

# Report on Banks

August 2023



BANCO CENTRAL  
DE LA REPÚBLICA ARGENTINA

# Table of Contents

Page 3		Executive Summary
Page 4		I. Financial Intermediation Activity
Page 5		II. Aggregate Balance Sheet Evolution and Composition
Page 7		III. Portfolio Quality
Page 8		IV. Liquidity and Solvency
Page 9		V. Payment System

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*Published on October 25, 2023.*

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

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

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## Executive Summary

- Financial intermediation activities in domestic currency with the private sector contracted in August, in a context where the financial system has managed to keep high liquidity and solvency indicators, which are standing above the average of the last 10 years.
- The electronic means of payment continued exhibiting a remarkable performance. In August, there was an increase in instant transfers of funds (+4.3% in number and +3.8% in amount in real terms), in both transactions arranged exclusively between Uniform Banking Codes (CBUs) and transactions involving Uniform Virtual Codes (CVUs). There was also a rise in check clearing over the period (+10% month-on-month (m.o.m.) in number and +4.2% m.o.m. in amount in real terms), while transactions via electronic checks (ECHEQs) continued to gain ground and accounted for 39.8% of the total number of cleared checks and 65.2% of the amounts.
- The stock of loans in pesos to the private sector contracted 3.2% in August (-8.3% year-on-year (y.o.y.) in real terms.), and this evolution was widespread across all groups of institutions and credit lines. In order to continue promoting lending to small and medium-sized enterprises, the BCRA has recently extended the “Credit Line for Productive Investment (LFIP)” intended for Micro, Small and Medium-Sized Enterprises (MSMEs) until the closing date of the first quarter of 2024, keeping conditions similar to the ones currently in force. The estimated stock of loans under the LFIP stood at an amount equivalent to ARS1.9 trillion by the end of August, accounting for 12.5% of total financing to the private sector.
- The non-performing ratio of loans to the private sector stood at 3.2% in August, posting no significant changes against the figures recorded in July and in the same period of 2022. The delinquency ratio of lending to households stood at 3.1%, while the delinquency ratio of lending to companies reached 3.2%. The financial system’s provisioning levels remained relatively high in August, accounting for 3.9% of the total stock of loans to the private sector and for 123.3% of the non-performing portfolio of loans.
- In August, the stock of private sector deposits in pesos went down 3.9% in real terms against July (+1% y.o.y. in real terms), posting drops in the segments of sight accounts and time deposits. Recently, the BCRA raised to 133% the nominal annual percentage rate (APR) of 28-day LELIQS and also the minimum guaranteed nominal APR on time deposits in pesos made by natural persons for an amount of up to ARS30 million. For the remaining private sector time deposits in pesos, the minimum guaranteed nominal APR was set at 126%.
- In August, the financial system continued exhibiting high liquidity ratios. Liquid assets in a broad sense totaled 82.1% of deposits (81.2% in the segment in pesos and 86.4% in the segment in foreign currency), up 12.3 percentage points (p.p.) and up 26.6 p.p. against the figure recorded one year ago and against the average of the last 10 years, respectively.
- The financial system has managed to keep high solvency ratios, from a historical perspective and also in an international comparison. In August, the Regulatory Capital (RC) stood at 29.1% of risk-weighted assets (RWAs) at systemic level, up 0.6 p.p. and 1.8 p.p. against July and against the same period of 2022, respectively. Over the month, the financial system’s capital position (ASE minus the regulatory requirement) totaled 271% of the capital requirement, going up 7 p.p. against July and 24.3 p.p. y.o.y. This level of the indicator continued exceeding the average value of the last 10 years (138%).

- In the aggregate of the last 12 months up to August, the financial system has accrued a total comprehensive income (in homogeneous currency) equivalent to 3.7% of assets (ROA) and to 20.3% of equity (ROE).

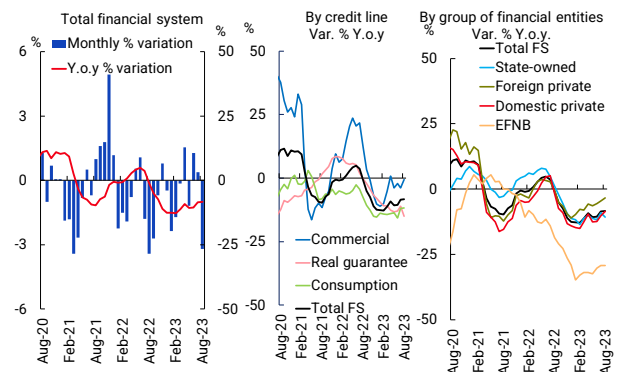
## I. Financial Intermediation Activity

The financial intermediation activities arranged by the institutions in pesos with the private sector contracted in August. Taking into account the most relevant movements of the aggregate financial system's balance sheet for the items in pesos (at constant prices), there was a decrease in lending to both the private and the public sectors, accompanied by an increase in public sector's deposits over the month. In turn, the stock of liquidity in a broad sense went up in real terms (mainly due to repo transactions), while the stock of private sector deposits in pesos went down in real terms.<sup>1</sup>

The stock of loans in pesos to the private sector went down 3.2% in real terms in August (see Chart 1). This monthly performance was widespread across all groups of institutions and stock of financing in domestic currency to the private sector has dropped 8.3% in real terms.

In order to continue promoting lending to small and medium-sized enterprises amid a challenging context, the BCRA has recently extended the "Credit Line for Productive Investment (LFIP)" intended for Micro, Small and Medium-Sized enterprises (MSMEs) until the closing date of the first quarter of 2024, keeping conditions similar to the ones currently in force.<sup>3</sup> In this context, over ARS7.9 trillion has been disbursed under this tool, from its launch

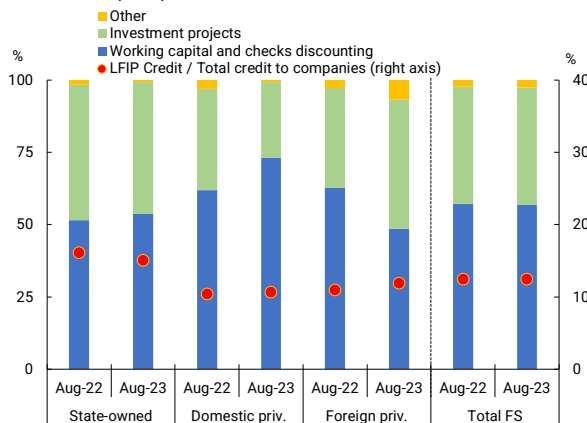
**Chart 1 | Stock of loans in pesos to the private sector**  
In real terms\*



\*Not seasonally adjusted. Commercials include overdraft, promissory notes and leasing. Real guarantee: mortgages and pledge-backed. Consumption: Personal and credit cards. Capital adjustments are included in each segment. The total also includes accrued interest. Source: BCRA

credit lines.<sup>2</sup> In a year-on-year comparison, the

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



Source: BCRA

1 Upon considering the segment in foreign currency, the main monthly changes were a reduction in the stock of deposits (in both the private and the public sectors), and also a contraction of liquidity and of financing to the public sector. In turn, within the framework of the "Export Increase Program", in August, there was a decrease in the stock of deposits in real terms with variable yield based on the evolution of the foreign exchange rate. On the other hand, a drop was observed in the institutions' holdings of BCRA Internal Bills in US dollars and payable in pesos according to the Benchmark Exchange Rate (LEDIV) at zero interest rate.

2 Including capital adjustments and accrued interest.

3 On this occasion, the financial institutions participating in this credit line must keep a stock of financing within this line equivalent to, at least, 7.5% of the non-financial private sector deposits in pesos, calculated on the basis of the monthly averages of their daily stocks as of September 2023. See Communication "A" 7848 and Press Release of September 28, 2023.

in October 2020 to late September 2023. As of August (latest information available), the stock of loans under the LFIP has totaled ARS1.9 trillion, accounting for 12.5% of the total stock of financing to the private sector, a level similar to that of August 2022 (see Chart 2).

In August, the stock of loans in foreign currency went up slightly (0.8%) against July, mainly driven by foreign private financial institutions.<sup>4</sup> In this context, the total stock of financing (in domestic and foreign currency) to the private sector contracted 1.7% in real terms over the month and 6.5% in real terms in a year-on-year comparison.

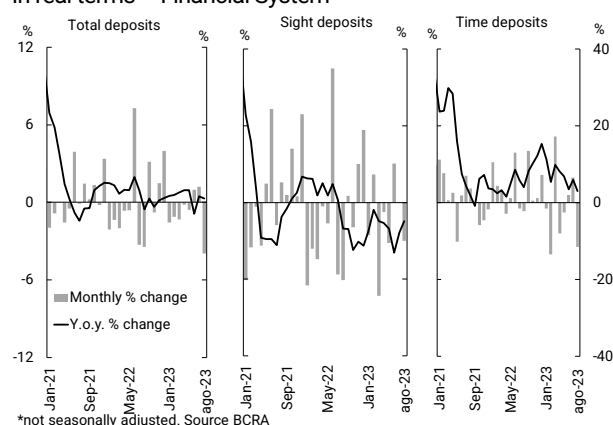
Regarding the ensemble of financial institutions' funding, the stock of private sector deposits in pesos dropped 3.9% in real terms in August against July, posting a year-on-year increase of 1% and exhibiting a greater relative momentum of time deposits (3.1% y.o.y. in real terms) (see Chart 3).<sup>5</sup>

For the purpose of limiting the financial volatility observed during the electoral period and in order to promote positive yields in real terms on investment in pesos, the BCRA has recently raised to 133% the nominal annual percentage rate (APR) of 28-day LELIQs and the minimum guaranteed nominal APR on time deposits made by natural persons for up to ARS30 million.<sup>6</sup> For the remaining private sector time deposits, the minimum guaranteed nominal APR was set at 126%.

Regarding the segment in foreign currency, the stock of private sector deposits in this denomination contracted 3.5% in August.<sup>7</sup> In this context, the total stock of private sector deposits (in domestic and foreign currency) dropped 2% in real terms over the period.

In a year-on-year comparison, the total stock of deposits (considering all currencies and sectors) went up 2.7% in real terms over the last 12 months.

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



## II. Aggregate Balance Sheet Evolution and Composition

In August, the financial system's total stock of assets did not post significant changes, recording an expansion in state-owned and foreign private institutions and a contraction in domestic private banks and non-banking financial institutions (see Chart 4). In year-on-year terms, the sector's

4 Expressed in currency of origin.

5 If deposits with a variable yield based on the evolution of the exchange rate (see Footnote 1) were excluded, the stock of deposits in pesos in real terms would have gone down 3.8% over the month.

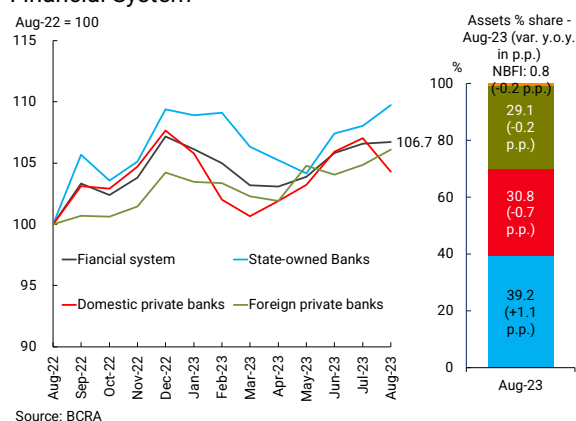
6 See [Press Release](#) of October 12, 2023 and Communication "A" [7862](#).

7 Expressed in currency of origin.

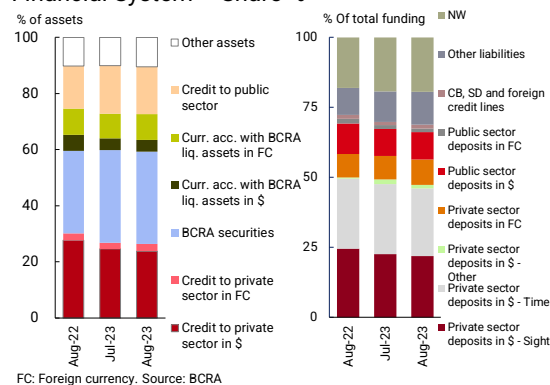
total stock of assets has gone up 6.7% in real terms and has shown a relatively higher growth in state-owned banks, which resulted in an increase in their share in total assets at systemic level.

Regarding the components of the financial system’s total assets, there were no significant changes in August against July. In a year-on-year comparison, there was an increase in the share of BCRA’s instrument holdings in total assets. These instruments have served as a mechanism for monetary sterilization in a context of a higher financing by the BCRA to the National Treasury because of the various social aid programs implemented by the National Executive Branch. The measures adopted by the Central Bank have intended to preserve the purchasing power of saving by establishing minimum interest rates to remunerate depositors<sup>8</sup> (see Chart 5). As regards the items that make up the financial system’s funding, there was an increase in the share of private sector deposits in foreign currency and of net worth over the month, accompanied by a decrease in the relative share of private sector deposits in pesos, including both sight accounts and time deposits (see Chart 5). In year-on-year terms, both net worth and private sector deposits in foreign currency have gained share.

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



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



In August, the estimated differential between assets and liabilities in foreign currency<sup>9</sup> of the aggregate financial system stood at 39.4% of the Regulatory Capital (RC), standing slightly above the figure recorded in July (+13.1 p.p. y.o.y.). In particular, financial intermediation activities of the ensemble of institutions with the private sector in foreign currency stood at limited levels and did not entail a mismatch for the financial system. This has occurred in the context of the macroprudential measures adopted since 2022. For example, especially remarkable is the regulation that limits the lending capacity of deposits in foreign currency exclusively to debtors whose income has a correlation with the exchange rate, added to the regulation that establishes that the lending capacity derived from deposits in foreign currency not applied to loans must be kept in accounts available at the BCRA. As of August 2023, private sector deposits in foreign currency accounted for only 9.1% of the financial system’s total funding, while loans to the private

<sup>8</sup> See [Press Release](#) of October 9, 2023.

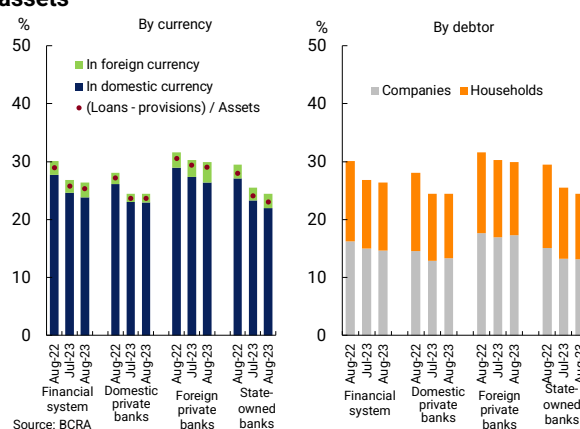
<sup>9</sup> Including purchase and sale forward transactions in foreign currency, classified as off-balance. The deposits subject to a variable yield based on the evolution of the exchange rate (associated with the Export Increase Program) are included in liabilities, while BCRA’s LEDIVs are included in assets.

sector accounted for 2.6% of total assets, and liquidity in foreign currency stood at 9.3% of total assets. In turn, it is estimated that the mismatch of the items in pesos adjusted by CER (and denominated in UVA) stood at 62.4% of ASE over the period for the aggregate financial system, down 3.8 p.p. against July (+8.5 p.p. y.o.y.).

### III. Portfolio Quality

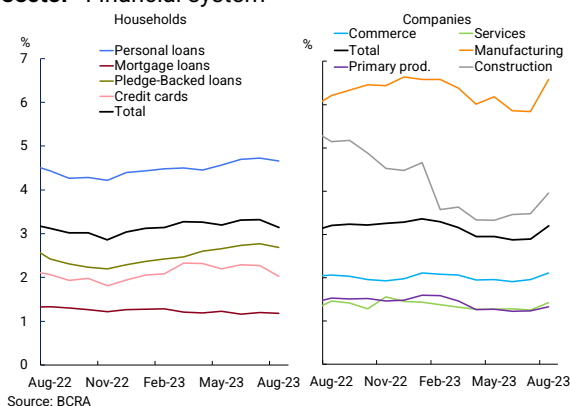
In August, the share of the total stock of loans to the private sector in the aggregate financial system's assets stood at 26.4%, down 0.5 p.p. against July (see Chart 6). In relation with financing in pesos, this indicator accounted for 23.8% over the period (-0.8 p.p. m.o.m.), while the share of lending to the private sector in foreign currency stood at 2.6% of assets (+0.3 p.p. m.o.m.). In August, the aggregate financial system's stock of loans to the private sector net of provisions stood at 25.3% of assets (-0.5 p.p. over the month).

**Chart 6 | Stock of loans to the private sector in terms of assets**

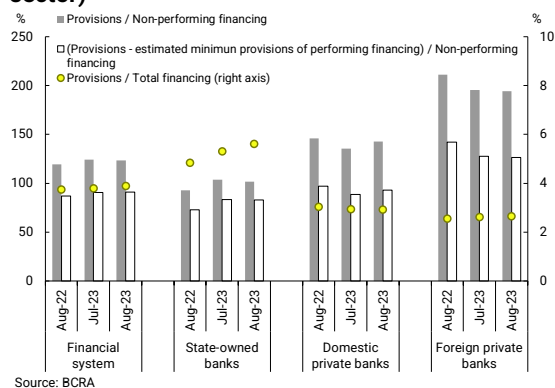


The non-performing ratio of loans to the private sector totaled 3.2% in August, posting no significant changes against the value recorded in July (+0.1 p.p.) and standing in line with the level recorded one year ago. The delinquency ratio of loans to households contracted slightly over the period (-0.2 p.p.) down to 3.1%, with drops in the ratios for most credit lines (see Chart 7). In turn, the delinquency ratio of lending to companies went up over the month, standing at around 3.2% (+0.3 p.p.), mainly due to the performance of loans to the industrial sector and the construction business (see Chart 7).

**Chart 7 | Non-performing ratio of loans to the private sector- Financial system**



**Chart 8 | Stock of loans and provisions (private sector)**



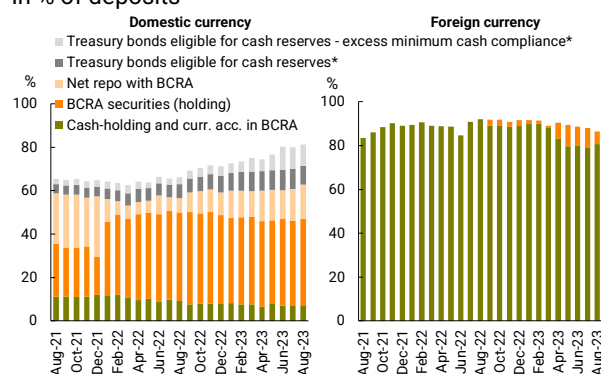
In August, the aggregate financial sector's provisioning has continued to stand at relatively high levels. The stock of accounting provisions of the financial system stood at 3.9% of the total stock of

loans to the private sector, posting no significant changes in the last 12 months (see Chart 8). In turn, the stock of provisions accounted for 123.3% of the non-performing portfolio of loans at systemic level, down 0.9 p.p. against the value of July and up 3.9 p.p. against the level recorded one year ago. In turn, the stock of provisions attributable to the non-performing portfolio of loans accounted for 90.9% of such portfolio over the period.<sup>10</sup>

## IV. Liquidity and Solvency

In August, the financial system continued to exhibit high liquidity ratios. The sector's liquid assets in a broad sense<sup>11</sup> accounted for 82.1% of total deposits over the period (81.2% for the items in pesos and 86.4% for the items in foreign currency), up 0.8 p.p. against late July (+1.2 p.p. for the ratio in pesos and -1.6 p.p. for the ratio in foreign currency, see Chart 9).<sup>12</sup> Regarding the components of liquidity in domestic currency, between ends of month, there was an increase in the share of repo transactions with the BCRA, accompanied by a reduction in the stock of the National Treasury's instruments admissible for compliance with the Minimum Cash requirement. In year-on-year terms, the financial system's broad liquidity ratio went up 12.3 p.p. (+15.1 p.p. for the segment in pesos and -5.6 p.p. for the segment in foreign currency).

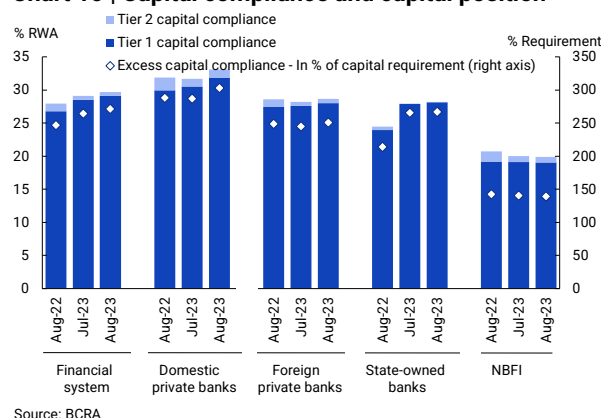
**Chart 9 | Financial system's liquidity**  
In % of deposits



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

The ensemble of financial institutions' solvency ratios continued to stand at high levels. In August, the Regulatory Capital (RC) stood at 29.7% of risk-weighted assets (RWAs) at systemic level, up 0.6 p.p. and 1.8 p.p. against last month and against the same period of 2022, respectively (see Chart 10). Tier 1 capital (with a greater capacity to absorb potential losses) accounts for the Regulatory Capital (RC) almost entirely (98%), and this is a typical feature of the financial sector. In an international comparison, the domestic financial system stands at levels that are quite above the levels of most countries, including emerging and developed economies

**Chart 10 | Capital compliance and capital position**



Source: BCRA

<sup>10</sup> Total provisions net of the minimum regulatory provisions for debtors' categories 1 and 2, according to the criteria set by the rules on regulatory minimum provisions for loan loss exposure.

<sup>11</sup> It considers liquid assets, BCRA instruments in domestic and foreign currency and all sovereign bonds admitted for compliance with the minimum cash requirement.

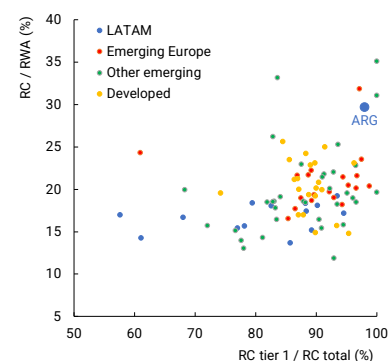
<sup>12</sup> The liquidity ratio stood at 55.5% for the average of the last 10 years and at 50.8% for the average of the last 15 years.



(see Chart 11). Over the period, the capital position (ASE minus the capital requirement) of the financial system stood at 271% of the regulatory requirement (+7 p.p. m.o.m. and +24.3 p.p. y.o.y.) and at 46% of the stock of loans to the private sector net of provisions (+2.5 p.p. m.o.m. and +8.3 p.p. y.o.y.).

Regarding the financial sector's profitability, the aggregate financial system has accrued a total comprehensive income in homogeneous currency equivalent to 3.7% of assets (ROA) and 20.3% of equity (ROE), with increasing levels on the margin, in the last 12 months. This increase in the profitability accrued was mainly accounted for by a higher financial margin, which was partially offset by higher losses due to exposure to monetary items and to tax expenditure, among other concepts.

**Chart 11 | Capital compliance**  
International comparison – Financial systems

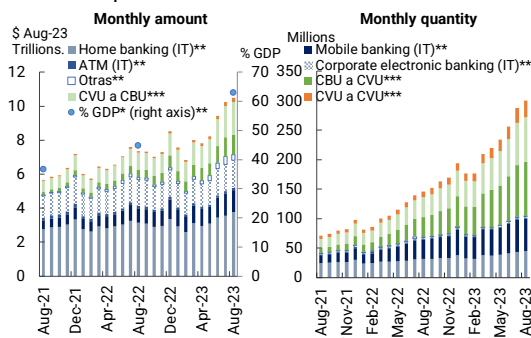


Source: BCRA y IMF

## V. Payment System

In August, instant transfers continued to be on the rise and posted an increase of 4.3% in number and 3.8% in amount in real terms. This performance was observed across most of their components. In particular, instant transfers between accounts held at financial institutions grew 1.7% in number and 3.6% in amount in real terms.<sup>13</sup> In turn, instant transfers arranged between accounts held at financial institutions and accounts with Payment Service Providers (PSPs) also went up in number and in amount in real terms over the month.<sup>14</sup> Lastly, the segment of instant transfers exclusively arranged between accounts with PSPs –Uniform Virtual Code (CVU) to CVU– grew 9.4% in number and 10.7% in amount in real terms over the month.<sup>15</sup> In fact, the number of instant transfers has more than doubled in year-on-year terms (+107.2%). This evolution has been mainly driven by transactions involving the interaction between accounts held

**Chart 12 | Instant Transfers**



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

13 In August 2023, instant transfers between CBUs (excluding transfers made between accounts of the same financial institution) accounted for 34.6% of the total number of instant transfers (67.1% of the total amount). In this segment, the transactions made via Mobile Banking went up 0.2% in number (-1.7% in amount in real terms), transactions via Online Banking grew 3.5% in number (6% in amount in real terms), while transactions arranged via Corporate Electronic Banking went up 6.7% in number (3.3% in amount in real terms) and transactions via ATMs dropped 1.5% in number (-4.5% in amount in real terms).

14 In August 2023, instant transfers from CBU to CVU accounted for 30.6% of the total number of instant transfers (11.5% of the total amount) and instant transfers from CVU to CBU accounted for 25.4% of the number of these transfers (18.9% of the total amount). Over the month, the number of transfers from CBU to CVU grew 4.5% (3.5% in amount in real terms) and transfers from CVU to CBU went up 6.1% in number (4% in amount in real terms).

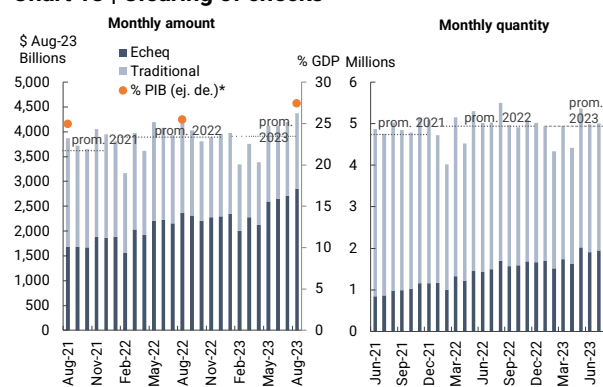
15 Over the month, instant transfers between CVUs (excluding transfers made between accounts of the same PSP) accounted for 9.3% of the total number of instant transfers (2.6% of the total amount).

at financial institutions and accounts with PSPs, and by the segment of transfers exclusively arranged between accounts with PSPs.<sup>16</sup> It is estimated that the amount transacted via all instant transfers in the last three months (annualized) accounted for 62.8% of GDP, up 18.1 p.p. against the same month of 2022 (see Chart 12).<sup>17</sup>

In August, the clearing of checks went up 10% in the number of transactions and 4.2% in amount in real terms.<sup>18</sup> Keeping things in perspective, electronic checks (ECHEQs) have continued to grow remarkably, reaching year-on-year rates of around 28.8% in number and 20.4% in amount in real terms. As a result, there was an increase in the share of ECHEQs in the total clearing of checks, since they accounted for 39.8% in number and 65.2% in amount in August (see Chart 13). It is estimated that the total amount of cleared checks in the last three months (annualized)

was equivalent to 27.4% of GDP (+1.9 p.p. y.o.y.). On the other hand, the bouncing of checks for insufficient funds in terms of total cleared checks went down over the month, in both number and amount in real terms (-0.16 p.p. and -0.14 p.p.), standing at levels lower than the average of 2023.

**Chart 13 | Clearing of checks**



Fuente: Source: BCRA. \*Three-month moving average annualized in terms of nominal GDP estimated for the same period. Not-seasonally adjusted.

16 Against the same period of 2022, transfers between CBUs have grown 52.2% (20.5% in amount in real terms), transfers from CBU to CVU have gone up 174% in number (162% in amount in real terms), transfers from CVU to CBU have risen 126.8% in number (92.6% in amount in real terms) and transfers between CVUs have jumped 198% in number (197.6% in amount in real terms).

17 In August, the average transaction made via instant transfers stood at around ARS34,000 (ARS66,000 for instant transfers between CBUs, ARS9,300 for instant transfers between CVUs, ARS12,700 for transfers from CBU to CVU, and ARS25,300 for transfers from CVU to CBU).

18 Over the month, the average cleared check reached ARS794,000 (physical checks average = ARS459,300, and ECHEQs average = ARS1,301,000).