Report on Banks

May 2014

BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

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May 2014

Year XI, N° 9

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DE LA REPÚBLICA ARGENTINA

Contents

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.

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Summary

- **In May, total lending** (in domestic and foreign currency) **to the private sector rose 1% (26.3% y.o.y.),** mainly driven by loans in foreign currency and, to a lesser extent, by those denominated in domestic currency. **On a y.o.y. comparison basis, lending to companies expanded 28.9%, exceeding the growth recorded by loans to households (23% y.o.y.).**

- Within the framework of the measures implemented by the BCRA with a view to promoting productive investment, **by late June, the Credit Line for Productive Investment (LCIP) was renewed for the second half of 2014.** In this fifth stage total bank funds to be granted to micro, small and medium-sized enterprises (MiPyMEs) at a fixed interest rate of up to 19.5% for, at least, the first three years would exceed $28 billion.

- **Non-performance in lending to the private sector increased slightly over the month, up 2% of total financing,** although it remained at historically and internationally low levels. In turn, coverage of the non-performing portfolio with provisions stood at 138.3% in May.

- In May total deposits in pesos grew 2.5% boosted by the increase of public sector deposits (6.6%) and private sector deposits (1.2%). This period was marked by the compliance with tax maturities, which impacts on the performance of accounts in the financial system. **The stock of total deposits in pesos posted a 25.1% y.o.y. increase, with a growth in private sector deposits of 30.4% y.o.y. This last segment was mainly driven by time deposits which grew 36.4% y.o.y.**

- The liquidity ratio (including domestic and foreign currency) stood at 24.1% of deposits in May, without recording significant changes against the previous month. **Holdings of monetary regulation instruments increased over the period, and accounted for an increase of 0.5 p.p. of deposits in the broad liquidity ratio** (including LEBAC and NOBAC), up to 42.8%.

- The consolidated financial system net worth expanded 3% in May, mainly as a result of book profits. **In y.o.y. terms, the net worth grew 43%, exceeding the relative rise posted by assets which led to a reduction in the sector's leverage.** Particularly, financial system's assets were 7.8 times the net worth and 0.7 lower than a year before.

- **In May, profits accrued for the ensemble of banks totaled 3.8%a. of assets, going up against the previous month mainly as a result of the increase in income derived from securities.** The financial institutions' ROA reached 4.3% over the last 12 months.

- The financial system regulatory capital compliance reached 14.2% of total risk-weighted assets (RWA) over the month, increasing slightly against April. Tier 1 capital compliance accounted for 13.1% of RWA over the period. In turn, **the compliance in excess of the requirement (capital position) stood at 84% as of May 2014.**

I. Activity

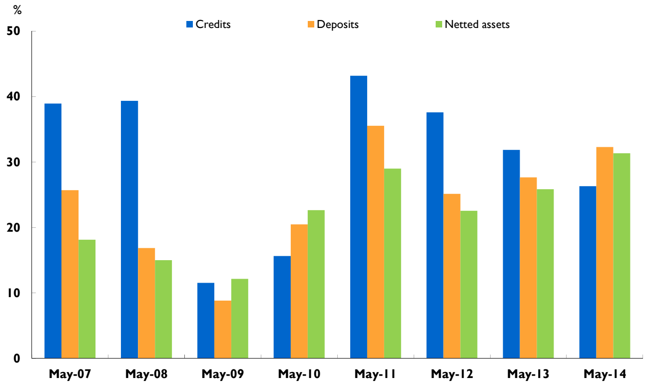
Financial intermediation with the private sector grew moderately in May, 1% for loans (26.3% y.o.y.) and 1.8% for deposits (32.3% y.o.y.). In this context, financial system netted assets grew 1.7% over the month, up 31.4% y.o.y. (see Chart 1).

In terms of monthly fund flows for the ensemble of banks[1], **the increase in liquid assets in a broad sense was the main application of resources** (recording a rise of $9.2 billion in LEBAC and NOBAC holdings, and of $5.6 billion in the rest of the liquidity items[2]) (see Chart 2). Moreover, the monthly growth of lending to the private sector stood out ($6.4 billion). **These loans were primarily funded by the rise in public sector deposits** ($12.8 billion) **and private sector deposits** ($11 billion). In addition, banks obtained profits from their operations.

Regarding the fund flow estimated for **the first five months of the year**[3]**, financial institutions mainly allocated funds to increase the stock of monetary regulatory instruments**, and to a lesser extent, to the expansion in lending to the private sector. To this effect, they mainly resorted to funds from private sector deposits (see Chart 2). Thus, **LEBACs and NOBACs increased their weighting in bank assets in year-to-date terms (**5.2 p.p. reaching 14.1% of assets) (see Chart 3). In turn, loans to the private sector reduced their relative weight in assets (-2.2 p.p. reaching 49.5%). In terms of funding, **private sector time deposits in pesos increased their relative share** (1.9 p.p. in the past 12 months, up to 24.2% of total funding), **followed by private sector deposits in foreign currency, and net worth**. In contrast, a decrease was observed in total funding of public sector deposits (-2.1 p.p. standing at 18.4%) and of private sector sight deposits in pesos (-2 p.p. reaching 24.9%).

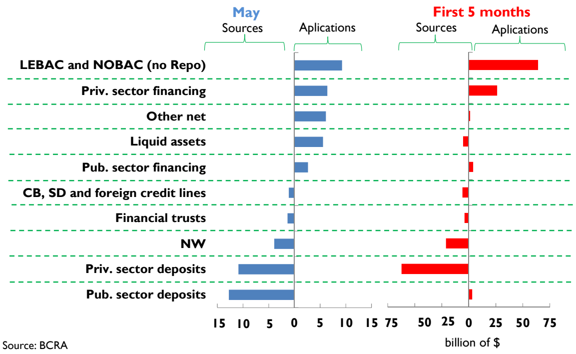
In May, the use of electronic means of payments continued growing. Particularly, over the month, instant transfers increased 7.8% in terms of operated values and 4.8% in terms of number of transactions. Thus, operated values accumulated a 47.3% y.o.y. rise, while the number of transactions increased 18.4% in the last twelve months. **The positive performance of this means of payment led to a rise in its relative share in the economy**. Hence, in the last twelve months, the amounts of instant transfers reached 7.1% of GDP, up 1.8 p.p. against May 2013 (see Chart 4). In turn, the checks cleared increased their value by 3% in May, whereas they recorded a slight drop in terms of number. In the past twelve months, the value processed increased

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



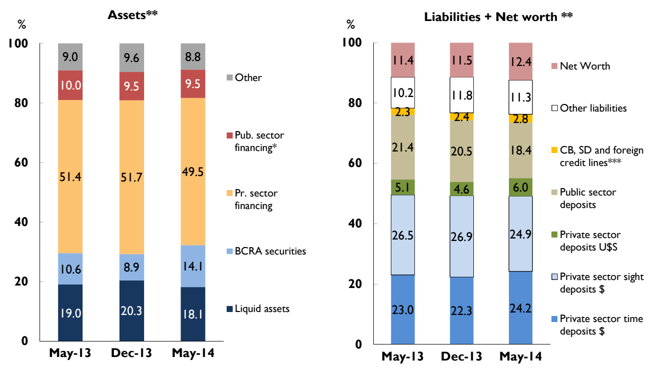
Source: BCRA

Chart 2
Estimation of Sources and Uses of Funds - Financial System



Source: BCRA

Chart 3
Financial System Balance Sheet Composition



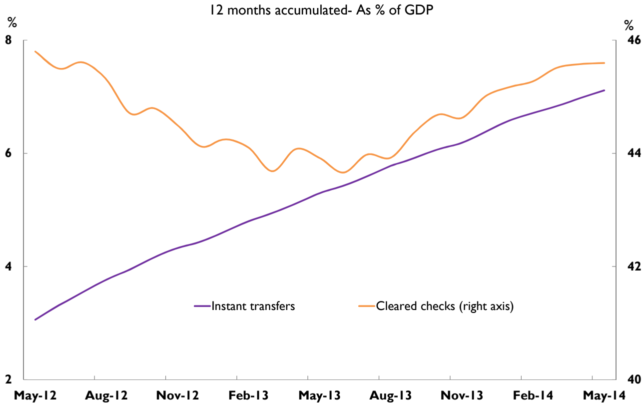
*Note: Include securities and lending. **Assets and liabilities netted from repo, term and downpayments operations.***Corporate bonds (CB) and Subordinated debt (SD). Source: BCRA

[1] Estimates are based on balance sheet information.
[2] Minimum cash compliance, liquid assets and repos with the BCRA.
[3] Ibid. note 1.

Chart 4

Checks and Instant Transfers

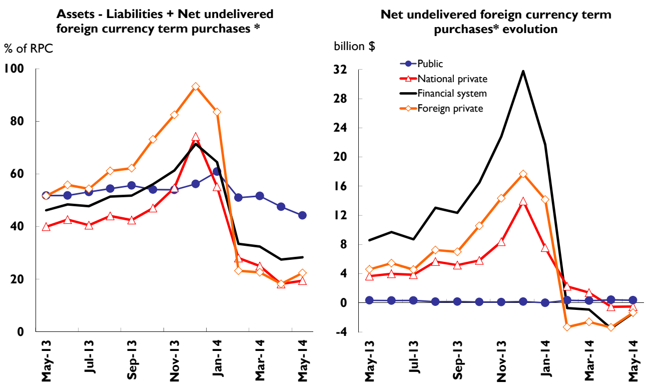
12 months accumulated- As % of GDP



Source: BCRA e INDEC

Chart 5

Foreign Currency Mismatching



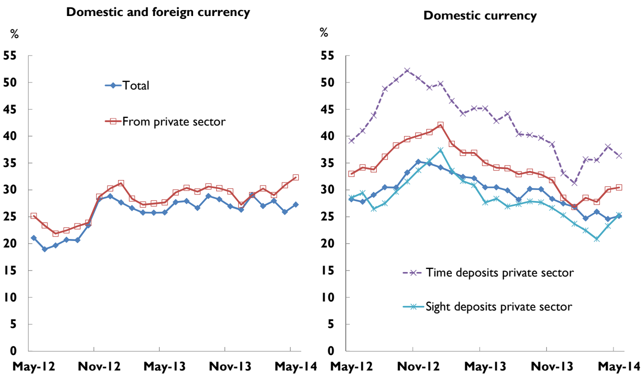
* Memorandum account

Source: BCRA

Chart 6

Financial System Deposits

Y.o.y. % var. of balance sheet stocks



Source: BCRA

19.1%, although the number of checks decreased. **The value of cleared instruments also grew in importance in terms of the GDP.**

Foreign currency broad mismatching in all groups of banks grew slightly up to 28.3% of adjusted stockholder's equity during the month (see Chart 5). The monthly rise was boosted mainly by foreign private banks due to fewer forward net sales of foreign currency.

II. Deposits and liquidity

In May, the stock of total deposits in pesos in the financial system increased 2.5%, boosted by a rise in public sector deposits (6.6%) and in private sector deposits (1.2%). During the month, compliance with certain tax maturities influenced the performance of deposits as regards the transfer of funds from the private sector to the public sector. The increase in private sector deposits in domestic currency was mainly explained by sight accounts (1.6%) and to a lesser extent by time deposits (0.8%). In turn, private sector deposits in foreign currency increased during the month, accounting for a 1.8% rise in this sector's total deposits (domestic and foreign currency).

The stock of total deposits in domestic currency expanded 25.1% in the last twelve months, with an improvement of 30.4% in private sector deposits. **The latter was mainly spurred by time deposits which grew 36.4% y.o.y.** (see Chart 6). In turn, private sector deposits in dollars stood at the same level as twelve months earlier[4].

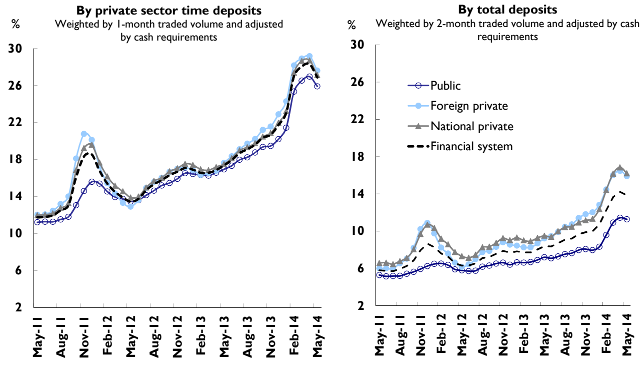
Interest rates on private sector time deposits in pesos decreased in May. This drop was recorded by all groups of banks. As a consequence, the estimated funding cost of banks for deposits in pesos decreased 0.4 p.p. over the month (see Chart 7). Private banks accounted for most of the decline in the cost of funding during the period.

In May, the rise in financial institutions' repo transactions with the BCRA was offset by a reduction in banks' minimum cash compliance. Thus, the liquidity ratio (including domestic and foreign currency) stood at 24.1% of deposits, almost the same level recorded in April. In turn, holdings of instruments for **monetary regulation kept on growing over the month, causing the broad liquidity ratio** (including LEBAC and NOBAC holdings) to edge up 0.5 p.p. of deposits, up to 42.8% (see Chart 8).

[4] In currency of origin.

Chart 7

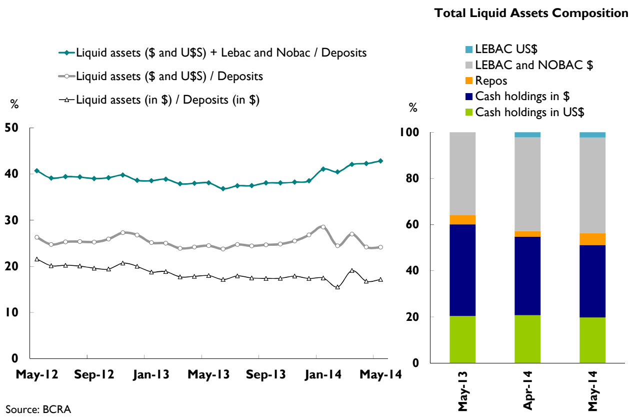
Estimation of Average Funding Costs by Deposits in Pesos



Source: BCRA

Chart 8

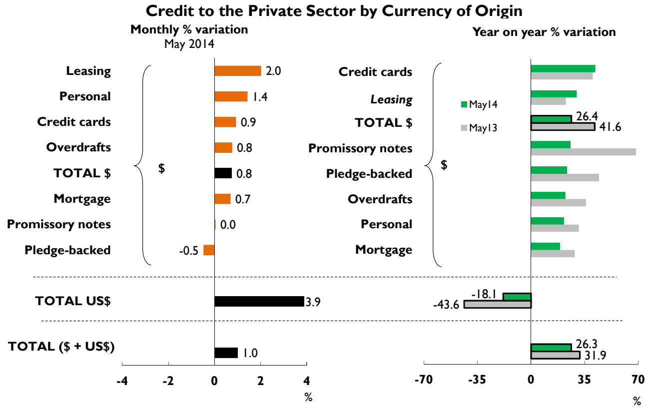
Financial System Liquidity



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

III. Financing

In May, financing in pesos to the private sector rose 0.8%[5], boosted by financing through leasing, personal loans, credit cards and overdrafts (see Chart 9). In turn, the stock of credit in foreign currency grew 3.9%[6] against the previous month. As a result, **total lending (in pesos and in foreign currency) to the private sector increased 1%**[7] **over the month**. The monthly rise of loans to companies and households was recorded in all financial institutions, especially national private and public banks (see Chart 10).

In y.o.y. terms, the stock of loans in pesos to the private sector increased 26.4% in May. Financing through credit cards and leasing posted the greatest momentum over the last twelve months, increasing their share in the total stock of loans. In this context, **the expansion rate observed in total financing to the private sector stood at 26.3% y.o.y. in May**. This performance was mainly driven by public and foreign private banks, which together accounted for 69.1% of the y.o.y. increase in total lending to companies and households (see Chart 10).

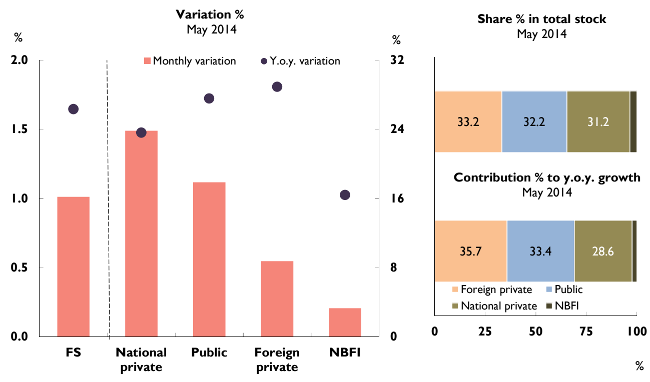
In May, total financing to companies[8] **grew 0.8% against April**. The monthly momentum was explained by loans to the commercial, industrial and construction sectors (see Chart 11). **In y.o.y. terms, loans to the productive sector increased 28.9%, exceeding the figure recorded by loans to households**. Thus, lending to productive sectors accounted for 61.2% of the y.o.y. change posted by the total stock of loans to the private sector. Public and foreign private banks mainly led the increase in loans granted to companies over the period, increasing 0.2 p.p. and 1.7 p.p., respectively, their share in the stock of loans to companies.

Within the framework of the measures adopted by the Central Bank aimed at promoting productive investment, **by the end of June this year it was decided that the Credit Line for Productive Investment (LCIP) be renewed during the second half of 2014**[9]**.** In this fifth tranche, the total amount of banking resources to be disbursed to micro, small and medium-sized enterprises (MiPyMES) would exceed $28 billion. In this new stage, financial institutions acting as financial agents for the national, provincial and municipal government, and

[5] Three financial trusts were issued over the month for a total of $1.3 billion with loans granted by financial institutions, out of which $693 million corresponded to personal loan securitizations and $642 million to securitizations of credit card coupons. If the balance sheet stock is adjusted by these assets securitized during May, the monthly growth recorded by loans in pesos granted to the private sector would reach 1%.
[6] Change in the currency of origin.
[7] If the balance sheet stock is adjusted by assets securitized over the month (using loans granted by banks as underlying assets), the monthly change in total lending (including domestic and foreign currency) to the private sector would amount to 1.3%.
[8] 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.
[9] Communication "A" 5600 and Communication "P" 50410.

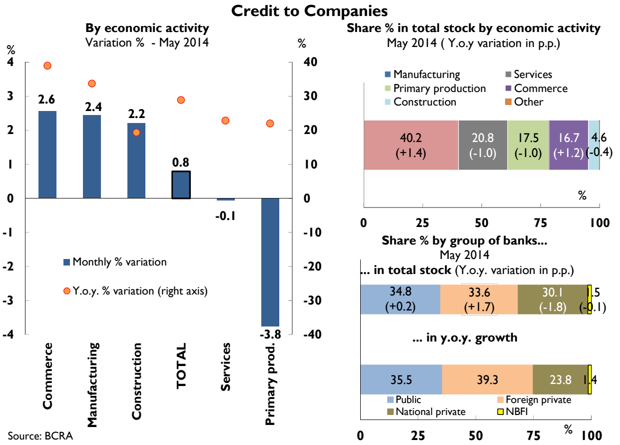
Chart 10

Credit to the Private Sector by Group of Financial Institutions



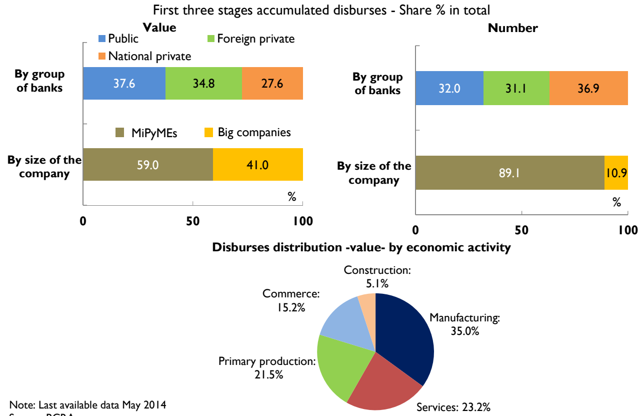
Source: BCRA

Chart11
Credit to Companies



Source: BCRA

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



Note: Last available data May 2014
Source: BCRA

banks with deposits in pesos from the non-financial private sector for at least 1% of total deposits in such sector shall finance an amount equal to 5.5% of private sector deposits in domestic currency made in May 2014.

Financial institutions shall award at least half of the loans of the new LCIP tranche before September 30th 2014, granting all of them by the end of 2014. A fixed interest rate of up to 19.5%, in nominal annual terms, will be applied in, at least, the first three years[10]. A percentage of such quota may be allocated to the discount of deferred payment checks to MiPyMES, provided that the interest rate on such financing does not exceed the annual nominal rate already set[11]. Moreover, financial institutions shall be allowed to use up to 15% of the quota of this new tranche to finance certain projects of clients other than MiPyMEs[12], prior approval of the BCRA. Finally, Group I financial institutions may purchase any such loans in pesos that Group II banks (as raised, for instance, in a trust fund) have granted to individuals as from June 11th 2014. Group I institutions may assign up to 15% of such portfolio to comply with their requirement as under the LCIP, provided that such loans have been originated or assigned by a financial institution not participating in the LCIP (Group II[13]) .

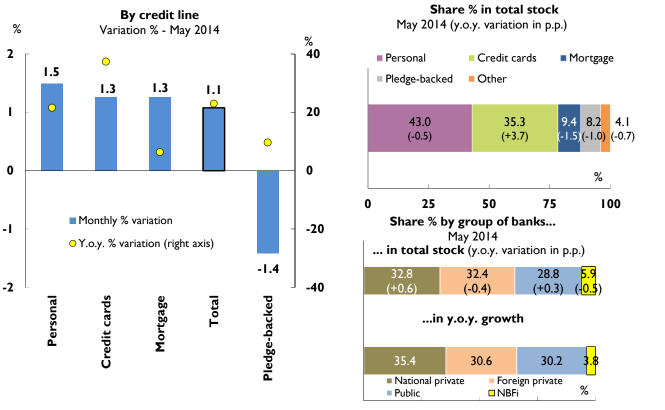
According to the latest information available, more than 89% of total loans awarded through the first three tranches of LCIP were assigned to MiPyMEs (59% of the total amount awarded) (see Chart 12). Thus, since its implementation until May (only the first three tranches are included) more than $57.1 billion have been awarded. In addition, 90% of the target value corresponding to the fourth tranche of LCIP has already been granted, according to the last information available up to May.

As regards the **Bicentennial Productive Financing Program (PFPB)**, the BCRA has awarded a total amount of $7.9 billion to 14 banks through 27 auctions. At the end of the first half of 2014, participating financial institutions awarded almost 83% of the total amount allocated ($6.5 billion) among 372 companies. Lending to MiPyMEs accounted for more than 57% of this program's transactions, being awarded mainly to the industrial sector.

Loans channeled to households[14] increased 1.1% over the month, with rises in almost all credit lines (see Chart 13). In particular, personal loans stood out expanding 1.5% in May. **In y.o.y. terms, credit to**

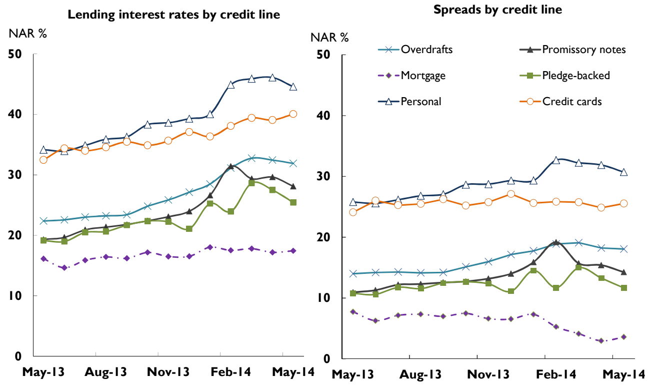
[10] Thereafter, in absence of such rate, a floating rate could be applied but it will not exceed the total BADLAR in pesos over 300b.p.
[11] The level of implementation reached in August and in November shall be kept in place, at least, until September and December 2014, respectively.
[12] It includes household mortgages and projects aimed at expanding productive capacity, increasing formal and direct employment; substituting imports, increasing export capacity, investing in capital goods and infrastructure works. In the latter cases, the interest rate shall be freely agreed.
[13] Pursuant to Communication "A" 5590 paragraph "X" 4.2.
[14] Information obtained from the Debtors' Database (including domestic and foreign currency).

Chart 13
Credit to Households



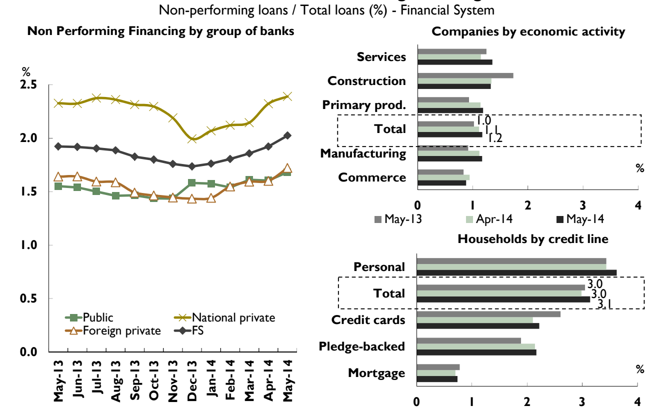
Source: BCRA

Chart 14
Lending Interest Rates and Spreads Operated in Pesos*



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

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



Source: BCRA

households grew 23%, mainly boosted by national private banks, which explained 35.4% of the y.o.y. increase in total lending to households.

In May, lending interest rates in domestic currency continued falling in almost all credit lines, especially pledge-backed loans, personal loans and promissory notes (see Chart 14). There was a general monthly fall across all groups of financial institutions, especially non-bank financial institutions and public banks. **Lending interest rates in pesos declined sharper than borrowing rates, triggering a drop in spreads for most groups of banks**. In y.o.y. terms, interest rate spreads of different credit lines continued exceeding last year's levels, except for mortgage-backed loans.

In May, the ratio of non-performing loans to the private sector increased slightly to 2% (see Chart 15), due to the performance of lending to households — boosted by personal loans — and lending to companies — explained mainly by service providers —. The monthly hike posted by the delinquency ratio was recorded by all groups of banks. Coverage of the non-performing portfolio with provisions exhibited a slight decrease and reached 138.3%. If minimum regulatory provisions were excluded from the performing portfolio, the financial system coverage ratio would stand at 87.5%, more than 40 p.p. above the ratio required for the portfolio in such situation (46.6%).

IV. Solvency

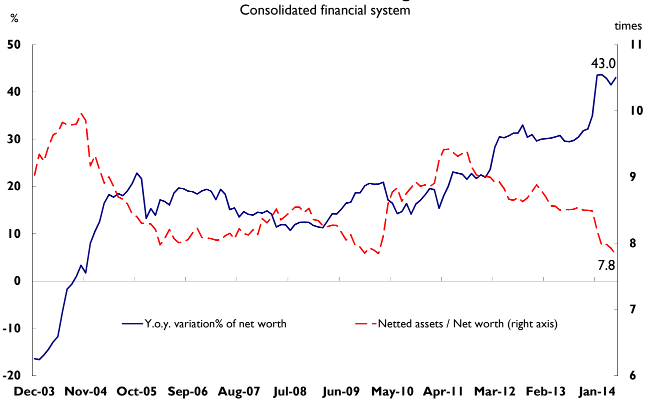
Consolidated financial system net worth increased 3% during the month, boosted mainly by book profits. **In y.o.y. terms the net worth grew 43%** (see Chart 16), **exceeding the relative growth observed in assets**. As a result, leverage in the sector decreased in general terms. Particularly, financial system's assets were 7.8 times the net worth and 0.7 lower than a year before.

The financial system regulatory capital compliance reached 14.2% of RWA in May (see Chart 17), recording a slight increase against April. Tier 1 capital compliance accounted for 13.1% of RWA. In turn, capital compliance in excess of the regulatory requirement (capital position) stood at 84% over the month, increasing 5 p.p. against April. All groups of banks exhibited a surplus in their capital position in May.

The financial system recorded book profits equivalent to 3.8%a. of assets in May (see Chart 18), **rising 1.1 p.p. against the previous month,** mainly due to a hike in the financial margin. All groups of banks increased their monthly profitability. Thus, **the ROA for the ensemble of banks stood at 4.3% considering the**

Chart 16

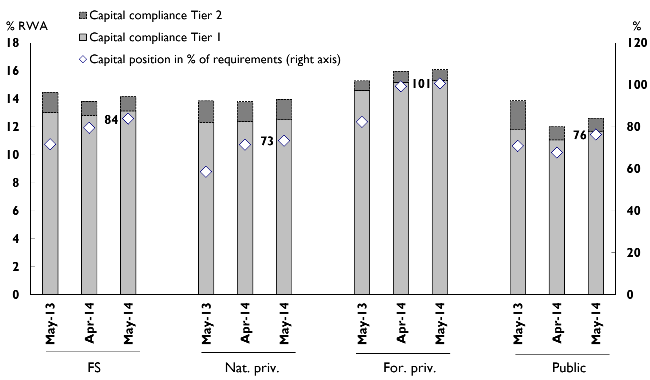
Net Worth and Leverage
Consolidated financial system



Source: BCRA

Chart 17

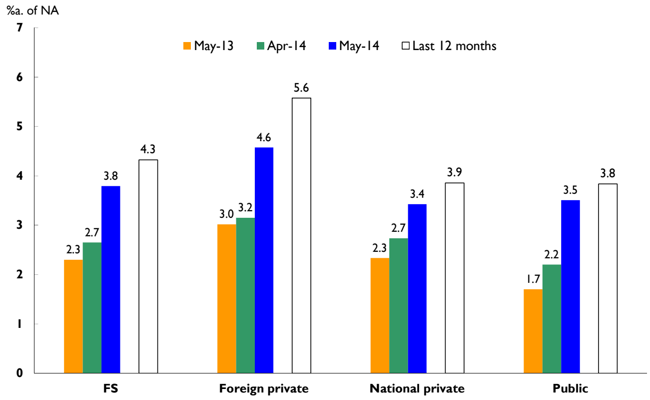
Capital Compliance and Excess of the Requirement (Position)



Source: BCRA

Chart 18

Profitability by Group of Banks



Source: BCRA

past 12 months, going up 1.4 p.p. against the same period analyzed as of May 2013.

In May, the financial margin for the ensemble of banks expanded 1.5 p.p. of assets, against the previous month, up to 11.6%a. Income derived from securities grew 1.1 p.p. of assets in the period up to 5.2%a.; this increase is in line with the recovery of the price of the main securities held in banks' portfolio in domestic and foreign currency during the same period. Additionally, income from foreign exchange price adjustments increased 0.4 p.p. of assets over the month up to 0.6%a. In turn, financial system's income from interest remained stable in the period. **Banks' financial margin reached 12% of assets in the past 12 months**, going up 2.6 p.p. y.o.y.

Income from financial system's services reached 4.3%a. of assets over the month, increasing slightly against April, driven by public and foreign private banks. In turn, **net income from financial system's services accounted for 4.2% of assets between June 2013 and May 2014**, recording a slight drop against the value posted over the same period in 2013.

Operating costs went down 0.6 p.p. of assets over the month, totaling 7.5%a[15]. The monthly reduction of expenses was mainly due to the performance of public and national private banks. Thus, expenses over the past 12 months stood at 7.2% of assets. In turn, **loan loss provisions rose slightly over the month, up to 1.2%a of assets** in all groups of banks. On the basis of the figure recorded over the 12-month period as of May 2014, these provisions reached 1.1% of assets.

[15] It should be noted that in April a new collective bargaining agreement was implemented for the bank sector.

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" 5580 – May 07, 2014

Rules on "Financial Institutions' Minimum Capital Requirements", "Distribution of Profits", "Consolidated Supervision", "Cooperative Credit Unions (Law No. 26,173)" and "Ratio for Fixed Assets and Other Items" were updated based on regulations disclosed in Communication "A" 5369 — which deals with changes to the rules on "Financial Institutions' Minimum Capital Requirements" for the purposes of complying with the implementation schedule of Basel III. In addition, interpretative notes were included in the rules on "Financial Institutions' Minimum Capital Requirements" to facilitate their implementation.

Communication "A" 5581 – May 12, 2014

Under the "Declaration on Automatic Exchange of Information in Tax Matters" signed by Argentina and the provisions relating to the Foreign Account Tax Compliance Act (FATCA) of the United States of America, financial institutions must adopt the necessary measures to identify account holders subject to such standard. To this end, financial institutions must meet confidentiality requirements referred to in Section 39 of the Law on Financial Institutions, as well as those established in Section 5, Paragraph 2, Subsection (e) of the Personal Data Protection Act. Information on customers that fall within the mandate of the above mentioned standard shall be filed with the Federal Administration of Public Revenue (*Administración Federal de Ingresos Públicos*, AFIP) according to the rules established by that Authority.

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	May 2013	Dic 2013	Apr 2014	May 2014
1.- Liquidity	20.1	22.5	23.0	27.9	28.6	28.0	24.7	26.8	24.5	26.8	24.2	24.1
2.- Credit to the public sector	31.5	22.5	16.3	12.7	14.4	12.1	10.7	9.7	9.8	9.4	9.4	9.2
3.- Credit to the private sector	25.8	31.0	38.2	39.4	38.3	39.8	47.4	49.5	50.0	50.9	48.5	47.7
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	2.0
5.- Net worth exposure to the private sector	-2.5	-0.8	-1.5	-1.7	-1.3	-3.2	-4.3	-3.1	-2.5	-3.5	-3.2	-2.9
6.- ROA	0.9	1.9	1.5	1.6	2.3	2.8	2.7	2.9	2.8	3.4	5.3	5.0
7.- ROE	7.0	14.3	11.0	13.4	19.2	24.4	25.3	25.7	24.8	29.5	43.0	39.8
8.- Efficiency	151	167	160	167	185	179	179	190	192	206	242	236
9a.- Capital compliance	-	-	-	-	-	-	-	-	14.5	13.6	14.0	14.2
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	12.9	13.1
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	72	76	81	84

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

Chart 2 | Balance Sheet

In million of current pesos	Dec 08	Dec 09	Dec 10	Dec 11	Dec 12	May 13	Dec 13	Apr 14	May 14	Change(in %) Las month	Change(in %) 2014	Change(in %) Last 12 months
Assets	**346,762**	**387,381**	**510,304**	**628,381**	**790,026**	**847,474**	**1,004,892**	**1,091,178**	**1,121,265**	**2.8**	**11.6**	**32.3**
Cash disposal[1]	58,676	71,067	93,085	104,389	148,254	146,466	200,925	182,924	178,495	-2.4	-11.2	21.9
Public bonds	65,255	86,318	117,951	112,906	123,491	142,889	141,494	206,307	227,557	10.3	60.8	59.3
Lebac/Nobac	37,093	43,867	76,948	71,050	84,057	98,000	89,641	153,977	172,864	12.3	92.8	76.4
Portfolio	25,652	34,748	61,855	59,664	70,569	87,089	88,091	142,909	152,177	6.5	72.7	74.7
Repo[2]	11,442	9,119	15,093	11,386	13,488	10,911	1,550	11,068	20,687	86.9	1,234.7	89.6
Private bonds	203	307	209	212	251	383	434	615	751	22.0	73.0	96.3
Loans	154,719	169,868	230,127	332,317	433,925	468,846	563,344	581,963	587,363	0.9	4.3	25.3
Public sector	17,083	20,570	25,907	31,346	39,951	41,616	48,438	49,337	49,604	0.5	2.4	19.2
Private sector	132,844	145,247	199,202	291,708	383,674	415,855	501,857	519,989	525,150	1.0	4.6	26.3
Financial sector	4,793	4,052	5,018	9,263	10,299	11,375	13,049	12,637	12,609	-0.2	-3.4	10.8
Provisions over loans	-4,744	-5,824	-6,232	-7,173	-9,596	-10,684	-13,117	-14,568	-15,074	3.5	14.9	41.1
Other netted credits due to financial interm.	38,152	33,498	39,009	40,805	38,769	43,141	42,435	56,640	68,256	20.5	60.8	58.2
Corporate bonds and subordinated debt	912	1,146	1,433	1,657	2,255	2,971	5,421	5,313	5,128	-3.5	-5.4	72.6
Unquoted trusts	5,714	5,942	6,824	7,967	10,822	11,477	12,656	13,786	13,623	-1.2	7.6	18.7
Leasing	3,935	2,933	3,936	6,222	7,203	7,588	9,460	9,606	9,797	2.0	3.6	29.1
Shares in other companies	7,236	6,711	7,921	9,123	11,682	12,731	15,117	16,811	17,253	2.6	14.1	35.5
Fixed assets and miscellaneous	7,903	8,239	9,071	10,111	11,251	11,652	14,231	15,272	15,622	2.3	9.8	34.1
Foreign branches	3,153	3,926	3,283	3,525	4,354	4,631	5,627	6,895	6,965	1.0	23.8	50.4
Other assets	12,275	10,337	11,943	15,944	20,441	19,832	24,941	28,714	24,280	-15.4	-2.7	22.4
Liabilities	**305,382**	**339,047**	**452,752**	**558,264**	**699,205**	**745,997**	**883,091**	**951,279**	**977,337**	**2.7**	**10.7**	**31.0**
Deposits	236,217	271,853	376,344	462,517	595,764	639,641	752,422	789,749	814,020	3.1	8.2	27.3
Public sector[3]	67,151	69,143	115,954	129,885	163,691	176,321	202,434	186,578	199,349	6.8	-1.5	13.1
Private sector[3]	166,378	199,278	257,595	328,463	427,857	458,456	544,331	595,728	606,608	1.8	11.4	32.3
Current account	39,619	45,752	61,306	76,804	103,192	107,514	125,237	128,447	132,153	2.9	5.5	22.9
Savings account	50,966	62,807	82,575	103,636	125,210	124,853	158,523	159,872	164,653	3.0	3.9	31.9
Time deposit	69,484	83,967	104,492	135,082	183,736	210,888	241,281	287,365	289,554	0.8	20.0	37.3
Other netted liabilities due to financial interm.	57,662	52,114	60,029	76,038	75,106	79,443	92,634	111,480	119,955	7.6	29.5	51.0
Interbanking obligations	3,895	3,251	4,201	7,947	8,329	9,088	10,596	9,948	9,892	-0.6	-6.6	8.8
BCRA lines	1,885	270	262	1,920	3,535	4,133	4,693	4,758	4,719	-0.8	0.5	14.2
Outstanding bonds	5,984	5,033	3,432	6,856	9,101	10,772	14,198	15,718	16,002	1.8	12.7	48.6
Foreign lines of credit	4,541	3,369	3,897	6,467	4,992	5,210	6,328	9,029	9,788	8.4	54.7	87.9
Other	13,974	14,891	17,426	24,137	26,280	25,441	41,345	43,252	38,229	-11.6	-7.5	50.3
Subordinated debts	1,763	1,922	2,165	2,065	2,647	2,699	3,425	4,013	4,046	0.8	18.1	49.9
Other liabilities	9,740	13,159	14,213	17,644	25,688	24,214	34,610	46,037	39,316	-14.6	13.6	62.4
Net worth	**41,380**	**48,335**	**57,552**	**70,117**	**90,820**	**101,477**	**121,800**	**139,899**	**143,929**	**2.9**	**18.2**	**41.8**
Memo												
Netted assets	321,075	364,726	482,532	601,380	767,744	823,418	989,825	1,063,644	1,081,561	1.7	9.3	31.4
Consolidated netted assets	312,002	357,118	472,934	586,805	750,598	804,890	968,458	1,042,108	1,059,958	1.7	9.4	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	Annual						First 5 months		Monthly			Last
	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2013**	**2014**	**Mar-14**	**Apr-14**	**May-14**	**12 months**
Financial margin	20,462	28,937	35,490	43,670	61,667	88,509	30,905	57,652	8,172	8,935	10,377	115,255
Net interest income	9,573	14,488	17,963	24,903	38,365	50,336	19,197	24,823	4,888	4,645	4,786	55,961
CER and CVS adjustments	2,822	1,196	2,434	1,725	2,080	2,153	938	2,424	638	594	447	3,639
Foreign exchange price adjustments	2,307	2,588	2,100	3,025	4,127	11,287	2,731	10,605	745	141	505	19,161
Gains on securities	4,398	11,004	13,449	14,228	17,356	22,280	8,249	15,809	1,762	3,641	4,686	29,839
Other financial income	1,362	-339	-457	-211	-261	2,454	-211	3,991	139	-87	-47	6,655
Service income margin	10,870	13,052	16,089	21,391	28,172	36,503	14,154	17,937	3,474	3,660	3,833	40,286
Loan loss provisions	-2,839	-3,814	-3,267	-3,736	-6,127	-9,349	-3,267	-4,629	-742	-662	-1,079	-10,710
Operating costs	-18,767	-22,710	-28,756	-36,365	-47,318	-60,722	-23,522	-32,054	-6,142	-7,094	-6,712	-69,255
Tax charges	-2,318	-3,272	-4,120	-6,047	-8,981	-13,916	-5,049	-7,747	-1,467	-1,460	-1,540	-16,614
Adjust. to the valuation of gov. Securities[1]	-1,757	-262	-214	-336	-338	-377	-155	-475	-140	-120	-94	-698
Amort. payments for court-ordered releases	-994	-703	-635	-290	-274	-128	-52	-32	-7	-10	-7	-109
Other	1,441	918	2,079	2,963	2,475	2,576	1,371	1,917	607	420	489	3,122
Total results before tax[2]	6,100	12,145	16,665	21,251	29,276	43,094	14,386	32,569	3,755	3,669	5,266	61,277
Income tax	-1,342	-4,226	-4,904	-6,531	-9,861	-13,951	-5,017	-10,773	-896	-1,334	-1,870	-19,707
Total result[2]	**4,757**	**7,920**	**11,761**	**14,720**	**19,415**	**29,143**	**9,369**	**21,796**	**2,859**	**2,335**	**3,396**	**41,570**
Adjusted Result[3]	7,508	8,885	12,610	15,345	20,027	29,649	9,576	22,304	3,006	2,464	3,497	42,376
Annualized indicators - As % of netted assets												
Financial margin	6.7	8.6	8.5	8.0	9.2	10.3	9.4	13.2	9.3	10.1	11.6	12.0
Net interest income	3.1	4.3	4.3	4.6	5.7	5.9	5.8	5.7	5.6	5.3	5.3	5.8
CER and CVS adjustments	0.9	0.4	0.6	0.3	0.3	0.3	0.3	0.6	0.7	0.7	0.5	0.4
Foreign exchange price adjustments	0.8	0.8	0.5	0.6	0.6	1.3	0.8	2.4	0.9	0.2	0.6	2.0
Gains on securities	1.4	3.3	3.2	2.6	2.6	2.6	2.5	3.6	2.0	4.1	5.2	3.1
Other financial income	0.4	-0.1	-0.1	0.0	0.0	0.3	-0.1	0.9	0.2	-0.1	-0.1	0.7
Service income margin	3.6	3.9	3.8	3.9	4.2	4.3	4.3	4.1	4.0	4.2	4.3	4.2
Loan loss provisions	-0.9	-1.1	-0.8	-0.7	-0.9	-1.1	-1.0	-1.1	-0.8	-0.8	-1.2	-1.1
Operating costs	-6.1	-6.7	-6.9	-6.7	-7.0	-7.1	-7.1	-7.3	-7.0	-8.1	-7.5	-7.2
Tax charges	-0.8	-1.0	-1.0	-1.1	-1.3	-1.6	-1.5	-1.8	-1.7	-1.7	-1.7	-1.7
Adjust. to the valuation of gov. Securities[1]	-0.6	-0.1	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.2	-0.1	-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	0.4	0.4	0.7	0.5	0.5	0.3
Total results before tax[2]	2.0	3.6	4.0	3.9	4.3	5.0	4.4	7.5	4.3	4.2	5.9	6.4
Income tax	-0.4	-1.3	-1.2	-1.2	-1.5	-1.6	-1.5	-2.5	-1.0	-1.5	-2.1	-2.0
ROA[2]	**1.6**	**2.3**	**2.8**	**2.7**	**2.9**	**3.4**	**2.8**	**5.0**	**3.3**	**2.7**	**3.8**	**4.3**
ROA adjusted[3]	2.5	2.6	3.0	2.8	3.0	3.5	2.9	5.1	3.4	2.8	3.9	4.4
ROE before tax	*17.2*	*29.5*	*34.5*	*36.5*	*38.8*	*43.7*	*38.0*	*59.5*	*34.3*	*33.0*	*46.1*	*53.0*
ROE[2]	*13.4*	*19.2*	*24.4*	*25.3*	*25.7*	*29.5*	*24.8*	*39.8*	*26.1*	*21.0*	*29.7*	*36.0*

(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	May 13	Dec 13	Apr 14	May 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**	**1.7**	**1.8**
Provisions / Non-performing loans	115	108	115	117	115	148	176	144	135	150	145	141
(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	-0.7
(Total non-perfoming - Provisions) / Net worth	-2.6	-0.9	-1.6	-1.8	-1.7	-3.6	-4.6	-3.4	-2.8	-3.7	-3.3	-3.1
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**	**2.0**
Provisions / Non-performing loans	115	108	114	116	112	143	171	141	131	148	143	138
(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	-0.8	-0.8
(Total non-perfoming - Provisions) / Net worth	-2.5	-0.8	-1.5	-1.7	-1.3	-3.2	-4.3	-3.1	-2.5	-3.5	-3.2	-2.9

Source: BCRA

***<u>IMPORTANT</u>**: 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