

# Report on Banks

September 2014



BANCO CENTRAL  
DE LA REPÚBLICA ARGENTINA

# **Report on Banks**

September 2014

Year XII, No. 1



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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.

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## Summary

- **In September, the stock of lending in pesos to the private sector increased 2.6% against August**, going up 21% in the past 12 months in nominal terms. The monthly change was driven by the performance of the loans through promissory notes and those granted for consumption purposes (credit cards and personal loans). As a result of this performance and the reduction observed in loans in foreign currency, **the stock of total lending (in domestic and foreign currency) climbed 2.2% over the month (22% y.o.y.)**. Total loans to households rose 2.7% in September (20.8% y.o.y.) while financing to companies went up 1.8% (23.1% y.o.y.).
- The BCRA has continued promoting lending for productive purposes so far this year. **Thus, loans under the Credit Line for Productive Investment for around \$ 103 billion were arranged from July 2012 to August 2014, out of which** over two thirds were granted to micro, small, and medium-sized enterprises.
- **The non-performance ratio of loans granted to the private sector fell slightly over the month, down to 2%, on account of financing to households and to companies.** The coverage of the delinquent portfolio with provisions increased up to 139.3% in the month and all groups of banks posted comfortable levels for this indicator.
- **In September, the stock of private sector deposits in domestic currency climbed 2.2% (28.8% y.o.y.)**. This performance **was driven by sight accounts** (3.7% over the month, and 30.1% y.o.y.) **and by time deposits** (1.6% over the month and 28.6% y.o.y.). Total deposits in domestic and foreign currency within the financial system (from the public and private sectors) increased 1% against last August and posted a 24.1% nominal rise y.o.y.
- **Financial system liquidity** (including items in domestic and foreign currency) **fell 1.7 p.p. of total deposits in September, down to 23.4%**. LEBAC holdings rose during the month. As a result, the liquidity indicator that comprises these instruments exhibited no significant changes over the period, standing at 43.6% of total deposits.
- **Consolidated financial system net worth expanded 2.4% over the month (43.4% y.o.y.)**, being driven by book profits. Capital compliance by the financial system totalled 14.4% of risk-weighted assets (RWA) in September (13.4% in the case of Tier 1). **The surplus of capital compliance recorded by the ensemble of institutions stood at 86% of the requirement over the month, up 14 p.p. y.o.y.**
- **Financial system's profitability totalled 3.7% of assets in annualized terms (a.)**, falling slightly against last August mainly due to lower profits from foreign exchange price adjustments. **The ROA reached 4.2%a. in the third quarter of 2014**, up 0.9 p.p. against the previous quarter and up 0.5 p.p. y.o.y.
- **The BCRA established, as from September, a reduction in the limit of financial institutions' positive foreign currency net global position**, which went from 30% to 20% of adjusted stockholders' equity of the previous month or every institution's own liquid funds, whichever the lower. In this context, **the foreign currency mismatching of the ensemble of banks stood at 27.3% of adjusted stockholders' equity, down 4.3 p.p. against August and 44 p.p. below the figure recorded at the end of 2013.**

# I. Activity

In September, aggregate financial intermediation levels channelled by banks kept on growing. **The stock of lending to the private sector increased 2.2% over the month (22% y.o.y. in nominal terms), while deposits of companies and households climbed 2% (30.4% y.o.y.)** (see Chart 1). In this context, netted assets of the ensemble of financial institutions posted a 2% monthly change (28.6% y.o.y.).

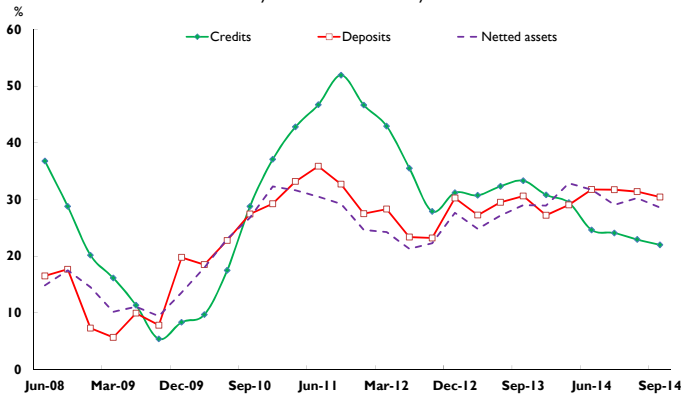
Regarding the fund flow estimated from aggregate balance sheets, a **rise in private sector deposits** (\$12.8 billion) and a **fall in liquid assets**<sup>1</sup> (\$12.3 billion) were the main fund sources for the financial system (see Chart 2). These funds were primarily aimed at **increasing the holding of monetary regulatory instruments** (\$15.3 billion) and **financing to the private sector** (\$13.3 billion).

**The most relevant source of funds for the ensemble of financial institutions in the third quarter of 2014 was a rise in deposits from companies and households** (\$27.4 billion), followed by book profits and a hike in public sector deposits. **These funds were primarily used to increase financing to the private sector** (\$29.7 billion) and, to a lesser extent, to expand LEBAC and NOBAC holdings—not related to repo transactions.

Regarding the financial system net worth structure, on the financial assets side, **the stock of LEBAC and NOBAC holdings increased its relative share in the third quarter of the year accounting for up to 15.1% of the total**<sup>2</sup>, raising 1.2 p.p. against the value of the previous quarter (see Chart 3). This performance was mainly driven by private banks. In contrast, the share of liquid assets and of lending to the private contrast went down over the period. As far as funding is concerned, the share of **private sector deposits in pesos kept on being the greatest**, accounting for more than half of the total (liabilities and net worth). While the share of private sector sight deposits in total funding fell in the third quarter, the relative weight of capital increased.

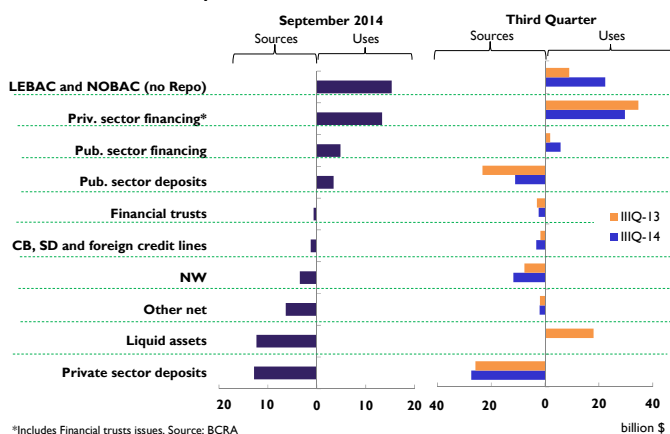
**The volume of checks cleared over the month increased against the month before; consequently, it improved 38.3% y.o.y. (3.9% in terms of number).** The number of checks bounced for insufficient funds fell slightly in September compared to the total cleared, reaching 0.86% (see Chart 4); in contrast, the value of checks bounced evidenced a minor hike (up to 0.53%).

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



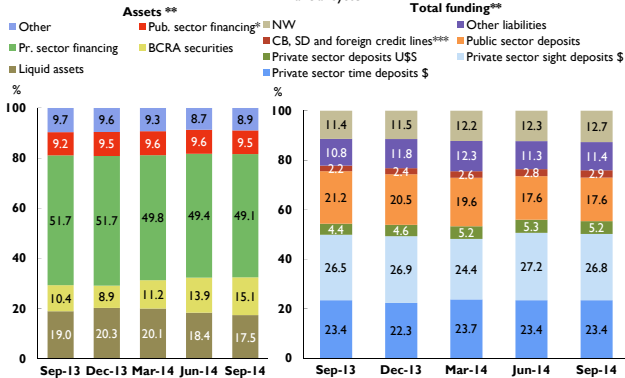
Source: BCRA

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



\*Includes Financial trusts issues. Source: BCRA

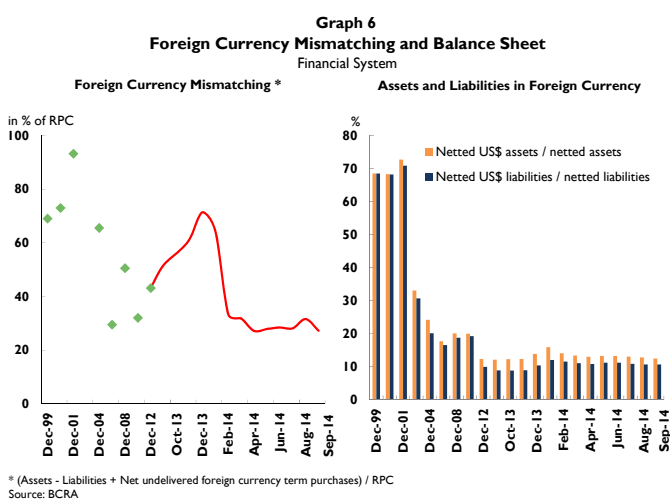
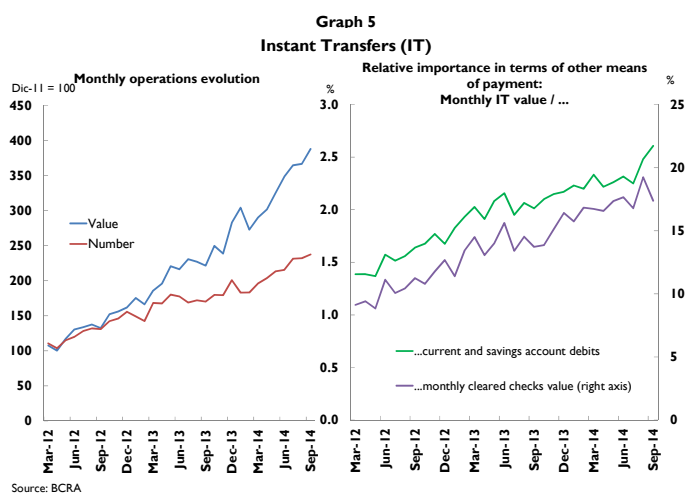
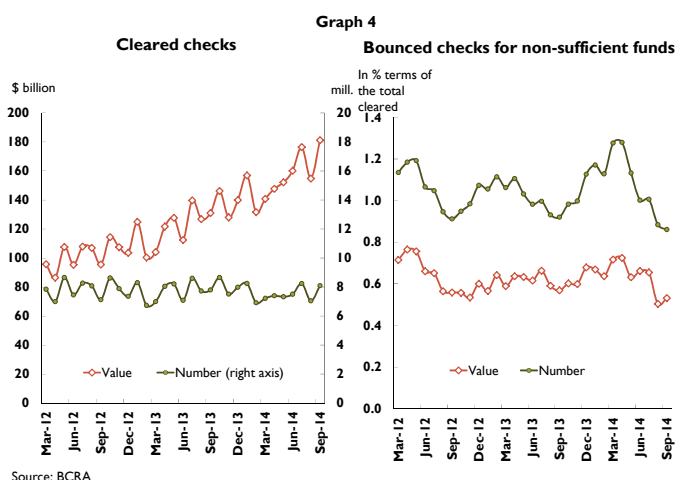
**Chart 3**  
**Balance Sheet Composition**  
Financial System



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

<sup>1</sup> Liquid assets (compliance with “minimum cash” requirements in account with the BCRA and special accounts in guarantee and other items, particularly cash in banks and correspondent accounts) plus net credit stock of repo transactions of financial institutions against the BCRA through LEBACs and NOBACs.

<sup>2</sup> Assets are net of accounting duplications inherent to the recording of repurchase agreements, term transactions and unsettled spot transactions.



It should be noted that **both indicators of checks bounced for insufficient funds fell in October, standing below the figures registered 12 months before.** Particularly, the number of checks bounced for insufficient funds in terms of the total cleared reached the lowest level on record in the past three years.

**Instant transfers increased over the month in terms of value and number (5.8% and 2.3%, respectively).** The value transferred rose by 75.2%, y.o.y. with an increased number of transactions of 39.6%. Most instant transfers recorded in September were conducted free of charge—amounts below \$20,000. As far as values are concerned, transactions free of charge accounted for over a third of the volume of instant transfers during the month. **The momentum posted by instant transfers since their implementation has exceeded that of other means of payment, thus increasing its relevance** (see Chart 5).

**Financial system foreign currency mismatching<sup>3</sup> stood at 27.3% of adjusted stockholders' equity<sup>4</sup> during the month, down 4.3 p.p. against August** (see Chart 6). This indicator fell in all groups of banks in September, particularly in the case of foreign private banks due to fewer forward net purchases of currency. This performance is in line with the amendment, implemented in September, to the financial institutions' ceiling in relation to the positive Net Global Position in Foreign Currency (PGNME), which went from 30% to 20% of adjusted stockholders' equity of the previous month or every institution's own liquid funds (whichever the lower)<sup>5</sup>. **This mismatching fell over 44 p.p. of adjusted stockholders' equity at an aggregate level<sup>6</sup> in the first nine months of the year**, an improvement that resulted from the regulatory changes ordered by the BCRA.

## II. Deposits and liquidity

**In September, the stock of private sector deposits in domestic currency climbed 2.2%, going up 28.8% y.o.y.** This performance was driven by sight accounts (3.7% over the month and 30.1% y.o.y.) and, to a lesser extent, by time deposits (1.6% over the month and 28.6% y.o.y.) (see Chart 7). In turn, private sector deposits in foreign currency decreased slightly over the period (in currency of origin). Thus, the total stock of private sector deposits (in domestic and foreign currency) increased 2% monthly and 30.4% y.o.y.

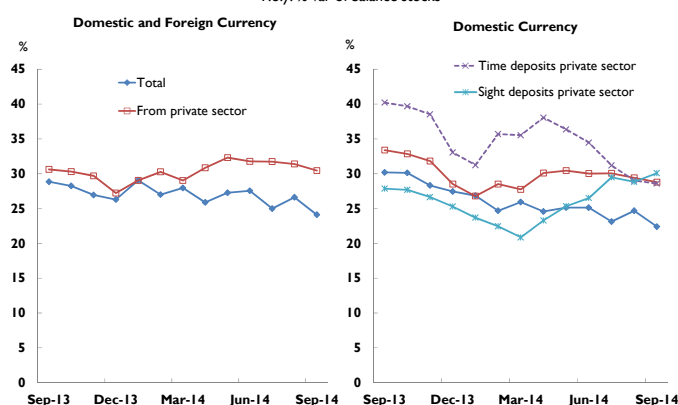
<sup>3</sup> Defined as: Assets in foreign currency – Liabilities in foreign currency + Forward net purchases of foreign currency without delivery of underlying assets.

<sup>4</sup> This mismatching evidences differences against the regulatory definition of PGNME even though they share similar values at an aggregate level.

<sup>5</sup> Communication "A" 5627.

<sup>6</sup> For further information on the currency risk taken by the financial system, see Section V.5 of the Financial Stability Report corresponding to the second half of 2014.

**Graph 7**  
**Financial System Deposits**  
Y.o.y. % var of balance stocks

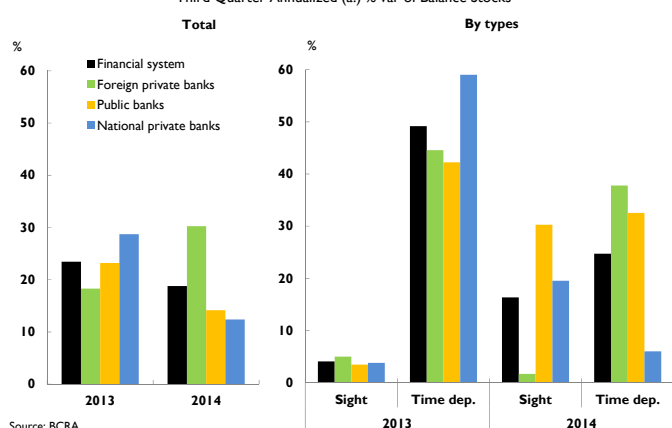


Source: BCRA

Public sector deposits (in domestic and foreign currency) dropped 1.6% in September (+6.7% y.o.y.). Consequently, **total deposits within the financial system<sup>7</sup> increased 1% against last August and posted a 24.1% nominal rise y.o.y.**

**Private sector deposits in pesos climbed 18.8% in annualized terms (a)** in the third quarter of 2014, standing slightly below the figure recorded over the same period in 2013. This lower momentum was mainly accounted for by a reduction in the hike rate of time deposits in all groups of banks (see Chart 8), an effect that was mitigated by a higher rise recorded by sight accounts.

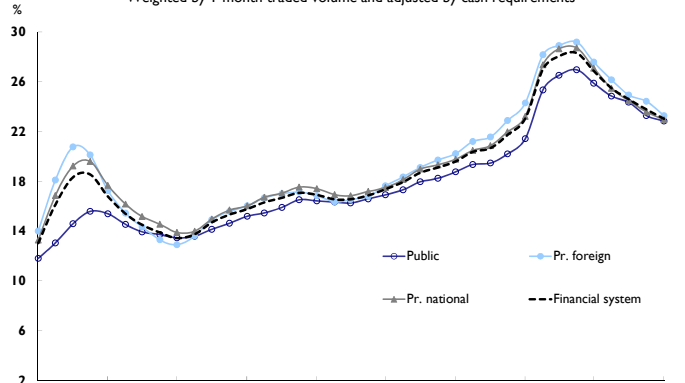
**Graph 8**  
**Private Sector Deposits by Group of Banks**  
Third Quarter Annualized (a.) % var of Balance Stocks



Source: BCRA

**In September, the funding cost for private sector time deposits in pesos decreased for the fifth month in a row.** Like in previous periods, this indicator fell in all groups of banks (see Chart 9). Within the framework of the minimum interest rates ordered by the Central Bank for time deposits in domestic currency made by natural persons<sup>8</sup>, **financial institutions' funding cost—for private sector time deposits in pesos—rose in Financial system liquidity** (including items in domestic and foreign currency) **fell 1.7 p.p. of total deposits, down to 23.4%.** As LEBAC holdings rose during the month, the liquidity indicator that comprises these instruments did not exhibit significant changes over the period (-0.1 p.p.), standing at 43.6% of total deposits. In terms of structure, holdings of monetary regulatory instruments kept on gaining share in assets with greater liquidity (see Chart 10).

**Graph 9**  
**Estimation of Average Funding Costs by Time Deposits in Pesos**  
Weighted by 1-month traded volume and adjusted by cash requirements



Source: BCRA

### III. Financing

**Financing in pesos from the ensemble of financial institutions to the private sector increased 2.6%<sup>9</sup> in September (21% y.o.y.).** The monthly change was led by promissory notes and loans for consumption purposes—cards and personal loans—(see Chart 11). In turn, financing in foreign currency continued falling during the period under analysis<sup>10</sup>. Thus, **the total stock of lending (in domestic and foreign currency) granted to companies and households increased 2.2%<sup>11</sup> against August (22% y.o.y.).** National private banks led the monthly performance evidenced by lending channelled to the private sector (going up 3.7%

<sup>7</sup> From the public and private sector, represented in domestic and foreign currency.

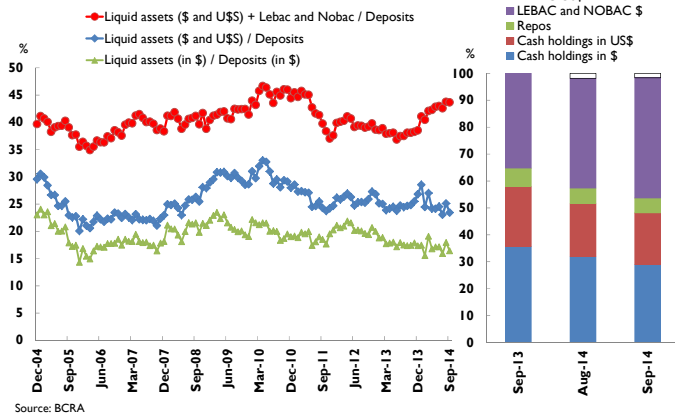
<sup>8</sup> Communication "A" 5640.

<sup>9</sup> Five financial trusts were issued in September for a total of \$652 million raised out of loans granted by financial institutions, out of which \$464 million corresponded to securitizations of personal loans and the remaining \$188 million, to securitization of pledge-backed loans. If the balance sheet stock is adjusted by such assets securitized in September, the change in loans in pesos to the private sector would stand at 2.7% over the period.

<sup>10</sup> Change in currency of origin.

<sup>11</sup> If the balance sheet stock is adjusted by assets securitized over September (out of loans granted by banks as underlying assets), the monthly rise in total lending (in domestic and foreign currency) to the private sector would stand at 2.3%.

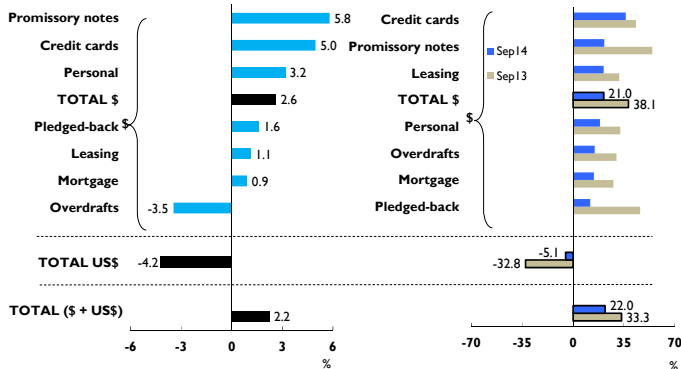
**Graph 10**  
**Financial System Liquidity**  
Liquid assets / Deposits



over this period) in a context where all groups of financial institutions posted a positive change in their stock of loans.

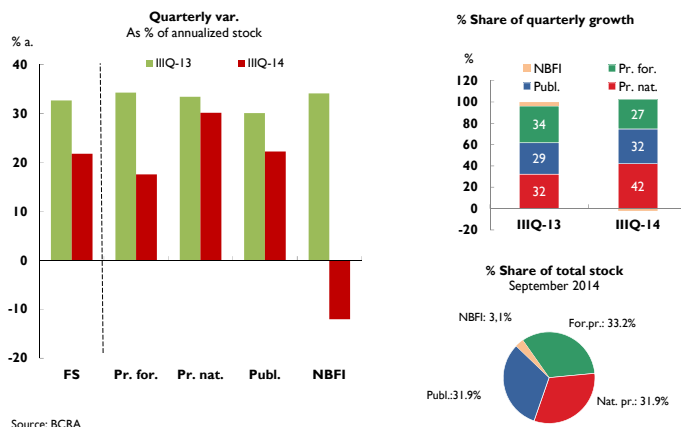
**Total loans to the private sector grew in the third quarter against the previous quarter.** Total financing to companies and households increased 21.8% a. between late June and late September 2014, up 7.1 p.p. against the previous three months, even though this change is still below the figure recorded over the same period in 2013 (see Chart 12). Loans granted by national private banks and public banks registered the highest relative hikes on a quarterly basis, contributing to almost three quarters of the change in the total stock of loans over the period.

**Graph 11**  
**Credit to the Private Sector by Currency of Origin**  
Monthly % Variation  
September 2014



**In September, loans to companies<sup>12</sup> increased 1.8%, going up 23.1% y.o.y. in nominal terms.** Lending to the productive sector in the third quarter of 2014 grew at a pace similar to that recorded in the past 12 months, evidencing hikes in the loans granted to all productive sectors. Particularly, loans to the primary sector exhibited the greatest relative change on a quarterly basis, contributing to over 36% of the total increase in lending to companies (see Chart 13). In turn, financing channelled to manufacturing kept the highest share in the stock, accounting for 40.1% of the total. The quarterly rise in loans to companies was mainly driven by national private banks; such loans expanded 35.8% a. and represented over 45% of the change in the total stock of loans granted to companies over the period under analysis.

**Graph 12**  
**Credit to the Private Sector by Group of Financial Institutions**



Within the framework of measures implemented by the BCRA to promote lending for productive purposes, new funds were awarded along the year by means of the **Credit Line for Productive Investment (LCIP)**. Loans amounting to around \$103 billion were granted since the start of the LCIP—July 2012—to August 2014<sup>13</sup>, 66% of which was channelled to micro, small, and medium-sized enterprises (see Chart 14). In turn, **a new auction was conducted in late October 2014 under the Bicentennial Productive Financing Program (PFPB)**, whereby an additional amount of \$211 million were awarded. Thus, \$8.1 billion have been allocated through 28 auctions since the start of the PFPB—mid 2010—out of which \$6.6 billion have been effectively disbursed among different companies.

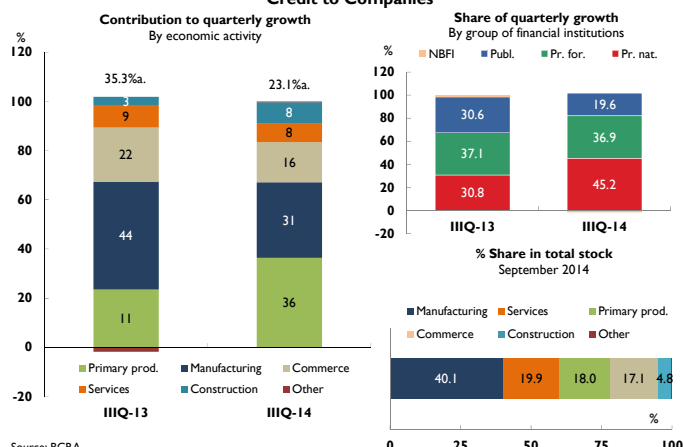
**In September, lending to households increased 2.7% (20.8% y.o.y.), evidencing the greatest monthly hike since January 2014.** Such rise was driven by personal loans and credit cards. Financing to household expanded

<sup>12</sup> Information obtained from the Debtors' Database (in domestic and foreign currency). Loans to companies comprise financing 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.

<sup>13</sup> Including partial information from the fifth stage of the LCIP corresponding to the second half of 2014.

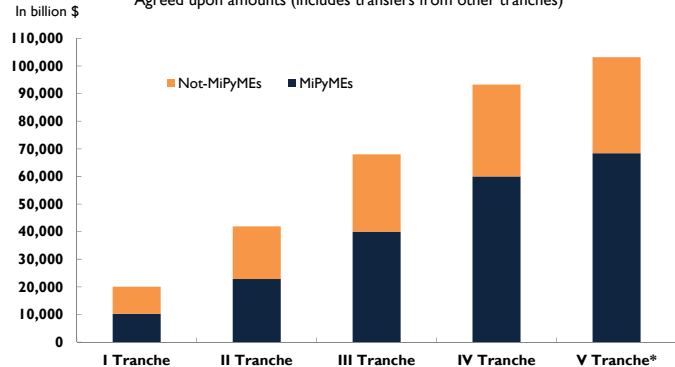


**Graph 13**  
**Credit to Companies**



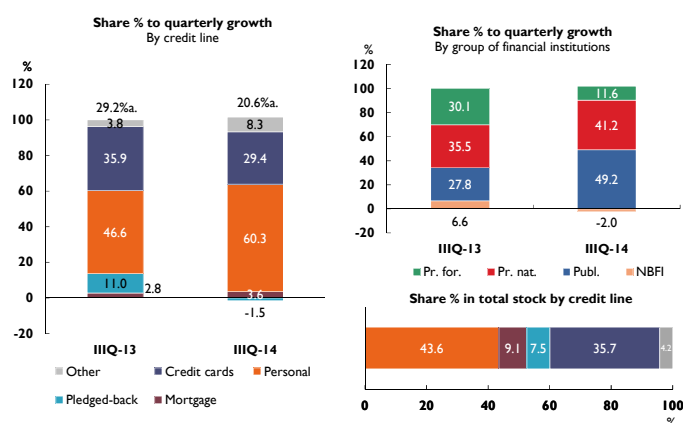
Source: BCRA

**Graph 14**  
**Credit Line for Productive Investment**



\* V Tranche provisory data, up to August 2014

**Graph 15**  
**Credit to Households**



Source: BCRA

20.6%a. in the third quarter (see Chart 15), exceeding the figure of the previous quarter but remaining still lower in y.o.y. terms. **The recent performance of credit lines granted to households was favoured by a set of stimulus measures fostered by the public sector.** Particularly, the “*Ahora 12*” program, effective from mid-September, which provides financing for consumption with credit cards and in 12 instalments. This measure has been adopted to supplement the PRO.CRE.AUTO program, whereby personal loans are granted by the Banco de la Nación Argentina for the purchase of new locally-manufactured vehicles.

**The average lending rate in pesos fell again over the month, driven by the lines used the most by the productive sector—overdrafts and promissory notes—**(see Chart 16). This decline in lending rates was observed in all groups of banks. **The monthly drop exceeded the decrease in the cost of funding<sup>14</sup> leading to a slight reduction in spreads.** The current lending rate levels are below the peaks registered in the first half of the year in all credit lines—with the exception of mortgage loans—. This partly reflects the effect resulting from some measures ordered by the BCRA such as the LCIP—at an initial 19.5% interest rate for productive lending—and the regulation of interest rates on personal and pledge-backed loans that have been granted to natural persons as from June 2014<sup>15</sup>.

**Non-performance in lending to the private sector went down over the month<sup>16</sup>, standing at 2% of total financing.** This decline was driven by lending to the productive sector—the non-performance of which fell to 1.1%—and loans to households—the delinquency of which dropped to 3.2%—(see Chart 17). **Such monthly reduction in households’ delinquency was observed in a context where the sector’s<sup>17</sup> levels of debt and financial burden are moderate. Coverage of the non-performing portfolio with provisions rose to 139.3% in September, exceeding 100% in all groups of banks.** Excluding provisions on the performing portfolio, coverage would amount to 88.8%, 40 p.p. in excess of the regulatory requirement.

## IV. Solvency

**Consolidated financial system net worth increased 2.4% in September,** resulting primarily from book profits. Net worth expanded 39.2%a. in the third quarter of 2014 (see Chart 18). This rise was relatively higher than that of total assets; therefore, **the aggregate**

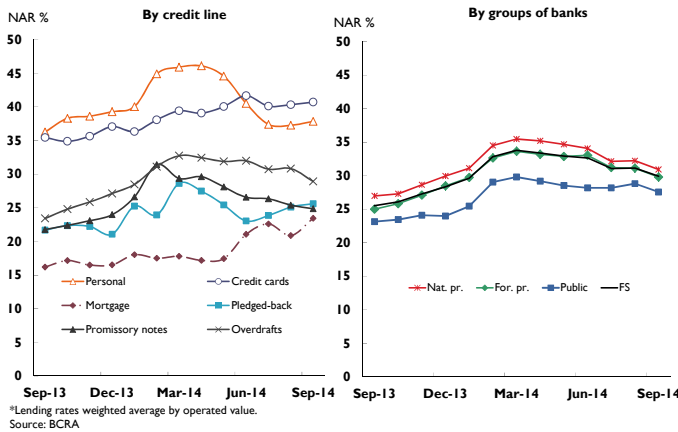
<sup>14</sup> Funding cost estimated for total deposits weighted by volume traded in a two-month period, adjusted by the minimum reserve requirement.

<sup>15</sup> Communication “A” 5590.

<sup>16</sup> Partly due to the record of bad-debt in memorandum accounts by some financing institutions.

<sup>17</sup> For an in-depth analysis, see Financial Stability Report corresponding to the second half of 2014, Box 3 / Households’ Financial Burden Indicator and Chapter III.

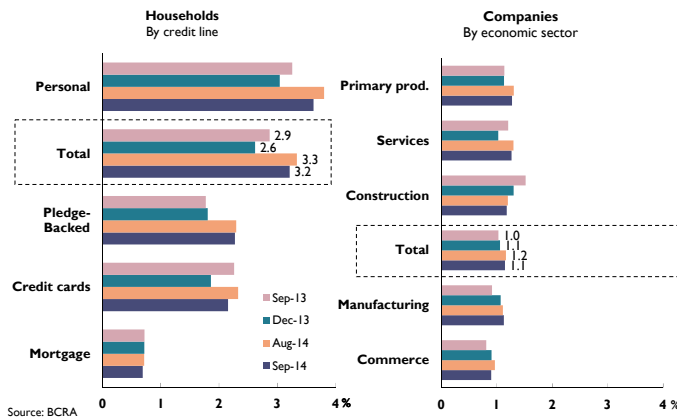
**Graph 16**  
Lending Interest Rates and Spreads Operated in Pesos \*



financial system leverage level continued falling in the last three months. Assets totalled 7.7 times the net worth of banks, down 0.2 against June 2014.

Financial system regulatory capital compliance stood at 14.4% of total risk-weighted assets (RWA) in September, evidencing a slight rise against the month before. Tier 1<sup>18</sup> capital compliance accounted for 13.4% of RWA over the period. In turn, capital compliance in excess of the regulatory requirement (capital position) amounted to 86% as of September 2014 (see Chart 19), up 3 p.p. quarterly and 14 p.p. y.o.y. All groups of banks posted surpluses in terms of their capital position in the ninth month of the year.

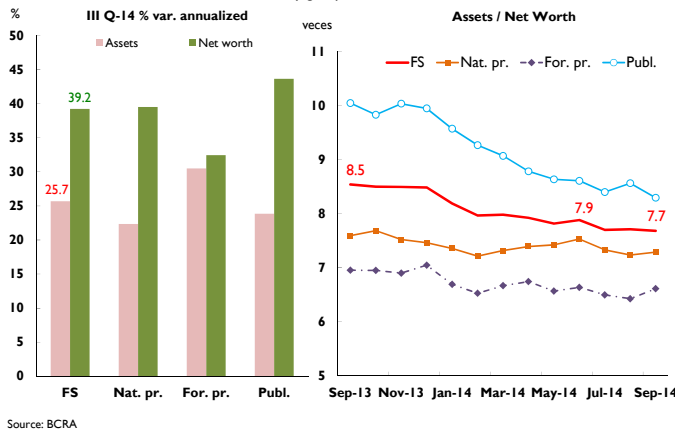
**Graph 17**  
Private Sector Non Performing Debt  
Non-performing loans / Total loans (%) - Financial System



In September, the ensemble of banks accrued book profits equivalent to 3.7%a. of assets, evidencing a drop against the month before. Such lower figures were mainly accounted for by a reduction in income derived from foreign exchange price adjustments. Public and private banks exhibited a monthly decrease in the ROA. In turn, book profits recorded over the third quarter of the year accounted for 4.2%a. of assets (see Chart 20), up 0.9 p.p. against the second quarter of the year and 0.5 p.p. y.o.y.<sup>19</sup>

Banks' financial margin reached 11.6%a. of assets in September (see Chart 21), down 0.5 p.p. against August. Even though income derived from securities rose over the month (+0.2 p.p. of assets up to 5.2%a.), the drop observed over the period stemmed from lower profits resulting from exchange rates spreads (-0.7 p.p. of assets down to 0.4%a.), which were mainly explained by public and foreign private banks. Thus, the financial margin of the ensemble of institutions stood at 11.7%a. of assets in the third quarter of 2014, up 1.2 p.p. against the previous quarter and 0.4 p.p. y.o.y.

**Graph 18**  
Assets, Net Worth and Leverage  
By group of banks



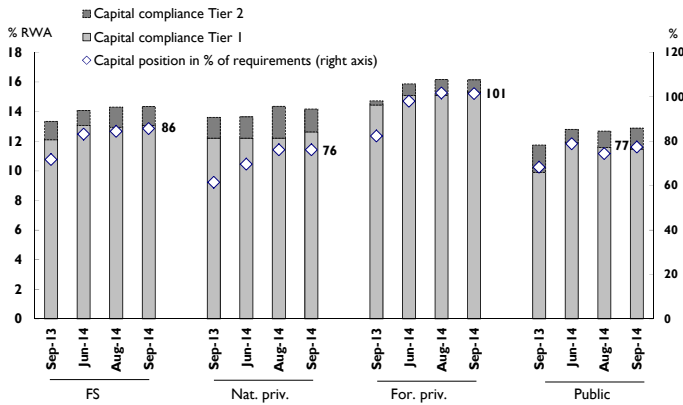
Monthly net income from the sector services increased slightly against last August, amounting to 4.5%a. of assets. All groups of banks raised such income over the month. Thus, net income from services recorded over the last three months exhibited a slight hike against the previous quarter and remained in line with the level observed in the third quarter of 2013.

In September, financial system loan loss provisions fell slightly to 1%a. of assets, being similar to the figure recorded over the third quarter of the year. In turn, operating costs stood at 7.5%a. of assets over the month, up 0.2 p.p. against August. This growth was mainly reflected in foreign and national private banks.

<sup>18</sup> It is defined as basic net worth (common stock and additional capital), net of deductible accounts. For further information, see Communication "A" 5369.

<sup>19</sup> For further information on the recent evolution of the financial system's profitability, see Section V.1.2 of the Financial Stability Report corresponding to the second half of 2014.

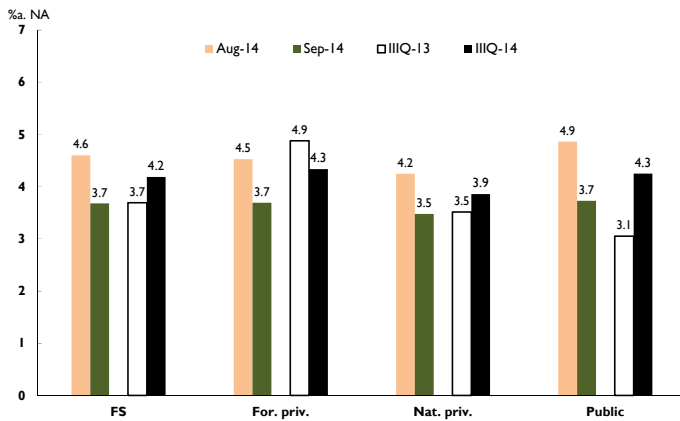
**Graph 19**  
**Capital Compliance and Excess of the Requirement (Position)**



Source: BCRA

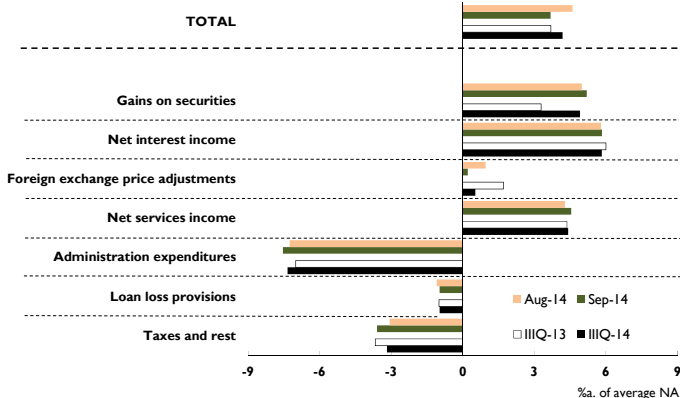
Thus, these costs accounted for 7.4% a. of assets in the third quarter of 2014, down 0.4 p.p. y.o.y.

**Graph 20**  
**Profitability by Group of Banks**



Source: BCRA

**Graph 21**  
**Financial System Profitability**  
As % a. of netted assets



Source: BCRA

## 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” 5627 – September 03, 2014**

As from September 2014, the limit on the positive foreign currency net global position shall fall from 30% to 20% of Adjusted Stockholders' Equity or institutions' own liquid funds, whichever the lowest.

### **Communication “A” 5628 – September 03, 2014**

Regulations on CEDINs (Certificates of Deposit for Investment) are amended as follows: (i) Financial institutions shall receive documentation at least three business days before the transaction date so that the certificate may be checked in advance and collection may be available at the same time CEDINs are produced; (ii) Regarding the construction of new housing units, the relevant documentation to be submitted shall comply with certain formal requirements for building works and the assignment of the corresponding property rights; (iii) Concerning the purchase of construction materials for the refurbishment, expansion or improvement of real estate, the production of invoices or receipts issued by the electronic billing system of Argentina's Federal Tax Authority (AFIP) shall be accepted; (iv) With respect to the CEDIN payment stage, where the payor financial institution does not operate in US dollars, or does not have enough bank notes so denominated, it shall open a checking account for the payees to collect their CEDINs. Payees may subsequently make withdrawals from the account opened in the payor institution or any other branch. For such instances, charges and/or fees for the first month shall be subject to maximum limits set for this transaction; (v) Financial institutions falling under the scope of this regulation shall display notice boards giving information on CEDIN transactions. **Communication “A” 5631– September 12, 2014**

Within the framework of the “AHORA 12” Programme, effective as from October 1, 2014, regulations on “Minimum Cash” provide that financial institutions may deduct from their average requirement in pesos an amount equivalent to 16% of the new loans they may grant for the purchase of such goods and services as are included in such programme. In addition, this deduction is limited to 1% of the items in pesos that are subject to the requirement, on average, corresponding to the month before that of the calculation.

### **Communication “A” 5637 – September 25, 2014**

Regulations on “Credit Management” are amended as from October 1, 2014. In the cases of special transactions classified by specific assessment methods, individual limits are replaced by a general limit for every client considering their instalment/income ratio, which may not exceed 30%. As regards income and total loans, instalments shall be subject to the income of borrowers and their family group living with them. In turn, the rules on “Debtors' Classification” increase debt amounts to \$2.5million. Below such figure financial institutions may group loans for commercial purposes with those aimed at consumption or housing. The rules on “Credit Grading” increase —to \$2.5 million—the amount set for exemptions to such provisions. Thus, the whole loans channelled to each natural or legal persons or else economic groups non-related to the lending financial institution shall be exempted, provided that they do not exceed the amount mentioned above. Finally, the amounts provided for in the regulations on “Reciprocal Guarantee Companies (SGR)” and “Guarantee Funds of Public Nature” concerning the individual limit of total guarantees granted to a participating partner or to micro, small, and medium-sized enterprises by the reciprocal guarantee company or the guarantee fund are raised to \$10 million and \$7.5 million, respectively.

### **Communication “A” 5638 – September 25, 2014**

The development of the “AHORA 12” Programme is encouraged by amending the regulations on “Minimum Cash”. In this sense, financial institutions may deduct from their average requirement in pesos a sum equivalent to 16% of the amount of loans in pesos they may grant to credit card issuers other than financial institutions at a 0% interest rate, provided that all such funds are allocated to financing under the “AHORA 12” Programme. In addition, regulations on the “Credit Line for Productive Investment” were amended to allow financial institutions to allocate such financing that was not granted to clients other than micro, small, and medium-sized enterprises during the second tranche of the 2014 Quota to the above-mentioned credit card issuers.

# 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 counterparty 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<sup>1</sup> | 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	Sep 13	Dec 13	Aug 14	Sep 14
1.- Liquidity	20.1	22.5	23.0	27.9	28.6	28.0	24.7	26.8	24.7	26.8	25.1	23.4
2.- Credit to the public sector	31.5	22.5	16.3	12.7	14.4	12.1	10.7	9.7	8.9	9.4	8.9	9.1
3.- Credit to the private sector	25.8	31.0	38.2	39.4	38.3	39.8	47.4	49.5	49.8	50.9	47.1	46.9
4.- Private non-performing loans	7.6	4.5	3.2	3.1	3.5	2.1	1.4	1.7	1.8	1.7	2.1	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	-2.8	-3.5	-2.8	-2.9
6.- ROA	0.9	1.9	1.5	1.6	2.3	2.8	2.7	2.9	3.1	3.4	4.7	4.6
7.- ROE	7.0	14.3	11.0	13.4	19.2	24.4	25.3	25.7	26.5	29.5	37.4	36.3
8.- Efficiency	151	167	160	167	185	179	179	190	199	206	226	225
9a.- Capital compliance	-	-	-	-	-	-	-	-	13.3	13.6	14.3	14.4
9b.- Capital compliance (credit risk)	15.9	16.9	16.9	16.9	18.8	17.7	15.6	17.1	-	-	-	-
10a.- Capital compliance Tier I	-	-	-	-	-	-	-	-	12.0	12.5	13.3	13.4
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	84	86

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	Sep 13	Dec 13	Aug 14	Sep 14	Change (in %)		
										Last month	2014	Las 12 months
<b>Assets</b>	<b>346,762</b>	<b>387,381</b>	<b>510,304</b>	<b>628,381</b>	<b>790,026</b>	<b>942,740</b>	<b>1,004,892</b>	<b>1,188,995</b>	<b>1,220,563</b>	<b>2.7</b>	<b>21.5</b>	<b>29.5</b>
Cash disposal <sup>1</sup>	58,676	71,067	93,085	104,389	148,254	154,947	200,925	194,909	183,025	-6.1	-8.9	18.1
Public bonds	65,255	86,318	117,951	112,906	123,491	161,029	141,494	241,932	261,530	8.1	84.8	62.4
Lebac/Nobac	37,093	43,867	76,948	71,050	84,057	114,109	89,641	186,333	201,374	8.1	124.6	76.5
Portfolio	25,652	34,748	61,855	59,664	70,569	94,088	88,091	160,653	175,957	9.5	99.7	87.0
Repo <sup>2</sup>	11,442	9,119	15,093	11,386	13,488	20,021	1,550	25,680	25,418	-1.0	1,540.0	27.0
Private bonds	203	307	209	212	251	442	434	879	937	6.6	115.9	111.8
Loans	154,719	169,868	230,127	332,317	433,925	514,733	563,344	613,000	625,793	2.1	11.1	21.6
Public sector	17,083	20,570	25,907	31,346	39,951	41,632	48,438	51,436	51,725	0.6	6.8	24.2
Private sector	132,844	145,247	199,202	291,708	383,674	460,951	501,857	550,185	562,456	2.2	12.1	22.0
Financial sector	4,793	4,052	5,018	9,263	10,299	12,150	13,049	11,379	11,612	2.1	-11.0	-4.4
Provisions over loans	-4,744	-5,824	-6,232	-7,173	-9,596	-11,620	-13,117	-16,027	-16,161	0.8	23.2	39.1
Other netted credits due to financial intermediation	38,152	33,498	39,009	40,805	38,769	59,779	42,435	72,751	82,130	12.9	93.5	37.4
Corporate bonds and subordinated debt	912	1,146	1,433	1,657	2,255	3,709	5,421	5,199	5,241	0.8	-3.3	41.3
Unquoted trusts	5,714	5,942	6,824	7,967	10,822	12,082	12,656	12,891	12,490	-3.1	-1.3	3.4
Leasing	3,935	2,933	3,936	6,222	7,203	8,383	9,460	9,988	10,096	1.1	6.7	20.4
Shares in other companies	7,236	6,711	7,921	9,123	11,682	13,875	15,117	19,089	19,676	3.1	30.2	41.8
Fixed assets and miscellaneous	7,903	8,239	9,071	10,111	11,251	13,021	14,231	16,619	17,403	4.7	22.3	33.6
Foreign branches	3,153	3,926	3,283	3,525	4,354	5,065	5,627	7,220	7,262	0.6	29.0	43.4
Other assets	12,275	10,337	11,943	15,944	20,441	23,086	24,941	28,636	28,872	0.8	15.8	25.1
<b>Liabilities</b>	<b>305,382</b>	<b>339,047</b>	<b>452,752</b>	<b>558,264</b>	<b>699,205</b>	<b>831,523</b>	<b>883,091</b>	<b>1,034,033</b>	<b>1,061,939</b>	<b>2.7</b>	<b>20.3</b>	<b>27.7</b>
Deposits	236,217	271,853	376,344	462,517	595,764	701,635	752,422	861,885	870,809	1.0	15.7	24.1
Public sector <sup>3</sup>	67,151	69,143	115,954	129,885	163,691	192,752	202,434	209,012	205,592	-1.6	1.6	6.7
Private sector <sup>3</sup>	166,378	199,278	257,595	328,463	427,857	503,571	544,331	644,046	656,890	2.0	20.7	30.4
Current account	39,619	45,752	61,306	76,804	103,192	114,330	125,237	141,560	151,893	7.3	21.3	32.9
Savings account	50,966	62,807	82,575	103,636	125,210	140,721	158,523	183,678	185,137	0.8	16.8	31.6
Time deposit	69,484	83,967	104,492	135,082	183,736	230,796	241,281	294,585	298,189	1.2	23.6	29.2
Other netted liabilities due to financial intermediation	57,662	52,114	60,209	76,038	75,106	96,890	92,634	126,497	141,647	12.0	52.9	46.2
Interbanking obligations	3,895	3,251	4,201	7,947	8,329	9,831	10,596	8,905	8,905	0.0	-16.0	-9.4
BCRA lines	1,885	270	262	1,920	3,535	4,658	4,693	4,620	4,522	-2.1	-3.6	-2.9
Outstanding bonds	5,984	5,033	3,432	6,856	9,101	12,311	14,198	17,156	17,928	4.5	26.3	45.6
Foreign lines of credit	4,541	3,369	3,897	6,467	4,992	4,838	6,328	11,732	12,135	3.4	91.8	150.8
Other	13,974	14,891	17,426	24,137	26,280	28,385	41,345	38,130	42,864	12.4	3.7	51.0
Subordinated debts	1,763	1,922	2,165	2,065	2,647	3,076	3,425	4,158	4,249	2.2	24.1	38.2
Other liabilities	9,740	13,159	14,213	17,644	25,688	29,922	34,610	41,492	45,234	9.0	30.7	51.2
<b>Net worth</b>	<b>41,380</b>	<b>48,335</b>	<b>57,552</b>	<b>70,117</b>	<b>90,820</b>	<b>111,217</b>	<b>121,800</b>	<b>154,962</b>	<b>158,624</b>	<b>2.4</b>	<b>30.2</b>	<b>42.6</b>
<b>Memo</b>												
<b>Netted assets</b>	321,075	364,726	482,532	601,380	767,744	907,448	989,825	1,143,972	1,166,870	2.0	17.9	28.6
<b>Consolidated netted assets</b>	312,002	357,118	472,934	586,805	750,598	887,515	968,458	1,122,645	1,145,183	2.0	18.2	29.0

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

(<sup>3</sup>) Does not include accrual on interest or CER.

Source: BCRA

<sup>1</sup> Note | Data available in Excel in

[http://www.bcra.gov.ar/pdfs/polmon/InfBanc\\_Anexoi.xls](http://www.bcra.gov.ar/pdfs/polmon/InfBanc_Anexoi.xls)

# Statistics annex<sup>1</sup> | Financial system

## Chart 3 | Profitability Structure

Amount in million of pesos	Annual						First 9 months		Monthly			Last
	2008	2009	2010	2011	2012	2013	2013	2014	Jul-14	Aug-14	Sep-14	12 months
Financial margin	20,462	28,937	35,490	43,670	61,667	88,509	61,060	99,221	10,333	11,394	11,198	126,670
Net interest income	9,573	14,488	17,963	24,903	38,365	50,336	36,270	46,435	5,445	5,477	5,627	60,501
CER and CVS adjustments	2,822	1,196	2,434	1,725	2,080	2,153	1,599	3,608	285	285	309	4,162
Foreign exchange price adjustments	2,307	2,588	2,100	3,025	4,127	11,287	6,319	12,791	468	969	340	17,760
Gains on securities	4,398	11,004	13,449	14,228	17,356	22,280	16,230	32,701	4,228	4,717	5,014	38,751
Other financial income	1,362	-339	-457	-211	-261	2,454	643	3,685	-94	-54	-92	5,496
Service income margin	10,870	13,052	16,089	21,391	28,172	36,503	26,676	34,617	4,114	4,048	4,384	44,444
Loan loss provisions	-2,839	-3,814	-3,267	-3,736	-6,127	-9,349	-6,156	-8,074	-783	-1,030	-938	-11,266
Operating costs	-18,767	-22,710	-28,756	-36,365	-47,318	-60,722	-44,010	-59,501	-6,734	-6,863	-7,273	-76,213
Tax charges	-2,318	-3,272	-4,120	-6,047	-8,981	-13,916	-10,184	-14,291	-1,636	-1,663	-1,663	-18,024
Adjust. to the valuation of gov. Securities <sup>1</sup>	-1,757	-262	-214	-336	-338	-377	-277	-727	-61	-60	-62	-828
Amort. payments for court-ordered releases	-994	-703	-635	-290	-274	-128	-84	-61	-6	-5	-9	-106
Other	1,441	918	2,079	2,963	2,475	2,576	1,840	4,531	342	895	710	5,267
Total results before tax <sup>2</sup>	6,100	12,145	16,665	21,251	29,276	43,094	28,866	55,716	5,570	6,716	6,347	69,944
Income tax	-1,342	-4,226	-4,904	-6,531	-9,861	-13,951	-10,005	-18,742	-1,575	-2,365	-2,798	-22,689
<b>Total result<sup>2</sup></b>	<b>4,757</b>	<b>7,920</b>	<b>11,761</b>	<b>14,720</b>	<b>19,415</b>	<b>29,143</b>	<b>18,861</b>	<b>36,973</b>	<b>3,995</b>	<b>4,350</b>	<b>3,549</b>	<b>47,255</b>
Adjusted Result <sup>3</sup>	7,508	8,885	12,610	15,345	20,027	29,649	19,221	37,761	4,062	4,415	3,620	48,189
Annualized indicators - As % of netted assets												
Financial margin	6.7	8.6	8.5	8.0	9.2	10.3	9.9	12.2	11.3	12.1	11.6	12.1
Net interest income	3.1	4.3	4.3	4.6	5.7	5.9	5.9	5.7	5.9	5.8	5.8	5.8
CER and CVS adjustments	0.9	0.4	0.6	0.3	0.3	0.3	0.3	0.4	0.3	0.3	0.3	0.4
Foreign exchange price adjustments	0.8	0.8	0.5	0.6	0.6	1.3	1.0	1.6	0.5	1.0	0.4	1.7
Gains on securities	1.4	3.3	3.2	2.6	2.6	2.6	2.6	4.0	4.6	5.0	5.2	3.7
Other financial income	0.4	-0.1	-0.1	0.0	0.0	0.3	0.1	0.5	-0.1	-0.1	-0.1	0.5
Service income margin	3.6	3.9	3.8	3.9	4.2	4.3	4.3	4.3	4.5	4.3	4.5	4.2
Loan loss provisions	-0.9	-1.1	-0.8	-0.7	-0.9	-1.1	-1.0	-1.0	-0.9	-1.1	-1.0	-1.1
Operating costs	-6.1	-6.7	-6.9	-6.7	-7.0	-7.1	-7.1	-7.3	-7.4	-7.3	-7.5	-7.3
Tax charges	-0.8	-1.0	-1.0	-1.1	-1.3	-1.6	-1.6	-1.8	-1.8	-1.8	-1.7	-1.7
Adjust. to the valuation of gov. Securities <sup>1</sup>	-0.6	-0.1	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.1	-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	0.3	0.6	0.4	0.9	0.7	0.5
Total results before tax <sup>2</sup>	2.0	3.6	4.0	3.9	4.3	5.0	4.7	6.9	6.1	7.1	6.6	6.7
Income tax	-0.4	-1.3	-1.2	-1.2	-1.5	-1.6	-1.6	-2.3	-1.7	-2.5	-2.9	-2.2
<b>ROA<sup>2</sup></b>	<b>1.6</b>	<b>2.3</b>	<b>2.8</b>	<b>2.7</b>	<b>2.9</b>	<b>3.4</b>	<b>3.1</b>	<b>4.6</b>	<b>4.4</b>	<b>4.6</b>	<b>3.7</b>	<b>4.5</b>
ROA adjusted <sup>3</sup>	2.5	2.6	3.0	2.8	3.0	3.5	3.1	4.7	4.4	4.7	3.8	4.6
ROE before tax	17.2	29.5	34.5	36.5	38.8	43.7	40.6	54.7	47.3	55.3	51.1	54.1
ROE <sup>2</sup>	13.4	19.2	24.4	25.3	25.7	29.5	26.5	36.3	34.0	35.8	28.6	36.5

(<sup>1</sup>) Com. "A" 3911. Adjustments to the valuation of government unlisted securities according to Com. "A" 4084 are included under the "gains from securities" heading.

(<sup>2</sup>) 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.

(<sup>3</sup>) 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	Sep.13	Dec.13	Aug.14	Sep.14
<b>Non-performing loans (overall)</b>	<b>5.2</b>	<b>3.4</b>	<b>2.7</b>	<b>2.7</b>	<b>3.0</b>	<b>1.8</b>	<b>1.2</b>	<b>1.5</b>	<b>1.6</b>	<b>1.5</b>	<b>1.9</b>	<b>1.8</b>
Provisions / Non-performing loans	115	108	115	117	115	148	176	144	138	150	139	141
(Total non-performing - Provisions) / Overall financing	-0.8	-0.3	-0.4	-0.5	-0.5	-0.9	-0.9	-0.7	-0.6	-0.8	-0.7	-0.7
(Total non-performing - Provisions) / Net worth	-2.6	-0.9	-1.6	-1.8	-1.7	-3.6	-4.6	-3.4	-3.0	-3.7	-3.0	-3.1
<b>Non-performing loans to the non-financial private sector</b>	<b>7.6</b>	<b>4.5</b>	<b>3.2</b>	<b>3.1</b>	<b>3.5</b>	<b>2.1</b>	<b>1.4</b>	<b>1.7</b>	<b>1.8</b>	<b>1.7</b>	<b>2.1</b>	<b>2.0</b>
Provisions / Non-performing loans	115	108	114	116	112	143	171	141	136	148	137	139
(Total non-performing - 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-performing - Provisions) / Net worth	-2.5	-0.8	-1.5	-1.7	-1.3	-3.2	-4.3	-3.1	-2.8	-3.5	-2.8	-2.9

Source: BCRA

<sup>1</sup> Note | Data available in Excel in

[http://www.bcra.gov.ar/pdfs/polmon/InfBanc\\_Anexoi.xls](http://www.bcra.gov.ar/pdfs/polmon/InfBanc_Anexoi.xls)