

Report on Banks

July 2014



BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

Report on Banks

July 2014

Year XI, No. 11



**BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA**

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

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Summary

- **Total financing (in domestic and foreign currency) granted to the private sector expanded 1% in July (24.1% y.o.y.);** this performance was driven by overdrafts, personal loans, and credit lines in foreign currency. **In y.o.y. terms, the increase in lending to the private sector was mainly accounted for by loans channeled to companies,** which climbed 26.1% y.o.y., representing 61% of the total change. Loans to households rose 21.3% y.o.y.
- **In order to continue promoting bank lending for productive purposes, the fifth stage of the Credit Line for Productive Investment (LCIP) started in July.** On this occasion, over \$28 billion will be allocated to finance micro, small, and medium-sized enterprises and for other specific purposes. In the first four stages of the LCIP, loans to the tune of \$78 billion would have been granted.
- **The non-performance level of loans to the private sector remained unchanged over the month, at around 2% of the total portfolio.** Loans to companies and households did not evidence significant changes in delinquency levels against last June, standing at 3.2% and 1.1%, respectively. Coverage of the non-performing portfolio with provisions totaled 138% in July, surpassing the level recorded twelve months before.
- The stock of deposits in pesos corresponding to the private sector increased 0.8% over the period as a result of the expansion of time deposits (2.8%), which was partially offset by a slight reduction in sight accounts. Considering July's performance, **private sector deposits in pesos climbed 30.1% y.o.y.; time deposits and sight accounts registered a similar expansion rate.** In turn, private sector deposits in foreign currency did not exhibit significant changes over the month, going up 1.3% y.o.y.—in the currency of origin—. Within this context, total deposits (in public and private sectors; in domestic and foreign currency) in the financial system rose 0.3% in July (25% y.o.y.).
- **The liquidity indicator** (including domestic and foreign currency) **fell 1.5 p.p. of total deposits in July, down to 23%.** In turn, LEBAC and NOBAC holdings accounted for 19.6% of deposits, going up 1 p.p. against June. Thus, the **broad liquidity ratio** (in domestic and foreign currency together with LEBAC and NOBAC holdings) **decreased slightly during the month, standing at 42.6%.**
- **Financial system foreign currency broad mismatching decreased to 28.5% of adjusted stockholders' equity in July,** falling slightly over the month — **down 43 p.p. against the end of 2013.** **In September 2014, the regulation on currency mismatching was amended** to lower the maximum amount that banks must comply with in relation to their positive foreign currency Net Global Position. The ceiling fell from 30% to 20% of adjusted stockholders' equity or their own liquid funds—in both cases, corresponding to the month before—, whichever the lower; this measure aims at enhancing foreign exchange market stability.
- In July, consolidated financial system net worth rose 2.9% driven primarily by book profits. Net worth expanded 43% in the past 12 months, exceeding assets' relative growth, which accounted for a y.o.y. decline in the leverage ratio. Financial system regulatory capital compliance totaled 14.1% of total risk-weighted assets (RWA) over the period (13.1% in the case of basic net worth—tier 1 capital). **The surplus of aggregate capital compliance stood at 81% of the regulatory requirement.**
- **Financial system ROA totaled 4.4%a. in July,** going up against the month before primarily due to the rise observed in the financial margin. Profitability in all groups of financial institutions rose over the month. Thus, **book profits recorded over the past 12 months accounted for 4.5% of average assets over the period.**

I. Activity

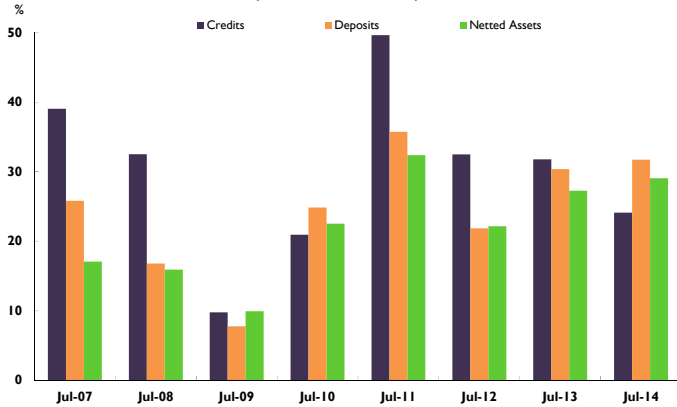
In July, financial intermediation with the private sector continued increasing moderately. **The total stock of bank loans to the private sector rose 1% over the period (24.1% y.o.y.), while deposits channeled to companies and households climbed 0.8% (31.7% y.o.y.).** In turn, netted assets of the ensemble of banks remained practically unchanged against last June (0.3% or 29.1% y.o.y.) (see Chart 1).

Funds were mainly channeled to increase LEBAC and NOBAC holdings—not related to repos—(\$9.3 billion) **and to strengthen financing to the private sector** (almost \$6 billion) **in July¹** (see Chart 2). These uses were primarily funded based on the monthly drop in liquid assets² (\$11.7 billion) followed by an expansion of private sector deposits (\$5.05 billion). In line with the trend registered in July, in year-to-date terms funds were mainly used to increase the position in monetary regulation instruments. Thus, the stock of LEBACs and NOBACs raised its share in total banking assets up to 14.7%, up 5.8 p.p. against the end of 2013.

In the second quarter of 2014³, staffing in the ensemble of financial institutions expanded 0.4%, going up 1% y.o.y. and accounting for 105,744 employees (see Chart 3). This growth was mainly driven by private national and foreign banks with a share of 34.1% and 26.6%, respectively, of total banks' employment. **The rise in the amount of employees in the financial system went hand in hand with an improvement in certain productivity indicators for the sector.** Furthermore, the number of loans and deposits managed by employee in the financial system increased, especially in national private institutions.

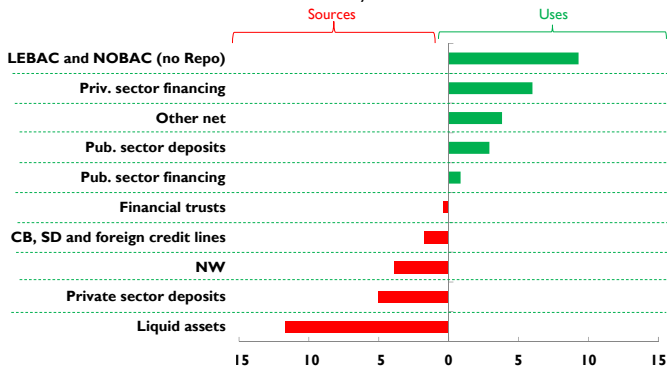
Instant transfers kept significant momentum in July. The value of these transfers rose 4.7% over the month (58.1% y.o.y.) and the number of transactions expanded 7.4% (37% y.o.y.). Since the implementation of these transactions in 2011, **they have gained relative relevance among debits from saving and current accounts** (see Chart 4), even though the volume traded a month only stood for 2.3% of total debits recorded over the period. In terms of value, 90% of instant transfers were channeled through corporate banking and homebanking. The segments of lower amounts—up to \$20,000—accounted for 96% of total transactions in July while, in terms of amounts transferred, transactions exceeding \$100,000 virtually accounted for half of the total of these transfers.

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



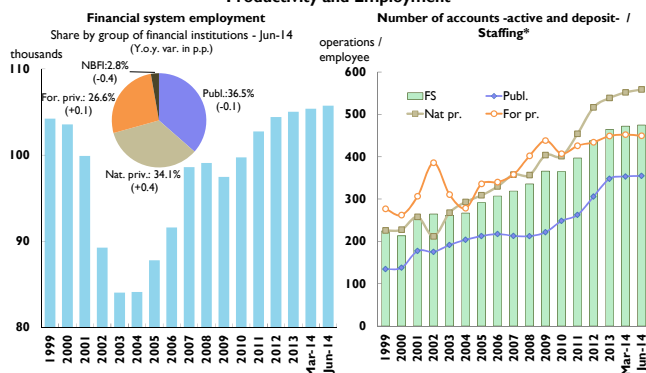
Source: BCRA

Chart 2
Estimation of Sources and Uses of Funds - July 2014
Financial System



Source: BCRA

Chart 3
Productivity and Employment



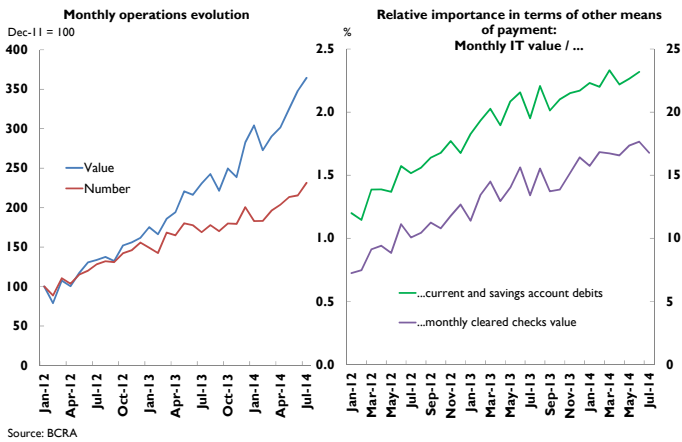
* Financial institutions with no available data on the number of accounts are not considered.
Note: to december each year. Last available data.
Source: BCRA

¹ Estimated based on the difference in stocks as per balance sheet information.

² Liquid assets (compliance with “minimum cash” requirements in account with the BCRA and special accounts in guarantee and other items, particularly cash in banks and correspondent accounts) plus net credit stock of repo transactions of financial institutions against the BCRA through LEBACs and NOBACs.

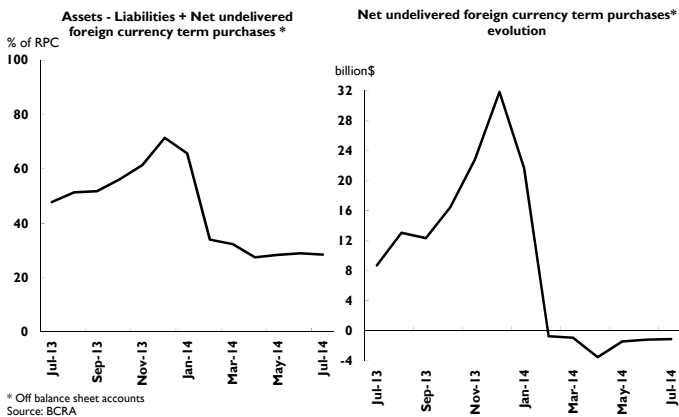
³ Latest information available as of June 2014.

Chart 4
Instant Transfers (IT)



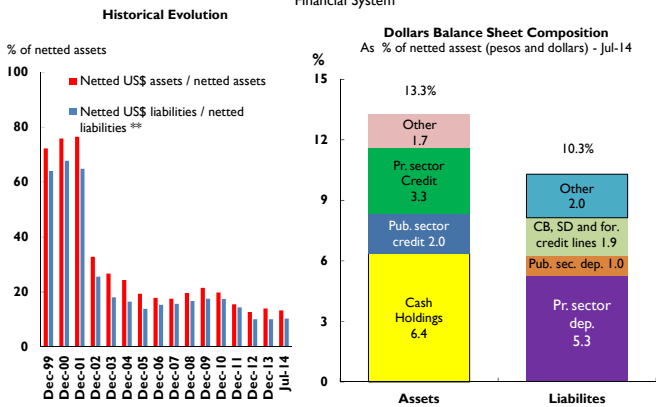
Source: BCRA

Chart 5
Foreign Currency Mismatching of the Financial System



* Off balance sheet accounts
Source: BCRA

Chart 6
Balance Sheet Dolarization*
Financial System



*Netted balance items ** Liabilities and net worth. Source: BCRA

The value of checks cleared rose 10.2% over the month (9.8% in terms of number) and 26.3% y.o.y. (evidencing a slight fall in terms of value). The number of checks bounced for insufficient funds was, in terms of the total cleared in July, similar if compared to last June and 12 months before. Considering data available for August, the ratio of checks bounced for insufficient funds, in terms of checks cleared, fell slightly to 0.5% for values (0.9% for number).

Financial system foreign currency broad mismatching decreased slightly to 28.5% of adjusted stockholders' equity in July. The monthly drop was mainly accounted for by the rise in adjusted stockholders' equity over the period. Thus, this indicator went down 43 p.p. of adjusted stockholders' equity in the first 7 months of 2014 (see Chart 5). This reduction was driven by the implementation, at the start of 2014, of a change in regulations on Net Global Position and on Term Position in foreign currency to be complied with by financial institutions⁴. Such reduction was aimed to enhance stability in the foreign exchange market. The BCRA amended this regulation⁵ as from September 2014 by reducing the maximum amount that banks must comply with in relation to the positive foreign currency Net Global Position from 30% to 20% of either adjusted stockholders' equity or their own liquid funds—in both cases, corresponding to the month before—, whichever the lower.

The share of foreign currency items in the aggregate financial system balance sheet is still moderate. As of July 2014, only 13.3% of bank assets and 10.3% of total funding were denominated in foreign currency (see Chart 6); these levels contrasts with those recorded 15 years before and are lower than those observed 5 years ago. Indeed, traditional financial intermediation with the private sector in foreign currency bears a low relative significance in the balance sheet: lending to the private sector in dollars accounted for only 3.3% of total assets and private sector deposits in foreign currency represented just 5.3% of total funding over the month. Within this context, liquid assets in foreign currency reached 62% of total funding in the same currency (and 100% of deposits).

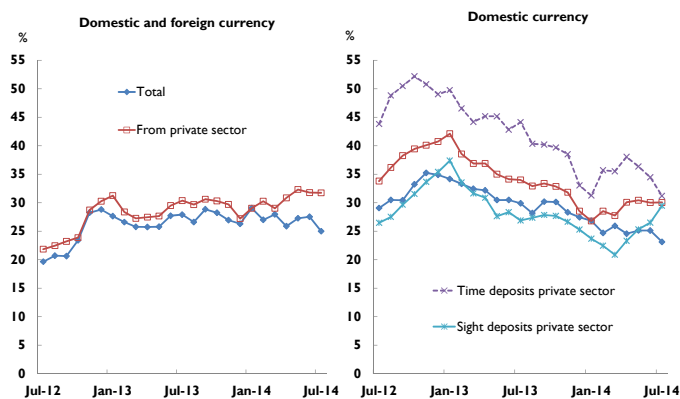
II. Deposits and liquidity

The stock of private sector deposits in pesos in the financial system increased a little over 0.8% in July. In this segment, time deposits grew 2.8% over the month, while sight accounts fell slightly. Private sector

⁴ Communication "A" 5536.

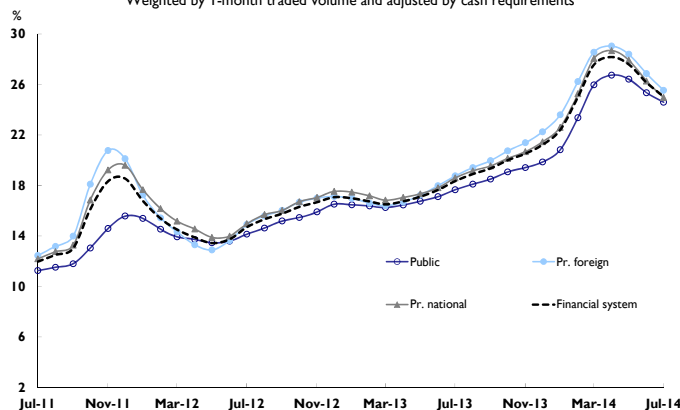
⁵ Communication "A" 5627.

Chart 7
Financial System Deposits
Y.o.y. % var. of balance sheet stocks



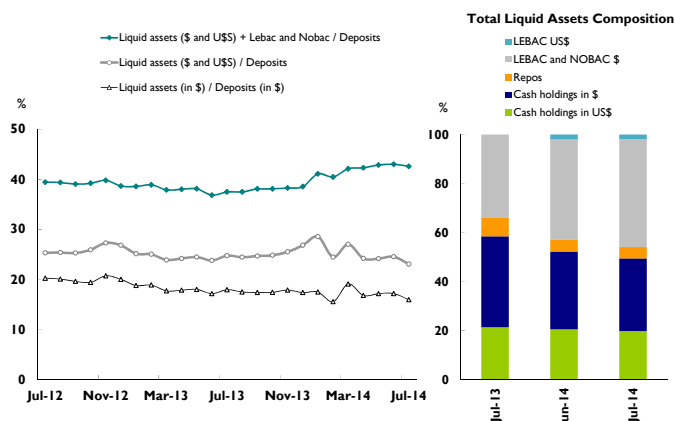
Source: BCRA

Chart 8
Estimation of Average Funding Costs by Time Deposits in Pesos
Weighted by 1-month traded volume and adjusted by cash requirements



Source: BCRA

Chart 9
Financial System Liquidity



Source: BCRA

deposits in foreign currency⁶ did not post significant changes over the period. Indeed, the stock of private sector total deposits⁷ climbed 0.8% against June. In turn, public sector total deposits⁸ went down 1.5% in July due to the performance of deposits in foreign currency. Within this framework, **financial system funding out of total deposits⁹ rose 0.3% in July.**

On a y.o.y. basis, **the stock of private sector deposits in domestic currency expanded 30.1% as of July**, evidencing a growth rate similar to that of sight accounts and time deposits (see Chart 7). Deposits of this sector in foreign currency increased 1.3%¹⁰ over the past 12 months. Thus, the stock of private sector¹¹ total deposits grew 31.7% y.o.y. as of July, while public sector total deposits rose 5.9% y.o.y. Thus, **the total stock of deposits¹² in the financial system climbed 25% y.o.y. as of July.**

The cost of funding by means of private sector time deposits in pesos continued falling. This drop was observed in all groups of banks (see Chart 8).

In July, the liquidity indicator for the ensemble of financial institutions (considering items in domestic and foreign currency) **decreased 1.5 p.p. of total deposits, down to 23%.** In turn, LEBAC and NOBAC holdings accounted for 19.6% of total deposits over the period, going up 1 p.p. against June. Thus, **the broad liquidity ratio** (in domestic and foreign currency together with LEBAC and NOBAC holdings) recorded by the system **declined slightly over the period, standing at 42.6%** (see Chart 9).

III. Financing

In July, financing in pesos to the private sector expanded 0.7%¹³. This monthly performance was driven by overdrafts and, to a lesser extent, personal loans (see Chart 10). In turn, financing in foreign currency posted greater relative momentum, going up 4.4%¹⁴ over the period. **Within this framework, the stock of total lending (in domestic and foreign currency) to companies and households increased 1%¹⁵ against June.** Foreign private banks accounted for

⁶ In currency of origin.

⁷ In domestic and foreign currency.

⁸ Ibid previous note.

⁹ From the public and private sectors in domestic and foreign currency.

¹⁰ In currency of origin.

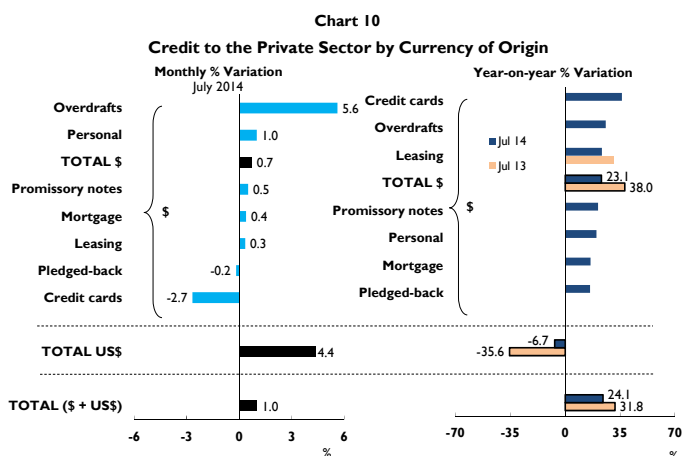
¹¹ In domestic and foreign currency.

¹² From the public and private sectors in domestic and foreign currency.

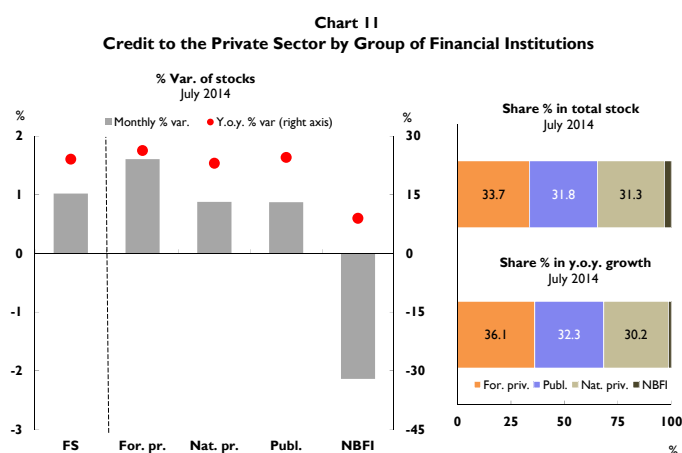
¹³ Two financial trusts were issued over the month for a total of \$424 million raised out of loans from financial institutions; all of them corresponded to securitizations of personal loans. If the balance sheet stock is adjusted by such assets securitized in July, the monthly increase in loans in pesos to the private sector would stand at 0.8%.

¹⁴ Change in currency of origin.

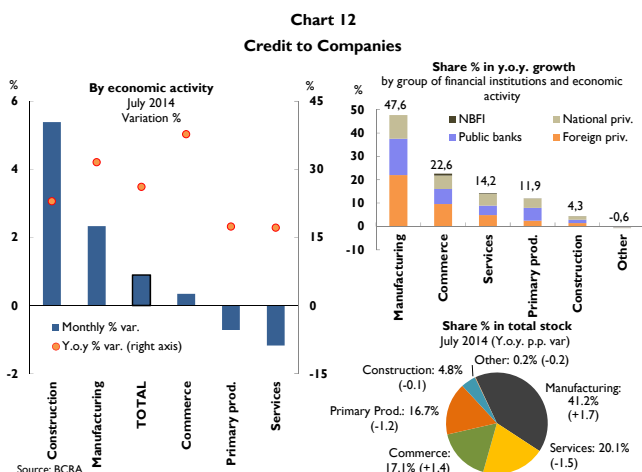
¹⁵ If the balance sheet stock is adjusted by assets securitized over July (through loans granted by banks as underlying assets), the monthly change in total lending (including domestic and foreign currency) to the private sector would amount to 1.1%.



Note: Total includes balance sheet stock. Variations in currency of origin.
Source: BCRA



Source: BCRA



Source: BCRA

over half of the monthly expansion recorded by total lending to the private sector.

Lending in domestic currency to companies and households increased 23.1% over the past 12 months, moderating its growth pace (see Chart 11). Financing through cards, overdrafts and leasing recorded the greatest momentum over this period. In turn, loans in foreign currency continued mitigating their y.o.y. drop. **As a result of the evolution of loans in domestic and foreign currency, total lending to the private sector expanded 24.1% y.o.y. in July.** Foreign private banks registered the greatest relative y.o.y. growth of total loans, accounting for over 36% of the change in lending to the private sector.

Loans granted to companies continued increasing in July, boosted by credit lines for construction and, to a less extent, for the manufacturing sector (see Chart 12). **Lending to the productive sector grew 26.1%¹⁶ over the last twelve months.** This y.o.y. performance was mainly driven by credits to the manufacturing sector which accounted for over 47% of the change in total lending to companies, increasing 1.7 p.p. its share in the total stock of loans to companies.

In y.o.y. terms, the total growth of credit to the private sector was mainly driven by lending to companies¹⁷, which accounted for 61% of the total change, up 3 p.p. against the level recorded in July 2013 (see Chart 13). Thus, loans to companies continued gaining share in the stock of loans to the private sector and accounted for 57% of the total in July.

In order to continue stimulating bank lending for productive purposes, **the fifth tranche of the Credit Line for Productive Investment (LCIP) was launched in July.** It is estimated that approximately \$28 billion shall be allocated to the financing of Micro, Small and Medium-Sized Enterprises (MIPYMES) and to specific clients' productive projects that do not fall within this segment but share other characteristics¹⁸. As regards the latest preliminary information available¹⁹, taking into account the first four tranches of the LCIP, around \$78 billion had been awarded to loans, out of which, more than 63% corresponded to MiPyMEs.

In turn, within the framework of **the Bicentennial Productive Financing Program (PFPB)**, since its

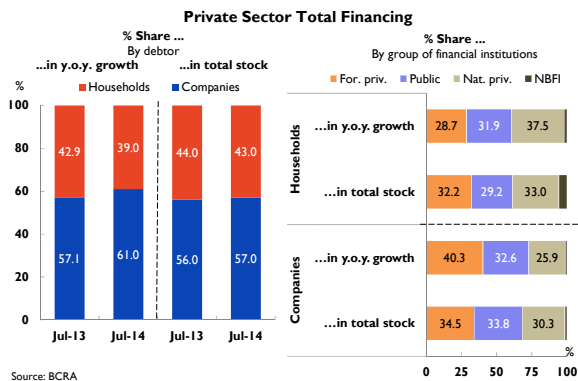
¹⁶ Data are provisional and subject to subsequent corrections.

¹⁷ Information obtained from the Debtors' Database (including domestic and foreign currency). Loans to companies include those granted to legal persons and commercial loans granted to natural persons. In turn, loans to households are those given to natural persons unless they have a commercial purpose.

¹⁸ Mortgage loans for natural persons for the purchase, construction or remodeling of housing units; foreign trade transactions; projects generating productive capacity expansion, a rise in formal and direct job creation, expansion of export capacity, investment in capital goods and infrastructure works; financing in pesos to natural persons, provided that such loans have been originated or assigned by a financial institution not participating in the LCIP.

¹⁹ Latest preliminary information is available up to June 2014.

Chart 13

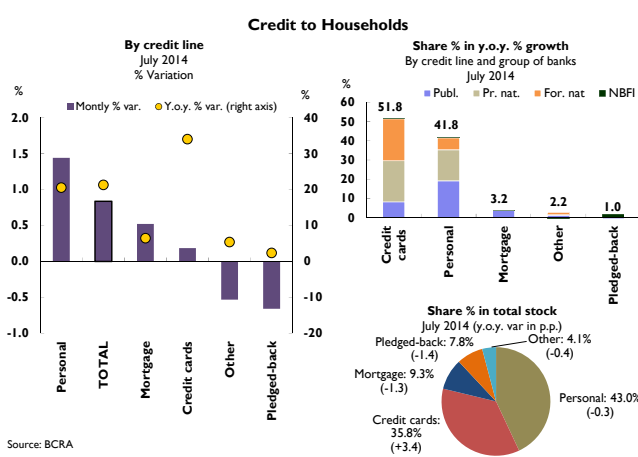


Source: BCRA

implementation until the end of August, participating banks have lent \$6.6 billion to several companies. More than 57% of the transactions channeled through PFPB were granted to MiPyMEs.

In July, financing to households grew against June, boosted by personal loans (see Chart 14). Part of this monthly rise in personal loans was driven by *Pro.Cre.Auto*, a program aimed at financing the purchase of new vehicles, which has been implemented through Banco de la Nación Argentina (BNA). **Loans to households climbed 21.3%²⁰ y.o.y.** posting financing through credit cards the greatest momentum. In particular, this credit line explained 51.8% of the y.o.y. increase in total lending to households, expanding 3.4 p.p. their share in the total stock of loans.

Chart 14



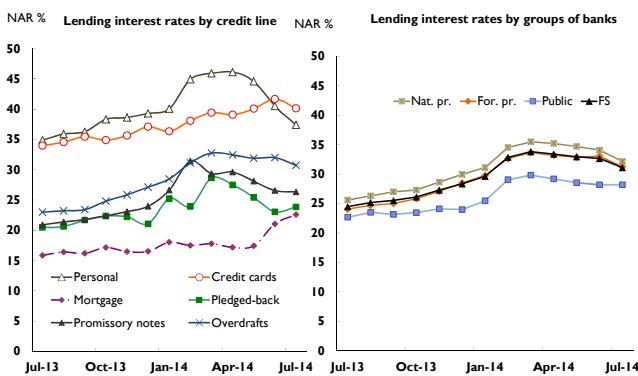
Source: BCRA

In July, lending interest rates in domestic currency fell in most credit lines, except those lines for collateralized loans (mortgage and pledge-backed loans) (see Chart 15). Particularly, lending interest rates on loans for consumption purposes (personal loans and credit cards) posted the greatest relative reductions over the period; this performance was in line with the measures implemented by the BCRA to regulate interest rates on loans to natural persons²¹. The decrease recorded in these interest rates in July was accounted mainly by the performance of foreign and national private banks (they decreased 1.9 p.p. the average of lending interest rates in pesos).

Non-performance in lending to the private sector remained stable, standing at 2% of the total portfolio over the month. Delinquency of loans granted to companies and to households remained virtually unchanged against June, recording 3.2% and 1.1%, respectively (see Chart 16). Coverage of the non-performing portfolio with provisions stood at 138%, i.e., almost 5 p.p. higher vis-à-vis the ratio recorded on a y.o.y. basis. Excluding minimum regulatory provisions for performing loans, this ratio would stand at 87.5%, exceeding by over 37 p.p. (50.4%) the minimum provisions required for the non-performing portfolio.

Chart 15

Lending Interest Rates and Spreads Operated in Pesos *



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

In July, the financial system exposure to the public sector increased slightly up to 9.3% of total assets, remaining at the same level recorded on a y.o.y. basis. If the decrease in public sector deposits is calculated, the public sector's creditor position dropped to 7.4% of banking system assets, down 3.6 p.p. against the value recorded twelve months before.

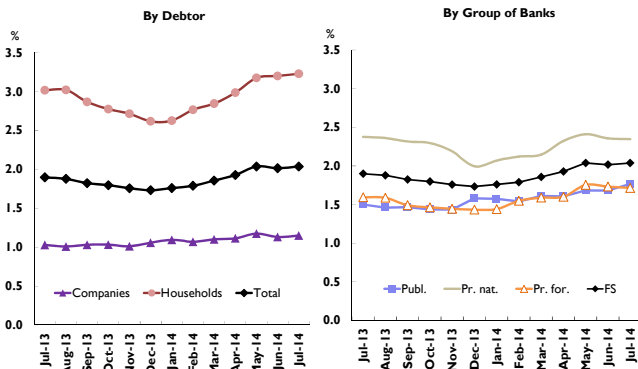
²⁰ Data are provisional and subject to subsequent corrections.

²¹ Communication "A" 5590.

IV. Solvency

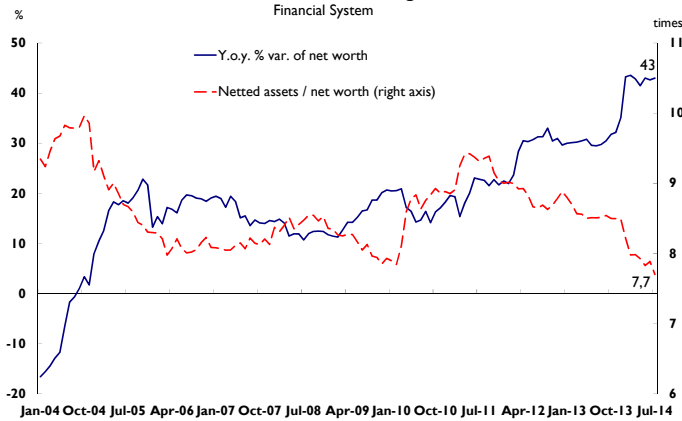
Chart 16

Private Sector Non Performing Debt
Non-performing loans / Total loans (%)



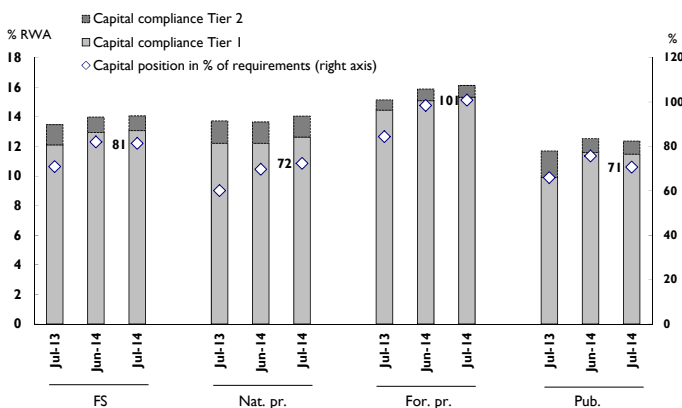
Source: BCRA

Chart 17
Net Worth and Leverage
Financial System



Source: BCRA

Chart 18
Capital Compliance and Excess of the Requirement (Position)



Source: BCRA

Consolidated financial system net worth rose 2.9% over the month, driven primarily by book profits. Net worth expanded 43% in the past 12 months (see Chart 17), with assets exhibiting a relative lower growth. This accounted for the y.o.y. decline observed in the financial system's leverage (assets/net worth). Particularly, assets totaled 7.7 times Banks' net worth, down 0.8 against 2013.

Financial system capital compliance ratio slightly increased against the previous month reaching 14.1% of risk-weighted assets (RWA) in July (see Chart 18). Tier 1 capital compliance²² accounted for 13.1% of RWA over the period. In turn, the compliance in excess of the requirement (capital position) stood at 81% as of July 2014. All groups of banks posted regulatory capital surpluses over the period.

Financial system book profits increased 0.8 p.p. of the asset in July, standing at 4.4%a. (see Chart 19) mainly due to an increase in the financial margin, a situation that was reflected in all groups of banks. Thus, **book profits recorded over the past 12 months accounted for 4.5% of aggregate assets, up 1.7 p.p. against the value recorded in July 2013.**

In July, the financial margin for the ensemble of banks expanded 1.9 p.p. of assets up to 11.3%a. This increase was mainly explained by higher income derived from securities — this performance was recorded in public banks — and, to a lesser extent, an increase in net interest income — mainly in private banks— (see Chart 20). **Banks' financial margin reached 12% of assets in the past 12 months, going up 2.6 p.p. y.o.y.**

Income from financial system's services remained stable over the month, standing at 4.5%a. of assets. In turn, **net income from financial system's services accounted for 4.2% of assets between August 2013 and July 2014, recording a slight drop against the value posted over the same period in 2013.**

Operating costs increased slightly to 7.4%a. of assets over the month. This rise was mainly observed in foreign and national private banks. Thus, such expenses stood at 7.2% of assets over the past twelve months. In turn, **loan loss provisions rose slightly over the month, up to 0.9%a. of assets** in public and foreign private banks. On the basis of the figure recorded over the 12-month period as of July 2014, these provisions reached 1.1% of assets.

²² It is defined as basic net worth (common stock and additional capital), net of deductible accounts. For further information, see Communication "A" 5369.

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” 5603 – July 02, 2014

This communication contains the consolidated text on “Financial aid to non-financial credit providers” which updates “Debtor Classification” and “Credit Management” as published under Communication “A” 5593.

Methodology

- (a) Aggregate balance sheet information is taken from the monthly accounting information system (unconsolidated balance sheets). In order to calculate aggregate data for the financial system, for financial institution that have not provided data for the month reviewed, the most recent information available is repeated in the aggregate balance sheet. On the other hand, for profitability analysis only the banks providing data for that month are considered.
- (b) Due to possible lack of data for some banks at the time this Report was drafted, and due to possible corrections to the data provided by financial institutions later, the data included is of a preliminary nature –particularly for the last month included-. Therefore, and due to the fact that the most recent data available always used, data in connection with earlier periods may not match what was mentioned in earlier issues of the Report. In such cases, the latter release should be regarded as being of better quality.
- (c) Unless otherwise indicated, data about deposits and loans refer to balance sheet information, and do not necessarily agree with those compiled by the Centralized Information Requirement System (SISCEN). Reasons for discrepancies include the precise date considered in order to calculate monthly changes and the items included in the definition adopted in either case.
- (d) Profit ratio calculations are based on monthly results estimated from changes in the aggregate result amounts during the current fiscal year. Profit ratios are annualized with the exception of those ,.
- (e) Initially, the breakdown by group of banks was determined by the majority of decision making role -in terms of voting rights at shareholder meetings- distinguishing between private sector financial institutions (national or foreign depending on their residence) and public banks. In order to increase depth of the analysis, private sector institutions were also classed according to the geographic coverage and business scope of their operations. Investment banking is defined as those specializing in large corporations and investor sector, which in general do not rely on deposits from the private sector for their funding. On the other hand, retail banks were divided into those carrying out business nationwide, those located in certain geographic regions -municipalities, provinces, or regions- and institutions specialized in a financial sector niche market -usually smaller institutions-. Finally, it is worth noting that the classifications defined above are solely for analytical purposes and does not mean it is the only methodology criteria by which to group them; while on the other hand, the listing of features for each financial entity group has been established in a general manner.
- (f) Indicators exhibited in Tables 1 and 5 of Statistical Appendix: 1.- (Minimum cash compliance at the BCRA in pesos and foreign currency + Other cash holding in pesos and foreign currency + Creditor net balance for BCRA repo transactions with Lebac and Nobac) / Total deposits; 2.- (Position in government securities (without Lebac and Nobac) + Loans to the public sector + Compensations receivable) / Total assets; 3.- (Loans to the non-financial private sector + Leasing) / Total assets; 4.- Non-performing portfolio with the non-financial private sector / Loans to the non-financial private sector; 5.- (Total non-performing portfolio – Loan loss provisions) / Net worth. Non-performing portfolio includes loans classified into situations 3, 4, 5 and 6; 6.- Cumulated annual result / Average monthly netted assets - % annualized; 7.- Cumulated annual result / Average monthly net worth - % annualized; 8.- (Financial margin (Net interest income + CER and CVS adjustments + Gains on securities + Foreign exchange price adjustments + Other financial income) + Service income margin) / Cumulated annual operating costs; 9.- Capital compliance (Responsabilidad Patrimonial Computable) / Risk - adjusted assets according to the regulation of BCRA about Minimum Capital Compliance; 10.- Capital compliance Tier 1 / Risk weighted assets, according to the BCRA rule on minimum capital; 11.- (Capital compliance - Capital requirement) / Capital requirement. Included exemptions.

Glossary

%a.: annualized percentage.

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

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

CABA: Ciudad Autónoma de Buenos Aires

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

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

CEDRO: Certificado de Depósito Reprogramado. Scheduled Stabilization Coefficient.

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

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

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

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

Lebac and Nobac: Bills and notes of the BCRA.

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

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

mill.: million.

NBFI: Non-banking financial institution.

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

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

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

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

ON: Corporate bonds (Obligaciones Negociables).

OS: Subordinated debt (Obligaciones Subordinadas).

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

PN: Net worth (Patrimonio Neto).

p.p.: percentage points.

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

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

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

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

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

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

RWA: Risk weighted assets.

SME: Small and Medium Enterprises.

US\$: United States dollars

Statistics annex¹ | Financial system

Chart 1 | Financial Soundness Indicators (see Methodology)

	Dec 05	Dec 06	Dec 07	Dec 08	Dec 09	Dec 10	Dec 11	Dec 12	Jul 13	Dec 13	Jun 14	Jul 14
As %												
1.- Liquidity	20.1	22.5	23.0	27.9	28.6	28.0	24.7	26.8	24.7	26.8	24.5	23.0
2.- Credit to the public sector	31.5	22.5	16.3	12.7	14.4	12.1	10.7	9.7	9.3	9.4	9.2	9.3
3.- Credit to the private sector	25.8	31.0	38.2	39.4	38.3	39.8	47.4	49.5	49.8	50.9	47.7	48.0
4.- Private non-performing loans	7.6	4.5	3.2	3.1	3.5	2.1	1.4	1.7	1.9	1.7	2.0	2.0
5.- Net worth exposure to the private sector	-2.5	-0.8	-1.5	-1.7	-1.3	-3.2	-4.3	-3.1	-2.7	-3.5	-2.9	-2.9
6.- ROA	0.9	1.9	1.5	1.6	2.3	2.8	2.7	2.9	2.8	3.4	4.8	4.7
7.- ROE	7.0	14.3	11.0	13.4	19.2	24.4	25.3	25.7	24.7	29.5	38.3	37.6
8.- Efficiency	151	167	160	167	185	179	179	190	193	206	229	227
9a.- Capital compliance	-	-	-	-	-	-	-	-	13.5	13.6	14.0	14.1
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 1	-	-	-	-	-	-	-	-	12.1	12.5	13.0	13.1
10b.- Capital compliance Tier 1 (credit risk)	14.1	14.1	14.6	14.2	14.5	13.0	11.0	11.9	-	-	-	-
11.- Excess capital compliance	169	134	93	90	100	87	69	59	71	76	82	81

Note: According to Communication "A" 5369, since February 2013 methodological changes in some indicators were carried out. Among others changes, risk weighing coefficients considered to determine capital requirements were redefined, concepts included in the different segments of capital compliance were rearranged and new minimum limits in terms of the Total Risk Weighted Assets (RWA) were added. A wider definition of RWA is considered since

Communication "A" 5369, including not only credit risk, but also market and operational risk.

Data subject to changes

Source: BCRA

n.a.: non available

Chart 2 | Balance Sheet

In million of current pesos	Dec 08	Dec 09	Dec 10	Dec 11	Dec 12	Jul 13	Dec 13	Jun 14	Jul 14	Change (in %)		
										Last month	2014	Last 12 months
Assets	346,762	387,381	510,304	628,381	790,026	891,351	1,004,892	1,143,555	1,145,931	0.2	14.0	28.6
Cash disposal ¹	58,676	71,067	93,085	104,389	148,254	146,239	200,925	187,058	175,736	-6.1	-12.5	20.2
Public bonds	65,255	86,318	117,951	112,906	123,491	150,964	141,494	229,237	238,767	4.2	68.7	58.2
Lebac/Nobac	37,093	43,867	76,948	71,050	84,057	105,151	89,641	173,770	183,158	5.4	104.3	74.2
Portfolio	25,652	34,748	61,855	59,664	70,569	85,014	88,091	153,573	162,861	6.0	84.9	91.6
Repo ²	11,442	9,119	15,093	11,386	13,488	20,138	1,550	20,197	20,297	0.5	1,209.6	0.8
Private bonds	203	307	209	212	251	384	434	593	630	6.3	45.3	64.2
Loans	154,719	169,868	230,127	332,317	433,925	487,771	563,344	598,476	603,147	0.8	7.1	23.7
Public sector	17,083	20,570	25,907	31,346	39,951	40,992	48,438	50,635	51,345	1.4	6.0	25.3
Private sector	132,844	145,247	199,202	291,708	383,674	435,520	501,857	535,043	540,574	1.0	7.7	24.1
Financial sector	4,793	4,052	5,018	9,263	10,299	11,259	13,049	12,798	11,228	-12.3	-14.0	-0.3
Provisions over loans	-4,744	-5,824	-6,232	-7,173	-9,596	-11,217	-13,117	-15,203	-15,451	-1.6	17.8	37.7
Other netted credits due to financial intermediation	38,152	33,498	39,009	40,805	38,769	56,569	42,435	67,591	65,335	-3.3	54.0	15.5
Corporate bonds and subordinated debt	912	1,146	1,433	1,657	2,255	3,314	5,421	4,716	5,100	8.1	-5.9	53.9
Unquoted trusts	5,714	5,942	6,824	7,967	10,822	11,786	12,656	12,888	12,715	-1.3	0.5	7.9
Leasing	3,935	2,933	3,936	6,222	7,203	8,119	9,460	9,933	9,965	0.3	5.3	22.7
Shares in other companies	7,236	6,711	7,921	9,123	11,682	13,181	15,117	18,162	18,595	2.4	23.0	41.1
Fixed assets and miscellaneous	7,903	8,239	9,071	10,111	11,251	12,370	14,231	15,850	16,300	2.8	14.5	31.8
Foreign branches	3,153	3,926	3,283	3,525	4,354	4,791	5,627	6,998	7,064	0.9	25.5	47.4
Other assets	12,275	10,337	11,943	15,944	20,441	22,181	24,941	24,859	25,843	4.0	3.6	16.5
Liabilities	305,382	339,047	452,752	558,264	699,205	785,634	883,091	997,329	995,581	-0.2	12.7	26.7
Deposits	236,217	271,853	376,344	462,517	595,764	667,336	752,422	831,674	834,144	0.3	10.9	25.0
Public sector ³	67,151	69,143	115,954	129,885	163,691	180,794	202,434	194,441	191,534	-1.5	-5.4	5.9
Private sector ³	166,378	199,278	257,595	328,463	427,857	481,672	544,331	629,467	634,529	0.8	16.6	31.7
Current account	39,619	45,752	61,306	76,804	103,192	109,635	125,237	138,108	139,036	0.7	11.0	26.8
Savings account	50,966	62,807	82,575	103,636	125,210	136,068	158,523	185,782	184,114	-0.9	16.1	35.3
Time deposit	69,484	83,967	104,492	135,082	183,736	220,147	241,281	284,442	291,360	2.4	20.8	32.3
Other netted liabilities due to financial intermediation	57,662	52,114	60,029	76,038	75,106	90,333	92,634	123,371	118,978	-3.6	28.4	31.7
Interbanking obligations	3,895	3,251	4,201	7,947	8,329	9,103	10,596	10,196	8,664	-15.0	-18.2	-4.8
BCRA lines	1,885	270	262	1,920	3,535	4,441	4,693	4,798	4,731	-1.4	0.8	6.5
Outstanding bonds	5,984	5,033	3,432	6,856	9,101	11,360	14,198	16,029	17,111	6.7	20.5	50.6
Foreign lines of credit	4,541	3,369	3,897	6,467	4,992	5,148	6,328	10,995	11,643	5.9	84.0	126.1
Other	13,974	14,891	17,426	24,137	26,280	25,784	41,345	39,512	37,447	-5.2	-9.4	45.2
Subordinated debts	1,763	1,922	2,165	2,065	2,647	2,775	3,425	4,049	4,033	-0.4	17.7	45.4
Other liabilities	9,740	13,159	14,213	17,644	25,688	25,190	34,610	38,235	38,425	0.5	11.0	52.5
Net worth	41,380	48,335	57,552	70,117	90,820	105,716	121,800	146,225	150,350	2.8	23.4	42.2
Memo												
Netted assets	321,075	364,726	482,532	601,380	767,744	858,248	989,825	1,103,815	1,107,638	0.3	11.9	29.1
Consolidated netted assets	312,002	357,118	472,934	586,805	750,598	839,566	968,458	1,081,540	1,086,679	0.5	12.2	29.4

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

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

Source: BCRA

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

Statistics annex¹ | Financial system (cont)

Chart 3 | Profitability Structure

Amount in million of pesos	Annual						First 7 months		Monthly			Last
	2008	2009	2010	2011	2012	2013	2013	2014	May-14	Jun-14	Jul-14	12 months
Financial margin	20,462	28,937	35,490	43,670	61,667	88,509	44,750	76,593	10,377	8,605	10,333	120,352
Net interest income	9,573	14,488	17,963	24,903	38,365	50,336	27,844	35,331	4,786	5,063	5,445	57,822
CER and CVS adjustments	2,822	1,196	2,434	1,725	2,080	2,153	1,217	3,014	447	305	285	3,950
Foreign exchange price adjustments	2,307	2,588	2,100	3,025	4,127	11,287	4,350	11,492	505	415	468	18,429
Gains on securities	4,398	11,004	13,449	14,228	17,356	22,280	11,291	22,924	4,686	2,887	4,228	33,914
Other financial income	1,362	-339	-457	-211	-261	2,454	47	3,831	-47	-65	-94	6,238
Service income margin	10,870	13,052	16,089	21,391	28,172	36,503	20,334	26,185	3,833	4,134	4,114	42,354
Loan loss provisions	-2,839	-3,814	-3,267	-3,736	-6,127	-9,349	-4,713	-6,106	-1,079	-694	-783	-10,742
Operating costs	-18,767	-22,710	-28,756	-36,365	-47,318	-60,722	-33,799	-45,365	-6,712	-6,576	-6,734	-72,288
Tax charges	-2,318	-3,272	-4,120	-6,047	-8,981	-13,916	-7,344	-10,965	-1,540	-1,582	-1,636	-17,538
Adjust. to the valuation of gov. Securities1	-1,757	-262	-214	-336	-338	-377	-210	-605	-94	-69	-61	-772
Amort. payments for court-ordered releases	-994	-703	-635	-290	-274	-128	-68	-47	-7	-8	-6	-107
Other	1,441	918	2,079	2,963	2,475	2,576	1,582	2,963	489	706	342	3,957
Total results before tax2	6,100	12,145	16,665	21,251	29,276	43,094	20,532	42,653	5,266	4,515	5,570	65,216
Income tax	-1,342	-4,226	-4,904	-6,531	-9,861	-13,951	-7,169	-13,579	-1,870	-1,231	-1,575	-20,362
Total result2	4,757	7,920	11,761	14,720	19,415	29,143	13,363	29,074	3,396	3,283	3,995	44,854
Adjusted Result3	7,508	8,885	12,610	15,345	20,027	29,649	13,641	29,726	3,497	3,361	4,062	45,734
Annualized indicators - As % of netted assets												
Financial margin	6.7	8.6	8.5	8.0	9.2	10.3	9.5	12.4	11.6	9.4	11.3	12.0
Net interest income	3.1	4.3	4.3	4.6	5.7	5.9	5.9	5.7	5.4	5.5	5.9	5.8
CER and CVS adjustments	0.9	0.4	0.6	0.3	0.3	0.3	0.3	0.5	0.5	0.3	0.3	0.4
Foreign exchange price adjustments	0.8	0.8	0.5	0.6	0.6	1.3	0.9	1.9	0.6	0.5	0.5	1.8
Gains on securities	1.4	3.3	3.2	2.6	2.6	2.6	2.4	3.7	5.2	3.2	4.6	3.4
Other financial income	0.4	-0.1	-0.1	0.0	0.0	0.3	0.0	0.6	-0.1	-0.1	-0.1	0.6
Service income margin	3.6	3.9	3.8	3.9	4.2	4.3	4.3	4.2	4.3	4.5	4.5	4.2
Loan loss provisions	-0.9	-1.1	-0.8	-0.7	-0.9	-1.1	-1.0	-1.0	-1.2	-0.8	-0.9	-1.1
Operating costs	-6.1	-6.7	-6.9	-6.7	-7.0	-7.1	-7.2	-7.3	-7.5	-7.2	-7.4	-7.2
Tax charges	-0.8	-1.0	-1.0	-1.1	-1.3	-1.6	-1.6	-1.8	-1.7	-1.7	-1.8	-1.7
Adjust. to the valuation of gov. Securities1	-0.6	-0.1	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1
Amort. payments for court-ordered releases	-0.3	-0.2	-0.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.5	0.3	0.5	0.5	0.4	0.3	0.3	0.5	0.5	0.8	0.4	0.4
Total results before tax2	2.0	3.6	4.0	3.9	4.3	5.0	4.4	6.9	5.9	4.9	6.1	6.5
Income tax	-0.4	-1.3	-1.2	-1.2	-1.5	-1.6	-1.5	-2.2	-2.1	-1.3	-1.7	-2.0
ROA2	1.6	2.3	2.8	2.7	2.9	3.4	2.8	4.7	3.8	3.6	4.4	4.5
ROA adjusted3	2.5	2.6	3.0	2.8	3.0	3.5	2.9	4.8	3.9	3.7	4.4	4.6
ROE before tax	17.2	29.5	34.5	36.5	38.8	43.7	38.0	55.2	46.6	39.5	47.3	53.5
ROE2	13.4	19.2	24.4	25.3	25.7	29.5	24.7	37.6	30.1	28.7	34.0	36.8

(1) Com. "A" 391 I. 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" 391 I 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	Jul 13	Dec 13	Jun 14	Jul 14
Non-performing loans (overall)	5.2	3.4	2.7	2.7	3.0	1.8	1.2	1.5	1.7	1.5	1.8	1.8
Provisions / Non-performing loans	115	108	115	117	115	148	176	144	136	150	140	140
(Total non-performing - Provisions) / Overall financing	-0.8	-0.3	-0.4	-0.5	-0.5	-0.9	-0.9	-0.7	-0.6	-0.8	-0.7	-0.7
(Total non-performing - Provisions) / Net worth	-2.6	-0.9	-1.6	-1.8	-1.7	-3.6	-4.6	-3.4	-2.9	-3.7	-3.1	-3.0
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	1.9	1.7	2.0	2.0
Provisions / Non-performing loans	115	108	114	116	112	143	171	141	133	148	138	138
(Total non-performing - Provisions) / Overall financing	-1.1	-0.3	-0.5	-0.5	-0.4	-0.9	-1.0	-0.7	-0.6	-0.8	-0.8	-0.8
(Total non-performing - Provisions) / Net worth	-2.5	-0.8	-1.5	-1.7	-1.3	-3.2	-4.3	-3.1	-2.7	-3.5	-2.9	-2.9

Source: BCRA

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