Report on Banks

February 2014

BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

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Year XI, No. 6

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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 | 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

- **In February, the stock of total loans to the private sector remained practically unchanged against January, expanding 33.8% y.o.y. in the segment in pesos and 31.7% y.o.y. considering domestic and foreign currency**. During the month, public banks recorded moderate growth levels in the case of loans to the private sector, while private banks and non-bank financial institutions exhibited a reduction over the period. The rise in lending to companies (33.6% y.o.y.) exceeded the hike observed in lending to households (30% y.o.y.). **Thus**, **financing to productive sector gained share in the total stock of loans over the past 12 months,** accounting for almost 57% in February.

- **The delinquency ratio in loans to the private sector remained at 1.8% of total lending over the month,** a level slightly below the one recorded a year before. **The financial system continued posting high coverage of the non-performing portfolio with provisions,** reaching 143.1% over the period.

- **In February, the stock of private sector deposits in pesos expanded 1.2% (28.5% y.o.y.), driven by a 4.3% improvement in time deposits (35.7% y.o.y.)**, while sight accounts recorded a 2% drop (22.5% y.o.y. rise). In turn, public sector deposits decreased over the month and led to a 0.8% decline in the stock of total deposits (in domestic and foreign currency). However, it registered a 27% y.o.y. hike.

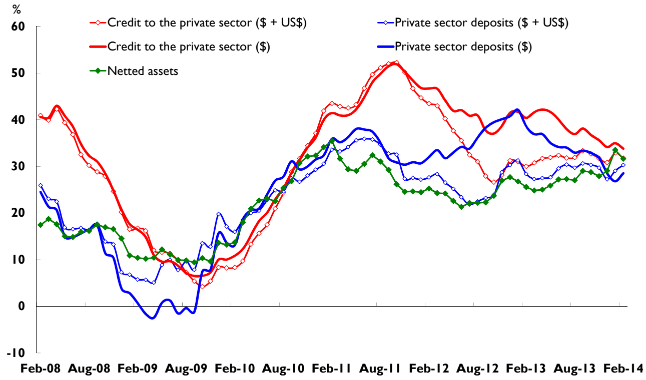
- **Financial system liquidity (pesos and dollars) fell 4 p.p. of total deposits over the month down to 24.5%; this performance was mainly accounted for by a reduction in the balance of banks' current accounts with the BCRA, funds that were partly used by institutions to purchase LEBACs and NOBACs. As a result, financial system broad liquidity stood at 40.5% of deposits in February;** this indicator posted a slight 0.6 p.p. monthly reduction. The end of the December-February quarterly period established for the minimum cash position in pesos, following the surplus recorded in previous months, and the sales of foreign currency by banks to comply with the new regulatory requirements regarding the Net Global Position in Foreign Currency, partly accounted for the evolution observed in February.

- **In February, the broad foreign currency mismatching contracted significantly, going down 31.6 p.p. in terms of adjusted stockholder's equity, and reached a level of 34.1%**. This change, compared to figures recorded in the past few months, was explained by regulatory changes implemented by the BCRA, particularly with regard to the limit set for financial institutions' term position in foreign currency.

- **Over the month, the consolidated financial system net worth increased 2.3% (43.5% y.o.y.), being primarily boosted by book profits.** Compliance with regulatory capital reached 13.6% of total risk-weighted assets (RWA) while compliance with Tier 1 accounted for 12.5% of RWAs. Thus, **in February, the capital position** (surplus in capital compliance) **represented 77% of the regulatory requirement.**

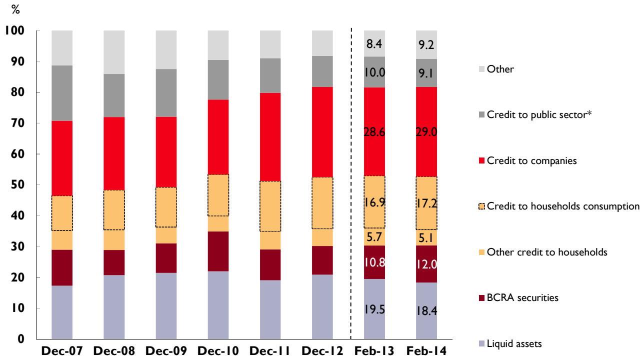
- **Over the period, the ensemble of financial institutions accrued profits amounting to 3.4%a. of assets.** In February, the financial margin decreased against January, returning to levels similar to the monthly average recorded in 2013. Thus, book **profits registered in the past 12 months for the aggregate financial system accounted for 4.3% of assets.**

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



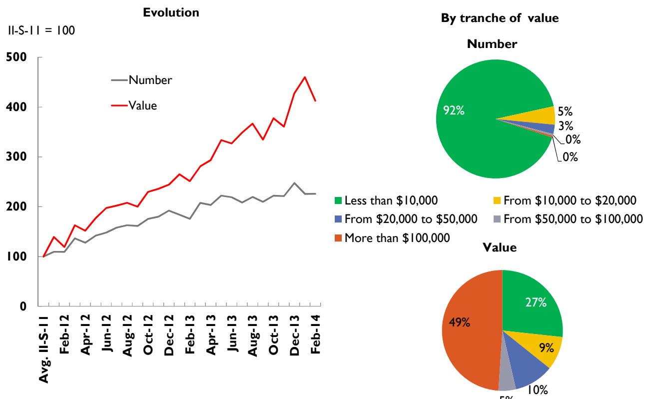
Source: BCRA

Chart 2
Financial System Balance Sheet Composition
Consolidated and netted assets - Financial system



*Note: Include securities and lending
Source: BCRA

Chart 3
Instant Banking Transfers



Source: BCRA

I. Activity

Financial intermediation with the private sector posted a moderate performance in February even though it continued growing at high y.o.y. rates. **Lending to the private sector in pesos rose slightly over the month, expanding 33.8% in the past 12 months** (see Chart 1). In turn, deposits corresponding to this sector in the same currency increased 1.2% in February and improved 28.5% y.o.y. Netted assets of the ensemble of banks rose 31.6% y.o.y.

Regarding the flow of funds estimated for the ensemble of financial institutions based on balance sheet information, **a reduction in liquids assets was observed over the month**—especially, a reduction in holdings in current accounts with the BCRA—**which became the main funding source for the sector** ($33.3 billion). In addition, during the month, banks obtained funds through the rise in private sector deposits and profits derived from their activity. **Funds were mostly used in February to purchase LEBACs and NOBACs** ($26 billion). Other uses given to funds over the period comprised the reduction of public sector deposits, the rise in lending to the public sector and the increase in financing in pesos to the private sector.

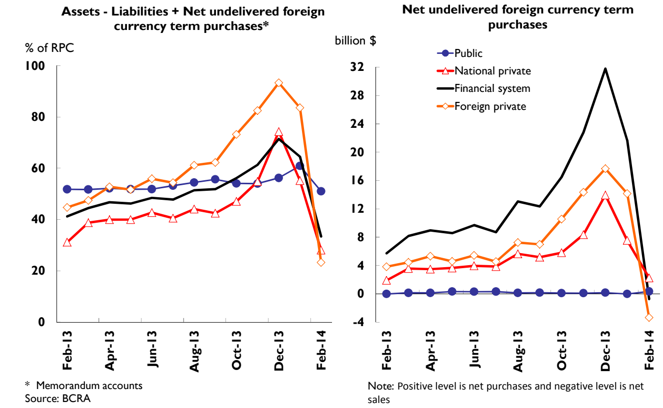
Considering the experience observed in the past 12 months, the growth in lending to the productive sector should be highlighted within financial intermediation with the private sector. As of February, the stock of loans to companies and households reached 51.3% of assets (see Chart 2), exceeding the figure recorded over the same period in 2013. Particularly, over this period, lending to companies increased its relative share in total assets by 0.4 percentage points (p.p.) accounting for 29%. In turn, the share of liquid assets—in a broad sense—for the ensemble of banks remained practically unchanged, while loans to the public sector decreased their relevance.

In the context of seasonal factors that are typical for the month, the number of instant transfers did not change significantly against January while the value traded through these transactions declined 10.3% over the period. Nevertheless, **these transfers increased sizably in y.o.y. terms: 29% in the case of number and 64% in the case of value**. By breaking down amount segments, most instant transfers are found in the lower segments (around 92% of transfers corresponds to amounts of up to $10,000), while values in transactions exceeding $100,000 equal almost half of the total of these transfers (see Chart 3).

In February, the number and value of cleared checks also decreased partly due to seasonal factors. However,

Chart 4

Foreign Currency Mismatching

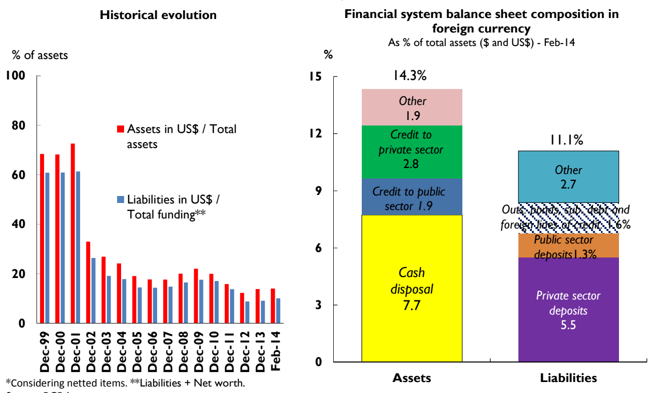


* Memorandum accounts
Source: BCRA

Chart 5

Balance Sheet in Foreign Currency*

Financial system

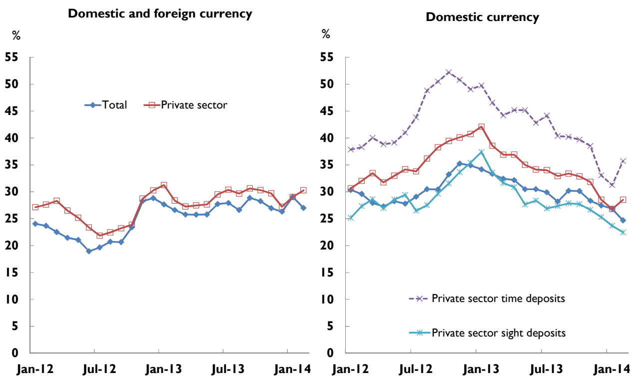


*Considering netted items. **Liabilities + Net worth.
Source: BCRA

Chart 6

Financial System Deposits

Y.o.y. % variation - Balance sheet stocks



Source: BCRA

the **number of checks expanded 2.7% y.o.y. while the value processed in February rose 31%.** In turn, the ratio of instruments bounced for insufficient funds shrank in February against the total value of checks cleared, standing at levels similar to those observed a year ago.

In February, the broad foreign currency mismatching went down 31.6 p.p. of adjusted stockholder's equity to 34.1%. This was explained by a reversal of the off-balance net term position in this currency, which went from a long to a short position in aggregate terms (see Chart 4), and, to a lower extent, by a reduction in the difference between assets and liabilities in foreign currency. This change against the trend recorded in the past few months resulted from the implementation of the regulatory framework established by the BCRA[1], which contributed to maintaining stability in the domestic foreign exchange market. Firstly, the maximum limit that banks must comply in relation to the positive Net Global Position in foreign currency was set again: 30% of adjusted stockholder's equity or own liquid funds corresponding to such month, whichever the lower. Secondly, it was ordered that the net long position in foreign currency be less than 10% of adjusted stockholder's equity of the previous month. To comply with this measure, no forward sales of foreign currency to parties related to the institution[2] may be computed.

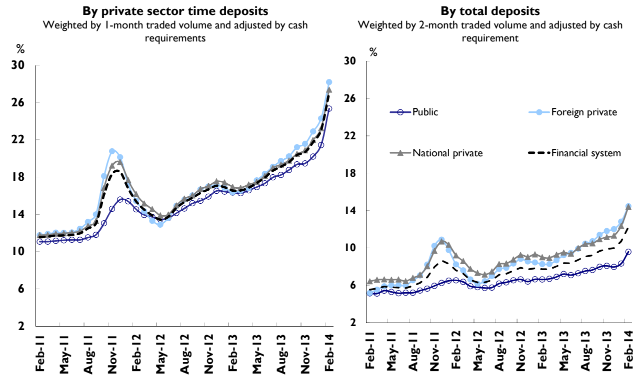
It should be noted that the dollarization level in the balance sheet of the ensemble of b anks is historically low. At present, only 14.3% of assets and 11.1% of total funding (liabilities plus net worth) is represented in foreign currency (see Chart 5); in contrast, these indicators stood at 76.5% and 64.8%, respectively by the end of 2001. By breaking down balance sheet items in foreign currency, in February, loans to the private sector accounted for only 2.8% of assets while, in the case of funding, deposits of this sector reached 5.5% of the total stock. In addition, liquid assets in foreign currency accounted for 7.7% of total funding over the month (which equals 70% of funding in dollars).

II. Deposits and liquidity

Private sector deposits in pesos expanded 1.2% over the month, boosted by time deposits (4.3%), while sight accounts decreased (-2%). In turn, given the fall observed in deposits in foreign currency (-1.5% in currency of origin), the stock of total deposits corresponding to the private sector climbed 0.8% in February. Finally, financial system total deposits (in domestic and foreign currency) fell 0.8% in the month,

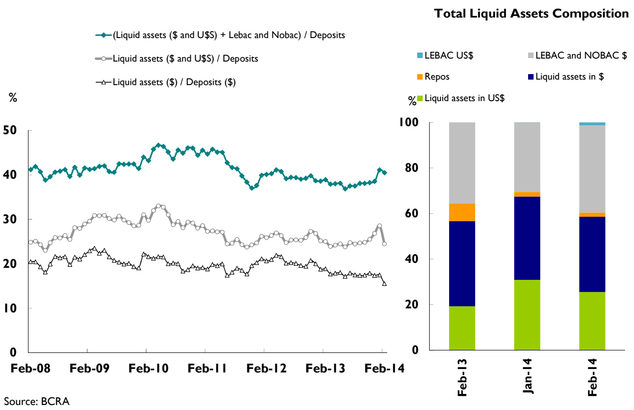
[1] Communication "A" 5536.
[2] Communication "A" 5563.

Chart 7
Estimation of Average Funding Costs by Deposits in Pesos



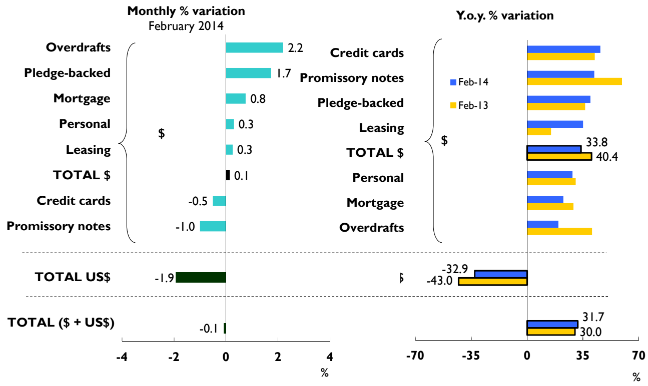
Source: BCRA

Chart 8
Liquidity of the Financial System



Source: BCRA

Chart 9
Credit to the Private Sector by Currency of Origin



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

affected by the reduction in public sector deposits (-5.2%).

Considering the past 12 months, total deposits (in domestic and foreign currency) increased 27%. Private sector total deposits expanded 30.3% y.o.y. while those of the public sector rose 18.1% y.o.y. **Regarding the domestic currency segment, the y.o.y. growth of private sector deposits was mainly accounted for by time deposits, which climbed 35.7% y.o.y.** (see Chart 6).

In February, interest rates on private sector time deposits in pesos rose. In this context, the cost of funding for deposits in pesos increased 1.5 p.p. up to 12.2% over the month (see Chart 7). The greatest monthly hike in the cost of funding was exhibited by national private banks.

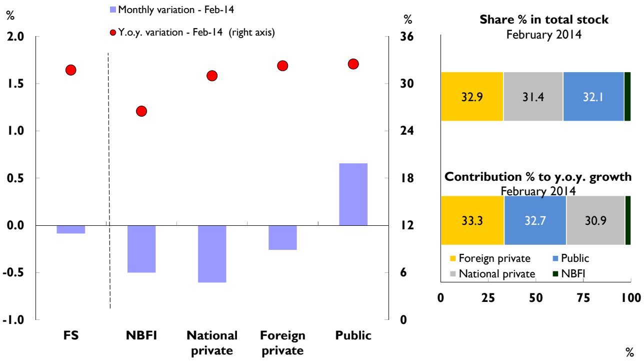
Financial system liquidity (pesos and dollars) decreased 4 p.p. to 24.5% of total deposits over the month, performance mainly accounted for by a reduction in the outstanding balance of banks' current accounts with the BCRA; such funds were partly used by institutions to purchase LEBACs and NOBACs. As a result, financial system broad liquidity stood at 40.5% of deposits in February, an indicator that posted a slight 0.6 p.p. monthly drop (see Chart 8). The end of the December-February quarterly period established for the minimum cash position in pesos, following the surplus recorded in previous months, and the sales of foreign currency by banks to comply with regulatory requirements regarding the Net Global Position in Foreign Currency, partly accounted for the evolution observed in February[3].

III. Financing

In February, the stock of loans in pesos to the private sector remained virtually unchanged against January, growing only 0.1%[4]. A heterogeneous performance was observed among credit lines in domestic currency (see Chart 9) over the month, with rises in overdrafts, pledge-backed loans, mortgage loans, personal loans, leasing, and a decrease in promissory notes and credit cards. In turn, loans in foreign currency continued falling during the month. Thus, the balance **sheet stock of total financing (in pesos and in dollars) granted to companies and households did not record significant changes in February**[5]. Public banks

[3] Communication "A" 5536. See "Activity" Section.
[4] Six financial trusts were issued in the month for a total of $731 million, corresponding, completely, to personal loan securitizations. If the balance sheet stock is adjusted by assets securitized over the month (using loans granted by banks as underlying assets), the monthly growth recorded by loans in pesos to the private sector would reach 0.3%.
[5] The balance sheet stock fell 0.1% between the beginning and end of the month; however if February's balance sheet 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) channeled to the private sector would amount to 0.1%.

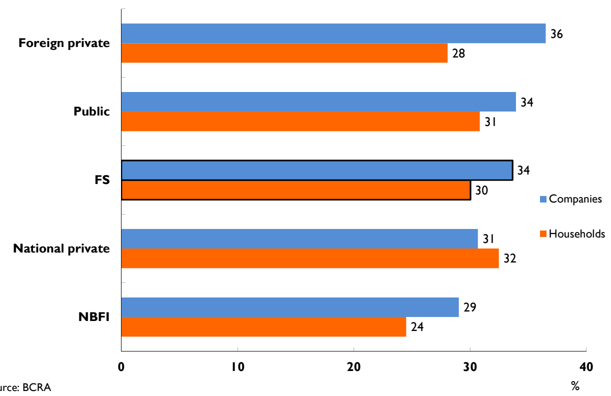
Chart 10
Credit to the Private Sector by Financial Institutions



Fuente: BCRA

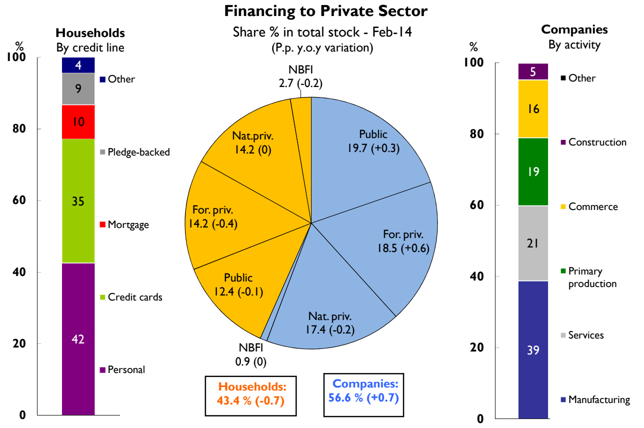
Chart 11

Financing to Private Sector
Y.o.y. % variation by group of financial institutions - February 2014



Source: BCRA

Chart 12
Financing to Private Sector
Share % in total stock - Feb-14
(P.p. y.o.y variation)



Source: BCRA

expanded lending to the private sector moderately over the month (see Chart 10), while private banks and non-bank financial institutions exhibited a reduction against January.

In y.o.y. terms, the stock of loans in pesos to the private sector expanded 33.8% as of February, driven by all credit lines (see Chart 9). Considering items in pesos and in foreign currency, the stock of loans increased 31.7% y.o.y. Public banks posted the greatest y.o.y. momentum of financing channeled to companies and households (see Chart 10).

In February, total loans to companies[6] remained relatively stable (a 0.2% hike was observed). Loans for primary production, construction and manufacturing expanded moderately over the period while those channeled to service companies and for commercial purposes decreased. Thus, **financing to the productive sector climbed 33.6% against February 2013**, evidencing an outstanding contribution by loans to manufacturing, which accounted for 41.4% of the total y.o.y. increase. Public and foreign private banks primarily boosted the rise in lending to companies in the past 12 months (see Chart 11). It should be noted that **the y.o.y. hike in credit to companies was relatively higher than that of loans granted to households.** Thus, financing to companies gained share in the total stock of loans to the private sector, accounting for 56.6% in February (see Chart 12).

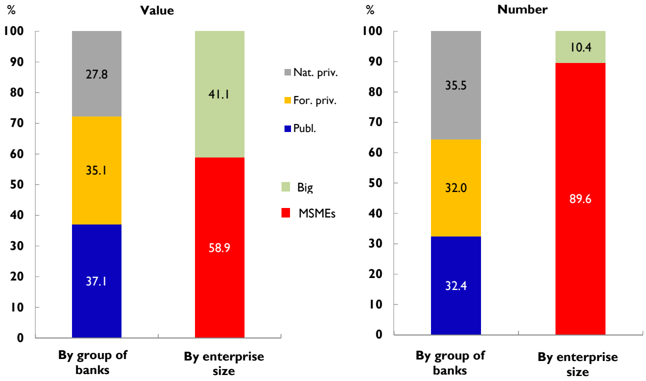
The Central Bank continued promoting financing for the production of goods and services through the Credit Line for Productive Investment (LCIP). **Loans amounting to $57.9 billion have been arranged since July 2012 to late February 2014 within the framework of the three stages of the LCIP**. From such total, **financial institutions have disbursed $56 billion to companies, being public banks those evidencing the greatest contribution** (see Chart 13). 58.9% of this amount disbursed was channeled to micro, small, and medium-sized enterprises, accounting for almost 90% of transactions conducted through the LCIP. It should be noted that, as from mid-April 2014 and upon a grounded request, the BCRA may—on an exceptional basis—accept to assign to the LCIP other loans aimed at foreign trade transactions[7]. This amendment adds to that implemented at the end of February[8] whereby **part of the LCIP quota for the first half of 2014 may be used for the discount of deferred payment checks to micro, small, and medium-sized enterprises in March and April**, provided that the interest rate does not

[6] 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.
[7] Communication “A” 5570.
[8] Communication “A” 5554.

Chart 13

Credit Line for Productive Investment

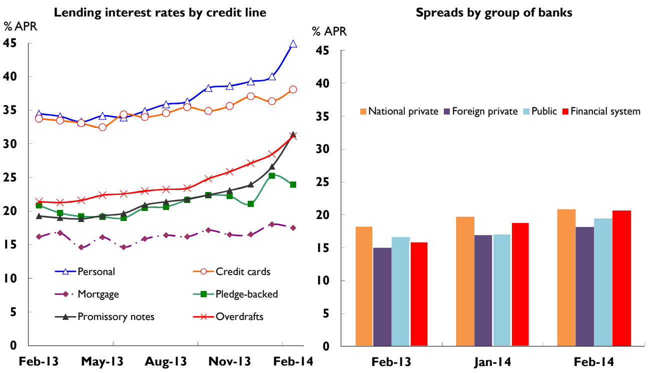
Accumulated disbursed amounts in first three tranches -Share % in total



Source: BCRA

Chart 14

Lending Interest Rates and Spreads Operated in Pesos

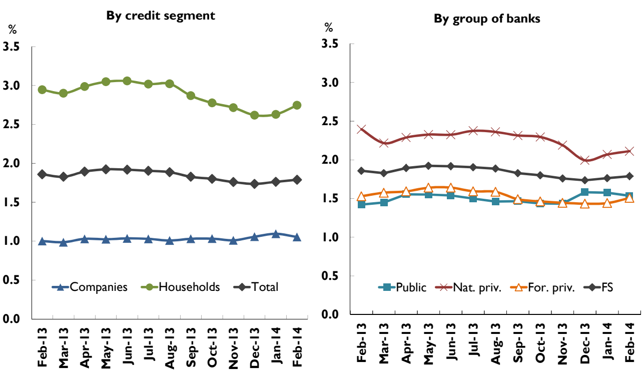


Lending interest rate and spreads: weighted average by operated value.
Source: BCRA

Chart 15

Non-performing Financing to the Private Sector

Non-performing loans / Total loans (%)



Source: BCRA

exceed 17.5% in nominal annual terms. It is worth pointing out that, as previously established by the BCRA, the LCIP quota for the first half of 2014 must exclusively be channeled to micro, small and medium-sized enterprises.

On a supplementary basis, the BCRA continued promoting the **Bicentennial Productive Financing Program (PFPB) trying to deepen the supply of funds at a fixed total financial cost in pesos for investment projects in the medium and long term.** Within the framework of the PFPB, the BCRA has allocated a total of $7.9 billion amongst institutions through 27 auctions held to date. From this total, banks credited $6.20 billion to companies applying for the line up to the end of March 2014.

In February, loans to households[9] decreased slightly (0.4%) mainly due to the performance recorded by credit cards. **Despite this monthly reduction, lending to households increased 30% y.o.y.**, public and national private banks being the most dynamic (see Chart 11). Financing to natural persons accounted for 43.4% of credit to the private sector over the month (see Chart 12), standing slightly below the figure recorded a year before.

In February, interest rates traded in pesos on loans for commercial purposes and lines for consumption increased while rates on lines with real collateral (mortgage and pledge-backed loans) decreased slightly (see Chart 14). Compared to January 2014 and February 2013, all groups of banks evidenced a rise in spreads of domestic currency transactions.

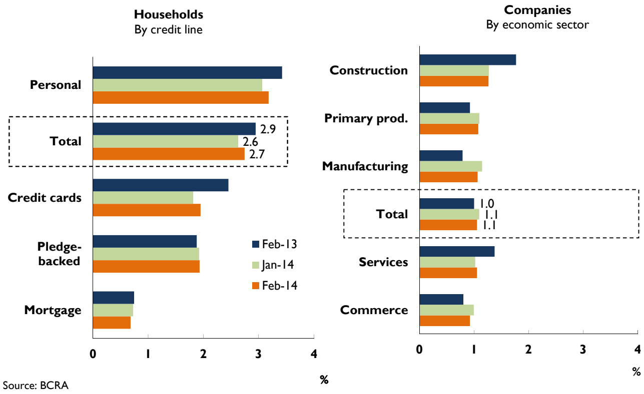
IV. Portfolio quality

In February, the non-performing ratio for loans to the private sector remained at 1.8% of total lending, slightly below the level recorded 12 months before (see Chart 15). The monthly performance was heterogeneous amongst groups of banks, with a fall in the delinquency ratio corresponding to loans granted by public banks and a minor rise in the indicator for private banks (both national and private).

The non-performing ratio for loans to households rose moderately over the month, reaching 2.7% of credit, in a context evidencing a slight reduction in the total stock of loans which was accompanied by a minor increase in the non-performing portfolio. The monthly hike posted by delinquency ratio of loans to households was mainly accounted for by the performance of credit lines for consumption purposes (see Chart 16). Despite this

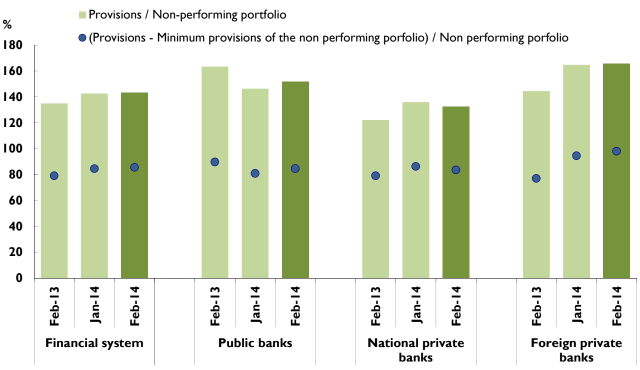
[9] Information obtained from the Debtors' Database (including domestic and foreign currency).

Chart 16
Non-performing Financing to Private Sector by Type of Debtor
Non-performing loans / Total loans - Financial System



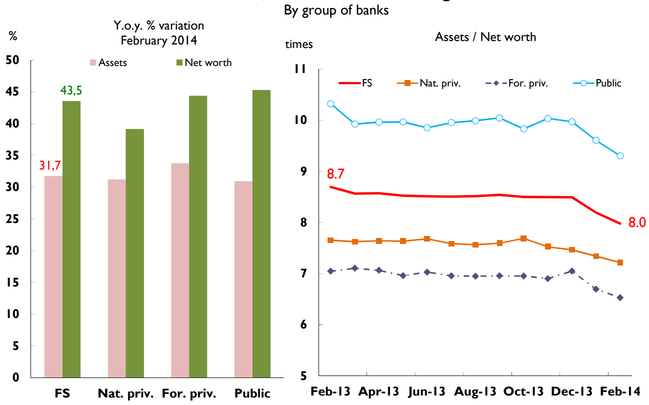
Source: BCRA

Chart 17
Non-performing Portfolio Coverage with Provisions by Group of Banks



Source: BCRA

Chart 18
Assets, Net Worth and Leverage
By group of banks



Source: BCRA

monthly rise, **the current level shown by the non-performing indicator of financing to households is below the one observed 12 months before.**

In February, delinquency of loans granted to companies remained at 1.1% of the total portfolio (see Chart 16). If analyzed by sectors, a heterogeneous performance was observed, with decreases in the non-performing ratio of lending to industrial and commercial companies and slight rises in loans channeled to service companies. Companies' delinquency indicator recorded in February was barely above the figure registered 12 months ago.

The non-performing ratio for loans to the private sector covered by preferred guarantees remained at 1.4% over the month, while that of unsecured loans rose slightly to 1.9% of the total portfolio.

Coverage of the non-performing portfolio to the private sector with provisions increased in the month reaching 143.1%, mainly due to public banks' performance (see Chart 17). If minimum provisions corresponding to the performing portfolio were excluded, the coverage ratio would amount to 85.6% of the delinquent portfolio, a value that easily exceeds minimum provisions required for such segment (48.1%).

V. Solvency

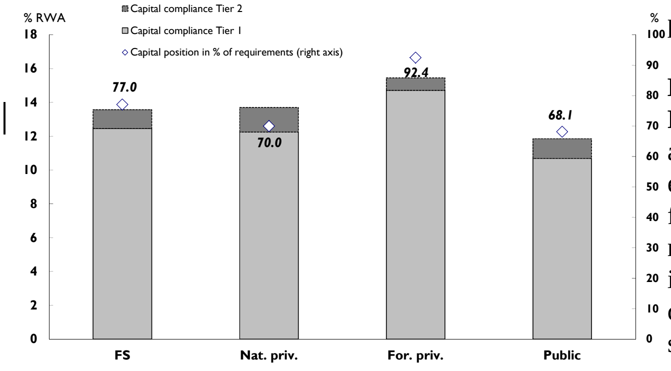
In February, consolidated financial system net worth grew 2.3% (43.5% y.o.y.), mostly boosted by book profits. **The relative growth in net worth observed in the past 12 months exceeded assets' expansion at an aggregate level, a trend that was registered in all groups of banks** (see Chart 18). As a result, leverage in the sector decreased in general terms. Particularly, financial system's assets were 8 times the net worth and 0.7 lower than a year before.

The financial system regulatory capital compliance reached 13.6% of RWA over the month, going down slightly against January. Tier 1 capital compliance accounted for 12.5% of RWA over the period. **In February, capital position** (capital compliance in excess of the requirement) **accounted for 77% of the regulatory requirement, going up 13 p.p. y.o.y.** All groups of banks posted capital surpluses over the month (see Chart 19).

In February, the ensemble of financial institutions accrued profits that equaled 3.4%a. of assets (see Chart 20), evidencing a reduction against the month before[10] and recording levels similar to those of the

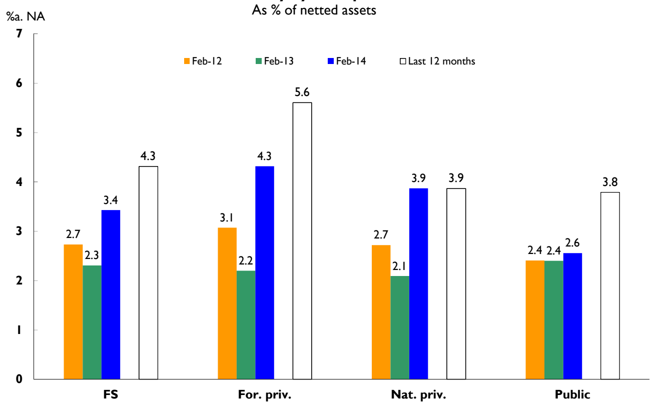
[10] In January, financial institutions recorded windfall profits related to items connected to the exchange ratio evolution. For further information, see Report on Banks, January 2014.

Chart 19
Capital Compliance and Excess of the Requirement (Position)
February 2014



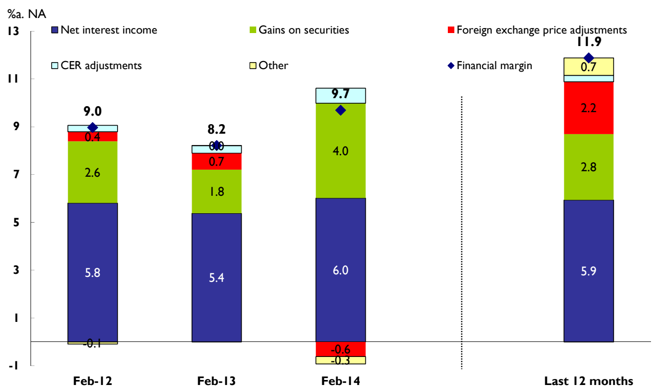
Source: BCRA

Chart 20
Profitability by Group of Banks
As % of netted assets



Source: BCRA

Chart 21
Financial Margin
As % netted assets - Financial system



Source: BCRA

average of 2013. Thus, financial system book profits registered over the past 12 months accounted for 4.3% of assets, up 1.4 p.p. against the same period of the previous year.

Banks' financial margin stood at 9.7%a. of assets in February (see Chart 21). Unlike what happened in 2013 and last January, items related to the exchange rate evolution (exchange rate differences and adjustments for foreign currency forward transactions) posted slight negative results in February. In addition, income from interest decreased slightly. These factors were partially offset in the month by more gains derived from securities and CER adjustments[11]. Thus, **the financial margin corresponding to the ensemble of banks stood at 11.9% of assets in the past 12 months**, going up 2.6 p.p. y.o.y.

In February, income derived from services went down 0.3 p.p. of assets to 3.9%a., a dynamics observed in private banks and grounded on the reduction in income derived from commissions related to credit transactions. Net income from services between March 2013 and February 2014 stood at 4.3% of assets remaining in line with the figures recorded over the same period as of February 2013.

In February 2014, the main expenses in the income statement went down compared to January's levels, an effect mainly accounted for by private banks. Thus, **loan loss provisions stood at 1%a. of assets over the month, in line with the record of the previous 12 months**. Meanwhile, **operating costs explained 6.8%a. of assets over the period**, a record moderately lower than the indicator considered for a 12-month period.

[11] It should be noted that, under Resolution 35/2014, issued by the Ministry of Economy and Public Finance, the Urban Consumer Price Index (Urban CPI) has been used—since February 2014—to calculate the CER ratio (Reference Stabilizing Ratio).

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" 5536 – February 04, 2014

The stay of the maximum limit applied to financial institutions' positive net global position in foreign currency (PGNME) (30% of adjusted stockholder's equity of the month prior to the relevant one and own liquid funds, whichever the lower) is lifted. In addition, a limit is set for the term positive position, which may not exceed 10% of adjusted stockholder's equity of the month prior to the relevant month. An adjustment schedule , gradually unfolding up to April 30, 2014, is set for any such institutions that recorded, in January 2014, net positions in foreign currency (both for global and spot transactions) above 30% of adjusted stockholder's equity in December 2013 and own liquid funds corresponding to that month, whichever the lower. In these cases, a share of the difference between the spot in position and said 30% limit is not deemed non-compliance. Furthermore, and for the purposes of promoting the procurement of foreign credit lines, the positive net global position limit is expanded by the rise in these credit lines against January 2014.

Communication "A" 5542 – February 12, 2014

For the purposes of complying with the undertakings pledged by our country within the framework of the G-20, standards on incentives for personnel in line with our labor law are included in the rules on "Guidelines for financial institutions' corporate governance" with effectiveness as from June 30, 2014. They have been timely published by the Financial Stability Board.

Communication "A" 5550 – February 21, 2014

The rate for calculating non-compliance with the limits applied to the net global position in foreign currency is adjusted. Any surplus exceeding limits has been, to date, subject to a charge which equaled the highest of: i) two times the annual nominal interest rate arising from LEBAC auctions in dollars, and ii) two times the LIBO rate, at a 30-day term, in dollars. Now, such surpluses will be subject to a charge that is 1.5 times the annual nominal rate arising from LEBAC auctions in pesos, and applicable to the surplus represented in that currency. Should any surplus in both the net global position in foreign currency and the limit to the term position be registered, a criterion similar to that adopted for regulations on "Minimum Cash Requirements" and "Spreading of Credit Risk" shall be applied, the charge entailing the higher amount.

Communication "A" 5554 – February 27, 2014

Financial institutions may allocate their financing channeled to micro, small and medium-sized enterprises through the discount of deferred payment checks to the 2014 Quota for the Credit Line for Productive Investment. Up to 20% of the 2014 Quota may be used on a staggered basis: up to 10% may be used in March and the remaining 10% in April. The level of implementation reached during April—measured on a monthly average of daily outstanding balances—shall be kept in place, at least, until June 30, 2014. The interest rate on this financing may not exceed 17.5% in annual nominal terms (as previously set).

Communication "A" 5557 –February 28, 2014

Micro, small, and medium sized-enterprises are eligible for supplying financial aid through "screening" and "scoring", specific credit assessment methods provided for in the rules on "credit management". In this regard, a global limit set for loans channeled to micro, small, and medium-sized enterprises through such mechanism is 10% of adjusted stockholder's equity of the month prior to the relevant one. Furthermore, the individual amount for low-value transactions established in regulations on "credit management" is adjusted to $15,000 (currently standing at $6,000). In addition, the individual limit for pledge-backed loans for vehicle purchases is increased to $150,000 (currently standing at $100,000) as well as the individual limit for personal loans, financing arranged through credit cards and current account overdrafts, which is set at $50,000 (currently standing at $25,000).

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 2005	Dec 2006	Dec 2007	Dec 2008	Dec 2009	Dec 2010	Dec 2011	Dec 2012	Feb 2013	Dec 2013	Jan 2014	Feb 2014
1.- Liquidity	20.1	22.5	23.0	27.9	28.6	28.0	24.7	26.8	25.0	26.8	28.5	24.5
2.- Credit to the public sector	31.5	22.5	16.3	12.7	14.4	12.1	10.7	9.7	9.5	9.4	8.7	8.8
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	49.4
4.- Private non-performing loans	7.6	4.5	3.2	3.1	3.5	2.1	1.4	1.7	1.9	1.7	1.8	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	-2.8	-2.9	-3.0	-3.0
6.- ROA	0.9	1.9	1.5	1.6	2.3	2.8	2.7	2.9	2.8	3.4	11.9	7.7
7.- ROE	7.0	14.3	11.0	13.4	19.2	24.4	25.3	25.7	24.9	29.5	97.9	62.3
8.- Efficiency	151	167	160	167	185	179	179	190	194	206	403	307
9a.- Capital compliance	-	-	-	-	-	-	-	-	14.4	13.6	14.0	13.6
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	-	-	-	-	-	-	-	-	13.0	12.5	12.8	12.5
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	64	76	83	77

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	Feb 13	Dec 13	Jan 14	Feb 14	Change (in %)		
										Last month	2014	Last 12 months
Assets	**346,762**	**387,381**	**510,304**	**628,381**	**790,026**	**819,321**	**1,005,680**	**1,065,255**	**1,060,970**	**-0.4**	**5.5**	**29.5**
Cash disposal[1]	58,676	71,067	93,085	104,389	148,254	134,715	200,926	216,463	183,787	-15.1	-8.5	36.4
Public bonds	65,255	86,318	117,951	112,906	123,491	147,236	141,494	156,396	182,887	16.9	29.3	24.2
Lebac/Nobac	37,093	43,867	76,948	71,050	84,057	104,693	89,641	105,632	128,128	21.3	42.9	22.4
Portfolio	25,652	34,748	61,855	59,664	70,569	84,727	88,091	97,982	124,022	26.6	40.8	46.4
Repo[2]	11,442	9,119	15,093	11,386	13,488	19,966	1,550	7,650	4,106	-46.3	164.9	-79.4
Private bonds	203	307	209	212	251	240	434	519	658	26.8	51.5	174.2
Loans	154,719	169,868	230,127	332,317	433,925	440,607	563,344	576,317	576,976	0.1	2.4	31.0
Public sector	17,083	20,570	25,907	31,346	39,951	39,392	48,438	48,335	49,039	1.5	1.2	24.5
Private sector	132,844	145,247	199,202	291,708	383,674	391,066	501,857	515,455	514,989	-0.1	2.6	31.7
Financial sector	4,793	4,052	5,018	9,263	10,299	10,148	13,049	12,527	12,948	3.4	-0.8	27.6
Provisions over loans	-4,744	-5,824	-6,232	-7,173	-9,596	-9,999	-12,388	-13,192	-13,440	1.9	8.5	34.4
Other netted credits due to financial intermediation	38,152	33,498	39,009	40,805	38,769	49,167	42,435	55,213	53,991	-2.2	27.2	9.8
Corporate bonds and subordinated debt	912	1,146	1,433	1,657	2,255	2,167	5,421	5,567	5,709	2.6	5.3	163.4
Unquoted trusts	5,714	5,942	6,824	7,967	10,822	11,064	12,656	13,553	13,402	-1.1	5.9	21.1
Leasing	3,935	2,933	3,936	6,222	7,203	7,132	9,460	9,532	9,551	0.2	1.0	33.9
Shares in other companies	7,236	6,711	7,921	9,123	11,682	12,137	15,205	15,759	16,204	2.8	6.6	33.5
Fixed assets and miscellaneous	7,903	8,239	9,071	10,111	11,251	11,337	14,226	14,578	14,735	1.1	3.6	30.0
Foreign branches	3,153	3,926	3,283	3,525	4,354	4,479	5,611	6,885	6,801	-1.2	21.2	51.8
Other assets	12,275	10,337	11,943	15,944	20,441	22,270	24,933	26,785	28,822	7.6	15.6	29.4
Liabilities	**305,382**	**339,047**	**452,752**	**558,264**	**699,205**	**724,176**	**883,889**	**932,990**	**925,654**	**-0.8**	**4.7**	**27.8**
Deposits	236,217	271,853	376,344	462,517	595,764	610,538	752,423	781,277	775,351	-0.8	3.0	27.0
Public sector[3]	67,151	69,143	115,954	129,885	163,691	171,920	202,434	214,090	202,985	-5.2	0.3	18.1
Private sector[3]	166,378	199,278	257,595	328,463	427,857	434,170	544,332	561,319	565,570	0.8	3.9	30.3
Current account	39,619	45,752	61,306	76,804	103,192	102,276	125,237	122,716	118,488	-3.4	-5.4	15.9
Savings account	50,966	62,807	82,575	103,636	125,210	121,747	158,523	163,432	161,507	-1.2	1.9	32.7
Time deposit	69,484	83,967	104,492	135,082	183,736	195,058	241,281	256,607	265,853	3.6	10.2	36.3
Other netted liabilities due to financial intermediation	57,662	52,114	60,029	76,038	75,106	83,035	92,634	104,490	102,975	-1.5	11.2	24.0
Interbanking obligations	3,895	3,251	4,201	7,947	8,329	8,146	10,596	10,039	10,483	4.4	-1.1	28.7
BCRA lines	1,885	270	262	1,920	3,535	3,880	4,693	4,760	4,747	-0.3	1.1	22.3
Outstanding bonds	5,984	5,033	3,432	6,856	9,101	9,704	14,198	15,113	15,565	3.0	9.6	60.4
Foreign lines of credit	4,541	3,369	3,897	6,467	4,992	4,563	6,328	8,042	7,740	-3.8	22.3	69.6
Other	13,974	14,891	17,426	24,137	26,280	23,711	41,345	39,952	38,881	-2.7	-6.0	64.0
Subordinated debts	1,763	1,922	2,165	2,065	2,647	2,703	3,425	3,899	3,872	-0.7	13.0	43.3
Other liabilities	9,740	13,159	14,213	17,644	25,688	27,900	35,407	43,324	43,456	0.3	22.7	55.8
Net worth	**41,380**	**48,335**	**57,552**	**70,117**	**90,820**	**95,144**	**121,791**	**132,265**	**135,316**	**2.3**	**11.1**	**42.2**
Memo												
Netted assets	321,075	364,726	482,532	601,380	767,744	787,527	990,614	1,039,973	1,036,453	-0.3	4.6	31.6
Consolidated netted assets	312,002	357,118	472,934	586,805	750,598	770,446	969,247	1,019,107	1,014,903	-0.4	4.7	31.7

(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	Anual						First 2 months		Monthly			Last
	2008	2009	2010	2011	2012	2013	2013	2014	Dec-13	Jan-14	Feb-14	12 months
Financial margin	20,462	28,937	35,490	43,670	61,667	88,507	12,009	30,165	10,953	21,848	8,317	106,664
Net interest income	9,573	14,488	17,963	24,903	38,365	50,336	7,537	10,503	5,041	5,340	5,163	53,302
CER and CVS adjustments	2,822	1,196	2,434	1,725	2,080	2,153	495	745	143	205	540	2,403
Foreign exchange price adjustments	2,307	2,588	2,100	3,025	4,127	11,286	876	9,212	2,535	9,738	-526	19,622
Gains on securities	4,398	11,004	13,449	14,228	17,356	22,280	3,216	5,719	1,789	2,315	3,404	24,783
Other financial income	1,362	-339	-457	-211	-261	2,454	-114	3,986	1,445	4,250	-263	6,554
Service income margin	10,870	13,052	16,089	21,391	28,172	36,505	5,261	6,971	3,471	3,584	3,387	38,215
Loan loss provisions	-2,839	-3,814	-3,267	-3,736	-6,127	-8,620	-1,193	-2,109	-1,148	-1,279	-830	-9,536
Operating costs	-18,767	-22,710	-28,756	-36,365	-47,318	-60,652	-8,918	-12,106	-5,862	-6,313	-5,793	-63,841
Tax charges	-2,318	-3,272	-4,120	-6,047	-8,981	-14,156	-1,927	-3,280	-1,492	-1,998	-1,282	-15,508
Adjust. to the valuation of gov. Securities[1]	-1,757	-262	-214	-336	-338	-377	-71	-121	-36	-43	-77	-427
Amort. payments for court-ordered releases	-994	-703	-635	-290	-274	-128	-14	-9	-9	-3	-6	-123
Other	1,441	918	2,079	2,963	2,475	2,748	412	368	303	13	355	2,705
Total results before tax[2]	6,100	12,145	16,665	21,251	29,276	43,828	5,559	19,878	6,179	15,808	4,070	58,147
Income tax	-1,342	-4,226	-4,904	-6,531	-9,861	-14,685	-1,926	-6,672	-1,573	-5,543	-1,129	-19,431
Total result[2]	**4,757**	**7,920**	**11,761**	**14,720**	**19,415**	**29,143**	**3,633**	**13,206**	**4,606**	**10,265**	**2,941**	**38,716**
Adjusted Result[3]	7,508	8,885	12,610	15,345	20,027	29,649	3,718	13,336	4,651	10,312	3,025	39,267
Annualized indicators - As % of netted assets												
Financial margin	6.7	8.6	8.5	8.0	9.2	10.3	9.3	17.5	13.4	25.4	9.7	11.9
Net interest income	3.1	4.3	4.3	4.6	5.7	5.9	5.8	6.1	6.2	6.2	6.0	5.9
CER and CVS adjustments	0.9	0.4	0.6	0.3	0.3	0.3	0.4	0.4	0.2	0.2	0.6	0.3
Foreign exchange price adjustments	0.8	0.8	0.5	0.6	0.6	1.3	0.7	5.3	3.1	11.3	-0.6	2.2
Gains on securities	1.4	3.3	3.2	2.6	2.6	2.6	2.5	3.3	2.2	2.7	4.0	2.8
Other financial income	0.4	-0.1	-0.1	0.0	0.0	0.3	-0.1	2.3	1.8	4.9	-0.3	0.7
Service income margin	3.6	3.9	3.8	3.9	4.2	4.3	4.1	4.0	4.2	4.2	3.9	4.3
Loan loss provisions	-0.9	-1.1	-0.8	-0.7	-0.9	-1.0	-0.9	-1.2	-1.4	-1.5	-1.0	-1.1
Operating costs	-6.1	-6.7	-6.9	-6.7	-7.0	-7.1	-6.9	-7.0	-7.2	-7.3	-6.8	-7.1
Tax charges	-0.8	-1.0	-1.0	-1.1	-1.3	-1.7	-1.5	-1.9	-1.8	-2.3	-1.5	-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	-0.1	-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	0.2	0.4	0.0	0.4	0.3
Total results before tax[2]	2.0	3.6	4.0	3.9	4.3	5.1	4.3	11.5	7.5	18.4	4.7	6.5
Income tax	-0.4	-1.3	-1.2	-1.2	-1.5	-1.7	-1.5	-3.9	-1.9	-6.4	-1.3	-2.2
ROA[2]	**1.6**	**2.3**	**2.8**	**2.7**	**2.9**	**3.4**	**2.8**	**7.7**	**5.6**	**11.9**	**3.4**	**4.3**
ROA adjusted[3]	2.5	2.6	3.0	2.8	3.0	3.5	2.9	7.7	5.7	12.0	3.5	4.4
ROE before tax	*17.2*	*29.5*	*34.5*	*36.5*	*38.8*	*44.4*	*38.0*	*94.8*	*65.0*	*150.8*	*37.9*	*55.2*
ROE[2]	*13.4*	*19.2*	*24.4*	*25.3*	*25.7*	*29.5*	*24.9*	*63.0*	*48.4*	*97.9*	*27.4*	*36.8*

(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	Feb 13	Dec 13	Jan 14	Feb 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**	**1.6**
Provisions / Non-performing loans	115	108	115	117	115	148	176	144	138	142	147	146
(Total non-perfoming - Provisions) / Overall financing	-0.8	-0.3	-0.4	-0.5	-0.5	-0.9	-0.9	-0.7	-0.6	-0.6	-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	-3.1	-3.1	-3.5	-3.2
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**	**1.9**	**1.7**	**1.8**	**1.8**
Provisions / Non-performing loans	115	108	114	116	112	143	171	141	135	140	144	143
(Total non-perfoming - Provisions) / Overall financing	-1.1	-0.3	-0.5	-0.5	-0.4	-0.9	-1.0	-0.7	-0.6	-0.7	-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	-2.8	-2.9	-3.3	-3.0

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