

Report on Banks

December 2015



BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

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Year XIII, No. 4



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Note | This report is focused on the performance of the financial system, including breakdowns by homogeneous sub-groups. The data reported (particularly, those referring to profitability) are provisional and subject to changes. Except otherwise provided, end-of-month data are included.

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Summary

- In December, private sector deposits in pesos increased 4% in nominal terms, driven by time deposits (7.5% in nominal terms). In a context of higher yields, deposits in foreign currency rose over the month—in the currency of origin. **The stock of private sector deposits in pesos climbed 40.4% in 2015 (10.6% in real terms using the IPCBA¹); time deposits evidenced significant momentum as they grew 56.1% (23% inflation-adjusted) over the period.**
- Liquid assets—including domestic and foreign currency without LEBAC holdings— increased 3.6 p.p. of total deposits over the month, to 28.2%. This performance was accounted for by the segment denominated in foreign currency. Considering the holding of monetary regulation instruments, **the broad liquidity ratio reached 46.6% of deposits in December, up 3.9 p.p. and 1.2 p.p. against the figure recorded the month before and that of late 2014, respectively.**
- **Total bank financing to the private sector** (in domestic and foreign currency) **increased 3.8% in nominal terms in December.** Regarding lines in domestic currency, only the stock of credit cards exhibited real growth over the month in line with the seasonal performance. In 2015, lending to the private sector increased 36.8% in nominal terms (7.8% y.o.y. in real terms); this dynamics was mainly boosted by financing to companies.
- **In late 2015, the BCRA implemented the “Financing Line for Production and Financial Inclusion” for the first half 2016.** Financial institutions falling under the scope of this line shall keep a stock of loans representing at least 14% of deposits in pesos from the non-financial private sector corresponding to the monthly average of daily stocks of November 2015 (around \$117 billion). At least three quarters of the quota shall be granted to micro, small, and medium-sized enterprises (MSMEs) at a total term that may not be shorter than 3 years and up to a 22% nominal annual rate.
- **The delinquency ratio of lending to the private sector fell slightly in December, down to 1.7%.** This monthly drop resulted mainly from the performance of loans granted to households, the non-performance ratio of which stood at 2.3%, whilst that of loans to companies remained practically unchanged, at 1.3%. **In 2015, the non-performing indicator of lending to the private sector fell 0.3 p.p.** especially due to the performance of private bank debtors. By the end of the year, the stock of loan loss provisions of the financial system accounted for 145.5% of the non-performing portfolio.
- Return on assets (ROA) recorded by the ensemble of banks in December 2015 totaled 5%a., up 0.5 p.p. against the figure of November 2015 mainly as a result of extraordinary results of a public bank. **Financial system ROA in 2015 was 4.1%, a figure similar to that of the previous year.**
- The consolidated financial system net worth stock increased 3.6% in the month (-0.3% in real terms) and 35.7% y.o.y. (6.9% y.o.y. deflated). The net worth nominal expansion was primarily driven by profits accrued. **Capital compliance stood at 77% in excess of the regulatory requirement at the end of the year** whilst the capital compliance ratio accounted for 13.1% of total risk-weighted assets (RWA) over the period (12.4% in the case of Tier 1 capital).

¹ In order to include estimates of changes in real terms, nominal series are deflated using the Consumer Price Index of the City of Buenos Aires (IPCBA).

I. Activity

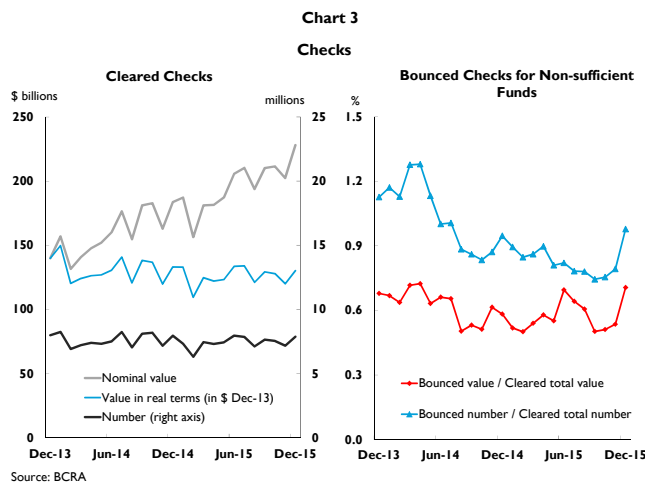
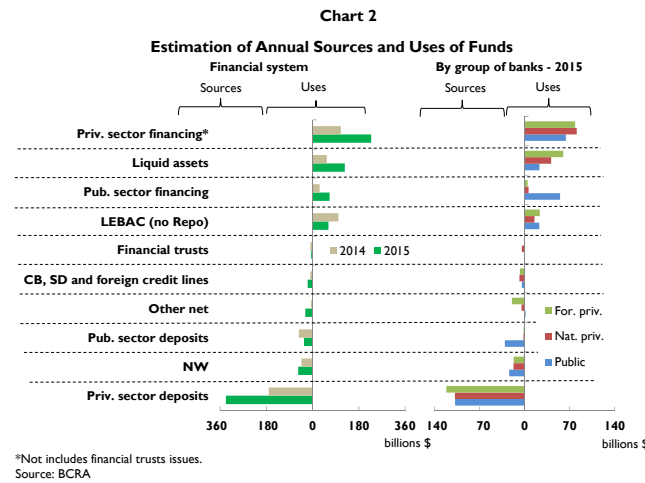
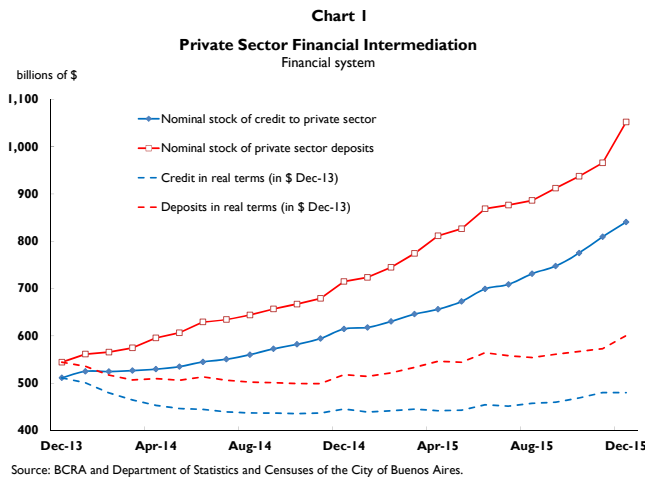
By the end of 2015, financial intermediation with the private sector continued having a performance that was in line with that observed in the previous few months. The stock of loans to households and companies rose 36.8% over the year (7.8% inflation-adjusted²) (see Chart 1), while deposits pertaining to this sector increased 47.2% in nominal terms (16% in real terms) over the period. In turn, the stock of financial system netted assets climbed 40.1% (10.3% in real terms) in 2015.

On the basis of the flow of funds in domestic currency estimated for the ensemble of banks³, the rise in loans to the private sector was the most relevant use of funds in December. In addition, other uses of funds in pesos over the month were: the rise in lending to the public sector and the net purchase of LEBACs. These uses were mainly funded with the rise of private sector deposits in domestic currency.

According to the flow of funds estimate for all 2015⁴, the expansion of loans to companies and households was the most outstanding use of funds (see Chart 2). To a lesser extent, over the year, the rise in liquid assets—especially, private banks—, in lending to the public sector—mainly, public banks— and in the holding of monetary regulation instruments was another use of funds for the financial system. Regarding the origin of funds, the taking of deposits from the private sector was the most relevant source in 2015. Furthermore, profits accrued and the increase in public sector deposits were also other origins of funds for the ensemble of banks over the period.

With respect to changes in the structure of the balance sheet of the aggregate financial system, the share of liquidity and financing to the public sector within assets increased slightly in 2015, to the detriment of a slight decline in the share of lending to the private sector. Considering total funding—liabilities and net worth—, private sector deposits gained relevance—being primarily boosted by time deposits in domestic currency— while public sector deposits slightly reduced their share in the total.

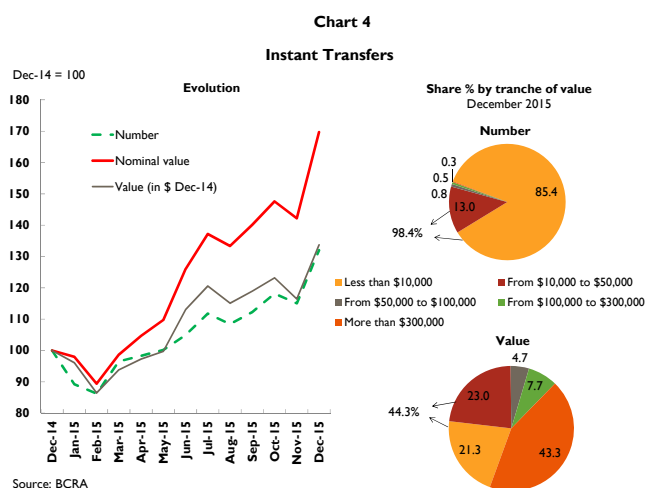
As far as transactions of the National Payment System are concerned, checks cleared increased in December, as is usually the case (see Chart 3), by 9.8% considering the number of checks and by 12.7% in the case of nominal values traded. In 2015, the value cleared of checks increased 24.2% in nominal terms (-2.2%



² In order to include estimates of changes in real terms, nominal series are deflated using the Consumer Price Index of the City of Buenos Aires (IPCBA).

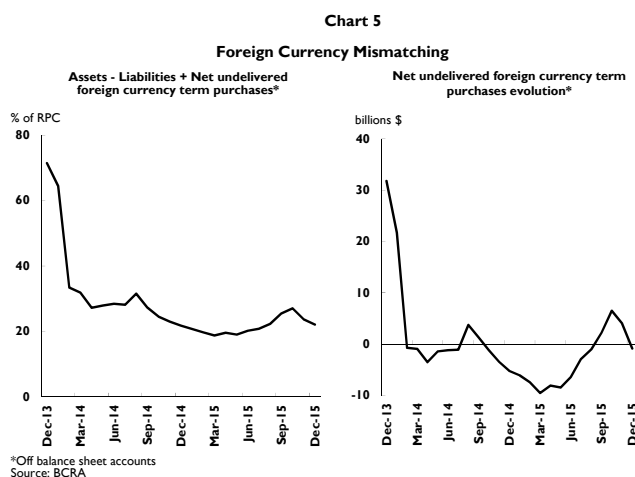
³ Considering changes in balance sheet stocks.

⁴ Ibid. note 3.



inflation-adjusted) while the number of checks fell 1%. In turn, as is typical at the end of the year, the ratio between bounced checks for non-sufficient funds and total checks cleared went up.

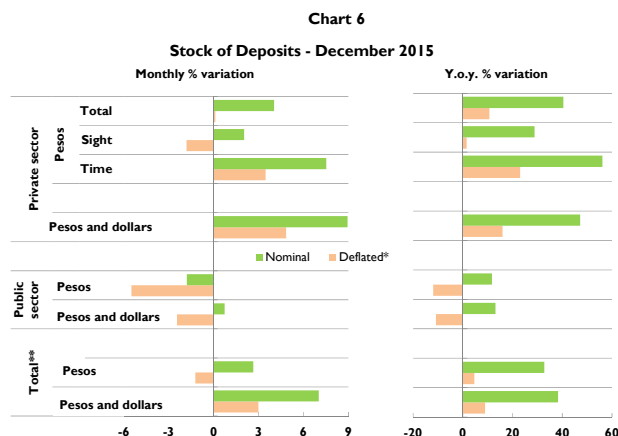
Third party transfers of funds continued going up by the end of 2015, especially instant transfers. In addition, the nominal value traded of instant transfers increased 19.3% in December influenced by a seasonal effect whilst the number of transactions increased 14.7% over the period (see Chart 4). In 2015, the value of instant transfers traded increased 70% in nominal terms (34% in real terms) and the number of transactions climbed 32%. Most instant transfers, in terms of number, concentrate in amounts of less than \$50,000 (98.4%); in terms of values, the share is more even among the different amount strata.



In December, the foreign currency mismatch of the ensemble of financial institutions stood at 22% of adjusted shareholders' equity (RPC), going down 1.6 p.p. against the month before (see Chart 5). The monthly drop was mainly driven by foreign private banks, which recorded a net forward short position in foreign currency. This mismatch remained at levels similar to those observed at the end of 2014.

II. Deposits and Liquidity

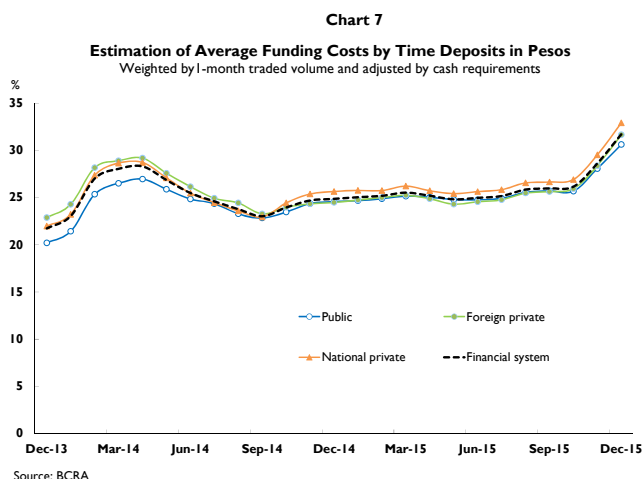
The stock of private sector deposits in pesos grew 4% over the month. This change was accounted for by time deposits, which went up 7.5% in nominal terms in December (see Chart 6). Deposits in foreign currency by households and companies expanded against November—in currency of origin—in a context of higher yields. Given the slight nominal rise of public sector deposits, the stock of total deposits in the financial system increased 7% over the period.



* Using IPC of Buenos Aires.** Total includes balance sheet stock, including financial sector deposits, accrued interests and CER adjustment. Source: BCRA and Department of Statistics and Censuses of the City of Buenos Aires.

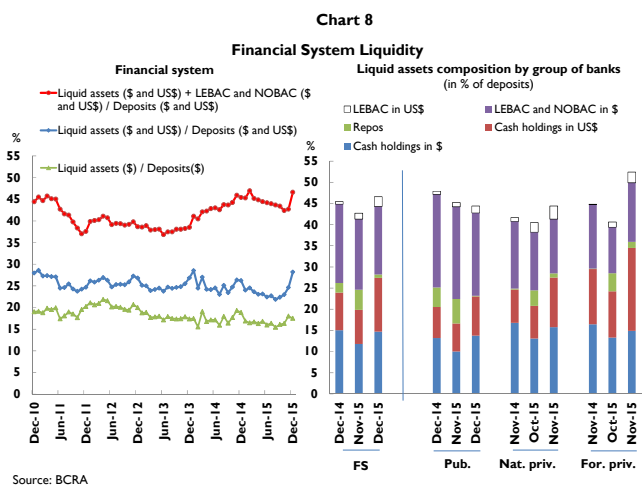
Private sector deposits in pesos increased 40.4% in nominal terms (10.6% in real terms) in 2015 mainly driven by the 56.1% y.o.y. growth (23% y.o.y. inflation-adjusted) of time deposits (see Chart 6). Private sector deposits in foreign currency increased 41.5% over the year—in currency of origin. In turn, public sector deposits increased 13.1% y.o.y. in nominal terms (-10.9% y.o.y. in real terms). Thus, the stock of total deposits improved 38.3% over the year (9% y.o.y. inflation-adjusted).

In December, the estimated nominal cost of funding faced by the aggregate of the financial system for time deposits in pesos pertaining to the private sector increased in all groups of banks (see Chart 7). Thus, the level of the funding cost was higher than that of the year before. It should be noted that it was ordered to



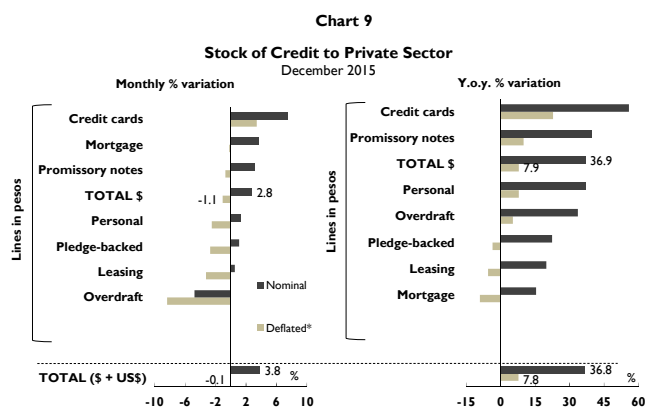
cancel the limits on interest rates on time deposits as from December⁵.

Liquid assets —including domestic and foreign currency without LEBAC holdings— **increased 3.6 p.p. of total deposits, up to 28.2% over the month**. This change was primarily accounted for by the performance of foreign currency items especially with counterparty in liabilities related to foreign trade transactions that have not been settled yet and it was mainly observed in foreign private banks (see Chart 8). Considering LEBAC holdings not related to repo transactions, the broad liquidity ratio stood at around 46.6% of total deposits in December, up 3.9 p.p. against the month before. This liquidity indicator was 1.2 p.p. of deposits higher than the figure recorded at the end of 2014.



III. Financing

Bank financing in pesos to the private sector increased 2.8%⁶ in nominal terms in December against the month before. Regarding lines in domestic currency, only credit cards registered real growth over the period (see Chart 9). In a context of regularization and unification of the foreign exchange market, the stock of loans in foreign currency represented in pesos increased over the month, making **total lending to households and companies (including domestic and foreign currency) increase 3.8%⁷ in nominal terms over the period**. Public banks recorded real growth in the case of loans to the private sector in December (see Chart 10), while the remaining groups of institutions recorded a fall.



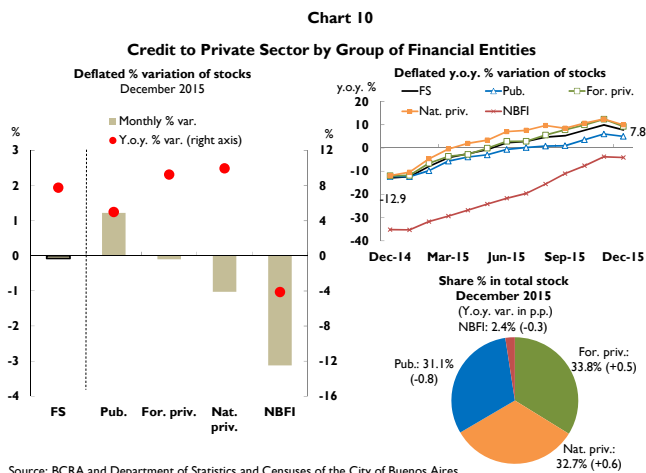
The stock of loans in pesos to the private sector increased 36.9% in the past 12 months (7.9% in real terms); in addition, credit cards and promissory notes recorded an outstanding performance. In 2015, loans in pesos to companies and households recovered their momentum partly (see Chart 11), gaining share in the stock of total loans, accounting for 95.2%. In this context, **total loans (in domestic and foreign currency) channeled to the private sector increased 36.8% y.o.y. (7.8% y.o.y. in real terms)**, driven mainly by private banks.

Note: Total includes balance sheet stock, including accrued interests and CER adjustment.
⁶Using IPC of Buenos Aires.
 Source: BCRA and Department of Statistics and Censuses of the City of Buenos Aires.

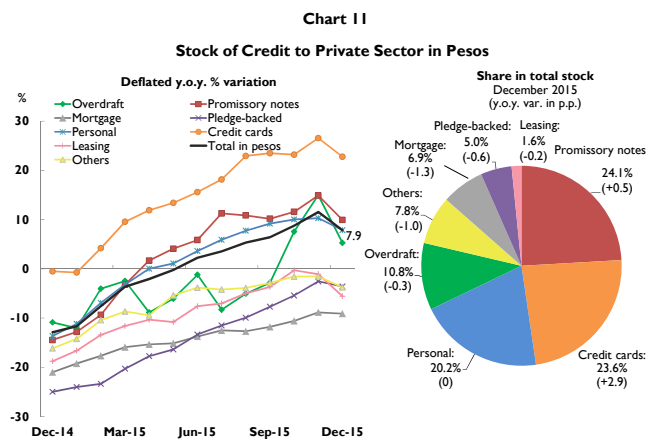
⁵ Communication “A” 5853.

⁶ In December, four financial trusts were issued for a total of \$833 million with loans generated by financial institutions, out of which \$377 million corresponded to securitizations of personal loans, \$290 million corresponded to securitizations of pledge-backed loans and \$166 million corresponded to securitizations of leasing agreements. If the balance sheet stock for these securitized assets is corrected, the nominal monthly rise of bank lending in pesos to companies and households would amount to 2.9%.

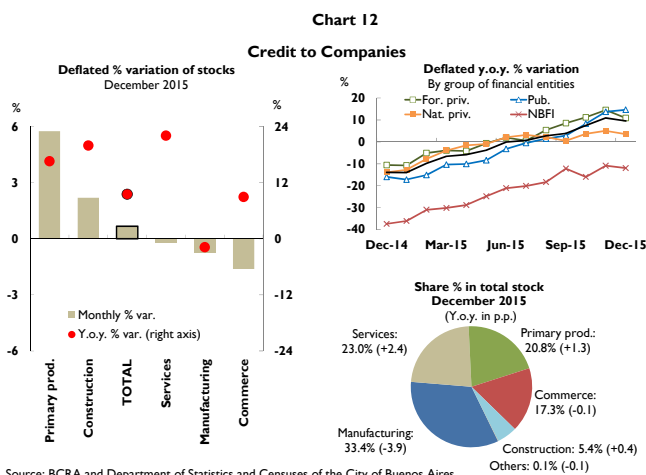
⁷ If the balance sheet stock is corrected for the abovementioned securitized assets, in December, the nominal monthly change of total loans (including domestic and foreign currency) to companies and households would amount to 3.9%.



Source: BCRA and Department of Statistics and Censuses of the City of Buenos Aires.



Source: BCRA and Department of Statistics and Censuses of the City of Buenos Aires.



Source: BCRA and Department of Statistics and Censuses of the City of Buenos Aires.

In December, bank lending to companies⁸ increased 4.6% in nominal terms against November. Loans for primary production and construction rose over the month, while lending to the remaining sectors fell in real terms (see Chart 12). In y.o.y. terms, **the stock of loans to the productive sector climbed 39% in nominal terms (9.5% in real terms).** Public banks and foreign private banks contributed to almost three quarters of the rise in total lending to companies in the past 12 months. With the exception of manufacturing, all productive sectors exhibited positive real rates of y.o.y. growth in lending, especially the performance of loans to service companies, the construction business and primary production.

In order to continue stimulating access to bank lending, especially for micro, small, and medium-sized enterprises (MSMEs) and the most vulnerable social sectors, **by the end of 2015, this Institution implemented the “Financing Line for Production and Financial Inclusion”⁹ for the first half of 2016.** On this occasion, financial institutions operating as financial agents of the National Government, Provincial Governments, the Government of the City of Buenos Aires and/or municipal governments and/or those whose share in the non-financial private sector deposits in pesos of the financial system is at least 1%, shall keep a stock of loans representing, at least, 14% of the stock of the non-financial private sector deposits in pesos corresponding to November 2015 (around \$117 billion). At least 75% of the quota shall be granted to micro, small, and medium-sized enterprises at a term that may not be shorter than 3 years and at a fixed annual nominal rate up to 22%.

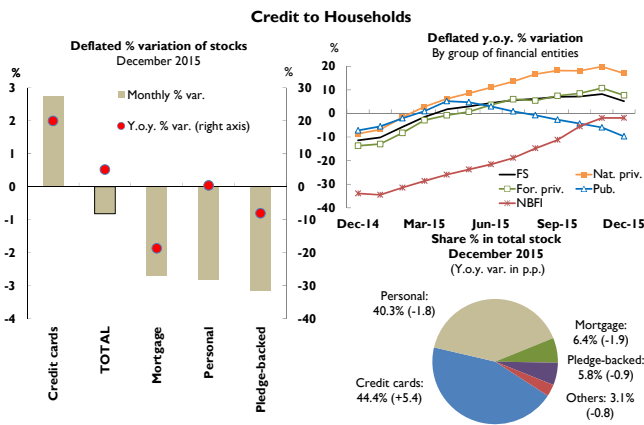
In December, the stock of loans to households increased 3.1% in nominal terms. The monthly evolution was accounted for by credit cards, in line with the typical performance observed at the end of year; in addition, it was the only line that grew monthly in real terms (see Chart 13). **In y.o.y. terms, lending to households increased 33.5% in nominal terms in the last month of the year (5.2% in real terms).** The y.o.y. momentum of loans to households was mainly driven by national and foreign private banks, which, as a whole, explained over 83% of the nominal y.o.y. growth of loans to this segment.

Lending nominal interest rates traded in pesos climbed by the end of 2015, primarily due to the performance of commercial lines (promissory notes and overdrafts) and of personal loans (see Chart 14). The monthly hike was mainly driven by national and foreign private banks in a context where the average lending

⁸ Information obtained from the Debtors' Database (comprising both domestic and foreign currency). Financing to companies is herein defined as those loans granted to legal persons and commercial loans granted to natural persons. In contrast, loans to households are those granted to natural persons unless such financing has a commercial purpose.

⁹ Communication “A” 5874.

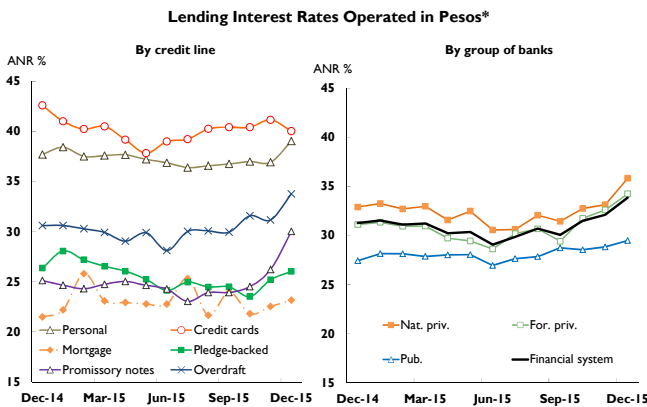
Chart 13



Source: BCRA and Department of Statistics and Censuses of the City of Buenos Aires.

nominal interest rate grew in all groups of financial institutions. In the second half of the year, the levels of nominal interest rates traded in pesos stood above those observed in the first half of 2015. It should be noted that, by mid-December, the BCRA ordered the elimination of maximum ceilings for lending interest rates¹⁰ that were in effect for personal and pledge-backed loans. Thus, interest rates arranged for these loans were set freely between financial institutions and clients. **Regarding spreads between the average lending interest rate traded in domestic currency and the funding cost for private sector time deposits in pesos, a reduction was observed against the levels of November, those of the first half of the year and those recorded by late 2014.**

Chart 14



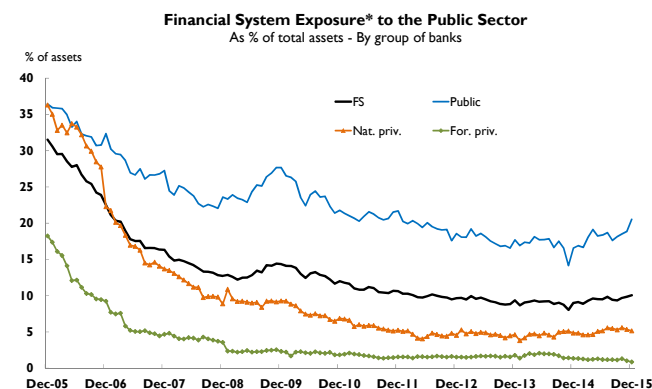
*Note: weighted average by operated value. Source: BCRA

Financing to the public sector by the ensemble of financial institutions in the last month of the year rose slightly to 10.1% of total assets; this performance was boosted by public banks (see Chart 15). In 2015, the exposure of the financial system to the public sector rose slightly against the levels recorded in 2014; however, it remained low compared to the values observed years before and those recorded by other economies in the region.

IV. Portfolio Quality

The delinquency ratio of loans granted to the private sector fell slightly in December, down to 1.7%. In y.o.y. terms, such ratio went down 0.3 p.p., particularly due to the performance of debtors of foreign and national private banks. This indicator has remained at reduced levels on an international as well as a historical basis (see Chart 16).

Chart 15



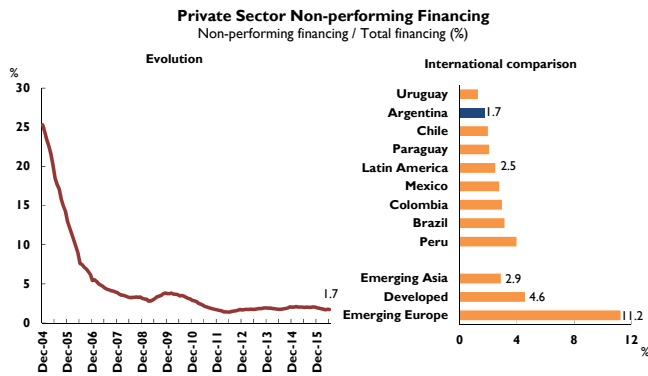
*Exposure: (Position in government securities (not including Lebac or Nobac) + Loans to the public sector) / Total Assets. Public sector includes all jurisdictions (national, provincial and municipal). Source: BCRA

In December, non-performance corresponding to loans granted to households declined slightly standing at about 2.3% of the portfolio (see Chart 17). In y.o.y. terms, this indicator fell 0.7 p.p., mainly driven by pledge-backed and personal loans. Regarding companies, the non-performing ratio of loans channeled to this sector remained stable, at about 1.3%. This value was similar to that recorded twelve months ago (+0.1 p.p.); furthermore, a minor rise was observed in delinquency of loans for construction and primary production, while service companies improved their situation slightly.

Loans to companies and households having preferred guarantees accounted for 13% of total lending to such sector in December. Both secured loans and unsecured loans kept their non-performing ratios at

¹⁰ Communication "A" 5853.

Chart 16



Note: Emerging Asia: China, India, Indonesia. Developed: Australia, Canada, France, Germany, USA, Japan, Spain and Italy. Emerging Europe: Bulgaria, Romania, Hungary, Turkey. Data to 2015, except: China, Bulgaria and Germany to 2014; Uruguay and France to 2013. Source: BCRA

1.9% and 1.7%, respectively. The financial system continued evidencing provisioning levels that sizably exceed the minimum regulatory requirement. **In December, the stock of such provisions accounted for 145.5% of the non-performing portfolio** (see Chart 18).

V. Solvency

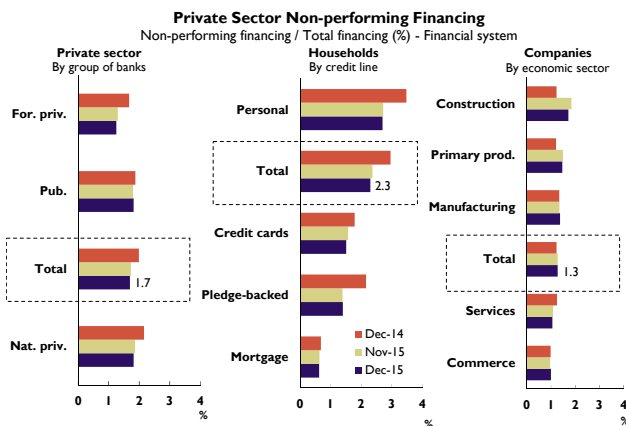
Aggregate financial system capital compliance accounted for 13.1% of total risk-weighted assets (RWA) in December (see Chart 19). Tier 1¹¹ capital compliance stood at 12.4% of RWA over the period. In turn, by the end of 2015, **capital compliance in excess of the regulatory requirement —capital position— of the ensemble of financial institutions reached 77%**. It should be noted that the methodology change to measure the minimum capital requirement for credit risk¹² has been in effect since December 2015 and this mainly explained the level changes observed in solvency indicators.

The consolidated financial system net worth stock rose 3.6% in December, going up 35.7% y.o.y. (6.9% y.o.y. deflated). Net worth nominal expansion was primarily explained by profit accrual.

Financial system return on assets (ROA) reached 5%a. in the month, surpassing the figure recorded in November and the level corresponding to the same period of 2014 (see Chart 20). The hike in the monthly profitability was mainly driven by the ensemble of banks based on windfall profits recorded by one institution.

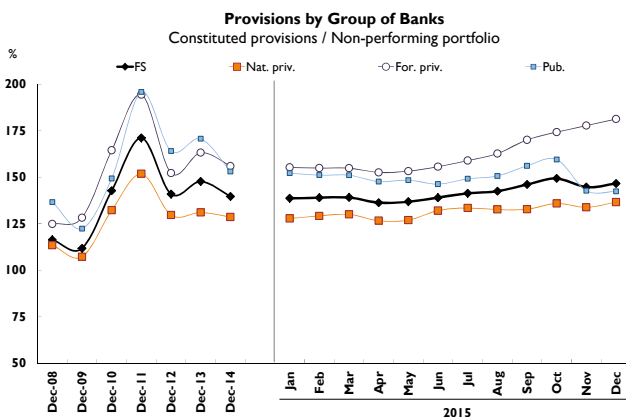
The monthly financial margin of the ensemble of banks increased 0.4 p.p. of assets against the figure recorded in November, up to 12.9%a. This performance was mainly boosted by the item of exchange rate differences (see Chart 21); this was observed almost entirely in one significant public bank especially due to the restatement of value of its branches abroad¹³. In December, interest income of the financial system also increased slightly up 5.5%a. of assets particularly due to higher income. In turn, income from securities fell in the month, down to 4.1%a. of assets thereby moderating the monthly rise of the financial margin. Furthermore, profits obtained from services rose slightly in December up 4.2%a. of assets. In the case of

Chart 17



Source: BCRA

Chart 18



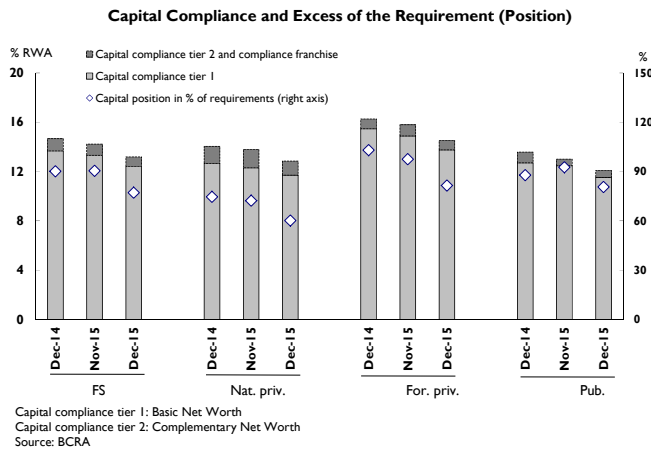
Source: BCRA

¹¹ Basic net worth (common stock and additional capital) net of deductible accounts. See Communication “A” 5369.

¹² Communication “A” 5831. Items comprised by the capital requirement for credit risk started to be calculated on the basis of the stocks on the last day of every month (the monthly average of daily stocks of the previous month was considered before).

¹³ It should be noted that these assets were excluded from the calculation of the Net Global Position in Foreign Currency (PGNME) of institutions (Communication “A” 5851). In order to avoid net worth fluctuations, the BCRA ordered that institutions sell to this Bank the PGNME (if it is positive) at the end of transactions corresponding to December 16, 2015, which was assessed at the benchmark exchange rate of that day; institutions were ordered to subsequently repurchase it at the benchmark exchange rate corresponding to the repurchase day; to this end, they had the option to choose one of the following days: 17, 18 or 21 of December (Communication “A” 5852).

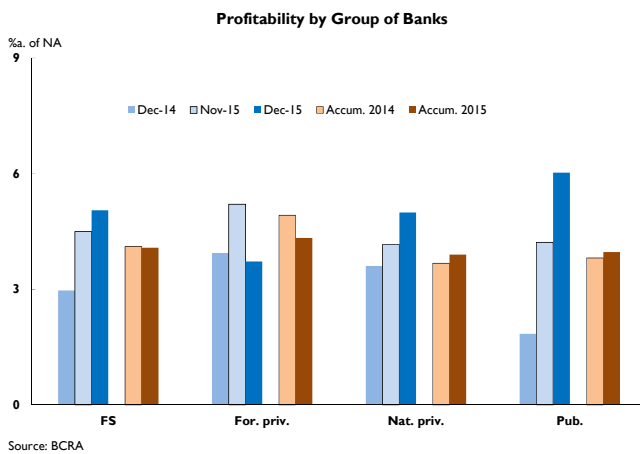
Chart 19



expenses, loan loss provisions decreased 0.2 p.p. of assets at the end of the year, down to 0.8%a. In turn, operating costs stood at 8.2%a. of assets in December, exceeding the level of November.

In year-to-date terms in 2015, the financial system accrued profits equal to 4.1% of assets, in line with the figures recorded in 2014 (see Chart 20). The year-to-date annual ROA of national private and public banks rose slightly whilst this indicator decreased in the case of foreign private banks.

Chart 20



The financial margin stood at 11.8% of assets in 2015 remaining practically unchanged against 2014 (see Chart 22). Profits from securities increased in 2015; this was partially offset by falls in the remaining components of the financial margin. Particularly, interest income of the ensemble of financial institutions went down in 2015 to 5.4% of assets given lower income and higher expenses. In turn, net services income stood at 4.2% of assets, remaining virtually unchanged against the previous year. Regarding expenses, loan loss provisions decreased slightly to 0.9% of assets; this evolution was mainly observed in private financial institutions. In the case of operating costs, they went up 0.3 p.p. of assets, to 7.7% in 2015, a change that was explained by national private and public banks.

Chart 21

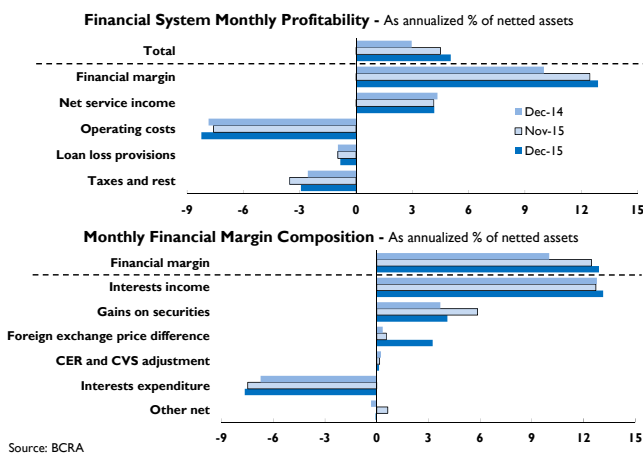
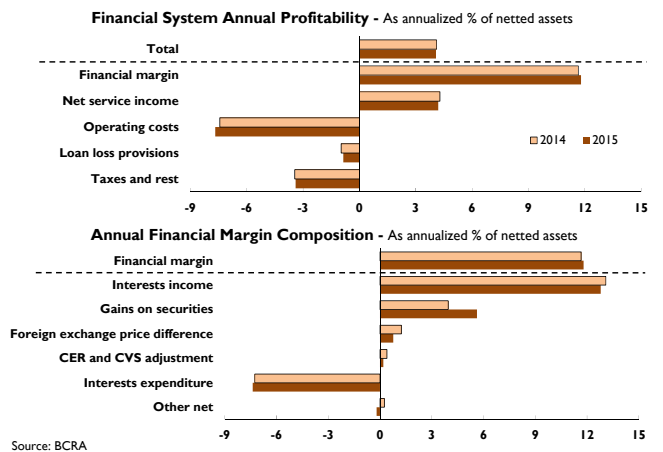


Chart 22



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” 5847 – December 09, 2015

Regulations on the “Net Global Position in Foreign Currency” are adjusted; in order to determine the position of foreign currency, net assets in foreign currency (including derivatives) that a financial institution holds in its branches abroad are excluded. The amount excluded may not exceed the figure recorded as of November 20, 2015.

Communication “A” 5849 – December 14, 2015

Regulations on “Interest Rates on Credit Transactions” are modified; it is ordered that interest charged by the issuer in excess of the maximum established for financing related to credit cards shall be reimbursed. In turn, penalties for failure to comply with the provisions on financings subject to interest rate regulation are modified. In addition, the rise in the minimum cash requirement due to non-compliance with the provisions on interest rate regulation of financings by the BCRA is annulled. Moreover, regulations on “Time Deposits and Investments” are amended regarding the consequences resulting from failure to comply with the minimum rate level. Additionally, regulations on “Financial Service User Protection” are modified with respect to the procedure to reimburse amounts wrongfully charged.

Communication “A” 5851 – December 17, 2015

Regulations on the “Net Global Position in Foreign Currency” are amended; it is established that the global position in foreign currency shall start to be measured on a monthly basis. In addition, it is ordered that items included that are recorded by financial institutions in their branches abroad be excluded. In turn, the general limit of the positive net global position in foreign currency is set at the lower of 15% of adjusted stockholders’ equity (RPC) corresponding to the month prior to the relevant one or the institution’s own liquid funds, as from February 1, 2016 and at 20% as from March 1, 2016. Regarding the forward position, a 7.5% limit of adjusted stockholders’ equity corresponding to the month prior to the relevant one is set, as from February 1, 2016 and at 10% as from March 1, 2016. Finally, it is ordered that, between December 1, 2015 and January 31, 2016, compliance with the limits set shall be measured based on the average resulting from dividing the addition of daily balances of the items included recorded during that period by the total number of days of the 2-month period.

Communication “A” 5852 – December 17, 2015

It is ordered that financial institutions authorized to make foreign exchange transactions and foreign exchange institutions sell the BCRA their positive position in foreign currency in effect at the end of transactions corresponding to December 16, 2015, assessed at the benchmark exchange rate of that day; furthermore institutions shall repurchase it in full at the benchmark interest rate corresponding to the repurchase day; to this end, they may choose a day from the following ones: 17, 18 or 21 of December. In this regard, it is established that the position in foreign currency for foreign exchange companies, agencies and offices be the general position of foreign exchange; in the case of financial institutions authorized to make foreign exchange transactions, it shall be the net global position in foreign currency, after deducting the net assets from liabilities in sovereign bonds denominated in foreign currency.

Communication “A” 5853 – December 17, 2015

Regulations on “Interest Rates on Credit Transactions” are modified; maximum ceilings for lending interest rates on financing subject to the regulation of the interest rate by the BCRA are eliminated. In addition, regulations on “Time Deposits and Investments” are amended; regarding the minimum interest rate applicable to time deposits, it shall be agreed upon freely by financial institutions and their clients. In the context of these amendments, regulations on “Minimum Cash”, “Supplementary Services of Financial Activity and Activities Authorized” and “Protection of Financial Service Users” are adjusted.

Communication “A” 5859 – December 22, 2015

Regulations on “Credit Policy” are amended in order to facilitate the participation of financial institutions in auctions of Notes in US dollars of the Central Bank of Argentina.

Communication “A” 5867 – December 30, 2015

Requirements of minimum capital for market risk are adjusted based on international standards defined by the Basel Committee on Supervision (BCBS). Market risk and the trading portfolio are defined and the standard approach to calculate the market risk capital requirement is adopted. Particularly, the market risk capital requirement shall be the arithmetic addition of the capital requirement for risks of interest rate, shares, exchange rate, and options. For its measurement, institutions shall use the Standard Measurement Approach, which is based on the addition of components that separately capture the specific risk and the general market risk of the positions in securities.

Communication “A” 5869 – December 31, 2015

Regulations on “Rules on Bank Checking Accounts” are modified as well as those on “Sight Accounts Opened in Cooperative Credit Unions” in order to extend, until December 31, 2017, the limit of endorsement of checks produced for collection or for record keeping and of bills of exchange produced for collection.

Communication “A” 5873 – December 31, 2015

Regulations on “Minimum Cash” are amended, establishing the reduction of the minimum reserve requirement for transactions in foreign currency.

Communication “A” 5874 – December 31, 2015

For aid purposes, a credit line is created, as from January 4, 2016 in order to promote access of micro, small, and medium-sized enterprises (MSMEs) to credit and for financial inclusion; such line is referred to as Financing Line for Production and Financial Inclusion. In this regard, it is established that, until June 30, 2016 financial institutions falling under the scope of this line shall keep a stock of loans equal to 14% of their deposits in pesos from the non-financial private sector as of November 2015, calculated on the basis of a monthly average of daily stocks. At least 75% of the loans aforementioned shall be granted to micro, small, and medium-sized enterprises. A 22% annual nominal interest rate shall be applied to these loans except for eligible financing included by the credit portfolio for consumption purposes and for mortgage loans (as from the second year). In the case of transactions with clients other than micro, small, and medium-sized enterprises, the interest rate shall be agreed upon freely.

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; 9a.- Capital compliance (RPC) / Total risk weighted assets according to the regulation of BCRA about Minimum Capital Compliance (Com. “A” 5369). Included franchises; 9b. Capital compliance (RPC) / Credit risk weighted assets. Included franchises; 10a. Tier 1 capital compliance (Basic net worth - deductible accounts of basic net worth) / Total risk weighted assets according to the regulation of BCRA about Minimum Capital Compliance (Com. “A” 5369); 10b. Tier 1 capital compliance (Basic net worth - deductible accounts of basic net worth) / Credit risk weighted assets; 11. (Capital compliance - Capital requirement) / Capital requirement. Included franchises.

Glossary

%a.: annualized percentage.

Adjusted profit: Total profit excluding payments made due to court-ordered releases and adjustments to the valuation of public sector assets according to Com. "A" 3911 and modifications.

ASE: Adjusted stockholders' equity, for RPC in Spanish. The measure for compliance with bank capital regulations.

CABA: Ciudad Autónoma de Buenos Aires

Consolidated (or aggregate) assets and liabilities: Those arising from excluding operations between financial institutions.

Consolidated result: Excludes results related to shares and participations in other local financial institutions.

CEDRO: Certificado de Depósito Reprogramado. Scheduled Stabilization Coefficient.

Financial margin: Income less outlays of a financial nature. Include interest income, gains from securities, CER/CVS adjustments, exchange rate differences and other financial results. Does not include the items affected by Com. A 3911.

Gains from securities: Includes income from government securities, short-term investments, corporate bonds, subordinated debt, options and from other income from financial intermediation. In the case of government securities, it includes the results accrued from income, quotation differences, exponential increase on the basis of the internal rate of return (IRR), and from sales, as well as the charge for impairment to value.

Net Income from services: Commissions collected less commissions paid. Includes commissions on liabilities, credits, securities, guarantees granted, rental of safe deposits boxes and foreign trade and exchange transactions, excluding in the case of the latter results from the trading of foreign currency, which are recorded in the "Exchange difference" accounts (here included under the heading "Other financial results"). Outflows include commissions paid, contributions to the Banking Social Services Institute (ISSB), other contributions on service income and charges accrued for gross income tax.

Net Interest income (interest margin): Interest collected less interest paid on financial intermediation, on an accrual basis – taken from balance sheet – rather than on a cash basis. Include interest on loans of government securities and premiums on repos and reverse repos.

Lebac and Nobac: Bills and notes of the BCRA.

Liquid assets: Cash disposal (Minimum cash compliance – cash, current account at BCRA and special accounts in guarantee – and other liquid items mainly correspondent accounts) plus Creditor net balance for BCRA repo transactions with Lebac and Nobac.

Liquidity ratio: Liquid assets as a percentage of total deposits.

mill.: million.

NBFI: Non-banking financial institution.

Netted assets (NA) and liabilities: Those net of accounting duplications inherent to the recording of repurchase agreements, term transactions or unsettled spot transactions.

Net worth exposure to counterparty risk: Non-performing portfolio net of allowances in terms of net worth.

Non-performing portfolio: Portfolio in categories 3 to 6, as per the debtor classification system.

Operating costs: Includes remuneration, social security payments, services and fees, miscellaneous expenses, taxes and amortization.

ON: Corporate bonds (Obligaciones Negociables).

OS: Subordinated debt (Obligaciones Subordinadas).

Other financial results: Income from financial leasing, adjustments to valuation of credit to the public sector, contribution to the deposit guarantee fund, interest on liquid funds, difference in market price of gold and foreign exchange, premiums on the sale of foreign currency and other unidentified income (net).

PN: Net worth (Patrimonio Neto).

p.p.: percentage points.

Private sector credit: Loans to the private sector and private sector securities.

Public sector credit: Loans to the public sector, holdings of government securities, compensation receivable from the Federal Government and other credits to the public sector.

Quotation differences: Income from the monthly updating of foreign currency-denominated assets and liabilities. The heading also includes income arising from the purchase and sale of foreign currency, arising from the difference in the price agreed (net of direct costs generated by the transaction) and the book value.

ROA: Net profits as a percentage of netted assets. When referring to accumulated results the denominator includes the average netted assets for the reference months.

ROE: Net profits as a percentage of net worth. When referring to accumulated results the denominator includes the average net worth for the reference months.

RPC: Adjusted stockholder's equity, calculated towards meeting capital regulations. (Responsabilidad Patrimonial Computable)

RWA: Risk weighted assets.

SME: Small and Medium Enterprises.

US\$: United States dollars

Statistics annex¹ | Financial system

Chart 1 | Financial Soundness Indicators (see Methodology)

In %	Dec 2005	Dec 2006	Dec 2007	Dec 2008	Dec 2009	Dec 2010	Dec 2011	Dec 2012	Dec 2013	Dec 2014	Nov 2015	Dec 2015
1.- Liquidity	20.1	22.5	23.0	27.9	28.6	28.0	24.7	26.8	26.8	26.2	24.6	28.2
2.- Credit to the public sector	31.5	22.5	16.3	12.7	14.4	12.1	10.7	9.7	9.4	9.0	9.9	10.1
3.- Credit to the private sector	25.8	31.0	38.2	39.4	38.3	39.8	47.4	49.5	50.9	45.8	46.0	45.5
4.- Private non-performing loans	7.6	4.5	3.2	3.1	3.5	2.1	1.4	1.7	1.7	2.0	1.7	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	-3.5	-2.9	-2.9	-2.9
6.- ROA	0.9	1.9	1.5	1.6	2.3	2.8	2.7	2.9	3.4	4.1	4.0	4.1
7.- ROE	7.0	14.3	11.0	13.4	19.2	22.6	25.3	25.7	29.5	32.7	31.4	32.4
8.- Efficiency	151	167	160	167	185	179	179	190	206	215	209	208
9a.- Capital compliance	-	-	-	-	-	-	-	-	13.6	14.7	14.1	13.1
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	-	-	-	-	-	-	-	-	12.5	13.7	13.3	12.4
10b.- Capital compliance Tier I (credit risk)	14.1	14.1	14.6	14.2	14.5	13.0	11.0	11.9	-	-	-	-
11.- Excess capital compliance	169	134	93	90	100	87	69	59	76	90	89	77

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.

Source: BCRA

Chart 2 | Balance Sheet

In million of current pesos	Dec 08	Dec 09	Dec 10	Dec 11	Dec 12	Dec 13	Dec 14	Nov 15	Dec 15	Changes (in %)		
										Last month	2015	
Assets	346,762	387,381	510,304	628,381	790,026	1,004,892	1,340,548	1,758,903	1,846,128	5.0	37.7	
Cash disposal ¹	58,676	71,067	93,085	104,389	148,254	200,925	234,283	251,007	371,564	48.0	58.6	
Public bonds	65,255	86,318	117,951	112,906	123,491	141,494	291,483	414,541	387,323	-6.6	32.9	
Lebac/Nobac	37,093	43,867	76,948	71,050	84,057	89,641	215,141	293,160	264,229	-9.9	22.8	
Portfolio	25,652	34,748	61,855	59,664	70,569	88,091	187,973	228,747	249,331	9.0	32.6	
Repo ²	11,442	9,119	15,093	11,386	13,488	1,550	27,168	64,413	14,897	-76.9	-45.2	
Private bonds	203	307	209	212	251	434	1,602	1,967	1,897	-3.6	18.4	
Loans	154,719	169,868	230,127	332,317	433,925	563,344	666,260	871,050	911,871	4.7	36.9	
Public sector	17,083	20,570	25,907	31,346	39,951	48,438	51,470	61,587	70,666	14.7	37.3	
Private sector	132,844	145,247	199,202	291,708	383,674	501,857	604,062	796,936	827,943	3.9	37.1	
Financial sector	4,793	4,052	5,018	9,263	10,299	13,049	10,729	12,527	13,262	5.9	23.6	
Provisions over loans	-4,744	-5,824	-6,232	-7,173	-9,596	-13,117	-17,054	-20,352	-21,008	3.2	23.2	
Other netted credits due to financial intermediation	38,152	33,498	39,009	40,805	38,769	42,435	74,383	122,480	69,243	-43.5	-6.9	
Corporate bonds and subordinated debt	912	1,146	1,433	1,657	2,255	5,421	5,853	4,911	6,679	36.0	14.1	
Unquoted trusts	5,714	5,942	6,824	7,967	10,822	12,656	12,759	13,292	14,590	9.8	14.3	
Leasing	3,935	2,933	3,936	6,222	7,203	9,460	10,578	12,596	12,666	0.6	19.7	
Shares in other companies	7,236	6,711	7,921	9,123	11,682	15,117	20,770	26,102	27,659	6.0	33.2	
Fixed assets and miscellaneous	7,903	8,239	9,071	10,111	11,251	14,231	19,505	25,410	26,402	3.9	35.4	
Foreign branches	3,153	3,926	3,283	3,525	4,354	5,627	7,243	8,023	10,633	32.5	46.8	
Other assets	12,275	10,337	11,943	15,944	20,441	24,941	31,495	46,080	47,879	3.9	52.0	
Liabilities	305,382	339,047	452,752	558,264	699,205	883,091	1,172,335	1,539,858	1,619,268	5.2	38.1	
Deposits	236,217	271,853	376,344	462,517	595,764	752,422	979,388	1,265,477	1,354,393	7.0	38.3	
Public sector ³	67,151	69,143	115,954	129,885	163,691	202,434	255,914	287,394	289,521	0.7	13.1	
Private sector ³	166,378	199,278	257,595	328,463	427,857	544,331	714,878	965,765	1,052,202	9.0	47.2	
Current account	39,619	45,752	61,306	76,804	103,192	125,237	166,663	215,082	207,979	-3.3	24.8	
Savings account	50,966	62,807	82,575	103,636	125,210	158,523	215,132	275,227	316,201	14.9	47.0	
Time deposit	69,484	83,967	104,492	135,082	183,736	241,281	309,353	441,266	496,610	12.5	60.5	
Other netted liabilities due to financial intermediation	57,662	52,114	60,029	76,038	75,106	92,634	138,058	205,174	190,494	-7.2	38.0	
Interbanking obligations	3,895	3,251	4,201	7,947	8,329	10,596	7,639	8,552	9,102	6.4	19.1	
BCRA lines	1,885	270	262	1,920	3,535	4,693	4,209	3,065	2,959	-3.5	-29.7	
Outstanding bonds	5,984	5,033	3,432	6,856	9,101	14,198	18,961	22,448	24,466	9.0	29.0	
Foreign lines of credit	4,541	3,369	3,897	6,467	4,992	6,328	10,106	14,691	21,361	45.4	111.4	
Other	13,974	14,891	17,426	24,137	26,280	41,345	51,539	66,540	99,328	49.3	92.7	
Subordinated debts	1,763	1,922	2,165	2,065	2,647	3,425	4,445	5,413	7,024	29.8	58.0	
Other liabilities	9,740	13,159	14,213	17,644	25,688	34,610	50,444	63,794	67,357	5.6	33.5	
Net worth	41,380	48,335	57,552	70,117	90,820	121,800	168,213	219,046	226,861	3.6	34.9	
Memo												
Netted assets	321,075	364,726	482,532	601,380	767,744	989,825	1,295,450	1,671,737	1,814,417	8.5	40.1	
Consolidated netted assets	312,002	357,118	472,934	586,805	750,598	968,458	1,273,631	1,646,246	1,787,847	8.6	40.4	

(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 annex¹ | Financial system

Chart 3 | Profitability Structure

Amount in million of pesos	Annual									Monthly		
	2008	2009	2010	2011	2012	2013	2014	2015	Oct-15	Nov-15	Dec-15	
Financial margin	20,462	28,937	35,490	43,670	61,667	88,509	130,405	173,676	17,268	17,129	19,254	
Net interest income	9,573	14,488	17,963	24,903	38,365	50,336	65,206	79,640	7,290	7,195	8,188	
CER and CVS adjustments	2,822	1,196	2,434	1,725	2,080	2,153	4,402	2,878	277	237	200	
Foreign exchange price adjustments	2,307	2,588	2,100	3,025	4,127	11,287	13,812	11,342	700	772	4,847	
Gains on securities	4,398	11,004	13,449	14,228	17,356	22,280	44,198	82,664	9,208	8,045	6,123	
Other financial income	1,362	-339	-457	-211	-261	2,454	2,786	-2,849	-207	880	-104	
Service income margin	10,870	13,052	16,089	21,391	28,172	36,503	47,972	61,829	5,657	5,695	6,221	
Loan loss provisions	-2,839	-3,814	-3,267	-3,736	-6,127	-9,349	-10,857	-12,593	-1,085	-1,337	-1,254	
Operating costs	-18,767	-22,710	-28,756	-36,365	-47,318	-60,722	-83,117	-112,990	-9,920	-10,444	-12,295	
Tax charges	-2,318	-3,272	-4,120	-6,047	-8,981	-13,916	-19,586	-25,770	-2,513	-2,500	-2,822	
Adjust. to the valuation of gov. Securities ¹	-1,757	-262	-214	-336	-338	-377	-906	-624	-62	-61	-1	
Amort. payments for court-ordered releases	-994	-703	-635	-290	-274	-128	-81	-57	-5	-4	-5	
Other	1,441	918	2,079	2,963	2,475	2,576	4,473	7,110	548	708	900	
Total results before tax ²	6,100	12,145	16,665	21,251	29,276	43,094	68,302	90,582	9,887	9,186	9,997	
Income tax	-1,342	-4,226	-4,904	-6,531	-9,861	-13,951	-22,365	-30,578	-3,612	-3,002	-2,480	
Total result²	4,757	7,920	11,761	14,720	19,415	29,143	45,937	60,004	6,275	6,185	7,517	
Adjusted Result ³	7,508	8,885	12,610	15,345	20,027	29,649	46,925	60,685	6,342	6,250	7,524	
Annualized indicators - As % of netted assets												
Financial margin	6.7	8.6	8.5	8.0	9.2	10.3	11.7	11.8	13.2	12.5	12.9	
Net interest income	3.1	4.3	4.3	4.6	5.7	5.9	5.8	5.4	5.6	5.2	5.5	
CER and CVS adjustments	0.9	0.4	0.6	0.3	0.3	0.3	0.4	0.2	0.2	0.2	0.1	
Foreign exchange price adjustments	0.8	0.8	0.5	0.6	0.6	1.3	1.2	0.8	0.5	0.6	3.2	
Gains on securities	1.4	3.3	3.2	2.6	2.6	2.6	4.0	5.6	7.0	5.9	4.1	
Other financial income	0.4	-0.1	-0.1	0.0	0.0	0.3	0.2	-0.2	-0.2	0.6	-0.1	
Service income margin	3.6	3.9	3.8	3.9	4.2	4.3	4.3	4.2	4.3	4.1	4.2	
Loan loss provisions	-0.9	-1.1	-0.8	-0.7	-0.9	-1.1	-1.0	-0.9	-0.8	-1.0	-0.8	
Operating costs	-6.1	-6.7	-6.9	-6.7	-7.0	-7.1	-7.4	-7.7	-7.6	-7.6	-8.2	
Tax charges	-0.8	-1.0	-1.0	-1.1	-1.3	-1.6	-1.8	-1.8	-1.9	-1.8	-1.9	
Adjust. to the valuation of gov. Securities ¹	-0.6	-0.1	-0.1	-0.1	-0.1	0.0	-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	0.0	0.0	
Other	0.5	0.3	0.5	0.5	0.4	0.3	0.4	0.5	0.4	0.5	0.6	
Total results before tax ²	2.0	3.6	4.0	3.9	4.3	5.0	6.1	6.2	7.5	6.7	6.7	
Income tax	-0.4	-1.3	-1.2	-1.2	-1.5	-1.6	-2.0	-2.1	-2.8	-2.2	-1.7	
ROA²	1.6	2.3	2.8	2.7	2.9	3.4	4.1	4.1	4.8	4.5	5.0	
ROA adjusted ³	2.5	2.6	3.0	2.8	3.0	3.5	4.2	4.1	4.8	4.5	5.0	
ROE before tax	17.2	29.5	34.5	36.5	38.8	43.7	48.6	49.0	59.1	53.5	56.2	
ROE ²	13.4	19.2	24.4	25.3	25.7	29.5	32.7	32.4	37.5	36.0	42.3	

(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	Dec 13	Dec 14	Nov 15	Dec 15
Non-performing loans (overall)	5.2	3.4	2.7	2.7	3.0	1.8	1.2	1.5	1.5	1.8	1.6	1.6
Provisions / Non-performing loans	115	108	115	117	115	148	176	144	150	142	146	147
(Total non-performing - Provisions) / Overall financing	-0.8	-0.3	-0.4	-0.5	-0.5	-0.9	-0.9	-0.7	-0.8	-0.7	-0.7	-0.7
(Total non-performing - Provisions) / Net worth	-2.6	-0.9	-1.6	-1.8	-1.7	-3.6	-4.6	-3.4	-3.7	-3.1	-3.0	-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	1.7	2.0	1.7	1.7
Provisions / Non-performing loans	115	108	114	116	112	143	171	141	148	140	145	146
(Total non-performing - Provisions) / Overall financing	-1.1	-0.3	-0.5	-0.5	-0.4	-0.9	-1.0	-0.7	-0.8	-0.8	-0.8	-0.8
(Total non-performing - Provisions) / Net worth	-2.5	-0.8	-1.5	-1.7	-1.3	-3.2	-4.3	-3.1	-3.5	-2.9	-2.9	-2.9

Source: BCRA

¹ Note | Data available in Excel in

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