilities	**136.252**	**146.267**	**107.261**	**161.446**	**164.810**	**184.125**	**189.031**	**2,7**	**14,6**	**14,7**
Deposits	81.572	86.506	66.458	75.001	92.266	112.627	114.523	1,7	21,0	24,1
Public sector[1]	7.232	7.204	950	8.381	15.392	32.289	33.207	2,8	107,0	115,7
Private sector[1]	73.443	78.397	43.270	59.698	73.219	78.366	78.940	0,7	5,3	7,8
Current account	6.478	6.438	7.158	11.462	13.947	16.729	16.303	-2,6	0,2	16,9
Savings account	13.047	13.008	14.757	10.523	15.620	22.122	22.298	0,8	32,7	42,7
Time deposit	48.915	53.915	18.012	19.080	33.663	32.811	34.059	3,8	2,3	1,2
CEDRO	0	0	0	12.328	3.765	1.527	1.346	-11,9	-58,2	-64,3
Other netted liabilities due to financial intermediation	50.361	55.297	36.019	75.737	64.089	64.647	67.563	4,5	9,5	5,4
Call money	3.793	3.545	2.550	1.649	1.455	1.795	1.712	-4,6	30,0	17,7
BCRA lines	315	102	4.470	27.837	27.211	26.785	26.770	-0,1	-2,6	-1,6
Outstanding bonds	5.087	4.954	3.777	9.096	7.051	7.953	7.934	-0,2	18,9	12,5
Foreign lines of credit	10.279	8.813	7.927	25.199	16.852	10.558	10.464	-0,9	-31,1	-37,9
Other	30.886	37.883	17.295	11.955	11.519	17.556	20.683	17,8	87,8	79,6
Subordinated debts	2.206	2.255	2.260	3.712	2.989	1.546	1.524	-1,5	-24,9	-49,0
Other liabilities	2.113	2.210	2.524	6.997	5.467	5.304	5.421	2,2	-17,5	-0,8
Net worth	**16.888**	**17.283**	**16.483**	**26.086**	**21.763**	**21.641**	**21.529**	**-0,5**	**-1,9**	**-1,1**
Memo										
Netted assets	126.432	129.815	110.275	185.356	183.566	195.779	198.020	1,1	7,4	7,9
Consolidated netted assets	122.270	125.093	106.576	181.253	179.152	191.227	193.554	1,2	6,9	8,0

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

(2) Includes margin accounts with the BCRA

Statistics: Financial System

Profitability structure - Total system

In annualized terms

As % of	Annual					First 10 months		Monthly						Last
netted assets	1999	2000	2001	2002	2003	2003	2004	may-04	jun-04	jul-04	aug-04	sep-04	oct-04	6 months
Financial margin	5,6	5,7	5,7	6,5	1,1	0,5	3,2	7,0	4,8	3,1	4,1	2,6	3,0	4,1
Net interest income	4,3	4,0	3,8	-1,7	-0,5	-0,8	0,9	0,8	1,7	1,1	1,1	1,0	0,8	1,1
Restatement by CER and CVS	0,0	0,0	0,0	3,9	1,3	1,2	1,1	1,0	2,7	1,2	1,0	0,7	0,8	1,2
Gains on securities	0,9	1,2	1,2	1,7	1,1	1,0	1,0	2,0	0,0	1,0	0,9	1,3	1,1	1,0
Foreign exchange price adjustments	0,2	0,1	0,2	2,8	-0,5	-0,6	0,6	3,4	0,8	0,7	1,2	-0,4	0,3	1,0
Other financial income	0,2	0,4	0,5	-0,1	-0,3	-0,3	-0,2	-0,2	-0,4	-0,8	-0,1	0,0	0,1	-0,2
Service income margin	2,9	2,8	3,0	1,9	1,9	1,8	2,0	2,1	2,0	2,0	2,0	2,1	2,1	2,0
Loan loss provisions	-2,1	-2,4	-2,6	-4,7	-1,1	-1,1	-0,6	-0,6	-0,8	-0,3	-0,7	-0,9	-0,4	-0,6
Operating costs	-5,9	-5,8	-6,1	-4,4	-4,2	-4,2	-4,1	-4,0	-4,2	-4,0	-3,9	-4,1	-4,0	-4,1
Tax charges	-0,4	-0,4	-0,5	-0,3	-0,3	-0,2	-0,3	-0,3	-0,3	-0,3	-0,4	-0,3	-0,3	-0,3
Income tax	-0,3	-0,3	-0,2	-0,2	-0,2	-0,2	-0,1	-0,1	-0,1	0,0	0,0	0,3	-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	0,0	-0,2	-0,2	-0,2	-0,1
Amortization payments for court-ordered releases	0,0	0,0	0,0	0,0	-0,6	-0,5	-0,9	-0,9	-0,9	-0,8	-0,9	-0,8	-0,9	-0,9
Other	0,5	0,4	0,6	-1,8	0,9	0,9	0,7	-0,3	1,3	0,1	1,0	1,5	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	0,0	0,0
ROA before income tax	0,6	0,4	0,2	-8,7	-2,7	-3,2	-0,2	2,9	1,9	-0,1	0,9	-0,1	-0,4	0,8
ROA before monetary results	0,2	0,0	0,0	-3,1	-2,9	-3,4	-0,3	2,8	1,8	-0,1	0,9	0,1	-0,4	0,8
ROA	0,2	0,0	0,0	-8,9	-2,9	-3,4	-0,3	2,8	1,8	-0,1	0,9	0,1	-0,4	0,8
ROA adjusted (**)	0,2	0,0	0,0	-8,9	-1,9	-2,5	0,9	3,8	2,6	0,7	2,0	1,2	0,6	1,8
Indicators (%)														
ROE	**1,7**	**0,0**	**-0,2**	**-59,2**	**-22,7**	**-26,6**	**-2,9**	**25,1**	**16,0**	**-1,4**	**8,1**	**1,2**	**-4,1**	**7,4**
Financial margin + service income margin / Operati	142,5	147,4	143,3	189,1	69,3	55,3	128,0	225,3	159,6	129,6	154,6	113,9	125,5	151,0
Interest income (with CER and CVS) / loans	..	13,0	15,2	11,8	7,5	12,8	8,5	11,7	13,2	11,3	10,5	9,4	6,8	9,0
Interest payments (with CER and CVS) / deposits	..	5,3	7,3	9,2	5,1	5,7	1,7	1,9	1,9	1,7	1,7	1,5	1,5	1,8

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.

Portfolio quality - Total system

As percentages	Dec 99	Dec 00	Dec 01	Dec 02	Oct 03	Dec 03	Mar 04	Jun 04	Sep 04	Oct 04
Non-performing loans (overall)(1)	11,5	12,9	13,1	18,1	18,3	17,7	14,9	13,5	12,8	12,4
Non-performing loans to the non-financial private sector	14,0	16,0	19,1	38,6	36,7	33,5	29,0	25,4	23,6	22,0
Commercial portfolio	11,7	13,7	21,4	43,8	42,7	38,9	34,6	29,1	27,2	25,7
Commercial portfolio up to $200,000	21,5	22,8	17,3	46,3	33,2	28,0	26,4	25,2	39,1	34,2
Consumption and housing portfolio	16,6	17,3	17,5	31,4	30,2	28,0	22,3	20,4	14,7	13,5
Provisions / Total non-performing loans	59,6	61,1	66,4	73,8	74,8	79,2	86,4	90,1	88,2	91,7
(Total non-performing - Provisions) / Overall financing	4,7	5,0	4,4	4,7	4,6	3,7	2,0	1,3	1,5	1,0
(Total non-performing - Provisions) / Net worth	24,7	26,2	21,6	17,2	16,5	11,9	7,0	4,8	5,5	3,7

(1) As a percentage of each lending category.