

Report on Banks

November 2022



BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

Table of Contents

Page 3		Executive Summary
Page 4		I. Financial Intermediation Activity
Page 6		II. Aggregate Balance Sheet Evolution and Composition
Page 7		III. Portfolio Quality
Page 8		IV. Liquidity and Solvency
Page 9		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.

Published on January 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

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

For comments and inquiries: 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 November, financial intermediation activities with the private sector grew slightly, within a context of high solvency and liquidity margins.
- Instant transfers went up significantly throughout 2022 (99.8% year-on-year (y.o.y.) in number and 18.2% y.o.y. in amount in real terms), and this evolution was widespread across all their components. In terms of instant transfers via channels (Uniform Banking Codes (CBUs) to CBUs), especially remarkable were the transactions made via Mobile Banking. Regarding instant transfers involving accounts of Payment Service Providers –PSPs– from and/or to Uniform Virtual Codes (CVUs), there was a remarkable year-on-year momentum in the transactions from financial institutions to PSPs (CBUs to CVUs). In addition, payments by transfer (PCTs) initiated via interoperable QR codes also exhibited a remarkable performance during 2022: 510.6% y.o.y. in number and 375.2% y.o.y. in amount in real terms. Regarding transactions traded by checks, electronic checks (ECHEQs) have gained ground throughout the year and accounted for 57.9% of the total cleared value in December 2022, going up 10.6 percentage points (p.p.) y.o.y. (33.1% in terms of number, +10.3 p.p. y.o.y.).
- In November, the stock of loans to the private sector in pesos went up 0.8% in real terms (+5.7% in nominal terms), exhibiting a positive performance in most credit lines. The “Credit Line for Productive Investment (LFIP)” of Micro, Small and Medium-Sized Enterprises (MSMEs) continued to be the main instrument promoted by the BCRA to provide loans to MSMEs under favorable conditions, with disbursements close to ARS3.9 trillion until December 2022 (ARS1.2 trillion in terms of stock –14.5% of the total stock of loans to the private sector), benefitting nearly 362,000 companies. In year-on-year terms, the stock of financing in pesos accumulated an 11% drop in real terms.
- The stock of private sector deposits in pesos rose 1.5% in real terms (+6.4% in nominal terms), posting increases in both sight accounts and time deposits. The stock of private sector deposits in domestic currency in real terms posted no significant changes against the values recorded one year ago (+0.5% y.o.y. in real terms or +93.4% y.o.y. in nominal terms).
- In November, the non-performing ratio of loans to the private sector continued to stand at 3.1% at systemic level, without exhibiting significant changes against October and standing 1.5 p.p. below the value recorded one year ago. In November, the total stock of provisions of the ensemble of financial institutions accounted for 4% of the total financing to the private sector (remaining unchanged over the month and standing at -1.2 p.p. y.o.y.) and for 130.4% of the non-financing portfolio of loans (+3.7 p.p. month-on-month (m.o.m.) and +18.3 p.p. y.o.y.).
- The financial system’s liquid assets in a broad sense accounted for 73.5% of deposits in November, in line with the value recorded in October and up 5 p.p. against the figure recorded one year ago.
- In November, the aggregate financial system’s solvency ratios increased slightly. The Regulatory Capital (RC) of the ensemble of institutions stood at 29.5% of risk-weighted assets (RWAs), up 0.2 against the value recorded in October (+3.8 p.p. y.o.y.). The capital position –ASE minus the minimum regulatory requirement– totaled 267% of the regulatory requirement at systemic level (up 2.6 p.p. against October and +50.8 p.p. y.o.y.) and 41.6% of the total stock of loans to the private sector net of provisions.
- In the aggregate of the year up to November 2022, the financial system’s profitability stood at 1.7% annualized (a.) of assets (ROA) and at 9.9%a. of equity (ROE), standing at higher levels in year-on-year terms but at lower levels if compared to the same period of 2020.

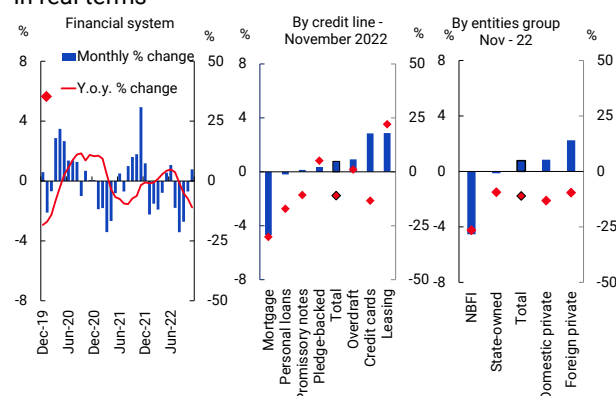
I. Financial Intermediation Activity

The financial intermediation activity in pesos with the private sector went up slightly in November. Taking into account the most relevant movements (in homogenous currency) of the financial system’s balance sheet for the items in pesos, there was a decrease in the stock de financing to the public sector, accompanied by an increase of private sector deposits. In turn, there was a rise of liquidity in a broad sense and in the stock of loans to the private sector, accompanied by a decrease in public sector deposits. Regarding the items in foreign currency, the stock of both private and public sector deposits as well as financing to the public sector were on the rise in November.

In November, the stock of loans in pesos to the private sector rose 0.8% in real terms (+5.7% in nominal terms), mainly driven by the performance of private financial institutions (see Chart 1).¹ Financing via assets under financial lease, cards and overdrafts posted the highest relative increases over the month. In a year-on-year comparison, the stock of lending in pesos has gone down 11% in real terms, with widespread drops across the various groups of financial institutions.

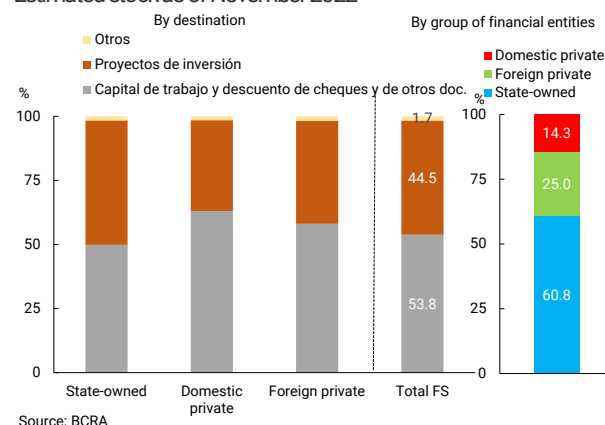
Under the “Credit Line for Productive Investment (LFIP)” of MSMEs, the main instrument promoted by the BCRA to provide credit to these enterprises under favorable conditions, around ARS\$3.9 trillion have been disbursed from its launch to December 2022, benefitting nearly 362,000 companies. In terms of stock, the estimated financing provided under the LFIP totaled ARS1.2 trillion as of November (accounting for 14.5% of the total stock of loans provided to the private sector), while 44.5% of this total was intended for investment projects (see Chart 2). As of November, stated-owned financial institutions accounted for over 60% of the estimated total loans provided under the LFIP.

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



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

Chart 2 | Credit Line for Productive Investment (LFIP) of MSMEs –
Estimated stock as of November 2022



Source: BCRA

Taking into account the results of the latest Survey on Credit Conditions (ECC),² the intermediation activity with the private sector during the last quarter of 2022 was carried out in a

¹ Including capital adjustments and accrued interest.

² For further detail, see the [Survey on Credit Conditions \(ECC\) corresponding to the fourth quarter of 2022](#).

context where no significant changes were observed in the supply of loans to companies (a trend that would continue in the first quarter of 2023), while the demand from this sector continued to decline (no significant changes are expected for early 2023). Regarding loans to households, credit supply eased slightly in the lines for consumption purposes during the fourth quarter of 2022 (and this bias would continue at the beginning of 2023). In turn, there was an increase in the perceived demand for credit intended for households' consumption (a trend that would be sustainable in early 2023).

Over the month, private sector lending in foreign currency shrank 1.6% against October.³ Given the low weight of the financing in foreign currency to the private sector, the total stock of loans in real terms (in domestic and foreign currency) to the private sector went up 0.7% (+5.6% in nominal terms), contracting 12.3% in real terms in a year-on-year comparison (+68.7 % y.o.y. in nominal terms).

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

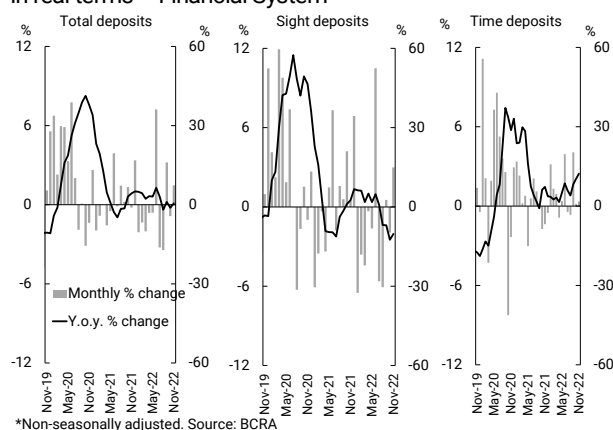
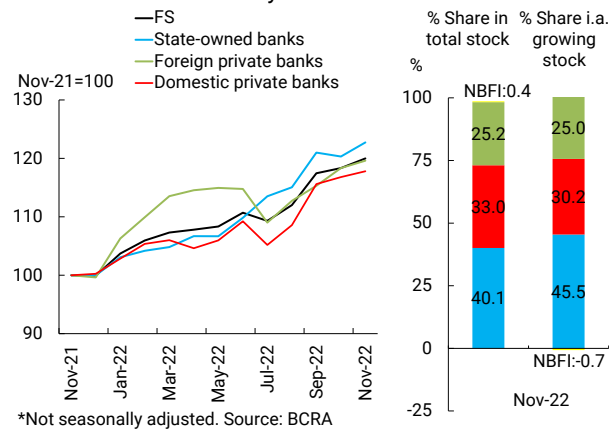


Chart 4 | Stock of private sector time deposits in pesos
In real terms* - Financial System



Regarding the ensemble of financial institutions' funding, the stock of deposits in pesos increased 1.5% in real terms (+6.4% in nominal terms, see Chart 3) over the month. Sight accounts rose 3% in real terms (+8% in nominal terms) in November. In turn, time deposits grew 0.4% in real terms (+5.3% in nominal terms), posting increases in time deposits (see Chart 4) and drops in time investments. In particular, traditional time deposits (at a fixed interest rate) continued to exhibit a positive monthly performance and grew 1.8% in real terms against October (+6.8% in nominal terms) and 19.6% y.o.y. in real terms (+130% y.o.y. in nominal terms). On the other hand, the stock of deposits denominated in UVA decreased 5.1% in real terms over the month (-0.5% in nominal terms), posting a 27.3% rise in real terms in a year-on-year comparison (+144.9% y.o.y. in nominal terms).

In order to continue fostering saving in domestic currency and encouraging the use the digital tools, the BCRA decided to create the Electronic Certificate for Time Deposits and Investments (CEDIP).⁴ This instrument will increase the benefits of time deposits and investments made through Online Banking and Mobile Banking, thus streamlining their division and transfer.

³ Expressed in currency of origin.
⁴ Communication ["A" 7672](#)

The stock of private sector deposits in foreign currency went up 2.3% in November, posting increases in both sight accounts and time deposits.⁵ In this context, private sector total deposits (in domestic and foreign currency) rose 1.8% in real terms over the period (+6.8% in nominal terms), posting a 1.9% drop in real terms in a year-on-year comparison (+88.7% y.o.y. in nominal terms).

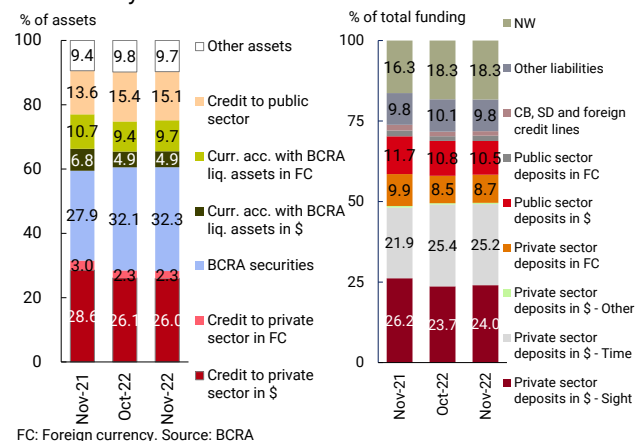
The stock of private sector deposits in pesos in real terms did not post significant changes against the level recorded one year ago (+0.5% y.o.y. in real terms or +93.4% y.o.y. in nominal terms). In turn, public sector deposits in pesos have accumulated a drop of 12.6% y.o.y. in real terms (+68% y.o.y. in nominal terms). When considering all sectors, deposits in domestic currency dropped 1.3% y.o.y. in real terms (+89.9% y.o.y. in nominal terms). Thus, total deposits (all currencies and sectors) fell by 3.2% y.o.y. in real terms (+86.2% y.o.y. in nominal terms).

II. Aggregate Balance Sheet Evolution and Composition

In November, the financial system’s total assets grew 1.4% in real terms (+6.3% in nominal terms), and this performance was widespread across all groups of banking financial institutions. In year-on-year terms, the financial system’s total assets have dropped 2.2% in real terms (+88.1% in nominal terms).

Regarding the components of the ensemble of institutions’ total assets, there was a slight increase in the relative share of the balance of the current accounts held by the institutions at the BCRA in foreign currency and of BCRA’s instruments in domestic currency over the month. In turn, there was a slight drop in the relative share of lending to the public sector and of loans in pesos to the private sector (see Chart 5). In terms of the most relevant components of the aggregate financial system’s total funding, an increase was observed over the month in the relative share of the private sector sight accounts in pesos and of deposits in foreign currency of both the public and the private sectors. In turn, there was a slight decrease in the relative share of public sector deposits in domestic currency and private sector time deposits in the same denomination in total funding during November (see Chart 5).

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



⁵ Expressed in currency of origin.

dual currency.⁶ In this context, the aggregate financial system's differential between assets and liabilities in foreign currency went up 3.7 p.p. of the regulatory capital over the month to 29.2% (+16.3 p.p. y.o.y.).⁷ In turn, the positive differential between assets and liabilities with capital adjustment by CER (or denominated in UVA) estimated for the ensemble of institutions shrank 4.9 p.p. of the Regulatory Capital (RC) in November, to 50.3% (-15.4 p.p. y.o.y.).

III. Portfolio Quality

The financial system's gross exposure to the private sector contracted slightly in November. Loans to the private sector (including domestic and foreign currency) stood at 28.3% of assets over the month, down 0.2 p.p. against the value of October and down 3.3 p.p. against the same period of 2021 (see Chart 6). Considering financing in pesos only, this ratio stood at 26% in November (-0.2 p.p. m.o.m. and -2.6 p.p. y.o.y.), while the share of lending to the private sector in foreign currency in the financial system's total assets stood at 2.3% (posting no changes over the month and standing at -0.7 p.p. y.o.y.). The aggregate financial system's stock of loans to the private sector net of provisions accounted for 27.1% of assets over the month, down 0.2 p.p. and 2.7 p.p. against the record of October and against the same period of 2021, respectively.

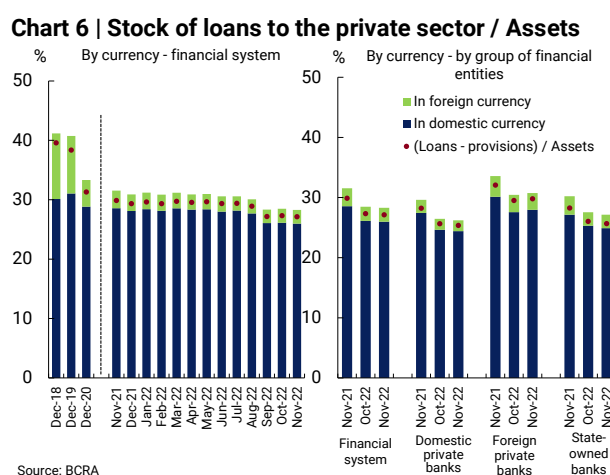
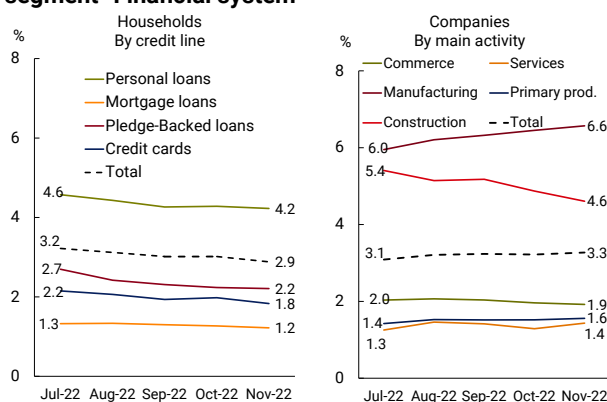


Chart 7 | Non-performing ratio of loans by debtor segment- Financial system



In November, the non-performing ratio of loans to the private sector continued to stand at 3.1% at systemic level, without exhibiting relevant changes against October. In a context where the sector's delinquency ratio has remained relatively stable since July, a breakdown by debtor segment shows a slight increase in the ratio of the corporate portfolio of loans and a slight reduction in the portfolio of loans to households. The non-performing ratio of companies totaled 3.3%, up 0.18 p.p. against the value recorded in July, mainly due to firms involved in the industrial sector and, to a lesser

extent, to service companies (see Chart 7). On the other hand, the delinquency ratio of households reached 2.9%, down 0.34 p.p. against July, and the reduction was widespread across all types of

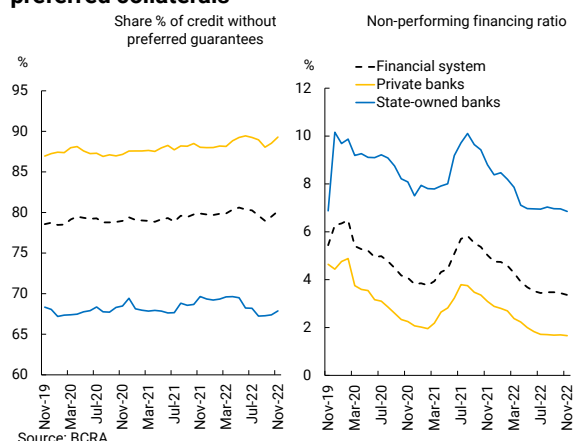
6 For further detail, see [result of the conversion](#).

7 Including purchase and sale forward transactions in foreign currency, classified as off-balance. The deposits from the agricultural sector subject to a variable return based on the evolution of the exchange rate are included in liabilities.

credit lines (see Chart 7). In year-on-year terms, the non-performing ratio of loans to the private sector contracted 1.5 p.p. (-1.6 p.p. in the case of lending to companies and -1.4 p.p. in the case of loans to households).

The percentage of loans without preferred collaterals⁸ stood at 80.2% at systemic level over the month, up 0.7 p.p. and up 0.3 p.p. against October and in a year-on-year comparison, respectively (see Chart 8). An analysis by homogenous group of financial institutions has shown that private banks have a higher proportion of credits without preferred collateral. The delinquency ratio of this type of financing reached 3.4% at aggregate level (1.7% for private banks and 6.9% for state-owned banks), remaining unchanged over the month and standing 1.7 p.p. below the figure recorded one year ago.

Chart 8 | Stock of loans to the private sector without preferred collaterals

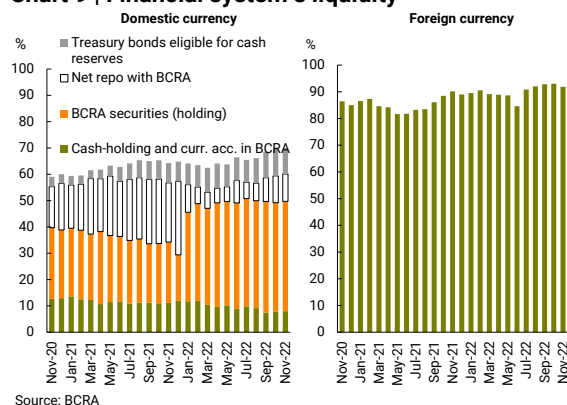


In November, total provisions accounted for 4% of the total stock of lending to the private sector for the ensemble of financial institutions (without significant changes over the month and -1.2 p.p. y.o.y.) and for 130.4% of the non-performing portfolio of loans (+3.7 p.p. m.o.m. and +18.3 p.p. y.o.y.). 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 96.7% of the non-performing portfolio at systemic level.

IV. Liquidity and Solvency

In November, the financial system's liquid assets in a broad sense accounted for 73.5% of deposits, in line with the value recorded in October. A breakdown by currency shows that the ratio for the items in pesos stood at 70%, and the ratio for the items in foreign currency stood at 91.9% (+0.2 p.p. and -1.2 p.p. m.o.m. respectively, see Chart 9). Regarding the components of liquidity in domestic currency and between ends of month, there was an increase in the share of BCRA's instrument holdings, accompanied by

Chart 9 | Financial system's liquidity



⁸ Collateral received by financial institutions to secure their credits are divided into two types: "Preferred A" collaterals consisting in bonds or securities which are assigned or pledged by solvent third parties or traded in the secondary market to secure full repayment, and "Preferred B" collaterals consisting in real property rights on third parties' assets and liabilities so as to ensure that the institution will have funds available for the cancellation of the obligation assumed by the client. For further detail, see [Consolidated Text on Collaterals](#).

a decrease in the relative share of the National Treasury's instruments admissible for compliance with the Minimum Cash Requirement. In a year-on-year comparison, broad liquidity (in pesos and in foreign currency) went up by 5 p.p. of total deposits.

In the eleventh month of the year, there was a slight increase in the sector's solvency indicators. The Regulatory Capital (RC) of the ensemble of financial institutions accounted for 29.5% of risk-weighted assets (RWAs), up 0.2 p.p. against the value recorded in October (+3.8 p.p. y.o.y., see Chart 10). Tier 1 Capital, with a greater capacity to absorb potential losses, accounted for 96.5% of ASE. In turn, the capital position –ASE minus the minimum regulatory requirement, before calculating the additional capital buffers– totaled 267% of the regulatory requirement at systemic level (up 2.6 p.p. against October and +50.8 p.p. y.o.y.) and 41.6% of the total stock of loans to the private sector net of provisions, standing quite above the average of the last 10 years (17.3%).

Regarding the sector's internal generation of capital, the financial system continues to keep positive profitability ratios. Considering the aggregate of the year up to November 2022, the financial system's ROA stood at 1.7% annualized (a.), while the ROE stood at 9.9%a.; these levels are higher in year-on-year terms but lower than those of the same period of 2020 (see Chart 11). The year-on-year performance of the accrued profitability was mainly due to the effect of a higher income from securities and from interest. Nevertheless, these effects were offset in part by higher expenses for interest, losses due to exposure to monetary items and lower premium for repo transactions.

V. Payment System

Instant transfers have continued to be significantly on the rise. Taking data as of December 2022, the number of instant transfers went up 14.2% against November (17.7% in amount in real terms). Consequently, the number of instant transfers has virtually doubled in a year-on-year comparison (18.2% y.o.y. in amount in real terms). The momentum exhibited throughout the year resulted from the widespread increase of their components. Within the instant transfers made from a Uniform Banking Code (CUB) to another CUB, especially remarkable were the transactions

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

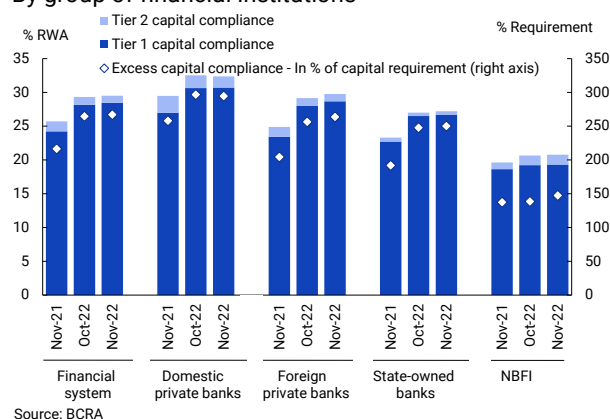
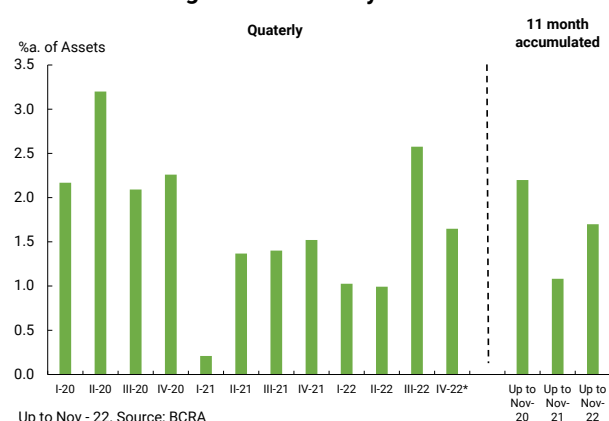
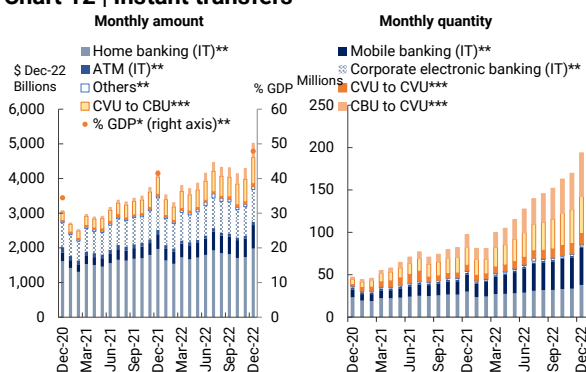


Chart 11 | Financial system's total comprehensive income in homogeneous currency



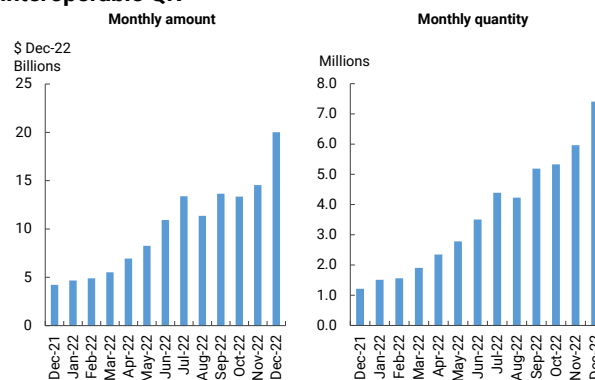
made via the Mobile Banking (+60% y.o.y. in real terms and +3.5 p.p. y.o.y. in terms of their share in total instant transfers, considering the amounts). As to instant transfers involving accounts of Payment Service Providers –PSPs– from and/or to Uniform Virtual Code (CVU), a remarkable momentum was observed in transactions from financial institutions to PSPs (CBU to CVU): +125.4% y.o.y. in real terms and +4 p.p. y.o.y. in terms of their share in total instant transfers, considering the amounts. It is estimated that the amount of instant transfers traded in the last three months (annualized) accounted for 47.9% of GDP (up 6.4 p.p. against the same month of 2021, see Chart 12).⁹

Chart 12 | Instant transfers



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

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



Source: BCRA.

In December, payments by transfer initiated via interoperable QR codes were on the rise against November, in terms of both number and amount in real terms (+24.2% and +37.7%, respectively). One year after the implementation of this type of transactions, this payment method has exhibited a remarkable performance, posting an increase of 510.6% and 375.2% in real terms in number and amount, respectively (see Chart 13).¹⁰

In November and due in part to seasonal factors, transactions traded with debit cards dropped against October (1.2% in number and 1.5% in amount in real terms). In a year-on-year comparison, purchases with debit cards grew in number (+15.5%) but remained virtually unchanged in amount in real terms. Throughout 2022, there was an increase in onsite transactions, mainly due to the lifting of restrictions that had been adopted in the context of the health emergency. It is estimated that the amount of the transactions made via debit card in the last three months (annualized) accounted for 7.6% of GDP (and posted no significant changes against the same period of 2021).¹¹

Upon comparing December with November, a decrease has been observed in the number of cleared checks (-1.4%) accompanied by an increase in amount in real terms (1.9%). In year-on-

⁹ In December, the average value of transfers via channels between Financial Institutions (from CBUs to CBUs) was ARS43,800. Upon analyzing transactions by channel, the highest value was recorded by the Corporate Electronic Banking (ARS557,400), while the lowest amounts corresponded to transfers via Mobile Banking (ARS15,600). In turn, the average value of transfers involving PSPs was ARS11,700 (ARS17,400 for transactions from CVU to CBU and ARS6,400 for transactions from CVU to CVU).

¹⁰ In December, the average value of payments by transfer with interoperable QR code was ARS2,700.

¹¹ In November, the average value of transactions via debit card amounted to ARS3,800.

year terms, transactions made via electronic checks (ECHEQs) went up (42.9% in number and 22.9% in amount in real terms), but a reduction was observed in the clearing of physical instruments (-14.5% in number and -19.9% in amount in real terms). Therefore, transactions traded via ECHEQs accounted for 33.1% in number (+10.3 p.p. y.o.y.) and 57.9% in amount (+10.6 p.p. y.o.y.) in December.¹² It is estimated that the amount of checks cleared (both physical and electronic instruments) in the last three months (annualized) was equivalent to 24.8% of GDP, without posting significant changes against the same month of 2021 (-0.3 p.p.).

Finally, the ratio of bounced checks for insufficient funds in terms of total cleared checks went up slightly against the previous month (+0.08 p.p., to 0.91% in number and +0.03 p.p. to 0.64% in amount). These levels were slightly higher than the average value of 2022 (0.69% in number and 0.54% in amount in real terms).

¹² In December, the average value of clearing transactions for physical and electronic checks was ARS265,000 and ARS760,000, respectively.