Report on Banks

January 2016

BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

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Year XIII, No. 5

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Contents

Note | This report is focused on the performance of the financial system, including breakdowns by homogeneous sub-groups. The data reported (particularly, those referring to profitability) are provisional and subject to changes. Except otherwise provided, end-of-month data are included.

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Summary

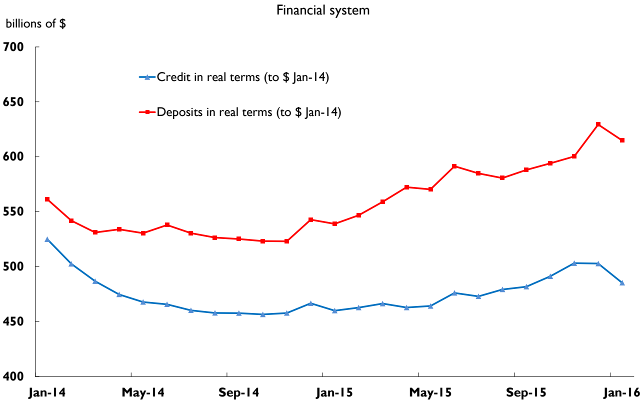
- **The financial system operating infrastructure continued expanding** on the margin –latest information available as of December 2015. The number of branches increased 1.4% last year to 4,463, while the number of ATMs and self-service ATMs climbed 4.2% in the period to 19,667. Staffing rose 2.2%, exceeding 108,000 employees. **This performance was accompanied by some improvements in the productivity indicators of the sector, within a context where concentration levels in terms of loans and deposits remained at moderate values.**
- In January, the stock of private sector deposits in pesos remained stable against December 2015. Monthly changes in their components were in line with the seasonal performance: time deposits rose 2.6% in nominal terms over the month while sight accounts fell 3.1%. **Private sector deposits in foreign currency expanded 5.4% in January** –in the currency of origin. **Private sector deposits in pesos went up 38.6% in nominal terms in the past 12 months (6.9% in real terms using the IPCBA[1]), driven by a 52.1% hike in the stock of time deposits (17.3% in real terms)**.
- **The financial system broad liquidity ratio –**which includes LEBAC holdings and resources in domestic and foreign currency– **rose 0.3 p.p. of deposits against late 2015**, up to 46.9%. This level exceeded that of January 2015 and the average of the last 5 years. In turn, the sector liquidity ratio –excluding LEBAC holdings– fell 3.5 p.p. of deposits in January, down to 24.7% especially due to a drop in compliance with the minimum cash requirement by institutions given the December-February quarterly requirement.
- **In January, the stock of total lending to the private sector grew 0.5% against late 2015;** this performance was accounted for by lines in foreign currency. In turn, loans in pesos channeled to companies and households fell 0.4% in nominal terms over the month, being partly influenced by seasonal factors. **Total loans to the private sector increased 36.8% (5.5% in real terms) in the past 12 months**. The nominal growth rate of loans granted to companies exceeded that of loans for households both on a year-on-year comparison basis and on the margin.
- **The non-performing ratio of total loans to the private sector stood at about 1.7% in January 2016.** Delinquency of loans to households rose slightly in the month, up to 2.4% of total lending, while non-performing loans granted to companies did not change significantly and started the year at 1.3% of the portfolio. Provisions accrued accounted for 145% of the stock of non-performing loans to the private sector in January.
- **Profits accrued by the financial system in the first month of 2016 accounted for 4.4%a. of its assets (ROA)** in line with the figure recorded in January 2015. In the 12-month period as of January 2016, the ensemble of financial institutions registered profits equivalent to 4.1% of assets.
- **Profits continued boosting the rise in the sector consolidated net worth**, which increased 2.6% in nominal terms against the end of 2015 and 35.2% y.o.y. (4.3% y.o.y. in real terms). In January, **capital compliance with the requirement for the ensemble of financial institutions accounted for 13.5% of their risk-weighted assets (RWA) and Tier 1 capital amounted to 12.7% of RWA**. In turn, in early 2016, **capital compliance in excess of the requirement –capital position– stood at 78% at aggregate level. The Leverage Ratio level** (based on the new additional standard on solvency defined by the Basel Committee on Banking Supervision and scheduled to become effective as from 2018) **reached 10.6% for the entire financial system at the end of 2015** (latest information available). The value of this indicator for every local institution was above the 3% initial lower limit recommended internationally.

[1] In order to include estimates of changes in real terms, nominal series are deflated using the Consumer Price Index of the City of Buenos Aires (IPCBA).

Chart 1

Private Sector Financial Intermediation

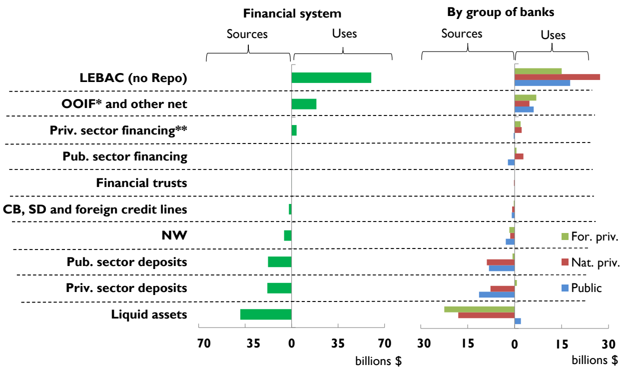
Financial system



Source: BCRA and Department of Statistics and Censuses of the City of Buenos Aires.

Chart 2

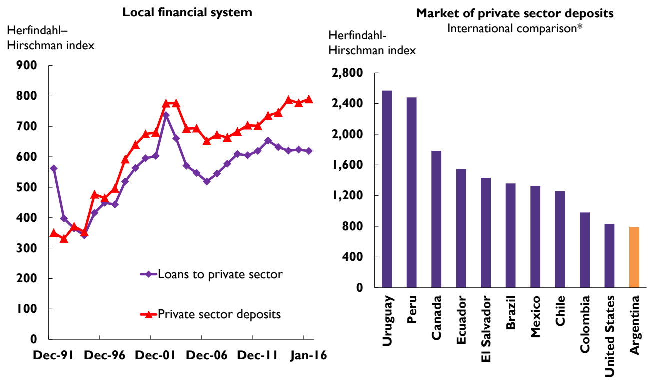
Estimation of Sources and Uses of Funds - January 2016



* Mostly reducing financial obligations related to foreign trade operations in late 2015 were outstanding.
** Not includes financial trusts issues.
Source: BCRA

Chart 3

Financial System Concentration



* Data to November 2015, except Brazil (to September 2015) and Argentina (to January 2016).
Source: BCRA

I. Activity

The year-on-year growth observed in financial intermediation levels with the private sector moderated its pace in early 2016 (see Chart 1). The stock of loans to the private sector increased 36.8% in the past 12 months (5.5% in real terms[2]), while deposits pertaining to this sector expanded 47.9% (14.1% inflation-adjusted). In turn, financial system netted assets increased 41.4% in nominal terms (9.1% in real terms).

Regarding the flow of funds estimated[3] for the first month of the year, **the rise in LEBAC holdings** ($60 billion) **was the main use of financial system funds** (see Chart 2). The drop in financial liabilities –primarily related to foreign trade transactions that had not been settled by the end of 2015– was another use of funds over the period. In turn, **the most relevant funding source for the sector was the decline in the most liquid assets[4] in January** ($38.6 billion); this momentum was recorded in private banks. In addition, other sources of funds in the month were the hike in deposits of the private sector ($18.3 billion) and of the public sector ($17.8 billion) as well as the profits accrued.

Lending to the private sector in the first month of the year accounted for 45.8% (-1.6 p.p. y.o.y.) **of netted assets and was the most relevant item.** Liquid assets and LEBAC holdings posted 18.5% (+0.4 p.p. y.o.y.) and 16.8% (+0.6 p.p. y.o.y.) of the total, respectively. In turn, taking into account total funding –liabilities and net worth– **private sector deposits reached 58% in January** (+2.5 p.p. y.o.y.), followed by public sector deposits, which accounted for 16.6% (-3.1 p.p. y.o.y.). In addition, banks' net worth accounted for 11.8% of total funding (-0.6 p.p. y.o.y.).

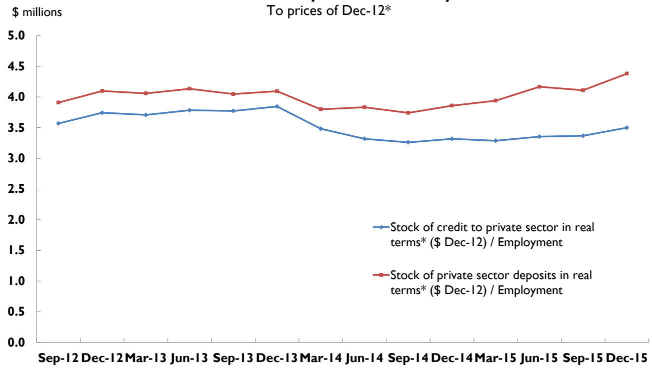
In terms of the operating infrastructure, **at present, the financial system has 78 institutions**, out of which 33 are national private, 17 are foreign, 12 are public and 16 are non-banking institutions. **The financial system concentration level did not evidence sizeable changes in 2015;** according to different indicators[5], records remained at similar levels in the last two years. Although these concentration levels exceed those recorded 10 years before, they are **moderate when compared to other economies of the region** (see Chart 3). In turn, **the number of bank branches increased**

[2] In order to include estimates of changes in real terms, nominal series are deflated using the Consumer Price Index of the City of Buenos Aires (IPCBA).
[3] Considering changes in balance sheet stocks.
[4] It is worth pointing out that in late 2015, liquid assets had increased significantly within the framework of temporary transactions that were mainly related to foreign trade.
[5] The concentration level in the market of deposits and loans to the private sector is considered. To this end, the Herfindahl-Hirshman index is used, which stands in a range between 0—slightly concentrated—and 10,000—very concentrated.

Chart 4

Estimation of Financial System Productivity Indicators

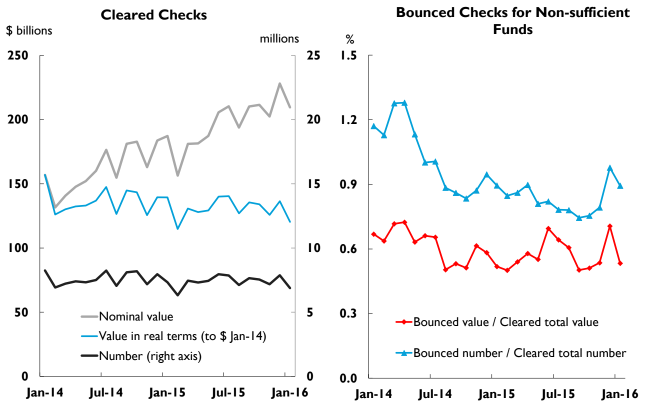
To prices of Dec-12*



*Using IPC of Buenos Aires.
Source: BCRA and Department of Statistics and Censuses of the City of Buenos Aires.

Chart 5

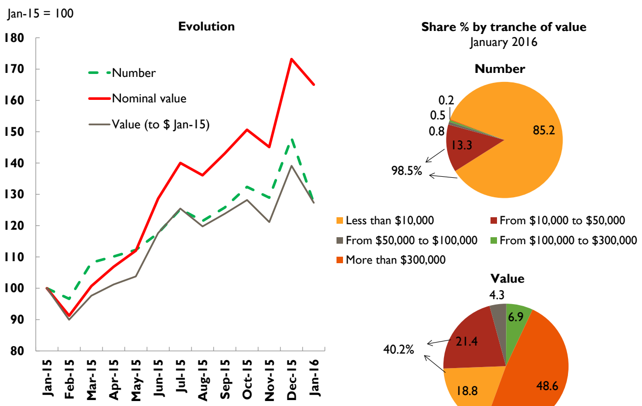
Checks



Source: BCRA and Department of Statistics and Censuses of the City of Buenos Aires.

Chart 6

Instant Transfers



Source: BCRA

1.4% in 2015 –latest information available as of December– amounting to 4,463 **while the number of ATMs rose 4.2%** over the period to 19,667. Finally, **staffing climbed 2.2%** in the past 12 months, standing at 108,312 employees and evidencing the greatest expansion on record in the past 3 years.

In 2015, the rise in the volume of financial intermediation was accompanied by some improvements in the sector's productivity indicators (see Chart 4). Particularly, the real expansion in the stock of loans and deposits corresponding to the private sector was relatively higher than the rise in employment over the year. Thus, productivity indicators are estimated to remain above the average level of the past 10 years.

Regarding the National Payment System, **the number of cleared checks fell in the context of the summer recess of January** (see Chart 5): 12.6% in the case of the numbers drawn and 8.2% in the case of the nominal traded values. The number of checks decreased 6.1% in the past 12 months while the nominal value rose 11.9% (-13.7% inflation-adjusted). Meanwhile, **the number of bounced checks for insufficient funds in terms of the total cleared fell in the first month of the year following the rise observed by late 2015** both in numbers and values.

In line with the typical performance observed over the period, fund transfers to third parties went down in January in terms of numbers and traded values. The sub-group of instant transfers decreased 14% in the case of the number of transactions and 4.7% regarding the traded value (see Chart 6). **In year-on-year terms, the number of instant transfers rose 27% while the value drawn went up 65% in nominal terms (27% in real terms)**. **Instant transfers carried out for amounts below $50,000 –**free of charge for users– **concentrated 98.5% of total transactions in January;** in contrast, they accounted for 40.2% in terms of values over the period.

In January, **the foreign currency mismatching of the aggregate financial system declined 1.6 p.p. of adjusted shareholders' equity** –RPC– **down to 20.4%** (see Chart 7). This change was mainly accounted for by a decrease in the difference between assets and liabilities in foreign currency which was partly offset by a rise in forward net purchases of foreign currency. The hike in deposits led to a rise in liabilities in foreign currency while assets denominated in this currency fell slightly especially due to the performance of liquidity.

II. Deposits and Liquidity

In January, the stock of private sector deposits in pesos remained stable against December 2015. Monthly changes in their components were in line with the seasonal performance: time deposits increased 2.6% in nominal terms while sight accounts fell 3.1%. Private sector deposits in foreign currency expanded 5.4% during the month –in currency of origin. Public sector accounts in the financial system rose 6.1% in nominal terms over the month. Thus, **the stock of total deposits grew 2.8% in January.**

Private sector deposits in pesos increased 38.6% in nominal terms in the past 12 months (6.9% inflation-adjusted) being driven by the 52.1% hike in the stock of time deposits (17.3% in real terms) (see Chart 8). All groups of banks exhibited a similar year-on-year momentum in private sector deposits in pesos, both in sight and time deposits. Private sector deposits in foreign currency climbed 50.5% y.o.y. –in currency of origin. In January, public sector deposits rose 19.2% year-on-year in nominal terms (-8.1% y.o.y. in real terms). Thus, **the stock of total deposits increased 40.5% y.o.y. in early 2016 (8.4% y.o.y. inflation-adjusted)**.

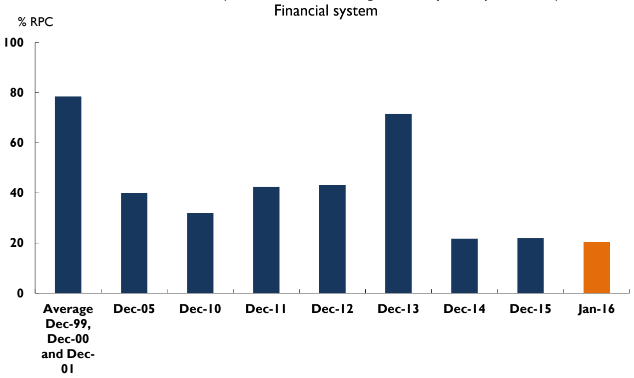
In January, the estimated average funding costs by time deposits in pesos corresponding to the private sector decreased (see Chart 9). This drop was observed in all groups of banks. Minimum limits on interest rates on time deposits were removed as from late 2015[6].

In January, the broad liquidity ratio –which includes funds in domestic and foreign currency and LEBAC holdings– **rose 0.3 p.p. of deposits against the end of 2015 to 46.9%**. This hike was driven by more LEBAC holdings in banks' portfolio (both in domestic and foreign currency). Consequently, the level of the broad liquidity indicator for the financial system was higher than that of January 2015 and the average of the past 5 years (see Chart 10). In turn, the liquidity ratio –excluding LEBAC holdings– fell 3.5 p.p. of deposits in January, down to 24.7%. This took place within a context of drops in institutions' compliance with the minimum cash requirement given the December-February quarterly requirement.

As of December 2015[7], the average level of the liquidity coverage ratio[8] (LCR) for institutions that must comply with the minimum requirement stood at about 2.2, after having increased slightly in the last quarter and along the year (see Chart 11). Within this group of banks, the minimum LCR record stood at 0.9 while the maximum reached 4.7 at the end 2015. It

Chart 7

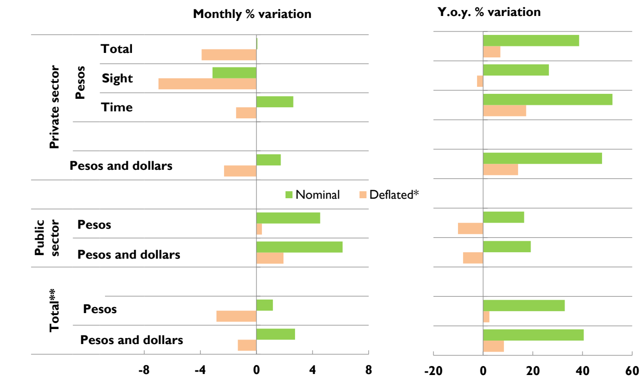
Foreign Currency Mismatching
Assets - Liabilities + (Net undelivered foreign currency term purchases*)
Financial system



*Off balance sheet accounts
Source: BCRA

Chart 8

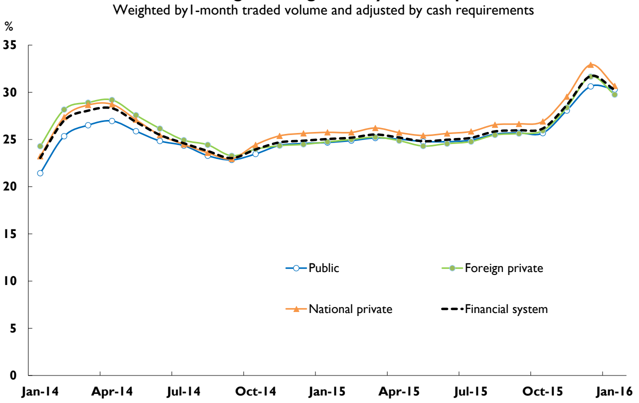
Stock of Deposits - January 2016



* Using IPC of Buenos Aires.** Total includes balance sheet stock, including financial sector deposits, accrued interests and CER adjustment. Source: BCRA and Department of Statistics and Censuses of the City of Buenos Aires.

Chart 9

Estimation of Average Funding Costs by Time Deposits in Pesos
Weighted by1-month traded volume and adjusted by cash requirements

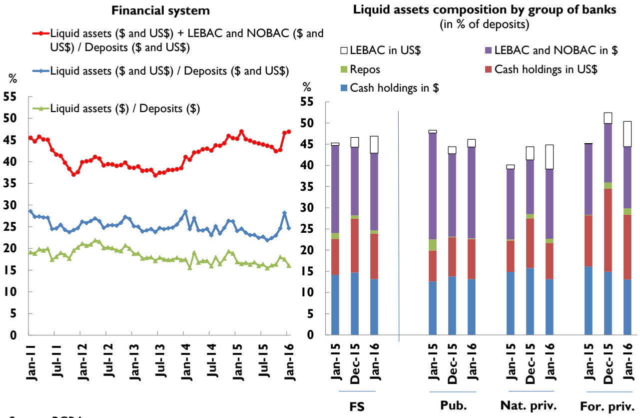


Source: BCRA

[6] Communication “A” 5853.
[7] Latest information available.
[8] Communication “A” 5703

Chart 10

Financial System Liquidity

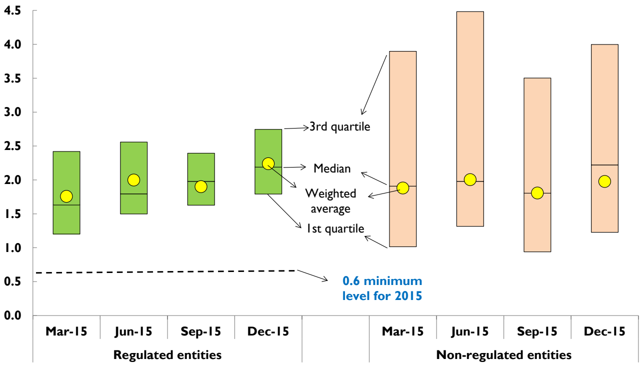


Source: BCRA

Chart 11

Liquidity Coverage Ratio (LCR)*

FALAC / SENT**

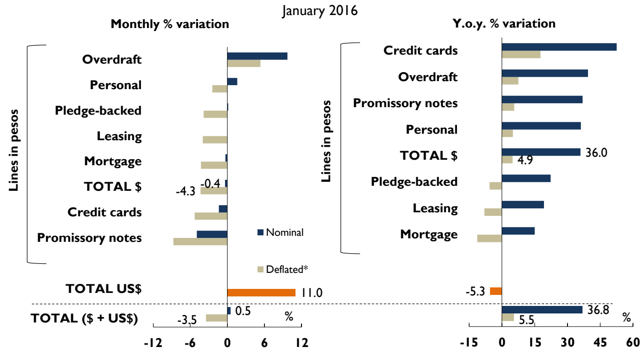


*According to BCBS schedule LCR minimum was set at 0.6 for 2015, increasing 0.1 per year up to 1 in 2019. **FALAC = Fund of High-Quality Liquid Assets. SENT = Total Net Cash Outflows. Source: BCRA

Chart 12

Stock of Credit to Private Sector

January 2016



Note: Total includes balance sheet stock, including accrued interests and CER adjustment.
*Using IPC of Buenos Aires.
Source: BCRA and Department of Statistics and Censuses of the City of Buenos Aires.

should be noted that the minimum level required for 2015 was, as per the schedule set by the Basel Committee on Banking Supervision (BCBS), 0.6[9] and was increased to 0.7 for 2016. In turn, institutions that do not need to comply with such ratio posted an average record amounting to 2.

III. Financing

In January, the stock of loans in domestic currency channeled to the private sector went down 0.4%[10]**, partly influenced by seasonal factors.** Lines in pesos recorded a heterogeneous performance over the month (see Chart 12): overdrafts and personal loans increased in nominal terms while promissory notes and credit cards recorded a drop; in turn, the remaining credit lines remained virtually unchanged against the end of 2015. Meanwhile, loans in foreign currency grew 11%[11] over the period propelled by pre-financings granted to exports and by promissory notes. As a result of this evolution, **total bank financing (in domestic and foreign currency) to the private sector rose 0.5%**[12] **in nominal terms over the period.**

On a year-on-year comparison basis, the stock of loans in pesos channeled to companies and households climbed 36% in nominal terms (4.9% y.o.y. IPCBA-adjusted), standing below the changes recorded in the last months of 2015 (see Chart 13). This momentum was observed in all credit lines in domestic currency and in private and public banks. Loans in foreign currency moderated their year-on-year drop pace in January (-5.3% y.o.y.[13]). Therefore, **total lending to the private sector increased 36.8% y.o.y. (5.5% y.o.y. in real terms) at the beginning of 2016**. National and foreign private banks were the main drivers of the year-on-year growth evidenced by bank financing over the period.

In January, loans to companies[14] **increased 0.8% in nominal terms**, exhibiting a weak performance in almost all productive sectors, partly due to the summer recess. **Financings to companies rose 40.5% y.o.y. (8.4% y.o.y. in real terms)**. Loans to construction, service companies and primary production posted the greatest year-on-year hikes in real relative terms,

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[9] For further information, see "Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools". http://www.bis.org/publ/bcbs238_es.pdf

[10] In January, two financial trusts were issued for a total of $220 million with loans generated by financial institutions; they both corresponded to securitizations of personal loans. If the balance sheet stock is corrected for the abovementioned securitized assets, the nominal monthly drop in bank lending in pesos to companies and households would remain at 0.4%.

[11] In the currency of origin.

[12] If the balance sheet stock is corrected for the abovementioned securitized assets, in January, the nominal monthly change in total financing (including domestic and foreign currency) granted to companies and households would rise to 0.6%.

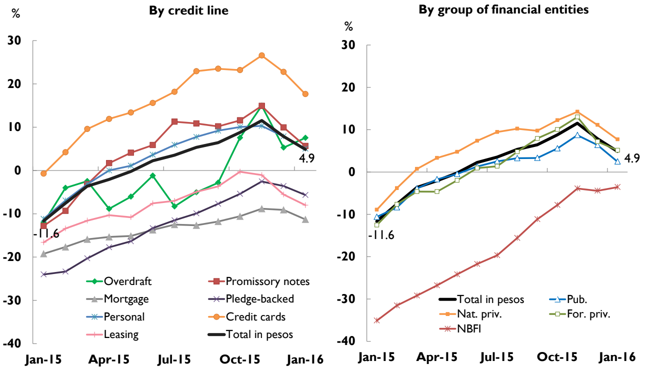
[13] Change in the currency of origin.

[14] Information obtained from the Debtors' Database (comprising both domestic and foreign currency). Financing to companies is herein defined as those loans granted to legal persons and commercial loans granted to natural persons. In contrast, loans to households are those granted to natural persons unless such financing has a commercial purpose.

Chart 13

Stock of Credit to Private Sector in Pesos

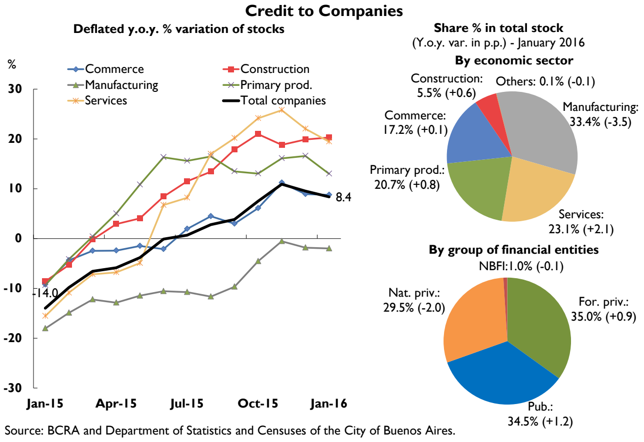
Deflated y.o.y. % variation



Source: BCRA and Department of Statistics and Censuses of the City of Buenos Aires.

Chart 14

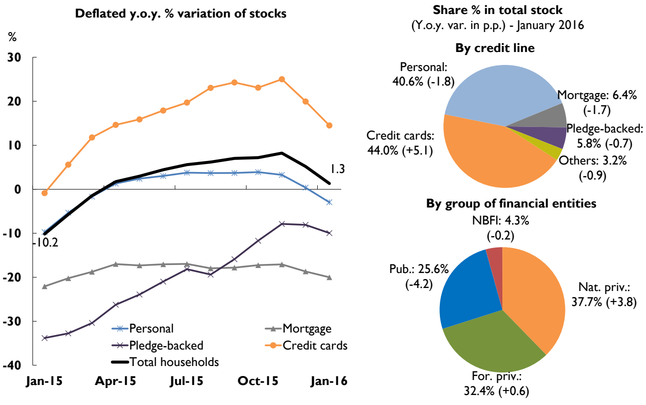
Credit to Companies



Source: BCRA and Department of Statistics and Censuses of the City of Buenos Aires.

Chart 15

Credit to Households



Source: BCRA and Department of Statistics and Censuses of the City of Buenos Aires.

gaining share in the total stock of loans to companies (see Chart 14).

At the start of 2016, the stock of total loans to households remained virtually unchanged against the end of 2015. Personal and mortgage loans increased slightly over the month in nominal terms; these changes were offset by a drop in pledge-backed loans and credit cards. **Loans to households increased 31.3% in nominal terms (1.3% in real terms) in the past 12 months;** this performance primarily resulted from the evolution of credit cards (see Chart 15).

In January, lending nominal average interest rates operatedin pesos rose in almost all credit lines and in all groups of banks. Particularly, lending interest rates on personal and pledge-backed loans exhibited the greatest relative hikes (see Chart 16). In contrast, rates on promissory notes declined slightly over the period. As a consequence of this monthly evolution and the reduction in the funding cost for time deposit transactions corresponding to the private sector in pesos, the **spread between rates traded increased in all the ensembles of financial institutions at the beginning of the year**, even though this level stood below that recorded a year before.

At the start of 2016, the non-performing ratio of loans granted to the private sector did not evidence significant changes, standing at about 1.7% (see Chart 17). Delinquency of loans to households climbed slightly over the period to 2.4% of total loans while non-performing loans to companies did not change significantly, starting the year at 1.3% of the portfolio. Provisions of the ensemble of financial institutions amounted to about 145% of the delinquent portfolio over the month.

In January 2016, the aggregate financial system slightly reduced its exposure to the public sector, reaching 9.9% of total assets. The monthly dynamics was accounted for by public banks. This indicator increased 0.8 p.p. in the last 12 months. Despite this slight year-on-year hike, the exposure of the ensemble of banks to the public sector has remained low from a historical and international perspective.

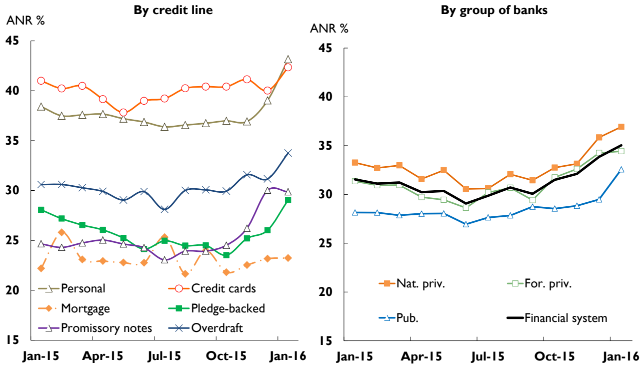
IV. Solvency

Compliance with the capital requirement of the ensemble of financial institutions accounted for 13.5% of their total risk-weighted assets (RWA) in January. Tier 1[15] capital compliance amounted to 12.7% of RWA in the month. In turn, **in early 2016, capital compliance**

[15] Defined as basic net worth (common stock and additional capital) net of deductible accounts. See Communication "A" 5369.

Chart 16

Lending Interest Rates Operated in Pesos*

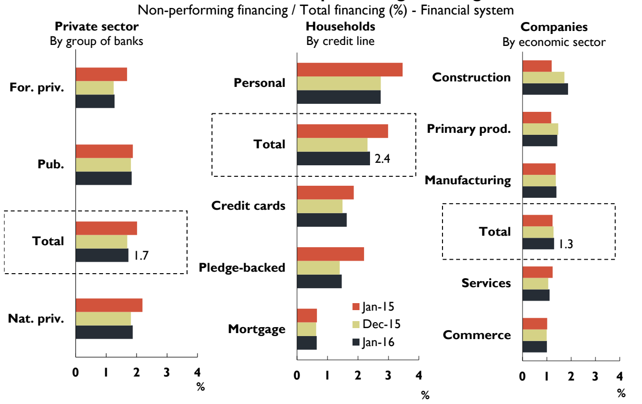


*Note: weighted average by operated value.
Source: BCRA

Chart 17

Private Sector Non-performing Financing

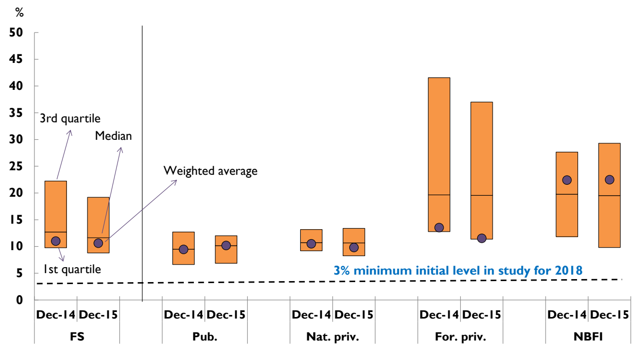
Non-performing financing / Total financing (%) - Financial system



Source: BCRA

Chart 18

Leverage Ratio (LR) Distribution*



* The ratio of capital Tier 1 and a measure of exposure (embraces derivatives, financing operations with securities and the remaining balance sheet assets and certain off-balance sheet exposures). According to BCBS schedule, the minimum level for the LR will take effect in 2018 (initially would be 3%, still under study).
Source: BCRA

in excess of the regulatory requirement –capital position– stood at 78% at aggregate level. All groups of banks recorded positions that exceeded the capital requirement. On a year-on-year comparison basis, solvency ratios fell from high levels especially due to the change in the methodology implemented at the end of 2015 regarding the measuring of the minimum capital requirement for credit risk[16].

The average level of the leverage ratio[17] (LR) **for the financial system amounted to 10.6% at the end of 2015** (latest information available). Although this level recoded a minor drop against the end of 2014, it remained within a moderate range (see Chart 18). Such reduction was mainly accounted for by private banks. The LR minimum value evidenced by one institution was 4.4% in December, standing above the recommended 3% initial lower limit. This limit to leverage is complementary to the minimum capital requirement and was developed internationally to prevent excessive hikes in the taking of risks by banks and it is scheduled to become effective since January 2018.

In January, the consolidated financial system net worth grew 2.6% in nominal terms against the end of 2015 and 35.2% in y.o.y. terms (4.3% y.o.y. in real terms). This rise was boosted by book profits. In this regard, return on assets (ROA) recorded by the financial system in the first month of the year stood at 4.4%a., down 0.6 p.p. against the extraordinary level of December and in line with the figure recorded in January 2015 (see Chart 19). **In the 12-month period as of January 2016, the ensemble of banks recorded profits equal to 4.1% of assets**, evidencing a year-on-year hike in all the ensembles of banks.

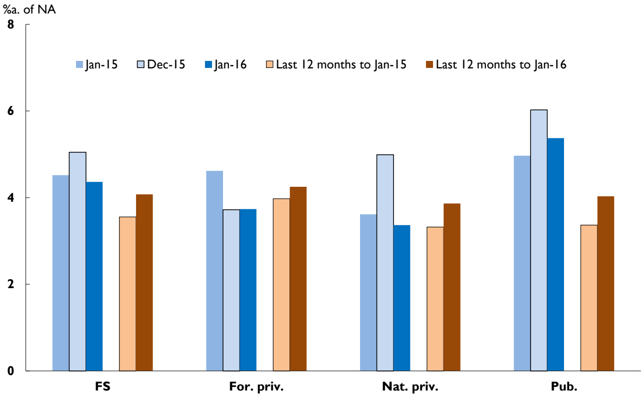
In January, the financial margin accounted for 12.1%a. of assets over the month, down 0.8 p.p. against December. Profits derived from foreign exchange differences fell over the period (though they remained high); interest income also decreased (especially due to higher expenses). Nevertheless, these effects were partially offset by a rise in income from securities (see Chart 20). **In the 12-month period as of January, the financial margin stood at 11.8% of assets, exceeding, by over 1 p.p., the 12-month flow accumulated at the beginning of 2015** (see Chart 21). This rise was mainly the result of higher profits from securities.

Within the framework of seasonal factors, services income of the financial system fell down to 3.6%a. of assets in January 2016. This performance was observed

[16] Communication "A" 5831.
[17] The definition provided by the Basel Committee on Bank Supervision (BCBS) is used: ratio between capital with higher capacity to absorb losses (Tier 1) and a measure of exposure that includes derivatives, securities financing transactions (SFT) and the remaining on-balance sheet assets, as well as some off-balance sheet exposures.

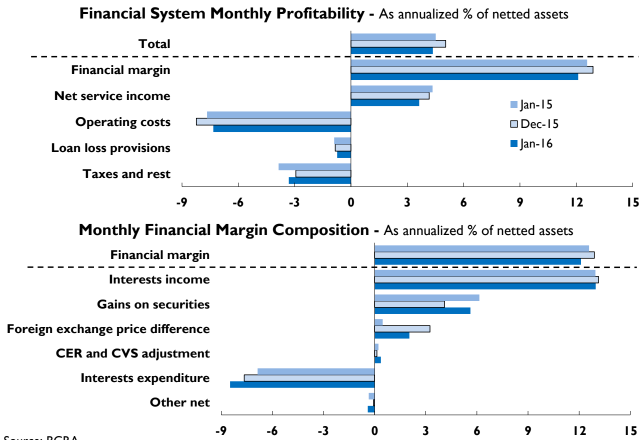
Chart 19

Profitability by Group of Banks



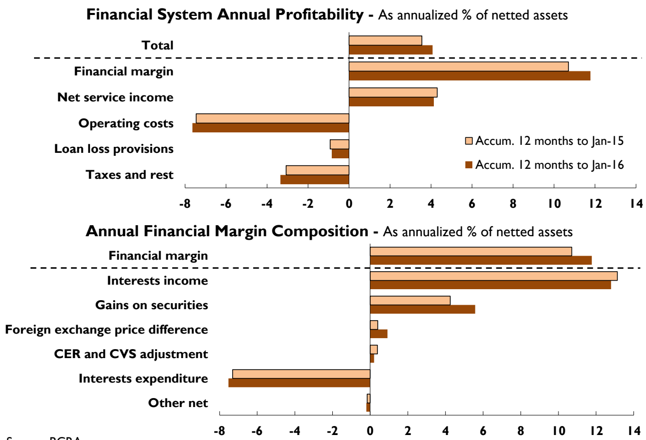
Source: BCRA

Chart 20



Source: BCRA

Chart 21



Source: BCRA

in all groups of banks. **The flow recorded in the past 12 months for services income accounted for 4.1% of assets, falling slightly in year-on-year terms.**

Considering the main expenses from the income statement, loan loss provisions accounted for 0.7%a. of assets in the month and were lower than those of December 2015 and those posted over the same period of 2015. **Loan loss provisions reached 0.8% of assets at aggregate level in the past 12 months, going down slightly in year-on-year terms**. On the other hand, operating costs totaled 7.3%a. of assets in January evidencing a drop against the levels of December. **Considering the 12-month period, financial system operating costs rose slightly year-on-year to account for 7.6% of assets**.

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" 5882 – January 14, 2016

Regulations on "Creation, operation, and expansion of financial institutions" are modified in relation to the requirements to be complied with to apply for a license to set up operating branches in the country or abroad, representation offices abroad and/or to hold participating interests in financial institutions abroad. Particularly, it is ordered that the BCRA may authorize the opening of branches of those institutions that were sanctioned when: (i) such applications are filed by public financial institutions provided they are aimed at granting loans for aid activities and/or programs or when the purpose of such loans is primarily the setting up of centers for the payment of social security allowances, or (ii) the operating offices to be set up are located in areas falling within categories III through VI, or (iii) sanctions consists of warnings, or (iv) in the case of the opening of operating offices located in areas falling within categories I and II by financial institutions fined, the total amount of such fines shall not exceed 25% of the latest adjusted stockholders' equity.

Communication "A" 5884 – January 04, 2016

Regulations on "Credit Management" in relation to the origination, assessment, and follow-up of loans for micro-entrepreneurs are modified. The capital individual limit owed by client for the use of specific methodologies is modified; the amount shall not exceed a sum equal to 13 times the Minimum Wage for workers under a monthly-based wage system and complying with a full legal workday.

Communication "A" 5886 – January 15, 2016

Regulations on "Information to clients through electronic means for the protection of the environment" are passed; such provisions are applicable to financial institutions, non-financial companies that issue credit cards and/or charge (purchase) cards, and financial trust fiduciaries falling under the scope of the Law on Financial Institutions and managers of credit portfolios pertaining to former financial institutions.

Communication "A" 5887 – January 15, 2016

Regulations on "Interest rates on credit transactions" in relation to publicizing the total financing cost of loans are adjusted. In addition, non-financial companies issuing credit and/or charge (purchase) cards fall under the scope of these regulations.

Communication "A" 5892 – January 21, 2016

Regulations on "Credit Policy" are adjusted; the section referring to financing in pesos channeled to "large exporting companies" are annulled.

Communication "A" 5893 – January 21, 2016

Regulations on "Minimum Cash" related to the minimum cash requirement that financial institutions must comply with for obligations in foreign currency are adjusted. In turn, the drop in the average requirement in US dollars for time deposits based on the net position of BCRA LEBACs and Bills in US dollars recorded by financial institutions is annulled for deposits received as from February 01, 2016.

Communication "A" 5894 – January 22, 2016

Regulations on "Net Global Position in Foreign Currency" are modified; forward purchase transactions for coverage of an institution originating in loans in foreign currency are excluded from the calculation of the forward position in foreign currency as from February 01, 2016.

Communication "A" 5898 – January 29, 2016

Regulations on the "Financing Line for Production and Financial Inclusion" are modified; it is ordered that in the case of loans for investment projects aimed at clients other than micro, small, and medium-sized enterprises (MiPyMEs) that are beneficiaries of this credit line, the interest rate be arranged freely between the parties.

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; 9a.- Capital compliance (RPC) / Total risk weighted assets according to the regulation of BCRA about Minimum Capital Compliance (Com. "A" 5369). Included franchises; 9b. Capital compliance (RPC) / Credit risk weighted assets. Included franchises; 10a. Tier 1 capital compliance (Basic net worth - deductible accounts of basic net worth) / Total risk weighted assets according to the regulation of BCRA about Minimum Capital Compliance (Com. "A" 5369); 10b. Tier 1 capital compliance (Basic net worth - deductible accounts of basic net worth) / Credit risk weighted assets; 11. (Capital compliance - Capital requirement) / Capital requirement. Included franchises.

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)

In %	Dec 2005	Dec 2006	Dec 2007	Dec 2008	Dec 2009	Dec 2010	Dec 2011	Dec 2012	Dec 2013	Dec 2014	Jan 2015	Dec 2015	Jan 2016
1.- Liquidity	20.1	22.5	23.0	27.9	28.6	28.0	24.7	26.8	26.8	26.2	24.0	28.2	24.7
2.- Credit to the public sector	31.5	22.5	16.3	12.7	14.4	12.1	10.7	9.7	9.4	9.0	9.1	10.1	9.9
3.- Credit to the private sector	25.8	31.0	38.2	39.4	38.3	39.8	47.4	49.5	50.9	45.8	46.1	45.5	44.8
4.- Private non-performing loans	7.6	4.5	3.2	3.1	3.5	2.1	1.4	1.7	1.7	2.0	2.0	1.7	1.7
5.- Net worth exposure to the private sector	-2.5	-0.8	-1.5	-1.7	-1.3	-3.2	-4.3	-3.1	-3.5	-2.9	-2.8	-3.0	-2.9
6.- ROA	0.9	1.9	1.5	1.6	2.3	2.8	2.7	2.9	3.4	4.1	4.5	4.1	4.4
7.- ROE	7.0	14.3	11.0	13.4	19.2	22.6	25.3	25.7	29.5	32.7	35.9	32.4	36.3
8.- Efficiency	151	167	160	167	185	179	179	190	206	215	221	208	215
9a.- Capital compliance	-	-	-	-	-	-	-	-	13.6	14.7	15.0	13.2	13.5
9b.- Capital compliance (credit risk)	15.9	16.9	16.9	16.9	18.8	17.7	15.6	17.1	-	-	-	-	-
10a.- Capital compliance Tier I	-	-	-	-	-	-	-	-	12.5	13.7	14.0	12.4	12.7
10b.- Capital compliance Tier I (credit risk)	14.1	14.1	14.6	14.2	14.5	13.0	11.0	11.9	-	-	-	-	-
11.- Excess capital compliance	169	134	93	90	100	87	69	59	76	90	94	77	78

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.

Source: BCRA

Chart 2 | Balance Sheet

In million of current pesos	Dec 08	Dec 09	Dec 10	Dec 11	Dec 12	Dec 13	Dec 14	Jan 15	Dec 15	Jan 16	Changes (in %)	
											Last month	Last 12 months
Assets	**346,762**	**387,381**	**510,304**	**628,381**	**790,026**	**1,004,892**	**1,340,548**	**1,340,796**	**1,846,096**	**1,887,365**	**2.2**	**40.8**
Cash disposal[1]	58,676	71,067	93,085	104,389	148,254	200,925	234,283	224,355	371,558	332,766	-10.4	48.3
Public bonds	65,255	86,318	117,951	112,906	123,491	141,494	291,483	305,050	387,323	450,284	16.3	47.6
Lebac/Nobac	37,093	43,867	76,948	71,050	84,057	89,641	215,141	227,269	264,229	324,686	22.9	42.9
Portfolio	25,652	34,748	61,855	59,664	70,569	88,091	187,973	210,762	249,310	309,350	24.1	46.8
Repo[2]	11,442	9,119	15,093	11,386	13,488	1,550	27,168	16,507	14,919	15,336	2.8	-7.1
Private bonds	203	307	209	212	251	434	1,602	1,519	1,897	1,881	-0.9	23.8
Loans	154,719	169,868	230,127	332,317	433,925	563,344	666,260	670,678	911,871	914,294	0.3	36.3
Public sector	17,083	20,570	25,907	31,346	39,951	48,438	51,470	51,747	70,666	68,205	-3.5	31.8
Private sector	132,844	145,247	199,202	291,708	383,674	501,857	604,062	607,088	827,943	832,350	0.5	37.1
Financial sector	4,793	4,052	5,018	9,263	10,299	13,049	10,729	11,843	13,262	13,739	3.6	16.0
Provisions over loans	-4,744	-5,824	-6,232	-7,173	-9,596	-13,117	-17,054	-17,233	-21,007	-21,351	1.6	23.9
Other netted credits due to financial intermediation	38,152	33,498	39,009	40,805	38,769	42,435	74,383	64,414	69,794	80,070	14.7	24.3
Corporate bonds and subordinated debt	912	1,146	1,433	1,657	2,255	5,421	5,853	5,973	6,679	6,819	2.1	14.2
Unquoted trusts	5,714	5,942	6,824	7,967	10,822	12,656	12,759	12,809	14,590	15,926	9.2	24.3
Leasing	3,935	2,933	3,936	6,222	7,203	9,460	10,578	10,632	12,666	12,664	0.0	19.1
Shares in other companies	7,236	6,711	7,921	9,123	11,682	15,117	20,770	21,071	26,913	28,151	4.6	33.6
Fixed assets and miscellaneous	7,903	8,239	9,071	10,111	11,251	14,231	19,505	19,932	26,402	26,849	1.7	34.7
Foreign branches	3,153	3,926	3,283	3,525	4,354	5,627	7,243	7,301	10,633	11,353	6.8	55.5
Other assets	12,275	10,337	11,943	15,944	20,441	24,941	31,495	33,075	48,046	50,404	4.9	52.4
Liabilities	**305,382**	**339,047**	**452,752**	**558,264**	**699,205**	**883,091**	**1,172,335**	**1,167,581**	**1,619,218**	**1,654,517**	**2.2**	**41.7**
Deposits	236,217	271,853	376,344	462,517	595,764	752,422	979,388	990,560	1,354,391	1,391,665	2.8	40.5
Public sector[3]	67,151	69,143	115,954	129,885	163,691	202,434	255,914	257,887	289,521	307,307	6.1	19.2
Private sector[3]	166,378	199,278	257,595	328,463	427,857	544,331	714,878	723,803	1,052,200	1,070,469	1.7	47.9
Current account	39,619	45,752	61,306	76,804	103,192	125,237	166,663	163,133	207,979	199,234	-4.2	22.1
Savings account	50,966	62,807	82,575	103,636	125,210	158,523	215,132	213,629	316,201	315,445	-0.2	47.7
Time deposit	69,484	83,967	104,492	135,082	183,736	241,281	309,353	324,761	496,610	522,258	5.2	60.8
Other netted liabilities due to financial intermediation	57,662	52,114	60,029	76,038	75,106	92,634	138,058	121,221	190,495	185,322	-2.7	52.9
Interbanking obligations	3,895	3,251	4,201	7,947	8,329	10,596	7,639	8,675	9,102	9,662	6.2	11.4
BCRA lines	1,885	270	262	1,920	3,535	4,693	4,209	4,170	2,959	2,826	-4.5	-32.2
Outstanding bonds	5,984	5,033	3,432	6,856	9,101	14,198	18,961	18,611	24,466	25,614	4.7	37.6
Foreign lines of credit	4,541	3,369	3,897	6,467	4,992	6,328	10,106	10,016	21,361	21,889	2.5	118.5
Other	13,974	14,891	17,426	24,137	26,280	41,345	51,539	43,935	99,329	82,739	-16.7	88.3
Subordinated debts	1,763	1,922	2,165	2,065	2,647	3,425	4,445	4,431	7,024	7,370	4.9	66.3
Other liabilities	9,740	13,159	14,213	17,644	25,688	34,610	50,444	51,369	67,308	70,160	4.2	36.6
Net worth	**41,380**	**48,335**	**57,552**	**70,117**	**90,820**	**121,800**	**168,213**	**173,214**	**226,878**	**232,848**	**2.6**	**34.4**
Memo												
Netted assets	321,075	364,726	482,532	601,380	767,744	989,825	1,295,450	1,305,499	1,814,385	1,846,598	1.8	41.4
Consolidated netted assets	312,002	357,118	472,934	586,805	750,598	968,458	1,273,631	1,282,538	1,787,824	1,819,256	1.8	41.8

(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 http://www.bcra.gob.ar/pdfs/polmon/InfBanc_Anexoi.xls

Statistics annex[1] | Financial system

Chart 3 | Profitability Structure

	Annual								First month		Monthly			Last 12
Amount in million of pesos	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2015**	**2016**	**Nov-15**	**Dec-15**	**Jan-16**	**months**
Financial margin	20,462	28,937	35,490	43,670	61,667	88,509	130,405	173,675	13,579	18,347	17,129	19,253	18,347	178,444
Net interest income	9,573	14,488	17,963	24,903	38,365	50,336	65,206	79,640	6,570	6,798	7,195	8,188	6,798	79,869
CER and CVS adjustments	2,822	1,196	2,434	1,725	2,080	2,153	4,402	2,877	243	549	237	198	549	3,183
Foreign exchange price adjustments	2,307	2,588	2,100	3,025	4,127	11,287	13,812	11,343	511	3,091	772	4,848	3,091	13,922
Gains on securities	4,398	11,004	13,449	14,228	17,356	22,280	44,198	82,664	6,633	8,518	8,045	6,123	8,518	84,550
Other financial income	1,362	-339	-457	-211	-261	2,454	2,786	-2,849	-377	-609	880	-104	-609	-3,081
Service income margin	10,870	13,052	16,089	21,391	28,172	36,503	47,972	61,830	4,691	5,512	5,695	6,221	5,512	62,650
Loan loss provisions	-2,839	-3,814	-3,267	-3,736	-6,127	-9,349	-10,857	-12,591	-966	-1,113	-1,337	-1,252	-1,113	-12,738
Operating costs	-18,767	-22,710	-28,756	-36,365	-47,318	-60,722	-83,117	-112,993	-8,272	-11,113	-10,444	-12,298	-11,113	-115,834
Tax charges	-2,318	-3,272	-4,120	-6,047	-8,981	-13,916	-19,586	-25,770	-1,899	-2,618	-2,500	-2,822	-2,618	-26,489
Adjust. to the valuation of gov. Securities[1]	-1,757	-262	-214	-336	-338	-377	-906	-624	-52	-180	-61	-1	-180	-752
Amort. payments for court-ordered releases	-994	-703	-635	-290	-274	-128	-81	-57	-3	-3	-4	-5	-3	-58
Other	1,441	918	2,079	2,963	2,475	2,576	4,473	7,102	160	1,143	708	892	1,143	8,085
Total results before tax[2]	6,100	12,145	16,665	21,251	29,276	43,094	68,302	90,572	7,241	9,975	9,186	9,987	9,975	93,307
Income tax	-1,342	-4,226	-4,904	-6,531	-9,861	-13,951	-22,365	-30,547	-2,365	-3,363	-3,002	-2,449	-3,363	-31,546
Total result[2]	**4,757**	**7,920**	**11,761**	**14,720**	**19,415**	**29,143**	**45,937**	**60,025**	**4,876**	**6,612**	**6,185**	**7,538**	**6,612**	**61,762**
Adjusted Result[3]	7,508	8,885	12,610	15,345	20,027	29,649	46,925	60,706	4,930	6,795	6,250	7,545	6,795	62,571
Annualized indicators - As % of netted assets														
Financial margin	6.7	8.6	8.5	8.0	9.2	10.3	11.7	11.8	12.6	12.1	12.5	12.9	12.1	11.8
Net interest income	3.1	4.3	4.3	4.6	5.7	5.9	5.8	5.4	6.1	4.5	5.2	5.5	4.5	5.3
CER and CVS adjustments	0.9	0.4	0.6	0.3	0.3	0.3	0.4	0.2	0.2	0.4	0.2	0.1	0.4	0.2
Foreign exchange price adjustments	0.8	0.8	0.5	0.6	0.6	1.3	1.2	0.8	0.5	2.0	0.6	3.2	2.0	0.9
Gains on securities	1.4	3.3	3.2	2.6	2.6	2.6	4.0	5.6	6.1	5.6	5.9	4.1	5.6	5.6
Other financial income	0.4	-0.1	-0.1	0.0	0.0	0.3	0.2	-0.2	-0.3	-0.4	0.6	-0.1	-0.4	-0.2
Service income margin	3.6	3.9	3.8	3.9	4.2	4.3	4.3	4.2	4.3	3.6	4.1	4.2	3.6	4.1
Loan loss provisions	-0.9	-1.1	-0.8	-0.7	-0.9	-1.1	-1.0	-0.9	-0.9	-0.7	-1.0	-0.8	-0.7	-0.8
Operating costs	-6.1	-6.7	-6.9	-6.7	-7.0	-7.1	-7.4	-7.7	-7.7	-7.3	-7.6	-8.2	-7.3	-7.6
Tax charges	-0.8	-1.0	-1.0	-1.1	-1.3	-1.6	-1.8	-1.8	-1.8	-1.7	-1.8	-1.9	-1.7	-1.7
Adjust. to the valuation of gov. Securities[1]	-0.6	-0.1	-0.1	-0.1	-0.1	0.0	-0.1	0.0	0.0	-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	0.0	0.0
Other	0.5	0.3	0.5	0.5	0.4	0.3	0.4	0.5	0.1	0.8	0.5	0.6	0.8	0.5
Total results before tax[2]	2.0	3.6	4.0	3.9	4.3	5.0	6.1	6.2	6.7	6.6	6.7	6.7	6.6	6.2
Income tax	-0.4	-1.3	-1.2	-1.2	-1.5	-1.6	-2.0	-2.1	-2.2	-2.2	-2.2	-1.6	-2.2	-2.1
ROA[2]	**1.6**	**2.3**	**2.8**	**2.7**	**2.9**	**3.4**	**4.1**	**4.1**	**4.5**	**4.4**	**4.5**	**5.0**	**4.4**	**4.1**
ROA adjusted[3]	2.5	2.6	3.0	2.8	3.0	3.5	4.2	4.1	4.6	4.5	4.5	5.1	4.5	4.1
ROE before tax	*17.2*	*29.5*	*34.5*	*36.5*	*38.8*	*43.7*	*48.6*	*49.0*	*53.4*	*54.7*	*53.5*	*56.2*	*54.7*	*49.2*
ROE [2]	*13.4*	*19.2*	*24.4*	*25.3*	*25.7*	*29.5*	*32.7*	*32.4*	*35.9*	*36.3*	*36.0*	*42.4*	*36.3*	*32.6*

(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	Dec 13	Dec 14	Jan 15	Dec 15	Jan 16
Non-performing loans (overall)	**5.2**	**3.4**	**2.7**	**2.7**	**3.0**	**1.8**	**1.2**	**1.5**	**1.5**	**1.8**	**1.8**	**1.5**	**1.6**
Provisions / Non-performing loans	115	108	115	117	115	148	176	144	150	142	141	148	146
(Total non-perfoming - Provisions) / Overall financing	-0.8	-0.3	-0.4	-0.5	-0.5	-0.9	-0.9	-0.7	-0.8	-0.7	-0.7	-0.7	-0.7
(Total non-perfoming - Provisions) / Net worth	-2.6	-0.9	-1.6	-1.8	-1.7	-3.6	-4.6	-3.4	-3.7	-3.1	-3.0	-3.1	-3.0
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**	**1.7**	**2.0**	**2.0**	**1.7**	**1.7**
Provisions / Non-performing loans	115	108	114	116	112	143	171	141	148	140	139	147	145
(Total non-perfoming - Provisions) / Overall financing	-1.1	-0.3	-0.5	-0.5	-0.4	-0.9	-1.0	-0.7	-0.8	-0.8	-0.8	-0.8	-0.8
(Total non-perfoming - Provisions) / Net worth	-2.5	-0.8	-1.5	-1.7	-1.3	-3.2	-4.3	-3.1	-3.5	-2.9	-2.8	-3.0	-2.9

Source: BCRA

[1] Note | Data available in Excel in
http://www.bcra.gob.ar/pdfs/polmon/InfBanc_Anexoi.xls