Report on Banks

April 2014

BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

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April 2014

Year XI, No. 8

BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

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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 are included.

Published on June 27, 2014

Summary

- **The total stock of loans** (in domestic and foreign currency) **to the private sector rose 0.6% in April**, mostly boosted by foreign currency loans. **In year-on-year terms, the expansion in lending to companies** (29.6% y.o.y.) **exceeded that of lending to households** (24.8% y.o.y.) and accounted for more than 60% of the change in total loans to the private sector (27.6% y.o.y.). Financing to companies amounted to 56.8% of the total stock of loans to the private sector, increasing 1 percentage point (p.p.) in the past year.

- **As regards the fourth tranche of the Credit Line for Productive Investment** (LCIP) — pertaining to the first half of 2014 — and based on the preliminary information available as of April, **45% of the target for aggregate lending has already been awarded**. It is worth mentioning that in the **first three tranches of the LCIP loans amounting to $56.8 billion were disbursed**.

- **In early June 2014, the BCRA established a set of measures to promote bank lending to households under more favorable conditions and to encourage financial consumer protection**: (i) maximum interest rates for personal and pledge-backed loans to individuals; (ii) any increase in fees and/or commissions applied to basic financial products and services charged to bank customers is subject to BCRA's authorization; (iii) the way to disclose the Total Financial Cost of loans was changed to make it easier to understand, and (iv) legal persons having access to bank financing in order to subsequently offer loans to individuals are now required to submit information and be duly registered.

- **The non-performing ratio of loans granted to the private sector stood at 1.9% of total lending during April — remaining almost unchanged against March — in line with the level recorded in the same period last year.** Over the month, household delinquency rates slightly increased up to 3%, mainly due to the performance of consumer loans. In turn, lending to the productive sector maintained the non-performing ratio at around 1.1%. The financial system continued exhibiting comfortable provisioning levels, with coverage of the non-performing portfolio reaching 142.7%.

- **In y.o.y. terms the stock of private sector deposits in pesos expanded 30.1%, mainly due to the performance of time deposits which grew 38% y.o.y. The stock of private sector deposits in pesos grew 4.2% in April, with a relative monthly expansion similar to time and sight deposits**. Private sector foreign currency deposits and public sector deposits dropped over the period.

- **The broad liquidity ratio — including LEBAC and NOBAC holdings — rose slightly over the month, reaching a level of 42.3% of total deposits.**

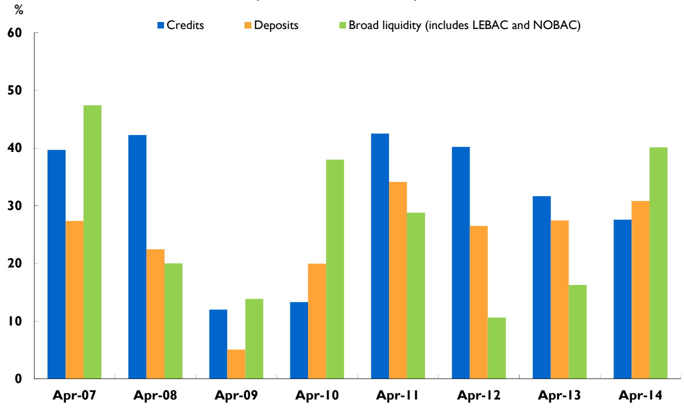
- **The financial system profitability was 2.7%a. of assets during April.** It recorded a drop against the month before in a context of higher operating costs, following the introduction of a new wage agreement for the sector. Book profits registered in the past 12 months accounted for 4.2% of assets (1.3 p.p. y.o.y. increase).

- **In April, the consolidated financial system net worth grew 1.3% (41.6% y.o.y.)**, mainly explained by book profits. In turn, regulatory capital compliance reached 13.8% of total risk-weighted assets (RWA) (12.8% in the case of Tier 1). **Surplus capital compliance for the ensemble of banks stood at 80% of the regulatory requirement**, up 6 p.p. against the previous month.

Chart 1

Financial Intermediation and Liquidity

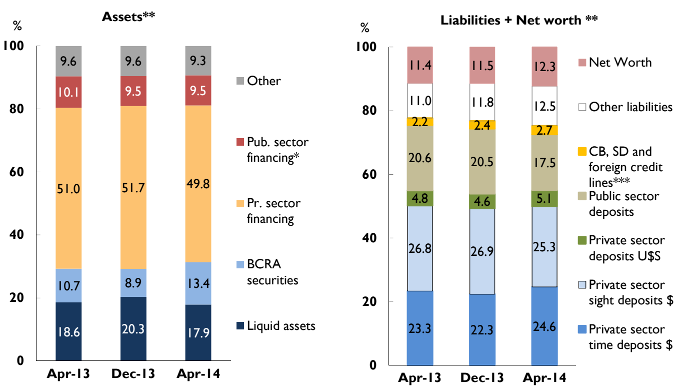
Y.o.y. % variation - Financial system



Source: BCRA

Chart 2

Financial System Balance Sheet Composition

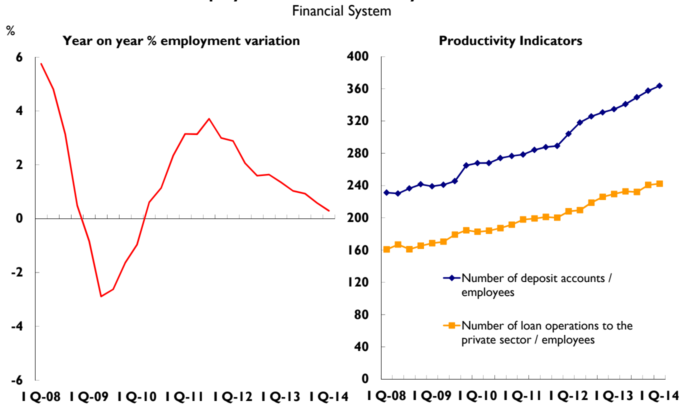


*Note: Include securities and lending. **Assets and liabilities netted from repo, term and downpayments operations.***Corporate bonds (CB) and Subordinated debt (SD).Source: BCRA

Chart 3

Employment and Productivity Indicators

Financial System



Source: BCRA

I. Activity

Financial intermediation continued slowing down at the start of the second quarter. **The increase of the stock of loans to the private sector**[1] **amounted to 0.6% in April, increasing 27.6% y.o.y.** Private sector deposits rose slightly above loans, up 3.7% in the month, 30.8% y.o.y. (see Chart 1).

Considering the monthly fund flow estimated for the financial system[2], **funds were mainly used to increase holdings of monetary regulation instruments (almost $24 billion)** and, to a lesser extent, to increase the amount of loans granted to the private sector. **These transactions were mainly funded with increases in private sector deposits ($21.2 billion)**. Moreover, banks have obtained monthly profits derived from their activity[3].

Banks' recent performance is shown in their net worth composition. **In the last few months, LEBAC and NOBAC holdings gained share among total assets, reaching in April 13.4% of netted assets** — up 4.5 p.p. against December 2013 — (see Chart 2). **This performance was partly offset by a decrease in assets with greater liquidity** (down 2.4 p.p. in the first four months of the year, until reaching 17.9%). In terms of funding, **private sector deposits improved their weighting, mainly through time deposits in pesos**. Additionally, the net worth gained share, boosted by higher profits.

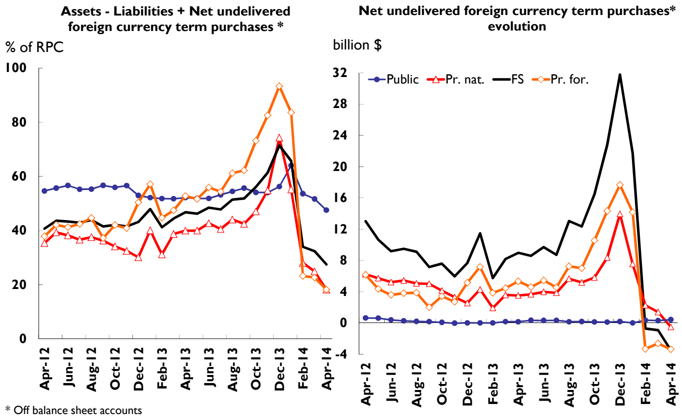
The financial sector's staff remained unchanged in the first quarter of 2014 (see Chart 3), totaling 105,100 employees. In line with the evolution of the sector's activity, **certain productivity indicators continued showing some improvement.** In particular, the number of lending transactions to the private sector and of deposit accounts managed per employee continued increasing over the last few quarters.

So far in 2014, the use of electronic means of payment — as an alternative to cash — continued growing. Particularly in April, the value of instant transfers improved 55.3% against April 2013, up 23.5% in terms of number of transactions. In turn, checks, another alternative to cash payments, showed a more moderate performance. Throughout the period, the total value of cleared checks grew 21.4% y.o.y., while the number of documents cleared dropped 8% y.o.y.

In April, financial system broad foreign currency mismatching stood at 27.5% of adjusted stockholder's equity, down 4.9 p.p. against the

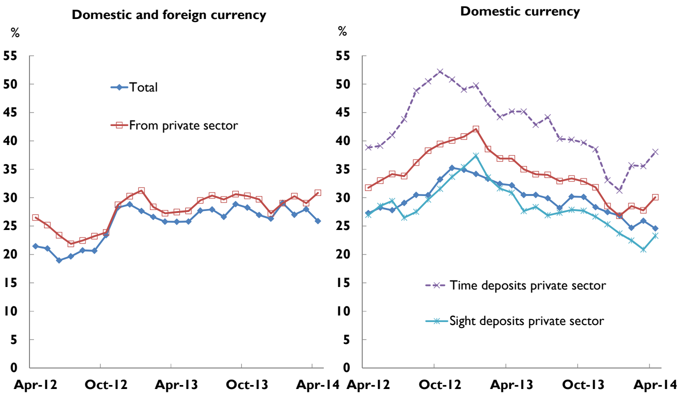
[1] In domestic and foreign currency.
[2] Estimates are based on balance sheet information.
[3] In turn, public deposits in the group of public banks fell in April.

Chart 4
Foreign Currency Mismatching



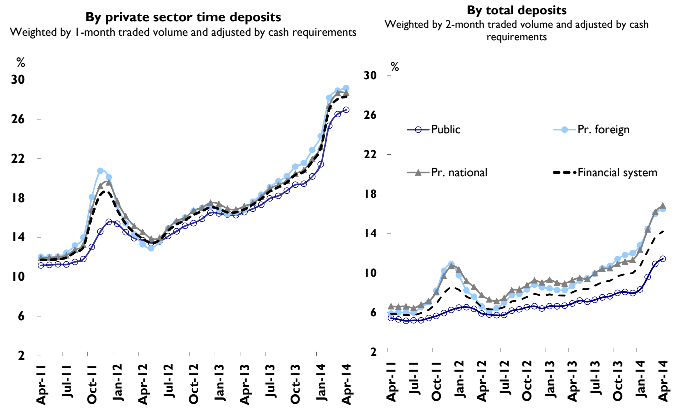
* Off balance sheet accounts
Source: BCRA

Chart 5
Financial System Deposits
Y.o.y. % var. of balance sheet stocks



Source: BCRA

Chart 6
Estimation of Average Funding Costs by Deposits in Pesos



Source: BCRA

previous month (see Chart 4). This decline was mainly explained by a reduction in the difference between assets and liabilities in foreign currency of foreign private banks, and also by an increase in forward net sales of foreign currency boosted by national private banks.

II. Deposits and Liquidity

Private sector deposits in pesos increased 4.2% in April, recording a similar monthly expansion in terms of time deposits and sight accounts. Since the foreign currency segment dropped 1% in April[4], **the total stock of private sector deposits** (in domestic and foreign currency) **grew 3.7% in the period**. The stock of total deposits within the financial system increased slightly over the month, in a context of reduction of public sector deposits.

In y.o.y. terms, deposit stocks have accumulated an increase of 25.9%, mainly due to the performance of private sector deposits. **Private sector time deposits in pesos increased 38% y.o.y., evidencing the greatest relative momentum** (see Chart 5). In turn, private sector deposits in dollars fell 9.9% y.o.y.

During April, time deposits increased their relative importance in the total amount of deposits traded in pesos. Additionally, **the interest rate of private sector time deposits in pesos slightly increased over the period**. As a result, funding cost estimated based on peso-denominated deposits increased 0.6 p.p. in the month (see Chart 6), thus moderating its growth slightly. The rise observed in the cost of funding in April was true for all groups of financial institutions.

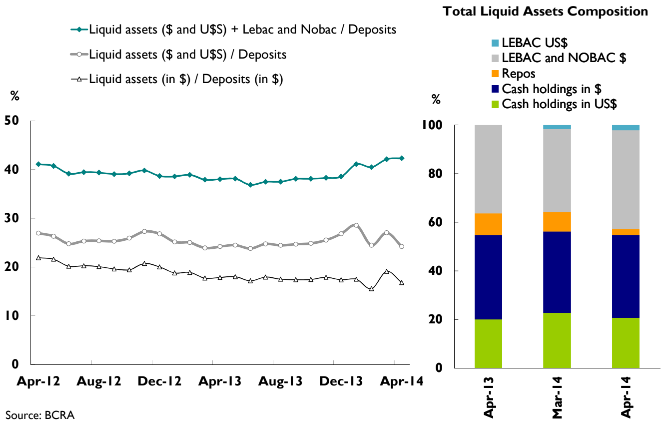
Between ends of months, a decline was observed in repo transactions of financial institutions with the BCRA and, to a lesser extent, a reduction in banks' minimum cash compliance was also identified. In this context, the liquidity indicator (including domestic and foreign currency) of the financial system dropped 2.8 p.p. in terms of total deposits in April, until reaching 24.2%. In turn, **the increase recorded in the number of holdings of monetary regulation instruments against March exceeded the drop posted in repo transactions and banks' current accounts with the BCRA, leading to a slight increase in the broad liquidity indicator** (including LEBAC and NOBAC holdings), up to 42.3% of deposits (see Chart 7).

The coverage of short-term liabilities with higher liquidity assets slightly increased during the first few months of 2014. The financial system continued

[4] In currency of origin.

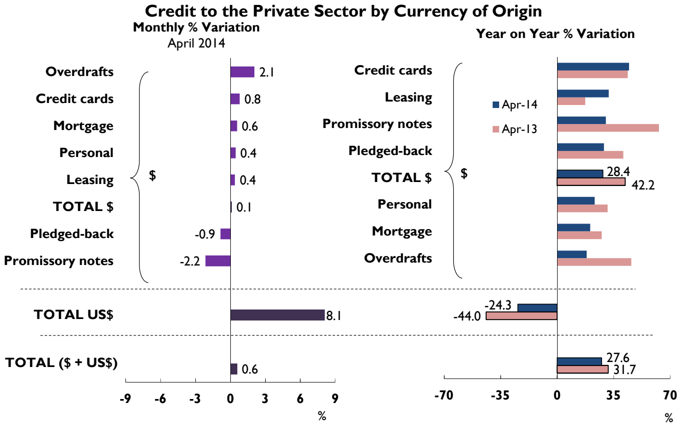
exhibiting a moderate exposure to liquidity risk, with ample coverage[5].

Chart 7
Financial System Liquidity



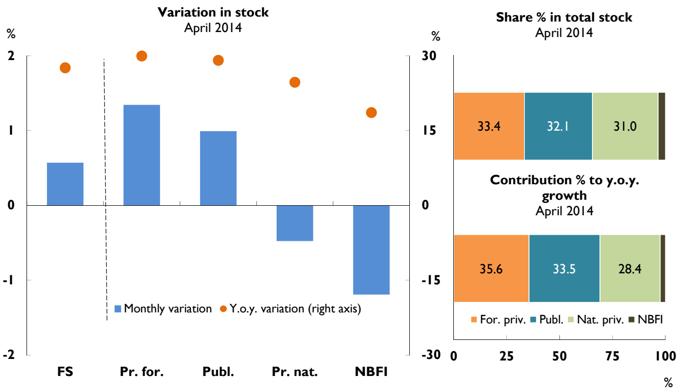
Source: BCRA

Chart 8
Credit to the Private Sector by Currency of Origin



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

Chart 9
Credit to the Private Sector by Group of Banks



Source: BCRA

III. Financing

In April, the stock of loans in pesos to the private sector remained virtually unchanged against March, increasing by a mere 0.1%[6]. Lines in pesos exhibited a heterogeneous performance over the period, with a slight rise in overdrafts, credit cards, mortgage loans, personal loans and leasing, and a decrease in pledge-backed loans and promissory notes. In turn, foreign currency loans grew 8.1% in the month[7] (see Chart 8), a performance that was mainly boosted by pre-financing to exports. Fostered by the performance of the foreign currency segment, **total financing (in pesos and dollars) to companies and households grew 0.6%**[8] in the period under study, mainly led by public and foreign private banks.

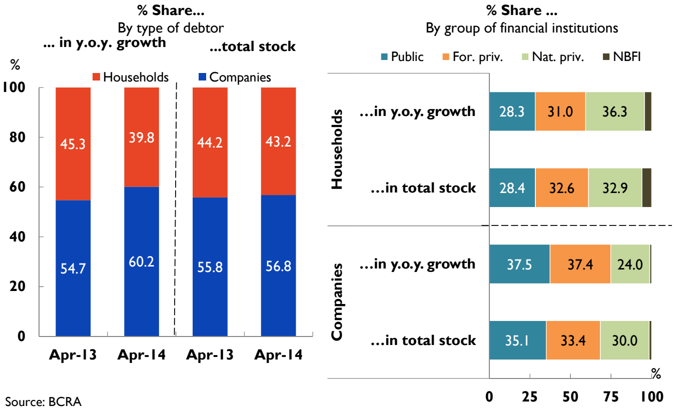
Loans in pesos to the private sector expanded 28.4% y.o.y. Even though all credit lines in pesos increased in the past twelve months, a reduced relative momentum in most of the credit segments was recorded y.o.y. **Taking into account items in pesos and in foreign currency, the stock of total loans to companies and households increased 27.6% y.o.y.** Financing granted by public and foreign private banks posted the greatest momentum in the period, growing 29.1% y.o.y. and 29.9% y.o.y. respectively; and explaining, as a whole, more than 69% of the total growth of credit to the private sector (see Chart 9).

In the past twelve months, the growth of lending to companies[9] **exceeded that of loans to households, and accounted for more than 60% of the change in total loans to the private sector, up 5.5 p.p. against the value recorded the previous year** (see Chart 10). Thus, loans channeled to companies increased their share in the total stock of loans to the private sector, until accounting for 56.8% in April, up 1 p.p. in y.o.y. terms.

The total stock of loans channeled to companies increased 0.6% in April, a performance mainly boosted by loans to manufacturing industry (see Chart 11). This monthly increase was mainly explained by the 2.1% growth posted by public banks. In y.o.y. terms, the stock

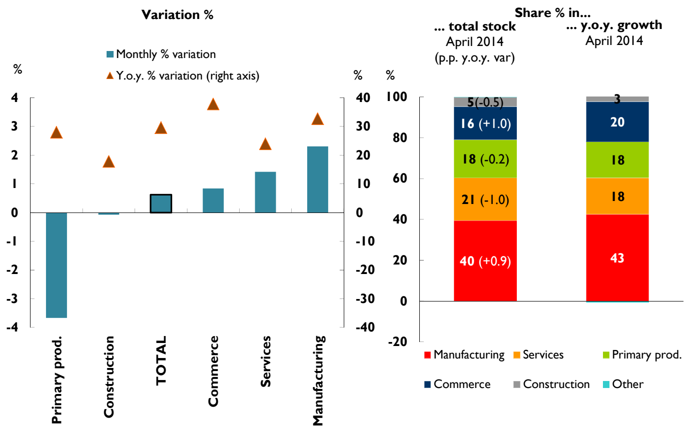
[5] For further detail, see Chapter V of the Financial Stability Report – First Half 2014 | BCRA.
[6] Five financial trusts were issued in April for a total of $856 million, all of them corresponding to securitizations of personal loans granted by financial institutions. If the balance sheet stock is adjusted by assets securitized over the period, the increase of financing in pesos to the private sector would stand at 0.3%.
[7] Change in the currency of origin.
[8] If the balance sheet stock is adjusted by assets securitized over April (using loans granted by banks as underlying assets), the monthly change in total lending (including domestic and foreign currency) to companies and households would amount to 0.7%.
[9] Information obtained from the Debtors' Database (including domestic 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.

Chart 10
Total Financing to the Private Sector



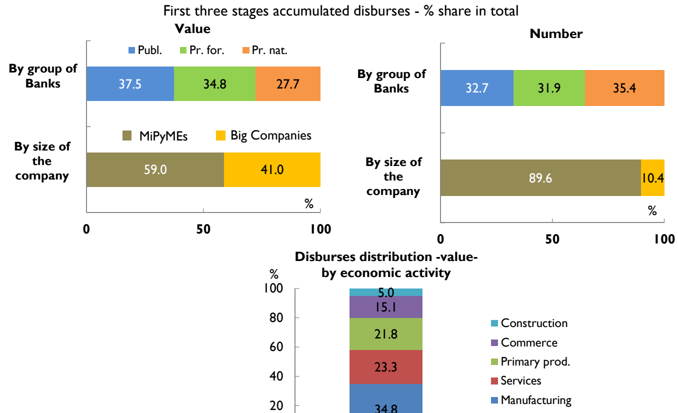
Source: BCRA

Chart 11
Credit to Companies



Source: BCRA

Chart 12
Credit Line for Productive Investment
First three stages accumulated disburses - % share in total



Note: Last available data April 2014
Source: BCRA

of loans to the productive sector rose 29.6%, with a higher relative y.o.y. expansion of the lines aimed at commercial and industrial sectors. Public and foreign private banks were the main factor behind the y.o.y. rise of loans to companies, accounting for 37.5% and 37.4% of the growth recorded by loans to companies in the period.

During April, loans continued to grow within the framework of the Credit Line for Productive Investment (LCIP). **In the first three tranches of the LCIP, loans for $58.1 billion have been granted since its implementation, with actual disbursements amounting to almost 98% of the total loans agreed upon ($56.8 billion)**. In the first three tranches of the LCIP, 59% of the total amount granted was channeled to micro, small and medium-sized enterprises (see Chart 12). Regarding the fourth tranche of the LCIP — corresponding to the first half of 2014 — the preliminary information available as of April shows that loans have been granted for 45% of the target set at an aggregate level for the first half of the year.

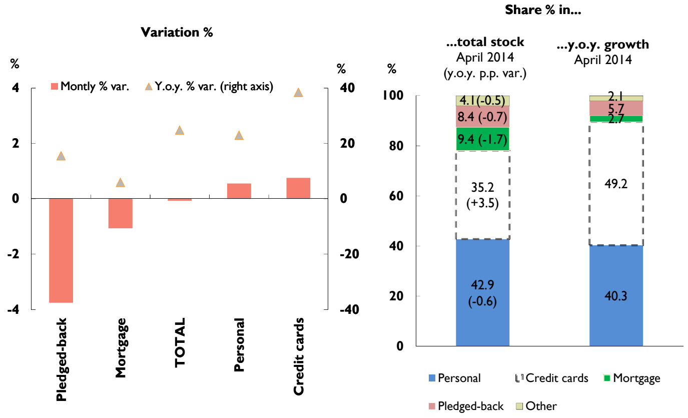
Meanwhile, and within the framework of the **Bicentennial Productive Financing Program (PFPB)**, the BCRA has conducted 27 fund auctions so far this year, allocating a total of $7.9 billion among 14 financial institutions. Thus, **since its implementation in mid-2010 until May 2014, participating banks have lent $6.3 billion to companies**. These resources were mainly granted to the industrial sector (67.1%).

Loans to households[10] exhibited a heterogeneous performance in April: collateralized loans (pledge-backed loans and mortgage-backed loans) recorded a drop, whereas consumer loans (personal loans and credit cards) rose slightly. Thus, **the stock of total loans channeled to households remained virtually unchanged if compared to the previous month** (-0.1%). **In y.o.y. terms, financing to households grew 24.8%, a performance that was mainly boosted by financing through credit cards**, increasing by 3.5 p.p. their share in total stock (see Chart 13). The y.o.y. momentum of financing channeled to households was primarily accounted for by national private banks (see Chart 10).

In April, lending rates in pesos dropped in all groups of financial institutions and in most credit lines. In particular, rates on collateralized loans evidenced the largest relative monthly decline. Due to a reduction in lending interest rates in pesos and a slight increase in the cost of funding, rate spreads contracted for the second consecutive month in all groups of banks (see Chart 14).

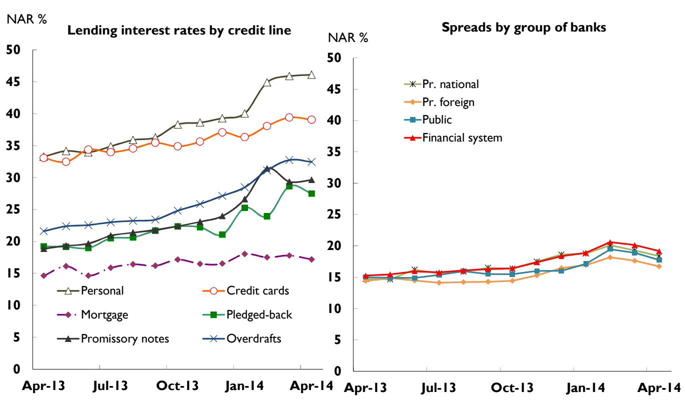
[10] Information obtained from the Debtors' Database (including pesos and foreign currency).

Chart 13
Credit to Households



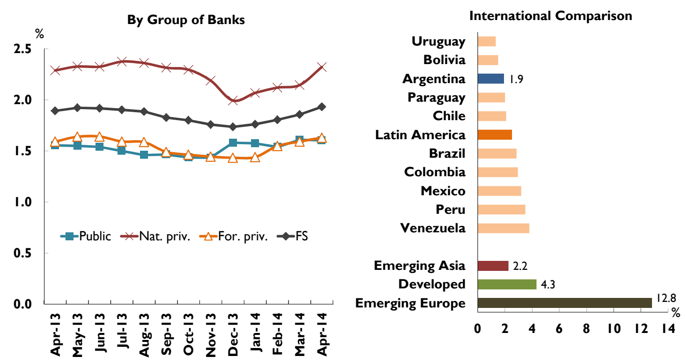
Source: BCRA

Chart 14
Lending Interest Rates and Spreads Operated in Pesos



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

Chart 15
Private Sector Non Performing Debt
Non-performing loans / Total loans (%) - Financial System



Note: Emerging Europe: Turkey, Russia, Romania, Bulgary y Hungary. Emerging Asia: China, India and Indonesia. Developed: Korea, Spain, USA, UK, France, Japan, Italy, Canada, Australia and Germany. Data to 2013, except Venezuela (2010); Uruguay and Bulgary (2012), Colombia and Argentina (2014). Source: BCRA, IMF and Central Banks.

In order to promote bank financing to households under more favorable financing conditions, and within the framework of the powers conferred to the BCRA under its Charter, new limits were set — to be effective as from June — on interest rates on personal loans and pledged-back loans granted to individuals[11]. The BCRA shall publish, on a monthly basis, the maximum interest rates that financial institutions may charge on loans. Such maximum rates result from multiplying the "benchmark interest rate" (simple average of cut-off yields on LEBAC bills with 90-day maturity) by a multiplying factor, ranging from 1.25 to 2.00 — depending on the type of loan and lending bank group.

Additionally, as from June 2014, financial institutions and non-financial credit card issuers will be required to request BCRA's prior authorization to increase their fees and/or charges on basic financial products and services[12]. Moreover, the way to disclose the Total Financial Cost of loans that institutions must notify to their customers was changed to make it easier to understand[13]. Lastly, the BCRA will require that a record be kept and information be reported on any legal person being granted a loan to subsequently offer loans to individuals, such as mutual associations, cooperatives, non-bank issuers of credit cards or purchase cards, among other providers[14].

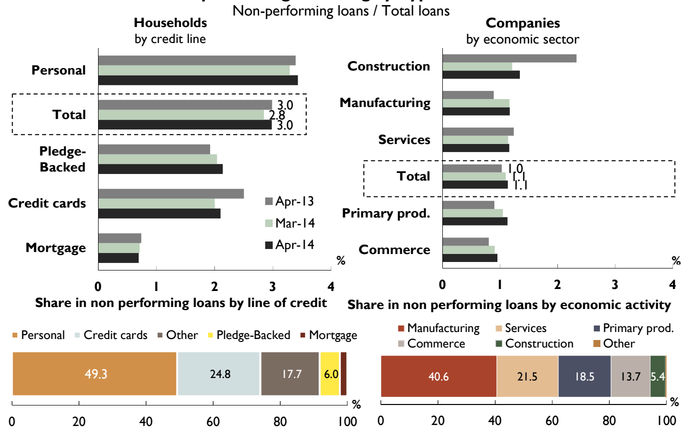
IV. Portfolio quality

In April, the ratio of non-performing loans to the private sector stood at 1.9% of total lending, remaining almost unchanged against March, and in line with the level recorded the same period last year (see Chart 15). Even though national private banks recorded a slight increase of delinquency levels during the month, the other groups of banks showed no significant change. **In a historical and international comparison, the ratio of non-performing lending remains at low levels.**

Delinquency rate of loans to households slightly increased in April, reaching 3% of the portfolio. Such increase resulted from a slight drop in the total stock of loans and a rise in non-performing loans. The growth recorded by the delinquency ratio of loans granted to households in April was mainly explained by consumer loans — personal loans and credit cards — (see Chart 16). Despite this monthly increase recorded by the indicator, **the ratio of non-performing lending to**

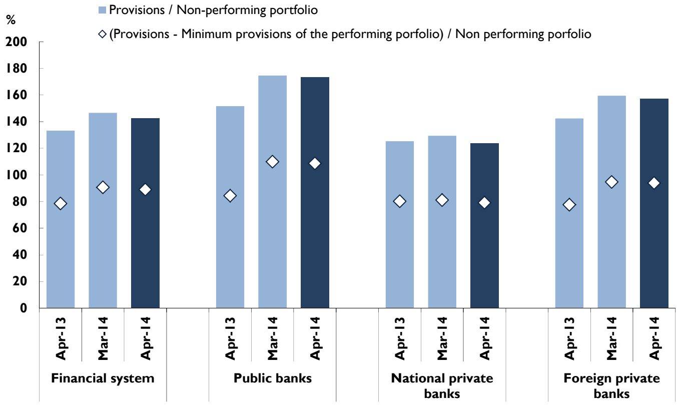
[11] Communication "A" 5590.
[12] Communication "A" 5591.
[13] Communication "A" 5592.
[14] Communication "A" 5593.

Chart 16
Non performing Financing by Type of Debtor
Non-performing loans / Total loans



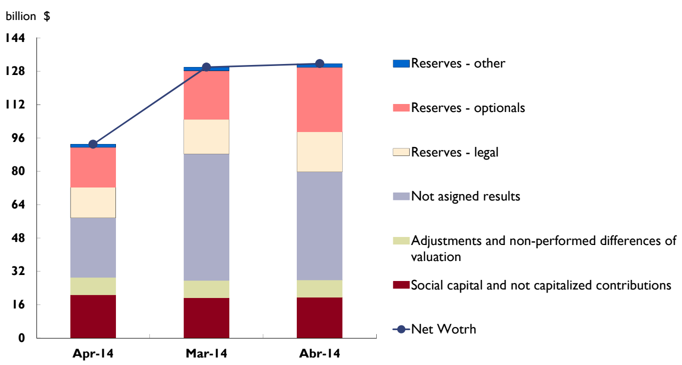
Source: BCRA

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



Source: BCRA

Chart 18
Consolidated Financial System Net Worth Composition



Source: BCRA

households has been stable for the last twelve months.

In April, the non-performance ratio of loans to companies stood at around 1.1% of total lending (see Chart 16). The manufacturing sector — which concentrates the largest share of lending to companies — kept its delinquency ratio unchanged against March, whilst the indicators for the other economic activities evidenced slight rises. In y.o.y. terms, the non-performance ratio of loans to the productive sector posted a slight increase compared to the level recorded in April 2013.

Non-performance in collateralized loans decreased over the month, until reaching 1.5% of total guaranteed financing, up 0.3 p.p. in y.o.y. terms. Moreover, unsecured loans slightly increased their delinquency ratio, reaching 2.0% of the total portfolio of unsecured loans, an amount that remained unchanged in y.o.y. terms.

In April, coverage of the non-performing portfolio with provisions shrank to 142.7% — mainly due to national private banks. Despite this reduction, **the financial system continued exhibiting comfortable provisioning levels, over 100% across all groups of banks** (see Chart 17). If minimum provisions corresponding to the performing portfolio were to be excluded, the coverage ratio would amount to 89% of the non-performing portfolio, a value that easily exceeds minimum provisions required for such segment (53.7%).

V. Solvency

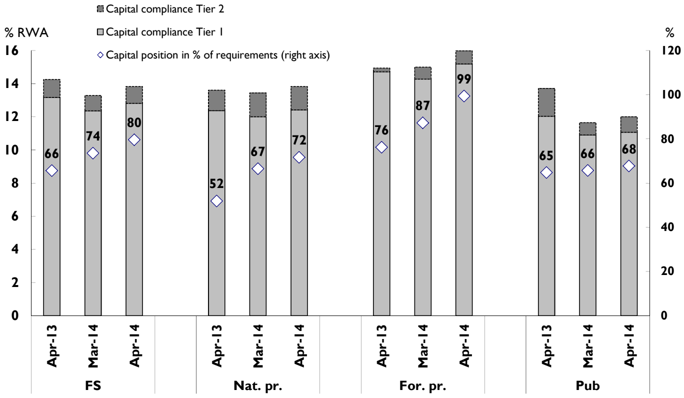
Consolidated financial system net worth grew 1.3% in April driven by book profits accrued during the month, a situation that was partially offset by certain private financial institutions' dividend distributions. **In terms of the composition of net worth, profits from previous fiscal years were allocated to build up reserves** amounting to $10.3 billion (see Chart 18). Additionally, some banks capitalized profits for a total of $400 million. Banks' net worth grew 41.6% y.o.y. This increase was relatively higher than that recorded in total assets, leading to **a decrease in the aggregate financial system leverage in y.o.y. terms**. Assets totaled 8 times banks' net worth, down 0.7 against April 2013.

The financial system regulatory capital compliance reached 13.8% of total risk-weighted assets (RWA) in April 2014 (see Chart 19), up 0.5 p.p. against March. Tier 1 capital compliance[15] accounted for 12.8% of

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

Chart 19

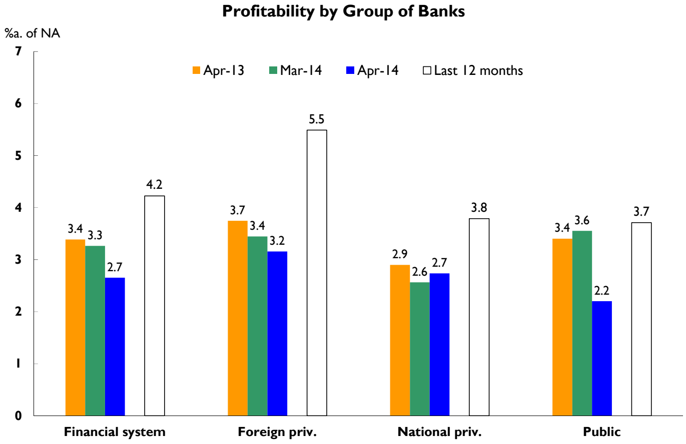
Capital Compliance and Excess of the Requirement (Position)



Source: BCRA

Chart 20

Profitability by Group of Banks

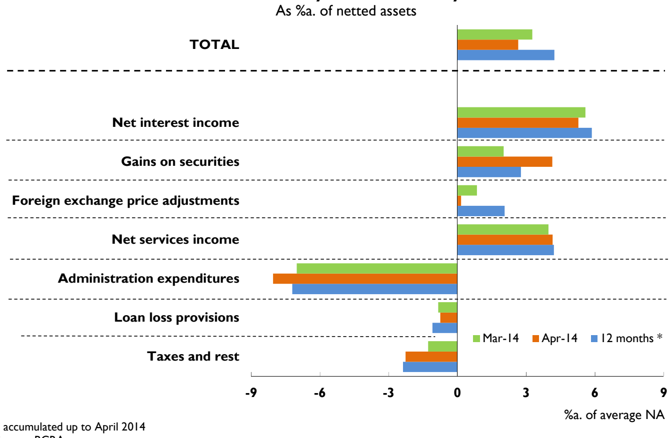


Source: BCRA

Chart 21

Financial System Profitability

As %a. of netted assets



* accumulated up to April 2014

Source: BCRA

RWA, up 0.4 p.p. against March. In turn, the compliance in excess of the requirement (capital position) stood at 80% in April 2014, exceeding by 6 p.p. the level recorded in March. This increase in the aggregate solvency indicators for the month was mainly explained by profits obtained by financial institutions in April and the increase in the adjusted stockholder's equity regulatory weight recorded in the first quarter of 2014, when auditing began[16].

In April, the ensemble of banks accrued book profits equivalent to 2.7%a. of assets, exhibiting a decline against the amounts recorded during the previous month (see Chart 20). Monthly profitability levels were mainly explained by higher operating costs (see Chart 21), following the introduction of a new wage agreement for the sector. Both public and foreign private banks posted a reduction in their monthly profitability levels. In turn, book profits registered in the past 12 months for the aggregate financial system accounted for 4.2% of assets, up 1.3 p.p. against the figures recorded over the same period as of April 2013.

Financial margin for the ensemble of banks expanded 0.8 p.p. of assets up to 10.1%a. in April. This increase was mainly explained by higher income derived from securities, which were partly offset by a drop in the rest of the components making up financial margin. Thus, **the financial margin corresponding to the ensemble of banks stood at 11.8% of assets in the past 12 months,** going up 2.4 p.p. y.o.y.

Net income from services for the ensemble of financial institutions increased 0.2 p.p. of assets in April, up to 4.2%a. Growth for the month was led by national private and public banks. Thus, between May 2013 and April 2014 net income from services accounted for 4.2% of assets, a figure slightly below the one recorded over the same period as of April 2013.

Financial system loan loss provisions remained stable against the previous month, standing at 0.8%a. of assets. In y.o.y. terms, these provisions reached 1.1% of assets. In turn, **financial system administrative costs rose 1.1 p.p. of assets in April, up to 8.1%a.** The change in the month was influenced by the implementation of a new wage agreement for the banking sector. Over the past 12 months, these expenses stood at 7.2% of assets.

[16] For further details, see Consolidated text on "Financial Institutions' Minimum Capital Requirements", Section 8 — Regulatory Capital.

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" 5578 – April 28, 2014

In order to boost financial aid channeled to micro, small and medium-sized enterprises through the discount of deferred payment checks, financial institutions may allocate to the 2014 Quota for the "Credit Line for Productive Investment" an additional 10% — on top of the percentage authorized by means of Communication "A" 5554 — during May, under the same conditions as far as rates and terms are concerned. Thus, financial institutions may use up to 30% of such quota to finance micro, small and medium-sized enterprises. The level of implementation reached during May — measured on a monthly average of daily outstanding balances — shall be kept in place, at least, until June 30, 2014.

Methodology

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

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

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

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

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

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

Glossary

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

Statistics annex[1] | Financial system

Chart 1 | Financial Soundness Indicators (see Methodology)

As %	Dec 05	Dec 06	Dec 07	Dec 08	Dec 09	Dec 10	Dec 11	Dec 12	Apr 13	Dec 13	Mar 14	Apr 14
1.- Liquidity	20.1	22.5	23.0	27.9	28.6	28.0	24.7	26.8	24.2	26.8	27.0	24.2
2.- Credit to the public sector	31.5	22.5	16.3	12.7	14.4	12.1	10.7	9.7	9.6	9.4	9.2	9.4
3.- Credit to the private sector	25.8	31.0	38.2	39.4	38.3	39.8	47.4	49.5	48.7	50.9	47.9	48.5
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	1.9	1.9
5.- Net worth exposure to the private sector	-2.5	-0.8	-1.5	-1.7	-1.3	-3.2	-4.3	-3.1	-2.7	-3.5	-3.3	-3.2
6.- ROA	0.9	1.9	1.5	1.6	2.3	2.8	2.7	2.9	3.0	3.4	6.2	5.3
7.- ROE	7.0	14.3	11.0	13.4	19.2	24.4	25.3	25.7	26.1	29.5	50.5	43.0
8.- Efficiency	151	167	160	167	185	179	179	190	198	206	267	242
9a.- Capital compliance	-	-	-	-	-	-	-	-	14.5	13.6	13.5	14.0
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 1	-	-	-	-	-	-	-	-	13.2	12.5	12.5	12.9
10b.- Capital compliance Tier 1 (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	70	76	76	81

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	Apr 13	Dec 13	Mar 14	Apr 14	Change (in %) Last month	Change (in %) 2014	Change (in %) Last 12 months
Assets	**346,762**	**387,381**	**510,304**	**628,381**	**790,026**	**852,974**	**1,004,892**	**1,099,941**	**1,091,297**	**-0.8**	**8.6**	**27.9**
Cash disposal[1]	58,676	71,067	93,085	104,389	148,254	130,486	200,925	186,612	182,961	-2.0	-8.9	40.2
Public bonds	65,255	86,318	117,951	112,906	123,491	155,326	141,494	199,640	206,378	3.4	45.9	32.9
Lebac/Nobac	37,093	43,867	76,948	71,050	84,057	110,976	89,641	145,753	154,019	5.7	71.8	38.8
Portfolio	25,652	34,748	61,855	59,664	70,569	86,681	88,091	118,964	142,952	20.2	62.3	64.9
Repo[2]	11,442	9,119	15,093	11,386	13,488	24,295	1,550	26,789	11,068	-58.7	614.1	-54.4
Private bonds	203	307	209	212	251	366	434	589	615	4.5	41.8	68.2
Loans	154,719	169,868	230,127	332,317	433,925	459,745	563,344	578,722	581,967	0.6	3.3	26.6
Public sector	17,083	20,570	25,907	31,346	39,951	41,165	48,438	49,252	49,337	0.2	1.9	19.9
Private sector	132,844	145,247	199,202	291,708	383,674	407,806	501,857	517,021	519,993	0.6	3.6	27.5
Financial sector	4,793	4,052	5,018	9,263	10,299	10,774	13,049	12,449	12,638	1.5	-3.2	17.3
Provisions over loans	-4,744	-5,824	-6,232	-7,173	-9,596	-10,487	-13,117	-14,347	-14,568	1.5	11.1	38.9
Other netted credits due to financial intermediation	38,152	33,498	39,009	40,805	38,769	58,794	42,435	71,941	56,640	-21.3	33.5	-3.7
Corporate bonds and subordinated debt	912	1,146	1,433	1,657	2,255	2,529	5,421	5,675	5,313	-6.4	-2.0	110.1
Unquoted trusts	5,714	5,942	6,824	7,967	10,822	11,616	12,656	13,835	13,786	-0.4	8.9	18.7
Leasing	3,935	2,933	3,936	6,222	7,203	7,327	9,460	9,572	9,606	0.4	1.5	31.1
Shares in other companies	7,236	6,711	7,921	9,123	11,682	12,541	15,117	16,653	16,811	1.0	11.2	34.0
Fixed assets and miscellaneous	7,903	8,239	9,071	10,111	11,251	11,519	14,231	15,040	15,275	1.6	7.3	32.6
Foreign branches	3,153	3,926	3,283	3,525	4,354	4,606	5,627	6,918	6,895	-0.3	22.5	49.7
Other assets	12,275	10,337	11,943	15,944	20,441	22,752	24,941	28,601	28,717	0.4	15.1	26.2
Liabilities	**305,382**	**339,047**	**452,752**	**558,264**	**699,205**	**753,367**	**883,091**	**961,770**	**951,284**	**-1.1**	**7.7**	**26.3**
Deposits	236,217	271,853	376,344	462,517	595,764	627,398	752,422	788,348	789,749	0.2	5.0	25.9
Public sector[3]	67,151	69,143	115,954	129,885	163,691	167,359	202,434	206,775	186,578	-9.8	-7.8	11.5
Private sector[3]	166,378	199,278	257,595	328,463	427,857	455,286	544,331	574,479	595,728	3.7	9.4	30.8
Current account	39,619	45,752	61,306	76,804	103,192	106,007	125,237	123,801	128,447	3.8	2.6	21.2
Savings account	50,966	62,807	82,575	103,636	125,210	126,775	158,523	154,905	159,872	3.2	0.9	26.1
Time deposit	69,484	83,967	104,492	135,082	183,736	206,953	241,281	276,134	287,365	4.1	19.1	38.9
Other netted liabilities due to financial intermediation	57,662	52,114	60,029	76,038	75,106	93,938	92,634	125,283	111,480	-11.0	20.3	18.7
Interbanking obligations	3,895	3,251	4,201	7,947	8,329	8,585	10,596	9,927	9,948	0.2	-6.1	15.9
BCRA lines	1,885	270	262	1,920	3,535	3,966	4,693	4,776	4,758	-0.4	1.4	20.0
Outstanding bonds	5,984	5,033	3,432	6,856	9,101	10,503	14,198	15,749	15,718	-0.2	10.7	49.6
Foreign lines of credit	4,541	3,369	3,897	6,467	4,992	4,592	6,328	8,278	9,029	9.1	42.7	96.6
Other	13,974	14,891	17,426	24,137	26,280	25,203	41,345	42,168	43,252	2.6	4.6	71.6
Subordinated debts	1,763	1,922	2,165	2,065	2,647	2,507	3,425	3,971	4,013	1.1	17.2	60.1
Other liabilities	9,740	13,159	14,213	17,644	25,688	29,525	34,610	44,167	46,042	4.2	33.0	55.9
Net worth	**41,380**	**48,335**	**57,552**	**70,117**	**90,820**	**99,607**	**121,800**	**138,171**	**140,012**	**1.3**	**15.0**	**40.6**
Memo												
Netted assets	321,075	364,726	482,532	601,380	767,744	813,284	989,825	1,057,322	1,063,762	0.6	7.5	30.8
Consolidated netted assets	312,002	357,118	472,934	586,805	750,598	795,465	968,458	1,036,110	1,042,226	0.6	7.6	31.0

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

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

Source: BCRA

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

Statistics annex[1] | Financial system (cont)

Chart 3 | Profitability Structure

Amount in million of pesos	Annual						First 4 months		Monthly			Last
	2008	2009	2010	2011	2012	2013	2013	2014	Feb-14	Mar-14	Apr-14	12 months
Financial margin	20,462	28,937	35,490	43,670	61,667	88,509	25,190	47,275	8,317	8,172	8,935	110,594
Net interest income	9,573	14,488	17,963	24,903	38,365	50,336	15,198	20,036	5,163	4,888	4,645	55,174
CER and CVS adjustments	2,822	1,196	2,434	1,725	2,080	2,153	806	1,977	540	638	594	3,324
Foreign exchange price adjustments	2,307	2,588	2,100	3,025	4,127	11,287	2,034	10,101	-527	745	141	19,354
Gains on securities	4,398	11,004	13,449	14,228	17,356	22,280	7,345	11,123	3,404	1,762	3,641	26,057
Other financial income	1,362	-339	-457	-211	-261	2,454	-193	4,038	-263	139	-87	6,685
Service income margin	10,870	13,052	16,089	21,391	28,172	36,503	11,013	14,104	3,387	3,474	3,660	39,594
Loan loss provisions	-2,839	-3,814	-3,267	-3,736	-6,127	-9,349	-2,616	-3,549	-849	-742	-662	-10,282
Operating costs	-18,767	-22,710	-28,756	-36,365	-47,318	-60,722	-18,256	-25,340	-5,793	-6,142	-7,092	-67,806
Tax charges	-2,318	-3,272	-4,120	-6,047	-8,981	-13,916	-3,987	-6,207	-1,282	-1,467	-1,460	-16,136
Adjust. to the valuation of gov. Securities1	-1,757	-262	-214	-336	-338	-377	-127	-381	-77	-140	-120	-631
Amort. payments for court-ordered releases	-994	-703	-635	-290	-274	-128	-42	-26	-6	-7	-10	-112
Other	1,441	918	2,079	2,963	2,475	2,576	828	1,428	374	607	420	3,176
Total results before tax2	6,100	12,145	16,665	21,251	29,276	43,094	12,003	27,304	4,070	3,755	3,671	58,395
Income tax	-1,342	-4,226	-4,904	-6,531	-9,861	-13,951	-4,199	-8,902	-1,129	-896	-1,334	-18,655
Total result2	**4,757**	**7,920**	**11,761**	**14,720**	**19,415**	**29,143**	**7,805**	**18,402**	**2,941**	**2,859**	**2,337**	**39,740**
Adjusted Result3	7,508	8,885	12,610	15,345	20,027	29,649	7,974	18,808	3,025	3,006	2,467	40,483
Annualized indicators - As % of netted assets												
Financial margin	6.7	8.6	8.5	8.0	9.2	10.3	9.6	13.6	9.7	9.3	10.1	11.8
Net interest income	3.1	4.3	4.3	4.6	5.7	5.9	5.8	5.8	6.0	5.6	5.3	5.9
CER and CVS adjustments	0.9	0.4	0.6	0.3	0.3	0.3	0.3	0.6	0.6	0.7	0.7	0.4
Foreign exchange price adjustments	0.8	0.8	0.5	0.6	0.6	1.3	0.8	2.9	-0.6	0.9	0.2	2.1
Gains on securities	1.4	3.3	3.2	2.6	2.6	2.6	2.8	3.2	4.0	2.0	4.1	2.8
Other financial income	0.4	-0.1	-0.1	0.0	0.0	0.3	-0.1	1.2	-0.3	0.2	-0.1	0.7
Service income margin	3.6	3.9	3.8	3.9	4.2	4.3	4.2	4.1	3.9	4.0	4.2	4.2
Loan loss provisions	-0.9	-1.1	-0.8	-0.7	-0.9	-1.1	-1.0	-1.0	-1.0	-0.8	-0.8	-1.1
Operating costs	-6.1	-6.7	-6.9	-6.7	-7.0	-7.1	-7.0	-7.3	-6.8	-7.0	-8.1	-7.2
Tax charges	-0.8	-1.0	-1.0	-1.1	-1.3	-1.6	-1.5	-1.8	-1.5	-1.7	-1.7	-1.7
Adjust. to the valuation of gov. Securities1	-0.6	-0.1	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.1	-0.2	-0.1	-0.1
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	0.4	0.4	0.7	0.5	0.3
Total results before tax2	2.0	3.6	4.0	3.9	4.3	5.0	4.6	7.9	4.7	4.3	4.2	6.2
Income tax	-0.4	-1.3	-1.2	-1.2	-1.5	-1.6	-1.6	-2.6	-1.3	-1.0	-1.5	-2.0
ROA2	**1.6**	**2.3**	**2.8**	**2.7**	**2.9**	**3.4**	**3.0**	**5.3**	**3.4**	**3.3**	**2.7**	**4.2**
ROA adjusted3	2.5	2.6	3.0	2.8	3.0	3.5	3.0	5.4	3.5	3.4	2.8	4.3
ROE before tax	*17.2*	*29.5*	*34.5*	*36.5*	*38.8*	*43.7*	*40.1*	*63.1*	*37.9*	*34.3*	*33.1*	*52.1*
ROE2	*13.4*	*19.2*	*24.4*	*25.3*	*25.7*	*29.5*	*26.1*	*42.5*	*27.4*	*26.1*	*21.0*	*35.5*

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

Chart 4 | Portfolio Quality

As percentage	Dec 05	Dec 06	Dec 07	Dec 08	Dec 09	Dec 10	Dec 11	Dec 12	Apr 13	Dec 13	Mar 14	Apr 14
Non-performing loans (overall)	**5.2**	**3.4**	**2.7**	**2.7**	**3.0**	**1.8**	**1.2**	**1.5**	**1.7**	**1.5**	**1.6**	**1.7**
Provisions / Non-performing loans	115	108	115	117	115	148	176	144	134	150	149	145
(Total non-perfoming - Provisions) / Overall financing	-0.8	-0.3	-0.4	-0.5	-0.5	-0.9	-0.9	-0.7	-0.6	-0.8	-0.8	-0.8
(Total non-perfoming - Provisions) / Net worth	-2.6	-0.9	-1.6	-1.8	-1.7	-3.6	-4.6	-3.4	-2.7	-3.7	-3.5	-3.3
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**	**1.9**	**1.9**
Provisions / Non-performing loans	115	108	114	116	112	143	171	141	133	148	147	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	-0.8	-0.9	-0.8
(Total non-perfoming - Provisions) / Net worth	-2.5	-0.8	-1.5	-1.7	-1.3	-3.2	-4.3	-3.1	-2.7	-3.5	-3.3	-3.1

Source: BCRA

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