Report on Banks

January 2014

BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

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Year XI, No. 5

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DE LA REPÚBLICA ARGENTINA

Contents

IMPORTANT: *A greater breakdown of indicators per homogeneous groups of banks in Excel format is available at* http://www.bcra.gob.ar/pdfs/polmon/InfBanc_Anexo.xls

Note | Information for January 2014 available as of February 26, 2014 is included. This Report is focused on the performance of the financial system, including breakdowns by homogeneous sub-sectors. The data reported (particularly, those referring to profitability) are provisional and subject to changes. Except otherwise provided, end-of-month data is included.

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Summary

- Banking activity posted a moderate performance at the start of 2014, in line with seasonal factors that are typical in summer. **Nevertheless, the stock of deposits and loans to the private sector increased in the first month of the year in a context of adequate aggregate liquidity and solvency levels**.

- **Financing in pesos granted to the private sector expanded 1.8% (35.2% y.o.y.) in January, mainly boosted by overdrafts.** Total loans (in pesos and in foreign currency) grew over the period, going up 2.4% (33.6% y.o.y.) in the case of lending to the productive sector and 2.2% (31.4% y.o.y.) in the case of loans to households.

- The momentum observed in lending to companies is partly explained by **the Credit Line for Productive Investment (LCIP)**. Considering the first three stages of this tool's application—since its implementation in the second half of 2012 to date—, loans totaling $57.5 billion have been awarded and most of such amount has been credited ($55.21 billion). **57% of funds allocated corresponded to micro, small and medium-sized enterprises (MiPyMEs)** and they were primarily channeled to manufacturing, followed by service companies and primary production. On a supplementary basis, the BCRA awarded $7.78 billion through 26 auctions whereby $6.1 billion were disbursed to companies within the framework of the **Bicentennial Productive Financing Program (PFPB)**, since its implementation to late February 2014.

- **Non-performance in lending to the private sector remained at historically low values at the start of 2014**. In this regard, even though a minor rise in lending delinquency ratio was observed in January, this indicator stood at 1.8%. The delinquency ratio of loans granted to companies reached 1.1% over the month whilst non-performance recorded in loans channeled to households remained at 2.6% of the total portfolio for this sector. Coverage of the non-performing portfolio with provisions stood at 144% at an aggregate level, slightly above the figure recorded the previous month and a year before.

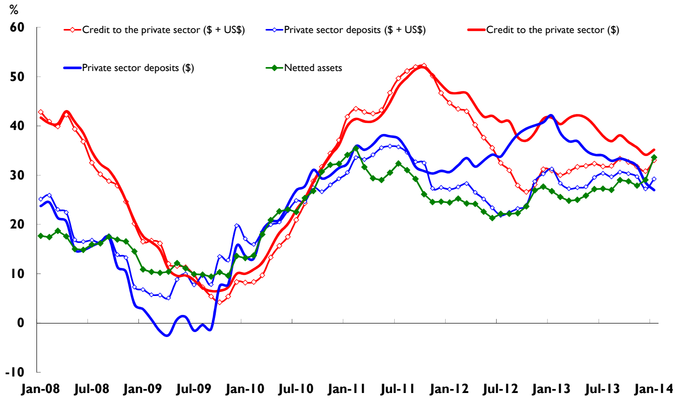
- **The stock of total deposits** (in pesos and in foreign currency) **increased 3.9% over the month (29.2% y.o.y.), with a rise in public and private sector deposits**. The segment corresponding to private sector deposits in pesos increased 0.9% in January driven by a rise in time deposits (4.9%) which was partially offset by a fall in sight accounts (-1.7%).

- **Financial system liquidity (pesos and dollars) rose slightly over the month** up to 28.5% of total deposits. Similarly, the broad liquidity indicator (which includes LEBAC and NOBAC holdings) went up 2.5 p.p. of deposits over the month, up to 41.1%.

- **Consolidated financial system net worth increased 8.7% in January, going up 43.3% y.o.y., a change spurred by book profits.** The capital compliance ratio for the ensemble of banks climbed slightly over the month in terms of risk-weighted assets (RWA), standing at 14%. All groups of banks recorded capital in excess of the regulatory requirements at the start of the year.

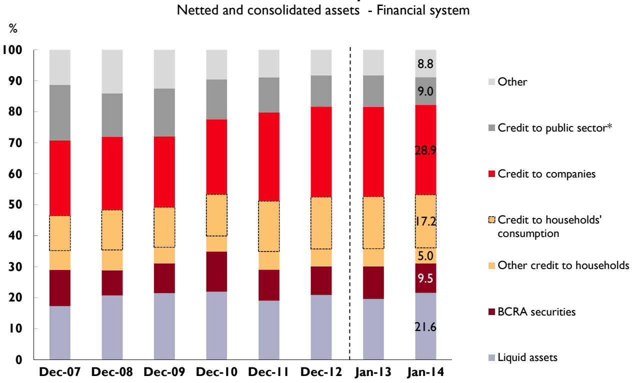
- The financial system registered book profits in January 2014. **Financial institutions' ROA stood at 4.2% over the last 12 months**, going up 1.3 p.p. y.o.y.

Chart 1
Financial Intermediation
Y.o.y. % variation - Financial system



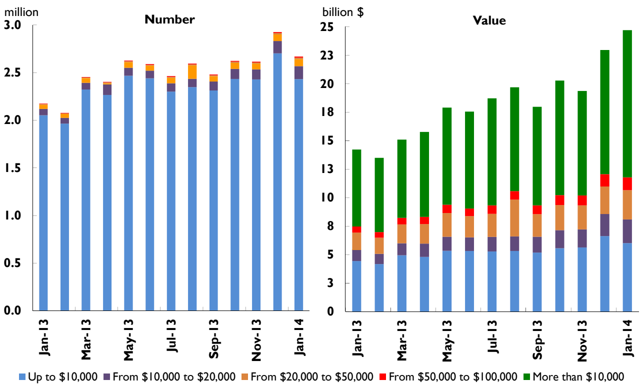
Source: BCRA

Chart 2
Net Worth Composition
Netted and consolidated assets - Financial system



*Note: includes loans and securities
Source: BCRA

Chart 3
Monthly Instant Transfers by Tranche of Value



Source: BCRA

I. Activity

In January, banks increased their volume of financial intermediation with the private sector at a more moderate pace than in the previous months due to seasonal factors related to the summer recess. Financing in pesos to the private sector increased 1.8% in January, going up 35.2% y.o.y. (see Chart 1), whilst deposits in pesos pertaining to this sector rose 0.9% over the period, 27% y.o.y. Financial system netted assets expanded in January, improving 33.6% y.o.y.

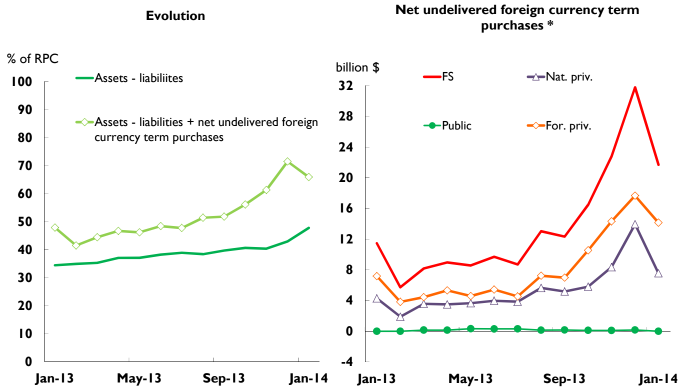
Financial system's main source of funds in domestic currency in the first month of the year was–as is usually the case—the expansion of deposits corresponding to the public sector ($8.2 billion) and the private sector ($4.5 billion) (estimations based on changes in balance sheet stocks). Considering the monthly use of funds in pesos, the rise observed in broad liquidity should be highlighted ($12.9 billion) mainly due to greater holdings of LEBAC and NOBAC not related to BCRA's repo transactions, followed by an increase in financing to the private sector.

Considering the last twelve months, the rise in lending to the private sector was the main use given to banks' funds followed by the increase in liquid assets. Thus, **financing to companies and households accounted for 51.1% of bank assets** (netted and consolidated) **as of January 2014, being mainly explained by loans to the productive sector** (see Chart 2). On a y.o.y. comparison basis, liquid assets raised their share in financial system total assets up to 21.6%.

The value of instant transfers continued growing in early 2014, going up 7.6% monthly (see Chart 3). In y.o.y. terms, the value channeled through instant transfers increased 74% whilst the number of transactions went up 23%. By analyzing amount segments, most transactions took place in the lower amount segment—up to $10,000—, whilst in terms of values, the higher segment prevailed—above $100,000—. **It should be noted that the daily limit to make free electronic transfers increased in September,** from $10,000 to $20,000. In this regard, **greater momentum was observed in instant transfers comprising this band, both in terms of numbers and values.**

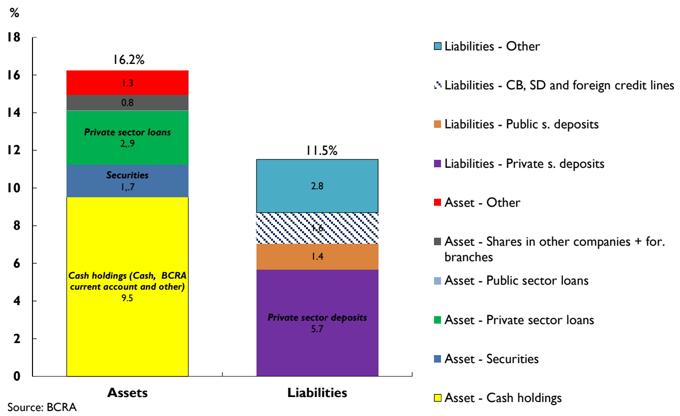
In turn, **the volume of checks cleared in January rose against the month before and increased 25.6% y.o.y. in terms of values** (with a slight fall in the number of instruments drawn). The ratio between the value of checks bounced for insufficient funds and the total cleared decreased over the month, barely exceeding the level recorded in January 2013.

Chart 4
Currency Mismatching



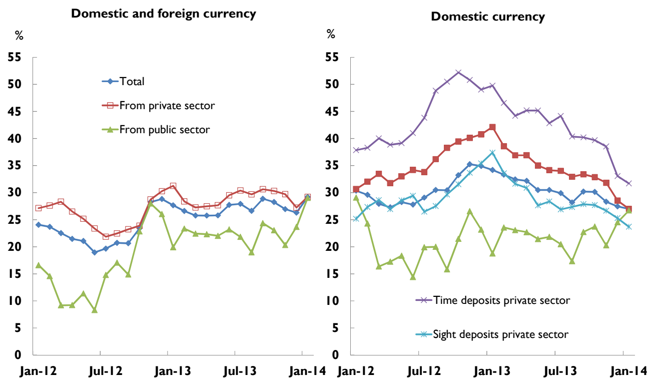
* Off balance sheet accounts
Source: BCRA

Chart 5
Assets and Liabilities in Foreign Currency
As % of netted total assets (pesos and dollars) - January 2014



Source: BCRA

Chart 6
Financial System Deposits
Y.o.y. % var. of balance sheet stocks



Source: BCRA

Financial system broad foreign currency mismatching stood at 65.9% of adjusted stockholder's equity in January, down 5.6 p.p. against the end of 2013 (see Chart 4). The monthly reduction was accounted for by more term sales of foreign currency by private banks (which brought down the term net long position), and the rise in regulatory capital.

It should be noted that, at the start of February, the BCRA set once again **the limit for institutions' positive Net Global Position in foreign currency**[1] in an amount that equals 30% of adjusted stockholder's equity and institutions' own liquid funds corresponding to the month before, whichever the lower. In addition, a new limit was set for banks' term positive position in foreign currency, equivalent to 10% of adjusted stockholder's equity and institutions' own liquid funds corresponding to the month before, whichever the lower.

The relative weighting of balance sheet items in foreign currency has remained at historically low levels. The expansion observed in financial intermediation with the private sector over the past few years was mainly formalized through pesos. Thus, private sector deposits represented in foreign currency at the start of 2014 only accounted for 5.7% of financial institutions' total funding (liabilities and net worth) while private sector loans only explained 2.9% of bank assets. In addition, in January 2014 banks recorded liquid assets in foreign currency for about 9.5% of total assets (see Chart 5), which exceeded 80% of funding in foreign currency.

II. Deposits and liquidity

The balance sheet stock of total deposits (in domestic and foreign currency) for the aggregate financial system increased 3.9% in January, with a rise in deposits by the public sector (5.8%) and the private sector (3.3%). The segment corresponding to private sector deposits in domestic currency climbed 0.9% over the month, driven by an improvement in time deposits (4.9%) which was partially offset by a drop in sight accounts (-1.7%). In turn, private sector deposits in dollars—currency of origin—rose 4.9% over the month[2].

On a y.o.y. comparison basis, total deposits in domestic currency in the financial system went up 27% (see Chart 6), private and public sector deposits posting a similar rise. **Considering deposits in pesos by households and companies, term deposits recorded the greatest growth over this period (31.7% y.o.y.).**

[1] Communication "A" 5536.
[2] Within the framework of a specific transaction carried out by a company.

Meanwhile, private sector deposits in foreign currency fell 3.7%—in currency of origin—in y.o.y. terms. In this context, the stock of total deposits (including pesos and dollars) climbed 29.2% y.o.y.

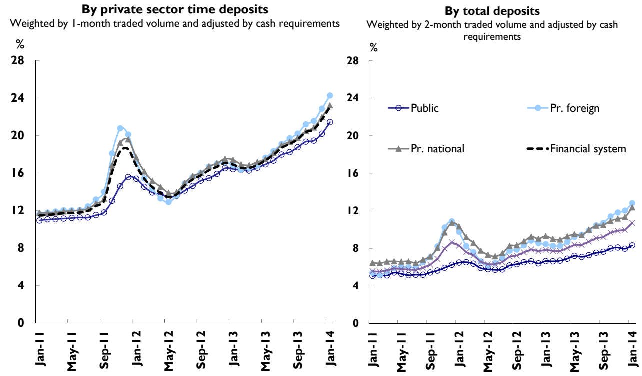
Interest rates on private sector time deposits in pesos continued rising at the start of 2014, accompanying the increase observed in the volume traded. Consequently, the cost of funding for total transactions with deposits in domestic currency increased 0.7 p.p. against the month before and 2.9 p.p. y.o.y., reaching 10.7% in January for the aggregate financial system (see Chart 7). All groups of banks faced a higher cost in deposit taking, being the group of foreign private banks the one that recorded the sharpest y.o.y. hike.

Financial system liquidity (pesos and dollars) in relation to total deposits stood at 28.5% in January, up 1.7 p.p. against the month before (see Chart 8). **Similarly, the broad liquidity indicator** (which includes LEBAC and NOBAC holdings) **rose 2.5 p.p. over the month up to 41.1% of total deposits.** On a y.o.y. comparison basis, both liquidity ratios increased in all groups of financial institutions.

Short-term liability coverage (including deposits and other liabilities) **with higher liquidity assets fell slightly in the last quarter of 2013** (according to the latest information available), **reaching 42.3%** (see Chart 9). The indicator went down 2.9 p.p. y.o.y. due to the higher expansion of liabilities with a term to maturity not exceeding 30 days in relation to assets with greater liquidity.

Chart 7

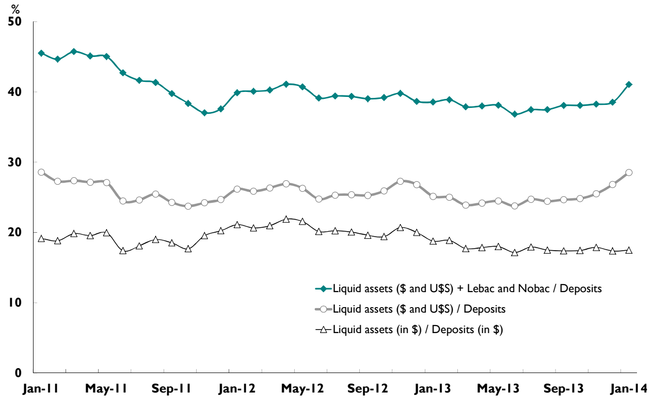
Estimation of Average Funding Costs by Deposits in Pesos



Source: BCRA

Chart 8

Financial System Liquidity

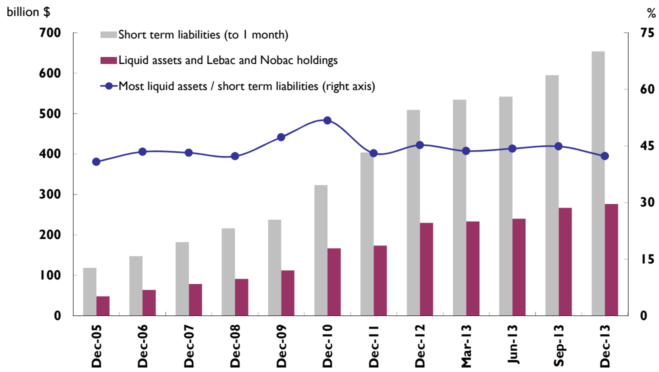


Source: BCRA

Chart 9

Liquid Assets in Terms of Short Term Liabilities*

Financial system



*Note: Based on residual term. Annual information corresponds to quarterly average

Source: BCRA

III. Financing

In January, lending in pesos to the private sector rose 1.8%[3], moderating its rising pace against late 2013, due, partly, to seasonal factors. Meanwhile, loans in foreign currency continued falling at the start of 2014, taking into account the change in currency of origin. Thus, **the balance sheet stock of total loans (in pesos and dollars) to companies and households increased 2.8% over the period**[4] (see Chart 10). All groups of financial institutions raised lending to the private sector during the month and public banks recorded the greatest relative expansion (3.4% against December 2013) (see Chart 11).

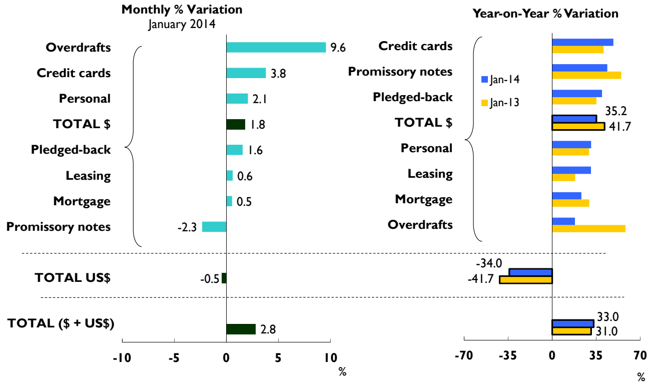
Loans in pesos to the private sector climbed 35.2% y.o.y., with a general improvement being observed in all

[3] Two financial trusts were issued over the month for a total of $271 million, out of which $200 million corresponded to personal loan securitizations and $71 million to leasing contract securitizations. If the balance sheet stock is adjusted by assets securitized in January (using loans granted by banks as underlying assets), the monthly growth recorded by loans in pesos granted to companies and households would reach 1.9%.

[4] If the balance sheet stock is adjusted by assets securitized over the period (using loans granted by banks as underlying assets), the monthly change in total lending (including domestic and foreign currency) to the private sector would amount to 2.9%.

Chart 10

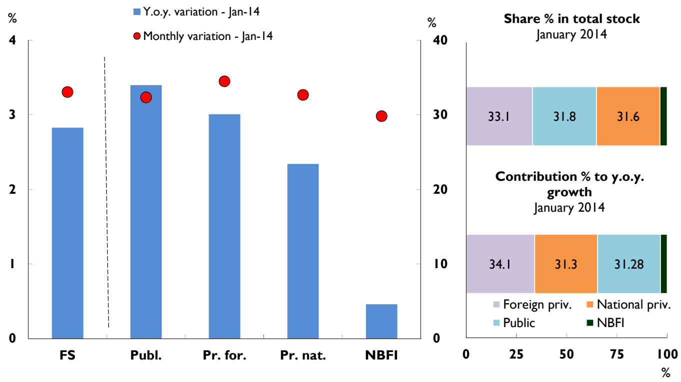
Credit to the Private Sector by Currency of Origin



Note: Total includes balance sheet stock. Variations in currency of origin.
Source: BCRA

Chart 11

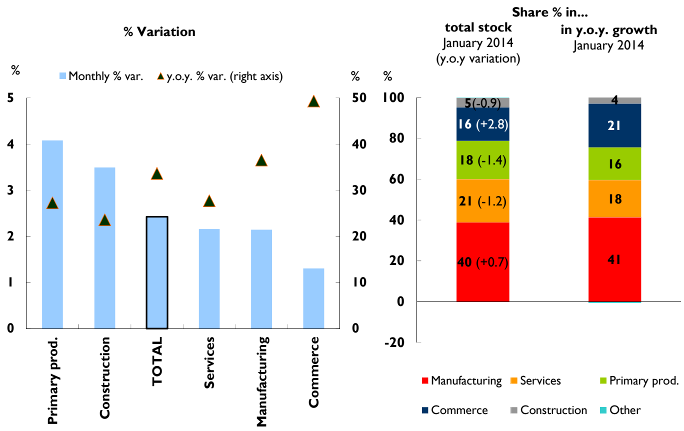
Credit to the Private Sector by Group of Banks



Source: BCRA

Chart 12

Credit to Companies



Source: BCRA

credit lines. Particularly, financing through credit cards, promissory notes and pledge-backed loans posted the greatest momentum. In this context, **total loans to companies and households expanded 33% y.o.y.**

In January, loans to companies[5] increased 2.4%. All productive sectors raised their bank lending in monthly terms, particularly, the performance of loans for primary production and construction (see Chart 12). **Financing to companies increased 33.6% y.o.y.,** surpassing the relative rise of loans to households.

The positive performance recorded by loans to productive branches is partly accounted for by the Credit Line for Productive Investment (LCIP). **Taking into account the first three stages of the LCIP—since its implementation in mid-2012 to date—loans for $57.5 billion have been arranged**, and most of such amount has been disbursed ($55.21 billion) under more favorable conditions than those prevailing at the market. **57% of funds allocated were channeled to micro, small, and medium-sized enterprises** (see Chart 13), favoring access to bank lending for this sector. Loans granted to manufacturing recorded the greatest share in total funding followed by those given to service companies and to primary production. It should be noted that within the framework of the LCIP, since **the end of February, financial institutions may use part of the quota for the first half of 2014** (up to 10% of such amount in March 2014 and up to an additional 10% in April 2014) **for the discount of deferred payment checks to micro, small and medium-sized enterprises** provided that the interest rate on such financing does not exceed the 17.5% annual nominal rate[6] already set.

In addition, **the BCRA has continued promoting the Bicentennial Productive Financing Program (PFPB)**. This Institution has already conducted 26 auctions since the implementation of the PFBP and awarded $7.78 billion amongst participating financial institutions with a total of $6.1 billion being credited to companies up to February 2014. Over 84% of the total disbursed was channeled through public banks.

In January, loans to households[7] expanded 2.2%, rising 31.4% over the past 12 months. Financing through credit cards posted the greatest momentum in January (3.8%) and on a y.o.y. basis (44%) (see Chart 14). Thus, this credit line raised its share in the stock of loans to households, accounting for 35.1% of the total, up 3.1 p.p. y.o.y.

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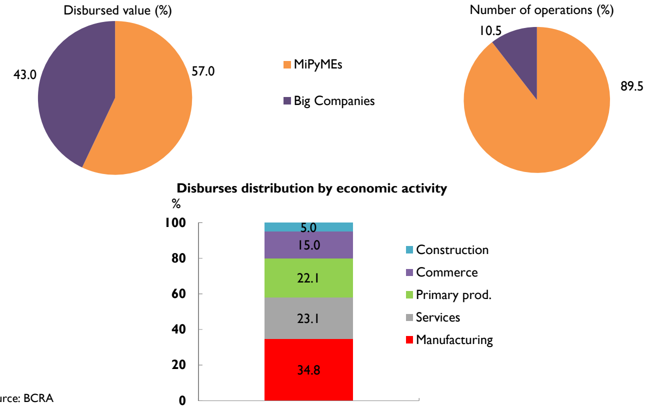
[5] Information obtained from the Debtors' Database (including pesos and foreign currency). Loans to companies include those granted to legal persons and commercial loans granted to natural persons. In turn, loans to households are those given to natural persons unless they have a commercial purpose.
[6] Communication “A”5554.
[7] Information obtained from the Debtors' Database (including pesos and foreign currency).

Chart 13

Credit Line for Productive Investment

First three stages accumulated

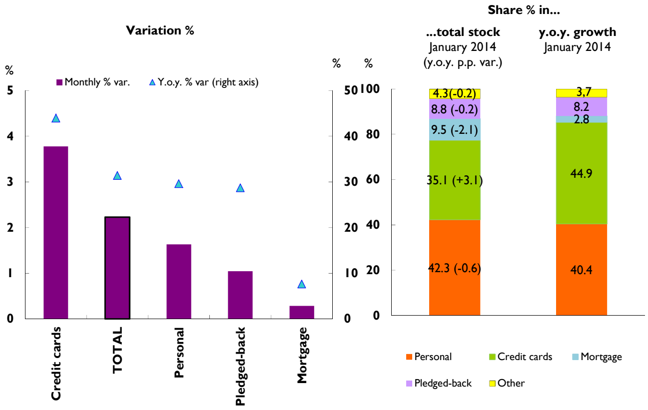
Disburses distribution by size of the firm



Source: BCRA

Chart 14

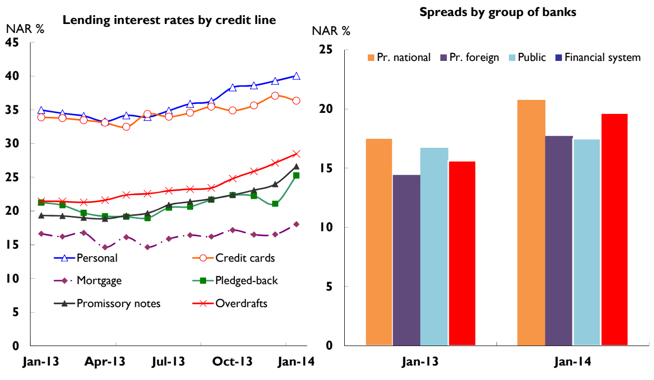
Credit to Households



Source: BCRA

Chart 15

Lending Interest Rates and Spreads Operated in Pesos



Lending rates and spreads: weighted average by operated value.

Source: BCRA

Lending interest rates in pesos in January 2014 increased in almost all credit lines, with the exception of credit cards (see Chart 15). The monthly rise was mainly driven by national private banks. In addition, and on a y.o.y. comparison basis, lending interest rates in early 2014 were higher in all credit segments. In monthly and y.o.y. terms, the hike observed in lending interest rates exceeded that of deposits rates thereby boosting a rise in spreads traded in all groups of banks.

The non-performance ratio of loans to the private sector stood at 1.8%, going up slightly against the end of 2013 primarily due to the performance observed in national private banks (see Chart 16). The monthly hike was mainly accounted for by loans to companies, which recorded a delinquency rate of only 1.1% of the total portfolio. In turn, non-performance of loans granted to households remained stable at 2.6% of credit channeled to this segment. **The financial system continued exhibiting high provisioning levels in early 2014**. Coverage of the private sector non-performing portfolio with provisions stood at 144%, slightly above the figure recorded the month before and that of a year before. In addition, if minimum provisions are excluded from the performing portfolio, the coverage ratio would stand at 85.6%, easily exceeding the regulatory requirement (equivalent to 48% of non-performing loans).

IV. Solvency

The consolidated financial system net worth expanded 8.7% in January, going up 43.3% y.o.y. (see Chart 17), mainly due to book profits. As a result of a greater growth pace in net worth in relation to assets in January, the financial system leverage level fell to 8.2, standing below the average of other emerging and developed economies.

The financial system compliance with regulatory capital requirements stood at 14% of total risk-weighted assets (RWA) in January, up 0.4 p.p. against the month before. Tier 1[8] capital compliance accounted for 12.8% of RWA over the month. In turn, compliance in excess of the regulatory capital requirement (capital position) amounted to 83% as of January 2014, surpassing the level of previous months. This was mainly derived from a rise in regulatory capital resulting from profits obtained in a context where the regulatory requirement posted a minor rise[9]. All groups of banks posted a surplus in their capital position over the month.

In January 2014, the financial system accrued book profits. Thus, the **ROA corresponding to the ensemble**

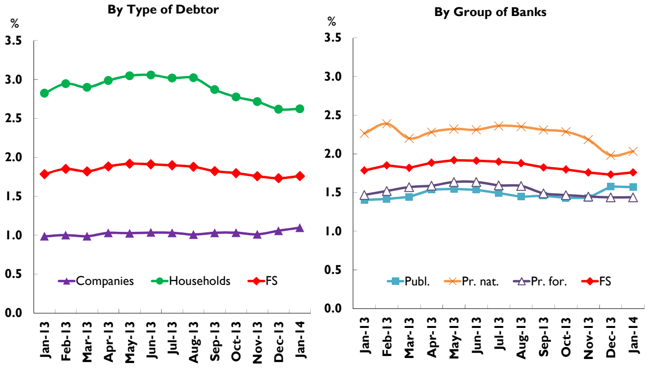
[8] Defined as basic net worth (common and additional stock), net of accounts that may be deducted. See Communication “A” 5369.

[9] As from 2014, all institutions shall consider the requirement for the month while, between February and December 2013, they only took into account the requirement between that of January 2013 and the one corresponding to the month under study, whichever the highest (Communication “A” 5369, item 9).

Chart 16

Private Sector Non Performing Debt

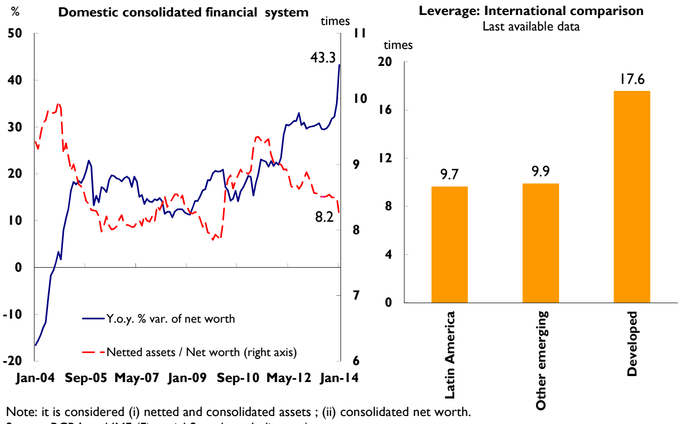
Non-performing loans / Total loans (%) - Financial System



Source: BCRA

Chart 17

Net Worth and Leverage

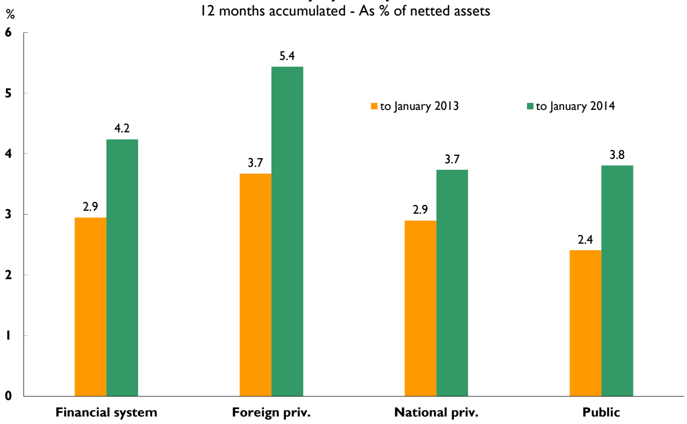


Note: it is considered (i) netted and consolidated assets ; (ii) consolidated net worth.
Source: BCRA and IMF (Financial Soundness Indicators)

Chart 18

Profitability by Group of Banks

12 months accumulated - As % of netted assets



Source: BCRA

of banks stood at 4.2% over the past twelve months (see Chart 18), going up 1.3 p.p. against the same period as of January 2013. The rise in profits over the period was observed amongst heterogeneous groups of institutions.

Banks' financial margin stood at 11.8% of assets from February 2013 to January 2014 (see Chart 19), up 2.5 p.p. against the same period as of January 2013 mainly due to the performance of headings related to foreign exchange evolution (exchange rate differences and adjustments for foreign currency forward transactions). It should be noted that income derived from interests continued evidencing the greatest share within the aggregate financial margin and accounted for half of the margin over the past twelve months.

Income from services corresponding to the financial system remained stable over the month, at around 4.2%a. of assets. These levels are in line with the figures recorded over the past twelve months.

Regarding expenses, **operating costs recorded by the ensemble of banks increased slightly against the last month of 2013, up to 7.3%a. of assets in January.** This rise was mainly observed in foreign and national private banks. Such expenses stood at 7.1% of assets from February 2013 to January 2014 (see Chart 20), and 61% was accounted for by personnel expenses—remunerations and social security contributions—.

In January, **loan loss provisions rose slightly in monthly terms, up to 1.6%a of assets.** These expenses recorded a different dynamics over the month amongst different groups of financial institutions: they went up in public banks and in national private banks while they fell in foreign private banks. Such expenses totaled 1.1% of assets if the figure recorded over the past twelve months is considered.

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" 5524 – January 20, 2014

Effective as from March 01, 2014, minimum cash requirements shall be reduced to an amount equal to 16% of lending granted to micro, small, and medium-sized enterprises as from April 01, 2014 as per the provisions regarding the "Credit Line for Productive Investment", provided that the financing term at the time of granting exceeds 5 years and the average term is equal to or above 30 months. Such reduction shall also be applied to any financial institutions which, though not falling under the scope of these regulations, grant loans to micro, small and medium-sized enterprises under these conditions.

Communication "A" 5529 – January 28, 2014

The rules on the "Determination of the micro, small, and medium-sized enterprise condition" establish a range of criteria, namely : (i) for the purpose of determining the condition of a micro, small, and medium-sized enterprise, the affiliation and control criterion set by the Secretariat of the Small and Medium-Sized Enterprise and Regional Development of the National Industrial Ministry shall be adopted; (ii) in the case of affiliated, controlled companies and/or economic groups, the rule refers to them by virtue of section 33 of Law 19,550, which establishes the control of such companies by other companies specifying that natural persons cannot be part of economic groups for the purposes of determining the condition of a micro, small, and medium-sized enterprise; (iii) any natural persons with a credit rating based on fund flows generated by their commercial activity, business trade, and/or professional practice may be considered as micro, small, and medium-sized enterprises, irrespective of the use of funds, provided that they comply with the remaining requirements set forth in the regulation mentioned above; and (iv) the micro, small, and medium-sized enterprise condition is proven by means of financial statements as established in the aforementioned rules and through all other necessary additional information.

Communication "A" 5531 – January 28, 2014

The amounts of "Purchases to hold foreign currency in the country" may be credited to the accounts "Saving Account Communication "A" 5526" that institutions shall have available only for such purpose and/or raised through time deposits in the relevant foreign currency belonging to the purchaser, whether holder or co-holder of the account. Both saving accounts and time deposits shall be entirely free and opened with the financial institution selling the foreign currency. In order to verify compliance with the minimum term for deposits—not less than 365 days—, financial institutions shall identify every deposit linked to "purchases to hold foreign currency in the country" (dates and amounts), and debits shall be computed, at a first instance, to reduce first the outstanding balance other than that of this concept—until fully depleted—and then the outstanding balances comprising older purchases.

Communication "A" 5533 – January 30, 2014

The maximum single capital limit owed in loans for micro entrepreneurs established in the rules about "Credit Management" is raised from $ 30,000 to $ 60,000.

Communication "A" 5534 – January 31, 2014

The formula to calculate the rate to be applied to "mortgage-backed loans to individuals for housing purposes" set forth in the regulations on the "Credit Line for Productive Investment" is adjusted considering, as limit for the percentage rise in the BADLAR rate at the time of new calculation, the rise observed in the "Wage variation coefficient" (CVS) corresponding to the calculation period. In addition, the term to measure the BADLAR rate is expanded taking into account the average of rates informed during all working days in the 12-month period extending before the second month prior to the date arranged for each calculation period. In turn, LEBACs in US dollars may be used in terms of the lending capacity of deposits in foreign currency as provided in the rules on "Credit Policy". The minimum cash requirement in US dollars is decreased by the monthly average of daily balances of the net position of LEBACs in such currency recorded by financial institutions. Finally, the reserve requirement rates to be applied to liabilities in foreign currency as established in the rules on "Minimum Cash" shall be gradually raised.

Methodology

(a) Aggregate balance sheet information is taken from the monthly accounting information system (unconsolidated balance sheets). In order to calculate aggregate data for the financial system, for financial institution that have not provided data for the month reviewed, the most recent information available is repeated in the aggregate balance sheet. On the other hand, for profitability analysis only the banks providing data for that month are considered.

(b) Due to possible lack of data for some banks at the time this Report was drafted, and due to possible corrections to the data provided by financial institutions later, the data included is of a preliminary nature –particularly for the last month included-. Therefore, and due to the fact that the most recent data available always used, data in connection with earlier periods may not match what was mentioned in earlier issues of the Report. In such cases, the latter release should be regarded as being of better quality.

(c) Unless otherwise indicated, data about deposits and loans refer to balance sheet information, and do not necessarily agree with those compiled by the Centralized Information Requirement System (SISCEN). Reasons for discrepancies include the precise date considered in order to calculate monthly changes and the items included in the definition adopted in either case.

(d) Profit ratio calculations are based on monthly results estimated from changes in the aggregate result amounts during the current fiscal year. Profit ratios are annualized with the exception of those ,.

(e) Initially, the breakdown by group of banks was determined by the majority of decision making role -in terms of voting rights at shareholder meetings- distinguishing between private sector financial institutions (national or foreign depending on their residence) and public banks. In order to increase depth of the analysis, private sector institutions were also classed according to the geographic coverage and business scope of their operations. Investment banking is defined as those specializing in large corporations and investor sector, which in general do not rely on deposits from the private sector for their funding. On the other hand, retail banks were divided into those carrying out business nationwide, those located in certain geographic regions -municipalities, provinces, or regions- and institutions specialized in a financial sector niche market -usually smaller institutions-. Finally, it is worth noting that the classifications defined above are solely for analytical purposes and does not mean it is the only methodology criteria by which to group them; while on the other hand, the listing of features for each financial entity group has been established in a general manner.

(f) Indicators exhibited in Tables 1 and 5 of Statistical Appendix: 1.- (Minimum cash compliance at the BCRA in pesos and foreign currency + Other cash holding in pesos and foreign currency + Creditor net balance for BCRA repo transactions with Lebac and Nobac) / Total deposits; 2.- (Position in government securities (without Lebac and Nobac) + Loans to the public sector + Compensations receivable) / Total assets; 3.- (Loans to the non-financial private sector + Leasing) / Total assets; 4.- Non-performing portfolio with the non-financial private sector / Loans to the non-financial private sector; 5.- (Total non-performing portfolio – Loan loss provisions) / Net worth. Non-performing portfolio includes loans classified into situations 3, 4, 5 and 6; 6.- Cumulated annual result / Average monthly netted assets - % annualized; 7.- Cumulated annual result / Average monthly net worth - % annualized; 8.- (Financial margin (Net interest income + CER and CVS adjustments + Gains on securities + Foreign exchange price adjustments + Other financial income) + Service income margin) / Cumulated annual operating costs; 9.- Capital compliance (Responsabilidad Patrimonial Computable) / Risk - adjusted assets according to the regulation of BCRA about Minimum Capital Compliance; 10.- Capital compliance Tier 1 / Risk weighted assets, according to the BCRA rule on minimum capital; 11.- (Capital compliance - Capital requirement) / Capital requirement. Included exemptions.

Glossary

%a.: annualized percentage.
Adjusted profit: Total profit excluding payments made due to court-ordered releases and adjustments to the valuation of public sector assets according to Com. "A" 3911 and modifications.
ASE: Adjusted stockholders' equity, for RPC in Spanish. The measure for compliance with bank capital regulations.
CABA: Ciudad Autónoma de Buenos Aires
Consolidated (or aggregate) assets and liabilities: Those arising from excluding operations between financial institutions.
Consolidated result: Excludes results related to shares and participations in other local financial institutions.
CEDRO: Certificado de Depósito Reprogramado. Scheduled Stabilization Coefficient.
Financial margin: Income less outlays of a financial nature. Include interest income, gains from securities, CER/CVS adjustments, exchange rate differences and other financial results. Does not include the items affected by Com. A 3911.
Gains from securities: Includes income from government securities, short-term investments, corporate bonds, subordinated debt, options and from other income from financial intermediation. In the case of government securities, it includes the results accrued from income, quotation differences, exponential increase on the basis of the internal rate of return (IRR), and from sales, as well as the charge for impairment to value.
Net 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.
Net 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. Include interest on loans of government securities and premiums on repos and reverse repos.
Lebac and Nobac: Bills and notes of the BCRA.
Liquid assets: Cash disposal (Minimum cash compliance – cash, current account at BCRA and special accounts in guarantee – and other liquid items mainly correspondent accounts) plus Creditor net balance for BCRA repo transactions with Lebac and Nobac.
Liquidity ratio: Liquid assets as a percentage of total deposits.
mill.: million.
NBFI: Non-banking financial institution.
Netted assets (NA) and liabilities: Those net of accounting duplications inherent to the recording of repurchase agreements, term transactions or unsettled spot transactions.
Net worth exposure to counterpart risk: Non-performing portfolio net of allowances in terms of net worth.
Non-performing portfolio: Portfolio in categories 3 to 6, as per the debtor classification system.
Operating costs: Includes remuneration, social security payments, services and fees, miscellaneous expenses, taxes and amortization.
ON: Corporate bonds (Obligaciones Negociables).
OS: Subordinated debt (Obligaciones Subordinadas).
Other financial results: Income from financial leasing, adjustments to valuation of credit to the public sector, contribution to the deposit guarantee fund, interest on liquid funds, difference in market price of gold and foreign exchange, premiums on the sale of foreign currency and other unidentified income (net).
PN: Net worth (Patrimonio Neto).
p.p.: percentage points.
Private sector credit: Loans to the private sector and private sector securities.
Public sector credit: Loans to the public sector, holdings of government securities, compensation receivable from the Federal Government and other credits to the public sector.
Quotation differences: Income from the monthly updating of foreign currency-denominated assets and liabilities. The heading also includes income arising from the purchase and sale of foreign currency, arising from the difference in the price agreed (net of direct costs generated by the transaction) and the book value.
ROA: Net profits as a percentage of netted assets. When referring to accumulated results the denominator includes the average netted assets for the reference months.
ROE: Net profits as a percentage of net worth. When referring to accumulated results the denominator includes the average net worth for the reference months.
RPC: Adjusted stockholder's equity, calculated towards meeting capital regulations. (Responsabilidad Patrimonial Computable)
RWA: Risk weighted assets.
SME: Small and Medium Enterprises.
US$: United States dollars

Statistics annex[1] | Financial system

Chart 1 | Financial Soundness Indicators (see Methodology)

As %	Dec 05	Dec 06	Dec 07	Dec 08	Dec 09	Dec 10	Dec 11	Dec 12	Jan 13	Dec 13	Jan 14
1.- Liquidity	20.1	22.5	23.0	27.9	28.6	28.0	24.7	26.8	25.1	26.8	28.5
2.- Credit to the public sector	31.5	22.5	16.3	12.7	14.4	12.1	10.7	9.7	9.7	9.4	8.6
3.- Credit to the private sector	25.8	31.0	38.2	39.4	38.3	39.8	47.4	49.5	48.6	50.8	49.3
4.- Private non-performing loans	7.6	4.5	3.2	3.1	3.5	2.1	1.4	1.7	1.8	1.7	1.8
5.- Net worth exposure to the private sector	-2.5	-0.8	-1.5	-1.7	-1.3	-3.2	-4.3	-3.1	-2.9	-2.9	-3.3
6.- ROA	0.9	1.9	1.5	1.6	2.3	2.8	2.7	2.9	3.3	3.4	11.8
7.- ROE	7.0	14.3	11.0	13.4	19.2	24.4	25.3	25.7	29.5	29.5	97.2
8.- Efficiency	151	167	160	167	185	179	179	190	208	206	403
9a.- Capital compliance	-	-	-	-	-	-	-	-	-	13.6	14.0
9b.- Capital compliance (credit risk)	15.9	16.9	16.9	16.9	18.8	17.7	15.6	17.1	17.2	-	-
10a.- Capital compliance Tier I	-	-	-	-	-	-	-	-	-	12.5	12.8
10b.- Capital compliance Tier I (credit risk)	14.1	14.1	14.6	14.2	14.5	13.0	11.0	11.9	14.4	-	-
11.- Excess capital compliance	169	134	93	90	100	87	69	59	58	76	83

Note: According to Communication "A" 5369, since February 2013 methodological changes in some indicators were carried out. Among others changes, risk weighing coefficients considered to determine capital requirements were redefined, concepts included in the different segments of capital compliance were rearranged and new minimum limits in terms of the Total Risk Weighted Assets (RWA) were added. A wider definition of RWA is considered since Communication "A" 5369, including not only credit risk, but also market and operational risk.

Data subject to changes

Source: BCRA

n.a.: non available

Chart 2 | Balance Sheet

In million of current pesos	Dec 08	Dec 09	Dec 10	Dec 11	Dec 12	Jan 13	Dec 13	Jan 14	Change (in %) Last month	Change (in %) Last 12 months
Assets	**346,762**	**387,381**	**510,304**	**628,381**	**790,026**	**813,554**	**1,005,680**	**1,066,075**	**6.0**	**31.0**
Cash disposal[1]	58,676	71,067	93,085	104,389	148,254	130,502	200,926	216,623	7.8	66.0
Public bonds	65,255	86,318	117,951	112,906	123,491	145,704	141,494	156,396	10.5	7.3
Lebac/Nobac	37,093	43,867	76,948	71,050	84,057	104,412	89,641	105,632	17.8	1.2
Portfolio	25,652	34,748	61,855	59,664	70,569	81,328	88,091	97,982	11.2	20.5
Repo[2]	11,442	9,119	15,093	11,386	13,488	23,084	1,550	7,650	393.6	-66.9
Private bonds	203	307	209	212	251	248	434	519	19.5	108.7
Loans	154,719	169,868	230,127	332,317	433,925	438,357	563,344	577,071	2.4	31.6
Public sector	17,083	20,570	25,907	31,346	39,951	40,136	48,438	48,335	-0.2	20.4
Private sector	132,844	145,247	199,202	291,708	383,674	387,846	501,857	516,242	2.9	33.1
Financial sector	4,793	4,052	5,018	9,263	10,299	10,375	13,049	12,494	-4.3	20.4
Provisions over loans	-4,744	-5,824	-6,232	-7,173	-9,596	-9,795	-12,388	-13,290	7.3	35.7
Other netted credits due to financial intermediation	38,152	33,498	39,009	40,805	38,769	51,678	42,435	55,200	30.1	6.8
Corporate bonds and subordinated debt	912	1,146	1,433	1,657	2,255	2,053	5,421	5,567	2.7	171.1
Unquoted trusts	5,714	5,942	6,824	7,967	10,822	11,029	12,656	13,535	6.9	22.7
Leasing	3,935	2,933	3,936	6,222	7,203	7,337	9,460	9,527	0.7	29.8
Shares in other companies	7,236	6,711	7,921	9,123	11,682	11,928	15,205	15,759	3.6	32.1
Fixed assets and miscellaneous	7,903	8,239	9,071	10,111	11,251	11,309	14,226	14,581	2.5	28.9
Foreign branches	3,153	3,926	3,283	3,525	4,354	4,421	5,611	6,885	22.7	55.7
Other assets	12,275	10,337	11,943	15,944	20,441	21,864	24,933	26,806	7.5	22.6
Liabilities	**305,382**	**339,047**	**452,752**	**558,264**	**699,205**	**720,501**	**883,889**	**933,927**	**5.7**	**29.6**
Deposits	236,217	271,853	376,344	462,517	595,764	605,359	752,423	782,075	3.9	29.2
Public sector[3]	67,151	69,143	115,954	129,885	163,691	165,934	202,434	214,090	5.8	29.0
Private sector[3]	166,378	199,278	257,595	328,463	427,857	435,012	544,332	562,110	3.3	29.2
Current account	39,619	45,752	61,306	76,804	103,192	102,822	125,237	122,713	-2.0	19.3
Savings account	50,966	62,807	82,575	103,636	125,210	123,611	158,523	163,432	3.1	32.2
Time deposit	69,484	83,967	104,492	135,082	183,736	194,136	241,281	257,367	6.7	32.6
Other netted liabilities due to financial intermediation	57,662	52,114	60,029	76,038	75,106	85,602	92,634	104,644	13.0	22.2
Interbanking obligations	3,895	3,251	4,201	7,947	8,329	8,362	10,596	10,343	-2.4	23.7
BCRA lines	1,885	270	262	1,920	3,535	3,772	4,693	4,760	1.4	26.2
Outstanding bonds	5,984	5,033	3,432	6,856	9,101	9,165	14,198	15,113	6.4	64.9
Foreign lines of credit	4,541	3,369	3,897	6,467	4,992	4,703	6,328	8,042	27.1	71.0
Other	13,974	14,891	17,426	24,137	26,280	23,954	41,345	39,802	-3.7	66.2
Subordinated debts	1,763	1,922	2,165	2,065	2,647	2,656	3,425	3,899	13.8	46.8
Other liabilities	9,740	13,159	14,213	17,644	25,688	26,883	35,407	43,342	22.4	61.2
Net worth	**41,380**	**48,335**	**57,552**	**70,117**	**90,820**	**93,053**	**121,791**	**132,149**	**8.5**	**42.0**
Memo										
Netted assets	321,075	364,726	482,532	601,380	767,744	778,987	990,614	1,040,794	5.1	33.6
Consolidated netted assets	312,002	357,118	472,934	586,805	750,598	761,833	969,247	1,019,739	5.2	33.9

([1]) Includes margin accounts with the BCRA. ([2]) Booked value from balance sheet (it includes all the counterparts).

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

Source: BCRA

[1] Note | Data available in Excel in www.bcra.gov.ar

Statistics annex[1] | Financial system (cont)

Chart 3 | Profitability Structure

Amount in million of pesos	Annual						First month		Monthly			Last
	2008	2009	2010	2011	2012	2013	2013	2014	Nov-13	Dec-13	Jan-14	12 months
Financial margin	20,462	28,937	35,490	43,670	61,667	88,507	6,664	21,824	8,347	10,956	21,824	103,668
Net interest income	9,573	14,488	17,963	24,903	38,365	50,336	4,036	5,318	4,446	5,041	5,318	51,617
CER and CVS adjustments	2,822	1,196	2,434	1,725	2,080	2,153	290	205	176	143	205	2,068
Foreign exchange price adjustments	2,307	2,588	2,100	3,025	4,127	11,286	427	9,737	1,492	2,538	9,737	20,595
Gains on securities	4,398	11,004	13,449	14,228	17,356	22,280	2,025	2,331	1,662	1,789	2,331	22,586
Other financial income	1,362	-339	-457	-211	-261	2,454	-115	4,233	570	1,445	4,233	6,802
Service income margin	10,870	13,052	16,089	21,391	28,172	36,505	2,688	3,582	3,094	3,471	3,582	37,399
Loan loss provisions	-2,839	-3,814	-3,267	-3,736	-6,127	-8,620	-602	-1,367	-685	-1,148	-1,367	-9,385
Operating costs	-18,767	-22,710	-28,756	-36,365	-47,318	-60,652	-4,495	-6,305	-5,517	-5,862	-6,305	-62,462
Tax charges	-2,318	-3,272	-4,120	-6,047	-8,981	-14,156	-971	-1,992	-1,261	-1,492	-1,992	-15,177
Adjust. to the valuation of gov. Securities[1]	-1,757	-262	-214	-336	-338	-377	-35	-43	-33	-36	-43	-386
Amort. payments for court-ordered releases	-994	-703	-635	-290	-274	-128	-5	-3	-25	-9	-3	-126
Other	1,441	918	2,079	2,963	2,475	2,748	161	-8	326	300	-8	2,579
Total results before tax[2]	6,100	12,145	16,665	21,251	29,276	43,828	3,404	15,687	4,247	6,179	15,687	56,111
Income tax	-1,342	-4,226	-4,904	-6,531	-9,861	-14,685	-1,273	-5,538	-1,492	-1,573	-5,538	-18,951
Total result[2]	**4,757**	**7,920**	**11,761**	**14,720**	**19,415**	**29,143**	**2,132**	**10,149**	**2,755**	**4,606**	**10,149**	**37,160**
Adjusted Result[3]	7,508	8,885	12,610	15,345	20,027	29,649	2,171	10,195	2,812	4,651	10,195	37,673
Annualized indicators - As % of netted assets												
Financial margin	6.7	8.6	8.5	8.0	9.2	10.3	10.3	25.4	10.6	13.4	25.4	11.8
Net interest income	3.1	4.3	4.3	4.6	5.7	5.9	6.3	6.2	5.7	6.2	6.2	5.9
CER and CVS adjustments	0.9	0.4	0.6	0.3	0.3	0.3	0.5	0.2	0.2	0.2	0.2	0.2
Foreign exchange price adjustments	0.8	0.8	0.5	0.6	0.6	1.3	0.7	11.3	1.9	3.1	11.3	2.3
Gains on securities	1.4	3.3	3.2	2.6	2.6	2.6	3.1	2.7	2.1	2.2	2.7	2.6
Other financial income	0.4	-0.1	-0.1	0.0	0.0	0.3	-0.2	4.9	0.7	1.8	4.9	0.8
Service income margin	3.6	3.9	3.8	3.9	4.2	4.3	4.2	4.2	3.9	4.2	4.2	4.3
Loan loss provisions	-0.9	-1.1	-0.8	-0.7	-0.9	-1.0	-0.9	-1.6	-0.9	-1.4	-1.6	-1.1
Operating costs	-6.1	-6.7	-6.9	-6.7	-7.0	-7.1	-7.0	-7.3	-7.0	-7.2	-7.3	-7.1
Tax charges	-0.8	-1.0	-1.0	-1.1	-1.3	-1.7	-1.5	-2.3	-1.6	-1.8	-2.3	-1.7
Adjust. to the valuation of gov. Securities[1]	-0.6	-0.1	-0.1	-0.1	-0.1	0.0	-0.1	-0.1	0.0	0.0	-0.1	0.0
Amort. payments for court-ordered releases	-0.3	-0.2	-0.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.5	0.3	0.5	0.5	0.4	0.3	0.3	0.0	0.4	0.4	0.0	0.3
Total results before tax[2]	2.0	3.6	4.0	3.9	4.3	5.1	5.3	18.3	5.4	7.5	18.3	6.4
Income tax	-0.4	-1.3	-1.2	-1.2	-1.5	-1.7	-2.0	-6.4	-1.9	-1.9	-6.4	-2.2
ROA[2]	**1.6**	**2.3**	**2.8**	**2.7**	**2.9**	**3.4**	**3.3**	**11.8**	**3.5**	**5.6**	**11.8**	**4.2**
ROA adjusted[3]	2.5	2.6	3.0	2.8	3.0	3.5	3.4	11.9	3.6	5.7	11.9	4.3
ROE before tax	*17.2*	*29.5*	*34.5*	*36.5*	*38.8*	*44.4*	*47.1*	*150.2*	*46.5*	*65.0*	*150.2*	*55.1*
ROE [2]	*13.4*	*19.2*	*24.4*	*25.3*	*25.7*	*29.5*	*29.5*	*97.2*	*30.2*	*48.4*	*97.2*	*36.5*

(1) Com. "A" 3911. Adjustments to the valuation of government unlisted securities according to Com. "A" 4084 are included under the "gains from securities" heading.
(2) As of January 2008, data to calculate financial system consolidated result is available. This indicator excludes results and asset headings related to shares and participation in other local financial entities.
(3) Excluding amortization of payments for court-ordered releases and the effects of Com. "A" 3911 and 4084.
Source: BCRA

Chart 4 | Portfolio Quality

As percentage	Dec 05	Dec 06	Dec 07	Dec 08	Dec 09	Dec 10	Dec 11	Dec 12	Jan 13	Dec 13	Jan 14
Non-performing loans (overall)	**5.2**	**3.4**	**2.7**	**2.7**	**3.0**	**1.8**	**1.2**	**1.5**	**1.6**	**1.5**	**1.6**
Provisions / Non-performing loans	115	108	115	117	115	148	176	144	142	142	147
(Total non-perfoming - Provisions) / Overall financing	-0.8	-0.3	-0.4	-0.5	-0.5	-0.9	-0.9	-0.7	-0.7	-0.6	-0.7
(Total non-perfoming - Provisions) / Net worth	-2.6	-0.9	-1.6	-1.8	-1.7	-3.6	-4.6	-3.4	-3.2	-3.1	-3.5
Non-performing loans to the non-financial private sector	**7.6**	**4.5**	**3.2**	**3.1**	**3.5**	**2.1**	**1.4**	**1.7**	**1.8**	**1.7**	**1.8**
Provisions / Non-performing loans	115	108	114	116	112	143	171	141	138	140	144
(Total non-perfoming - Provisions) / Overall financing	-1.1	-0.3	-0.5	-0.5	-0.4	-0.9	-1.0	-0.7	-0.7	-0.7	-0.8
(Total non-perfoming - Provisions) / Net worth	-2.5	-0.8	-1.5	-1.7	-1.3	-3.2	-4.3	-3.1	-2.9	-2.9	-3.3

Source: BCRA

***IMPORTANT**: A greater breakdown of indicators per homogeneous groups of banks is included as from the publication of this Report on Banks; such information is available to the public in Excel format at* http://www.bcra.gob.ar/pdfs/polmon/InfBanc_Anexo.xls