Report on Banks

October 2014

BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

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Year XII, No. 2

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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 is included.

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Summary

- **Within the framework of the national payment system, in October cleared checks increased, while the ratio between instruments bounced for insufficient funds and total cleared checks decreased.** The indicator of checks bounced for insufficient funds stood at 0.5% in terms of the total value cleared and 0.8% in terms of number. In turn, **instant electronic funds transfers are another means of payment which has been being used more extensively**. Over the past twelve months, this type of transaction increased 70% in terms of value and 41% in terms of number.

- **In October, total lending to the private sector increased 1.7% (21.5% y.o.y.), boosted by credit lines in pesos, which rose 2.3%**. Considering the segment in domestic currency, credit cards recorded the highest relative growth, partly due to seasonal factors and the implementation of the “Ahora 12” Program. During the month, financing to households expanded 3.4% (20.8% y.o.y.), above the change rate observed in lending to companies.

- **Regarding the credit policy, the BCRA decided to renew the Credit Line for Productive Investment (LCIP) for the first half of 2015**. On this occasion, banks within the scope of this program should allocate at least an amount equal to 6.5% of deposits in pesos of the non-financial private sector. **The target total amount of funds to be allocated in the first half of 2015 would be around $37.4 billion pesos. The entire quota should be granted to micro, small, and medium-sized enterprises (MiPyMEs), at a 19% maximum interest rate and for a minimum 3-year period**. In addition, a special mechanism shall be included to privilege credit granted to companies of a smaller size within MiPyMEs and to promote lending across the country through the LCIP in regions with less economic development. It was established that up to 20% of the quota may be allocated to finance working capital related to investment projects, while the percentage for discounting deferred payment checks was raised.

- **Delinquency levels of lending to the private sector stood at 2% of the portfolio during the month**, with financing to households posting a slight decrease in non-performance (-0.1 p.p. to 3.1%) and without significant changes in lending to companies (1.2%). The financial system continued posting high coverage of the non-performing portfolio. **Provisions of the financial system increased slightly in October reaching 140% of the delinquent portfolio**, standing above 100% across all groups.

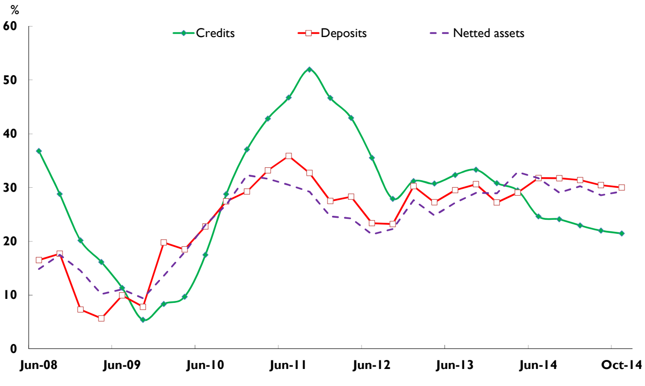
- **Private sector deposits grew 1.6%** (30% y.o.y.) **in October**. **Sight deposits in pesos increased 1.8%** (30.9% y.o.y.)**, whilst time deposits in pesos expanded 1.3%** (25.6% y.o.y.). Public sector deposits recovered after a decline exhibited in September. Thus, total deposits within the financial system increased 3.2% (25.6% y.o.y.) during the month.

- **The liquidity ratio** (in pesos and dollars) **increased 1.3 p.p. of deposits in October up to 24.7%**. In turn, **the broad liquidity indicator**—including LEBAC and NOBAC holdings— **reached 44.2% of deposits,** increasing 0.6 p.p. in the month and 6.2 p.p. y.o.y. Over the past twelve months, the share of BCRA's bills and notes as regards total asset portfolio with higher liquidity increased 8 p.p., reaching 43% of total.

- **The consolidated financial system net worth grew 1.8% in the month, up 42.2% y.o.y.**, **mainly due to profit accruals.** Capital compliance by the ensemble of banks stood at 14.8% of total risk-weighted assets (RWAs) over the period, while Tier 1 capital compliance accounted for 13.8% of RWAs. **In October, capital compliance in excess of the regulatory requirement for the ensemble of financial institutions stood at 91%,** increasing 5 p.p. against the previous month.

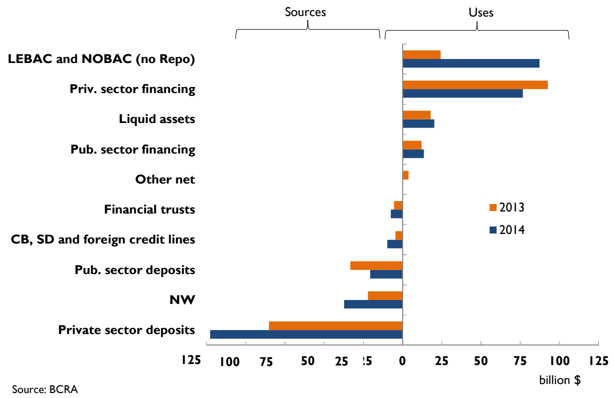
- **During the month, book profits accrued by banks stood at 2.9%a. of assets**, below those observed in September, mainly due to a fall in incomes derived from securities in dollars and extraordinary records of miscellaneous items. **In the last twelve months, the financial system accrued book profits equivalent to 4.4%a. of assets** (up 1.3 p.p. y.o.y.).

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



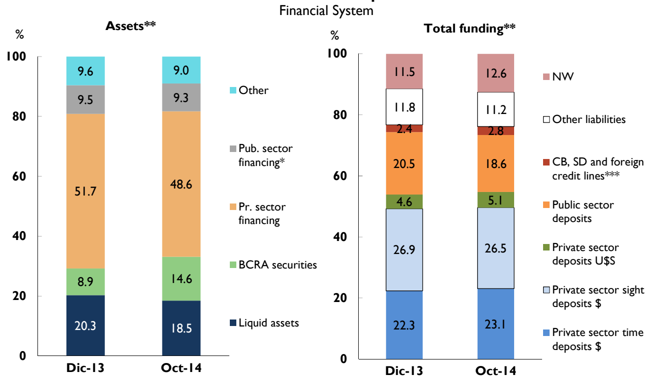
Source: BCRA

Chart 2
Estimation of Sources and Uses of Funds - First 10 months
Financial system



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

I. Activity

Financial intermediation with the private sector continued expanding at the beginning of the fourth quarter, exhibiting, on the margin, a lower growth pace (see Chart 1). In October total lending to the private sector increased 1.7% (21.5% y.o.y.), and deposits in this sector expanded 1.6% (30% y.o.y.). In this context, netted assets posted a monthly growth of 2.7% (29.3% y.o.y.).

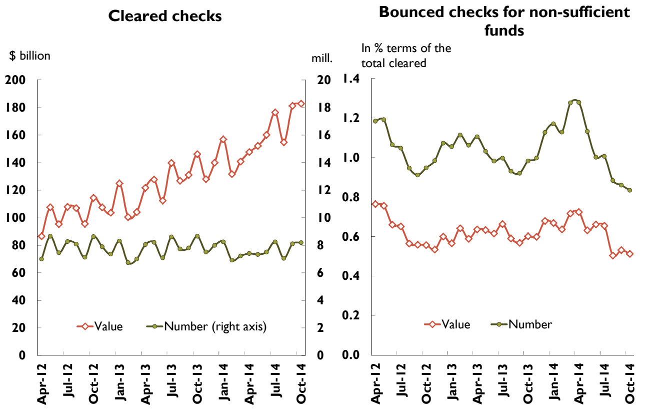
The growth in liquid assets ($17.8 billion) **was the main application of funds in October**. Increased lending to the private sector came next ($9.3 billion). **As regards the source of funds, an increase of deposits of the public sector** ($17.5 billion) **stood out and also a rise of deposit taking of the private sector** ($10.2 billion).

Over the last ten months, bank funds were mainly aimed at increasing the holding of monetary regulatory instruments ($87.4 billion) **and expanding private sector lending** ($76.7 billion). To a lesser extent, a rise in liquid assets and an increase in financing to the public sector were also uses of funds over the period (see Chart 2). **The expansion of private sector deposits** ($122.8 billion) **was the most significant fund source in year-to-date terms**. Other funding sources that stood out were an increase in the net worth ($37.3 billion) as well as a rise in public sector deposits ($20.7 billion).

Regarding the composition of bank assets, LEBAC and NOBAC holdings increased their relative share over the year (see Chart 3). In terms of bank funding, the net worth was the segment that increased most its relative weighting in year-to-date terms, followed by companies and households' deposits in pesos. To a lesser extent, rises were also recorded in the share of private sector deposits in dollars and in corporate bonds, subordinated debt and foreign lines of credit.

In October, cleared checks grew 0.9% in terms of value (25.1% y.o.y.) and 1.1%, if the number of transactions is involved (-5.4% y.o.y.) (see Chart 4). Moreover, the number and value of **checks bounced for insufficient funds/the total cleared ratio went down in the period**. **Both deferred and, especially, instant electronic transfers of funds have been steadily gaining weight amongst means of payment**. In October, instant bank transfers expanded 9.3% in terms of value and 7.2% if the number of transactions is at stake. Thus, in the last twelve months, the value of instant transfers increased 70%, their number climbing to 41%. It should be noted that **almost all instant transfers are found in the lowest segments**: the number of transactions of up to $20,000, which are free

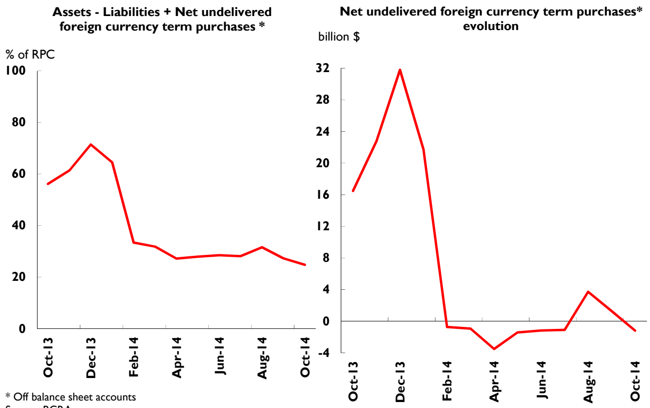
Chart 4



Source: BCRA

Chart 5

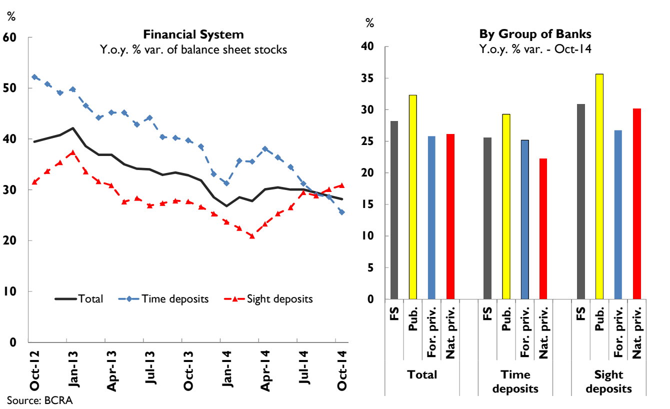
Foreign Currency Mismatching of the Financial System



* Off balance sheet accounts
Source: BCRA

Chart 6

Private Sector Deposits in Pesos



Source: BCRA

of charge for clients, represented 96% of the total in year-to-date terms up to October, while in terms of value, the ratio is more homogeneous —35% of the amount accumulated over the year corresponds to segments under $20,000—.

In October, foreign currency mismatching in terms of the adjusted stockholder's equity continued falling down to 24.8%, down 2.5 p.p. against last month and 46.7 p.p. against the end of 2013, respectively (see Chart 5). This monthly performance was mainly explained by foreign private banks, which recorded a net term short position in foreign currency.

II. Deposits and liquidity

In October, private sector deposits expanded 1.6% in nominal terms, with deposits in pesos and in foreign currency evidencing a similar increase. Private sector sight deposits in pesos grew 1.8%, while time deposits of the same sector rose 1.3%. After a drop registered in September, public sector deposits recovered. Consequently, total deposits within the financial system increased 3.2% in the month.

In the past twelve months, bank deposits of households and companies evidenced a nominal change rate of 30%. **Within the segment in local currency, sight accounts are exhibiting higher growth over the last months**. Sight and time deposits in pesos of the private sector increased mainly in public banks (see Chart 6). Deposits in foreign currency increased 5.3% —in currency of origin— over the last year. In turn, public sector deposits rose 13.3% over the period. Thus, **total deposits within the financial system increased approximately 25.6% in year-on-year terms.**

In order to encourage saving in domestic currency, a regulation that sets a minimum limit for the interest rate on time deposits in pesos held by natural persons became effective in October[1]. Simultaneously, the maximum coverage amount of the deposit guarantee increased from $120,000 to $350,000 per holder[2] so as to increase the protection of depositors. In this context, **funding cost estimated for time deposits in pesos barely increased recently after a sharp fall recorded between May and September this year** (see Chart 7).

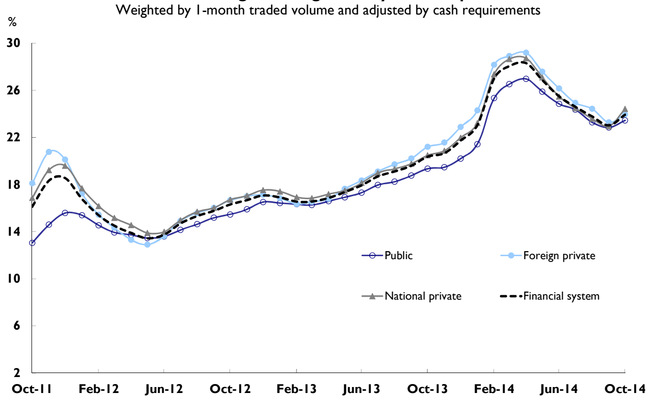
The liquidity ratio —including items in domestic and foreign currency— **stood at 24.7% of total deposits, increasing 1.3 p.p. in October**. **Holdings of monetary regulatory instruments in terms of deposits decreased slightly in October**, standing at 19.5%. Thus, the broad liquidity indicator —including LEBACs

[1] Communication “A” 5640. For more details, see Report on Banks, August 2014.
[2] Communication “A” 5641. For more details, see Report on Banks, August 2014.

Chart 7

Estimation of Average Funding Costs by Time Deposits in Pesos

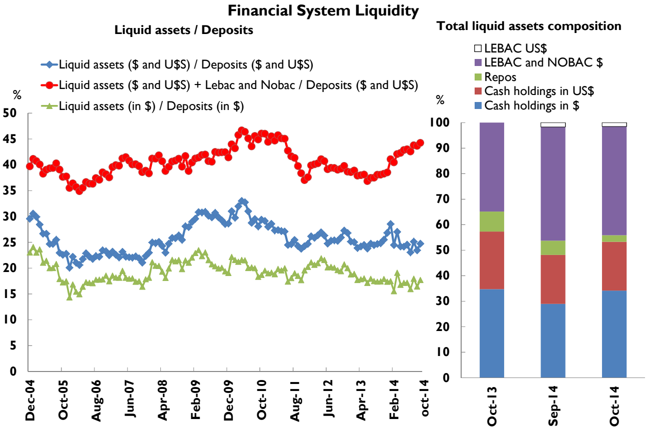
Weighted by 1-month traded volume and adjusted by cash requirements



Source: BCRA

Chart 8

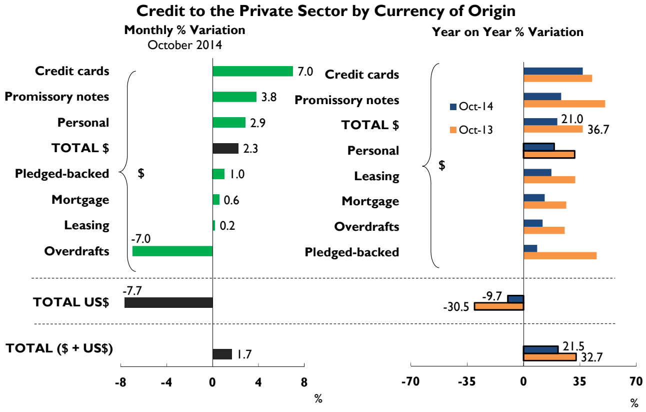
Financial System Liquidity



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

and NOBACs — increased 0.6 p.p. of deposits up to 44.2% (see Chart 8). Breaking down assets with greater liquidity, a monthly rise was observed in liquid assets in pesos which more than offset a fall in repos linked with the BCRA and in LEBAC and NOBAC holdings. In turn, **the higher share of Central Bank bills and notes within the set of liquid assets continues to stand out in y.o.y. terms**.

III. Financing

In October, the nominal change against the previous month regarding the stock of loans in domestic currency to the private sector reached 2.3%[3] (see Chart 9); this figure is above the average recorded so far this year. Among credit lines in pesos, credit cards recorded the highest rise over the period, partly accounted for by seasonal factors —Mother´s Day— and the implementation of the “Ahora 12” Program. In turn, foreign currency loans continued falling over the month[4]. In this context, **total lending (including domestic and foreign currency) to the private sector grew 1.7% in October**[5], mainly driven by national private banks —which accounted for more than 43% of the total change— and followed by public banks.

In year-on-year terms, lending in pesos to companies and households rose 21% in nominal terms in October, mainly driven by credit cards and promissory notes. In turn, lending in foreign currency continued moderating its y.o.y. decrease rate. **Thus, total financing to the private sector increased 21.5%** year-on-year, below the level recorded a year ago. Lending by public banks as well as national and foreign private banks exhibited positive year-on-year variations (see Chart 10), contributing with similar levels to the rise of total loans to the private sector in the last twelve months.

In October, total lending channeled to companies[6] **remained practically unchanged against September**, increasing only 0.2% (see Chart 11). Among different productive areas, lending for primary production registered the highest relative monthly increase. **In the past twelve months, the stock of loans to the productive sector went up 22% in nominal terms**. This performance was mainly driven by loans to manufacturing firms which accounted for 37% of the total year-on-year increase. Lending to companies

[3] Seven financial trusts were issued in October for a total of $1.1 billion raised out of loans from financial institutions: $852 million corresponded to securitizations of personal loans and $246 million, to leasing contract securitizations. If the balance sheet stock is adjusted by these assets securitized in the month, the increase of financing in pesos to the private sector would stand at 2.5% over the period.

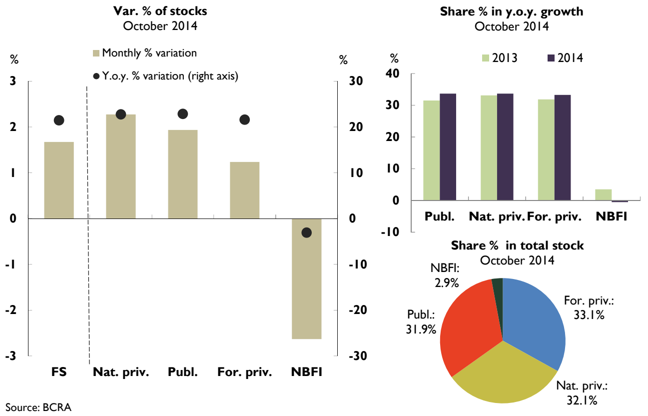
[4] Change in the currency of origin.

[5] If the balance sheet stock is adjusted by assets securitized over October (through loans granted by banks as underlying assets), the monthly change in total lending (including domestic and foreign currency) to households and companies would stand at 1.9%.

[6] Information obtained from the Debtors' Database (including 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.

Chart 10

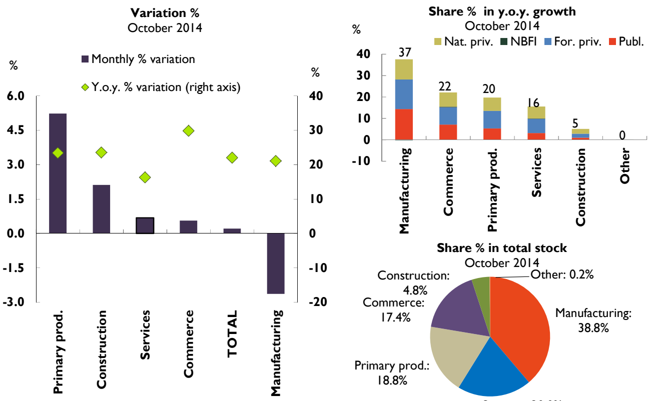
Credit to the Private Sector by Group of Financial Institutions



Source: BCRA

Chart 11

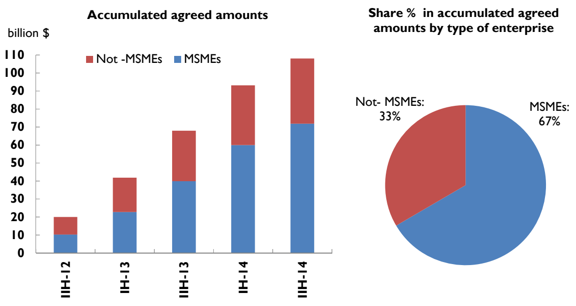
Credit to Companies



Source: BCRA

Chart 12

Credit Line for Productive Investment*



*V Tranch provisory data, up to September 2014.
Note: Information of transfers between tranches is included.
Source: BCRA

granted by foreign private banks was the most dynamic segment over the period, growing 25.9% y.o.y.

From the implementation of the **Credit Line for Productive Investment (LCIP)** in mid-2012 to the latest preliminary information available as of September 2014, **loans amounting to around $108 billion were awarded** (see Chart 12). It is worth mentioning that, in line with the purpose of encouraging bank financing for micro, small, and medium-sized enterprises (MiPyMEs), **67% of the amount of loans awarded through the LCIP corresponded to this segment**. Considering the different productive sectors, loans to manufacturing firms exhibited the highest proportion of the total amount disbursed under the LCIP (33.2%), followed by service companies (23.2%) and primary production (22.7%) (see Chart 13).

By the end of 2014, the BCRA extended the LCIP for the first half of 2015[7]. On this occasion, banks within the scope of this program should allocate at least an amount equal to 6.5% of total deposits in pesos from the non-financial private sector corresponding to November 2014 (a higher percentage compared to prior stages). Thus, **in this new tranche the total amount of bank funds to be allocated would amount to approximately $37.4 billion pesos**. The entire quota should be allocated to financing MiPyMEs, at a 19% maximum interest rate (a lower rate compared to the prior stage) and for a minimum 3-year term. Unlike prior stages, **a special mechanism shall be included in this new stage to privilege credit granted to companies of a smaller size within MiPyMEs and to promote lending all along the country** through the LCIP in regions with less economic development. It was also established that up to 20% of the quota may be allocated to finance working capital related to investment projects, while the percentage of the quota that may be allocated to discounting deferred payments checks increased (up to 25% of the stock held since March).

Within the framework of the **Bicentennial Productive Financing Program (PFPB)**, a total amount of $8.1 billion was awarded amongst the participating financial institutions (twenty-eight fund auctions were conducted) up to November 2014. A total of $6.6 billion was credited so far to companies —almost 82% of the total awarded—. **More than 57% of the transactions through this tool were channeled to MiPyMEs.**

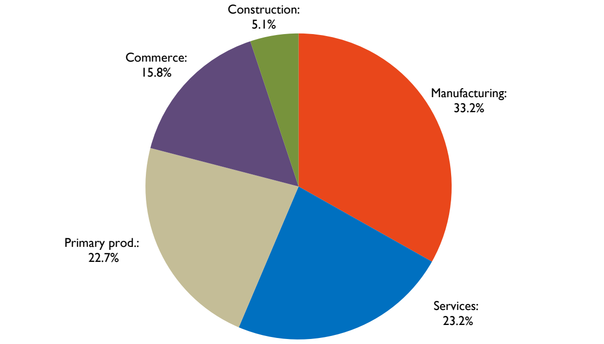
Loans granted to households grew 3.4% in October, sizably exceeding the average, recorded in the past ten months. This monthly performance was mainly driven by credit cards (see Chart 14). **In year-on-year terms, the stock of household loans increased 20.8%**

[7] Communication "A" 5681 and Communication "P" 50486.

Chart 13

Credit Line for Productive Investment

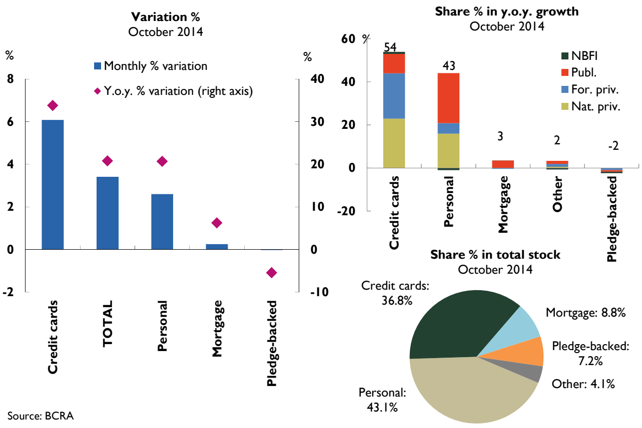
Distribution of disbursed amounts by activity (Total tranches)



Note: In the fourth and fifth tranches of LCIP (corresponding to 2014) transfers between tranches, financing through the discount of deferred payment checks, foreign trade operations and some not MSMEs operations are not included. Information to june 2014for the I tranche 2014 and to october for the II tranche.
Source: BCRA

Chart 14

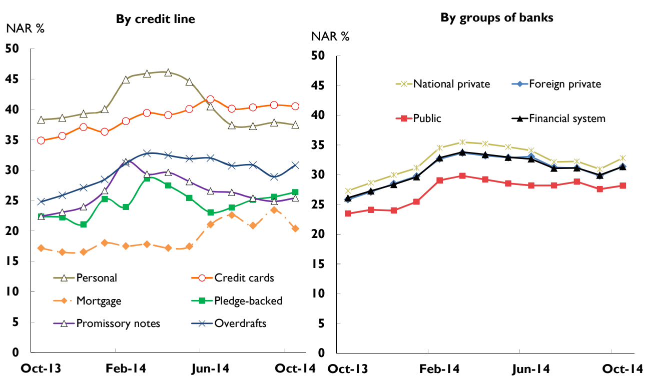
Credit to Households



Source: BCRA

Chart 15

Lending Interest Rates and Spreads Operated in Pesos *



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

—below the value recorded a year ago—, with credit lines for consumption purposes (credit cards and personal loans) registering the greatest relative year-on-year increase. In particular, over the past twelve months, these segments contributed to 97% of the rise of the total financing to households. This evolution was partly explained by several measures implemented to promote bank financing under more favorable conditions for households. Among these measures, the following ones should be highlighted: maximum interest rates that were determined by mid-June 2014 for personal and pledge-backed loans for natural persons[8]; the recent “Ahora 12” Program, in which financial institutions offer financing through credit cards to the private sector in twelve installments with no interest; and the PRO.CRE.AUTO Program, with a view to promoting personal loans to acquire vehicles manufactured in Argentina.

In October, lending interest rates traded in pesos exhibited heterogeneous performances among the different credit lines: rates arranged for mortgage loans, personal loans and credit cards decreased over the month, while rates on overdrafts, pledge-backed loans and promissory notes evidenced slight rises (see Chart 15). All groups of banks recorded a monthly increase in spreads of domestic currency transactions.

IV. Portfolio quality

In October the non-performance ratio of loans granted to the private sector stood at 2% of the total portfolio, with no significant changes in each homogeneous group of institutions (see Chart 16). Although the monthly delinquency ratio was up 0.2 p.p. against the figure recorded twelve months ago, current nonperforming levels are low compared to the medium and long term, and to other countries.

Over the month, **non-performance in unsecured loans remained unchanged against September, while secured loans posted a slight increase**. Against October 2013, secured loans exhibited a higher relative increase in delinquency but a reduction in their weighting in the total.

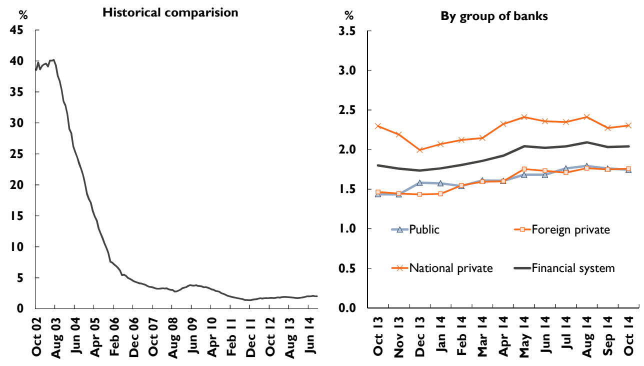
Loans to households in October dropped 0.1 p.p. in the delinquency ratio, down to 3.1% of loans (see Chart 17), within a context of monthly expansion of loans to households and almost without changes in the non-performing portfolio for such segment. All credit lines posted a fall in delinquency over the month. So far in 2014, the non-performing indicator of financing to households exhibited an increase of 0.5 p.p., while in year-on-year terms, the increase was 0.3 p.p.

[8] Communication “A” 5590.

Chart 16

Private Sector Non Performing Financing

Non-performing loans/ Total loans (%)

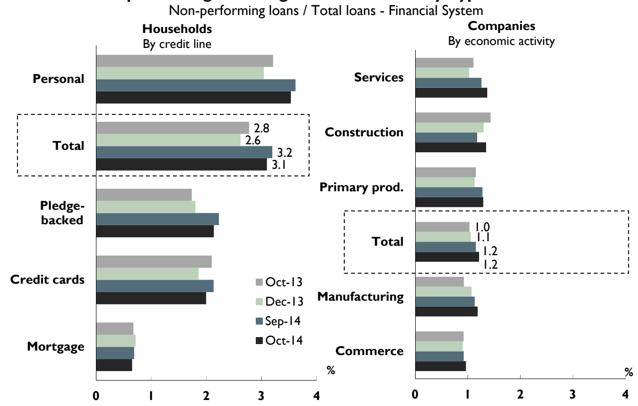


Source: BCRA

Chart 17

Non-performing Financing to Private Sector by Type of Debtor

Non-performing loans / Total loans - Financial System

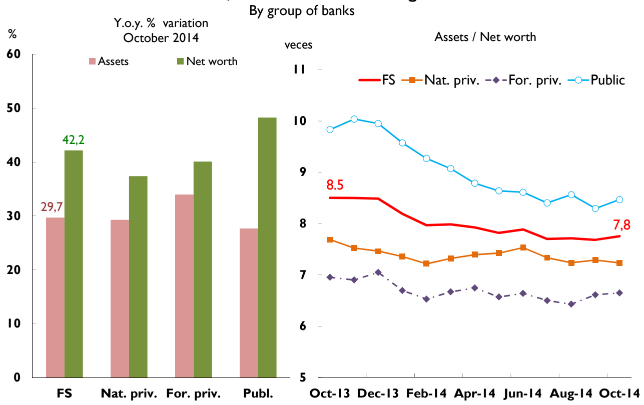


Source: BCRA

Chart 18

Assets, Net Worth and Leverage

By group of banks



Source: BCRA

Delinquency of loans to companies exhibited no substantial changes in the month, standing at 1.2% of total loans in this segment, slightly above the ratio recorded by the end of the year and October 2013 (see Chart 17). It should be highlighted that manufacturing and commerce, which together represent 56% of total financing to companies, kept their delinquency level below total lending to companies.

The financial system continued showing comfortable coverage level of the non-performing portfolio. Provisions[9] increased slightly to 140% of the delinquent portfolio for the aggregate financial system, standing above 100% of non-performing loans for all groups of banks. Existing provisions broadly exceed current regulatory requirements, a situation that was observed in all homogeneous groups of banks.

V. Solvency

Consolidated financial system net worth grew 1.8% in October. Like previous months, this growth was explained mainly by book profits accrued by institutions. In the past twelve months, banks' net worth grew 42.2% in nominal terms while assets increased around 29.7% (see Chart 18). This led to **a year-on-year decline in the leverage ratio** (assets / net worth) **of the aggregate financial system.** Thus, total assets of the aggregate financial system totaled 7.8 times its net worth, down 0.7 against October 2013. In turn, in the month a non-bank financial institution distributed dividends in an amount equal to $131 million.

Regulatory capital compliance by the financial system totaled 14.8% of total risk-weighted assets (RWAs) in October (see Chart 19), up 0.4 p.p. against September. This monthly rise was mainly explained by book profits recorded over the month and an increase in the regulatory weight of stockholder's equity posted in the third quarter of 2014, upon the conclusion of the auditing process[10]. Tier 1[11] capital compliance accounted for 13.8% of RWAs. In turn, compliance in excess of the requirement (capital position) stood at 91% in October 2014, up 5 p.p. against last month.

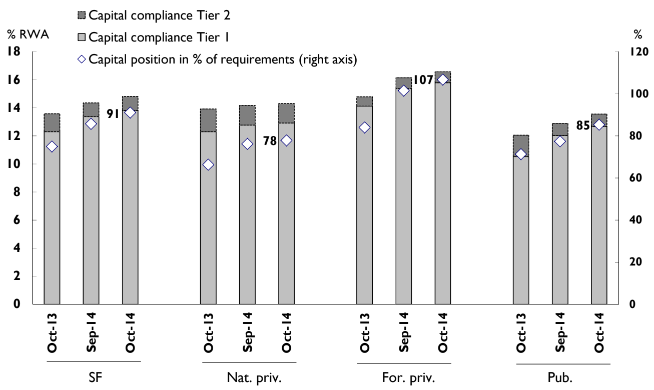
In October, the financial system recorded book profits totaling 2.9%a. of assets, exhibiting a decline against the figures recorded in September (see Chart 20). Income derived from securities in dollars was the segment most impacted in the income statement over the period. All groups of banks registered a monthly fall in

[9] Regulatory provisions on total portfolio are included.

[10] An additional factor was the impact (reduction) exerted by a decrease in large financial institutions' capital requirements on RWAs, which was reflected in the compliance with new technical ratios.

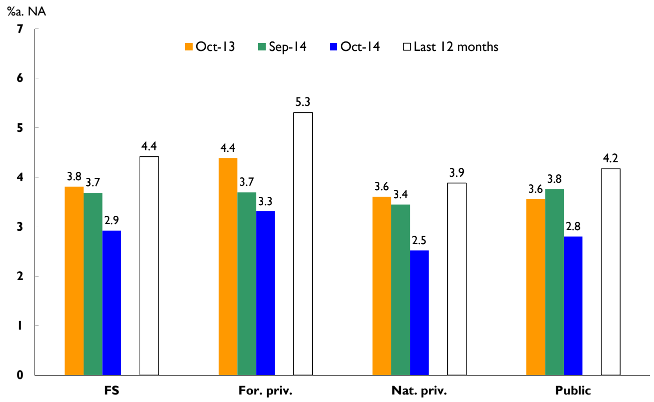
[11] Defined as basic net worth (common and additional stock), net of accounts that may be deducted. See Communication "A" 5369.

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



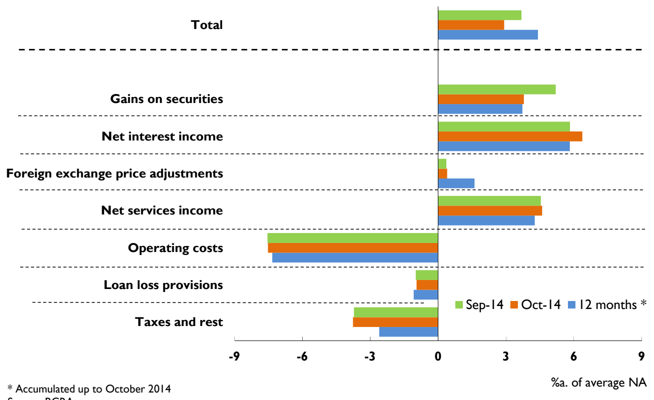
Source: BCRA

Chart 20
Profitability by Group of Banks



Source: BCRA

Chart 21
Financial System Profitability
As %a. of netted assets



* Accumulated up to October 2014
Source: BCRA

ROA. Despite this monthly decrease, financial system book profits accounted for 4.4% of assets over the past 12 months, up 1.3 p.p. against the same period as of October 2013. In year-on-year terms, all the groups of financial institutions improved their accumulated book profits.

Banks' financial margin stood at 10.6%a. of assets in October 2014, down 1 p.p. against the previous month. This decrease was mainly due to lower profits derived from securities (-1.4 p.p. of assets up to 3.8%a.), particularly by instruments in foreign currency. This change was partially offset by a monthly increase of 0.4 p.p. of assets in net interest income which totaled 6.4%a. in October (see Chart 21). It should be noted that the financial margin was 12.1% of assets in the past 12 months, up 2.2 p.p. year-on-year. All groups of banks raised their financial margin on a year-on-year basis.

Income from financial system's services reached 4.6% a. of assets over the month, increasing slightly against September, driven by public banks and national private banks. Thus, net income from services between November 2013 and October 2014 accounted for 4.3% of assets, remaining in line with the figures recorded over the same period as of October 2013.

Operating costs charged by banks amounted to 7.5%a. of assets in the month, a level similar to last September’s. These expenses amounted to 7.3% of assets in the last twelve months. In turn, **loan loss provisions remained in line with the level observed the previous month, 1%a. of assets.** In year-on-year terms, these expenditures reached 1.1% of assets.

In October, the “miscellaneous” item from the financial system income statement recorded a particular loss. This was due to the payment of a fine imposed by the BCRA on a private bank, as well as the bookkeeping of significant provisions for losses—with no particular purpose— by some public financial institutions. Moreover, there was a downward adjustment in the payment of official entities’ income tax over the month.

Results from services and interest (net of loan loss provisions) **amounted to 123% of financial system operating costs over the last twelve months**, down 6 p.p. against the level recorded over the same period as of October 2013. This fall was mainly explained by the performance of national and foreign private banks.

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" 5640 – October 7, 2014

Regulations on "Time deposits and investments" have been amended. Particularly, the interest rate on time deposits in pesos made by natural persons for up to $350,000 may not be lower than the product from multiplying the latest "benchmark interest rate" (simple average of rates on LEBACs in pesos —with predetermined cut-off yields — at 90 days —or the term closest to 90 days—, of the second month immediately preceding the deposit-taking) and a rising ratio determined according to the original term of the deposit. Any breach of minimum interest rates on time deposits in pesos will trigger an increase in the minimum cash requirement in pesos for an amount equivalent to the time deposit involved. The requirement so applied shall be that corresponding to the month following the date of unfulfillment, no deposit compensation being allowed. Notwithstanding the foregoing, summary proceedings shall be initiated in accordance with the guidelines established by the SEFYC. These deposits will fall under the scope of the deposit insurance scheme.

Communication "A" 5641– October 7, 2014

Rules on "Implementation of the deposit insurance scheme" are adjusted, raising the monthly contribution that participating financial institutions should make to the Deposit Guarantee Fund, SEDESA, from 0.015% to 0.06% of the monthly average of daily balances of such items as fall under the system's coverage. In addition, the BCRA has decided to raise the maximum deposit guarantee from $120,000 to $350,000.

Communication "A" 5642– October 7, 2014

In line with the principles and recommendations of G20, a Register for identifying institutions was created (codified as BCRA-LEI). Such register, which will be kept by the SEFyC, will be in charge of assigning unique international codes of identification called LEI (*Legal Entity Identifier*). Financial institutions should ask for the BCRA-LEI Code, enrolling in the above mentioned Register pursuant to the operating procedure which will be released in due course.

Communication "A" 5646 – October 15, 2014

A model for "Certificates of Deposit for Investment" (CEDIN) notice board was released. Such notice board (with a minimum size of 29.8 cm wide by 42 cm high) shall be exhibited by all financial institutions falling under the scope of this regulation since the 10th working day following the date of publication of this Communication.

Communication "A" 5651 – October 17, 2014

As from November 01, 2014, the benchmark interest rates for both lending and borrowing transactions shall be calculated likewise (the methodology of which was released by Communications "A" 5590 and 5640), their averages being based on predetermined cut-off yields.

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 %	Dic 2005	Dec 2006	Dec 2007	Dec 2008	Dec 2009	Dec 2010	Dec 2011	Dec 2012	Oct 2013	Dic 2013	Sep 2014	Oct 2014
1.- Liquidity	20.1	22.5	23.0	27.9	28.6	28.0	24.7	26.8	24.8	26.8	23.4	24.7
2.- Credit to the public sector	31.5	22.5	16.3	12.7	14.4	12.1	10.7	9.7	8.8	9.4	9.1	9.1
3.- Credit to the private sector	25.8	31.0	38.2	39.4	38.3	39.8	47.4	49.5	49.6	50.9	46.9	47.3
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	2.0	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	-2.9	-3.5	-2.9	-3.0
6.- ROA	0.9	1.9	1.5	1.6	2.3	2.8	2.7	2.9	3.1	3.4	4.6	4.4
7.- ROE	7.0	14.3	11.0	13.4	19.2	24.4	25.3	25.7	27.2	29.5	36.3	34.8
8.- Efficiency	151	167	160	167	185	179	179	190	201	206	225	222
9a.- Capital compliance	-	-	-	-	-	-	-	-	13.6	13.6	14.4	14.8
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	-	-	-	-	-	-	-	-	12.3	12.5	13.4	13.8
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	75	76	86	91

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	Oct 13	Dec 13	Sep 14	Oct 14	Change (in %) Last month	2014	Las 12 months
Assets	**346,762**	**387,381**	**510,304**	**628,381**	**790,026**	**965,964**	**1,004,892**	**1,220,554**	**1,230,981**	**0.9**	**22.5**	**27.4**
Cash disposal[1]	58,676	71,067	93,085	104,389	148,254	156,077	200,925	183,025	211,671	15.7	5.3	35.6
Public bonds	65,255	86,318	117,951	112,906	123,491	166,931	141,494	261,530	252,051	-3.6	78.1	51.0
Lebac/Nobac	37,093	43,867	76,948	71,050	84,057	118,012	89,641	201,374	189,229	-6.0	111.1	60.3
Portfolio	25,652	34,748	61,855	59,664	70,569	94,898	88,091	175,957	175,456	-0.3	99.2	84.9
Repo[2]	11,442	9,119	15,093	11,386	13,488	23,114	1,550	25,418	13,774	-45.8	788.7	-40.4
Private bonds	203	307	209	212	251	482	434	937	1,624	73.3	274.3	236.8
Loans	154,719	169,868	230,127	332,317	433,925	524,652	563,344	625,772	634,029	1.3	12.5	20.8
Public sector	17,083	20,570	25,907	31,346	39,951	42,566	48,438	51,725	51,086	-1.2	5.5	20.0
Private sector	132,844	145,247	199,202	291,708	383,674	470,616	501,857	562,435	572,008	1.7	14.0	21.5
Financial sector	4,793	4,052	5,018	9,263	10,299	11,470	13,049	11,612	10,936	-5.8	-16.2	-4.7
Provisions over loans	-4,744	-5,824	-6,232	-7,173	-9,596	-11,847	-13,117	-16,176	-16,560	2.4	26.3	39.8
Other netted credits due to financial intermediation	38,152	33,498	39,009	40,805	38,769	64,529	42,435	82,158	62,301	-24.2	46.8	-3.5
Corporate bonds and subordinated debt	912	1,146	1,433	1,657	2,255	3,887	5,421	5,241	5,439	3.8	0.3	39.9
Unquoted trusts	5,714	5,942	6,824	7,967	10,822	12,565	12,656	12,490	12,716	1.8	0.5	1.2
Leasing	3,935	2,933	3,936	6,222	7,203	8,664	9,460	10,096	10,107	0.1	6.8	16.7
Shares in other companies	7,236	6,711	7,921	9,123	11,682	14,368	15,117	19,677	19,886	1.1	31.5	38.4
Fixed assets and miscellaneous	7,903	8,239	9,071	10,111	11,251	13,341	14,231	17,403	18,413	5.8	29.4	38.0
Foreign branches	3,153	3,926	3,283	3,525	4,354	5,087	5,627	7,262	7,283	0.3	29.4	43.2
Other assets	12,275	10,337	11,943	15,944	20,441	23,680	24,941	28,870	30,176	4.5	21.0	27.4
Liabilities	**305,382**	**339,047**	**452,752**	**558,264**	**699,205**	**851,738**	**883,091**	**1,061,923**	**1,069,376**	**0.7**	**21.1**	**25.6**
Deposits	236,217	271,853	376,344	462,517	595,764	715,517	752,422	870,809	898,450	3.2	19.4	25.6
Public sector[3]	67,151	69,143	115,954	129,885	163,691	196,998	202,434	205,592	223,125	8.5	10.2	13.3
Private sector[3]	166,378	199,278	257,595	328,463	427,857	513,168	544,331	656,890	667,163	1.6	22.6	30.0
Current account	39,619	45,752	61,306	76,804	103,192	117,278	125,237	151,893	154,690	1.8	23.5	31.9
Savings account	50,966	62,807	82,575	103,636	125,210	140,592	158,523	185,137	188,874	2.0	19.1	34.3
Time deposit	69,484	83,967	104,492	135,082	183,736	238,068	241,281	298,189	301,369	1.1	24.9	26.6
Other netted liabilities due to financial intermediation	57,662	52,114	60,029	76,038	75,106	101,354	92,634	141,655	118,289	-16.5	27.7	16.7
Interbanking obligations	3,895	3,251	4,201	7,947	8,329	9,120	10,596	8,905	7,902	-11.3	-25.4	-13.4
BCRA lines	1,885	270	262	1,920	3,535	4,736	4,693	4,522	4,451	-1.6	-5.2	-6.0
Outstanding bonds	5,984	5,033	3,432	6,856	9,101	12,887	14,198	17,928	17,950	0.1	26.4	39.3
Foreign lines of credit	4,541	3,369	3,897	6,467	4,992	5,255	6,328	12,135	11,513	-5.1	81.9	119.1
Other	13,974	14,891	17,426	24,137	26,280	28,446	41,345	42,798	42,623	-0.4	3.1	49.8
Subordinated debts	1,763	1,922	2,165	2,065	2,647	3,163	3,425	4,249	4,307	1.4	25.7	36.2
Other liabilities	9,740	13,159	14,213	17,644	25,688	31,704	34,610	45,210	48,329	6.9	39.6	52.4
Net worth	**41,380**	**48,335**	**57,552**	**70,117**	**90,820**	**114,226**	**121,800**	**158,631**	**161,605**	**1.9**	**32.7**	**41.5**
Memo												
Netted assets	321,075	364,726	482,532	601,380	767,744	926,825	989,825	1,166,788	1,198,198	2.7	21.1	29.3
Consolidated netted assets	312,002	357,118	472,934	586,805	750,598	907,464	968,458	1,145,100	1,176,892	2.8	21.5	29.7

([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

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

Statistics annex[1] | Financial system

Chart 3 | Profitability Structure

Amount in million of pesos	Annual						First 10 months		Monthly			Last
	2008	2009	2010	2011	2012	2013	2013	2014	Aug-14	Sep-14	Oct-14	12 months
Financial margin	20,462	28,937	35,490	43,670	61,667	88,509	69,208	109,698	11,403	11,207	10,514	128,999
Net interest income	9,573	14,488	17,963	24,903	38,365	50,336	40,848	52,746	5,477	5,627	6,310	62,233
CER and CVS adjustments	2,822	1,196	2,434	1,725	2,080	2,153	1,833	3,874	285	309	265	4,193
Foreign exchange price adjustments	2,307	2,588	2,100	3,025	4,127	11,287	7,259	13,195	969	348	396	17,223
Gains on securities	4,398	11,004	13,449	14,228	17,356	22,280	18,829	36,412	4,726	5,016	3,755	39,863
Other financial income	1,362	-339	-457	-211	-261	2,454	438	3,472	-54	-92	-213	5,487
Service income margin	10,870	13,052	16,089	21,391	28,172	36,503	29,940	39,168	4,048	4,379	4,556	45,731
Loan loss provisions	-2,839	-3,814	-3,267	-3,736	-6,127	-9,349	-6,787	-9,034	-1,029	-954	-944	-11,595
Operating costs	-18,767	-22,710	-28,756	-36,365	-47,318	-60,722	-49,273	-66,954	-6,863	-7,273	-7,453	-78,403
Tax charges	-2,318	-3,272	-4,120	-6,047	-8,981	-13,916	-11,402	-16,060	-1,663	-1,659	-1,774	-18,574
Adjust. to the valuation of gov. Securities[1]	-1,757	-262	-214	-336	-338	-377	-309	-789	-60	-62	-62	-858
Amort. payments for court-ordered releases	-994	-703	-635	-290	-274	-128	-94	-66	-5	-9	-5	-101
Other	1,441	918	2,079	2,963	2,475	2,576	2,120	4,392	884	704	-179	4,848
Total results before tax[2]	6,100	12,145	16,665	21,251	29,276	43,094	33,402	60,355	6,716	6,333	4,653	70,047
Income tax	-1,342	-4,226	-4,904	-6,531	-9,861	-13,951	-11,620	-20,482	-2,365	-2,778	-1,759	-22,813
Total result[2]	**4,757**	**7,920**	**11,761**	**14,720**	**19,415**	**29,143**	**21,782**	**39,873**	**4,350**	**3,555**	**2,894**	**47,234**
Adjusted Result[3]	7,508	8,885	12,610	15,345	20,027	29,649	22,185	40,729	4,415	3,626	2,961	48,192
Annualized indicators - As % of netted assets												
Financial margin	6.7	8.6	8.5	8.0	9.2	10.3	10.0	12.1	12.1	11.6	10.6	12.1
Net interest income	3.1	4.3	4.3	4.6	5.7	5.9	5.9	5.8	5.8	5.8	6.4	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	1.5	1.0	0.4	0.4	1.6
Gains on securities	1.4	3.3	3.2	2.6	2.6	2.6	2.7	4.0	5.0	5.2	3.8	3.7
Other financial income	0.4	-0.1	-0.1	0.0	0.0	0.3	0.1	0.4	-0.1	-0.1	-0.2	0.5
Service income margin	3.6	3.9	3.8	3.9	4.2	4.3	4.3	4.3	4.3	4.5	4.6	4.3
Loan loss provisions	-0.9	-1.1	-0.8	-0.7	-0.9	-1.1	-1.0	-1.0	-1.1	-1.0	-1.0	-1.1
Operating costs	-6.1	-6.7	-6.9	-6.7	-7.0	-7.1	-7.1	-7.4	-7.3	-7.5	-7.5	-7.3
Tax charges	-0.8	-1.0	-1.0	-1.1	-1.3	-1.6	-1.6	-1.8	-1.8	-1.7	-1.8	-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	-0.1	-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	0.5	0.9	0.7	-0.2	0.5
Total results before tax[2]	2.0	3.6	4.0	3.9	4.3	5.0	4.8	6.6	7.1	6.6	4.7	6.5
Income tax	-0.4	-1.3	-1.2	-1.2	-1.5	-1.6	-1.7	-2.3	-2.5	-2.9	-1.8	-2.1
ROA[2]	**1.6**	**2.3**	**2.8**	**2.7**	**2.9**	**3.4**	**3.1**	**4.4**	**4.6**	**3.7**	**2.9**	**4.4**
ROA adjusted[3]	2.5	2.6	3.0	2.8	3.0	3.5	3.2	4.5	4.7	3.8	3.0	4.5
ROE before tax	*17.2*	*29.5*	*34.5*	*36.5*	*38.8*	*43.7*	*41.7*	*52.7*	*55.3*	*51.0*	*36.8*	*52.6*
ROE[2]	*13.4*	*19.2*	*24.4*	*25.3*	*25.7*	*29.5*	*27.2*	*34.8*	*35.8*	*28.6*	*22.9*	*35.5*

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

Chart 4 | Portfolio Quality

As percentage	Dec 05	Dec 06	Dec 07	Dec 08	Dec 09	Dec 10	Dec 11	Dec 12	Oct 13	Dec 13	Sep 14	Oct 14
Non-performing loans (overall)	**5.2**	**3.4**	**2.7**	**2.7**	**3.0**	**1.8**	**1.2**	**1.5**	**1.6**	**1.5**	**1.8**	**1.8**
Provisions / Non-performing loans	115	108	115	117	115	148	176	144	140	150	141	142
(Total non-perfoming - Provisions) / Overall financing	-0.8	-0.3	-0.4	-0.5	-0.5	-0.9	-0.9	-0.7	-0.6	-0.8	-0.8	-0.8
(Total non-perfoming - Provisions) / Net worth	-2.6	-0.9	-1.6	-1.8	-1.7	-3.6	-4.6	-3.4	-3.1	-3.7	-3.1	-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**	**1.8**	**1.7**	**2.0**	**2.0**
Provisions / Non-performing loans	115	108	114	116	112	143	171	141	138	148	139	140
(Total non-perfoming - Provisions) / Overall financing	-1.1	-0.3	-0.5	-0.5	-0.4	-0.9	-1.0	-0.7	-0.7	-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	-2.9	-3.5	-2.9	-3.0

Source: BCRA

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