Report on Banks

June 2016

BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

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Year XIII, No. 10

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DE LA REPÚBLICA ARGENTINA

Contents

Note | This report is focused on the performance of the financial system, including breakdowns by homogeneous sub-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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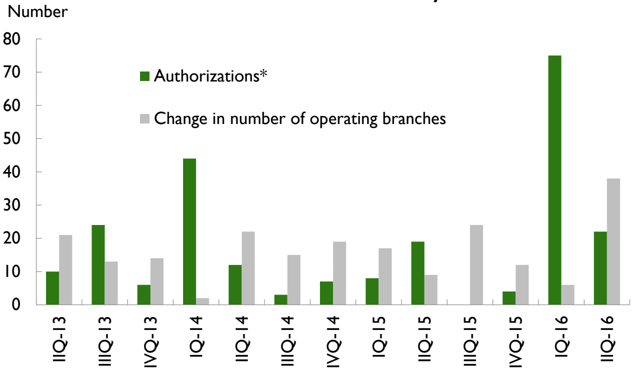
Summary

- **The financial system ended the first half of 2016 with high liquidity and solvency levels, good credit quality and low foreign currency mismatching.** So far this year, the financial intermediation activity was moderate, impacted by the performance of the domestic economy. In this context, **the BCRA has implemented an agenda seeking to increase financial inclusion on the basis of the financial system development and deepening. To this effect, the objective is to provide the financial system with a more transparent, competitive and debureaucratized environment, while simultaneously safeguarding financial stability**.
- In line with these objectives, the **BCRA has recently introduced some changes to facilitate the migration of clients between entities with a view to promoting competition in this sector.** It was established that wage accounts may be opened at the request of the employee rather than exclusively upon request by the employer. It was also required that, as from November, banks must allow their clients to open and close accounts from the home-banking platform and through other channels, rather than having to go personally to the institutions for these transactions. The same criterion applies to cancel their credit cards. It was also established that time deposit certificates released in paper may be cleared among financial entities, and they can be deposited in an account of the same holder in another bank.
- **The BCRA has relaxed the requirements for authorizations to open new branches.** In the first half of the year, **authorization was granted for the opening of 97 branches, resulting in an effective net increase of 44 units in this period**. In turn, the operating infrastructure of the sector continued to expand so far this year in terms of both a higher number of employees and a better availability of ATMs.
- **Seeking to boost access to financing under more favorable conditions and to provide quality services to users, some changes were recently introduced to reduce banks' operating costs.** Special attention was paid to rendering both cash transportation and ATMs money refilling more agile and efficient, by authorizing the opening of banks' treasury departments in non-working days and establishing that cash dispensers located in third parties' premises may be refilled by the store employees using the cash collected by the stores. In addition, the term for the mandatory closing of savings and wage accounts was extended, and a bill with a higher denomination was issued so as to reduce the costs of transportation and refilling.
- **In July, the BCRA introduced changes to the Financing Line for Production and Financial Inclusion (LFPIF) for the second half of the year**, and added lines for micro, small and medium-sized enterprises (MiPyMEs) for working capital intended for cattle-raising, dairy or other activities related to regional economies. In the first half of the year, nearly 84% of the LFPIF quota was granted to MiPyMEs.
- **In the national payment system, even though the use of cash still prevails, the electronic means of payment are increasingly gaining share.** Instant transfers went up 57% y.o.y. in values as of June (9% inflation-adjusted[1]) and 28% y.o.y. in numbers. In August, the regulations intended to promote instant transfers using mobile phones, tablets or notebooks, fostering the creation of favorable environments for these new payment channels, came into force.
- **After the regularization of the foreign exchange market and on the basis of a set of rules promoted by the BCRA, the lending stock in foreign currency available to the private sector doubled during the first half of the year**. To reinforce this trend, as from late July, the range of uses to be given to loans from deposits in foreign currency was broadened. In turn, the nominal change rate of bank lending in pesos went down in the same period to 25.7% y.o.y. (-12.8% inflation-adjusted). **In June, the delinquency ratio of credit to the private sector remained at 1.9%**. By mid-2016, the accounting provisions of this sector accounted for 139% of the stock of non-performing loans to the private sector.
- **The stock of private sector deposits in pesos grew in June, mainly due to sight deposits seasonality associated with the collection of the semi-annual complementary wage.** Deposits in foreign currency continued to go up during this period. In year-on-year terms, private sector deposits in foreign currency (in currency of origin) expanded 49%, while deposits in pesos from the same sector went up 26.8% (-12.1% inflation-adjusted).
- **The liquidity ratio (without LEBACs) grew this month up to 31% of deposits, mainly due to the increase in compliance with the minimum cash requirement by the institutions**. As LEBAC holdings went down in June, the broad liquidity indicator went up only 1.1 p.p. of deposits to 47.2%.
- Capital compliance for the ensemble of banks accounted for 16.2% of risk-weighted assets (RWA) in June (15.3% for Tier 1 capital). **Capital compliance in excess of the requirement stood at 72% at aggregate level**. In June, accounting results of the financial system in terms of its assets (ROA) reached 4.3% annualized (a.), in line with the figures recorded last month. In the first half of 2016, the financial system ROA was 4.1%a., and the level was similar for both public and private banks.

[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, San Luis and Córdoba, weighted according to the Household Spending National Survey for the period 2004-2005.

Chart 1

Branches Evolution - Financial System



* Once granted the authorization of the BCRA, banks have 12 months to the opening of the branch. Source: BCRA

I. Activity

So far this year and within a context of moderate activity, the operating structure of the financial system continued to expand gradually. In the first half of the year, the BCRA granted 97 authorizations for the opening of new bank branches[2] (see Chart 1) while, in the period, 44 new units were already operating. As a result, the total number of bank branches effectively operating in the country amounted to 4,507 as of June 2016. It is worth remembering that, as part of the BCRA's agenda to promote the development of the financial system, in early 2016 this institution modified the regulatory framework for the creation, operation and expansion of financial entities by simplifying the requirements to request an authorization to open new branches[3]. To consolidate this initiative, in early June, the BCRA rendered ineffective the provisions limiting the expansion of financial institutions subject to penalties imposed more than five years ago[4]. In addition, in the first half of the year, 78 new ATMs have been installed, reaching a total of 19,745. The higher availability of branches and ATMs brought about an increase in the banks' employment: staffing went up 3.4%a. in the first quarter of the year—latest information available— to 109,382 employees.

Among the measures aiming at the development of the sector, the BCRA has been introducing changes to reduce the operating costs of financial institutions. In particular, some changes sought to render the cash transportation and ATMs money refilling more agile and efficient, as a result of which regulations about Cash-In-Transit Service Providers (TV)[5] were adjusted. The BCRA authorized the opening of treasury departments in non-working days so as to refill ATMs[6], and established that money dispensers located in third parties' premises may be refilled by store employees —in so far as the financial entity assumes liability to its clients—, using the stores' own cash[7]. In addition, the term for the mandatory closing of savings and wage accounts was extended, and a bill with a higher denomination was issued. **As a result of the reduction of operating costs, lending interest rates have a fewer number of components, thus stimulating access to credit under more favorable conditions and an improved quality in the services provided to the users.**

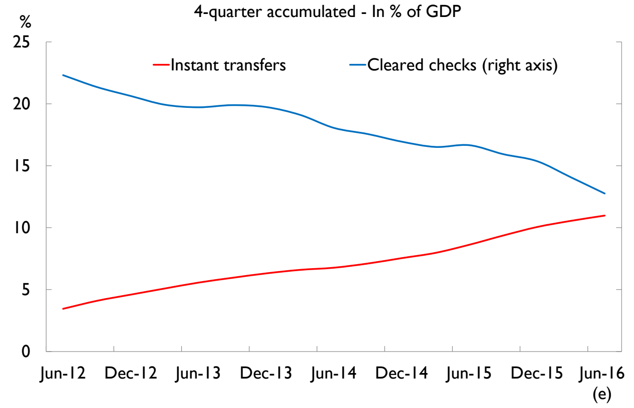
Simultaneously, the **BCRA seeks to improve financial inclusion**; to this effect, it is promoting the use of

[2] The authorization gives entities 12 months to proceed to open a new branch.
[3] Communication "A" 5882. For more information, see Chapter 5, Financial Stability Report, First Half of 2016, by clicking here.
[4] Communication "A" 5983. For more information, see Chapter 5, Financial Stability Report, First Half of 2016, by clicking here.
[5] Communication "A" 6002.
[6] Communication "A" 6029.
[7] Communication "A" 6005.

Chart 2

Cleared Checks and Instant Transfers

4-quarter accumulated - In % of GDP

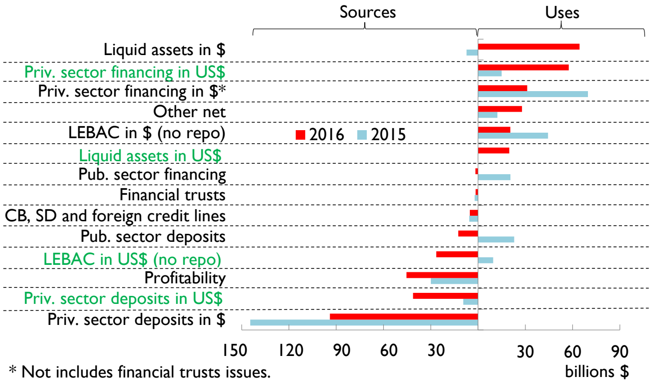


Source: BCRA and INDEC

Chart 3

Estimation of Sources and Uses of Funds of Financial System

6-month accumulated



* Not includes financial trusts issues.
Source: BCRA

secured, accessible and efficient electronic means of payment. Even though the use of cash continues to prevail, **transfers to third parties have grown significantly in terms of both values and numbers**. In line with the objectives of the BCRA, instant transfers have stood out, with a year-on-year change of 57% in values (9% inflation-adjusted) and 28% in numbers. **In GDP terms, instant transfers continued to gain share, reaching 11% by the end of the first half of 2016, up 2.4 p.p. against the figure recorded one year ago** (see Chart 2). In August, the regulations intended to promote instant transfers using mobile phones, tablets or notebooks, fostering the creation of favorable environments for these new payment channels, came into force[8].

In the framework of the agenda for the development of the financial system and with a view to stimulating competition among entities and streamlining the operation of this sector, the BCRA has recently implemented a set of measures to facilitate clients' mobility between banks[9]. It was ordered that wage accounts be opened at the request of the employee rather than exclusively upon request by the employer. It was also required that, as from November, banks must allow their clients to open and close accounts from the home-banking platform and through other channels, such as phone banking, email or ATMs. In addition, credit card holders are now authorized to cancel their credit cards, whether granted by a bank or not, without having to go personally to a branch for these transactions. Lastly, it was also established that time deposit certificates issued in paper may now be cleared among financial entities and thus be deposited in an account of the same holder in another bank.

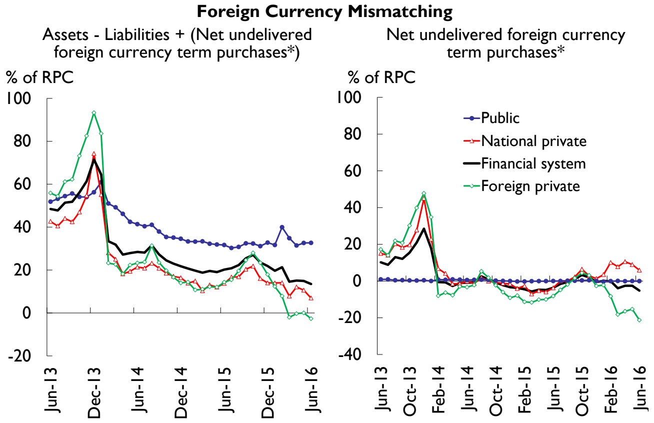
Following an opposite direction if compared to the performance of instant transfers, **the relative share of checks in GDP terms continues to go down** (see Chart 2), standing at a slightly lower level than last year. The nominal cleared value of documents went up 13.8% y.o.y. as of June (-21.1% y.o.y. inflation-adjusted), while numbers went down 11.5%. In turn, **the ratio of bounced checks for non-sufficient funds relative to the total cleared value dropped in June, in terms of both values and numbers.** As a result, in the second quarter of 2016, these ratios stood in line with the average of the last three years.

In terms of the **flow of funds**[10] **estimated for June 2016, a higher taking of deposits in pesos by the private sector** ($66.4 billion) **turned out to be the most outstanding funding source** due to the impact of

[8] Communication "A" 5982. For more details, see Box 6 "New channels for instant fund transfers", Financial Stability Report, First Half of 2016, by clicking here.
[9] Communication "A" 6042 and Press release of August 11, by clicking here.
[10] Based on balance sheet stocks.

Chart 4

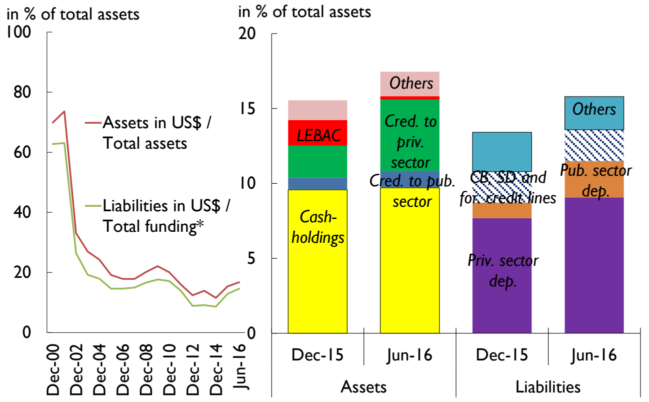
Foreign Currency Mismatching



*Off balance sheet accounts. Source: BCRA

Chart 5

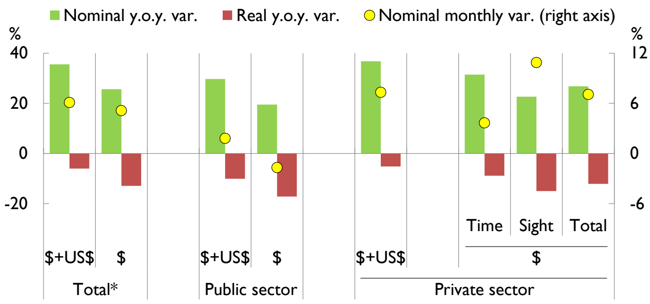
Balance Sheet Items in Foreign Currency of the Financial System



* Liabilities and net worth. Source: BCRA

Chart 6

Stock of Deposits - June 2016



* Total includes balance sheet stock, including financial sector deposits, accrued interests and CER adjustment. Note: To deflate the CPI-NP is used, calculated from the CPI of the City of Bs. As., San Luis and Córdoba, weighted according to the National Survey of Household Spending for 2004-2005. Source: BCRA

the collection of the semi-annual complementary wage. In turn, **the increase of liquid assets in pesos** ($58.8 billion) **was the main application by banks during June** —mainly due to the new regulations on compliance with the minimum cash requirement[11].

Considering the **estimated flow of funds for the first half of the year, financial intermediation activity in domestic currency was moderate**, in line with the performance of the domestic economy. In the first half of the year, the most outstanding source of funding was the increase in private sector deposits in pesos. Largely, these resources were channeled to liquid assets —as stated above, because of a higher regulatory requirement for minimum cash. In turn, **in the aggregate of the first half of the year, the applications and origins of resources denominated in foreign currency gained ground** (see Chart 3). As a result, the expansion of financing in foreign currency to companies and households was the second largest application of funds in this period. In terms of origins of the resources, the expansion of private deposits in dollars was a relevant funding source in the first six months of the year.

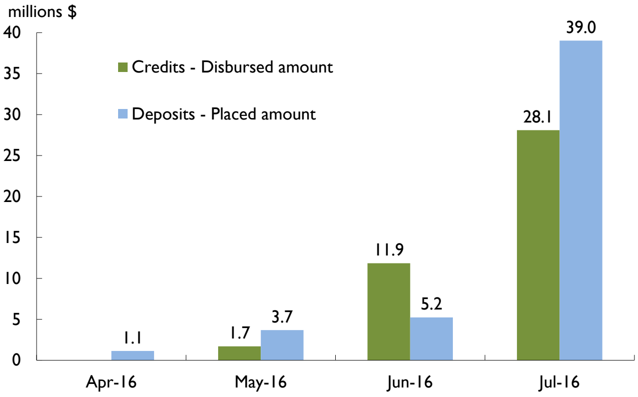
The increase in intermediation activities in foreign currency occurs in a context of low currency risk. In June, the foreign currency mismatching of the ensemble of financial entities dropped 1.4 p.p. of the Adjusted Stockholders' Equity (RPC), down to 13.5% (see Chart 4). The monthly performance was mainly due to the rise in the forward short position in foreign currency, mainly by foreign private banks. As a result, **the financial system closed the first half of the year with a mismatch of 8.4 p.p. of RPC, below the value recorded by the end of 2015**. It is worth pointing out that as from July 2016 the BCRA ordered a readjustment of the ceiling of the net global position in foreign currency, while the sub-ceiling of the positive net position in foreign currency for forward transactions was eliminated[12].

The portion of the aggregate bank balance sheet denominated in foreign currency is moderate. As of June, assets in foreign currency accounted for 17.5% of total assets (15.8% in the case of funding). In line with the performance of financial intermediation, **loans to the private sector were the assets item with the highest weight throughout this six-month period** (see Chart 5), while liquid assets continued to account for most of the total stock. In turn, **deposits gained ground among the main items in dollars in the last six months.** Deposits by households and companies recorded the highest share in total foreign currency funding.

[11] Communication "A" 6007.
[12] Communication "A" 5997. For more information, see Chapter 5 of the Financial Stability Report, First Half of 2016, by clicking Here.

Chart 7

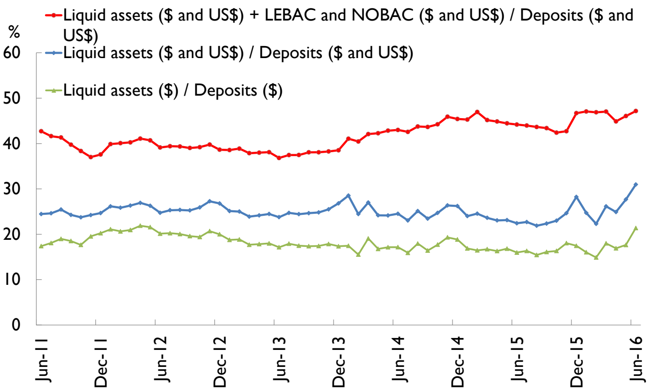
Deposits and Mortgage Credits in UVIs



Source: BCRA

Chart 8

Financial System Liquidity Indicators

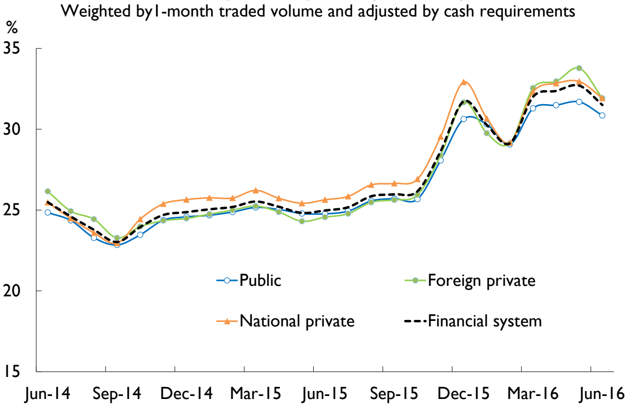


Source: BCRA

Chart 9

Estimation of Average Funding Cost by Time Deposits in Pesos

Weighted by1-month traded volume and adjusted by cash requirements



Source: BCRA

II. Deposits and Liquidity

The stock of private sector deposits in domestic currency went up 7% in June, mainly driven by sight deposits —savings accounts—, which expanded markedly by 10.8% (see Chart 6) due, in part, to the effect of the semi-annual complementary wage. In addition, time deposits in pesos from companies and households expanded 3.7% in this period. **Private sector deposits in foreign currency rose 2.1% in June** —in currency of origin[13]. In turn, public sector deposits went up 1.9% in June; consequently, total deposits in the financial system rose by 6.1% in this period.

In the last 12 months, deposits in pesos in the private sector grew 26.8% in nominal terms (-12.1% inflation adjusted). Within this segment, **the stock of time deposits increased 31.5% y.o.y.** (-8.9% y.o.y. in real terms), while sight deposits went up 22.7% y.o.y. (-15% y.o.y. in real terms). **Private sector deposits in foreign currency grew significantly in recent months** (49% in year-on-year terms and 64% annualized since late November 2015). On the other hand, the stock of public sector deposits rose by 29.7% y.o.y. in June (-10.1% y.o.y. inflation-adjusted). Consequently, **total deposits in the financial system went up 35.6% y.o.y.** (see Chart 6), virtually in line with inflation.

In a context where the financial sector intermediation resources are mainly channeled through short-term loans and deposits[14], the BCRA made the decision to foster instruments devoted to protecting saving and stimulating longer-term loans, mainly for the purchase of housing. On this basis, even though still standing at low levels, **time deposits and mortgages denominated in Housing Units —UVIs— have started to gain ground** (see Chart 7). As from its implementation, in April 2016, both the number of deposits transacted and of mortgages granted has been growing at a steady pace.

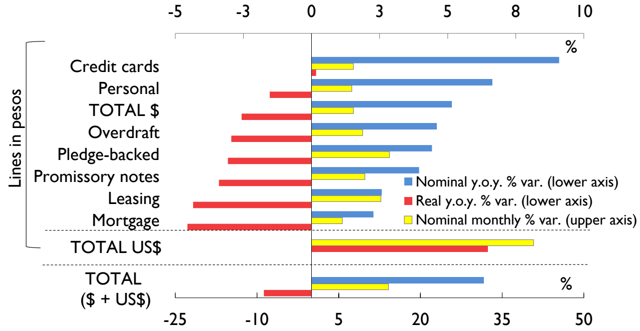
In June, the first part of the increase of the regulatory requirement on the minimum cash position[15] came into force. As a result, **liquid assets** (in pesos and dollars, excluding LEBACs) **went up 3.3 p.p. of deposits to 31%** (see Chart 8). In addition, the rise of repo transactions of the financial entities with the BCRA —mainly private banks— has also contributed to the increase of liquidity indicators. In turn, as **LEBAC holdings went down in June**, the broad liquidity ratio went up only 1.1 p.p. of deposits to 47.2%.

In June, a drop was observed in the average cost of time deposits in pesos from the private sector (see Chart 9), as a result of the benchmark interest rate

[13] Expressed in pesos, the stock of this kind of deposits went up 8.7% in June.
[14] For more information, see Section 3, Chapter 3, Financial Stability Report, First Half of 2016, by clicking here.
[15] Communication “A” 6007. In July, the second part of the increase was applied.

Chart 10

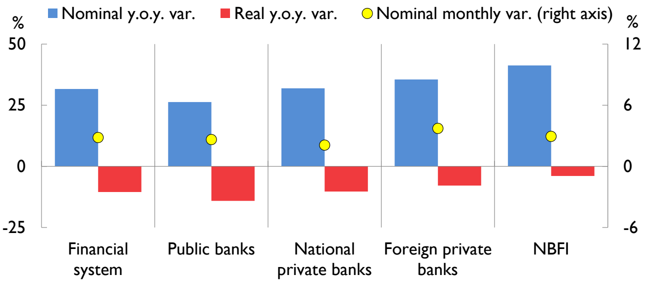
Stock of Credit to Private Sector - June 2016



Note: To deflate the CPI-NP is used, calculated from the CPI of the City of Bs. As., San Luis and Córdoba, weighted according to the National Survey of Household Spending for 2004-2005. Total includes balance sheet stock, including accrued interests and CER adjustment. Source: BCRA

Chart 11

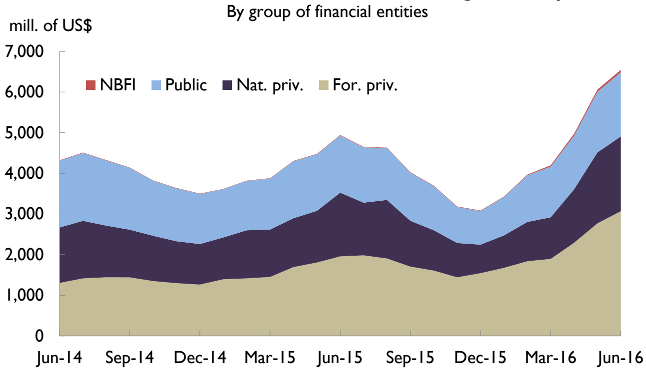
Total Credit to Private Sector - June 2016



NBFI: Non-banking Financial Institutions
Note: To deflate the CPI-NP is used, calculated from the CPI of the City of Bs. As., San Luis and Córdoba, weighted according to the National Survey of Household Spending for 2004-2005.
Source: BCRA

Chart 12

Evolution of Credit to Private Sector in Foreign Currency
By group of financial entities



NBFI: Non-banking Financial Institutions
Source: BCRA

reduction imposed by the BCRA on LEBAC auctions. The increase in the regulatory requirement on the minimum cash position, which became effective in June, resulted in a more moderate reduction of bank funding costs.

III. Financing

In June, the stock of loans in foreign currency channeled to the private sector grew 8%[16] against the figure recorded in May. In turn, the lines in pesos channeled to companies and households expanded 1.6%[17] in nominal terms in June, with relatively higher changes in pledge-backed loans and in leasing (see Chart 10). The stock of total bank loans (including domestic and foreign currency) to the private sector went up 2.8%[18] in June (see Chart 11).

In year-on-year terms, loans in foreign currency granted to the private sector expanded 32.4% y.o.y.[19] **as of June**. As a result of the regularization of the foreign exchange market and other measures implemented by the BCRA[20], **the stock of these loans doubled during the first half of the year**, a performance mainly led by private banks (see Chart 12). To reinforce this trend, by the end of July, the range of uses to be given to loans from deposits in foreign currency was broadened by the BCRA[21]. In particular, a new application now admitted by the BCRA includes direct investments abroad by companies residing in the country, the purpose of which is to develop productive activities related to non-financial goods and/or services, as well as the financing of investment projects, including their working capital, that seek an increase in the energy sector production and have take-or-pay contracts and/or total sureties or guarantees in foreign currency.

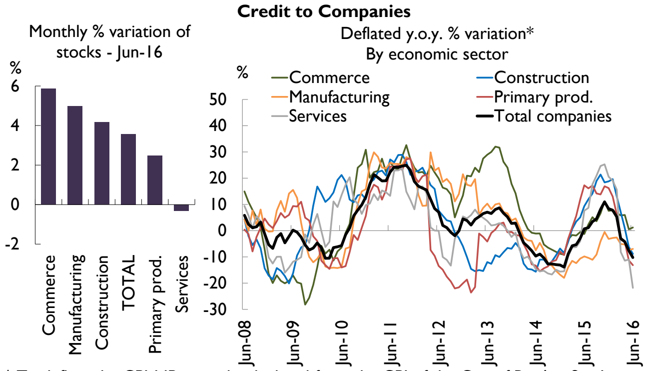
In turn, **loans in domestic currency to the private sector accumulated an increase of 25.7% y.o.y. in nominal terms (12.8% drop inflation-adjusted)**. As a result, the total stock of these loans rose by 31.6% y.o.y. (8.7% y.o.y. drop in real terms).

A breakdown of this figure shows that lending to companies[22] **grew 3.6% in nominal terms in June**

[16] Change in currency of origin.
[17] In June, two financial trusts were issued for a total of $354 million with loans generated by financial institutions; they both corresponded to securitizations of personal loans. If the balance sheet stock is corrected for the abovementioned securitized assets, the change in bank lending stock in pesos to the private sector would amount to 1.6% against May.
[18] If the balance sheet stock is corrected for the abovementioned securitized assets, the nominal increase in total financing (including domestic and foreign currency) granted to the private sector would stand at 2.9% in June.
[19] Change in currency of origin.
[20] For more information, see Chapter 5, Financial Stability Report, First Half of 2016, by clicking here.
[21] Communication “A” 6031.
[22] Information obtained from the Debtors’ Database (comprising both domestic and foreign currency). Loans to residents abroad are not included. 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.

Chart 13

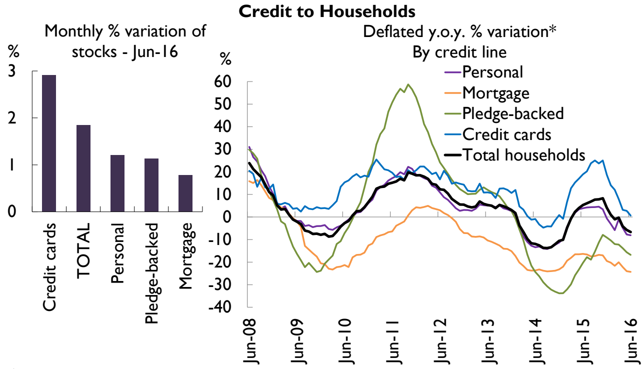
Credit to Companies



* To deflate the CPI-NP is used, calculated from the CPI of the City of Bs. As., San Luis and Córdoba, weighted according to the National Survey of Household Spending for 2004-2005.
Source: BCRA

Chart 14

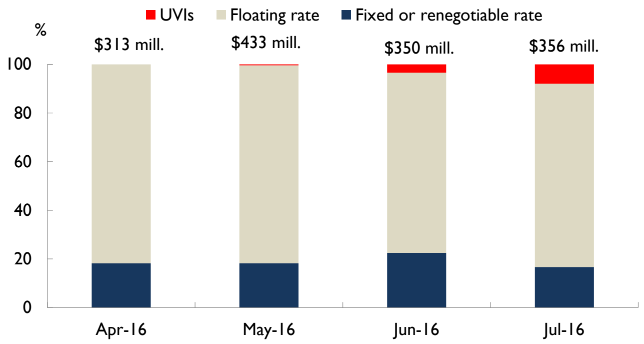
Credit to Households



* To deflate the CPI-NP is used, calculated from the CPI of the City of Bs. As., San Luis and Córdoba, weighted according to the National Survey of Household Spending for 2004-2005.
Source: BCRA

Chart 15

Mortgage Credit Operated in Pesos to Natural Persons
More term to 10 years



Source: BCRA

against May. The stock of bank loans went up in nearly all productive sectors, but commerce and manufacturing stood out (see Chart 13). **In the last twelve months, loans to companies increased 29.5% y.o.y. in nominal terms** (10.2% y.o.y. drop in real terms).

The first tranche of the Financing Line for Production and Financial Inclusion (LFPIF) ended by the end of June. Most entities have widely exceeded the minimum limit of the quota estimated for the first half of the year, and nearly 84% of the loans went to micro, small and medium-sized enterprises (MiPyMEs). **The BCRA decided to continue with this initiative in the second half of 2016**[23] **but with some changes**. For the last six months of the year, the financial entities falling under the scope of this initiative must keep a stock of loans equivalent to 15.5% (rather than 14%, as it was before) of the stock of non-financial private sector deposits in pesos (as of May 2016). This would mean an increase of around $26 billion if compared to the quota corresponding to the first half of the year. At least 75% of the quota must be channeled to micro, small and medium-sized enterprises, at a 22% fixed annual nominal rate. By the end of July, loans granted as from August for working capital to MiPyMES devoted to cattle-breeding, dairy products and other productive activities developed in regional economies have been admitted as eligible aid within LFPIF, provided these debtors have price risk hedging for the goods they produce[24]. These loans must have an average weighted term equal to, or longer than, 18 months, and may account for 10% of the quota defined for the second half of 2016.

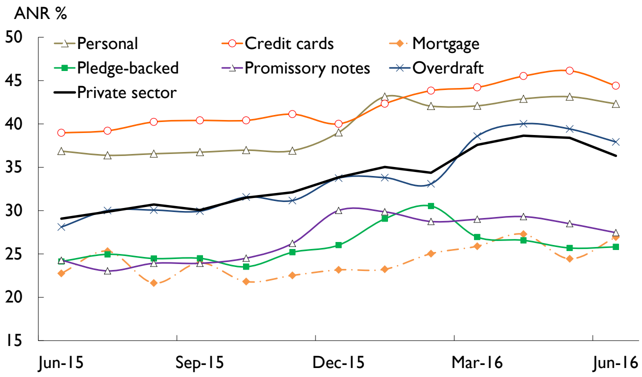
In June, the stock of loans to families increased 1.8% against the figure recorded in May. Credit cards had the highest relative rise in the period under analysis (see Chart 14). **On a year-on-year comparison basis, the stock of loans to households accumulated a 34.6%** rise (6.7% drop in real terms). In the last 12 months, national private banks have increased their share in this segment. A gradual rise has been observed in the weight of **mortgages denominated in Housing Units (UVIs) relative to the total amount granted in mortgages to natural persons** (see Chart 15).

In June, the nominal lending interest rates traded in pesos w ith the private sector went down in all groups of banks and in nearly all credit lines (see Chart 16). The sharpest decline was observed in the interest rates traded in credit cards and overdrafts. Since the monthly reduction of lending rates exceeded the drop in funding cost for time deposit transactions from the private sector, the spread between rates traded exhibited a slight drop in June. Such spread showed no

[23] Communication "A" 5975.
[24] Communication "A" 6032.

Chart 16

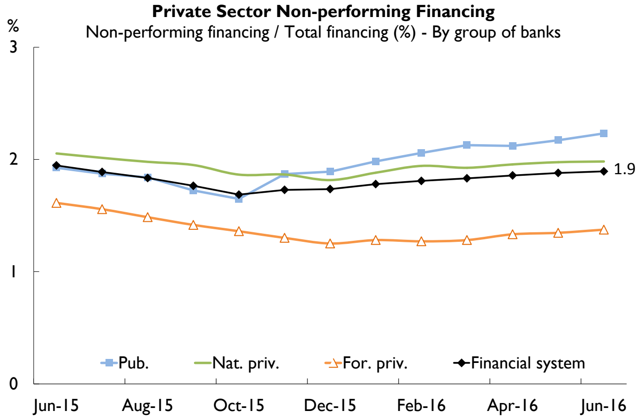
Lending Interest Rates Operated in Pesos*



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

Chart 17

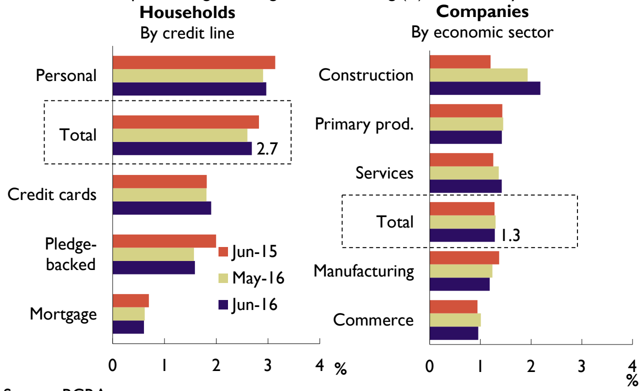
Private Sector Non-performing Financing
Non-performing financing / Total financing (%) - By group of banks



Source: BCRA

Chart 18

Private Sector Non-performing Financing
Non-performing financing / Total financing (%) - Financial system



Source: BCRA

relevant changes relative to the average level observed in the first six months of the year.

IV. Portfolio Quality

The non-performing ratio of bank loans granted to the private sector did not show significant changes by the end of the first half of the year, standing at 1.9%, a level similar to that recorded twelve months ago (see Chart 17). Delinquency of loans to the private sector still stands at its minimum historical levels, below the figures observed in many emerging and developed economies. This is one of the elements evidencing the relatively favorable position of the domestic financial system against the credit risk taken[25].

In turn, the ratio of non-performing loans granted to households rose slightly in June up to 2.7% (see Chart 18), mainly due to the performance of consumption lines —personal loans and credit cards. However, this indicator stood below the figure recorded in June 2015.

By the end of the first half of the year, the non-performing ratio of loans to companies remained stable at around 1.3% of the total loans granted to this sector (see Chart 18), standing at a level similar to that of one year ago. However, the delinquency rate showed mixed performances in the different production segments over the last year: it increased slightly in the services and construction businesses, remained stable in commerce and primary production, and went down slightly in the manufacturing sector.

The financial system continued to exhibit high provisioning levels, which widely exceed the minimum regulatory requirement in all groups of banks. As a result, **by the end of the first half of the year, accounting provisions of the ensemble of financial entities stood at a level equivalent to 139% of the private sector non-performing portfolio** (see Chart 19).

V. Solvency

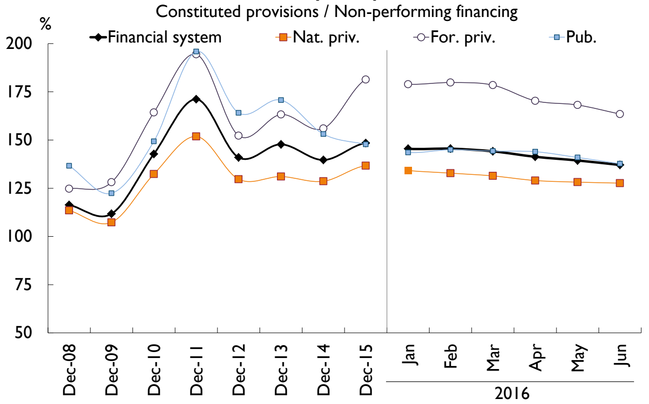
The financial system shows high solvency levels. Compliance with the regulatory capital of the ensemble of financial institutions accounted for 16.2% of their total risk-weighted assets (RWA) by mid-2016, in line with the level recorded last month (see Chart 20). The highest-quality capital to absorb eventual losses —Tier 1[26]— amounted to 15.3% of RWA in June. In turn, capital compliance in excess of the requirement for the financial system stood at 72% at aggregate level.

[25] For more information, see Chapter 3, Financial Stability Report, First Half of 2016, by clicking here.
[26] Defined as basic net worth (common stock and additional capital), net of deductible accounts. See Communication "A" 5369.

Chart 19

Provisions by Group of Banks

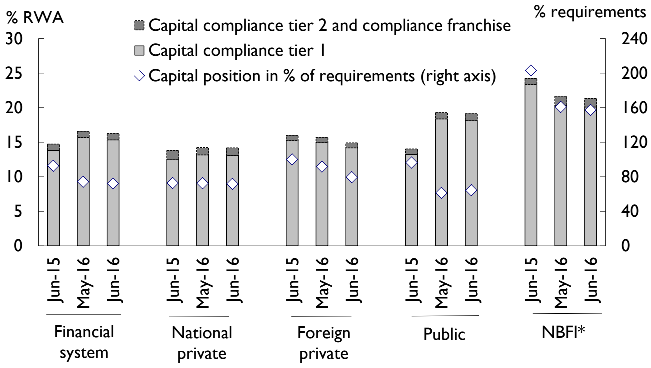
Constituted provisions / Non-performing financing



Source: BCRA

Chart 20

Capital Compliance and Excess of the Requirement (Position)

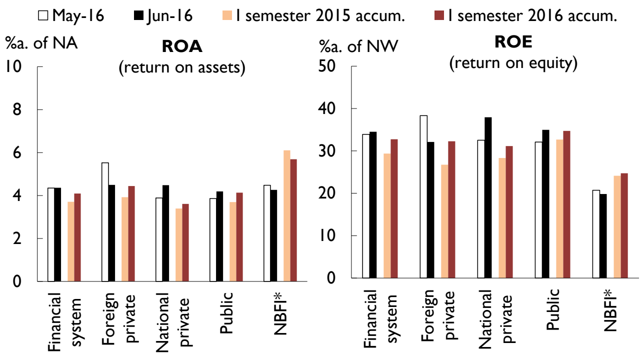


Capital compliance tier 1: Basic Net Worth. Capital compliance tier 2: Complementary Net Worth. *Non-banking Financial Institutions. Source: BCRA

Chart 21

Profitability

By group of financial entities



*Non-banking Financial Institutions. Source: BCRA

The accrued profits in the month and the capital increase of entities belonging to Supervielle financial group —resulting from the inflow of the second part of the resources stemming from the Initial Public Offering (IPO) held in May— **accounted for the increase of the financial system consolidated net worth** (3.2% in June). In the sixth month of the year, the BCRA readjusted the requirements to be met by banks in order to distribute dividends[27], in line with Basel international standards.

Following the trend observed in May, the financial system accounting results in terms of assets totaled 4.3%a. in June (34.3%a. in terms of net worth, see Chart 21). Accrued profits were observed in all ensembles of banks during this month. The return on assets (ROA) of the first half of 2016 reached 4.1%a. (ROE 32.7%a.), showing a slight increase relative to the same period of 2015 and a decrease relative to the first half of 2014. **Both the nominal levels and the year-on-year changes of the ROA accumulated in this first half of the year were similar for private and public banks. Profitability levels in real terms are estimated to stand below the figures observed in the financial systems of other emerging economies**[28].

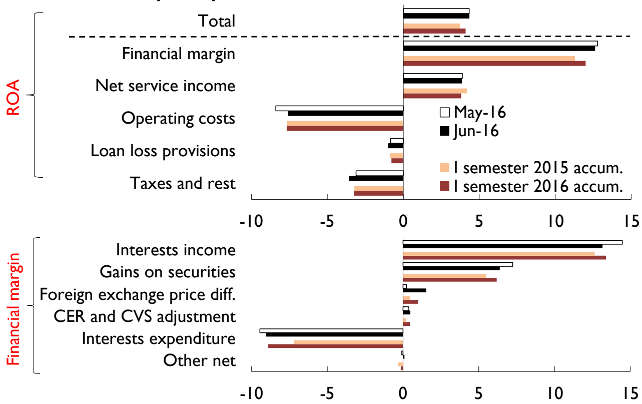
The monthly financial margin accounted for 12.6%a. of assets, similar to the value of May (see Chart 22). Income from interest went down over the month —in line with the performance of loans and the slight reduction in lending interest rates; income from securities also decreased —in line with lower LEBAC interest rates. These movements were offset by the effect of the monthly increase of the exchange rate[29] on the long position in foreign currency of the sector, resulting in an increase of profits as a result of price differences —mainly recorded by a large public bank— and in lower expenses for interest. **Income from services totaled 3.9%a. in June and remained stable against May**. In turn, **the slight reduction observed in operating costs** —against the high values recorded in May due to wage increases— **and in the financial system loan loss provisions** was offset by **a rise in accrued taxes and other items** —last month, one bank reversed loan loss provisions.

The financial margin accumulated in the first half of 2016 reached 12.1%a. of assets, up 0.8 p.p. against the same period of 2015. This increase was due to higher income from securities —resulting from an increase in the price of securities and the LEBACs yield— and to price differences, which were offset in part by lower income from interest. Regarding this last item, and considered in terms of the assets, **the year-on-**

[27] Communication "A" 5985.
[28] For more information, see Chapter 2, Financial Stability Report, First Half of 2016, by clicking here.
[29] Between ends of month, the nominal exchange rate peso/dollar went up 0.91$/US$.

Chart 22

Profitability Components - As Annualized % of Netted Assets

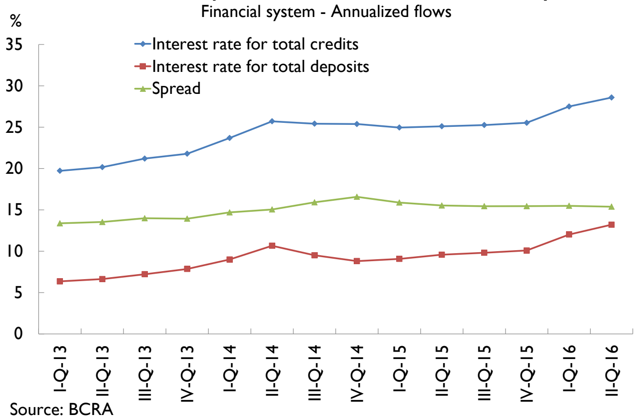


Source: BCRA

Chart 23

Estimated Implicit Interest Rates in National Currency

Financial system - Annualized flows



Source: BCRA

year increase of expenses for interest exceeded the increase of income from interest. Given the phase of the business cycle, a moderate evolution was observed in the financial intermediation activity, accompanied by increasing nominal returns. In this framework, **the spread between implied lending and borrowing rates for transactions in domestic currency remained stable throughout 2016** (see Chart 23).

In the first six months of the year, **income from services of the financial system stood at 3.8%a. of assets, down 0.3 p.p. against the value recorded in the same period of last year**. Operating costs and loan loss provisions did not show significant differences on a year-on-year comparison basis, accounting for 7.7%a. and 0.8%a. of assets in the first half of each year, respectively.

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" 5982 – June 3, 2016

New channels for instant fund transfers. This provision establishes that financial institutions may offer clients of sight accounts a service for instant fund transfers and/or payment for goods and services to third-party accounts adhering to the Mobile Payment Platform (PPM) channel. In turn, this provision sets forth that financial entities offering the Internet Banking service ("home banking"), must: (i) provide their clients at no cost with an app. ("software") for mobile devices enabling them to channel payment for goods and services through instant transfers by means of the PPM channel, (ii) offer the possibility of making instant fund transfers by using security devices to validate transactions ("dongle") and (iii) make available to payment service providers and/or fund recipient clients an app. ("software") similar to a "Payment button" to allow purchasers to perform their transactions at the virtual points of sale through instant transfers debited from their sight accounts. Besides, this provision establishes that any deposits in accounts of recipients made through the PPM channel as payment for sales of goods and services shall be free of charge up to the amount representing one twelfth of maximum annual sales established for clients under the category of micro-business within the "Services" sector, per calendar month.

Communication "A" 5983 – June 3, 2016

Easing of requirements to open branches and other operating offices. This provision rendered ineffective the restrictions to the expansion of financial institutions in case of penalties imposed more than 5 years ago. In turn, this provision lengthened from 6 to 12 months the terms of extension for commencement of activities in branches and for opening provisional service offices and agencies. It is admitted that all financial institutions may set up mobile agencies, and they may render services at a location for 10 days during a month, as maximum term, but this term may be extended up to 120 calendar days for tourist seasonal reasons. In addition, this provision establishes a new modality denominated "Automated agencies", whereby clients may perform all transactions they can channel through ATMs and self-service terminals, receive advice and file applications for services and transactions offered by such banks. Besides, the provisions establishing that only public financial institutions may set up operating offices at international airports and ports were rendered ineffective. Finally, it is established that the refill of ATMs located at commercial stores may be carried out by staff from the financial institution, from the cash-in-transit service provider and/or from the store but, in the last two cases, always provided that the financial institution may assume liability to clients and to the BCRA.

Communication "A" 5985 – June 9, 2016

The regulations on "Distribution of profits" were amended by eliminating the requirement to verify creditworthiness by means of increasing by 75% the recalculated minimum capital requirement. The gradual implementation schedule was abrogated. In turn, it is established that banks with penalties exceeding 25% of the latest adjusted stockholders' equity shall not be entitled to distribute profits. Finally, this provision rendered ineffective the requirement for the request of authorization to the Superintendence of Financial and Foreign Exchange Institutions (SEFyC) to be made 30 working days in advance to the date to hold the shareholders' meeting or equivalent corporate body that will consider the distribution of profits.

Communication "A" 5986 – June 9, 2016

The regulations on "Savings, wage account and special deposits" were amended in order to extend from 180 to 730 calendar days the term for the mandatory closing of accounts.

Communication "A" 5989 – June 13, 2016

It is made clear that the free-of-charge limit established for deposits in accounts of recipients made through the Mobile Payment Platform (PPM) applies to any kind of recipient of deposits for payment of sales of goods and services, regardless of their size, category and/or the sector of the activity developed.

Communication "A" 5991 – June 16, 2016

The regulations on "Loans to non-financial public sector" were amended in order to ease the operation for payment of benefits by public entities. In this regard, it is established that temporary advances to the non-financial public sector may be given for a maximum 10-working-day term (previously, 5-day term) and deposited within the period comprised between the last 5 business days of the month for which benefits accrued, and the first 5 business days of the following month.

Communication “A” 5995 – June 23, 2016

The regulations on “Credit management” were adjusted in relation to the individual limit of capital owed for “reduced amount” loans. It is established that such limit may not exceed the amount equivalent to four times the Minimum Vital and Adjustable Wage. In addition, the regulations on “Spreading of credit risk” were adjusted regarding the exclusion of application of maximum limits for financial aid, the claims with respect to asset portfolios of financial trusts created with loans for consumption and/or personal loans. In this sense, it is established that for the purposes of such exclusion, only credits under trusts not exceeding the amount equivalent to eight times the Minimum Vital and Adjustable Wage shall be taken into account.

Communication “A” 5996 – June 23, 2016

The rules on “Spreading of credit risk” were amended in relation to the individual maximum limit applicable to related clients under a personal relationship. This provision introduced a new individual maximum limit applicable to each borrower related by a personal relationship, when the lending entity is rated from 1 to 3 by the Superintendence of Financial and Foreign Exchange Institutions (SEFyC) and is a public financial institution, consisting in the maximum between the debtor balance as of June 23, 2016 y 50 times the Minimum Vital and Adjustable Wage. In addition, this provision fixed at 30 times the Minimum Vital and Adjustable Wage in force at the time when the loan is granted, the maximum limit of aid to each related individual to meet personal and household needs when the lending entity is rated from 4 to 5.

Communication “A” 5997 – June 23, 2016

The rules on “Net global position in foreign currency” were amended by establishing an expansion of the ceiling, which may not exceed —as from July 1, 2016— 15% of the adjusted stockholders’ equity or the bank’s own liquid funds, whichever is lower. In addition, as from July 1, 2016, the ceiling of the net positive position in foreign currency for forward transactions was eliminated.

Communication “A” 5998 – June 24, 2016

This provision incorporated “reference amounts” in credit regulations. It is established that the amount to be considered shall be the maximum level of annual total sales for the “Micro” category corresponding to “Trade” sector, according to the regulations on “Determination of status of micro, small or medium-sized enterprises”. This provision states that the guarantee amounts to be given by reciprocal guarantee companies (SGR) and public guarantee funds in favor of MiPyMEs shall not exceed the amount equivalent to 3.3 times the “reference amount”. In addition, this provision modified the individual limit for loans to MiPyMEs granted through specific assessment methods, the unpaid principal amount of which may not exceed the equivalent to 4% of the “reference amount”, and it is established that clients subject to the obligation to file a sworn statement on relationship to the financial entity are clients whose debt with the lending entity may exceed 2.5 % of the entity’s adjusted stockholders’ equity (RPC) or the equivalent to the reference amount, whichever is lower. In turn, as regards the rules on “Classification of debtors” the option to group commercial loans with loans for consumption or housing, the minimum frequency for classification and the mandatory reconsideration of the commercial portfolio debtors become related to the “reference amount”.

Communication “A” 6002 – June 30, 2016

This provision amends the rules applicable to “Cash-In-Transit Service Providers” in relation to certain requirements that must be met by companies rendering cash and valuable transportation services to obtain the authorization by the Central Bank. In turn, this provision modifies the conditions originally established regarding safety. In addition, this provision eliminated the minimum capital requirement to render the cash-in-transit service. Finally, some aspects related to cash receipt and transportation were adjusted.

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 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
UVIs: Housing units

Statistics annex[1] | 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	Jun 2015	Dec 2015	May 2016	Jun 2016
1.- Liquidity	20.1	22.5	23.0	27.9	28.6	28.0	24.7	26.8	26.8	26.2	22.4	28.2	27.7	31.0
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	9.5	10.3	9.8	9.2
3.- Credit to the private sector	25.8	31.0	38.2	39.4	38.3	39.8	47.4	49.5	50.9	45.8	46.2	45.0	45.2	44.1
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	1.9	1.7	1.9	1.9
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	-2.8	-3.2	-2.6	-2.6
6.- ROA	0.9	1.9	1.5	1.6	2.3	2.8	2.7	2.9	3.4	4.1	3.7	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	29.4	32.4	32.4	32.7
8.- Efficiency	151	167	160	167	185	179	179	190	206	215	202	208	203	206
9a.- Capital compliance	-	-	-	-	-	-	-	-	13.6	14.7	14.7	13.3	16.4	16.2
9b.- Capital compliance (credit risk)	15.9	16.9	16.9	16.9	18.8	17.7	15.6	17.1	-	-	-	-	-	-
10a.- Capital compliance Tier I	-	-	-	-	-	-	-	-	12.5	13.7	13.8	12.4	15.5	15.3
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	93	78	72	72

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	Jun 15	Dec 15	May 16	Jun 16	Changes (in %) Last month	2016	Last 12 months
Assets	**346,762**	**387,381**	**510,304**	**628,381**	**790,026**	**1,004,892**	**1,340,548**	**1,513,156**	**1,847,314**	**1,981,377**	**2,086,080**	**5.3**	**12.9**	**37.9**
Cash disposal[1]	58,676	71,067	93,085	104,389	148,254	200,925	234,283	220,858	372,396	359,729	406,923	13.1	9.3	84.2
Public bonds	65,255	86,318	117,951	112,906	123,491	141,494	291,483	363,783	388,288	424,050	433,410	2.2	11.6	19.1
Lebac/Nobac	37,093	43,867	76,948	71,050	84,057	89,641	215,141	276,343	265,188	300,228	312,865	4.2	18.0	13.2
Portfolio	25,652	34,748	61,855	59,664	70,569	88,091	187,973	241,933	250,269	261,162	244,193	-6.5	-2.4	0.9
Repo[2]	11,442	9,119	15,093	11,386	13,488	1,550	27,168	34,410	14,919	39,066	68,672	75.8	360.3	99.6
Private bonds	203	307	209	212	251	434	1,602	1,553	1,897	1,924	2,011	4.6	6.0	29.5
Loans	154,719	169,868	230,127	332,317	433,925	563,344	666,260	760,163	907,627	973,949	1,000,907	2.8	10.3	31.7
Public sector	17,083	20,570	25,907	31,346	39,951	48,438	51,470	60,897	75,254	74,774	76,156	1.8	1.2	25.1
Private sector	132,844	145,247	199,202	291,708	383,674	501,857	604,062	687,834	819,174	882,454	907,583	2.8	10.8	31.9
Financial sector	4,793	4,052	5,018	9,263	10,299	13,049	10,729	11,432	13,199	16,721	17,168	2.7	30.1	50.2
Provisions over loans	-4,744	-5,824	-6,232	-7,173	-9,596	-13,117	-17,054	-18,869	-21,581	-24,063	-24,444	1.6	13.3	29.5
Other netted credits due to financial intermediation	38,152	33,498	39,009	40,805	38,769	42,435	74,383	87,959	73,964	121,181	134,640	11.1	82.0	53.1
Corporate bonds and subordinated debt	912	1,146	1,433	1,657	2,255	5,421	5,853	4,853	6,647	6,678	5,844	-12.5	-12.1	20.4
Unquoted trusts	5,714	5,942	6,824	7,967	10,822	12,656	12,759	12,173	18,794	20,612	20,240	-1.8	7.7	66.3
Leasing	3,935	2,933	3,936	6,222	7,203	9,460	10,578	11,484	12,665	12,637	12,958	2.5	2.3	12.8
Shares in other companies	7,236	6,711	7,921	9,123	11,682	15,117	20,770	23,105	26,874	29,044	30,222	4.1	12.5	30.8
Fixed assets and miscellaneous	7,903	8,239	9,071	10,111	11,251	14,231	19,505	22,469	26,402	29,438	30,176	2.5	14.3	34.3
Foreign branches	3,153	3,926	3,283	3,525	4,354	5,627	7,243	7,586	10,633	11,552	12,407	7.4	16.7	63.6
Other assets	12,275	10,337	11,943	15,944	20,441	24,941	31,495	33,065	48,149	41,937	46,869	11.8	-2.7	41.7
Liabilities	**305,382**	**339,047**	**452,752**	**558,264**	**699,205**	**883,091**	**1,172,335**	**1,322,387**	**1,620,451**	**1,725,374**	**1,821,704**	**5.6**	**12.4**	**37.8**
Deposits	236,217	271,853	376,344	462,517	595,764	752,422	979,388	1,111,820	1,355,353	1,420,351	1,507,120	6.1	11.2	35.6
Public sector[3]	67,151	69,143	115,954	129,885	163,691	202,434	255,914	232,975	289,591	296,611	302,187	1.9	4.3	29.7
Private sector[3]	166,378	199,278	257,595	328,463	427,857	544,331	714,878	868,766	1,053,121	1,107,507	1,188,381	7.3	12.8	36.8
Current account	39,619	45,752	61,306	76,804	103,192	125,237	166,663	183,768	207,909	211,522	218,543	3.3	5.1	18.9
Savings account	50,966	62,807	82,575	103,636	125,210	158,523	215,132	259,003	316,762	327,917	379,135	15.6	19.7	46.4
Time deposit	69,484	83,967	104,492	135,082	183,736	241,281	309,353	397,538	496,649	533,960	556,550	4.2	12.1	40.0
Other netted liabilities due to financial intermediation	57,662	52,114	60,029	76,038	75,106	92,634	138,058	157,069	191,335	234,821	244,027	3.9	27.5	55.4
Interbanking obligations	3,895	3,251	4,201	7,947	8,329	10,596	7,639	8,090	9,162	12,822	13,103	2.2	43.0	62.0
BCRA lines	1,885	270	262	1,920	3,535	4,693	4,209	3,697	2,958	2,314	2,190	-5.3	-25.9	-40.8
Outstanding bonds	5,984	5,033	3,432	6,856	9,101	14,198	18,961	18,651	24,466	26,636	27,651	3.8	13.0	48.3
Foreign lines of credit	4,541	3,369	3,897	6,467	4,992	6,328	10,106	15,564	21,354	21,494	22,379	4.1	4.8	43.8
Other	13,974	14,891	17,426	24,137	26,280	41,345	51,539	49,383	100,143	92,719	81,241	-12.4	-18.9	64.5
Subordinated debts	1,763	1,922	2,165	2,065	2,647	3,425	4,445	4,903	7,024	7,630	8,052	5.5	14.6	64.2
Other liabilities	9,740	13,159	14,213	17,644	25,688	34,610	50,444	48,595	66,739	62,571	62,505	-0.1	-6.3	28.6
Net worth	**41,380**	**48,335**	**57,552**	**70,117**	**90,820**	**121,800**	**168,213**	**190,769**	**226,863**	**256,004**	**264,376**	**3.3**	**16.5**	**38.6**
Memo														
Netted assets	321,075	364,726	482,532	601,380	767,744	989,825	1,295,450	1,452,902	1,815,635	1,903,305	1,993,754	4.8	9.8	37.2
Consolidated netted assets	312,002	357,118	472,934	586,805	750,598	968,458	1,273,631	1,429,863	1,789,135	1,871,970	1,961,110	4.8	9.6	37.2

(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/PublicacionesEstadisticas/InfBanc_Anexoi.xls

Statistics annex[1] | Financial system

Chart 3 | Profitability Structure

Amount in million of pesos	Annual								First 6 months		Monthly			Last 12 months
	2008	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2015**	**2016**	**Apr-16**	**May-16**	**Jun-16**	
Financial margin	20,462	28,937	35,490	43,670	61,667	88,509	130,405	173,870	76,860	113,372	16,079	20,134	20,831	210,382
Net interest income	9,573	14,488	17,963	24,903	38,365	50,336	65,206	79,808	37,075	42,620	6,823	7,906	6,806	85,353
Interest income	22,455	28,298	31,621	45,624	70,113	98,689	146,435	188,599	85,710	126,162	21,050	22,794	21,732	229,052
Interest expenses	-12,882	-13,811	-13,658	-20,721	-31,748	-48,353	-81,229	-108,791	-48,634	-83,542	-14,227	-14,888	-14,926	-143,699
CER and CVS adjustments	2,822	1,196	2,434	1,725	2,080	2,153	4,402	2,877	1,418	4,094	637	600	803	5,553
Foreign exchange price adjustments	2,307	2,588	2,100	3,025	4,127	11,287	13,812	11,342	3,149	9,722	330	357	2,530	17,916
Gains on securities	4,398	11,004	13,449	14,228	17,356	22,280	44,198	82,739	37,415	58,649	8,956	11,406	10,536	103,973
Other financial income	1,362	-339	-457	-211	-261	2,454	2,786	-2,896	-2,197	-1,714	-667	-133	155	-2,412
Service income margin	10,870	13,052	16,089	21,391	28,172	36,503	47,972	61,852	28,199	35,568	6,155	6,126	6,373	69,222
Loan loss provisions	-2,839	-3,814	-3,267	-3,736	-6,127	-9,349	-10,857	-13,663	-6,230	-7,486	-1,184	-1,528	-1,430	-14,919
Operating costs	-18,767	-22,710	-28,756	-36,365	-47,318	-60,722	-83,117	-113,145	-52,079	-72,427	-12,329	-13,217	-12,508	-133,493
Tax charges	-2,318	-3,272	-4,120	-6,047	-8,981	-13,916	-19,586	-25,794	-11,330	-17,514	-2,949	-3,020	-3,168	-31,978
Adjust. to the valuation of gov. Securities[1]	-1,757	-262	-214	-336	-338	-377	-906	-624	-324	-1,125	-171	-176	-194	-1,425
Amort. payments for court-ordered releases	-994	-703	-635	-290	-274	-128	-81	-57	-28	-38	-6	-4	-8	-67
Other	1,441	918	2,079	2,963	2,475	2,576	4,473	7,358	3,357	6,680	922	1,840	887	10,682
Total results before tax[2]	6,100	12,145	16,665	21,251	29,276	43,094	68,302	89,798	38,424	57,030	6,516	10,156	10,782	108,403
Income tax	-1,342	-4,226	-4,904	-6,531	-9,861	-13,951	-22,365	-29,788	-13,174	-18,604	-2,254	-3,323	-3,622	-35,218
Total result[2]	**4,757**	**7,920**	**11,761**	**14,720**	**19,415**	**29,143**	**45,937**	**60,010**	**25,250**	**38,426**	**4,263**	**6,834**	**7,160**	**73,185**
Adjusted Result[3]	7,508	8,885	12,610	15,345	20,027	29,649	46,925	60,691	25,602	39,589	4,440	7,013	7,363	74,678
Annualized indicators - As % of netted assets														
Financial margin	6.7	8.6	8.5	8.0	9.2	10.3	11.7	11.8	11.3	12.1	10.4	12.8	12.6	12.1
Net interest income	3.1	4.3	4.3	4.6	5.7	5.9	5.8	5.4	5.4	4.5	4.4	5.0	4.1	4.9
Interest income	7.4	8.4	7.6	8.4	10.4	11.5	13.1	12.8	12.6	13.4	13.7	14.5	13.2	13.2
Interest expenses	-4.2	-4.1	-3.3	-3.8	-4.7	-5.7	-7.3	-7.4	-7.1	-8.9	-9.2	-9.5	-9.0	-8.3
CER and CVS adjustments	0.9	0.4	0.6	0.3	0.3	0.3	0.4	0.2	0.2	0.4	0.4	0.4	0.5	0.3
Foreign exchange price adjustments	0.8	0.8	0.5	0.6	0.6	1.3	1.2	0.8	0.5	1.0	0.2	0.2	1.5	1.0
Gains on securities	1.4	3.3	3.2	2.6	2.6	2.6	4.0	5.6	5.5	6.2	5.8	7.2	6.4	6.0
Other financial income	0.4	-0.1	-0.1	0.0	0.0	0.3	0.2	-0.2	-0.3	-0.2	-0.4	-0.1	0.1	-0.1
Service income margin	3.6	3.9	3.8	3.9	4.2	4.3	4.3	4.2	4.1	3.8	4.0	3.9	3.9	4.0
Loan loss provisions	-0.9	-1.1	-0.8	-0.7	-0.9	-1.1	-1.0	-0.9	-0.9	-0.8	-0.8	-1.0	-0.9	-0.9
Operating costs	-6.1	-6.7	-6.9	-6.7	-7.0	-7.1	-7.4	-7.7	-7.7	-7.7	-8.0	-8.4	-7.6	-7.7
Tax charges	-0.8	-1.0	-1.0	-1.1	-1.3	-1.6	-1.8	-1.8	-1.7	-1.9	-1.9	-1.9	-1.9	-1.8
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	-0.1	-0.1	-0.1	-0.1	-0.1
Amort. payments for court-ordered releases	-0.3	-0.2	-0.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.5	0.3	0.5	0.5	0.4	0.3	0.4	0.5	0.5	0.7	0.6	1.2	0.5	0.6
Total results before tax[2]	2.0	3.6	4.0	3.9	4.3	5.0	6.1	6.1	5.6	6.1	4.2	6.4	6.5	6.3
Income tax	-0.4	-1.3	-1.2	-1.2	-1.5	-1.6	-2.0	-2.0	-1.9	-2.0	-1.5	-2.1	-2.2	-2.0
ROA[2]	**1.6**	**2.3**	**2.8**	**2.7**	**2.9**	**3.4**	**4.1**	**4.1**	**3.7**	**4.1**	**2.8**	**4.3**	**4.3**	**4.2**
ROA adjusted[3]	2.5	2.6	3.0	2.8	3.0	3.5	4.2	4.1	3.8	4.2	2.9	4.5	4.5	4.3
ROE before tax	*17.2*	*29.5*	*34.5*	*36.5*	*38.8*	*43.7*	*48.6*	*48.5*	*44.7*	*48.5*	*33.3*	*50.3*	*51.7*	*50.0*
ROE[2]	*13.4*	*19.2*	*24.4*	*25.3*	*25.7*	*29.5*	*32.7*	*32.4*	*29.4*	*32.7*	*21.8*	*33.8*	*34.3*	*33.8*

(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	Dec 13	Dec 14	Jun 15	Dec 15	May 16	Jun 16
Non-performing loans (overall)	**5.2**	**3.4**	**2.7**	**2.7**	**3.0**	**1.8**	**1.2**	**1.5**	**1.5**	**1.8**	**1.8**	**1.6**	**1.7**	**1.7**
Provisions / Non-performing loans	115	108	115	117	115	148	176	144	150	142	141	150	145	143
(Total non-perfoming - 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	-0.8	-0.8	-0.7
(Total non-perfoming - Provisions) / Net worth	-2.6	-0.9	-1.6	-1.8	-1.7	-3.6	-4.6	-3.4	-3.7	-3.1	-2.9	-3.3	-3.0	-2.9
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**	**1.9**	**1.7**	**1.9**	**1.9**
Provisions / Non-performing loans	115	108	114	116	112	143	171	141	148	140	139	149	140	139
(Total non-perfoming - 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	-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	-3.5	-2.9	-2.8	-3.2	-2.6	-2.6

Source: BCRA

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