

# Report on Banks

May 2023



BANCO CENTRAL  
DE LA REPÚBLICA ARGENTINA

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## About the use of inclusive language in the Spanish version of this report

The Central Bank of Argentina is committed to encouraging the use of a non-discriminatory language that promotes the acceptance of all gender identities. It should be noted that all those who have contributed to this report acknowledge that language influences on ideas, feelings, ways of thinking, as well as principles and core values.

*Published on July 19, 2023.*

The data reported are provisional and subject to changes. Information corresponds to end-of-month data.

[Data of charts](#) and [Latest Regulations](#) of this issue. [Statistics Annexes](#) for the financial system and the ensemble of financial institutions. [Glossary](#) of abbreviations and acronyms.

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## Executive Summary

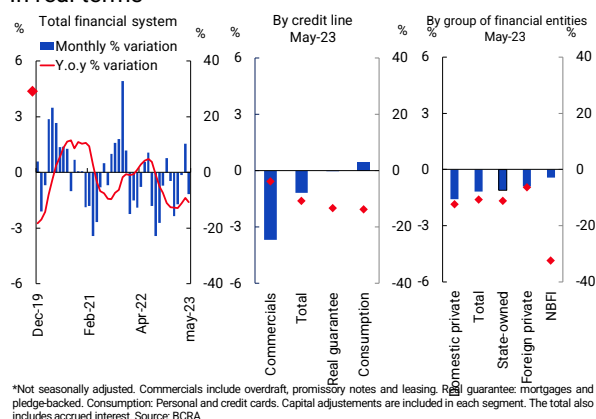
- In May, the financial system managed to keep sizable solvency and liquidity margins in its financial intermediation process. Electronic means of payment continued to expand remarkably over the period, with instant transfers and electronic checks (ECHEQs) exhibiting an outstanding monthly performance. Proof of this is their increasing share in the regular transactions: it is estimated that instant transfers arranged in the last three months accounted for an (annualized) amount equivalent to 52.5% of GDP (+12.6 percentage points (p.p.) year-on-year (y.o.y.)), while ECHEQs stood at around 25.4% of GDP (+0.6 p.p. y.o.y.).
- The stock of loans in pesos to the private sector contracted 1.2% in real terms (-10.7% in real terms y.o.y.) in May, posting a monthly rise of loans for consumption, no significant changes in the segment of loans with real property collateral and a drop in commercial lines. The stock of loans under the “Credit Line for Productive Investment (LFIP)” totaled around ARS1.7 trillion over the month, accounting for 13.8% of total loans to the private sector (+0.9 p.p. y.o.y.) and 24.6% of loans to companies.
- In May, the non-performing ratio of loans to the private sector reached 3%, without posting significant changes against April and standing 0.3 p.p. below the level of the same month of 2022. Over the period, the delinquency ratio of lending to households stood at 3.2% (-0.1 p.p. y.o.y.) and at 3% in the case of loans to companies (-0.5 p.p. y.o.y.). The ensemble of financial institutions managed to keep sizable provisioning levels in May: 3.9% of the total portfolio, and 128% of the non-performing portfolio of loans.
- In turn, the stock of private sector deposits in pesos went down 0.6% in real terms (+3.1% y.o.y. in real terms) over the month. The monthly drop was noticeable in both sight accounts and time deposits. In year-on-year terms, time deposits in pesos recorded a higher relative growth in real terms (+6.9% y.o.y.), in line with the various increases of the minimum interest rates established by the BCRA.
- In May, the financial system’s liquid assets in a broad sense stood at 78.7% of total deposits, up 1.9 p.p. and 11.2 p.p. against April and in year-on-year terms, respectively. The current levels of the broad liquidity ratio exceed the average of the last ten years (54.4%).
- The aggregate financial system’s Regulatory Capital (RC) stood at 31.3% of risk-weighted assets (RWAs) in May (+0.1 p.p. month-on-month (m.o.m.) and +2.4 p.p. y.o.y.). For the ensemble of financial institutions, the capital position (RC minus the regulatory requirement) accounted for 278.8% of the capital requirement (+1.1 p.p. m.o.m. and +31.2 p.p. y.o.y.) and for 44.6% of the stock of loans to the private sector net of provisions (exceeding the average record of the last ten years (19.6%)).
- The financial system has accrued a total comprehensive income in homogeneous currency equivalent to 2.4% of assets (ROA) and 13.7% of equity (ROE) in the aggregate of the last 12 months up to May.

# I. Financial Intermediation Activity

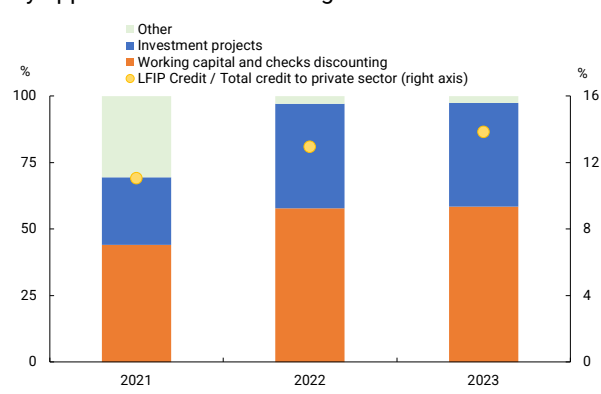
The financial intermediation activity of the ensemble of financial institutions with the private sector contracted in May. Taking into account the most relevant movements of the aggregate financial system’s balance sheet for the items in pesos (in homogeneous currency), there was an increase in the public sector’s stock of deposits, accompanied by a reduction in lending to the private sector. In turn, there was also a drop in private sector deposits, added to an increase of liquidity in a broad sense and a rise in financing to the public sector.<sup>1</sup>

The stock of loans in pesos to the private sector in real terms went down 1.2% in May (see Chart 1). A breakdown by type of credit line shows that the stock of loans for consumption went up in real terms over the period, while loans for commercial purposes dropped and the segment of loans with real property collateral did not post significant changes.<sup>2</sup> In year-on-year terms, the stock of lending in domestic currency has gone down 10.7% in real terms, and the reduction was relatively lower in commercial credit lines.

**Chart 1 | Stock of loans to the private sector in pesos**  
In real terms \*



**Chart 2 | Estimated stock of the Credit Line for Productive Investment (LFIP) of MSMEs – As % of the total stock**  
By application of the financing



So far this year, the “Credit Line for Productive Investment (LFIP)” of Micro, Small and Medium-Sized Enterprises (MSMEs) continued consolidating as the main program for credit stimulus.<sup>3</sup> Nearly ARS6.3 trillion has been disbursed under the LFIP from its launch to June 2023, provided to 455,266 companies. In terms of stock, the estimated credit under the LFIP totaled nearly ARS1.7 trillion as of May, accounting for 13.8% of total loans provided to the private sector (+0.9 p.p. y.o.y., see Chart 2) and 24.6% of lending to companies (without posting significant changes against May 2022). Around 39% of the total stock of loans was allocated to investment projects.

1 Regarding the items in foreign currency, there was an increase in loans to the public sector, accompanied by a decrease of public sector deposits and a drop in lending to the private sector and in liquid assets. Simultaneously, the “Export Increase Program” resulted in an increase of the stock of deposits in real terms with variable yield based on the evolution of the foreign exchange rate, which led to a rise in the holdings of BCRA Internal Bills in US dollars and payable in pesos at the Benchmark Exchange Rate (LEDIV) at zero interest rate.

2 Including capital adjustments and accrued interest.

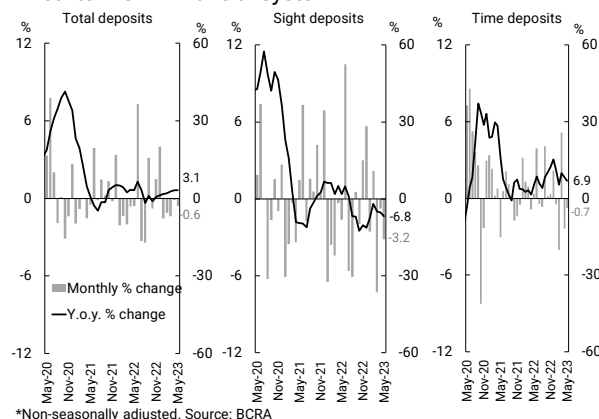
3 For further information, see Box 1 of the Financial Stability Report corresponding to June 2023 ([IEF I-23](#)).

In May, the stock of loans to the private sector in foreign currency dropped 0.5%.<sup>4</sup> Consequently, the total stock of lending (in domestic and foreign currency) to the private sector went down 1.1% in real terms in May, accumulating a year-on-year drop of 10.3% in real terms.

Regarding the financial system’s funding, in May, the stock of private sector deposits in domestic currency went down 0.6% in real terms.<sup>5</sup> The monthly drop was noticeable in both sight accounts and time deposits.

In turn, the stock of private sector deposits in foreign currency posted no significant changes over the month.<sup>6</sup> In this context, the total stock of private sector deposits in real terms (in domestic and foreign currency) dropped 0.5% in May against April.

**Chart 3 | Stock of private sector deposits in pesos**  
In real terms\* - Financial System



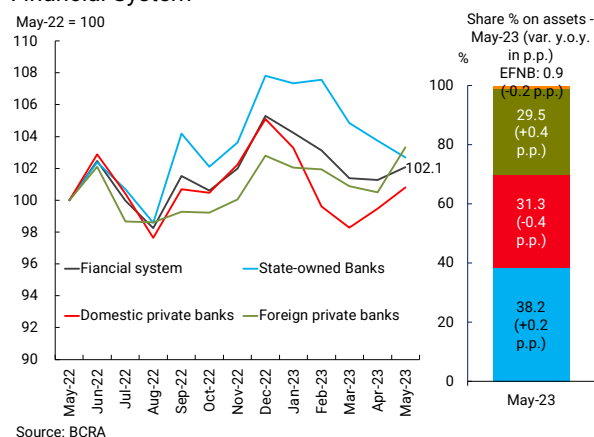
In year-on-year terms, the stock of private sector deposits in pesos recorded a 3.1% increase in real terms in May, mainly due to the performance of time deposits (see Chart 3). Upon considering all currencies and sectors, the stock of deposits in real terms has remained relatively stable against May 2022 (-0.9% y.o.y.).

## II. Aggregate Balance Sheet Evolution and Composition

The financial system’s balance sheet, measured in terms of the size of total assets in real terms, grew in the fifth month of the year (see Chart 4). This monthly evolution was accounted for by the performance of private banks. In a year-on-year comparison, the sector’s total assets have posted an increase of 2.1% in real terms, mainly boosted by foreign private banks and state-owned banks.

Regarding the components of the sector’s total assets, there was an increase in the relative share of liquid assets and current accounts in pesos held by the institutions at the BCRA in May, accompanied by a decrease in the share of loans to the private sector in domestic currency and of BCRA’s instruments (see Chart 5). Regarding the

**Chart 4 | Total assets in real terms**  
Financial System

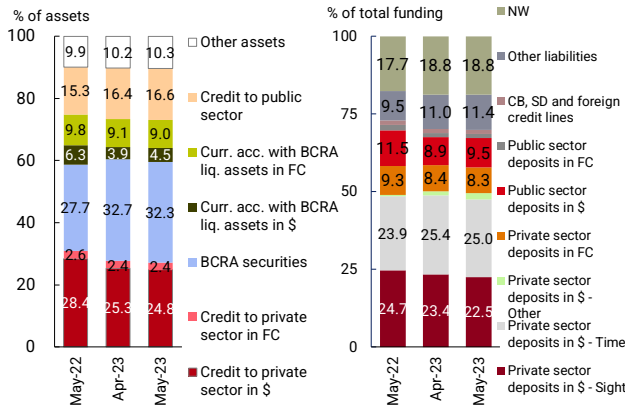


4 Expressed in currency of origin.

5 Upon excluding the effect of deposits with a variable yield based on the evolution of the foreign exchange rate (see Footnote 1), the drop of deposits in pesos would stand at 1.7% in real terms over the period.

6 If deposits with a variable yield based on the evolution of the exchange rate were included, the stock of private sector deposits in foreign currency would have gone up 5.9% (in currency of origin).

**Chart 5 | Composition of assets and total funding**  
Financial System – Share %



FC: Foreign currency. Source: BCRA

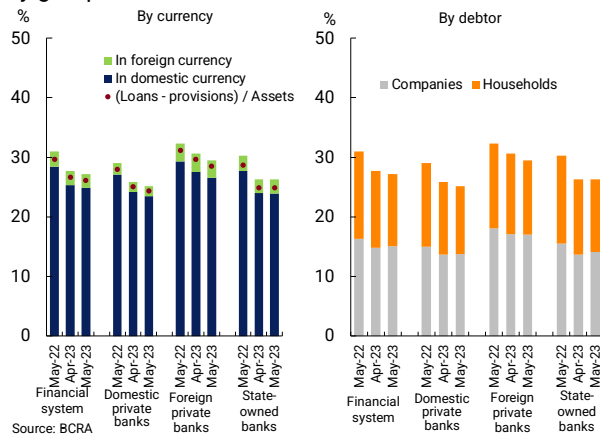
(+21.8 p.p. y.o.y.).<sup>7</sup> In turn, it is estimated that the differential between the aggregate balance sheet's items with CER adjustment (and denominated in UVA) stood at 64.3% of ASE over the period for the aggregate financial system, up 7.3 p.p. against the value of April (-6.2 p.p. y.o.y.).

components of the ensemble of financial institutions' total funding, there was an increase in the relative share of public sector deposits in pesos, accompanied by a drop in the share of private sector deposits in pesos, including both sight accounts and, to a lesser extent, time deposits.

The financial system's foreign currency mismatch, measured by the estimated differential between assets and liabilities in such denomination, went down 2.6 p.p. of the Regulatory Capital (RC) in May, to 32.6%

### III. Portfolio Quality

**Chart 6 | Stock of loans to the private sector / Assets**  
By group of financial institutions



Source: BCRA

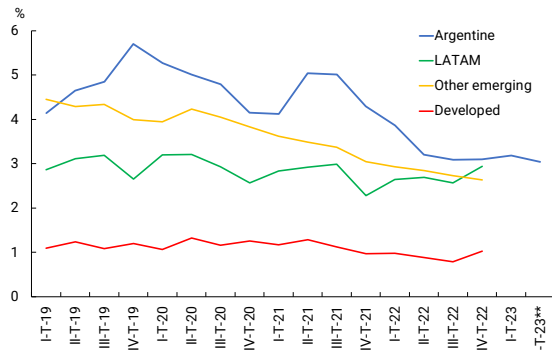
The financial system's gross exposure to the private sector (in domestic and foreign currency) stood at 27.2% of assets in May, down 0.5 p.p. (-3.7 p.p. y.o.y.). This monthly performance was widespread across all homogenous groups of financial institutions (see Chart 6).<sup>8</sup> The stock of lending to the private sector net of provisions for the ensemble of financial institutions accounted for 26.1% of assets over the month (-0.5 p.p. m.o.m. and -3.6 p.p. y.o.y.).

In May, the non-performing ratio of loans to the private sector stood at 3%, without posting significant changes against the figure recorded in April (-0.1 p.p.) and standing 0.3 p.p. below the level recorded in the same month of 2022. The non-performing ratio of the aggregate financial system has not posted significant changes since mid-2022 and has been consistent with the average ratio of Latin America and other emerging economies (see Chart 7). A breakdown by debtor shows that, in May, the delinquency ratio of households stood at 3.2% (-0.1 p.p. over the month), and has shown a slight decline in the ratio of financing via cards (see Chart 8). In turn, the delinquency ratio of loans intended for companies has also remained stable over the month at around 3%, and this performance was widespread across most economic sectors (see Chart 8).

<sup>7</sup> Including purchase and sale forward transactions in foreign currency, classified as off-balance. The deposits subject to a variable yield based on the evolution of the exchange rate (associated with the Export Increase Program) are included in liabilities.

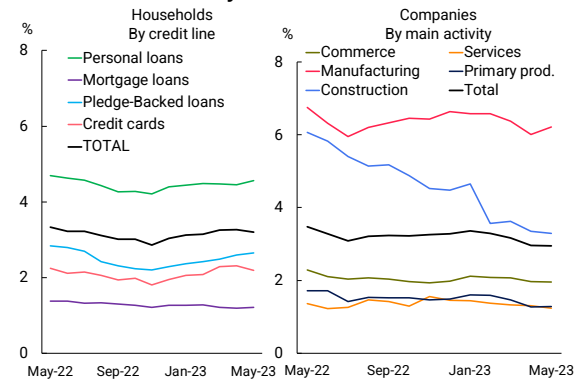
<sup>8</sup> The stock of bank financing in pesos to the private sector accounted for 24.8% of total assets (-0.5 p.p. m.o.m. and -3.5 p.p. y.o.y.) while the share of loans in foreign currency to the private sector stood at 2.4% (in line with the figure recorded in April and -0.2 p.p. y.o.y.).

**Chart 7 | Non-performing ratio of loans**  
International comparison \*



\*Considering the median of a sample of countries. The details of the countries in each economy are given in the series file. \*\* Up to may-23. Source BCRA

**Chart 8 | Non-performing ratio of loans to the private sector – Financial System**

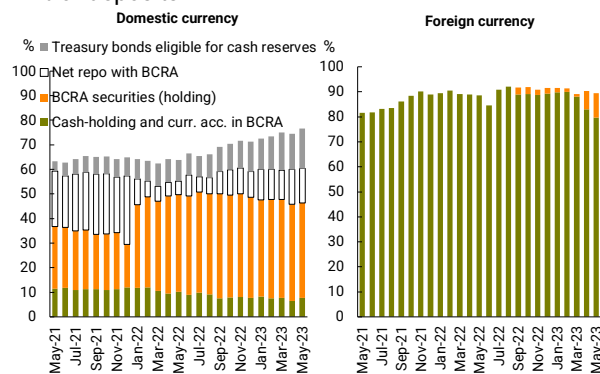


Source: BCRA

The financial sector kept sizable provisioning levels in May. The financial system's total provisions accounted for 3.9% of the total portfolio of loans to the private sector (in line with the figures of April and -0.2 p.p. y.o.y.) and for 128% of the non-performing portfolio of loans (+0.9 p.p. m.o.m. and +7.1 p.p. y.o.y.). Over the period, the stock of provisions attributable to the non-performing portfolio<sup>9</sup> continued to cover such portfolio almost entirely at aggregate level (94.1%, +0.6 p.p. m.o.m. and +3.9 p.p. y.o.y.).

## IV. Liquidity and Solvency

**Chart 9 | Financial system's liquidity**  
In % of deposits



Note: Special deposit accounts related to the "Programa de Incremento Exportador" are considered in the foreign currency segment. Source: BCRA

In May, the financial system's liquid assets in a broad sense<sup>10</sup> accounted for 78.7% of deposits, up 1.9 p.p. against April. The ratio for the items in pesos stood at 76.7%, and the ratio for the items in foreign currency stood at 89.5% (see Chart 9). Regarding the components of liquidity in domestic currency, between ends of month, there was an increase in the National Treasury's instruments admissible for compliance with the Minimum Cash requirement; in turn, the stock of the current accounts held by the institutions at BCRA also went up, while the share of BCRA's instrument holdings went down. Broad

liquidity (in pesos and in foreign currency) in terms of deposits increased 11.2 p.p. against May 2022.

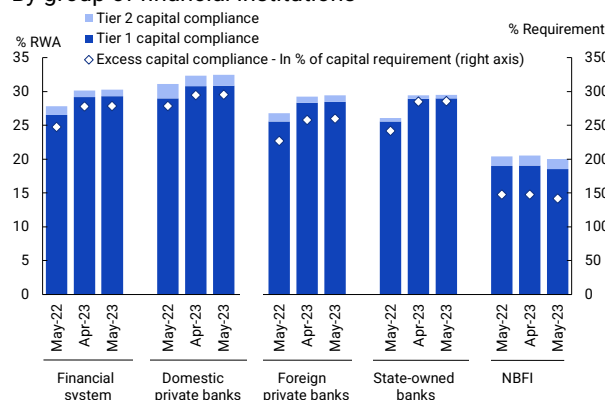
The financial sector's solvency ratios have continued to stand at high levels against the average value of the last 10 years. The Regulatory Capital (RC) of the ensemble of financial institutions

<sup>9</sup> Total provisions net of the minimum regulatory provisions for debtors' categories 1 and 2, according to the criteria set by the rules on regulatory minimum provisions for loan loss exposure.

<sup>10</sup> It considers liquid assets, BCRA instruments in domestic and foreign currency and all sovereign bonds admitted for compliance with the minimum cash requirement.

stood at 30.3% of risk-weighted assets (RWAs) over the period, without posting significant changes against April (+0.1 p.p. m.o.m. and +2.4 p.p. y.o.y., see Chart 10). In turn, 96.8% of ASE was accounted for by Tier 1 capital, with a greater capacity to absorb potential losses. In May, the capital position –ASE minus the minimum regulatory requirement– totaled 278.8% of the requirement at systemic level (up 1.1 p.p. against April and +31.2 p.p. y.o.y.) and 44.6% of the stock of loans to the private sector net of provisions, standing quite above the average value of the last 10 years (19%).

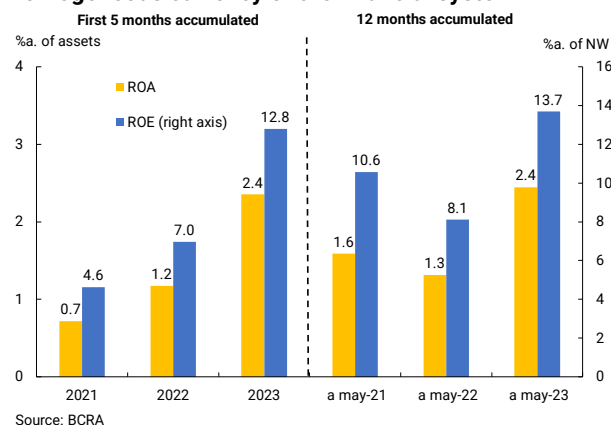
**Chart 10 | Compliance with regulatory capital By group of financial institutions**



Source: BCRA

Regarding the sector's internal generation of capital, the financial system has kept positive profitability ratios in 2023. The financial system has accrued a total comprehensive income in homogeneous currency equivalent to 2.4% of assets (ROA) and to 13.7% of equity (ROE) in the aggregate of the last twelve months up to May. In a year-on-year comparison (see Chart 11), these ratios have gone up mainly due to a higher financial margin (increase in the income from securities, income from interests and exchange rate differences, even though these positive figures were lessened by higher expenses for interests). This movement was partially offset by exposure to monetary items and tax burdens.

**Chart 11 | Total comprehensive income in homogeneous currency of the financial system**



Source: BCRA

## V. Payment System

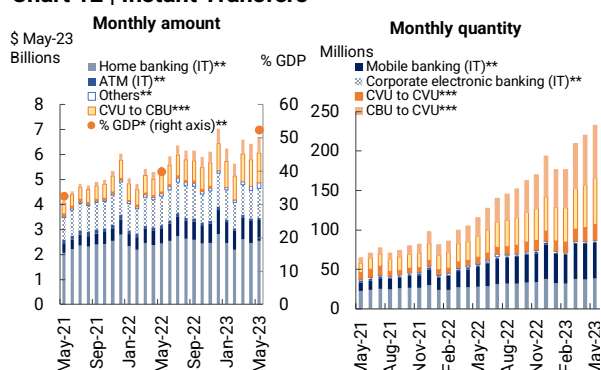
In May, instant transfers went up 5.8% in number and 2.8% in amount in real terms (+104.1% y.o.y. and +21.6% y.o.y., respectively). Instant transfers between Uniform Banking Codes (CBUs) grew 1.7% in both number and amount in real terms over the month (+53.6% y.o.y. and +7.2% y.o.y., respectively). Over the period, instant transfers involving the use of Uniform Virtual Codes (CVUs) recorded a relatively more marked expansion: 8.4% in number and 5.7% in amount in real terms (+153.5% y.o.y. and +78.8% y.o.y., respectively). It is estimated that the amount of instant transfers of the last three months (annualized) accounted for 52.5% of GDP (+12.6 p.p. against the same month of 2022, see Chart 12).<sup>11</sup>

<sup>11</sup> In May, the average transaction made via instant transfers stood at nearly ARS28,200. In turn, the average transaction via instant transfer between CBUs reached ARS53,600, and the average instant transfer involving CVUs reached ARS13,300.



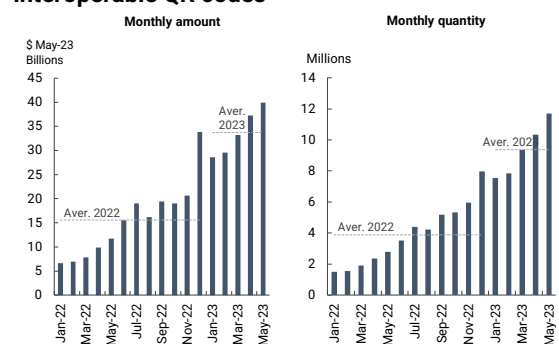
In May, Payments by Transfer (PCTs) via interoperable QR codes expanded 13.2% in number and 7% in amount in real terms. In a year-on-year comparison, transactions via PCTs went up over 320% in number and nearly 240% in amount in real terms (see Chart 13), due to the effect of the measures timely adopted by the BCRA to promote the acceptance of payment with any digital wallet.<sup>12</sup>

**Chart 12 | Instant Transfers**



Source: BCRA. \*Three-month moving average annualized in terms of nominal GDP estimated for the same period, Not-seasonally adjusted. \*\*IT between accounts open at financial entities (from and to a CBU) \*\*\*Transfers where accounts are opened at PSP (from and/or to CVU: CBU to CVU, CVU to CBU and CVU to CVU). Note: high value transfers and batch transfers are not included.

**Chart 13 | Payments by transfer (PCTs) via interoperable QR codes**



Source: BCRA.

In April (latest information available), transactions with debit cards went down in number and amount in real terms. However, in year-on-year terms, these transactions have gone up 12.3% in number and 2.8% in amount in real terms. Regarding the payment method, there was an increase in onsite transactions –in both month-on-month and year-on-year terms– to the detriment of ecommerce transactions. In turn, in April (latest information available), transactions arranged with credit cards posted a contraction in number but were on the rise in year-on-year terms. The amount in real terms of transactions via credit cards posted very few changes in both month-on-month and year-on-year terms.<sup>13</sup>

In May, and due in part to seasonal factors, checks clearing went up in both number of transactions and amount in real terms. This evolution was observed in both physical instruments and electronic checks (ECHEQs). If compared to the same month of 2022, there was an increase in number (+38.5%) and amount in real terms (+17.5%) of cleared ECHEQs, while transactions with the physical instruments continued to go down. Consequently, the share of ECHEQs expanded once again and accounted for 37.6% of the total number of instruments cleared and for 63.1% in terms of amount. It is estimated that the amount of cleared checks in the last three months (annualized) was equivalent to 25.4% of GDP (+0.6 p.p. against the same month of 2022).<sup>14</sup>

Lastly, the ratio of bounced checks for insufficient funds in terms of total cleared checks went down in number and in amount in real terms against April and stood slightly above the figure recorded one year ago (+0.13 p.p. y.o.y. to 0.81% in number and +0.01 p.p. y.o.y. to 0.65% in

<sup>12</sup> In May, transactions via interoperable QR codes reached ARS3,400 on average.

<sup>13</sup> The average amounts of transactions with debit cards stood at ARS4,780 (ecommerce: ARS4,830 and onsite transaction (POS): ARS5,050); credit cards: ARS10,500.

<sup>14</sup> The average cleared check reached ARS643,700 (physical checks average = ARS380,700, and ECHEQs average = ARS1,079,300).

amount). So far in 2023, the average figure of this ratio (0.82% for number and 0.58% for amount in real terms) has stood slightly above the average ratio of the previous two years.