

# Report on Banks

August 2020



BANCO CENTRAL  
DE LA REPÚBLICA ARGENTINA

## Table of Contents

Page 3		Executive Summary
Page 4		I. Financial Intermediation Activity
Page 7		II. Aggregate Balance Sheet Composition
Page 10		III. Portfolio Quality
Page 11		IV. Liquidity and Solvency
Page 14		V. Payment System

### **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.

Therefore, efforts have been made to avoid sexist and binary language.

*Published on October 28, 2020.*

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.

[Electronic subscription](#) | [Opinion Poll](#) | [Previous issues](#).

For comments and inquiries: [analisis.financiero@bcra.gob.ar](mailto:analisis.financiero@bcra.gob.ar)

**The content of this Report may be freely reproduced provided reference is made to: "Report on Banks - BCRA"**

## Executive Summary

- In the context of the COVID-19, the BCRA continued to adopt measures to stimulate credit, promote savings in pesos and foster the use of electronic means of payment. In August, the ensemble of financial institutions carried out their activity preserving adequate liquidity and solvency margins.
- The stock of private sector credit in pesos grew for the sixth month in a row in August 1.3% in real terms against the previous month and 11.1% year-on-year (y.o.y). This performance has been underpinned by the various assistance programs implemented by the BCRA. About 324,635 loans were granted for a total amount of \$533,784 million until the end of October through the special line to MSMEs and Health Service Providers at an annual nominal rate of 24%. Through the MSMEs Plus (*MiPyME Plus*) credit line, \$2,683 million were disbursed, facilitating access to financing to more than 5,927 companies. Credit assistance designed for members of the simplified tax regime *-monotributistas-* and self-employed workers also continued to expand during the month. Through the Zero Rate Credit line, 554,743 loans were granted, for a total amount of \$65,692 million until the end of October. Besides, 2,097 loans were generated for a total of \$221 million under the Zero Rate Culture Credit Line.
- To continue expanding the productive sector's conditions of access to loans, the BCRA recently approved a new scheme with 3 financing lines for MSMEs: (i) MSMEs line with an annual nominal interest rate of 24%, aimed at companies with benefits from the Emergency Labor and Production Assistance Program (ATP in Spanish); (ii) MSMEs line for Capital Investment for firms that acquire capital goods and the construction sector, with an annual nominal interest rate of 30% and an average term of 24 months or more, weighting, therefore, capital maturities, as long as the total term is no less than 36 months; (iii) a line to finance the working capital of MSMEs, with an annual nominal interest rate of 35%. The normalization of activity level observed in some regions and sectors will enable to gradually reduce and focus credit assistance efforts, meeting the needs of the new stage.
- As to funding, the stock of private sector time deposits in domestic currency grew for the fifth consecutive month in real terms, 3.6% against July and 22.3% y.o.y. As part of the measures the BCRA adopted to encourage savings in pesos in the financial system, as of October, a minimum annual nominal yield of 34% was guaranteed in deposits of up to \$1 million made by natural persons and a minimum annual of 32% for the rest. In turn, in the context of tax deadlines, the stock of private sector sight deposits in domestic currency fell in the month, leading to a decrease of private sector deposits in domestic currency of 1.9% in real terms against July.
- As part of the changes in the criteria for classifying debtors and the financial relief mechanisms in force since March, aimed at counteracting the negative effects of the pandemic, the non-performance ratio of loans to the private sector reached 4.8% in the month, down 0.2 p.p. against July. In the period, the stock of accounting provisions totaled 119% of the non-performing portfolio, up 2.3 p.p. against July and 22.3 p.p. y-o-y.
- In August the aggregate solvency indicators of the sector increased. The adjusted stockholders' equity (ASE) of the financial system totaled 23.4% of risk-weighted assets (RWA), up 0.4 p.p. against last month. This indicator exceeds the local average of the last 10 years and the average for the latest available information from other financial systems in the region. The capital position (ASE less regulatory requirement) of the ensemble of institutions stood at 173% of the regulatory requirement in the month, up 4.5 p.p. against July. In turn, the financial system's broad liquidity ratio represented 66.1% of total deposits in August, down 0.3 p.p. against July.
- In the aggregate of the 8 months of the year, the financial system's total comprehensive income in uniform currency accounted for 2.7% annualized (a.) of assets (ROA) and 18.6% a. of equity. We estimate that in a year-on-year comparison the implicit lending rate fell more than the implicit cost of funding for deposits, leading to a reduction of the difference between the two concepts (-5.8 p.p. y.o.y in nominal terms and -2.9 p.p. y.o.y in real terms).

# I. Financial Intermediation Activity

As part of the various programs implemented by the BCRA to mitigate the effects of lower economic activity under the COVID-19 scenario and the health measures taken, the real balance of credit to the private sector in pesos increased in August for the sixth consecutive month. Meanwhile, private sector term deposits in pesos showed real growth for the fifth consecutive month.

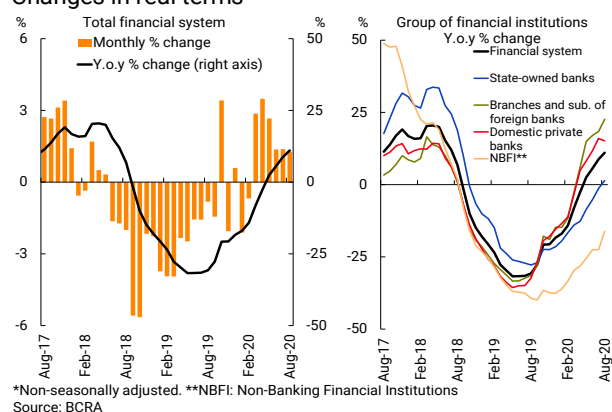
According to the estimated flow of funds for the financial system on items in domestic currency,<sup>1</sup> the most relevant sources of funding in August were the reduction in the broad liquidity ratio of financial institutions and, to a lesser extent, the increase in public sector deposits. On the other hand, lower total private sector deposits and higher financing to said sector accounted for the main fund application in the month. The monthly dynamics of deposits occurred under the transfer of resources from the private sector to the public sector in the month, partly due to tax deadlines.<sup>2</sup>

In August, the stock of loans to the private sector in pesos increased by 1.3% in real terms against the previous month (4% in nominal terms) (see Chart 1),<sup>3</sup> mainly explained by the evolution of financing through credit cards and of commercial lines (promissory notes and cash advances). There was a widespread increase in loans in the period among the ensemble of financial institutions, with a greater relative among private financial institutions.<sup>4</sup>

The growth of loans in pesos to the private sector—in real terms—registered since March is being partly driven by the various credit assistance programs implemented by the BCRA.

Nearly 324,635 loans were granted through the special line to MSMEs and Health Service Providers for a cumulative total of \$533.784 billion until the end of October at nominal rate of 24%<sup>5</sup> (10.3% of which have sureties provided by the Argentine Guarantee Fund -*Fondo de Garantías Argentino, FOGAR*) (see Chart 2, left panel). More than 80% of the total disbursed was used to cover deferred checks and to meet certain MSMEs' working capital needs. National private institutions accounted for 39.8% of total disbursements, followed by public ones with 30.3% and foreign private ones with 29.9%.<sup>6</sup>

**Chart 1 | Stock of Loans to the Private Sector in pesos \*  
Changes in real terms**



1 Differences of the balance sheet stock in uniform currency.

2 In order to cushion the negative effects of the pandemic, the due dates for the payment of the Income Tax and Property Tax were extended to August.

3 Including adjustments of principal and interest accrued.

4 Throughout the Report, the reference to ensembles of private (national and/or foreign) and public financial institutions, corresponds to banks. Non-banking institutions will be referred to as "NBFII".

5 Communication "A" [6937](#) and amendments.

6 Until the end of October, some \$6.912 billion had been approved through this line but not yet disbursed, with additional requests in process for approximately \$2.823 billion. It should be noted that the institutions participating in the credit lines promoted by the BCRA were granted regulatory exemptions.

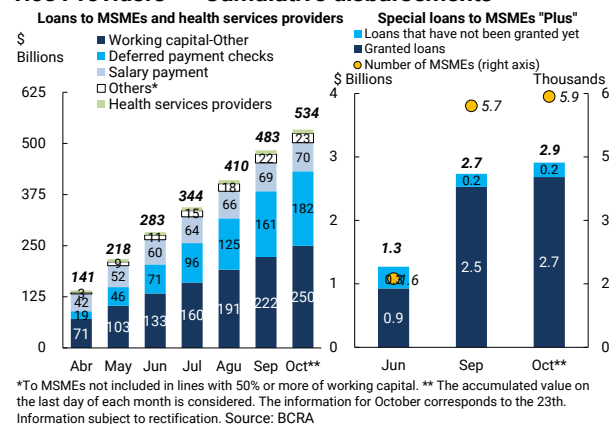
The MSMEs Plus credit line<sup>7</sup>, aimed at a segment of companies that did not have the assistance of financial institutions, totaled disbursements for \$2.683 billion by the end of October (46.1% of them have a FOGAR surety),<sup>8</sup> facilitating access to loans to more than 5,927 micro, small and medium-sized enterprises (see Chart 2, right panel). National private institutions continued to be the main drivers of this financial assistance, granting more than 70% of the total amount.

In tandem, a total of \$3.371 billion was granted until the end of October through the credit line at subsidized interest rate for companies included in the Emergency Assistance for Work and Production program (ATP, Programa de Asistencia de Emergencia al Trabajo y la Producción<sup>9</sup>), reaching more than 165,239 workers.

On the other hand, new credit assistance aimed at members of the simplified tax regime -*monotributistas*- and self-employed workers continued growing in the last few months. As part of the Zero Rate Credit line<sup>10</sup> close to \$65.692 billion have been granted until the end of October, more than 97% of which have already been disbursed through about 554,743 loans (see Chart 3). As this program is implemented exclusively through credit card cash advances or sight accounts of the beneficiaries, so far more than 245,698 new credit cards have been issued and 737 sight accounts have been opened for this purpose. In addition,<sup>11</sup> 2,097 loans have been granted through the Zero Rate Culture Credit Line for a total of \$221 million, 57.5% of which have already been credited.

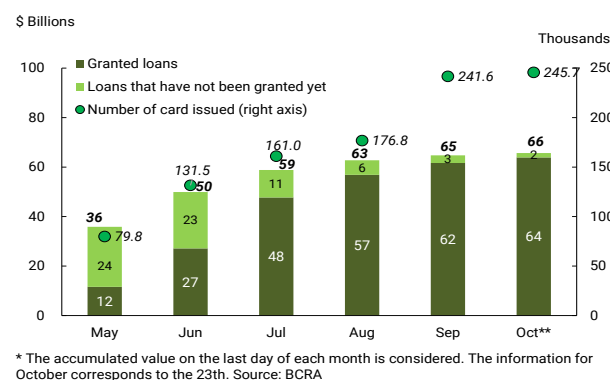
Furthermore, to continue improving the conditions of the productive sector's access to financing, the BCRA in mid-October authorized a new financing scheme for MSMEs, which consists of three credit lines: (i) MSME line with an annual nominal interest rate of 24%, aimed at all companies included in the ATP benefit, which will have - if necessary- a FOGAR surety; (ii) MSME line for Capital Investment for those firms that acquire capital goods and for those in the construction sector, with an annual nominal interest rate of 30% and an average term of 24 months or more, weighing for this principal maturities, with a total term

**Chart 2 | Special credit lines for MSMEs and Health Service Providers\* - Cumulative disbursements**



\*To MSMEs not included in lines with 50% or more of working capital. \*\* The accumulated value on the last day of each month is considered. The information for October corresponds to the 23th. Information subject to rectification. Source: BCRA

**Chart 3 | Total credits agreed with self-employed workers and members of the simplified tax regime -*monotributistas*- at Zero Rate**



\* The accumulated value on the last day of each month is considered. The information for October corresponds to the 23th. Source: BCRA

7 Communication "A" [7006](#) and amendments.

8 On October 23, \$222 million more had been approved with disbursements pending implementation, with additional requests in process for almost ARS 6 million.

9 See Communication "A" [7082](#) and Communication "A" [7102](#).

10 See Communication "A" [6993](#).

11 See Communication "A" [7082](#).

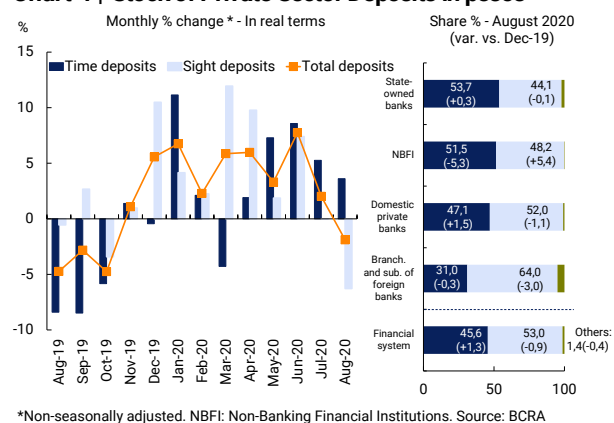
of no less than 36 months; (iii) line to finance the working capital of MSMEs, with an annual nominal interest rate of 35%. Likewise, the different credit lines with a rate subsidized by the National Productive Development Fund (*FONDEP*) will remain in force.<sup>12</sup>

In August, the stock of loans in domestic currency to the private sector accumulated a y.o.y increase of 11.1% in real terms (up 2.3 p.p. against the figure of the previous month), mainly due to the evolution of promissory notes and credit cards. Financing channeled by private financial institutions showed higher relative real growth in the period (see Chart 1, right panel).

Given the monthly drop of loans in foreign currency (-8.4% in currency of origin), the stock of total loans to the private sector (in domestic and foreign currency) in August accumulated a real decrease of 0.3% against July (-14.8% y.o.y).

On the other hand, influenced by income tax and personal assets tax deadlines, the stock of private sector deposits in domestic currency fell 1.9% in real terms (+0.8% in nominal terms) in August against July, as a result of a 6.3% decrease of sight accounts in real term (-3.7% in nominal terms). In contrast, time deposits in pesos in this sector showed growth in real terms for the fifth consecutive month over the period, equivalent to 3.6% against July (+6.4% in nominal terms) (see Chart 4). Thus, so far this year, time deposits increased their weighting 1.3 p.p. in the stock of total deposits, to represent 45.6% in the financial system aggregate.

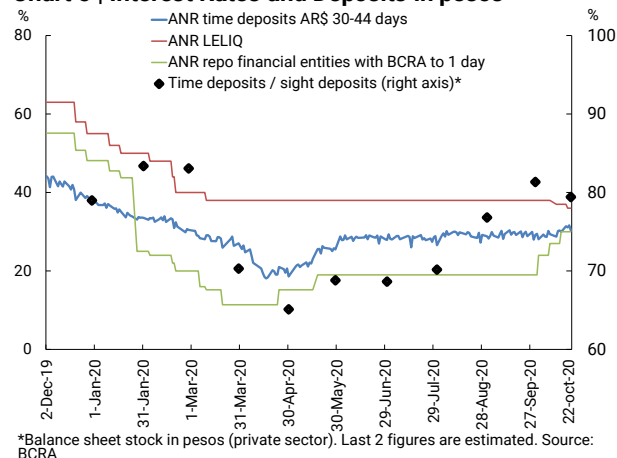
**Chart 4 | Stock of Private Sector Deposits in pesos**



In turn, the stock of private sector deposits in foreign currency increased by 1.1% (in currency of origin) in August. Total deposits (in domestic and foreign currency) of said sector fell 1.3% in real terms in the month against July.

Following the monetary policy interest rate harmonization strategy<sup>13</sup>, the BCRA recently decided to raise the one-day reverse repo interest rate (or repo rate from the point of view of financial institutions) to reach a 30% annual nominal rate,<sup>14</sup> offer seven-day reverse repos at a 33% rate and reduce to 36% LELIQ annual nominal interest rate (see Chart 5). This will gradually align

**Chart 5 | Interest Rates and Deposits in pesos**



12 See [Press Release](#) of October 15, 2020 and Communication "A" [7140](#).

13 See [Press Release](#) of October 15, 2020.

14 It should be noted that on October 1, the one-day passive repo rate increased 5 p.p., to 24%, and again to 27% a week later.

the interest rates of the monetary sterilization instruments with those from the National Treasury instruments. Therefore, the aim is to gradually reduce the cost of sterilization while increasing the effectiveness of influencing short-term interest rates in the economy. Also, to continue promoting savings in domestic currency, time deposits minimum interest rate ratios were modified to guarantee a 34% nominal annual return on loans of up to \$1 million from natural persons and a 32% nominal annual rate for the rest.

Meanwhile, the stock of public sector deposits in pesos increased by 5.8% in real terms (8.7% in nominal terms) in August, mainly due to higher tax revenues after the aforementioned tax payment. Thus, considering the monthly movements of both the public and private sectors, total deposits in pesos decreased by 0.5% in real terms against July (2.2% in nominal terms).

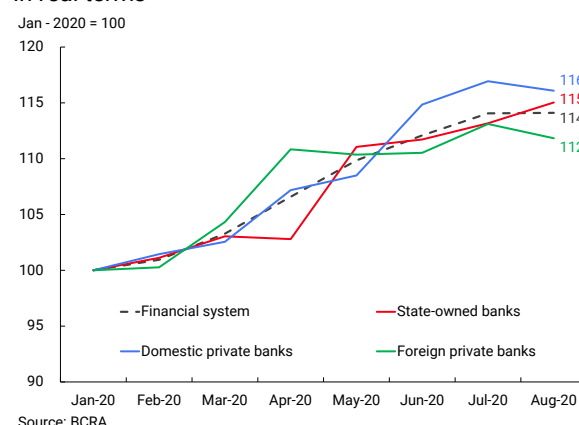
Private sector deposits in pesos increased 34.8% y.o.y in real terms (89.7% y.o.y in nominal terms) in August, while public sector deposits went up 8.8% y.o.y in real terms (53% y.o.y in nominal terms). As a result, the stock of total deposits in pesos accumulated growth of 27.8% y.o.y in real terms (79.8% y.o.y in nominal terms).

## II. Aggregate Balance Sheet Composition

In August, the total assets of the financial system did not show significant changes in real terms against last month (+2.7% in nominal terms), growing in the ensemble of public financial institutions and decreasing in private ones.

Compared to late January 2020, assets in real terms increased in all the ensembles of institutions, accumulating an increase of 14% in real terms for the system at aggregate level (see Chart 6). This was partly explained by the dynamics of private sector loans in domestic currency (detailed in the previous section). Furthermore, the increase in total assets was also affected, fairly considerably, by the greater holdings of BCRA instruments on the banks' balance sheets. It should be noted that to moderate the adverse economic effects of the pandemic, this Institution actively intervened to finance special assistance programs, both for households and companies. Following this, part of the monetary issuance generated by transfers from the BCRA to the National Treasury was sterilized, via LELIQ and repos, thus explaining the increase of these instruments in the assets of the financial system.<sup>15</sup>

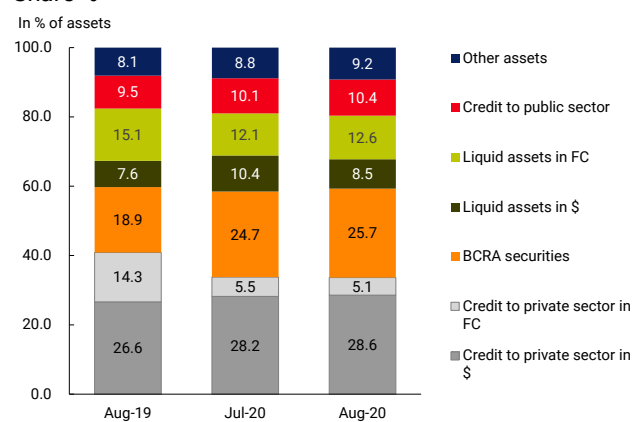
**Chart 6 | Total Stock of Assets**  
In real terms



<sup>15</sup> For further details, see the latest issue of the [Monetary Policy Report \(IPOM\)](#).

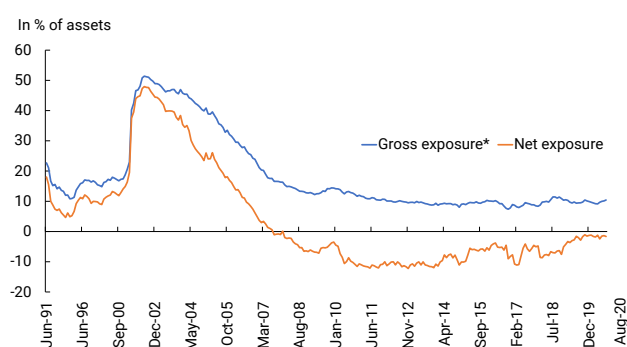
In this context, loans to the private sector in domestic currency and BCRA instruments remained the items with the greatest relative weight in total assets of the financial system in August (see Chart 7). Compared to last July, the share of BCRA instruments and loans to the private and public sector increased, among assets in domestic currency, while the weighting of the current accounts balance at the BCRA went down. In turn, in the foreign currency segment, the relative share of liquidity increased, while that of loans to the private sector decreased in August. Loans to the private sector in pesos and total liquid assets in pesos increased year-on-year their weighting on assets, while loans and liquidity in foreign currency reduced it.

**Chart 7 | Composition of the Financial System's Assets Share %**



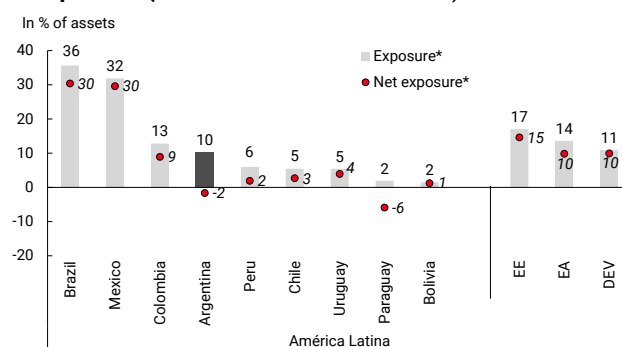
The local financial system shows moderate exposure to the public sector. In August, loans to the public sector increased slightly, reaching 10.4% of total assets, a level similar to the average of the last 10 years (see Chart 8). When considering public sector deposits, this sector remains the net creditor of all financial institutions, for a value equivalent to 1.7% of the total assets of the financial system. It should be noted that, in an international comparison, the local financial system presents levels of exposure to the public sector that are below the average of other emerging and developed economies (see Chart 9).

**Chart 8 | Exposure to the Public Sector - Evolution Financial System**



\*Gross exposure: (Position in government securities (not including Central Bank securities) + Loans to the public sector) / total assets. Net exposure: (Position in government securities (not including Central Bank securities) + Loans to the public sector - Deposits from public sector) / total assets. Source: BCRA

**Chart 9 | Exposure to the Public Sector - International comparison (Latest available information)**



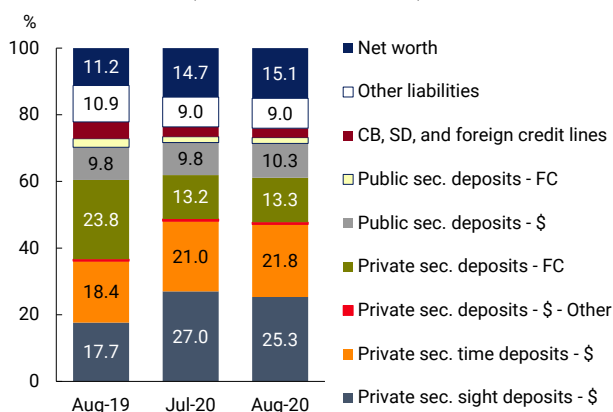
\*Gross exposure: (Position in government securities (not including Central Bank securities) + Loans to the public sector) / total assets. Net exposure: (Position in government securities (not including Central Bank securities) + Loans to the public sector - Deposits from public sector) / total assets. Source: BCRA and IMF.

As to the total funding of the financial system (liabilities and net worth), the weighting of time deposits in pesos from the private sector increased and public sector deposits in pesos went up in the month (see Chart 10), while that of the private sector sight deposits in pesos went down. Private sector sight and time deposits in domestic currency increased their share in the total funding of the financial system by 7.7 p.p. and 3.4 p.p., respectively, against the same period of 2019. In contrast, private sector deposits in foreign currency decreased their relative weight in the last year.



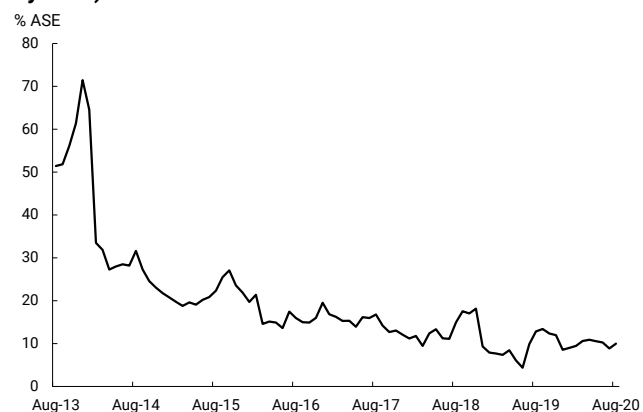
From a macroprudential approach, it is relevant to monitor the relative share of assets and liabilities in foreign currency in the financial system, as well as the differential between the two. In this respect, under the current regulations on the matter, assets in foreign currency represented 19.8% of total assets and liabilities in foreign currency reached 18.6% of total funding in August. These records did not change against last month. When considering forward operations in foreign currency (classified as off-balance), the difference between assets and liabilities in foreign currency of the financial system as a whole stood at around 10% of the regulatory capital, up 1.1 p.p. against last month (see Chart 11).

**Chart 10 | Composition of Bank Funding**  
% of total funding (liabilities + net worth)



Source: BCRA

**Chart 11 | Foreign Currency Assets - Foreign Currency Liabilities + Foreign Currency Forward Position (Financial System)**



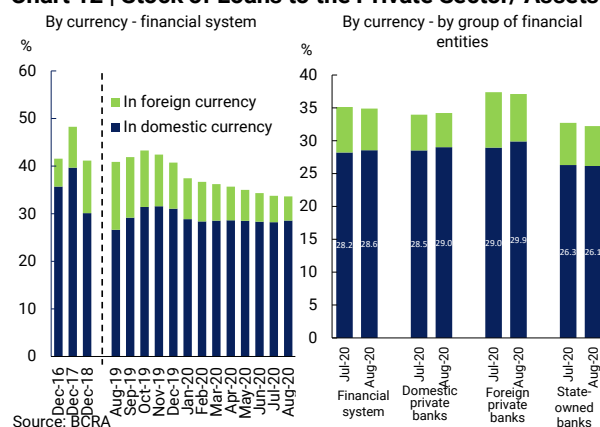
Source: BCRA

### III. Portfolio Quality

The stock of total loans to the private sector (in domestic and foreign currency) in terms of financial system's assets was 33.6% in August, relatively stable against the previous month. The share of loans in foreign currency in assets went down during August, while financing in pesos increased (0.3 p.p. in monthly terms to 28.6%, see Chart 12).

It should be noted that, to mitigate part of the adverse economic effects caused by the pandemic and the health measures taken to lessen its effects on the population, a change in the parameters to classify the debtors of the financial system has been in force since March, as well as relief measures implemented by the BCRA for the

**Chart 12 | Stock of Loans to the Private Sector/ Assets**



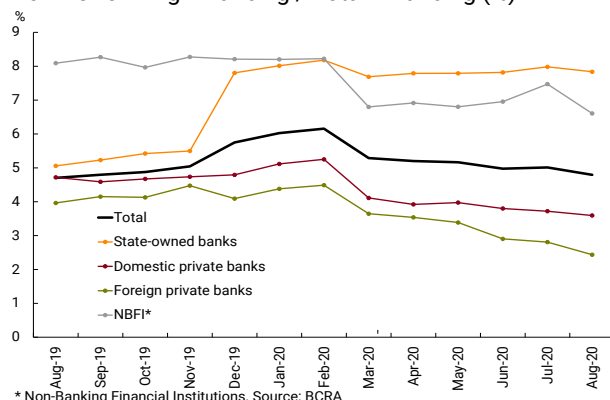
Source: BCRA

same purpose.<sup>16</sup> Regarding this last point, following the responses of the institutions to the recently published [Credit Conditions Survey \(ECC\)](#) (Third Quarter of 2020), approximately 14% of the stock of credit to the private sector in pesos of the institutions surveyed would have used the deferral of unpaid loan installments mechanism -excluding credit cards- (5% for the foreign currency segment). Regarding the mechanism on credit cards only, this ratio was approximately 19% for September and 27% for April –weighted average stock– based on the information provided by the ensemble of financial institutions.

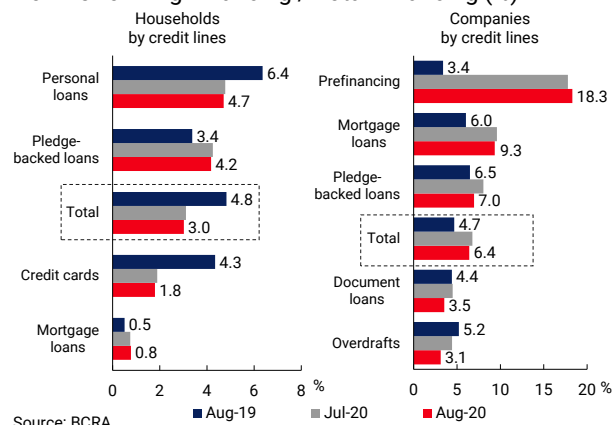
In this context, the non-performing ratio of loans to the private sector for the aggregate financial system fell 0.2 p.p. in August to 4.8%, a decrease that was evident in all the ensemble of financial institutions, particularly the performance of NBFIs and foreign private institutions (see Chart 13).

The delinquency ratio of loans to companies stood at 6.4%, down 0.4 p.p. against July. This decline was mainly driven by cash advances and pledge-backed loans and was partially offset by the increase in non-performing financing of exports<sup>17</sup> (see Chart 14). In turn, the delinquency ratio of loans to households fell slightly to 3%, with no large monthly changes among the different credit lines.

**Chart 13 | Non-Performing Loans to the Private Sector**  
Non-Performing Financing / Total Financing (%)



**Chart 14 | Non-Performing Loans to the Private Sector**  
Non-Performing Financing / Total Financing (%)

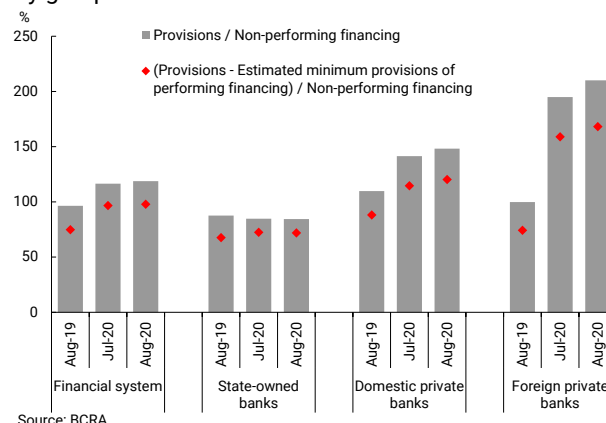


16 Communication "A" [6938](#) and Point 2.1.1. of the Amended Text " [Financial Services in the context of the Health Emergency Pursuant to Executive Order No. 260/2020 CORONAVIRUS \(COVID-19\)](#)". In this regard, it should be mentioned that the BCRA recently decided, through Communication "A" [7107](#), to extend most of these measures until December 31, 2020.

17 Non-performing loans to exports responds to a small ensemble of relevant companies.

The stock of accounting provisions (for the performing and non-performing portfolio) accounted for 118.7% of the non-performing loans to the private sector in the financial system, up 2.3 p.p. against last month (see Chart 15). The estimated stock of provisions attributable to the non-performing portfolio was almost 98% of said loans. It is estimated that non-performing financing not covered by provisions attributable to this portfolio totaled 0.3% of the Adjusted Stockholders' Equity (ASE) of the financial system.<sup>18</sup>

**Chart 15 | Provisioning and Non-Performing Portfolio By group of institutions**



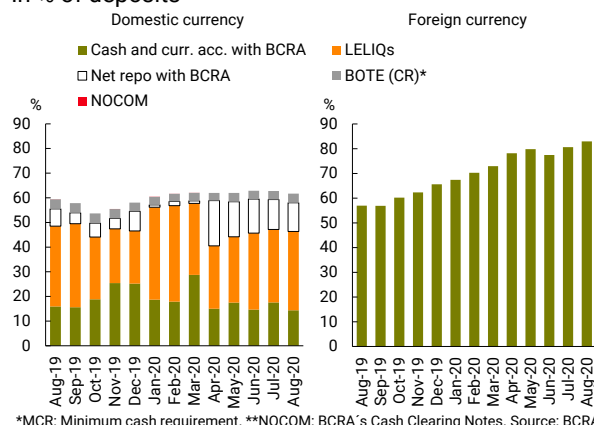
## IV. Liquidity and Solvency

The liquidity and solvency margins with which the ensemble of institutions operates are at adequate levels, largely exceeding international recommendations on the matter.

The Liquidity Coverage Ratio (LCR) for the included institutions (Group "A") in August was 2.3, compared to a local minimum required of 1.<sup>19</sup> The Net Stable Funding Ratio (NSFR) in June (latest available information) totaled 1.8 among covered institutions (Group "A"), while the local minimum required is 1.<sup>20</sup>

Broad liquidity<sup>21</sup> accounted for 66.1% of total deposits in August (61.7% for items in pesos and 83% for items in foreign currency), down 0.3 p.p. against July (-1.1 p.p. and +2,3 p.p. for the indicator in pesos and in foreign currency, respectively, see Chart 16). In terms of the composition of liquid assets in pesos, the share of LELIQ holdings increased in the month<sup>22</sup>, while the share of the balance of institutions' current accounts with the BCRA and the balance of net repos with this Institution was reduced.

**Chart 16 | Financial System Liquidity In % of deposits**



<sup>18</sup> The estimated stock of regulatory provisions attributable to the non-performing portfolio follows the criteria of minimum loan loss provisions standards, without using IFRS criteria for Group "A" institutions.

<sup>19</sup> The LCR considers the liquidity available to face potential outflows in the event of a possible stress scenario in the short term. See Amended Text –AT– "[Liquidity Coverage Ratio](#)".

<sup>20</sup> The NSFR takes into account institutions' availability of stable funding, in line with the terms of the businesses to which it applies. See AT "[Net Stable Funding Ratio](#)".

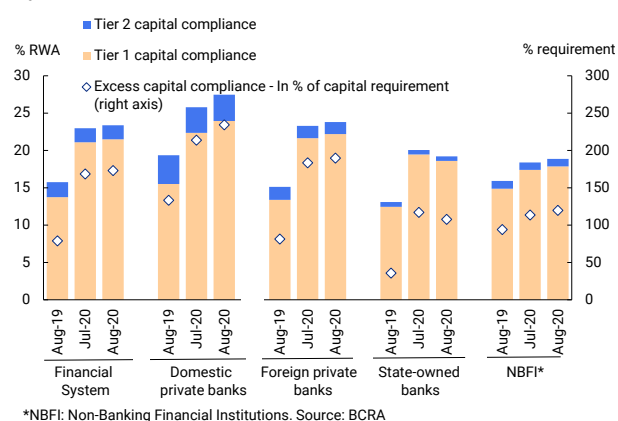
<sup>21</sup> Considering liquid assets, compliance with minimum cash requirements and BCRA's instruments, both in domestic and foreign currency.

<sup>22</sup> Driven, mainly, by the higher holdings of LELIQ for compliance with minimum cash requirements in the context of a relatively higher growth of total time deposits, against sight deposits. In addition, as from August, the BCRA increased the excess net position of LELIQ allowed by the positive difference between the limit for the spot position of the standards on "Overall Net Foreign Currency Position" and the monthly average of daily cash position balances (for further details see Communication "[A" 7077](#)").

In the aggregate of the last 12 months up to August, the broad liquidity ratio increased 7.5 p.p. of deposits, mainly explained by the foreign currency segment.

Regarding the solvency of the financial system, compliance with regulatory capital ratios increased during the month (see Chart 17). The system's Adjusted Stockholders' Equity (ASE) increased 0.4 p.p. of risk-weighted assets (RWA) to 23.4% (25.6% for private institutions and 19.2% for public institutions). The capital position (ACE less regulatory requirement) of the ensemble of institutions stood at 173% of the regulatory requirement in August, growing 4.5 p.p. in the last month (212% for private institutions and 107% for public ones). In turn, the leverage ratio<sup>23</sup> of the ensemble of institutions was 12% in mid-year (latest available information), well above the minimum threshold of 3%

**Chart 17 | Compliance with Regulatory Capital**  
By group of financial institutions



As in previous months, the aggregate financial system continued to verify additional capital margins (2.5% of RWA for all entities and an additional 1% for those with systemic importance).

It should be noted that maintaining adequate solvency ratios for the sector is partly favored by the different micro and macroprudential policies that this Institution has been implementing since the beginning of the health emergency, following the experience addressed by other Central Banks. In particular, the possibility of dividends distribution by financial institutions has been suspended during 2020.<sup>24</sup>

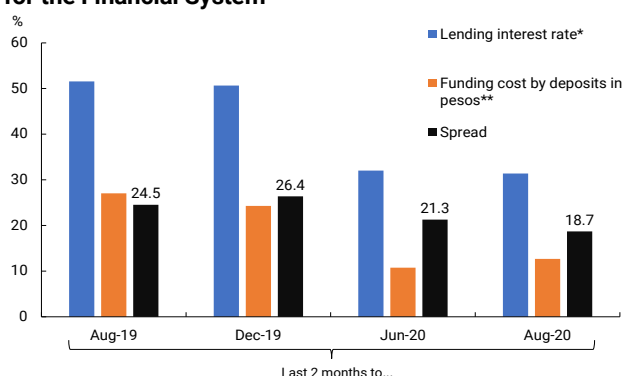
In this context, it should be noted that the ensemble of institutions accrued total comprehensive income in uniform currency of around 2.7% annualized (a.) of assets (ROA) and 18.6% a. of equity (ROE).

The aggregate financial margin between January and August was 11.4% a. of assets. Income from interests (8.8% a. of assets) and from securities (8.4% a. of assets) were the main positive concepts of the financial margin in the aggregate of the year. On the other hand, expenses for interests (8.6% a. of assets) were the main financial expenses of the financial system so far this year. In turn, among the most relevant non-financial concepts in institutions profitability, income from services (1.9% a. of assets) stood out as income generation, while loss loan provisions (1.6% a. of assets) and administrative expenses (6.7% a. of assets) were the main non-financial expenses.

23 Recommended by the Basel Committee -defined as the ratio between the highest quality regulatory capital and a broad measure of exposures.  
24 Communications "A" 6939 and "A" 7035.

To compare, to a certain extent, current levels of relevant sector income and expenses with records from previous years,<sup>25</sup> we use the estimation of implicit interest rates in domestic currency and their differences. They have the advantage of comparability, although they could also be "partial" as they only show some (important) aspects of the income statement<sup>26</sup>. Furthermore, since they are defined as interest rates (for each lending capacity peso or each profitable asset peso), they do not include the number dimension (stock evolution). Thus, it is estimated that the average implicit lending rate in pesos in nominal terms and the implicit cost of funding for deposits in pesos in nominal terms decreased 20.2 p.p. and 14.4 p.p. y.o.y, respectively, consequently reducing the difference between the two concepts by about 5.8 p.p. in the period considered (see Chart 18).

**Chart 18 | Estimated Implicit Interest Rates (annualized) for the Financial System**



\* For loans in pesos (non-financial), LELIQ not used for integration of minimum cash requirements and net repo with BCRA. \*\* It is considered minimum cash requirements. Source: BCRA

This evolution of implicit rates in nominal terms occurred in periods with different levels of inflation (higher in 2019 compared to the last months with available information for 2020). When estimating the implicit interest rates in real terms, a reduction of 5.6 p.p. y-o-y in the lending rate and of 2.7 p.p. y-o-y in the cost of funding for deposits is observed, leading to a 2.9 p.p. y-o-y fall in the difference between both concepts.

Considering the last few months, the financial system implicit lending rate in nominal terms estimated for the fourth two-month period of 2020 was down 0.6 p.p. against the previous two-month period. In turn, the implicit cost of funding for deposits in pesos in nominal terms of the ensemble of institutions went up 1.9 p.p. in the same period. As a consequence, the difference between the two fell 2.6 p.p. at the margin.<sup>27</sup>

## V. Payment System

The transactions of the payment system continued appropriately in the environment defined by the COVID-19 pandemic and the health measures timely implemented to reduce its impact on the population.

During September (latest available information) the use of immediate electronic transfers in transactions in the economy continued to grow (see Chart 19). Total immediate transfers increased both in number (7.8%) and amount in real terms (7.4%) against August. These transfers went up in all the channels used. In particular, mobile banking transfers recorded further dynamism in the month, both in number (17.3%) and amount in real terms (13%). Total immediate transfers increased in

25 Note that institutions report their balances in uniform currency (see Communication ["A" 6651](#) for further details) since 2020, so information comparison with respect to previous years is not possible. Hence the need to generate certain partial indicators to somehow facilitate comparability between different periods.

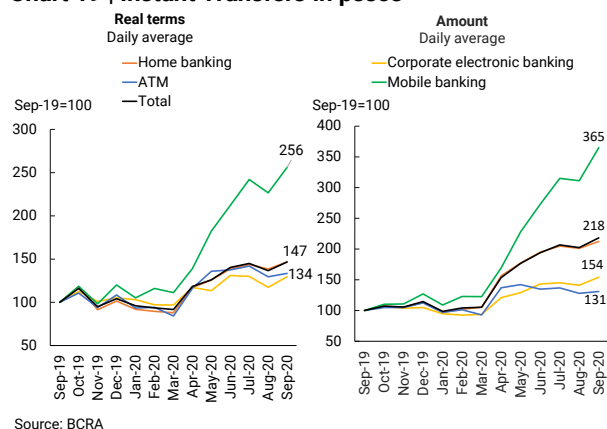
26 These indicators do not include administrative expenses, taxes or risk or capital cost components.

27 The above occurred in months with different levels of inflation. When estimating implicit interest rates in real terms, the differential between the two also decreased in the mentioned period.

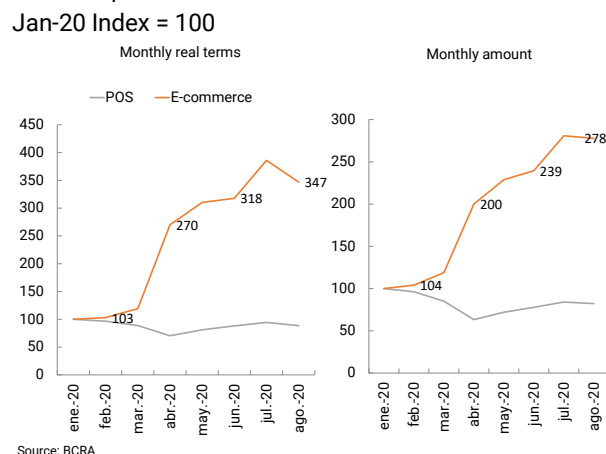
number (118.2%) and amount in real terms (46.4%) against the same month of last year. The largest relative year-on-year increase was recorded in mobile banking transfers, both in number and amount in real terms.

The number of debit card transactions in August (latest available information) fell slightly against July: -1% through electronic commerce and -2.1% in-person transactions (-1.8% for the total) mainly influenced by seasonal factors. The amounts processed in real terms decreased in the month by 10.1% for the electronic channel and 6.2% for the in-person one (-7.4% for the total). Greater dynamism in the use of debit cards to pay electronic transactions continued in the month (see Chart 20). This channel has, thus, become increasingly important in recent months, reaching 28% of debit card transactions and 30% in terms of amount in August, well above the figures observed early this year (12% and 11% in number and amount, respectively).

**Chart 19 | Instant Transfers in pesos**

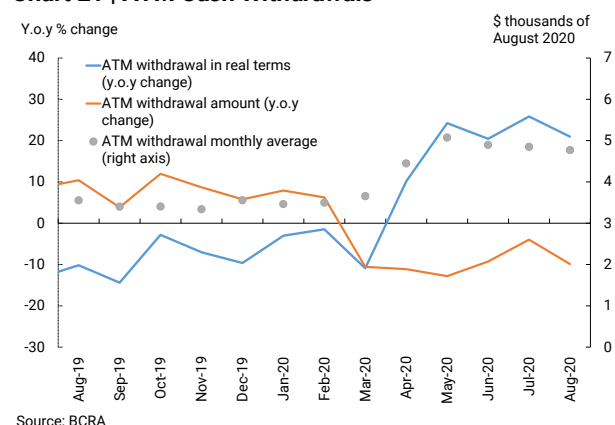


**Chart 20 | Debit Card Transactions**



Concerning ATM cash withdrawals, a lower frequency of withdrawal continues, with a higher average amount withdrawn, relative to the pre-pandemic situation (see Chart 21). Following this, ATM withdrawals decreased in number (9.9%) and increased in amount in real terms (21%) y.o.y. This situation is in line with the measures adopted by the BCRA in the context of the pandemic, to minimize people's mobility<sup>28</sup>.

**Chart 21 | ATM Cash Withdrawals**

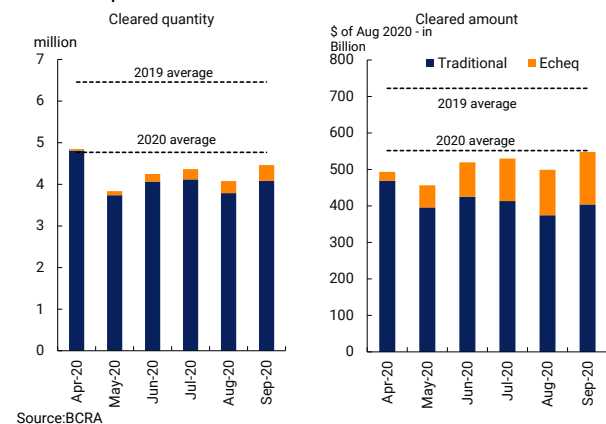


The total number of cleared checks increased in September (latest available information) in number (9.4%) and amount in real terms (9.8%). Electronic checks (*ECHEQs*) cleared increased both in

<sup>28</sup>Communication "A" 6945 (text pursuant to Communications "A" 6957 and 7044) established that financial institutions cannot charge fees or commissions for transactions carried out through all the ATMs authorized and operated in the country by them and must provide the means for minimum daily withdrawals of no less than \$15,000. Communication "A" 7107 extended communication "A" 6945 until December 31, 2020.

number (30%) and amount in real terms (15.2%) (see Chart 22). On the other hand, physical checks cleared grew in number (7.8%) and in amount in real terms (7.9%). Therefore, the share of electronic checks cleared in the total figure continues to increase (representing 8.5% in number and 26.2% in amount in real terms). Total checks cleared went down against the same month of last year in number (30.8%) and in amount in real terms (21.4%).

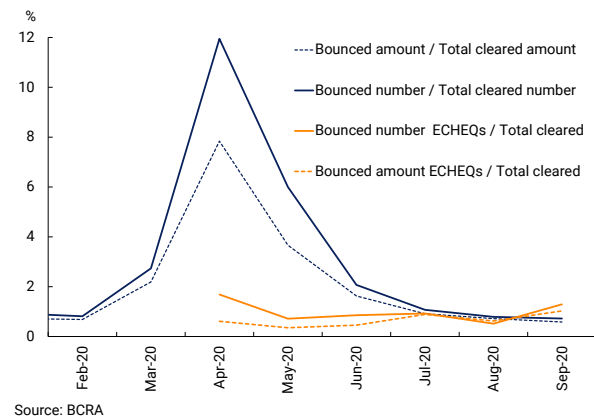
**Chart 22 | Cleared Checks**



The ratio of bounced checks for insufficient funds relative to the total checks cleared against last month decreased in number (-0.3 p.p., with a level of 0.72%) and in amount (-0.2 p.p., with a level of 0.58%). The ratio of electronic checks bounced relative to the total electronic checks cleared

increased in number (0.8 p.p., with a level of 1.29%) and in amount (-0.4 p.p., with a level of 1.03%)<sup>29</sup>. The ratio of total checks bounced for insufficient funds relative to the total cleared against the same month of last year decreased in number (0.4 p.p.) and in amount (0.4 p.p.) (see Chart 23).

**Chart 23 | Bounced Checks**



29 Bouncing of electronic checks (ECHQs) covers all the reasons for bouncing.