

Report on Banks

June 2022



BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

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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 June, the financial system recorded an increase in its financial intermediation activity with the private sector and it kept high solvency and liquidity indicators.
- The stock of loans in pesos to the private sector went up 1.1% in real terms in June (+6.4% in nominal terms) and has accumulated a year-on-year (y.o.y.) rise of 4.8% in real terms (+71.8% y.o.y. in nominal terms). The year-on-year growth was widespread across all groups of banking institutions, while pledge-backed loans and commercial credit lines (overdrafts, leasing and promissory notes) posted a higher relative momentum. This performance continued to be driven by the “Credit Line for Productive Investment (LFIP)” of Micro, Small and Medium-Sized Enterprises (MSMEs), for a total of nearly ARS2.5 trillion up to June 2022 (with an estimated stock of ARS808.9 billion, equivalent to 13.2% of the total stock of loans in pesos), provided to around 284,500 companies.
- In June, the non-performing ratio of loans to the private sector stood at 3.2%, posting no significant changes against May and accumulating a reduction of 1.6 percentage points (p.p.) y.o.y. Total provisions accounted for 3.9% of total financing to the private sector and 120.5% of the non-performing portfolio of loans.
- Electronic means of payment continued to exhibit a remarkable momentum. In July, instant transfers recorded a rise of 80.9% y.o.y. in number and 33.1% y.o.y. in amount in real terms. Likewise, there was also an increase in payments by transfer (PCTs) initiated via interoperable QR codes, reaching 15 million transactions since the full operation of this scheme (late November 2021). In turn, the share of transactions via electronic checks (ECHEQs) continued to go up in the total clearing of documents, accounting for 29.7% in number and 54.8% in amount in July.
- The stock of private sector deposits in pesos went up 7.2% in real terms in June (+12.9% in nominal terms). Sight accounts rose 10.5% in real terms over the month, due to the seasonal effect of the payment of the semi-annual complementary wage. The stock of time deposits grew 3.9% in real terms (+9.4% in nominal terms), posting increases in both traditional and UVA-denominated time deposits. In a year-on-year comparison, the stock of private sector deposits went up 6.4% in real terms (+74.4% in nominal terms), with rises in both sight accounts and time deposits. Part of this performance was due to the rises in the minimum borrowing interest rates implemented by the BCRA in line with the rises in the monetary policy interest rate. It is worth mentioning that the Central Bank of Argentina decided a new rise of the 28-day LELIQs interest rate (to a nominal annual percentage rate of 69.5%) and also raised the minimum limits of the interest rates on time deposits in pesos. In particular, the interest rate on 30-day time deposits in pesos up to ARS10 million made by natural persons was raised to a nominal annual percentage rate (APR) of 69.5% while, for other private sector time deposits in pesos, the minimum nominal APR was set at 61%.
- By the end of the second quarter of the year, the broad liquidity ratio of the financial system continued to stand at historically high levels. Liquid assets accounted for 68.2% of total deposits over the month (65.4% for the items in pesos and 84.6% for the items in foreign currency), up 0.6 p.p. against the values recorded in May and up 1.9 p.p. in year-on-year terms.
- The financial system closed the first half of the year with high solvency indicators, posting no significant changes over the month. Regulatory Capital (RC) of the ensemble of financial institutions totaled 27.8% of their risk-weighted assets (RWAs), up 2.3 p.p. against the value recorded in June 2021. The regulatory capital compliance continued to exceed the regulatory minimum requirement, and the difference between both concepts was equivalent to 246% of the regulatory requirement at aggregate level over the month (+33.2 p.p. y.o.y.).
- Starting from positive levels, the profitability indicators of the financial system contracted in the second quarter of the year against the ratios of the first quarter of 2022 and against the same period of 2021. At aggregate level, the total comprehensive income in homogenous currency reached 0.8% annualized (a.) of assets (ROA) and 4.9%a. of equity (ROE) between April and June 2022. Considering the last 12 months up to

June, the ensemble of institutions accrued a ROA of 1.2% and a ROE of 7.5%, standing at lower levels than those recorded in the same period of 2021.

I. Financial Intermediation Activity

In June, there was an increase in the financial intermediation activities in pesos of the institutions with the private sector. Taking into account the main differences in the balance sheet of the aggregate financial system for the items in domestic currency—in real terms—, there was an increase in the private sector stock of deposits, while the stock of loans to the public sector went down, even though to a lesser extent. In turn, liquidity in a broad sense and the stock of lending to the private sector were on the rise, while public sector deposits exhibited a contraction. In the segment of items in foreign currency, liquidity dropped over the month and financing to the private sector increased over the period.¹

In June, the total stock of loans to the private sector in pesos increased 1.1% in real terms (see Chart 1; +6.4% in nominal terms).² The highest relative rises were observed in commercial credit lines (leasing and promissory notes), as well as in cards and pledge-backed loans, over the period. In a year-on-year comparison, the total stock of lending in domestic currency went up 4.8% in real terms (+71.8% y.o.y. in nominal terms), and the increases were widespread across all groups of financial institutions. The year-on-year rise of lending in pesos was mainly due to the performance of commercial lines and pledge-backed loans. In particular, the most remarkable momentum in pledge-backed loans is mainly observed in the segment of loans to legal persons (+55.4% y.o.y. in real terms as of June—latest information available—) and in state-owned financial institutions (+121.5% y.o.y. in real terms).

The positive performance of commercial loans in pesos over the last year (+20.7% y.o.y. in real terms) continued to be driven by the “Credit Line for Productive Investment (LFIP)” of MSMEs. The loans arranged under this tool have recorded nominal disbursements for nearly ARS2.5 trillion from its launch (in October 2020) to June 2022, provided to around 284,500 companies. As of June, the estimated total stock of lending granted under the LFIP stood at over ARS808.9 billion (out of which, 40.6% corresponded to financing for investment projects). It is estimated that 36% of the stock was granted to companies involved in the industrial sector (see Chart 2), followed by trade and services (27.3% and 15.8%, respectively).

In turn, the stock of loans to the private sector in foreign currency went up 3.3% in June—in currency of origin—, mainly due to the performance of credit cards. It is worth mentioning that the BCRA has recently decided to change the financing rate applicable to credit cards, whenever there is a monthly consumption for an amount exceeding USD200.³ In this context, the total stock of financing to the private sector (in domestic and foreign currency) grew 1.2% in real terms

¹ Expressed in currency of origin.

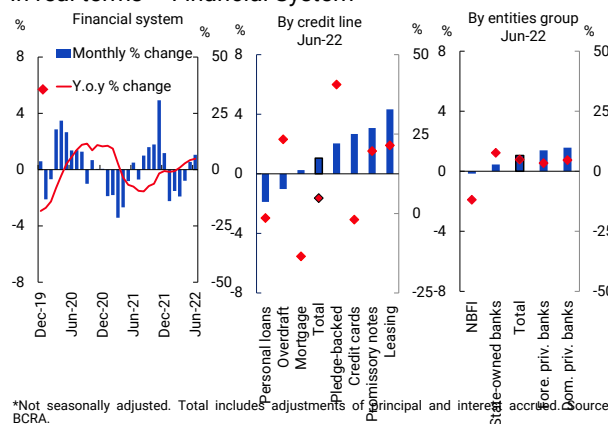
² Including capital adjustments and accrued interest.

³ In order to finance the unpaid balances of credit cards for consumptions over USD200, the interest rate regulated by the law will be applied to credit cards. See [Press Release](#) of July 28, 2022 and Communication “A” [7559](#).

against the figure recorded in May (+6.5% in nominal terms), accumulating a drop of 1.9% in real terms in a year-on-year comparison (+60.8% y.o.y. in nominal terms).

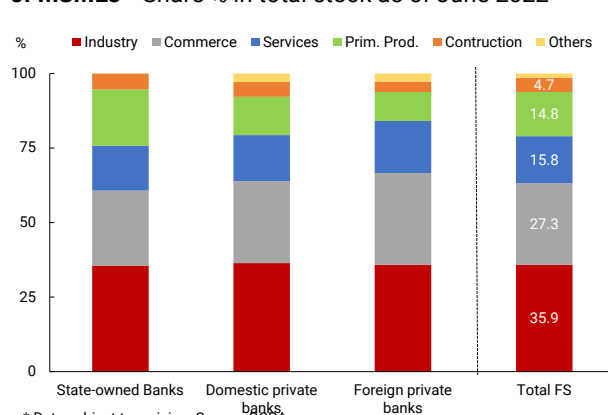
Regarding the financial system's funding, the stock of private sector deposits in domestic currency increased 7.2% in real terms in June (+12.9% in nominal terms, see Chart 3). Sight accounts went up 10.5% in real terms over the month, due to the seasonal impact of the payment of the semiannual complementary wage (+16.3% in nominal terms). In turn, the stock of time deposits grew 3.9% in real terms (+9.4% in nominal terms).

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



*Not seasonally adjusted. Total includes adjustments of principal and interest accrued. Source: BCRA.

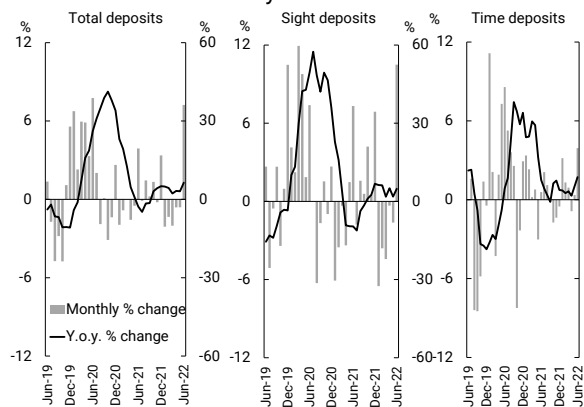
Chart 2 | Credit Line for Productive Investment (LFIP) of MSMEs – Share % in total stock as of June 2022 *



* Data subject to revision. Source: BCRA

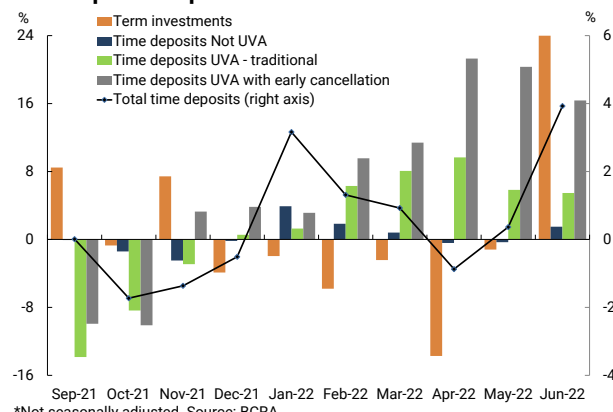
The monthly evolution of time deposits was partly accounted for by a higher demand for time deposits denominated in UVA –which offer positive returns in real terms– and, to a lesser extent, for traditional time deposits and investments. Within the UVA segment, deposits with an early cancellation option went up 16.4% in real terms over the month, while traditional deposits rose 5.5% in real terms (see Chart 4). Thus, in the first half of the year, the stock of UVA-denominated deposits expanded 67.5% in real terms, reaching its maximum level –measured in homogenous currency– since its launch. Due to this performance, UVA-denominated time deposits accounted for 7.5% of the private sector stock of time deposits in pesos.

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



*Non-seasonally adjusted. Source: BCRA

Chart 4 | Monthly change in the stock of private sector time deposits in pesos in real terms*



*Not seasonally adjusted. Source: BCRA

The increase in the stock of deposits in pesos mainly resulted from a context of successive rises of the nominal interest rates throughout 2022. In order to speed up the regularization process of the interest rate structure of the Argentine economy and help it sustain a positive sign in real terms, the BCRA decided by mid-August to raise the interest rate on the 28-day LELIQs, which went from a nominal annual percentage rate (APR) of 60% to a nominal APR of 69.5%, added to an increase in the minimum interest rate limits on time deposits. Thus, the interest rate on 30-day time deposits up to ARS10 million made from natural persons was raised to a nominal APR of 69.5% (effective annual percentage rate of 96.5%), while for other private sector time deposits the minimum rate was set at a nominal APR of 61% (effective APR of 81.3%).⁴

In June, the stock of private sector deposits in foreign currency posted no significant changes (+0.2% in currency of origin). The total stock of private sector deposits (in both domestic and foreign currency) went up 5.9% in real terms over the period (+11.6% in nominal terms).

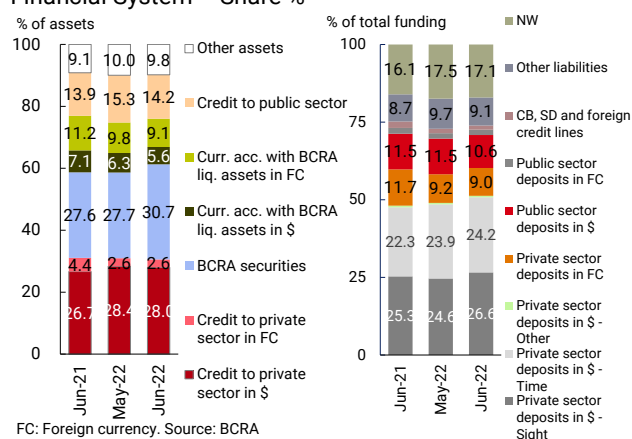
In a year-on-year comparison, the stock of private sector deposits in pesos recorded an increase of 6.4% in real terms (+74.4% in nominal terms), with rises in sight accounts and time deposits. In turn, public sector deposits in domestic currency shrank 7.8% y.o.y. in real terms (+51.1% y.o.y. in nominal terms). The stock of deposits in pesos of all sectors went up 3.8% y.o.y. in real terms (+70.1% y.o.y. in nominal terms). Considering all currencies and both sectors, the total stock of deposits did not exhibit significant changes against June 2021 in real terms (-0.8% y.o.y. in real terms or +62.5% y.o.y. in nominal terms).

II. Aggregate Balance Sheet Evolution and Composition

The balance sheet size (defined by total assets) of the financial system went up 2.4% in real terms in June (+7.8% in nominal terms), and all groups of institutions recorded a similar performance. In year-on-year terms, the financial system’s assets did not show significant changes in real terms at systemic level.

Regarding the components of the aggregate financial system’s total assets, there was an increase in the stock of BCRA’s instruments, while the share of the remaining items contracted in June (see Chart 5). Considering the assets by currency, there was a decrease in the relative share of assets denominated in foreign currency over the month (going from 15% in May down to 14.2% in June), while the components in pesos without CER adjustment did not post significant changes

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



⁴ Communication "A" [7577](#) and [Press Release](#) of August 11, 2022.

and continued to stand at around 12% of assets in June.

With reference to the components of the aggregate financial system's total funding, there was an increase in the share of private sector sight accounts and time deposits in domestic currency. In turn, there was a decrease in the relative share of public sector deposits in pesos and private sector deposits in foreign currency (see Chart 5). A breakdown of total funding by currency shows that there was a slight increase in the share of the items in pesos adjusted by CER or denominated in UVA, accompanied by a decrease in the share of items denominated in foreign currency.

Within the macroprudential framework, the exposure of the aggregate financial system's balance sheet to items in foreign currency continued to stand at relatively low levels by mid-2022. The differential between assets and liabilities of the ensemble of financial institutions in foreign currency⁵ stood at 11.6% of the regulatory capital in June, up 0.8 p.p. against May (+4.2 p.p. y.o.y.).

III. Portfolio Quality

The gross exposure of the financial system to the private sector (in domestic and foreign currency) stood at 30.6% of total assets in June,⁶ contracting 0.4 p.p. against May (-0.5 p.p. y.o.y.). The monthly decline was mainly driven by state-owned and domestic private financial institutions. When considering financing in pesos only, this ratio stood at 28%, down 0.4 p.p. against the value recorded in May (+1.3 p.p. y.o.y.) (see Chart 6). The share of loans to the private sector in foreign currency in total assets posted no significant changes over the month, reaching 2.6% (-1.9 p.p. y.o.y.). The exposure of the ensemble of financial institutions to the public sector accounted for 14.2% of total assets in June, down 1.1 p.p. against the figure recorded in May (+0.3 p.p. y.o.y.).

In June, the non-performing ratio of loans to the private sector stood at 3.2%, posting no significant changes against the ratio recorded in May (-0.1 p.p.) and accumulating a drop of 1.6 p.p. y.o.y.⁷ In terms of the distribution of this ratio across financial institutions, there has been a widespread decrease in this indicator since the peak recorded in July 2021 at aggregate level, and it is observed that the distribution has moved towards lower values (see Chart 7).

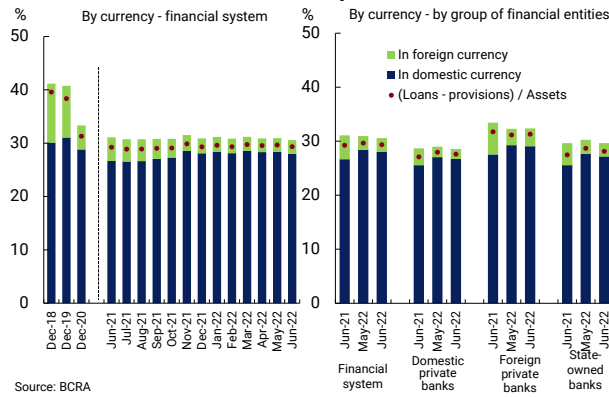
A breakdown by credit segment shows that the non-performing ratio of loans to households stood at 3.2% (-0.1 p.p. and -0.9 p.p. y.o.y., see Chart 8) in June. In turn, the non-performing ratio of loans to companies contracted 0.2 p.p. over the month to 3.3% (-2.4 p.p. y.o.y.), and this change was mainly driven by the performance of enterprises involved in industry and in the

⁵ Including purchase and sale forward transactions in foreign currency, classified as off-balance.

⁶ This indicator would stand at 29.4% at aggregate level in June if the accounting stock of provisions were netted.

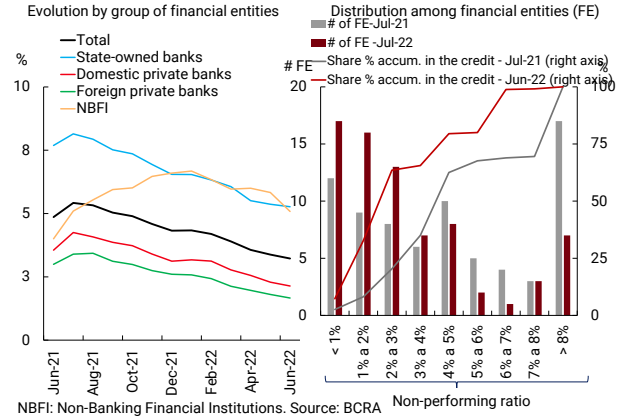
⁷ Part of the year-on-year drop of this ratio was accounted for by the migration of debtors classified as non-performers to off-balance items (bad loans), according to the regulations in force. It is worth pointing out that these movements did not impact on the income statement due to the fact that these debts were already fully provisioned.

Chart 6 | Stock of loans to the private sector/Assets



Source: BCRA

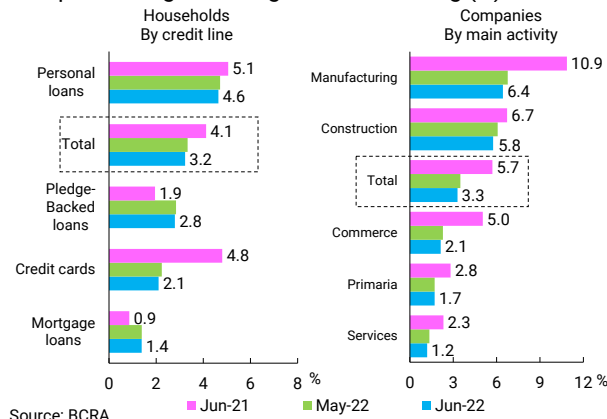
Chart 7 | Non-performing loans to the private sector
Non-performing financing / Total financing (%)



NBFI: Non-Banking Financial Institutions. Source: BCRA

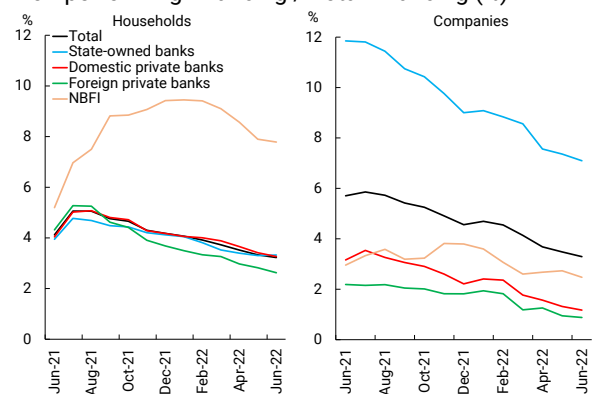
construction business. Loans to companies provided by the state-owned financial institutions posted a relatively higher non-performing level than that of other groups of financial institutions, within a context of a widespread decline in this segment's non-performing ratio in the last 12 months (see Chart 9). In turn, in the segment of lending to households, non-banking financial institutions continued to have a higher non-performing ratio.

Chart 8 | Non-performing loans to the private sector
Non-performing financing / Total financing (%)



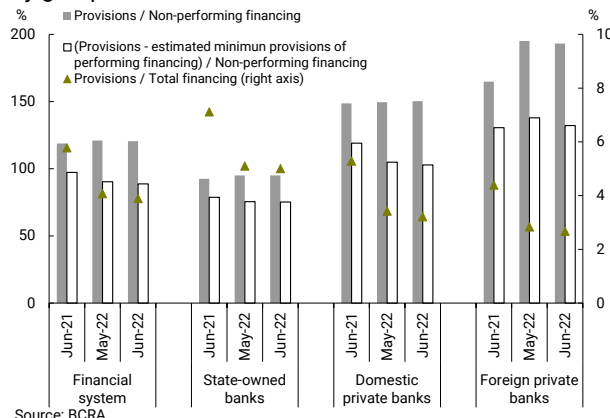
Source: BCRA

Chart 9 | Non-performing loans to the private sector
Non-performing financing / Total financing (%)



*NBFI: Non-Banking Financial Institutions. Source: BCRA

Chart 10 | Loans to the private sector and provisions
By group of financial institutions



Source: BCRA

In June, the aggregate financial system's total stock of provisions accounted for 3.9% of total loans to the private sector (-0.2 p.p. against the value recorded in May and -1.9 p.p. y.o.y.) and for 120.5% of the non-performing portfolio (-0.5 p.p. month-on-month (m.o.m.) and +1.7 p.p. y.o.y.) (see Chart 10). In turn, over the period, the stock of regulatory provisions attributable to the non-performing portfolio of the private sector (according to the criteria set by the rules on regulatory minimum provisions for loan loss exposure) accounted for 88.7% of such

portfolio for the ensemble of financial institutions.

IV. Liquidity and Solvency

By the end of the second quarter, the financial system’s broad liquidity ratio continued to stand at historically high levels. Liquid assets accounted for 68.2% of total deposits over the month, up 0.6 p.p. against the value recorded in May. A breakdown by currency shows that the ratio stood at 65.4% for the items in pesos and at 84.6% for the items in foreign currency (+2.6 p.p. and –4 p.p. m.o.m., respectively) (see Chart 11). Regarding the composition of liquidity in domestic currency, there was an increase in the relative share of net repo transactions with the BCRA over the month. In a year-on-year comparison, broad liquidity (in pesos and in foreign currency) for the ensemble of financial institutions went up 1.9 p.p. of total deposits. By late June, the BCRA decided to simplify the Minimum Cash Regime in a process that will be implemented gradually from October 2022 to January 2023, for the purpose of reinforcing the transmission channel of the monetary policy, with a neutral monetary effect.⁸

The financial system closed the first half of the year with high solvency levels. Regulatory Capital (RC) of the ensemble of financial institutions stood at 27.8% of their risk-weighted assets (RWAs), a level similar to the one recorded in May (-0.1 p.p. m.o.m. and +2.3 p.p. y.o.y., see Chart 12). Regarding the components of the sector’s ASE, over 95% continued to be accounted for by Tier 1 Capital, with a greater capacity to absorb potential losses. Compliance with the regulatory capital continued to sizably exceed the regulatory requirement, totaling 246% of the regulatory requirement at aggregate level over the month (-1.8 p.p. m.o.m. and +33.2 p.p. y.o.y.). The ratio between the capital surplus position and the stock of loans to the private sector net of provisions stood at 34.9% at systemic level in June, quite above the historical average of the last 10 years (16%).

Chart 11 | Financial system liquidity

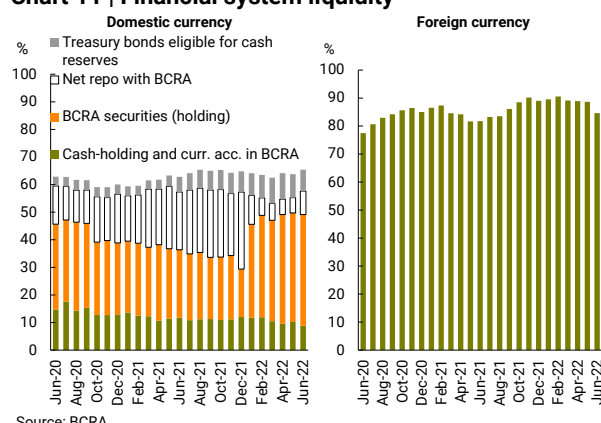
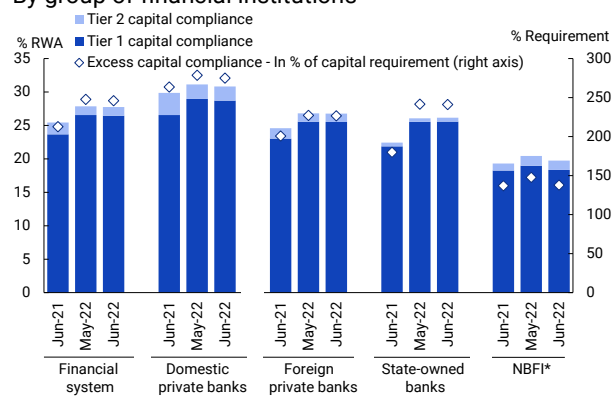


Chart 12 | Compliance with regulatory capital
By group of financial institutions

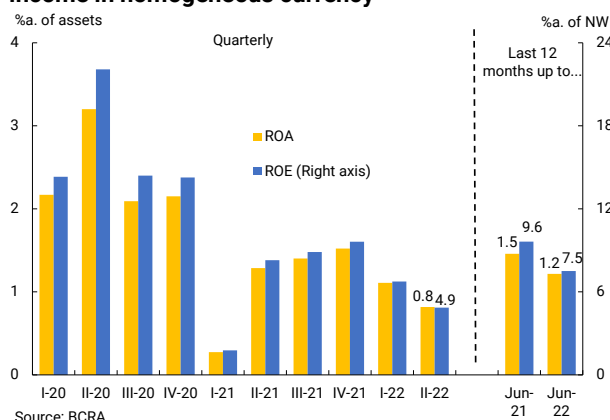


As to the internally-generated funds of the sector, there was a decrease in the profitability ratios of the financial system during the second quarter of 2022 if compared to the first quarter and also to the same period of 2021. The financial

⁸ For further detail, see [Press Release](#) and Communication "A" [7536](#).

system has accrued a total comprehensive income in homogeneous currency of 0.8%a. of assets (ROA) and 4.9%a. of equity (ROE) from April to June 2022 (see Chart 13).

Chart 13 | Financial system's total comprehensive income in homogeneous currency

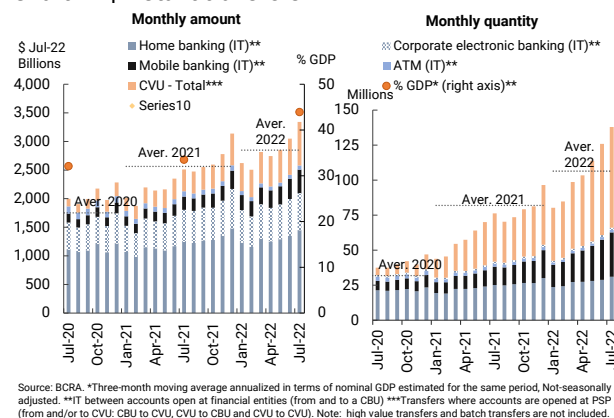


Considering the last 12 months up to June, the ensemble of financial institutions has accrued a ROA of 1.2% and a ROE of 7.5%, standing at lower levels than those recorded in the same period of 2021 (-0.2 p.p. and -2.1 p.p. of assets and equity, respectively). This reduction was mainly due to the effects of the increase in the cost of funding for deposits and higher monetary losses and was lessened in part by higher income from securities.

V. Payment System

In July, instant transfers were on the rise against June: 9.6% in both number and amount in real terms. In a year-on-year comparison, these transactions continued to show a remarkable momentum: increase of 80.9% y.o.y. in number and 33.1% y.o.y. in amount in real terms. Instant transfers between accounts opened at financial institutions via Uniform Banking Codes (CBUs) expanded 58.1% y.o.y. in number and 21.1% y.o.y. in amount in real terms, with a remarkable growth of transactions made via Mobile Banking (+143.2% y.o.y. in number and +78.1% y.o.y. in amount in real terms). In turn, instant transfers involving accounts with Payment Service Providers –PSPs– from/to Uniform Virtual Codes (CVUs) also went up: 108.5% y.o.y. in number and 100.5% y.o.y. in amount in real terms. Consequently, there was an increase in the share of transactions involving CVUs in total instant transfers to 52.1% in number (+6.9 p.p. y.o.y.) and 22.8% in amount (+7.7 p.p. y.o.y.). It is estimated that instant transfers accounted for an amount equivalent to 43.9% of GDP⁹ as of July (+10.4 p.p. against the same month of 2021, see Chart 14).

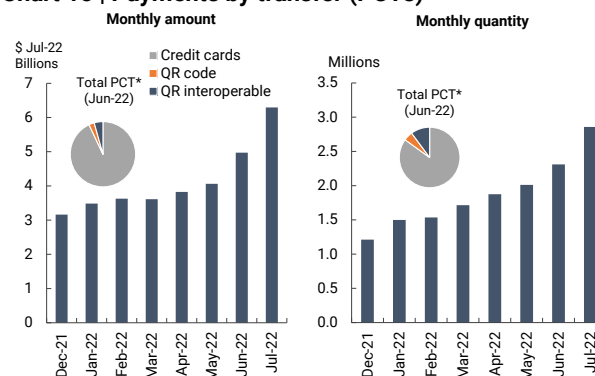
Chart 14 | Instant transfers



9 When considering annualized amounts of the last three months.

In July, payments by transfer (PCTs) initiated via an interoperable QR code¹⁰ posted a significant rise against June in number (+23.7%) and in amount in real terms (+26.6%, see Chart 15). As from the beginning of the QR codes' full interoperability scheme (by late November 2021), 15 million transactions were made under this modality up to July 2022, equivalent to ARS33.14 billion at July 2022 prices.

Chart 15 | Payments by transfer (PCTs)



Source: BCRA * Total payments with transfers (PCT) totales. Last data available Jan-22. Note: total data for June is an estimation from daily averages through June 12nd.

In July, the clearing of checks stood at levels similar to those recorded in June in number (+0.3%) but it declined in amount in real terms (-3.7%). If compared to the levels recorded in July 2021, these transactions grew 5.8% in number and 7.3% in amount in real terms. Due to their higher relative growth, there was an increase in the share of electronic checks (ECHEQs) in total clearing: they accounted for 29.7% in number (+11.5 p.p. y.o.y.) and 54.8% in amount in real terms (+12.9 p.p. y.o.y.) in July. It is estimated that the amount of cleared checks has been equivalent to 25.6% of GDP (+2.4 p.p. y.o.y.) over the period. In July, the ratio of bounced checks for insufficient funds in terms of total cleared checks stood at moderate levels, with a slight decline in number (-0.01 p.p. to 0.66%) and a slight increase in amount (+0.05 p.p. to 0.55%) against June.

10 Within the framework of the 3.0 Transfer initiative, the BCRA established the creation of a registry of interoperable digital wallets (for further information, see [BCRA Communication "B" 12333](#)). The registry is available at the [Central Bank of Argentina's web page \(BCRA\)](#).