

Report on Banks

April 2023



BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

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About the use of inclusive language in the Spanish version of this report

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The data reported are provisional and subject to changes. Information corresponds to end-of-month data. [Data of charts](#) and [Latest Regulations](#) of this issue. [Statistics Annexes](#) for the financial system and the ensemble of financial institutions. [Glossary](#) of abbreviations and acronyms.

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Executive Summary

- In April, the stock of loans to the private sector in real terms expanded, while the electronic means of payment continued exhibiting a positive evolution. In turn, the financial system at aggregate level has kept high liquidity and solvency coverage over the period.
- During fourth month of 2023, the stock of loans in pesos to the private sector went up 1.5% in real terms (-9.1% year-on-year (y.o.y.) in real terms), mainly boosted by commercial lines (promissory notes and overdrafts). This evolution was driven by the “Credit Line for Productive Investment (LFIP)”. The total estimated stock under the LFIP stood at ARS1.6 trillion over the period and accounted for 13.9% of the total stock of lending to the private sector (+0.5 percentage points (p.p.) y.o.y.), with a higher relative share of state-owned financial institutions.
- In April, the non-performing ratio of loans to the private sector stood at 3.1%, without exhibiting sizable changes against the figures recorded in March (-0.5 p.p. y.o.y.). The delinquency ratio of loans to companies went down slightly to 3% (-0.7 p.p. y.o.y.) while the delinquency ratio of loans to households remained unchanged at 3.3% (-0.3 p.p. y.o.y.). Over the month, the financial system’s provisions accounted for 3.9% of total loans to the private sector and for 127% of the non-performing portfolio of loans to the private sector.
- The stock of private sector deposits in pesos in real terms posted no significant changes against March (+3.1% y.o.y. in real terms). In turn, time deposits continued to exhibit a greater momentum year-on-year in real terms.
- Electronic means of payment have kept expanding. Instant transfers grew 112.3% y.o.y. in number (22.9% y.o.y. in amount in real terms). This evolution was observed in both transactions between Uniform Banking Codes (CBUs; +60.3% y.o.y. in number and +8.8% y.o.y. in amount in real terms) and transactions involving Uniform Virtual Codes (CVUs; +167% y.o.y. in number and +81.9% y.o.y. in amount in real terms). Additionally, Payments by Transfer (PCTs) through interoperable QR codes have virtually five-folded over the last year and this evolution was underpinned by the measures adopted by the BCRA in this respect.
- In April, the financial system’s liquidity ratio in a broad sense went down slightly (0.3 p.p. of deposits) to 76.9% (-0.6 p.p. to 74.4% for the items in pesos and +1.2 p.p. to 90.4% for the items in foreign currency). The broad liquidity ratio of the ensemble of financial institutions expanded 8.9 p.p. in year-on-year terms.
- Starting from high levels, the sector’s solvency ratios contracted slightly over the month. The Regulatory Capital (RC) of the ensemble of financial institutions stood at 30.2% of risk-weighted assets (RWAs), posting an increase of 2.4 p.p. against the level recorded in April 2022. The capital position –ASE minus the minimum regulatory requirement– totaled 278% of the requirement at systemic level (+31.5 p.p. y.o.y.) and 44% of the stock of loans to the private sector net of provisions, standing well above the average of the last 10 years (18.7%).
- The financial system’s profitability ratios continued to stand at positive levels over the period. The total comprehensive income in homogeneous currency accrued by the financial system in the last 12 months up to April totaled 2.2% of assets (ROA) or 12.2% of equity (ROE).

I. Financial Intermediation Activity

In April, there was an increase in the stock of loans in pesos to the private sector in real terms. Taking into account the most relevant movements of the aggregate financial system's balance sheet for the items in pesos (in homogeneous currency), there was a decrease in liquidity in a broad sense, accompanied by a rise in deposits of the public sector. Regarding the items in foreign currency, there was a drop in both liquid assets and the stock of deposits —of both the private and public sectors— over the month.¹

In April, the stock of loans in domestic currency to the private sector went up 1.5% in real terms (+10.1% in nominal terms (see Chart 1).² This monthly evolution was mainly boosted by commercial lines (promissory notes and overdrafts), mainly in private financial institutions. In year-on-year terms, the stock of financing in pesos fell 9.1% in real terms.

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

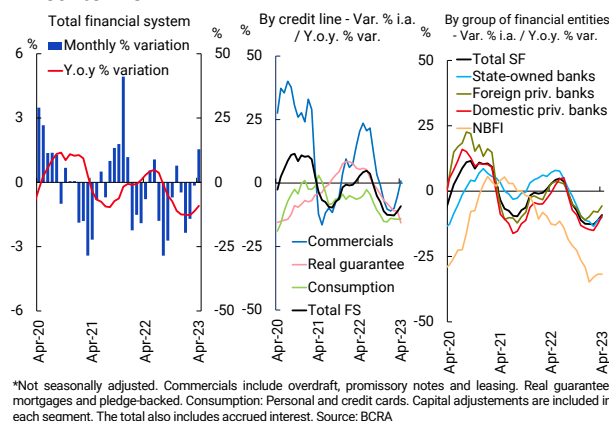
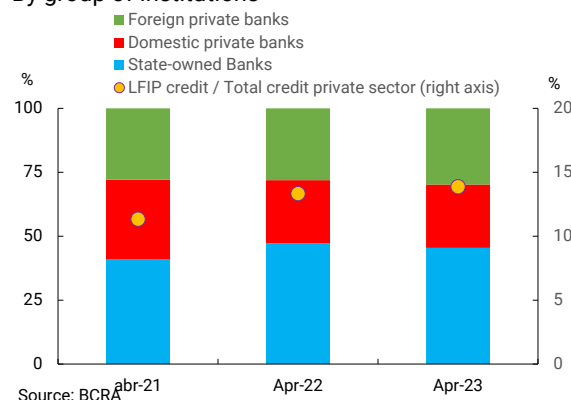


Chart 2 | Estimated stock of the Credit Line for Productive Investment (LFIP) of MSMEs – As % of the total stock
By group of institutions



The month-on-month (m.o.m.) and the year-on-year (y.o.y.) growth of commercial financing lines has been boosted by the credit policy adopted by the Central Bank of Argentina, focused on productive development. In this respect, the “Credit Line for Productive Investment (LFIP)” of Micro, Small and Medium-sized Enterprises (MSMEs) has disbursed ARS5.8 trillion to 440,820 companies from its launch (in November 2020) to May 2023. The estimated stock granted under the LFIP stood at around ARS1.6 trillion in April 2023, accounting for 13.9% of total lending to the private sector (+0.5 p.p. y.o.y.), with a higher relative share of state-owned financial institutions (see Chart 2).

1 At the same time, in April and within the framework of the transactions made through the “Export Increase Program”, there was an increase of the stock of deposits in real terms with variable yield based on the evolution of the foreign exchange rate. In turn, this movement resulted in a rise in the holdings of BCRA Internal Bills in US dollars and payable in pesos at the Benchmark Exchange Rate (LEDIV) at zero interest rate, which was a tool created to cover these positions. Likewise, during the month, there was a decrease in lending to the public sector in pesos (bills and bonds —with and without adjustment by CER) and a rise in the loans denominated in foreign currency (dual currency instruments).

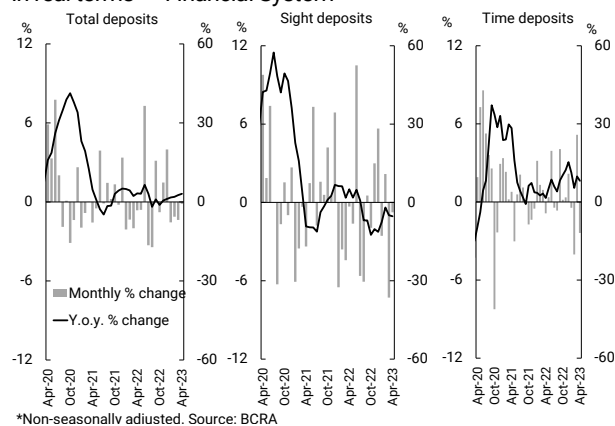
2 Including capital adjustments and accrued interest.

As regards items in foreign currency, the stock of loans to the private sector went up 5.7% in April, mainly boosted by prefinancing of exports.³ Within this context, the stock of total lending (in domestic and foreign currency) to the private sector in real terms accumulated an expansion of 1.7% in real terms (-8.7% y.o.y. in real terms).

In April, the stock of private sector deposits in pesos in real terms remained virtually unchanged against March (-0.1% in real terms or +8.2% in nominal terms),⁴ with drops in sight accounts and time deposits (see Chart 3).

Regarding the segment in foreign currency, the stock of private sector deposits contracted 4.7% in currency of origin,⁵ mainly explained by the evolution of sight deposits. Against this backdrop, total deposits of the private sector (in domestic and foreign currency) accumulated a decrease of 1.1% in real terms in April.

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



*Non-seasonally adjusted. Source: BCRA

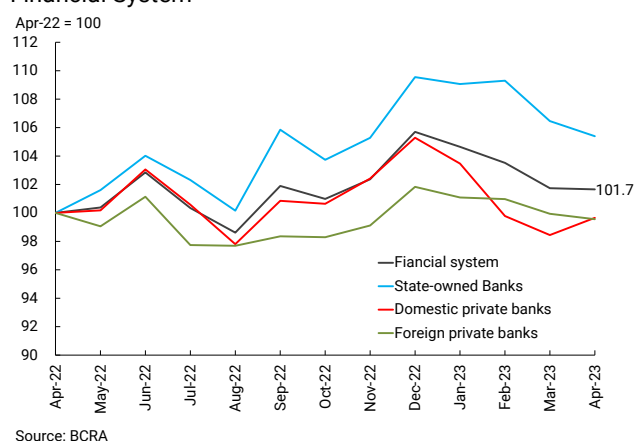
In a year-on-year comparison up to April, the stock of the private sector deposits in pesos went up 3.1% in real terms, thus exhibiting a greater relative momentum against time deposits. The stock of total deposits (all currencies and sectors) contracted 1% year-on-year up to April in real terms.

II. Aggregate Balance Sheet Evolution and Composition

The size of the financial system's balance sheet, measured in total assets in real terms, contracted slightly in April though still standing above the level recorded one year ago (see Chart 4). This monthly evolution was recorded by both state-owned and foreign private banks.

Regarding the components of the sector's total assets, there was a decrease in the relative share of liquid assets and current accounts held at the BCRA and of loans to the public sector in April. Conversely, there was an

Chart 4 | Total assets in real terms
Financial System



Source: BCRA

³ Expressed in currency of origin.

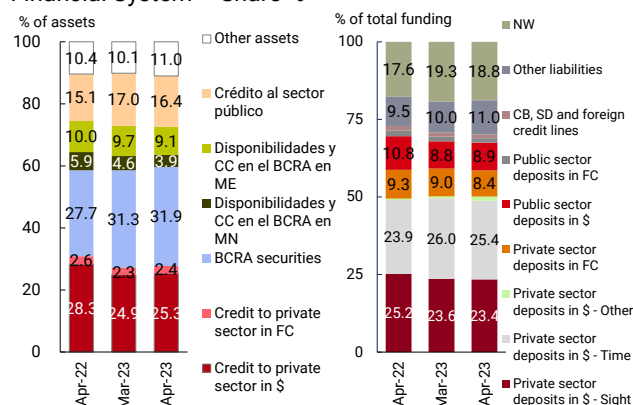
⁴ If the private sector stock of deposits in pesos does not include deposits with a variable yield based on the evolution of the foreign exchange rate (which went up over the month within the framework of the "Export Increase Program" —see Note 1— and which are booked by the institutions in balance sheet accounts in domestic currency), the stock would have gone down 1.4% in real terms.

⁵ If deposits with a variable yield (mentioned in Notes 1 and 4) were included, the stock of private sector deposits in foreign currency would have gone up 2.5% (in currency of origin) over the month.

increase in the relative share of BCRA's instruments and of loans in pesos to the private sector (see Chart 5).

With reference to the components of total funding, there was a decrease in the relative share of private sector deposits –in domestic and foreign currency– and of net worth over the month. On the other hand, there was a rise in the share of other liabilities (mainly liabilities from financing of purchases –related to credit card financing– and payable taxes and dividends).

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



FC: Foreign currency. Source: BCRA

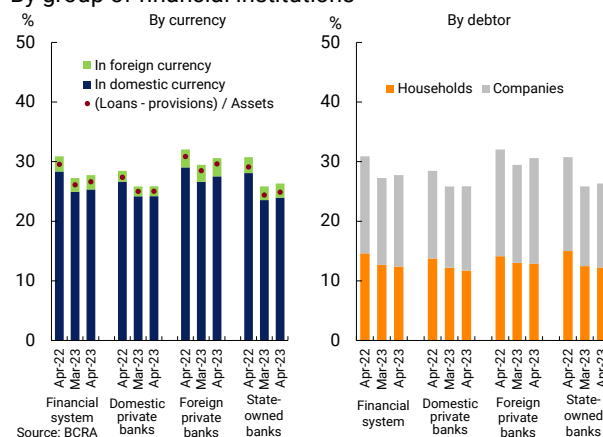
In turn, the estimated differential between the aggregate financial system's assets and liabilities in foreign currency went up 4.8 p.p. of the Regulatory Capital (RC) in April to 35.2% (+23.4 p.p. y.o.y.).⁶ Regarding the items adjusted by CER (or denominated in UVA), the estimated differential between assets and liabilities stood at 57% of ASE over the period for the ensemble of institutions, down 1.5 p.p. against March (-13.5 p.p. y.o.y.).

III. Portfolio Quality

In April, the gross exposure of the ensemble of financial institutions to the private sector (considering both domestic and foreign currency) stood at 27.7% of total assets, slightly above the figure recorded in March (+0.5% m.o.m.) but down 3.2 p.p. in year-on-year terms. This monthly evolution was observed in virtually all groups of banks and was mainly related to the performance of financing to companies (see Chart 6).⁷ The stock of loans to the private sector net of provisions was equivalent to 26.6% of total assets over the month (-2.9 p.p. y.o.y.).

In April, the non-performing ratio of loans to the private sector stood at 3.1%, posting no significant changes against March (-0.1 p.p.) and accumulating a drop of 0.5 p.p. y.o.y. In turn, the delinquency ratio of loans to companies contracted slightly over the month (-0.2 p.p.) to 3% (-0.7 p.p. y.o.y.), with drops in the records of virtually all economic activities (see Chart 7). Meanwhile,

Chart 6 | Stock of loans to the private sector / Assets
By group of financial institutions



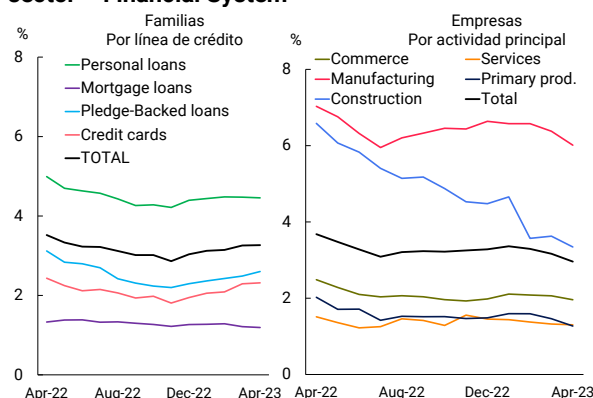
⁶ Including purchase and sale forward transactions in foreign currency, classified as off-balance. The deposits from the agricultural sector subject to a variable yield based on the evolution of the exchange rate (associated with the Export Increase Program) are included in liabilities.

⁷ If broken down by currency, the stock of bank financing in pesos to the private sector accounted for 25.3% of assets (+0.4 p.p. m.o.m. and -3 p.p. y.o.y.) while the gross exposure in foreign currency stood at 2.4% of assets over the period (+0.1 p.p. m.o.m. and -0.1 p.p. y.o.y.).

the delinquency ratio of loans to households remained at 3.3% without recording significant changes over the period (-0.3 p.p. y.o.y.). This monthly evolution was widespread in almost all credit lines (see Chart 7).

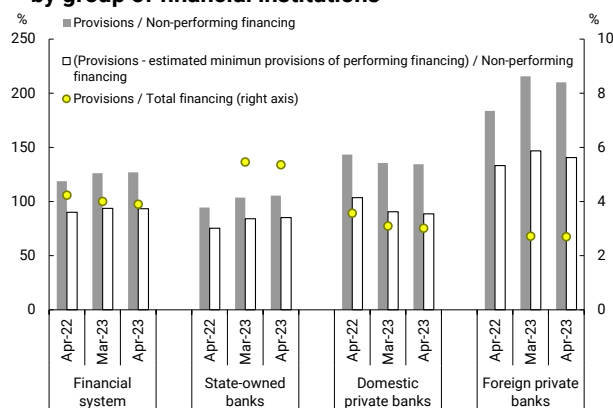
The financial system kept sizable levels of provisioning in April. Provisions totaled 3.9% of total loans to the private sector over the month and 127% of the non-performing portfolio of loans to the private sector (see Chart 8). Over the period, the stock of provisions attributable to the non-performing⁸

Chart 7 | Non-performing ratio of loans to the private sector – Financial System



Source: BCRA

Chart 8 | Stock of loans and provisions (private sector) – by group of financial institutions



Source: BCRA

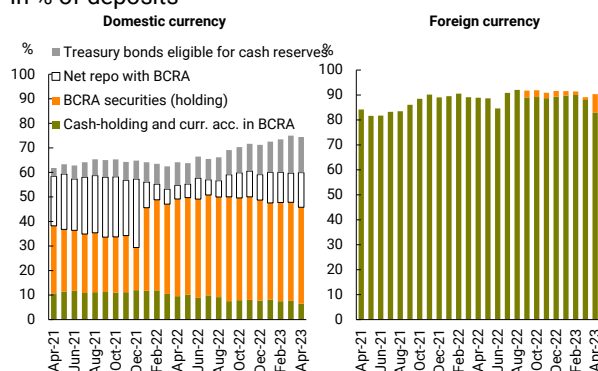
portfolio at aggregate level (93.4%).

portfolio continued covering virtually the entire

IV. Liquidity and Solvency

In April, the financial system's liquid assets in a broad sense⁹ went down 0.3 p.p. and accounted for 76.9% (+8.9 p.p. y.o.y.) of deposits.¹⁰ A broken-down analysis by currency shows that the liquidity ratio in a broad sense stood at 74.4% for the items in pesos (-0.6 p.p. m.o.m.) and at 90.4% for the items in foreign currency (+1.2 p.p. m.o.m.). A widespread contraction was observed over the month in the components of the liquidity ratio in domestic currency except for net repo transactions with the BCRA (see Chart 9).

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



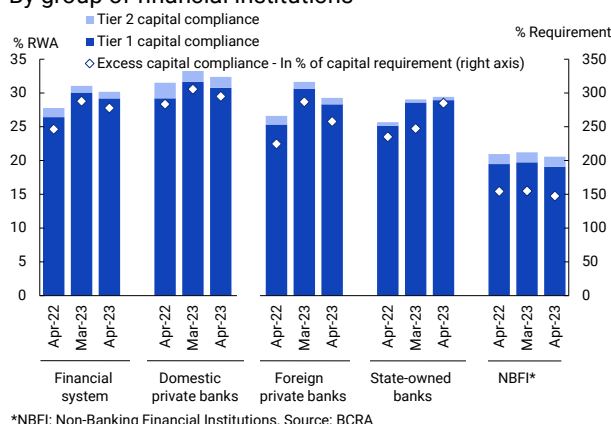
Note: Special deposit accounts related to the "Programa de Incremento Exportador" are considered in the foreign currency segment. Source: BCRA

⁸ 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.

⁹ It considers liquid assets, BCRA instruments in domestic and foreign currency and all sovereign bonds admitted for compliance with the minimum cash requirement.

¹⁰ Considering the last 10 years, the average for this indicator has been 53.9%.

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

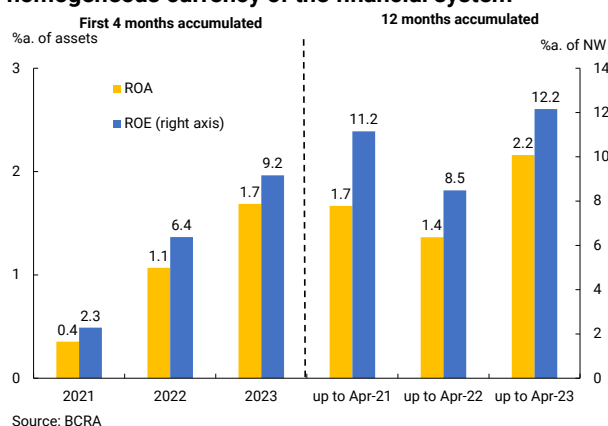


value of the last 10 years (18.7%).

The profitability ratios of the financial system continued to stand at positive levels over the period. The financial system accrued a total comprehensive income in homogeneous currency equivalent to 2.2% of assets (ROA) and to 12.2% of equity (ROE) in the aggregate of the last twelve months up to April. These values were higher than those recorded one year ago (see Chart 11), mainly due to a higher financial margin and despite higher losses due to exposure to monetary items.

In turn, the ensemble of financial institutions' Regulatory Capital (RC) stood at 30.2% of risk-weighted assets (RWAs), going down against the value recorded in March¹¹ but nevertheless standing 2.4 p.p. above the record of April 2022 (see Chart 10 March). In turn, 96.7% of ASE was accounted for by Tier 1 capital, with a greater capacity to absorb potential losses. In April, the capital position –ASE minus the minimum regulatory requirement– totaled 278% of the requirement at systemic level and 44% of the stock of loans to the private sector net of provisions, standing quite above the average

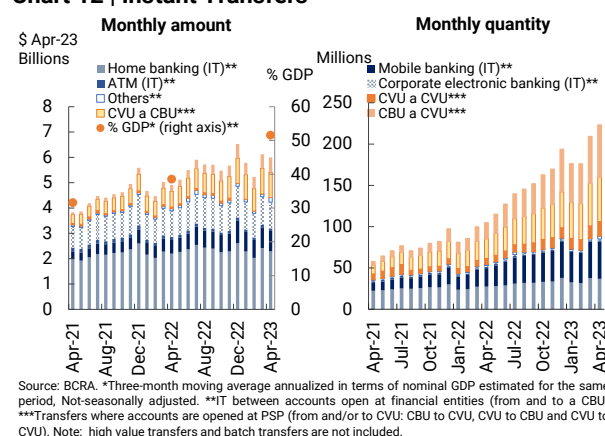
Chart 11 | Total comprehensive income in homogeneous currency of the financial system



V. Payment System

In April, instant transfers expanded 5.1% in number but contracted 3.1% in amount in real terms. In year-on-year terms, instant transfers went up in number (112.3%) and amount (22.6%) in real terms. Instant transfers between Uniform Banking Codes (CBUs) hiked 60.3% y.o.y. in number (8.8% y.o.y. in amount in real terms), and the momentum of transactions via Mobile Banking is to be especially highlighted. Instant Transfers involving the use of Uniform Virtual Codes (CVUs) increased 167% y.o.y. in number

Chart 12 | Instant Transfers

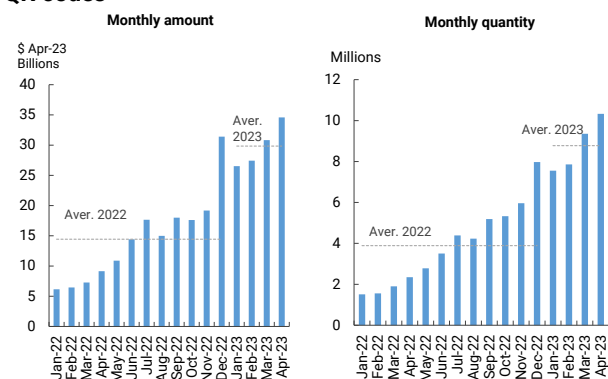


11 This decrease occurred within the framework of the regular shareholders' meetings which decided to reallocate funds to dividends to be paid.

(81.9% y.o.y. in amount in real terms), exhibiting a greater momentum in the transactions from financial institutions to Payment Service Providers (PSPs). It is estimated that the amount of instant transfers of the last three months (annualized) accounted for 51.6% of GDP (+13 p.p. against the same month of 2022, see Chart 12).¹²

Payments by Transfer (PCTs) via interoperable QR codes exhibited a sizable growth in number and amount in real terms over the month (+10.4% and +12.2%, respectively). In year-on-year terms, transactions with PCTs have virtually five-folded. This evolution has been underpinned by the measures adopted by the BCRA to promote the acceptance of payment with any interoperable digital wallet and to ensure equal conditions for stores in terms of commissions and crediting terms (see Chart 13).¹³

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



Source: BCRA.

In March (latest information available), transactions with debit cards went up in number and amount in real terms against February. These transactions have accumulated a rise of 12.3% y.o.y. in number and 2% y.o.y. in amount in real terms. Onsite transactions have gone up in year-on-year terms, while remote transactions have gone down as part of the process observed in the post-pandemic period. As regards credit cards, there was a monthly rise in March (latest information available), thus accumulating an increase of 8.4% y.o.y. in the number of transactions (without significant changes in amount in real terms).¹⁴

In April 2023 and due in part to seasonal factors, checks clearing went down in both number of transactions (10.6%) and amount (9.8%) in real terms. This evolution was observed in both physical instruments and electronic checks (ECHEQs). Nevertheless, in year-on-year terms, there has been a significant rise in number (+32.4%) and amount (+10.6%) in real terms of ECHEQs cleared, while the physical instruments kept on decreasing in both number and amount. It is estimated that the amount of cleared checks in the last three months (annualized) was equivalent to 24.3% of GDP (+1.5 p.p. against the same month of 2022).¹⁵

Lastly, the ratio of bounced checks for insufficient funds in terms of total cleared checks stood virtually unchanged in number and in amount traded in real terms against March and slightly above the figure recorded one year ago (+0.2 p.p. y.o.y. to 0.87% in terms of number and +0.09 p.p. y.o.y. to 0.6% in amount).

¹² In April, the average transaction made via instant transfers stood at ARS27,000. In turn, the average transaction via instant transfer between CBUs reached ARS49,770, and the average instant transfer involving CVUs reached ARS12,620.

¹³ In April, transactions via interoperable QR codes reached ARS3,350. In early 2023, the number of PCTs exceeded the number of transactions with debit cards. This trend was underpinned by the 3.0 Transfer initiative and the promotion of the use of QR codes. For further detail, see the BCRA's [Monthly Report on Retail Payments, Press Release](#) and [Communication "A" 7759](#).

¹⁴ The average transaction with debit cards and credit cards stood at ARS4,550 and ARS9,480 respectively.

¹⁵ The average cleared check reached ARS596,600 (physical checks ARS349,360, and ECHEQs ARS1,024,910).