Report on Banks

December 2013

BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

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Year XI, No. 4

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

Note | Information for December 2013 available as of January 28th, 2014, is included. 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

- Financial intermediation continued expanding sharply by the end of the year. Thus, **lending to productive sectors and households recorded sustained momentum throughout 2013**; meanwhile, **private sector time deposits in pesos raised their share in total funding of the ensemble of banks**. The financial system ended the **ninth consecutive year evidencing book profits and high solvency and liquidity indicators**.

- **Loans in pesos to the private sector increased by 4.3% (34.1% y.o.y.) with growth spread across different credit lines. The monthly growth of total lending (in pesos and in dollars) granted to the private sector was mainly boosted by company borrowing,** which climbed 4.8% (30.7% y.o.y.). In turn, financing to households rose 2.8% (30.9% y.o.y.) over the period under study.

- **The BCRA continues promoting lending for productive purposes.** Through the Credit Line for Productive Investment (LCIP), since its' implementation to the end of 2013, $53.7 billion were disbursed—$35.1 billion in 2013—. At the end of the year, **the BCRA launched a new tranche of the LCIP for the first half of 2014**. The new amount to be allocated is to the tune of $23 billion. On this occasion, the quota shall be granted exclusively to MiPyMEs (micro, small and medium-sized enterprises); under specific circumstances a portion of such amount may be used for individuals' mortgage loans and for large companies having certain productive projects. On a supplementary basis, and through the Bicentenary Productive Financing Program (PFPB), the BCRA awarded $7.78 billion to date –almost $2 billion in 2013— amongst fourteen financial institutions; 77% of such amount has already been credited to companies. **Over half of the transactions arranged through these initiatives were channeled to MiPyMEs**.

- **Non-performance in lending to the private sector decreased slightly over the month, down to 1.7% of total financing, a level that is in line with that of late 2012**. **The financial system continued exhibiting comfortable provisioning levels**, with coverage of the non-performing portfolio reaching 140.2% as of December.

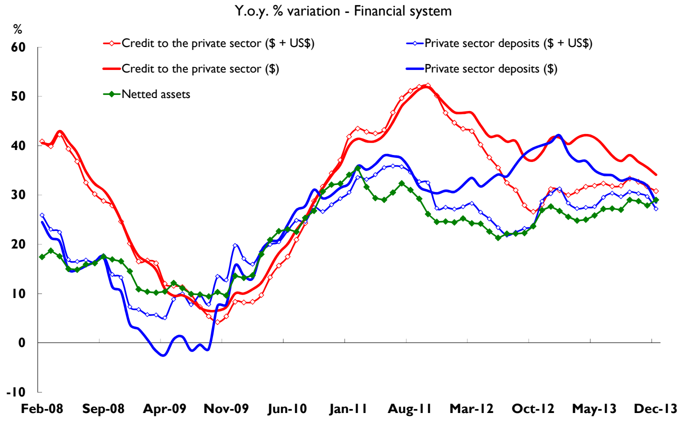
- **Financial system total deposits in pesos climbed 2.2% over the month boosted by private sector deposits which rose 3.9%**. Total deposits in pesos increased 27.4% throughout 2013, with rises in deposits by the private sector (28.5% y.o.y.) and the public sector (24.5% y.o.y.). **Private sector time deposits in pesos recorded the greatest momentum over the year, going up 33.1%**.

- **The financial system liquidity indicator** —in domestic and foreign currency— **rose slightly in December, up to 26.8% of total deposits**. The broad liquidity ratio —which includes LEBAC and NOBAC holdings— for the ensemble of banks stood at 38.5% of total deposits in December, evidencing a slight monthly rise. **The levels registered by aggregate liquidity indicators are in line with those observed at the end of 2012.**

- Consolidated financial system net worth went up 4.3% in December (35.1% y.o.y.), mainly as a result of profits accrued. The capital compliance ratio increased slightly over the month, up to 13.6% of risk-weighted assets (RWA), whilst **the surplus of capital compliance accounted for 75.5% of the regulatory requirement, up 16.8 p.p. against the end of 2012.**

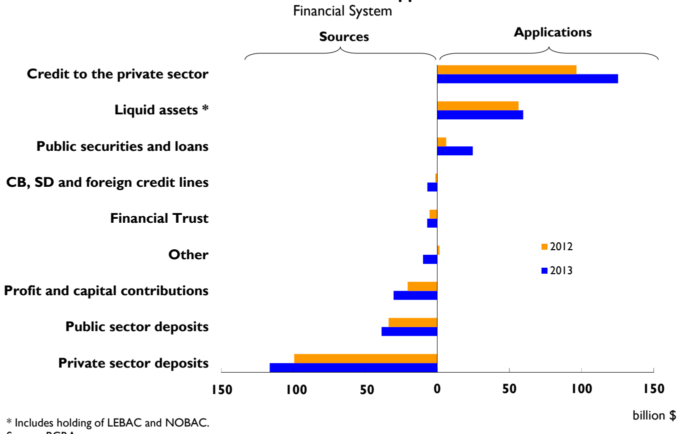
- Book profits registered by the ensemble of banks over the period rose 2.2 p.p. of netted assets, standing at 5.7%a. of assets. **The financial system recorded a 3.4% ROA in year-to-date terms in 2013, a level exceeding the one observed 12 months before**. In a monthly and year-on-year comparison, all groups of financial institutions improved their book profits.

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



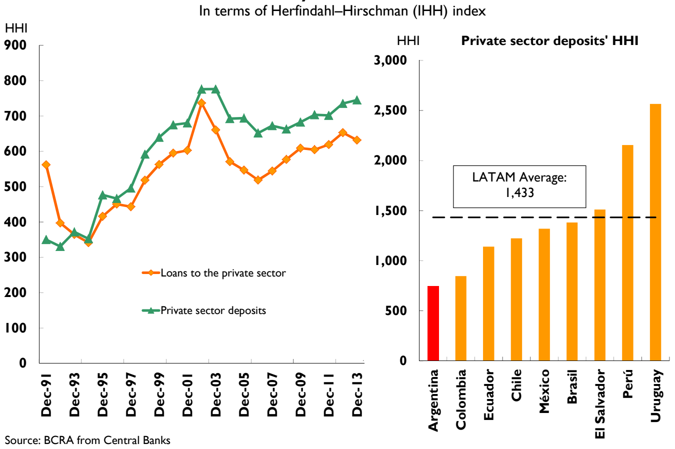
Source: BCRA

Chart 2
Estimation of Main Sources and Applications of Funds
Financial System



* Includes holding of LEBAC and NOBAC.
Source: BCRA

Chart 3
Financial System Concentration
In terms of Herfindahl–Hirschman (IHH) index



Source: BCRA from Central Banks

I. Activity

Financial institutions increased their volumes of financial intermediation with the private sector by the end of 2013. Financing in pesos channeled to this sector expanded 4.3% in December, posting a 34.1% year-on-year (y.o.y) improvement; whereas private sector deposits in pesos rose 3.9% over the month and 28.5% y.o.y. (see Chart 1). In this context, netted assets pertaining to the ensemble of banks went up 4.2% in December and 29% against December 2012.

Considering the monthly fund flow estimated for the financial system (based on changes in balance sheet stocks), **funds of the ensemble of banks were mainly used to increase lending to the private sector in December** ($20.7 billion), followed by assets with greater liquidity ($9.75 billion). **Deposits raised from companies and households consolidated as the most significant fund source during the month** ($22.9 billion).

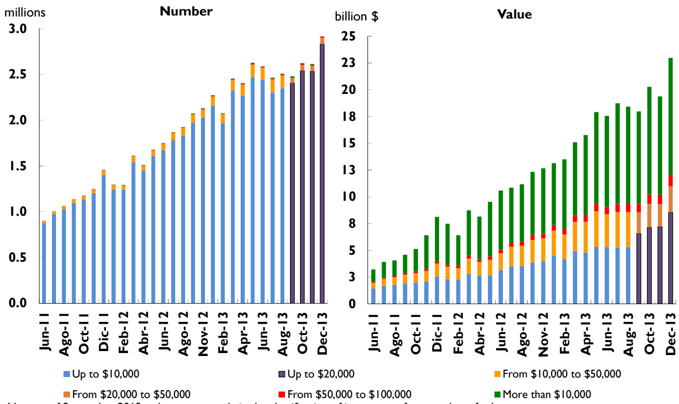
From an annual perspective, financial system's funds were mainly devoted to channel more money to companies and households in year-to-date terms in 2013 ($125 billion) (see Chart 2). In addition, liquid assets increased over the year whilst lending to the public sector rose moderately. **These loans were primarily funded with an increase in private sector deposits** ($116 billion) and, to a lesser extent, public sector deposits. Banks also obtained funding through gains from operations.

In December, a new domestic private bank started to operate and two other financial institutions merged. Thus, there are currently 82 financial institutions regulated by the Central Bank, out of which 54 correspond to private banks (33 national and 21 foreign), 12 pertain to public banks and 16 are non-bank financial institutions. **These changes observed in the financial system structure did not significantly affect its concentration levels, which remained below those of other economies in the region** (see Chart 3).

Instant transfers kept significant monthly momentum, growing around 11.9% in terms of number and 18.5% in terms of value (see Chart 4). Thus, the number and value recorded in instant transfers rose 28.8% and 74.8% y.o.y., respectively.

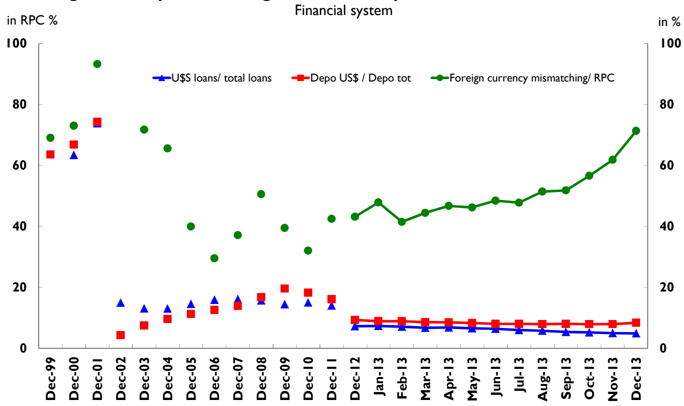
The number and value of checks cleared in December 2013 rose by 6.4% and 9.3%, respectively. The number of checks **processed expanded 8.6%, whilst the value increased 35.1% in y.o.y. terms.** On the other hand, the ratio between the number of bounced checks for insufficient funds and the total number of

Chart 4
Monthly Instant Transfers by Tranche of Value



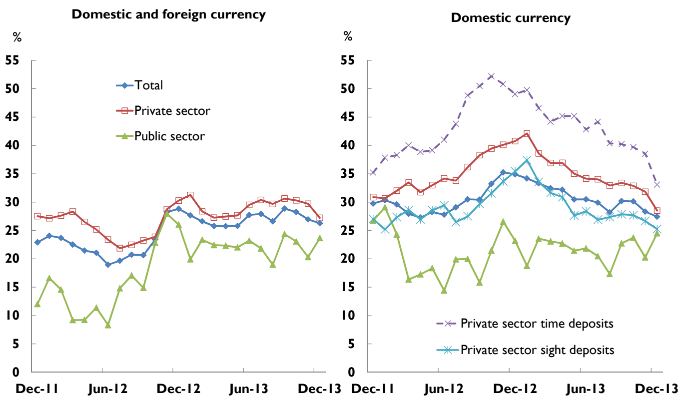
Note: as of September 2013 a change was made in the classification of instant transfers tranches of value.
Source: BCRA

Chart 5
Foreign Currency Mismatching and Financial System Balance Sheet Dollarization
Financial system



Note: (Assets - Liabilities + Net undelivered foreign currency term purchases) / Net worth
Source: BCRA

Chart 6
Financial System Deposits
Y.o.y. % var. - Balance sheet stocks



Source: BCRA

cleared checks increased slightly up to 0.7% by the end of 2013.

Relative dollarization levels of banks' balance sheets remained low in 2013. The stock of loans to the private sector denominated in foreign currency accounted for 4.9% of the total stock as of December, whilst deposits corresponding to this sector denominated in dollars totaled 8.4% of total deposits. **In December 2013, the financial system foreign currency broad mismatching rose 9.5 p.p. of adjusted stockholder's equity, up to 71.3%** (see Chart 5). This mismatching accumulated an increase of 28.2 p.p. of adjusted stockholder's equity throughout 2013. Both the monthly and y.o.y. performance were mainly driven by private banks due to greater net term purchases of foreign currency. It should be noted that **the BCRA has recently amended financial institutions' Net Global Position in foreign currency** as from February 2014[1]. It was provided that the positive position may not exceed 30% of the adjusted stockholder's equity corresponding to the previous month or regulatory own liquid funds, whichever the lower. In addition, it was established that the term positive net global position in foreign currency may not exceed 10% of adjusted stockholder's equity of the previous month.

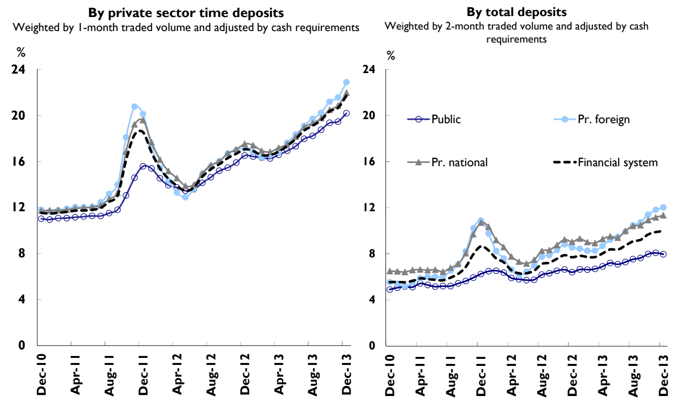
II. Deposits and liquidity

In December, the balance sheet stock of total deposits in pesos in the financial system increased 2.2% by the end of the month with a rise in private sector deposits (3.9%) which was partially offset by a fall in public sector deposits (-2%). Considering the greater transactional money demand, a typical year-end pattern, **the monthly expansion of private sector deposits in domestic currency was accounted for by an improvement in sight accounts** (7.5%)**, while time deposits decreased slightly** (-0.6%). In turn, private sector deposits in foreign currency increased slightly over the period. Thus, total deposits —in pesos and in foreign currency— went up 2.8% over the month.

Total deposits in pesos within the financial system climbed 27.4% in 2013, boosted by private sector deposits (28.5% y.o.y.) and those of the public sector (24.5% y.o.y.). **Private sector time deposits in pesos were the most dynamic over the year, going up 33.1%** (see Chart 6). Private sector deposits in foreign currency fell 13.5% over the year, considering the currency of origin. In order for the financial system to receive a higher share of private sector savings in foreign currency, the BCRA has been auctioning LEBACs in dollars since the start of 2014; financial institutions may be eligible to bid, provided that they

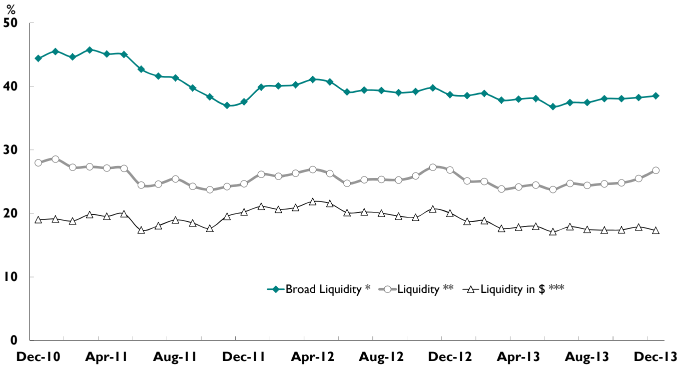
[1] Communication "A" 5536.

Chart 7
Estimation of Average Funding Costs by Deposits in Pesos



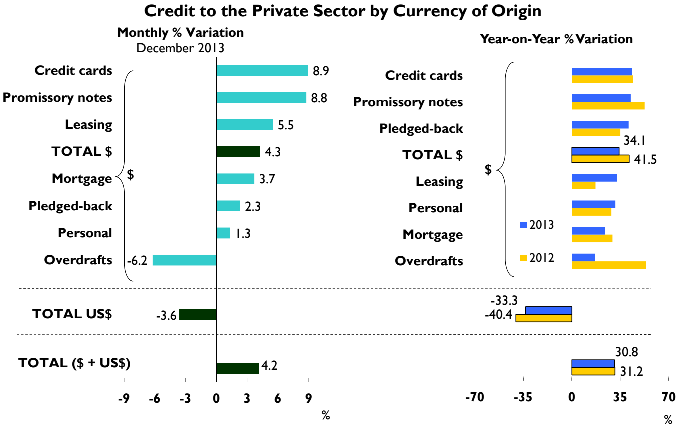
Source: BCRA

Chart 8
Liquidity of the Financial System



*Broad Liquidity: (Liquid assets ($ and U$S) + Lebac and Nobac) / Deposits
**Liquidity: Liquid assets ($ and U$S) / Deposits
***Liquidity in $: Liquid assets ($) / Deposits ($)
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

receive time deposits in foreign currency. Within this context, total deposits (in pesos and in dollars) increased 26.3% in 2013.

The cost of funding from deposits in pesos rose slightly over the month due to a rise in interest rates on time deposits. Thus, the funding cost increased 0.1 in December against November and was 2.3 p.p. higher than the value recorded at the end of the previous year. All groups of banks faced a higher cost in deposit taking compared to the previous 12 months, foreign private banks affording a much higher cost (see Chart 7).

The financial system liquidity ratio —in pesos and dollars— ended 2013 at 26.8% of total deposits following a 1.3 p.p. monthly rise (see Chart 8). The broad liquidity indicator —which includes LEBAC and NOBAC holdings— for the ensemble of banks stood at 38.5% of total deposits over the month, evidencing a slight rise in December. **The levels registered by aggregate liquidity indicators are in line with those observed at the end of 2012**. Public banks raised their broad liquidity ratio in 2013, while national and foreign private banks reduced it over the period.

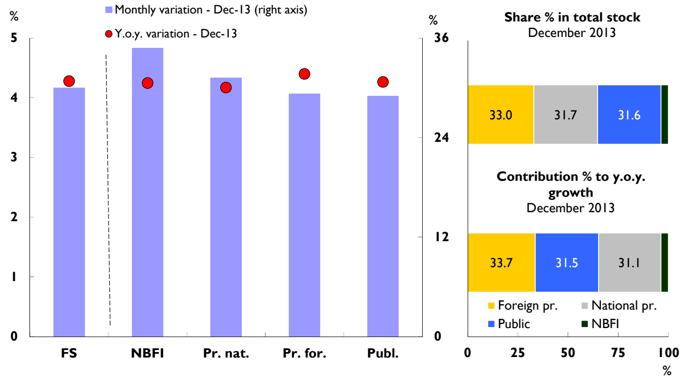
It should be noted that the BCRA changed minimum cash requirements[2] at the start of 2014. In the segment in pesos, as from March, requirements will be reduced by 16% of loans exceeding a 5-year term granted to MiPyMEs and arranged at the start of the year through the Credit Line for Productive Investment. With regard to the segment in foreign currency, requirements will change gradually from February to April 2014 for sight accounts and time deposits; in addition, institutions will be able to deduct from such requirements an amount equivalent to their holdings of LEBACs in foreign currency.

III. Financing

Financing in pesos channeled to the private sector over the last month of the year increased 4.3%[3] against November (see Chart 9), **thereby posting the greatest monthly rise throughout 2013**. Except for overdrafts, all credit lines rose in December, especially, financing arranged through cards and promissory notes. Considering the decrease in the stock of loans in foreign currency, total lending (in pesos and dollars) channeled to the private sector expanded 4.2%[4] over the period. **The monthly momentum posted by loans to**

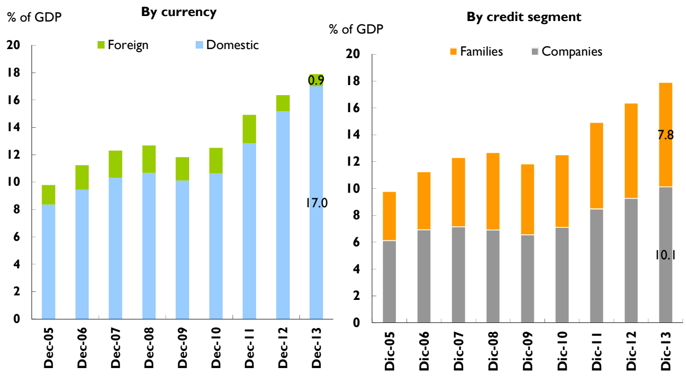
[2] Communication “A” 5524 and 5534.
[3] Five financial trusts were issued in December for a total of $612 million, out of which $560 million corresponded to personal loan securitizations and $52 million, to credit card coupon securitizations. If the balance sheet stock is adjusted by assets securitized over the period (using loans granted by banks as underlying assets), the monthly growth recorded by loans in pesos granted to companies and households would reach 4.4%.
[4] If the balance sheet stock is adjusted by assets securitized during December, total credit monthly expansion (including pesos and dollars) to the private sector, companies, and households would reach 4.3%.

Chart 10
Credit to the Private Sector by Group of Banks



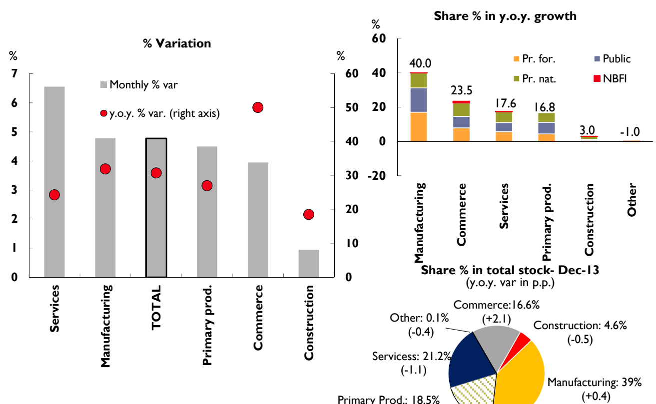
Source: BCRA

Chart 11
Private Sector Credit in terms of GDP



Source: BCRA and INDEC

Chart 12
Credit to Companies



Source: BCRA

companies and households was observed in all groups of financial institutions (see Chart 10).

In y.o.y. terms, loans in pesos to the private sector increased 34.1% in December, while loans in dollars fell. Thus, total financing to companies and households expanded 30.8% over the past 12 months. Consequently, **bank lending to the private sector gradually increased its depth in the economy.** The lending to the private sector /GDP ratio stood at 17.9% at the end of 2013 (see Chart 11), up 1.5 p.p. against the value recorded a year before. By the end of 2013, credit expansion was mainly boosted by the segment of loans in pesos: the stock of loans in pesos totaled 17% of GDP up 1.8 p.p. y.o.y.

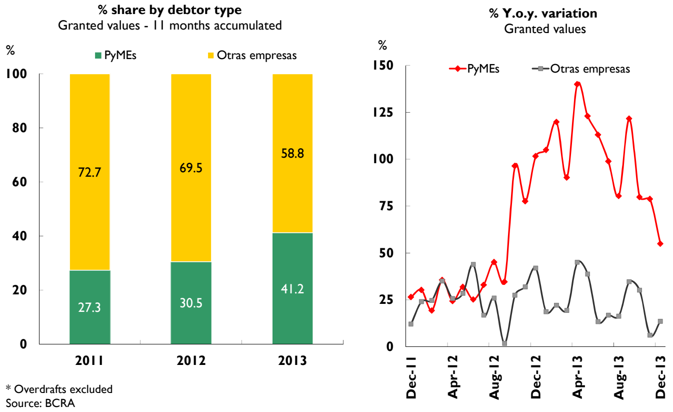
The monthly rise in loans to the private sector was primarily led by lending to companies. I**n December, loans aimed at different productive areas climbed 4.8%**, especially, in the case of manufacturing and service companies (see Chart 12). In **a y.o.y. comparison, lending to companies expanded 30.7%,** 40.1% of which was accounted for by the industrial sector, mainly through foreign private banks.

The momentum evidenced by lending granted to companies is partly fostered by measures taken by the BCRA for productive financing. **With respect to the Credit Line for Productive Investment (LCIP)**, **banks disbursed around $53.7 billion since its implementation** —July 2012— **up to the end of the second half of 2013**. Particularly, such amount reached approximately $35.1 billion in 2013, which accounts for 10% of total loans in pesos channeled to legal persons. The comparison of **loans in pesos channeled to small and medium-sized enterprises at the start and at the end of 2013 show that they increased 55% accounting for 41.2% of the total granted over the year** (see Chart 13), up 10.7 p.p. against 2012.

In order to continue deepening the positive effects of the LCIP the BCRA decided, at the end of 2013, to introduce a new tranche for the first half of 2014[5], taking as benchmark 5% of private sector deposits in pesos of the most relevant financial institutions as of November 2013. The quota of this new stage should be agreed with micro, small, and medium-sized enterprises loans; half of such amount may be granted through mortgage loans for individuals[6] and through loans to large companies having projects aimed at expanding productive capacity, increasing direct and formal employment, substituting imports, developing export capacity, and investing in capital goods and

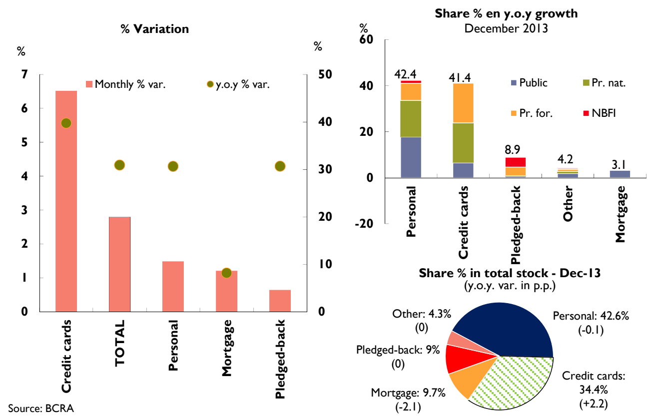
[5] Communication "A" 5516.
[6] In this case, the minimum term will be 10 years, with a fixed interest rate of 17.5% in annual nominal terms for the first year and if such rate is no longer applied, a variable rate will be applied as from the second year; such rate must not exceed the BADLAR rate in pesos at private banks plus 300 basis points. The interest rate will be reassessed annually.

Chart 13
Loans Granted to Legal Persons in Pesos*
Financial System



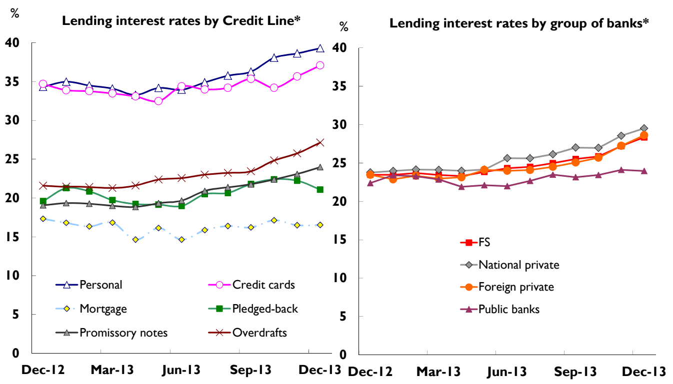
* Overdrafts excluded
Source: BCRA

Chart 14
Credit to Households



Source: BCRA

Chart 15
Lending Interest Rates Operated in Pesos



*Weighted average by operated value.
Source: BCRA

infrastructure works[7]. A fixed interest rate of up to 17.5%, in nominal annual terms, will be applied in —at least— the first three years[8].

In addition, **the BCRA has awarded $7.78 billion amongst 14 banks** through 26 auctions conducted within the framework of the **Bicentenary Productive Financing Program** (PFPB). Seven auctions were carried out in 2013, whereby almost $2 billion were awarded. Around $6.01 billion (77% of the total awarded) were credited since the implementation of the PFPB to January 2014; such funds were granted to 380 companies and over half of the transactions were conducted with micro, small and medium-sized enterprises.

Loans granted to households rose 2.8% over the month. The change was led by financing arranged through credit cards —which was partly related to expenses that are typical at the end of the year— in a context where all credit lines expanded (see Chart 14). **Lending to households increased 30.9% over the past year;** particularly, the contribution made by lines aimed at consumption —personal loans and credit cards— should be highlighted as they accounted, as a whole, for almost 84% of such rise. Thus, as of December, personal loans amounted to 42.6% of the total, whilst lending through credit cards reached 34.4% of total loans granted to households.

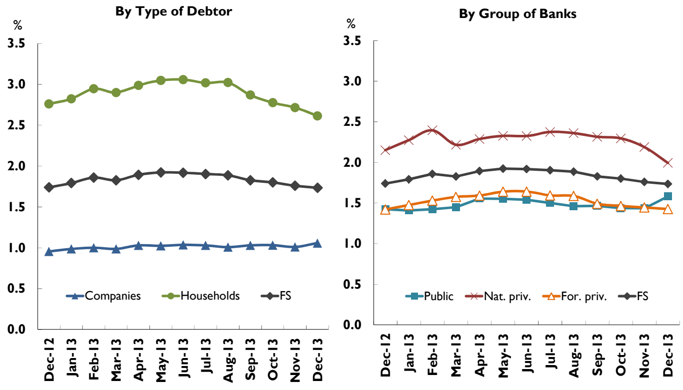
Lending interest rates traded in pesos at the end of 2013 posted a minor rise in almost all credit lines (see Chart 15); this dynamics was boosted by private banks. Lending interest rates observed at the end of 2013 were slightly above those recorded at the end of 2012 in most credit lines. This annual performance was also accounted for by private banks. **As a result of a greater rise in the lending interest rate compared to the borrowing rate, spreads increased in monthly and y.o.y. terms. It should be noted that—with the LCIP and the PFPB—the Central Bank has tools to prevent this dynamics from carrying a higher cost of lending for micro, small and medium-sized enterprises and other companies with productive projects.**

IV. Portfolio quality

In December, the non-performing ratio for loans to the private sector decreased slightly, standing at 1.7% of total lending, below the figure recorded by mid-2013 and in line with the level observed at the end of 2012 (see Chart 16). The reduction observed in the delinquency ratio recorded in the last months resulted,

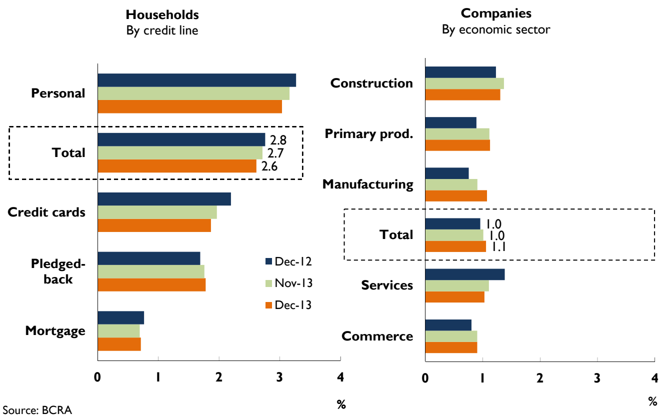
[7] In these cases, the interest rate shall be agreed upon without any restriction. Allocation of this financing needs the prior approval of the BCRA.
[8] At the end of this term, a variable rate may be applied but it shall not exceed the total BADLAR rate in pesos plus 400 basis points.

Chart 16
Private Sector Non Performing Debt
Non-performing loans / Total loans (%) - Financial System



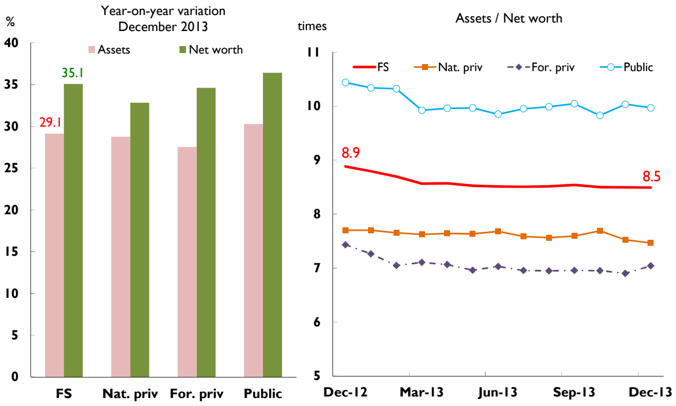
Source: BCRA

Chart 17
Non performing Financing
Non-performing loans / Total loans - Financial System



Source: BCRA

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



Source: BCRA

primarily, from the performance registered in lending granted to households and was boosted by national private banks.

The non-performing ratio for loans to households continued falling in December, reaching 2.6% of lending granted to this sector, due to the fact that the rise in the stock of total loans was accompanied by a slight reduction in the non-performing portfolio. Although the decline was observed in all credit lines, personal loans greatly boosted the fall (see Chart 17). A minor reduction in households' non-performing levels was observed in y.o.y. terms mainly owing to the performance recorded by credit cards.

Delinquency of loans granted to companies stood at 1.1% of the total portfolio in the last month of the year, slightly above the figure recorded throughout 2013 (see Chart 17). If analyzed by sectors, a heterogeneous performance was observed per activity, with a fall in the non-performing indicator of loans for construction purposes and services, and a minor rise in manufacturing.

Unsecured loans to the private sector decreased its non-performing ratio slightly, to 1.8%, over the month. In contrast, delinquency in secured loans rose to 1.3% of the portfolio and did not record significant changes against the levels of late 2012.

Coverage of the non-performing portfolio to the private sector with provisions continued rising in December, totaling 140.2% of financing; this was mainly led by foreign and national private banks. Excluding minimum provisions corresponding to the performing portfolio, the coverage ratio would reach 80.7% at an aggregate level, a value that exceeds minimum provisions required on non-performing loans (47.4%). **Thus, the financial system continued exhibiting ample cover by provisions.**

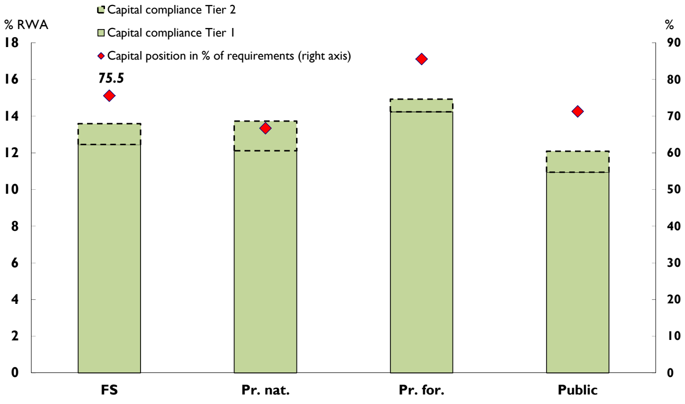
V. Solvency

In December the consolidated financial system net worth grew 4.3%, mostly boosted by profits accrued. A foreign financial institution distributed dividends for around $77 million over the month. On a y.o.y. comparison basis, the financial system net worth expanded 35.1%, surpassing the relative rise of total assets (see Chart 18). Thus, **banking assets totaled 8.5 times the net worth in December, falling 0.4 against the level observed a year before.**

The financial system regulatory capital compliance reached 13.6% of total risk-weighted assets (RWA) in December, going up slightly against the month

Chart 19

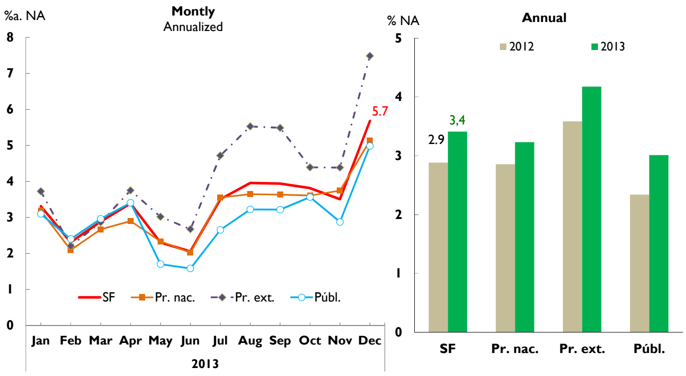
Capital Compliance and Excess of the Requirement (Position)
December 2013*



Source: BCRA

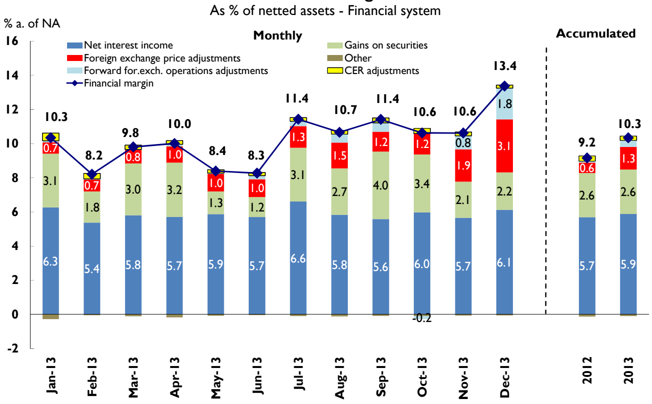
Chart 20

Profitability by Group of Banks
As % of netted assets



Source: BCRA

Chart 21
Financial Margin
As % of netted assets - Financial system



Source: BCRA

before. Particularly, Tier 1[9] capital compliance accounted for 12.5% of RWA. By the end of the year, **compliance in excess of capital requirement for the ensemble of financial institutions accounted for 75.5% of the regulatory requirement** (see Chart 19)**, up 16.8 p.p. against the end of 2012**.

In December, financial system book profits stood at 5.7%a. of assets, up 2.2 p.p. against November (see Chart 20). This rise was primarily accounted for by a greater financial margin. **The financial system recorded a 3.4% ROA in year-to-date terms, up 0.5 p.p. against 2012.** In a monthly and y.o.y. comparison, all groups of banks improved their book profits.

The financial margin recorded by the ensemble of banks rose 2.8 p.p. of assets up to 13.4%a. during the month. The rise over the period was mainly due to profits accrued in headings related to the evolution of the foreign exchange rate (exchange rate differences and adjustments for foreign currency forward transactions) and, to a lower extent, income derived from interest. **Considering all 2013, the financial margin stood at 10.3%, going up 1.1 p.p. against the value recorded a year before** (see Chart 21). This positive y.o.y. performance was observed in all groups of banks, being foreign private banks those that posted the greatest relative hike.

In December net income from services increased 0.3 p.p. of assets, up to 4.2%a., a level that is in line with the annual average. **Such income totaled 4.3% of assets in year-to-date terms in 2013**, going up slightly against the level observed last year, and being mostly boosted by foreign private banks.

In December, **operating costs rose slightly, totaling 7.1%a. of assets**. Such expenses increased 0.1 p.p. of assets in year-to-date terms, standing at 7.1%. In turn, **loan loss provisions increased 0.5 p.p. of assets to 1.4%a. over the period, partly reflecting a seasonal effect, without posting significant changes in year-to-date terms against the values of the previous year**. The monthly momentum exhibited by these expenses was mainly accounted for by private banks.

In 2013, the coverage ratio of operating costs with more stable net income (net of loan loss provisions) **amounted to 129% for the aggregate financial system**, slightly above the value observed a year before, mainly due to the performance of public banks.

[9] Defined as basic net worth (common and additional stock), net of accounts that may be deducted.

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" 5500 – December 03, 2013
Rules regarding "interest rates on credit transactions" were modified to make the limits and calculation of compensatory and punitive interest applicable to agreements to refinance credit card balances.

Communication "A" 5505 – December 12, 2013
Regulations on "credit policy" are adjusted as far as the "application of lending capacity of deposits in pesos and own liquid funds aimed at large exporting companies" is concerned. The treatment to be given to financing to economic groups is thus provided. In addition, the concept of "regulated financing" does not include financing granted under the framework of "Central Bank advances to financial institutions to finance the productive sector" and the "Credit Line for Productive Investment". In turn, security loans shall be considered "regulated financing". It should be noted that the category of "large exporting companies" only comprises clients from the non-financial private sector. Finally, it is worth noting that the regulations on "minimum cash" shall be applied where the minimum cash requirement for deposits in pesos is to be determined in order to establish the lending capacity of loans in pesos and own liquid funds aimed at large exporting companies. Neither the calculation of interest nor the deduction of financing provisions is necessary to determine such lending capacity and its application.

Communication "A" 5506 – December 12, 2013
The regulations on "valuation of debt instruments of the non-financial public sector and monetary regulation of the Central Bank of Argentina" address the issuance of the Argentine Savings Bond for Economic Development (BAADE) under the Section "registry at the cost value plus yield" when they are purchased through primary auction. They may be recorded at their acquisition value. In addition, institutions may choose to register such holdings, totally or partially, at fair value on a permanent basis.

Communication "A" 5508 – December 12, 2013
The "checking account rules" are amended to extend the application of the tax on credits and debits on bank accounts—as ordered by the Legislative Power—up to December 31, 2015 under Law 26,897.

Communication "A" 5509 – December 20, 2013
The minimum amount per day and account for instant transfers through ATMs is increased—from $10,000 to $20,000—; this new provision shall enter into effect 30 days following the spreading of this Communication.

Communication "A" 5510 – December 20, 2013
The application of the provisions on "credit policy" which establish that economic groups must be considered as a single client is suspended since December 13, 2013, lest the regular access to financing by companies related to large exporting companies is not affected.

Communication "A" 5514 – December 26, 2013
Regulations on the "protection of financial services users" as to charges and commissions for assessment, granting, and management of financing shall not be applied to pledge-backed loan agreements entered into as of September 30, 2013.

Communication "A" 5516 – December 27, 2013
The "Credit Line for Productive Investment" is renewed. The minimum average term at which loans shall be granted remains being 24 months, with a total minimum term of 36 months; in addition, disbursements shall be carried out before June 30, 2014. Such period may be extended up to December 31, 2014, if financing calls for more than one disbursement. The amount of the 2014 Quota is 5% of the stock of deposits in pesos corresponding to the non-financial private sector at the end of November 2013. The total 2014 Quota shall be granted to micro, small, and medium-sized enterprises at a fixed rate of 17.50% for at least the first 36 months, up to 50% of such amount may be allocated to mortgage loans for individuals and financing to clients not falling under the category of micro, small, and medium-sized enterprises and having specific investment projects.

Methodology

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

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

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

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

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

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

Glossary

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

Statistics annex[1] | Financial system

Chart 1 | Financial Soundness Indicators (see Methodology)

As %	Dec 05	Dec 06	Dec 07	Dec 08	Dec 09	Dec 10	Dec 11	Dec 12	Nov 13	Dec 13
1.- Liquidity	20.1	22.5	23.0	27.9	28.6	28.0	24.7	26.8	25.5	26.8
2.- Credit to the public sector	31.5	22.5	16.3	12.7	14.4	12.1	10.7	9.7	8.8	9.3
3.- Credit to the private sector	25.8	31.0	38.2	39.4	38.3	39.8	47.4	49.5	49.8	50.8
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
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	-2.9
6.- ROA	0.9	1.9	1.5	1.6	2.3	2.8	2.7	2.9	3.2	3.4
7.- ROE	7.0	14.3	11.0	13.4	19.2	24.4	25.3	25.7	27.5	29.6
8.- Efficiency	151	167	160	167	185	179	179	190	202	206
9a.- Capital compliance	-	-	-	-	-	-	-	-	13.4	13.6
9b.- Capital compliance (credit risk)	15.9	16.9	16.9	16.9	18.8	17.7	15.6	17.1	-	-
10a.- Capital compliance Tier 1	-	-	-	-	-	-	-	-	12.2	12.5
10b.- Capital compliance Tier 1 (credit risk)	14.1	14.1	14.6	14.2	14.5	13.0	11.0	11.9	-	-
11.- Excess capital compliance	169	134	93	90	100	87	69	59	73	76

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	Nov 13	Dec 13	Change (in %) Last month	Change (in %) 2013
Assets	**346,762**	**387,381**	**510,304**	**628,381**	**790,026**	**985,458**	**1,005,630**	**2.0**	**27.3**
Cash disposal[1]	58,676	71,067	93,085	104,389	148,254	169,417	200,728	18.5	35.4
Public bonds	65,255	86,318	117,951	112,906	123,491	161,007	141,678	-12.0	14.7
Lebac/Nobac	37,093	43,867	76,948	71,050	84,057	112,076	89,833	-19.8	6.9
Portfolio	25,652	34,748	61,855	59,664	70,569	93,293	88,192	-5.5	25.0
Repo[2]	11,442	9,119	15,093	11,386	13,488	18,783	1,640	-91.3	-87.8
Private bonds	203	307	209	212	251	579	480	-17.2	91.4
Loans	154,719	169,868	230,127	332,317	433,925	539,186	563,207	4.5	29.8
Public sector	17,083	20,570	25,907	31,346	39,951	44,688	48,439	8.4	21.2
Private sector	132,844	145,247	199,202	291,708	383,674	481,796	501,793	4.2	30.8
Financial sector	4,793	4,052	5,018	9,263	10,299	12,702	12,975	2.2	26.0
Provisions over loans	-4,744	-5,824	-6,232	-7,173	-9,596	-11,972	-12,393	3.5	29.1
Other netted credits due to financial intermediation	38,152	33,498	39,009	40,805	38,769	61,123	42,506	-30.5	9.6
Corporate bonds and subordinated debt	912	1,146	1,433	1,657	2,255	4,645	5,366	15.5	137.9
Unquoted trusts	5,714	5,942	6,824	7,967	10,822	12,659	12,677	0.1	17.1
Leasing	3,935	2,933	3,936	6,222	7,203	8,985	9,455	5.2	31.3
Shares in other companies	7,236	6,711	7,921	9,123	11,682	14,660	15,202	3.7	30.1
Fixed assets and miscellaneous	7,903	8,239	9,071	10,111	11,251	13,615	14,224	4.5	26.4
Foreign branches	3,153	3,926	3,283	3,525	4,354	5,299	5,611	5.9	28.9
Other assets	12,275	10,337	11,943	15,944	20,441	23,560	24,932	5.8	22.0
Liabilities	**305,382**	**339,047**	**452,752**	**558,264**	**699,205**	**868,449**	**883,813**	**1.8**	**26.4**
Deposits	236,217	271,853	376,344	462,517	595,764	732,046	752,317	2.8	26.3
Public sector[3]	67,151	69,143	115,954	129,885	163,691	204,971	202,407	-1.3	23.7
Private sector[3]	166,378	199,278	257,595	328,463	427,857	521,398	544,252	4.4	27.2
Current account	39,619	45,752	61,306	76,804	103,192	118,441	125,211	5.7	21.3
Savings account	50,966	62,807	82,575	103,636	125,210	144,307	158,438	9.8	26.5
Time deposit	69,484	83,967	104,492	135,082	183,736	240,910	241,319	0.2	31.3
Other netted liabilities due to financial intermediation	57,662	52,114	60,029	76,038	75,106	99,938	92,673	-7.3	23.4
Interbanking obligations	3,895	3,251	4,201	7,947	8,329	10,246	10,598	3.4	27.2
BCRA lines	1,885	270	262	1,920	3,535	4,690	4,693	0.1	32.8
Outstanding bonds	5,984	5,033	3,432	6,856	9,101	13,756	13,898	1.0	52.7
Foreign lines of credit	4,541	3,369	3,897	6,467	4,992	5,361	6,328	18.0	26.8
Other	13,974	14,891	17,426	24,137	26,280	29,976	41,599	38.8	58.3
Subordinated debts	1,763	1,922	2,165	2,065	2,647	3,263	3,425	5.0	29.4
Other liabilities	9,740	13,159	14,213	17,644	25,688	33,202	35,398	6.6	37.8
Net worth	**41,380**	**48,335**	**57,552**	**70,117**	**90,820**	**117,009**	**121,817**	**4.1**	**34.1**
Memo									
Netted assets	321,075	364,726	482,532	601,380	767,744	950,452	990,482	4.2	29.0
Consolidated netted assets	312,002	357,118	472,934	586,805	750,598	929,742	969,188	4.2	29.1

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

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

Source: BCRA

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

Statistics annex[1] | Financial system (cont)

Chart 3 | Profitability Structure

Amount in million of pesos	Annual						Monthly		
	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**Oct-13**	**Nov-13**	**Dec-13**
Financial margin	20,462	28,937	35,490	43,670	61,667	88,507	8,145	8,347	10,910
Net interest income	9,573	14,488	17,963	24,903	38,365	50,336	4,578	4,446	5,004
CER and CVS adjustments	2,822	1,196	2,434	1,725	2,080	2,153	234	176	144
Foreign exchange price adjustments	2,307	2,588	2,100	3,025	4,127	11,286	937	1,492	2,535
Gains on securities	4,398	11,004	13,449	14,228	17,356	22,280	2,599	1,662	1,782
Other financial income	1,362	-339	-457	-211	-261	2,454	-204	570	1,446
Service income margin	10,870	13,052	16,089	21,391	28,172	36,505	3,265	3,094	3,446
Loan loss provisions	-2,839	-3,814	-3,267	-3,736	-6,127	-8,620	-631	-685	-1,151
Operating costs	-18,767	-22,710	-28,756	-36,365	-47,318	-60,652	-5,263	-5,517	-5,804
Tax charges	-2,318	-3,272	-4,120	-6,047	-8,981	-14,156	-1,219	-1,261	-1,483
Adjust. to the valuation of gov. Securities[1]	-1,757	-262	-214	-336	-338	-377	-32	-33	-36
Amort. payments for court-ordered releases	-994	-703	-635	-290	-274	-128	-10	-25	-9
Other	1,441	918	2,079	2,963	2,475	2,748	283	326	314
Total results before tax[2]	6,100	12,145	16,665	21,251	29,276	43,828	4,537	4,247	6,188
Income tax	-1,342	-4,226	-4,904	-6,531	-9,861	-14,685	-1,615	-1,492	-1,556
Total result[2]	**4,757**	**7,920**	**11,761**	**14,720**	**19,415**	**29,143**	**2,921**	**2,755**	**4,632**
Adjusted Result[3]	7,508	8,885	12,610	15,345	20,027	29,649	2,964	2,812	4,677
Annualized indicators - As % of netted assets									
Financial margin	6.7	8.6	8.5	8.0	9.2	10.3	10.6	10.6	13.4
Net interest income	3.1	4.3	4.3	4.6	5.7	5.9	6.0	5.7	6.1
CER and CVS adjustments	0.9	0.4	0.6	0.3	0.3	0.3	0.3	0.2	0.2
Foreign exchange price adjustments	0.8	0.8	0.5	0.6	0.6	1.3	1.2	1.9	3.1
Gains on securities	1.4	3.3	3.2	2.6	2.6	2.6	3.4	2.1	2.2
Other financial income	0.4	-0.1	-0.1	0.0	0.0	0.3	-0.3	0.7	1.8
Service income margin	3.6	3.9	3.8	3.9	4.2	4.3	4.3	3.9	4.2
Loan loss provisions	-0.9	-1.1	-0.8	-0.7	-0.9	-1.0	-0.8	-0.9	-1.4
Operating costs	-6.1	-6.7	-6.9	-6.7	-7.0	-7.1	-6.9	-7.0	-7.1
Tax charges	-0.8	-1.0	-1.0	-1.1	-1.3	-1.7	-1.6	-1.6	-1.8
Adjust. to the valuation of gov. Securities[1]	-0.6	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0
Amort. payments for court-ordered releases	-0.3	-0.2	-0.2	-0.1	0.0	0.0	0.0	0.0	0.0
Other	0.5	0.3	0.5	0.5	0.4	0.3	0.4	0.4	0.4
Total results before tax[2]	2.0	3.6	4.0	3.9	4.3	5.1	5.9	5.4	7.6
Income tax	-0.4	-1.3	-1.2	-1.2	-1.5	-1.7	-2.1	-1.9	-1.9
ROA[2]	**1.6**	**2.3**	**2.8**	**2.7**	**2.9**	**3.4**	**3.8**	**3.5**	**5.7**
ROA adjusted[3]	2.5	2.6	3.0	2.8	3.0	3.5	3.9	3.6	5.7
ROE before tax	*17.2*	*29.5*	*34.5*	*36.5*	*38.8*	*44.4*	*51.0*	*46.5*	*65.2*
ROE[2]	*13.4*	*19.2*	*24.4*	*25.3*	*25.7*	*29.5*	*32.8*	*30.2*	*48.8*

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

Chart 4 | Portfolio Quality

As percentage	Dec 05	Dec 06	Dec 07	Dec 08	Dec 09	Dec 10	Dec 11	Dec 12	Nov 13	Dec 13
Non-performing loans (overall)	**5.2**	**3.4**	**2.7**	**2.7**	**3.0**	**1.8**	**1.2**	**1.5**	**1.6**	**1.5**
Provisions / Non-performing loans	115	108	115	117	115	148	176	144	142	143
(Total non-perfoming - Provisions) / Overall financing	-0.8	-0.3	-0.4	-0.5	-0.5	-0.9	-0.9	-0.7	-0.6	-0.7
(Total non-perfoming - Provisions) / Net worth	-2.6	-0.9	-1.6	-1.8	-1.7	-3.6	-4.6	-3.4	-3.1	-3.2
Non-performing loans to the non-financial private sector	**7.6**	**4.5**	**3.2**	**3.1**	**3.5**	**2.1**	**1.4**	**1.7**	**1.8**	**1.7**
Provisions / Non-performing loans	115	108	114	116	112	143	171	141	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	-0.7
(Total non-perfoming - Provisions) / Net worth	-2.5	-0.8	-1.5	-1.7	-1.3	-3.2	-4.3	-3.1	-2.9	-3.0

Source: BCRA

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