

Report on Banks

September 2023



BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

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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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For comments and inquiries: analisis.financiero@bcra.gob.ar

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Executive Summary

- The financial intermediation activities of the ensemble of financial institutions with the private sector contracted in September, while the supply of services related to means of payment has managed to keep the positive momentum observed in the previous months. Against this backdrop, the financial system has continued to operate with high liquidity and solvency aggregate indicators.
- In September, the number of instant transfers of funds was on the rise (even though the amounts transacted were lower in real terms than those recorded in August), posting a year-on-year (y.o.y.) increase of 111.3% (+29.7% in amount in real terms). Payments by Transfer (PCTs) via interoperable QR codes continued to expand significantly over the month: 14.1% month-on-month (m.o.m) in number (261% y.o.y.) and in amount in real terms (246.4% y.o.y.). In September, the clearing of checks shrank against the value recorded in August (-9.6% in number and -11.8% in amount in real terms), in a context where the share of transactions made via electronic checks (ECHEQs) has gone up (accounting for 40.6% of the number and 65.4% of the amount of total cleared checks in September).
- In the ninth month of the year, the stock of loans in pesos to the private sector went down 4.2% in real terms. In the last 12 months, there was a slight rise in commercial credit lines in real terms, mainly due to the performance driven by the “Credit Line for Productive Investment (LFIP)” for Micro, Small and Medium-Sized Enterprises (MSMEs). In order to continue providing options for the development of MSMEs, the BCRA renewed the LFIP in September until the first quarter of 2024. The estimated stock under the LFIP totaled ARS2 trillion as of September, accounting for 12.3% of the total stock of loans to the private sector (40% of these loans are intended for investment projects).
- By the end of the third quarter of the year, the non-performing ratio of loans to the private sector stood at 3%, posting no relevant changes against the value recorded in August and against the level observed one year ago. Over the month, the delinquency ratio of loans to households stood at 3.1%, while the delinquency ratio of loans to companies reached 3%. The financial sector’s provisioning continued to stand at high levels and accounted for 3.7% of the total stock of loans to the private sector and for 121.8% of the non-performing portfolio of loans over the month.
- The stock of private sector deposits in pesos went down 4.4% in real terms in September, mainly due to the performance of time deposits. In order to preserve saving in domestic currency and limit financial volatility, the BCRA raised in October the interest rate of the 28-day LELIQs and also the minimum guaranteed interest rate on time deposits made from natural persons for an amount of up to ARS30 million (to a nominal annual percentage rate (APR) of 133%). For the remaining private sector time deposits in pesos, the minimum guaranteed nominal APR was set at 126%.
- Starting from high levels, the financial system’s liquidity shrank in September. Over the month, liquid assets in a broad sense stood at 80.9% of deposits at systemic level, down 1.1 percentage point (p.p.) against August and up 8.5 p.p. in a year-on-year comparison.
- The financial system’s solvency ratios have continued to stand at high levels. Upon considering the aggregate financial system, the Regulatory Capital (RC) stood at 31.1% of risk-weighted assets (RWAs), up 1.4 p.p. in September against August (+2.4 p.p. y.o.y.). The leverage ratio (in line with international standards —Basel—) of the ensemble of financial institutions reached 17.4% during the third quarter (+2.9 p.p. y.o.y.).

- In the aggregate of the last 12 months up to September, the financial system has accrued a total comprehensive income (in homogeneous currency) equivalent to 3.2% of assets (ROA) and to 17.2% of equity (ROE). These levels have gone up in year-on-year terms.

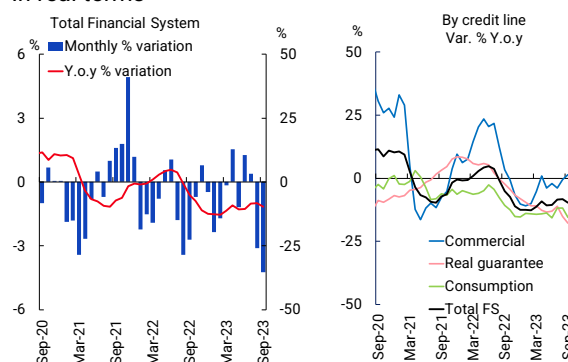
I. Financial Intermediation Activity

The financial intermediation activities with the private sector contracted in September. Taking into account the most relevant movements of the aggregate financial system's balance sheet for the items in pesos (at constant prices), from the perspective of the origin of the funds, there was a decrease in the stock of broad liquidity, accompanied by a reduction in the lending to the private sector and an increase in public sector deposits over the month. In turn, from the perspective of the uses given to the funds, the stock of private sector deposits in real terms went down while, to a lesser extent, lending to the public sector went up.¹

In September, the stock of loans in pesos to the private sector shrank 4.2% in real terms against August (see Chart 1). The drop observed during the month was widespread across all groups of financial institutions and credit lines.² In year-on-year terms, the stock of lending in pesos to the private sector dropped 9.7% in real terms. A breakdown by credit segment shows that there has been a mixed performance over the last 12 months: a slight rise in the stock of commercial lines in real terms, within the framework of the stimulus programs implemented by the BCRA, and drops in the remaining credit assistance lines.

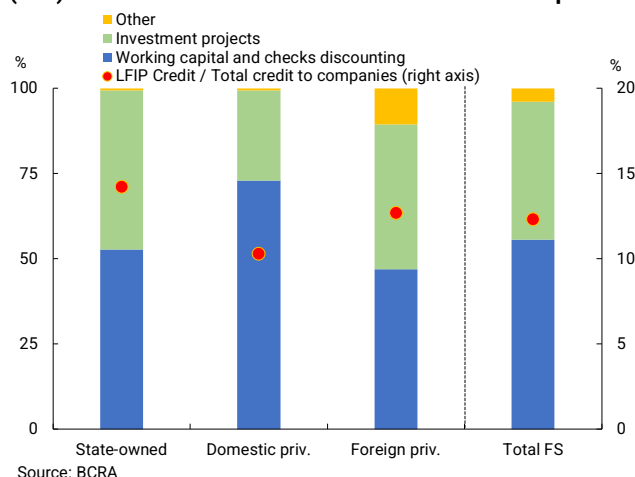
In order to continue promoting lending intended for the development of MSMEs, the BCRA

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

Chart 2 | Estimated stock of the Credit Line for Productive Investment (LFIP) of MSMEs – As % of the total stock – Sept 2023



Source: BCRA

1 Upon considering the segment in foreign currency, the main monthly changes were an increase in the stock of public sector deposits, and a rise in financing to the abovementioned sector; to a lesser extent, there was also a reduction in private sector stock of deposits in foreign currency in September. In turn, within the framework of the "Export Increase Program", in September, 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.

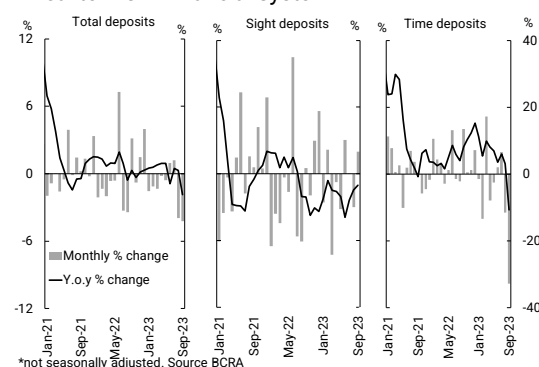
renewed the “Credit Line for Productive Investment (LFIP)” of MSMEs in September.³ Over the first month of the new quota, over ARS781.5 billion were disbursed, resulting in an accumulated stock of over ARS8.7 trillion granted since the launching date of this tool (October 2020). As of September, the estimated stock of loans under the LFIP has totaled ARS2 trillion, accounting for 12.3% of the total stock of financing to the private sector. Over 40% of this stock corresponded to investment projects. In turn, state-owned financial institutions recorded a higher share in the supply of these loans (see Chart 2).

Based on the answers provided by the banks participating in the latest [Survey on Credit Conditions \(ECC\)](#), the performance of the financial intermediation activity occurred in a context where credit standards associated with loans to companies did not post significant changes in the third quarter if compared to the second quarter. In turn, the institutions reported a slight bias towards an increase of credit demand from companies of all sizes (mainly SMEs) over the third quarter. Regarding the segment of loans to households, the institutions participating in the ECC reported a moderate bias towards a rise in the perceived demand for cards from July to September, posting a slight easing of credit standards for this line and a tightening bias in its terms and conditions.

With reference to the segment in foreign currency, the stock of loans to the private sector did not post significant changes in September against August (in currency of origin). The total stock of lending (in domestic and foreign currency) to the private sector contracted 4.9% in real terms against the values recorded in August, and has dropped 8.6% y.o.y. in real terms.

Over the month, the stock of private sector deposits in pesos went down 4.4% in real terms, mainly due to the performance of time deposits (see Chart 3).

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



In order to preserve saving in pesos and limit financial volatility during the electoral process, the BCRA raised in October the interest rate of 28-day LELIQs and the minimum guaranteed interest rate on time deposits made from natural persons for an amount of up to ARS30 million (to a nominal annual percentage rate of 133%).⁴ For the remaining private sector time deposits, the minimum guaranteed interest rate was set at a nominal annual percentage rate of 126%.

In September, the total stock of private sector deposits in foreign currency dropped 0.4% against the figure recorded in August.⁵ Thus, the total stock of private sector deposits (in domestic and foreign currency) contracted 5.6% in real terms over the month.

3 See Communication “A” [7848](#) and [Press Release](#) of September 28, 2023.

4 See [Press Release](#) of October 12, 2023 and Communication “A” [7862](#).

5 Expressed in currency of origin.

In year-on-year terms, the stock of private sector deposits in pesos shrank 6.2% in real terms in September. Against this backdrop, the total stock of deposits (considering all currencies and sectors) dropped 5.4% in real terms at systemic level.

II. Aggregate Balance Sheet Evolution and Composition

In September, there was a decrease in the size of the aggregate financial system's balance sheet. The sector's total stock of assets fell 4.1% in real terms over the month, and this evolution was mainly due to the performance of private financial institutions (see Chart 4). In the last 12 months, total assets have dropped slightly in real terms, posting a mixed performance across the groups of financial institutions since there was a decrease in private banks and an increase in state-owned institutions. In this context, it is estimated that total assets accounted for 27.8% of GDP by the end of the third quarter, standing at a level similar to the one recorded one year ago, and slightly below the average of the last 10 years (28.3%).

Chart 4 | Total assets in real terms
Financial System

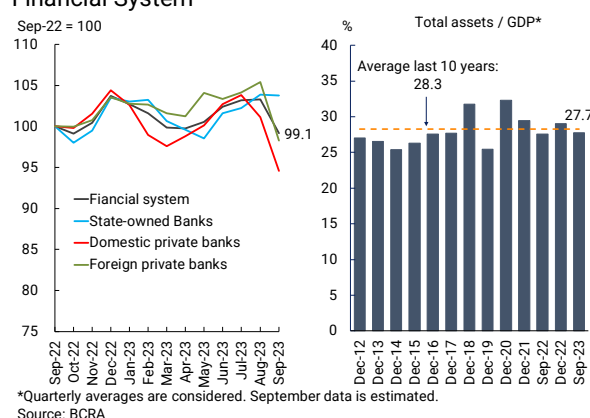
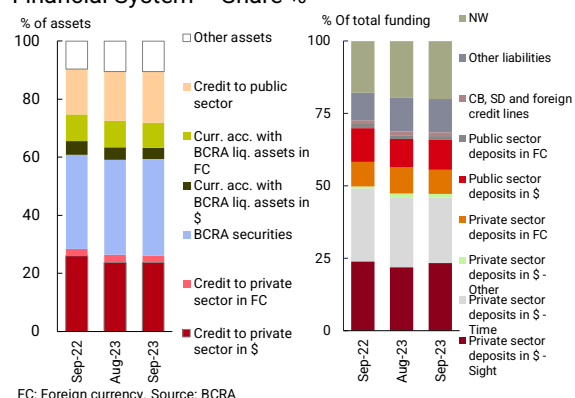


Chart 5 | Composition of assets and total funding
Financial System – Share %



In September, the estimated differential between the items of assets and liabilities denominated in foreign currency⁶ stood at 39.3% of the Regulatory Capital (RC) for the aggregate financial system,

⁶ 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.

standing slightly below the figure recorded in August. The financial intermediation activities of the ensemble of institutions with the private sector in foreign currency continued to stand at limited levels and did not entail mismatches for the financial system. This has occurred in the context of the macroprudential measures adopted after the domestic financial crisis of 2001-2002. In particular, 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. Thus, by the end of the third quarter of the year, private sector deposits in foreign currency accounted for only 8.4% of the financial system's total funding, while loans to the private sector accounted for around 2.4% of total assets, and liquidity in foreign currency stood at 8.6% of total assets. In turn, it is estimated that the mismatch between assets and liabilities in pesos adjusted by CER (and denominated in UVA) stood at 64% of ASE at systemic level, up 1.5 p.p. against August (+7.4 p.p. y.o.y.).

III. Portfolio Quality

In September, the share of the total stock of loans to the private sector in the assets –gross exposure– of the ensemble of financial institutions stood at 26.1%, dropping 0.2 p.p. over the month (see Chart 6). In relation with financing in pesos, this indicator accounted for 23.8% over the period (posting no significant changes over the month), while the share of lending to the private sector in foreign currency stood at 2.4% of assets (-0.2 p.p. m.o.m.). The aggregate financial system's stock of loans to the private sector net of provisions stood at 25.1% of assets during the ninth month of the year.

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

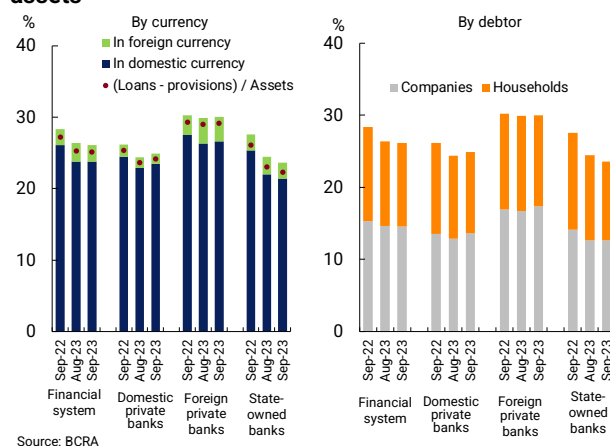
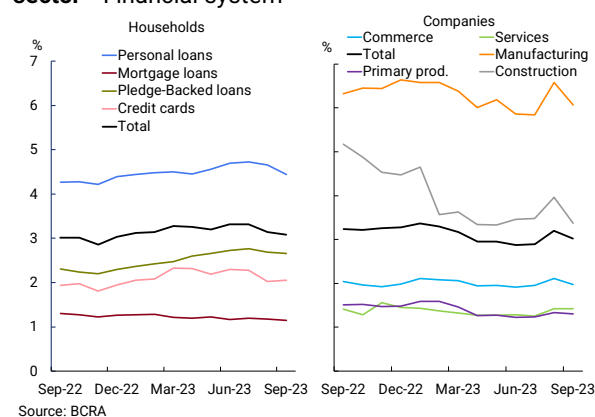


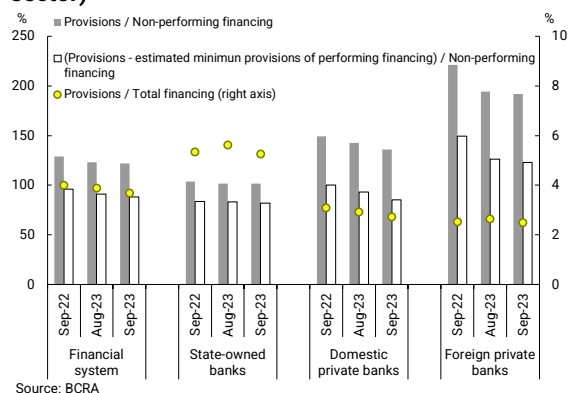
Chart 7 | Non-performing ratio of loans to the private sector - Financial system



In September, the non-performing ratio of loans to the private sector stood at 3%, posting no significant changes against August and in a year-on-year comparison. A breakdown by debtor shows that the delinquency ratio of loans to households stood at around 3.1% (see Chart 7). In turn, the delinquency ratio of loans to companies stood at 3%.

In the ninth month of the year, the financial sector's provisioning has continued to stand at high levels. The stock of accounting provisions of the aggregate financial system stood at 3.7% of the total stock of loans to the private sector over the period, down 0.3 p.p. in the last 12 months (see Chart 8). The stock of provisions accounted for 121.8% of the non-performing portfolio of loans at systemic level, down 1.5 p.p. against the value of August and down 7.1 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 88.1% of such portfolio over the period.⁷

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



IV. Liquidity and Solvency

Starting from high levels, the financial system's liquidity contracted slightly in September. Over the month, liquid assets in a broad sense⁸ accounted for 80.9% of deposits at systemic level (79.8% for the items in pesos and 86.7% for the items in foreign currency), down 1.1 p.p. against the level recorded by the end of August (see Chart 9). The monthly reduction of this ratio was due to the performance of the segment in domestic currency and it was mainly related to lower holdings of BCRA's instruments. In a year-on-year comparison, the financial system's broad liquidity ratio expanded 8.5 p.p. of deposits (+10.7 p.p. for the ratio in pesos and -5.1 p.p. for the ratio in foreign currency). By the end of the third quarter of the year, all groups of financial institutions kept sizable liquidity indicators (see Chart 10).

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

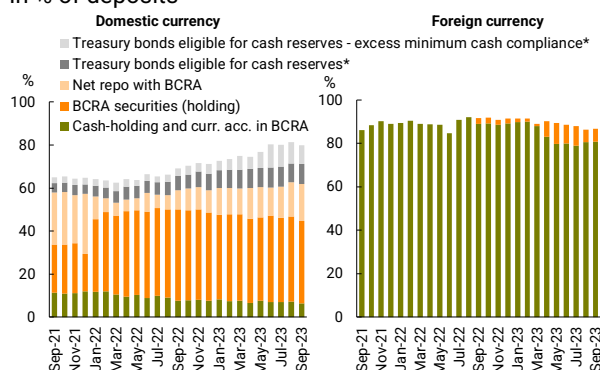
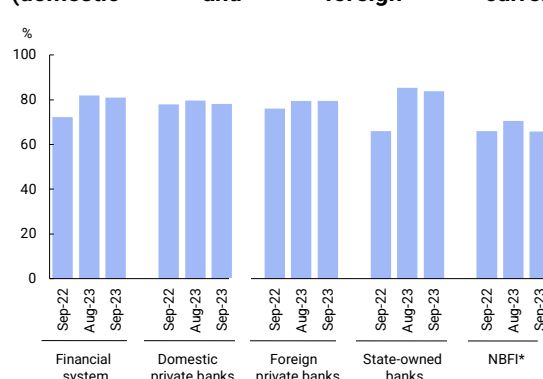


Chart 10 | Broad liquidity ratio by financial institution (domestic and foreign currency)



⁷ 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.

⁸ It considers liquid assets, BCRA instruments in domestic and foreign currency and all sovereign bonds admitted for compliance with the minimum cash requirement.

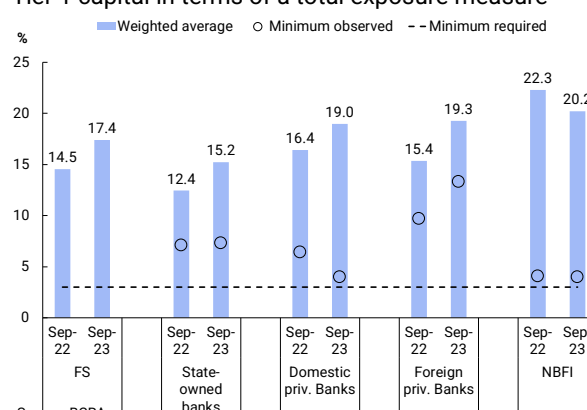
The ensemble of financial institutions' solvency ratios continued to stand at high levels, from both a historical perspective and in a year-on-year comparison. In September, the financial system's Regulatory Capital (RC) stood at 31.1% of risk-weighted assets (RWAs), up 1.4 p.p. and 2.4 p.p. against August and against September 2022, respectively (+11.5 p.p. against the average of the last 10 years). It is worth mentioning that 98.2% of the financial system's ASE consists in Tier 1 Capital, the segment with a greater capacity to absorb potential losses. In this respect, the capital position (ASE minus the capital requirement) of the aggregate financial system stood at 289% of the regulatory requirement and at 49.6% of the stock of loans to the private sector net of provisions.

The leverage ratio—in line with the international standards recommended by the Basel Committee—⁹ stood at 17.4% for the aggregate financial system by the end of the third quarter, up 2.9 p.p. against the figure recorded one year ago. As of September, all financial institutions were standing at a level above the minimum requirement (set at 3%, see Chart 11).

Regarding the financial sector's profitability indicators, the aggregate financial system has accrued a total comprehensive income in homogeneous currency equivalent to 3.2% of assets (ROA) and 17.2% of equity (ROE) in the aggregate of the last 12 months up to September. In a year-on-year comparison, these levels were standing at higher values mainly due to a higher financial margin. This effect was partially offset by higher losses due to exposure to monetary items and to tax expenditure, among other concepts.

Chart 11 | Leverage ratio

Tier 1 capital in terms of a total exposure measure



V. Payment System

In September, instant transfers exhibited a mixed performance: there was an increase in the number of transactions (+7%) and a decrease in the amounts transacted (-2.6% in real terms). Over the month, the number of instant transfers between accounts held at financial institutions went up 4.6% (-4.5% in amount in real terms),¹⁰ accompanied by a 10.8% rise in the number of transactions between accounts held at financial institutions and accounts with Payment Service Providers (PSPs) (7.6% in amount in real terms),¹¹ a 7.2% increase in the number of transactions from PSPs to financial institutions (-2.7% in amount in real terms) and a 2.4% increase in the

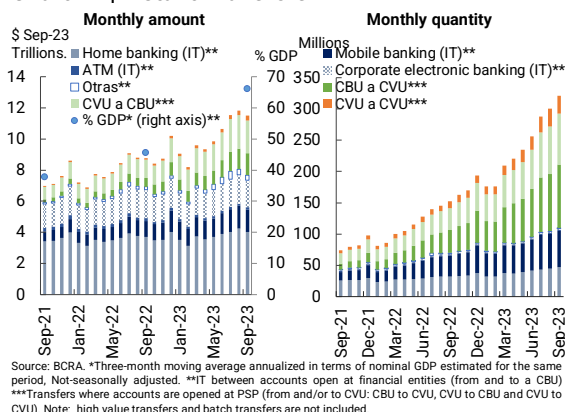
⁹ Tier 1 capital in terms of a total exposure measure.

¹⁰ In September 2023, instant transfers between CBUs (excluding transfers made between accounts of the same financial institution) accounted for 33.9% of the total number of instant transfers (65.8% of the total amount). In this segment, the transactions made via Mobile Banking went up 4.7% in number (-1% in amount in real terms), transactions via Online Banking grew 5.1% in number (-5.3% in amount in real terms), while transactions arranged via Corporate Electronic Banking went down 2.3% in number (-5.2% in amount in real terms) and transactions via ATMs dropped 2.5% in number (-7% in amount in real terms).

¹¹ In September 2023, instant transfers from CBU to CVU accounted for 31.7% of the total number of instant transfers (12.7% of the total amount) and instant transfers from CVU to CBU accounted for 25.5% of the total number of instant transfers (18.9% of the total amount).

number of transactions made exclusively via PSPs (Uniform Virtual Code (CVU) to CVU) (+2.3% in amount in real terms).¹² In year-on-year terms, the number of instant transfers has more than doubled (+111.3%), mainly driven by transactions involving the interaction between accounts held at financial institutions and accounts with PSPs, and by the segment of transfers exclusively arranged between accounts with PSPs.^{13 14} In this context, it is estimated that the amount transacted via all instant transfers in the last three months (annualized) accounted for 66.2% of GDP, up 20.6 p.p. against the same month of 2022 (see Chart 12).

Chart 12 | Instant Transfers



The transactions involving Payments by Transfer (PCTs) via interoperable QR codes continued to expand significantly in September (nearly 14%, in terms of both number of transactions and amount in real terms). In a year-on-year comparison, this payment method expanded 261% and 246.4% in real terms in number and amount, respectively, proving the increasing adoption and preference for this method shown by users.¹⁵

In September, transactions involving debit cards went up 4.7% in number and 0.8% in amount in real terms. In a year-on-year comparison, these transactions have grown 32.1% in number and 13.9% in amount in real terms. In turn, in the ninth month of the year, transactions arranged via credit cards went down 0.6% in number and 2.7% in amount in real terms. If compared to the figures recorded in September 2022, the number of payments with credit card has gone up 9.6% (posting no significant changes in amount in real terms).

Over the month, there was a reduction in the clearing of checks against August (-9.6% in number and -11.8% in amount in real terms).¹⁶ Against September 2022, the number of cleared checks has not posted significant changes, while the amounts in real terms went down 10%. A breakdown by type of check shows that electronic checks (ECHEQs) have had a remarkable year-on-year performance, since they have expanded 28.9% in number and 2.5% in amount in real terms. As a result, the share of ECHEQs has gained ground in the total clearing of checks (accounting for 40.6% and 65.4% in number and amount, respectively, of the values transacted in

12 Over the month, instant transfers between CVUs (excluding transfers made between accounts of the same PSP) accounted for 8.9% of the total number of instant transfers (2.7% of the total amount).

13 Against the same period of 2022, transfers between CBUs have grown around 57% in number (9% in amount in real terms), transfers from CBU to CVU have gone up 179% in number (147% in amount in real terms), transfers from CVU to CBU have risen 131% in number (80% in amount in real terms) and transfers between CVUs have jumped 172% in number (155% in amount in real terms).

14 In September, the average transaction made via instant transfers stood at around ARS35,000 (ARS67,800 for instant transfers between CBUs, ARS10,500 for instant transfers between CVUs, ARS14,000 for transfers from CBU to CVU, and ARS25,800 for transfers between CVU and CBU).

15 Over the month, the average transaction involving PCTs amounted to ARS5,200.

16 In September, the average cleared check reached ARS873,000 (physical checks average = ARS508,244 and ECHEQs average = ARS1,407,000).

September, 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 (+1.8 p.p. y.o.y.). On the other hand, the bouncing of checks for insufficient funds in terms of total cleared checks went up slightly over the month, in both number and amount (0.07 p.p. to 0.67% and 0.08 p.p. to 0.42%), standing at levels lower than the average of 2023.

Chart 13 | Clearing of checks

