

# Report on Banks

August 2022



BANCO CENTRAL  
DE LA REPÚBLICA ARGENTINA

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*Published on October 26, 2022.*

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

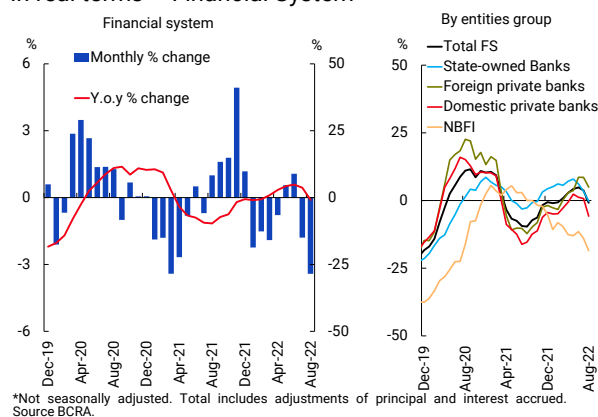
- In August, the financial system kept relatively high liquidity and solvency coverage against the risks assumed. The financial intermediation activities with the private sector contracted over the period, while electronic means of payment have managed to keep a remarkable momentum.
- Instant transfers accumulated an increase of 105.7% year-on-year (y.o.y.) in number and 24.7% y.o.y. in amount in real terms. This year-on-year performance was mainly driven by a widespread increase across its components, with a sizable momentum of instant transfers involving Payment Service Providers (PSPs) from and/or to Uniform Virtual Codes (CVUs). There was a rise in the share of this last segment in total instant transfers of up to 54.3% in number (+12.6 p.p. y.o.y.) and 21.6% in amount (+6.1 p.p. y.o.y.). Transactions via electronic checks (ECHEQs) have also been posting a significant growth, and gained share in total clearing of checks (+11.1 p.p. y.o.y. to 31.5% in number, and +12.4 p.p. y.o.y. to 57.4% in amount).
- In August, the stock of loans in pesos to the private sector dropped 3.4% in real terms (+3.3% in nominal terms), posting no significant changes in a year-on-year comparison. The “Credit Line for Productive Investment of Micro, Small, Medium-Sized Enterprises (MSMEs) (LFIP)” has continued to be the main tool for accessing loans, reaching around 304,600 companies with disbursements for ARS3.1 trillion since its implementation up to September. It is estimated that the current stock of loans under the LFIP has stood at ARS900.69 billion in August, and accounts for the eighth part of the stock of loans to the private sector.
- The non-performing ratio of loans to the private sector totaled 3.1% over the month, posting no significant changes against July and standing 2.2 p.p. below the level recorded one year ago. The total stock of provisions in lending to the private sector continued to be sizable and accounted for 3.7% of the private sector portfolio and 119.4% of the non-performing portfolio of loans.
- The stock of private sector deposits in pesos contracted 3.4% in real terms (+3.3% in nominal terms), due to the performance of sight accounts and, to a lesser extent, of time deposits. In a year-on-year comparison, the stock of private sector deposits in domestic currency has grown 3.4% in real terms (+75% in nominal terms).
- In August, liquid assets of the financial system totaled 69.8% of deposits, up 0.7 p.p. and 1.2 p.p. against the values of July 2022 and of August 2021, respectively. Over the period, the ratio for the items in pesos stood at 66.1% (+0.7 p.p. month-on-month (m.o.m.)) and at 92% for the items in foreign currency (1.2 p.p. m.o.m.).
- The Adjusted Regulatory Capital (RC) of the ensemble of financial institutions stood at 27.9% of risk-weighted assets (RWAs) in August (-0.4 p.p. m.o.m. and +1.6 p.p. y.o.y.). The capital position – ASE net of the minimum regulatory requirement – totaled 247% of the regulatory requirement at systemic level (-6 p.p. m.o.m. and +23.2 p.p. y.o.y.). In turn, the excess of regulatory capital stood at 37.8% of the stock of loans to the private sector net of provisions for the aggregate financial system, standing in August well above the average of the last ten years (16.5%).
- In the aggregate of the first eight months of 2022, the financial system accrued a total comprehensive income in homogeneous currency equivalent to 1.2% annualized (a.) of assets (ROA) and to 6.8%a. of equity (ROE), standing at slightly higher levels than those of the same period of 2021 and at slightly lower levels than those of the aggregate of the first eight months of 2020. Considering the aggregate of the last 12 months up to August 2022, the financial system has accrued a ROA of 1.2% (-0.1 p.p. y.o.y.) and a ROE of 7.5% (-1 p.p. y.o.y.).

# I. Financial Intermediation Activity

The financial intermediation activity with the private sector contracted in August. Taking into account the items in pesos—in homogenous currency—, there was a drop in lending to the private sector accompanied, to a lesser extent, by a decline in broad liquidity. In addition, there was a reduction in the total stock of private sector deposits in real terms. In turn, in the segment in foreign currency, the monthly evolution was similar to that of the balance sheet items in domestic currency. Furthermore, lending to the public sector in foreign currency went up over the month, and this increase was offset in part by the reduction of loans to this sector in domestic currency (with and without CER adjustment).<sup>1</sup>

The stock of loans in pesos to the private sector went down 3.4% in real terms in August (+ 3.3% in nominal terms).<sup>2</sup> The monthly performance was widespread across all groups of financial institutions and in almost all credit assistance lines, except for loans backed with assets under financial lease and pledge-backed loans.<sup>3</sup> In a year-on-year comparison, the stock of lending in domestic currency did not post significant changes (-0.8% in real terms or +76.8% in nominal terms, see Chart 1). A breakdown by credit segment in homogeneous currency shows that pledge-backed loans and commercial loans (loans backed with assets under financial lease, promissory notes and overdrafts) went up in the last 12 months, while the remaining financing lines dropped over the same period.

**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.

One of the main reasons behind the positive year-on-year performance of commercial loans was the “Credit Line for Productive Investment for MSMEs (LFIP)”. Almost ARS3.1 trillion have been disbursed under this credit line from its implementation to late September, which were provided to over 304,600 companies. In terms of stocks, the estimated lending granted under the LFIP totaled ARS\$900.69 billion in August (see Chart 2; equivalent to 12.5% of the total stock of loans granted to the private sector). In turn, 40.5% of the LFIP stock was provided to finance investment projects, while 34.3% was intended for working capital financing and the remaining 22.8% was channeled via discounted checks and/or invoices. State-owned financial institutions accounted for almost half of the LFIP’s total stock of loans. In this context and in order to continue

1 It is worth pointing out that, in August, the Federal Government implemented a swap of bonds and bills in pesos (with and without adjustment by CER), providing new bonds in dual currency due in 2023 (yield in pesos resulting from a higher change between CER plus an annual 2% coupon, and the peso-dollar exchange rate). For further detail see <https://www.argentina.gob.ar/noticias/llamado-conversion-de-lecer-lepase-ledes-y-boncer-por-bono-dual>.

2 Including capital adjustments and accrued interest.

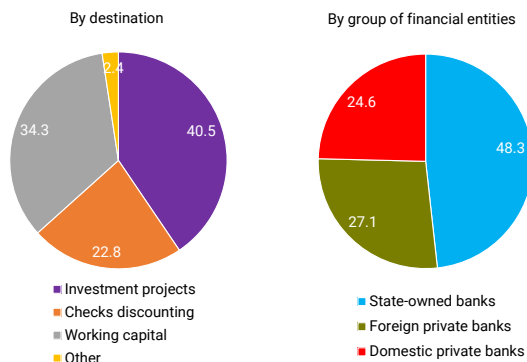
3 According to the results of the [Survey on Credit Conditions](#)—ECC— for the third quarter of 2022, the recent performance of loans to the private sector occurred in a context where no significant changes have been observed in the standards for loan granting at aggregate level. On the demand side, financial institutions have reported a lower demand for credit from companies and an increase (characterized by dissimilar intensities) in most credit financing lines for households during the third quarter of 2022.

promoting loans to MSMEs, the BCRA decided in September to extend the LFIP until late March 2023, keeping the current conditions in force.<sup>4</sup>

In the segment in foreign currency, the stock of loans to the private sector in this denomination shrank 0.8%<sup>5</sup> in August. The stock of total lending to the private sector (including both domestic and foreign currency) dropped 3.3% in real terms against July (+3.5% in nominal terms) and 6.7% in real terms in the last 12 months (+66.4 % in nominal terms).

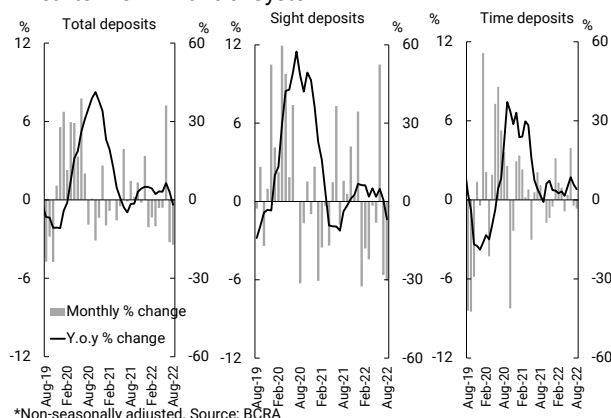
**Chart 2 | Credit Line for Productive Investment (LFIP) of MSMEs – Estimated stock as of Aug 2022 – Share % in total**

LFIP stock estimation: \$900,695 million (12.5% of total credit stock)



Source: BCRA

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



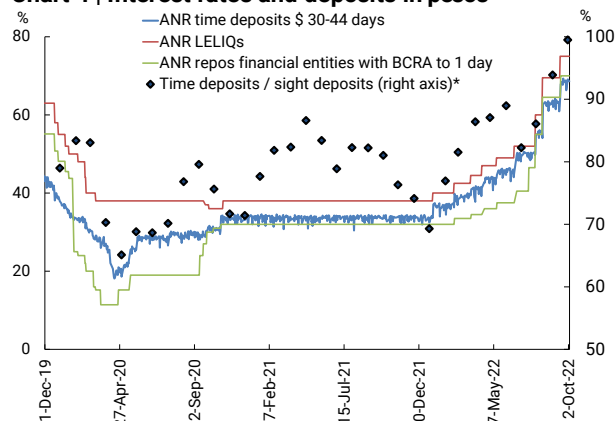
\*Non-seasonally adjusted. Source: BCRA

deposits with an early cancellation option and 9.5% in real terms in the case of deposits without the early payment option. In turn, traditional time deposits at a fixed interest rate went up 3.5% in real terms against July.

The positive evolution of traditional time deposits at a fixed interest rate was driven in part by the minimum interest rate rises implemented by the BCRA in recent months (see Chart 4). Within the framework of the interest rate structure regularization process, the monetary authority set the nominal annual percentage rate of 28-day LELIQs and the minimum guaranteed interest rate on 30-day

As regards the financial system’s funding, the stock of private sector deposits in pesos went down 3.4% in real terms (+3.3% in nominal terms, see Chart 3) in August. Most of this monthly decline was accounted for by sight accounts, which recorded a 6.1% drop in real terms (+0.5% in nominal terms), while time deposits contracted 0.7% in real terms (+6.3% in nominal terms). Following a remarkable growth during the first seven months of the year, the stock of UVA-denominated time deposits fell 7.8% in real terms in the case of

**Chart 4 | Interest rates and deposits in pesos\***



\*Balance sheet stock in pesos (private sector). Last value is estimated. Source: BCRA

4 Communication "A" 7612.

5 Expressed in currency of origin.

time deposits of up to ARS10 million made by natural persons at 75% (with a nominal annual percentage rate of 66.5% for the remaining private sector time deposits).<sup>6</sup>

The stock of private sector deposits in foreign currency dropped 0.8% in August.<sup>7</sup> Consequently, private sector total deposits (in both domestic and foreign currency) contracted 3.2% in real terms against July (+3.5% in nominal terms) and 7.2% in real terms in a year-on-year comparison (+65.6% in nominal terms).

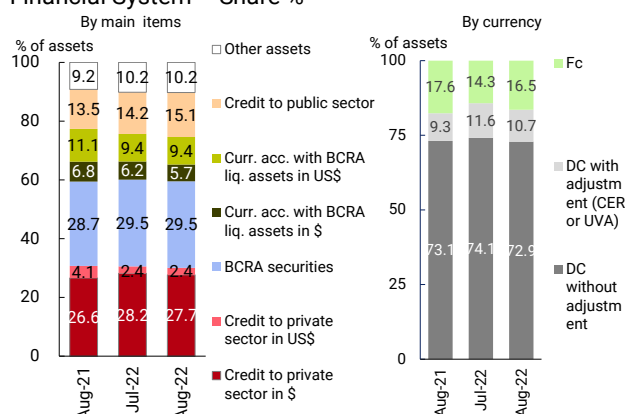
In the last 12 months, the stock of private sector deposits in domestic currency went down 1.9% in real terms (+75% in nominal terms). In turn, public sector deposits have accumulated a 5.4% drop y.o.y. in real terms (+68.8% y.o.y. in nominal terms). When considering both sectors, deposits in pesos fell by 2.1% y.o.y. in real terms (+74.7% y.o.y. in nominal terms) in August. Thus, bearing in mind all types of depositors and currencies, total deposits dropped 6.6% y.o.y. in real terms (+66.6% y.o.y. in nominal terms).

## II. Aggregate Balance Sheet Evolution and Composition

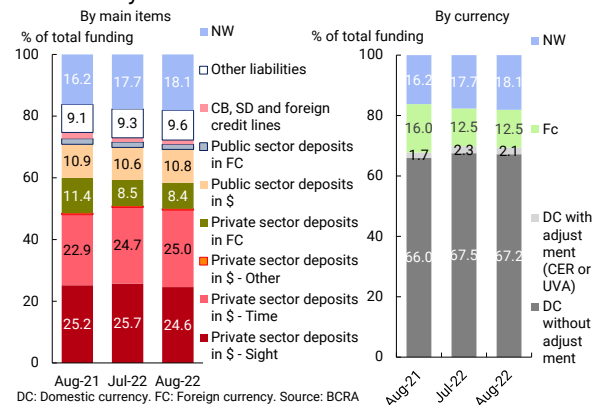
The sector's balance sheet size shrank in August: the financial system's total assets declined 1.7% in real terms over the month (+5.2% in nominal terms) and 4.6% in real terms in a year-on-year comparison (+70.1% in nominal terms).

Regarding the components of the aggregate financial system's total assets, there was a decrease in the balances of current accounts in pesos held by the institutions at the BCRA and in loans to the private sector in the same denomination over the month. In turn, loans to the public sector were the main item posting an increase in their relative share (see Chart 5). Taking into consideration the assets by currency, there was a decrease in August in the share of items denominated in pesos with and without CER-adjustment clauses or in UVA (to 72.9% and 10.7%,

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



**Chart 6 | Composition of total funding**  
Financial System – Share %



respectively), while the relative share of

6 Communication "A" 7605 and [Press Release](#) of September 15, 2022.  
7 Expressed in currency of origin.

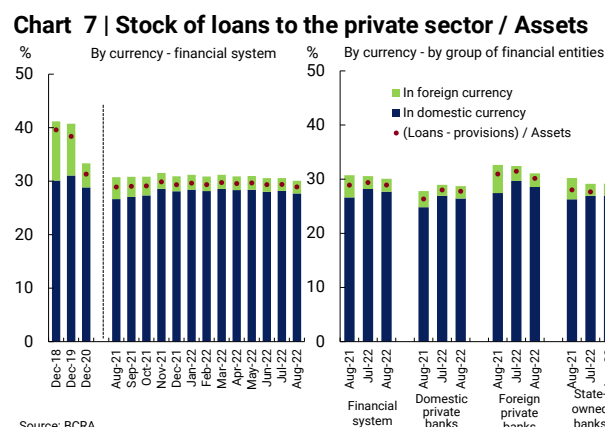
assets denominated in foreign currency went up in the total (to 16.5%).<sup>8</sup>

With reference to the components of the aggregate financial system's total funding, there was a decrease in the share of the sector's sight accounts in pesos. In turn, there was an increase in the relative share of the private sector net worth and time deposits in domestic currency, as well as in the share of public sector deposits in pesos (see Chart 6). When considering total funding by currency, the share of liabilities in pesos with or without CER-adjustment clauses (or in UVA) contracted slightly over the month.

As mentioned in the previous Section, the Federal Government implemented a swap of bonds and bills in pesos (with and without CER-adjustment) and exchanged them for new instruments denominated in dual currency.<sup>9</sup> In this context, the differential between assets and liabilities in foreign currency stood at 25% of the regulatory capital at systemic level over the month (+11.9 p.p. m.o.m. and +17 p.p. y.o.y.). In turn, the positive differential between assets and liabilities with capital adjustment by CER (or denominated in UVA) totaled 53.9% of the Regulatory Capital (RC) at aggregate level (-6.8 p.p. m.o.m. and +1.1 p.p. y.o.y.).

### III. Portfolio Quality

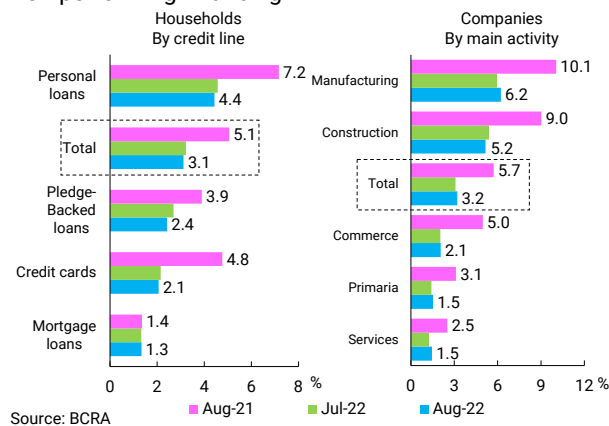
In August, the financial system's gross exposure to the private sector (in domestic and foreign currency) contracted 0.5 p.p. of assets to 30.1% (-0.7 p.p. y.o.y., see Chart 7). The monthly evolution was mainly due to the performance of lending in pesos; this ratio stood at 27.7% over the period (-0.5 p.p. m.o.m. and +1.1 p.p. y.o.y.), and was especially evident in foreign financial banking institutions. In turn, the share of loans to the private sector in foreign currency in the financial system's total assets stood at around 2.4% (-1.7 p.p. y.o.y.).



The non-performing ratio of loans to the private sector totaled 3.1% over the month, posting no significant changes against July and standing 2.2 p.p. below the level recorded one year ago. The delinquency ratio of the portfolio involving loans to households reached 3.1% in August (-0.1 p.p. m.o.m. and -1.9 p.p. y.o.y.). The year-on-year decline in the delinquency ratio of this segment was mainly driven by credit lines intended for consumption (see Chart 8). In turn, the non-performing ratio of loans to companies stood at 3.2% (+0.1 p.p. m.o.m. and -2.5 p.p. y.o.y.). The year-on-year evolution of the corporate portfolio quality was especially boosted by the improvement in the

<sup>8</sup> This effect was mainly due to the bond swap made over this period (see Section I of this Report).  
<sup>9</sup> For further detail, see footnote 1.

**Chart 8 | Non-performing loans to the private sector**  
Non-performing financing



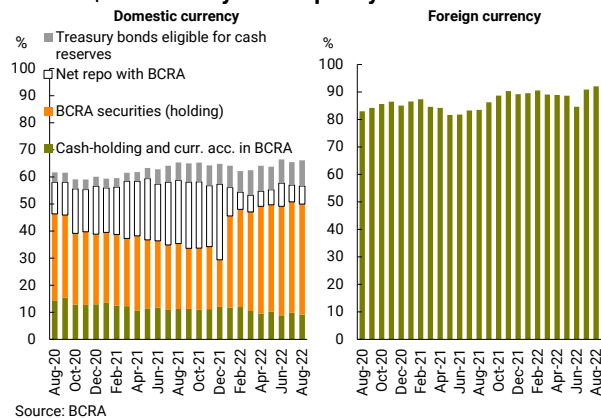
credit performance of companies related to the industry and the construction business (see Chart 8).

In July, the aggregate financial system’s total stock of provisions continued to be sizable, covering 3.7% of the private sector’s total portfolio (remaining unchanged against July and standing at -2 p.p. y.o.y.) and 119.4% of the non-performing portfolio of loans (-1.2 p.p. m.o.m and +11.1 p.p. y.o.y.). Over the period, the stock of regulatory provisions net of those attributable to

debtors’ categories 1 and 2 (according to the criteria set by the rules on regulatory minimum provisions for loan loss exposure) stood at around 86.9% of the non-performing portfolio at systemic level.

## IV. Liquidity and Solvency

**Chart 9 | Financial system liquidity**



In August, the financial system’s liquid assets accounted for 69.8% of deposits, up 0.7 p.p. against the figure recorded in July. A breakdown by currency shows that the ratio for the items in pesos stood at 66.1%, and the ratio for the items in foreign currency stood at 92% (+0.7 p.p. and +1.2 p.p. m.o.m., respectively, see Chart 9). In terms of the composition of liquidity in domestic currency, between ends of month, there was an increase in the share of the National Treasury Bonds admitted to satisfy compliance with the minimum cash

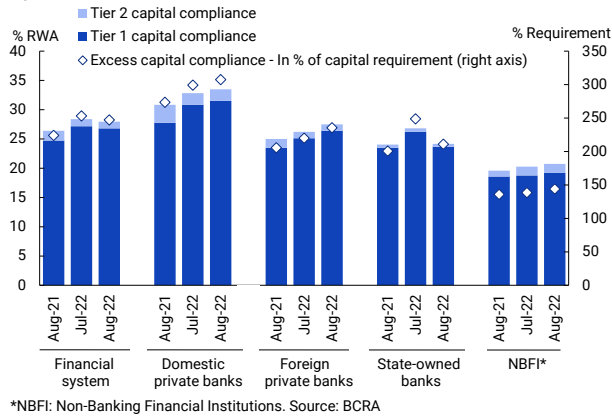
requirement and of net repo transactions with the BCRA, accompanied by a decrease in the share of the balances of current accounts held by the institutions at the BCRA. In a year-on-year comparison, broad liquidity (in pesos and in domestic currency) went up 1.2 p.p. of total deposits.

Starting from high levels, solvency ratios of the financial system dropped slightly in August. The aggregate financial system’s Adjusted Regulatory Capital (RC) accounted for 27.9% of risk-weighted assets (RWAs), down 0.4 p.p. against the figure recorded in July (+1.6 p.p. y.o.y., see Chart 10).<sup>10</sup> Nearly 96% of ASE was accounted for by Tier 1 Capital, with a greater capacity to absorb potential losses. The capital position — Adjusted Regulatory Capital net of the minimum regulatory requirement— totaled 247% of the regulatory requirement at systemic level, down 6 p.p. against the

<sup>10</sup> The monthly drop of this ratio occurred in a context where the increase in the risk-weighted assets (+2.7% in real terms) was higher than the increase of the Adjusted Regulatory Capital in real terms (1.1% in real terms).



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



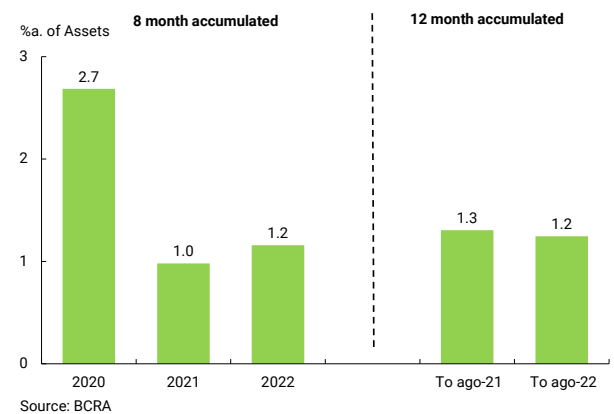
year, standing slightly above the figures observed in the same period of 2021 but below the values of the same period of 2020 (see Chart 11).

Considering the aggregate of the last 12 months up to August, the ensemble of financial institutions has accrued a ROA of 1.2% (-0.1 p.p. y.o.y.) and a ROE of 7.5% (-1 p.p. y.o.y.). In a year-on-year comparison of the sector's profitability accumulated in 12 months, there were higher expenses for interest paid and an increase in losses due to exposure to monetary items. These effects were almost entirely offset by higher income from securities.

value recorded in July (+23.2 p.p. y.o.y.). In turn, in August, the excess of regulatory capital stood at 37.8% of the stock of loans to the private sector net of provisions, at systemic level, well above the average of the last 10 years (16.5%).

Regarding the sector's profitability ratios, the financial system accrued a total comprehensive income in homogeneous currency equivalent to 1.2% annualized (a.) of assets (ROA) and to 6.8%a. of equity (ROE) in the aggregate of the first eight months of the

**Chart 11 | Financial system's total comprehensive income in homogeneous currency**



## V. Payment System

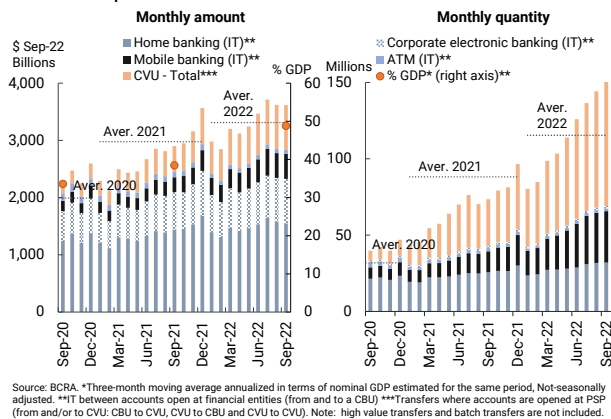
In September, instant transfers went up in number (+4.9%), but amounts remained virtually unchanged against August (measured in constant currency).<sup>11</sup> Instant transfers have accumulated a rise of 105.7% in number and of 24.7% in amount in real terms in the last 12 months. This performance was mainly driven by a widespread increase in the components, even though instant transfers involving accounts of Payment Service Providers –PSPs– from and/or to Uniform Virtual Codes (CVUs) have stood out.<sup>12</sup> Thus, these transactions continue to gain share in total instant transfers, and accounted for 54.3% in number (+12.6 p.p. y.o.y.) and 21.6% in amount (+6.1 p.p. y.o.y.).<sup>13</sup> It is estimated that the amount of instant transfers traded in the last

11 During September, the average amount of instant transfers between financial institutions was ARS41,000 and the average amount of instant transfers involving CVUs was ARS9,500.

12 Over the last year, these transactions increased 167.8% in number and 73.2% in amount in real terms.

13 Instant transfers between accounts opened at financial institutions (via CBU) expanded 61.2% y.o.y. in number and 15.7% y.o.y. in amount in real terms; in turn, the growth of transactions arranged via Mobile Banking was especially remarkable (+145.4% y.o.y. in number and +68.1% y.o.y. in amount in real terms).

**Chart 12 | Instant transfers**



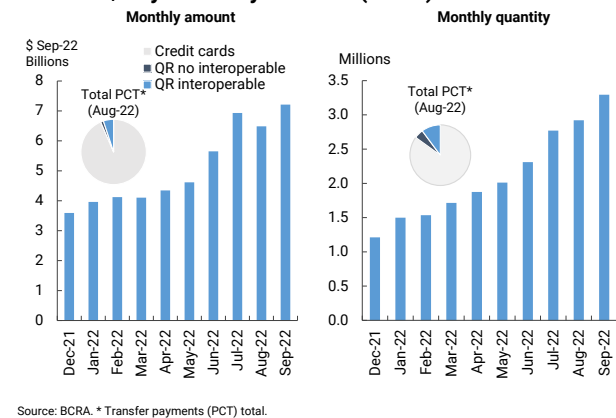
three months (annualized) accounted for 48.8% of GDP (+10.4 p.p. against the same month of 2021, see Chart 12).

In September, payments by transfer (PCTs) initiated via an interoperable QR code went up against the figure recorded in August, in both number and amount in real terms (+12.8% and +11.2%, respectively, see Chart 13). As of August (latest information available), the number of transactions accounted for 12.6% of total payments by transfer (5.1% in amount).<sup>14</sup>

In part due to seasonal factors, transactions with debit cards dropped in August against July: 8.6% in number and 16.4% in amount in real terms.<sup>15</sup> Nevertheless, purchases made via debit cards grew in year-on-year terms (+21.2% in number and +5.8% in amount in real terms). This performance was entirely accounted for by onsite transactions. It is estimated that transactions made via debit cards in the last three months (annualized) accounted for 8.4% of GDP (up 0.7 p.p. against the same month of 2021).

In September, the clearing of checks dropped against August, in both number (9.6%) and amount in real terms (4.5%), even though it increased in year-on-year terms (+2.5% and 8.2%, respectively). The share of transactions using electronic checks (ECHEQs) continued to go up in the total clearing of documents:<sup>16</sup> in September, they accounted for 31.5% in number (+11.1 p.p. y.o.y.) and 57.4% in amount (+12.4 p.p. y.o.y.).<sup>17</sup> It is estimated that the amount of checks cleared in the last three months (annualized) was equivalent to 27.4% of GDP (+1.9 p.p. y.o.y.). In turn, the ratio of bounced checks for insufficient funds in terms of total cleared checks stood at moderate levels (0.66% in number and 0.54% in amount), standing at values similar to those of August and at slightly higher values in a year-on-year comparison.

**Chart 13 | Payments by transfer (PCTs)**



14 During September, the average amount of a transaction via Payment by Transfer (PCT) with interoperable QR code was ARS2,200.

15 During August, the average amount of the transactions made via debit card was ARS3,400.

16 For further detail, see the [Monthly Report on Retail Payments](#).

17 During August, the average amount of the transactions made with physical and electronic checks was ARS254,000 and ARS745,500, respectively.