Report on Banks

September 2020

BANCO CENTRAL
DE LA REPÚBLICA ARGENTINA

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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.

Therefore, efforts have been made to avoid sexist and binary language.

Published on November 27, 2020.
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

Executive Summary

- In September, the financial system at aggregate level continued to show liquidity and solvency margins above current regulatory requirements, in line with internationally recommended standards. This occurred in a scenario in which intermediation with companies and households in pesos expanded throughout the third quarter, mainly driven by the measures implemented by the BCRA to boost credit and strengthen savings in domestic currency.
- The stock of loans in pesos to the private sector in real terms recorded a slight monthly reduction of 1% in September (+1.8% in nominal terms), allowing the quarter to close with a positive change in real terms of 1.6% and 11.5% year-on-year (y.o.y.), the latter being the highest in the last two years. This year-on-year increase was mainly explained by the performance of promissory notes and credit cards, amidst measures promoted by the BCRA and the National Executive Power, which helped to moderate the pro-cyclical behavior of lending. The special credit line to MSMEs and Health Service Providers at an annual nominal rate of 24% accumulated disbursements for $538.381 billion until the beginning of November, distributed among almost 328,000 companies. The MSME Plus (MiPyME Plus) credit line -aimed at companies with no access to the financial system- amounted to $2.683 billion. Assistance to members of the simplified tax regime -monotributistas- and self-employed workers generated 560,930 loans with disbursements for $66.373 billion (loans at zero rate) at the end of November.
- To focus credit assistance efforts, in line with the normalization of the level of activity gradually registered in different regions and sectors, the BCRA approved by mid-October a new scheme with 3 financing lines for MSMEs: (i) MSMEs line for companies included in the Emergency Assistance for Work and Production program (ATP in Spanish) (at subsidized interest rates); (ii) MSMEs line for Capital Investment (at 30% ANR and an average term of 24 months or more); and (iii) a line to finance the working capital of MSMEs, (at a maximum 35% ANR). These programs have disbursed $65.026 billion among 21,123 companies until the end of November.
- In September, the stock of private sector time deposits in pesos increased 2.6% in real terms, the sixth month of positive change with an accumulated growth of 11.9% in the quarter. Private sector sight deposits in pesos fell in the month, leaving the stock of total deposits in pesos in that sector unchanged in real terms. To continue boosting savings in domestic currency, the minimum interest rate on time deposits in pesos was increased in November: 37% ANR for deposits of up to $1 million by natural persons (44% AER) and 34% ANR by the rest (39.8% AER).
- Under the measures adopted by the BCRA to face the effects of the pandemic, including the modification of the parameters to classify debtors and financial relief mechanisms, the non-performing ratio of loans was 4,5% in September, down 0.3 p.p. against the previous month. The stock of accounting provisions attributable to non-performing loans represented 104.8% of such portfolio.
- The BCRA has been adopting measures to promote digital technologies in the financial system, boosting further inclusion. On the one hand, with a gradual implementation schedule until March 2021, fintech lending companies must abide by the rules that protect financial services' users, including transparency and dissemination of information (for example, regarding interest rates). On the other hand, the 3.0 Transfer System has been in operation since early December, expanding the reach of instant transfers. The main features of the System include: (i) interoperability of all accounts (bank accounts and electronic wallets); (ii) online and irrevocable transfers of funds; (iii) reduction of cash handling costs for shops; (iv) limited fees; (v) flexibility accepting cards, QR codes, National Identity Documents, payment requests, and biometrics (such as digital fingerprints).
- Concerning solvency margins, the Adjusted Stockholders' Equity (ASE) accounted for 23.7% of risk-weighted assets (RWA) in the month, up 0.4 p.p. against August. In this respect, the ASE increased to 179% of the regulatory minimum capital requirement in September, up 5.8 p.p. The broad liquidity ratio stood at around 66% of deposits in the month (61.6% for items in pesos and 84.3% for the segment in foreign currency).
- In the first 9 months of the year, the financial system accrued total comprehensive income in uniform currency equivalent to 2.5% annualized (a.) of assets (ROA) and 16.8% a. of equity (ROE). In the third quarter, the ROA reached 1.9% a., below the two previous quarters.

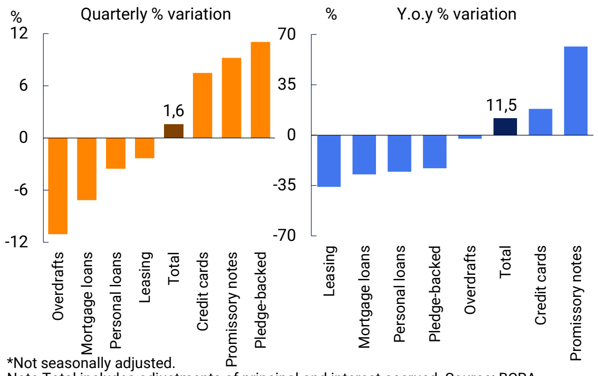
I. Financial Intermediation Activity

Following the normalization of the level of economic activity that is being gradually observed in some sectors and regions of the country, the stock of private sector loans and deposits in pesos continued growing in the third quarter of the year.

Considering the estimated flow of funds for the financial system on items in domestic currency,[1] the most relevant sources of funds in the third quarter respond to the increase in public sector deposits, the rise in equity (mainly driven by income in uniform currency) and the expansion of private sector deposits.[2] These funds were mainly channeled to increase financing to the public and private sectors, as well as to increase the broad liquidity ratio of the ensemble of financial institutions.

The stock of private sector loans in pesos fell slightly 1% in real terms (+1.8% in nominal terms) in September, closing the quarter with a growth of 1.6% in real terms.[3] There was a heterogeneous performance of loans in pesos in the third quarter (see Chart 1), with reductions mainly in advances and mortgages, and increases in pledge-back loans, promissory notes and credit cards. Loans in pesos with maximum or subsidized interest rates would be partially displacing the rest of the financing options, in line with the more convenient financial conditions for debtors adapted to the pandemic shock In the third quarter, private sector loans in pesos increased in all the ensemble of financial institutions, except for foreign private ones.[4]

Chart 1 | Stock of Loans to the Private Sector in pesos*
Changes in real terms



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

As part of the various credit assistance programs to the private sector implemented by the BCRA since March, the special line to MSMEs and Health Service Providers at a nominal rate of 24%[5] totaled disbursements for $538.381 billion by early November (10.2% of them have an Argentine Guarantee Fund -*Fondo de Garantías Argentino, FOGAR*- surety), distributed among almost 328,000 companies. The MSMEs Plus credit line[6] — aimed at a segment of companies that do not have the assistance of financial institutions— totaled disbursements for $2.683 billion until November (46.1% with *FOGAR* surety).

1 Differences of the balance sheet stock in uniform currency.
2 The increase in public sector deposits in the quarter was influenced, at least in part, by income tax and property tax deadlines, during the month of August, and by the transfers made by the BCRA to the National Treasury (temporary advances and profit transfers).
3 Including adjustments of principal and interest accrued.
4 Throughout the Report, the reference to ensembles of private (national and/or foreign) and public financial institutions, corresponds to banks. Non-banking institutions will be referred to as "NBFI".
5 Communication "A" 6937 and amendments.
6 Communication "A" 7006 and amendments.

It should be noted that, to gradually focus credit assistance efforts in line with the needs of the new stage amidst the pandemic, the BCRA approved by mid-October a new scheme called financing line for MSMEs productive investment. It is intended both for companies affected by the consequences of the pandemic, and the rest of the MSMEs that wish to expand their production processes.[7] It consists of 3 financing lines for MSMEs: (i) MSMEs line for companies included in the Emergency Assistance for Work and Production program (ATP in Spanish) (at subsidized interest rates); (ii) MSMEs line for investment projects to acquire capital goods and/or the building of facilities necessary to produce and trade goods and/or services (at a maximum 30% ANR and an average term of 24 months or more); and (iii) a line to finance the working capital of MSMEs, deferred payment checks and MSMEs electronic credit invoices discount (at a maximum 35% ANR). This scheme disbursed $65.026 billion in loans to 21,123 companies between October 16 and November 20.[8]

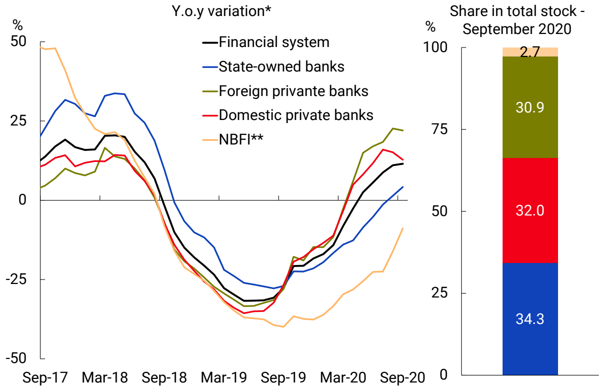
In turn, the credit lines at subsidized interest rates for companies registered in the Emergency Assistance for Work and Production program (ATP in Spanish)[9] granted nearly 8,500 loans distributed among 244,363 workers for a total amount of $5.096 billion until the end of November. The ATP program was originally implemented as a non-reimbursable subsidy to companies in crisis due to the pandemic shock, and so it lasted almost all of 2020. As certain economic activity sectors showed some normalization, it was arranged that companies affected by the shock but already showing positive turnover growth in nominal terms, would be granted loans at subsidized rates -below-market rates- and with the support from the National State Guarantee Fund.

In turn, under the credit assistance program aimed at members of the simplified tax regime -*monotributistas*- and self-employed workers in the context of the pandemic, as part of the Zero Rate Credit line,[10] $66.373 billion were granted until the end of November (98% already disbursed) through some 560,930 loans. The implementation of this credit assistance facilitated the issuance of 248,756 new credit cards and the opening of 771 sight accounts. Additionally, as part of the Zero Rate Culture Credit line[11], 2,556 loans were granted for a total amount equivalent to $271 million (79% already granted).

In September, the stock of private sector loans in pesos continued to grow year-on-year in real terms, reaching 11.5% (the highest change in the last two years) (see Chart 2). This increase was mainly explained by the dynamism of promissory notes and credit card financing, in a context in which private financial institutions showed relatively higher credit growth rates. The measures implemented by the BCRA and the National Executive Branch to boost credit helped to ease the procyclical nature of loans, with year-on-year growth rates for the segment in domestic currency for the system as a whole since May 2020.

7 Communication “A” 7140 and Press Release of 10/15/20.
8 Under this new line, following the recent Communication “A” 7161: a. the BCRA expanded financing options and b. incorporated an additional regulatory benefit in terms of Minimum Cash for investment project loans (with maximum 30% ANR).
9 See Communication "A" 7082 and Communication "A" 7102
10 See Communication “A” 6993.
11 See Communication “A” 7082..

Chart 2 | Stock of Loans to the Private Sector in pesos*
By group of financial institutions



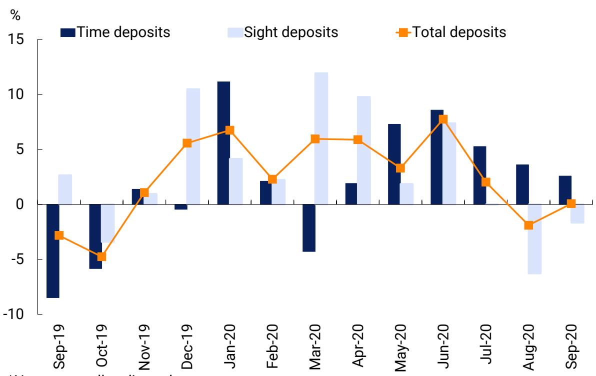
*Not seasonally adjusted. **NBFI: Non-Banking Financial Institutions. Source: BCRA

Meanwhile, in September the stock of loans in foreign currency fell 3.3% —in currency of origin—. Thus, total financing to the private sector (in domestic and foreign currency) decreased 1.4% in real terms in the month and 8.9% y-o-y in real terms.

It should be noted that the BCRA continues to adopt measures to promote digital innovation in the financial system, fostering further financial inclusion. The BCRA recently established that, with a gradual implementation schedule until March 2021, fintech lending companies must abide by the rules that protect financial services' users, including transparency and dissemination of information (for example, regarding interest rates).[12]

Regarding the funding of the ensemble of financial institutions, the stock of private sector deposits in domestic currency in real terms remained unchanged in the month (+0.1% in real terms and +2.9% in nominal terms). Time deposits in pesos grew 2.6% in real terms (+ 5.5% in nominal terms) against August, showing an increase for the sixth consecutive month in real terms (see Chart 3). On the other hand, sight deposits fell 1.7% in real terms (+1.1% in nominal terms) in the month.

Chart 3 | Stock of Private Sector Deposits in pesos



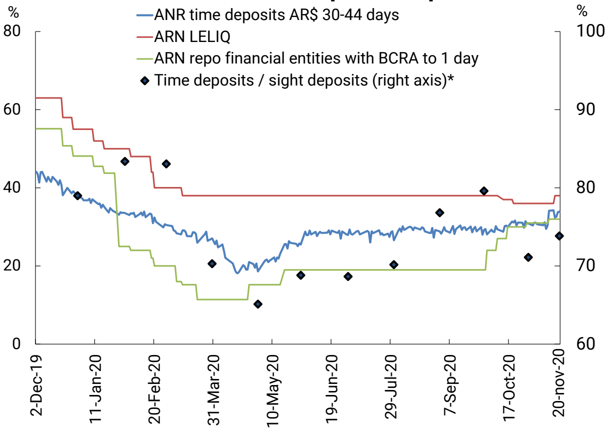
*Not seasonally adjusted.
Source: BCRA

Private sector deposits in foreign currency decreased 5.8% against August —in currency of origin—. Note that the financial system was able to adequately meet the reduction in these deposits, maintaining a broad coverage with liquid assets in foreign currency (see Liquidity and Solvency Section). As a result, the stock of private sector total deposits in real terms (in domestic and foreign currency) fell 1.2% against August (+17.2% in real terms y.o.y.).

In this context, the BCRA recently readjusted the design of its monetary policy to the prevailing economic conditions.[13] Moreover, the BCRA decided to progressively harmonize the reference rates of the monetary policy instruments, minimizing the impact on the cost of sterilization. Therefore, the BCRA raised during October and November the interest rate of one-day reverse repos (or repos from the point of view of financial institutions) to reach a 32% annual nominal rate (see Chart 4). Additionally, it also introduced seven-day repos at a nominal annual rate of 36.5% and

12 See Communication "A" 7146.
13 See Guidelines for Monetary Policy in a Macroeconomic Transition Period of October 2020 and Press Release of 11/12/20.

Chart 4 | Interest Rates and Deposits in pesos



*Balance sheet stock in pesos (private sector). Last 2 figures are estimated. Source: BCRA

reduced to 38% LELIQ annual nominal interest rate. Since mid-November, the BCRA raised the guaranteed minimum interest rate of time deposits in pesos (37% annual nominal rate for deposits of up to $1 million made by natural persons and 34% nominal annual nominal rate for the rest).[14]

In September, the balance of public sector deposits in national currency increased by 9.1% in real terms against the previous month (12.2% in nominal terms).[15] Both public and private sector deposits in pesos increased by 1.6% in real terms in the month (4.5% in nominal terms).

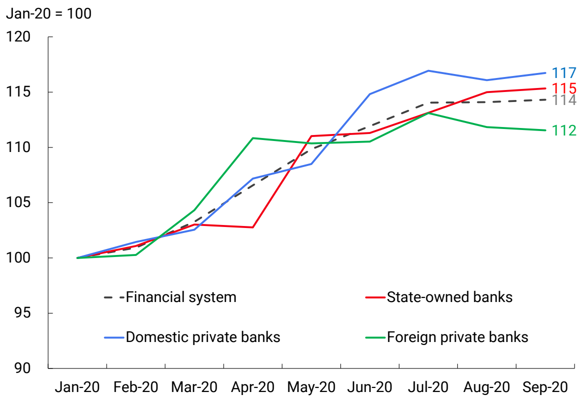
In year-on-year terms, the stock of private sector deposits in pesos accumulated an increase of 38.8% y.o.y. in real terms (89.7% y.o.y. in nominal terms) in the period. Public sector deposits in national currency grew similarly. Thus, the stock of total deposits in pesos increased 37% y.o.y. in real terms (87.1% y.o.y. in nominal terms) in September.

II. Aggregate Balance Sheet Composition

Total assets of the ensemble of financial institutions grew slightly in September (+0.2% in real terms or 3% in nominal terms), accumulating an increase of 14.3% in real terms so far in 2020, with a similar performance in all the groups of institutions (see Chart 5).

Chart 5 | Stock of Total Assets

In real terms



Source: BCRA

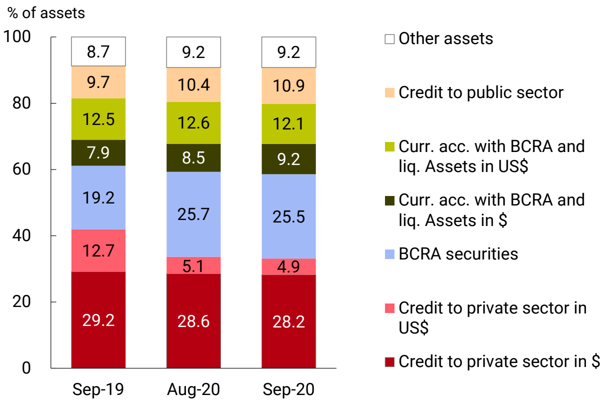
So far this year, the rise in assets was mainly explained by the greater holdings of the BCRA's instruments and the increase of loans in domestic currency. This Institution has played an active role in financing, through monetary issuance, the various assistance programs promoted by the National Government to mitigate the negative consequences of the pandemic. LELIQs and repos were used to sterilized in part said monetary issuance,[16] increasing thus the share of these instruments in financial institutions total assets.

14 See Communication "A" 7160.
15 The monthly increase was partly explained by transfers made by the BCRA to the National Treasury.
16 For further details, see the latest issue of the Monetary Policy Report (IPOM).

As to the components of the system's aggregate balance sheet, the stock of private sector deposits in domestic currency and of BCRA instruments in September were still the assets with the highest relative weight (28.2% and 25.5% of the total, respectively, see Chart 6). In August, the balances of current accounts in pesos with the BCRA and public sector loans increased their share in assets, while the stock of BCRA instruments portfolio and private sector loans in domestic currency slightly reduced their weight in assets in the month. The main assets in foreign currency decreased their share in total assets monthly.

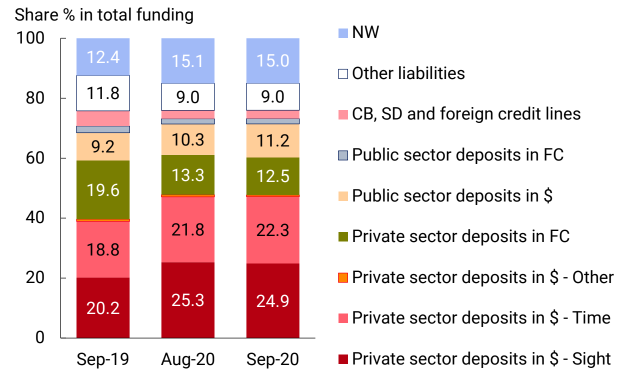
As for total funding components (liabilities plus net worth) of the financial system, private sector sight and time deposits in domestic currency continued registering the largest share in September (24.9% and 22.3%, respectively, see Chart 7). The monthly performance of deposits in domestic currency resulted in certain changes in their weighting in total funding: while public sector deposits and private sector time deposits increased their share, private sector sight deposits reduced their relative weight in the month. In turn, private sector deposits in foreign currency in September continued to lose weight in the total liabilities of the financial system.

Chart 6 | Composition of Total Assets
Financial system - % Share



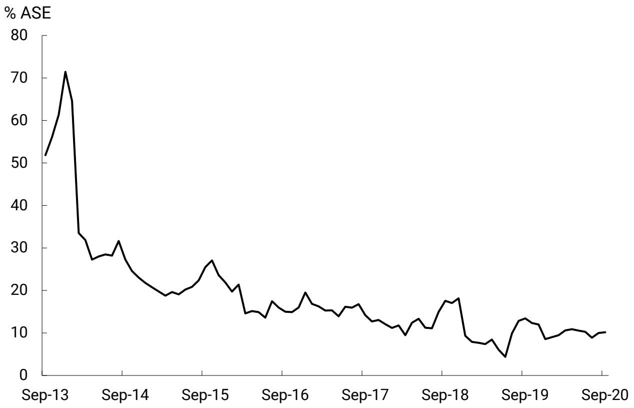
Source: BCRA

Chart 7 | Composition of System's Total Funding
% of total funding (liabilities + net worth)



Source: BCRA

Chart 8 | Foreign Currency Assets - Foreign Currency Liabilities + Foreign Currency Forward Position (Financial System)



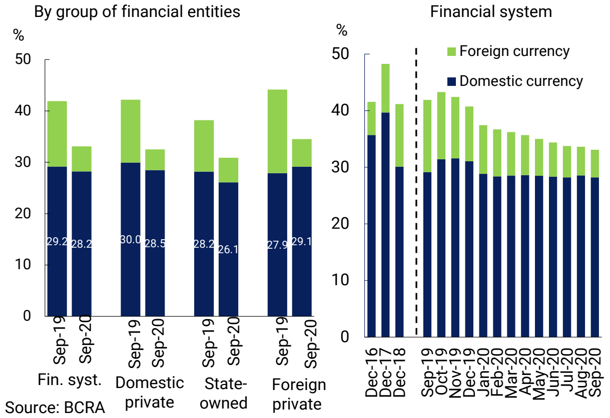
Source: BCRA

As to the recent performance of items in foreign currency, and in the context of current prudential regulations, the share of items in this currency in the balance sheet of the financial system continues on a downward path. Assets in foreign currency represented 19.1% of the sector's total assets (-0.7 p.p. monthly or -9.9 p.p. y.o.y.) and liabilities in this currency totaled 17.9% of total funding (-0.7 pp monthly or -9.8 p.p. y.o.y.). When including foreign currency forward purchases and sales (classified as off-balance), the difference between assets and liabilities in said currency of the financial system at aggregate level totaled 10.2% of the regulatory capital in September, with no changes against last month and down 3.3 p.p. against last year (see Chart 8).

III. Portfolio Quality

In terms of assets, financing in pesos stood at 28.2% in September, slightly below the value in August and the same month of 2019. Meanwhile, loans in foreign currency continued to lose weight in assets over the last year, reaching 4.9% (equivalent to a third of the previous year) (see Chart 9). In September, the total stock of loans to the private sector represented, thus, 33.1% of the total assets of the ensemble of financial institutions, slightly below the level in August.

Chart 9 | Stock of Loans to the Private Sector/ Assets
Disaggregation by currency

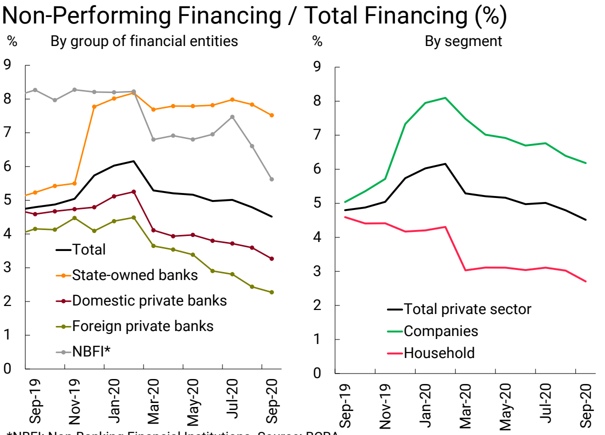


Source: BCRA

Following the actions adopted by the BCRA to face the effects of the pandemic scenario, which include the modification of the parameters to classify debtors and financial relief measures for companies and households (effective until late 2020),[17] the non-performing ratio of loans to the private sector stood at 4.5% in September, down against the previous month (-0.3 p.p.) (see Chart 10). This trend was widespread among the ensemble of financial institutions, with greater relative intensity in non-banking financial institutions.

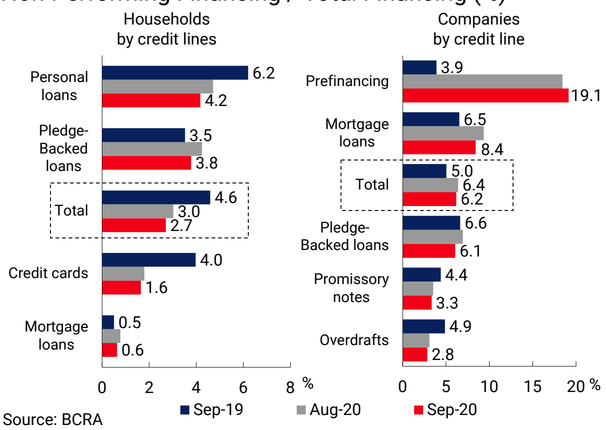
Considering the effects of the aforementioned measures implemented by the BCRA, the non-performing loans to companies decreased by 0.2 p.p. in the month, to 6.2%. Most credit lines to this sector reduced their delinquency ratio in the period (see Chart 11). In turn, the non-performing ratio of loans to households stood at 2.7% in

Chart 10 | Non-Performing Loans to the Private Sector
Non-Performing Financing / Total Financing (%)



*NBFI: Non-Banking Financial Institutions. Source: BCRA

Chart 11 | Non-Performing Loans to the Private Sector
Non-Performing Financing / Total Financing (%)

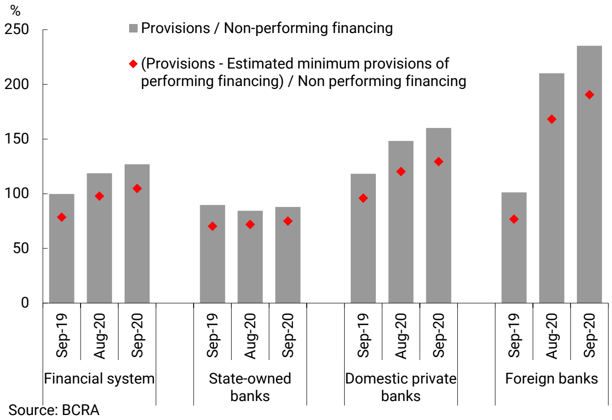


Source: BCRA

17 Communication "A" 6938, Communication "A" 7107 and Point 2.1.1. of the Amended Text "Financial Services in the context of the Health Emergency Pursuant to Executive Order No. 260/2020 CORONAVIRUS (COVID-19)

September, down 0.3 p.p. against August. This performance was mainly explained by personal and pledge-backed loans.

Chart 12 | Provisioning and Non-Performing Portfolio
By group of institutions



Source: BCRA

The stock of total accounting provisions represented 126.9% of the stock of non-performing loans to the private sector in September, up 8.2 p.p. against last month (see Chart 12). On the other hand, the estimated stock of regulatory provisions attributable to the non-performing portfolio[18] totaled 104.8% of said portfolio.

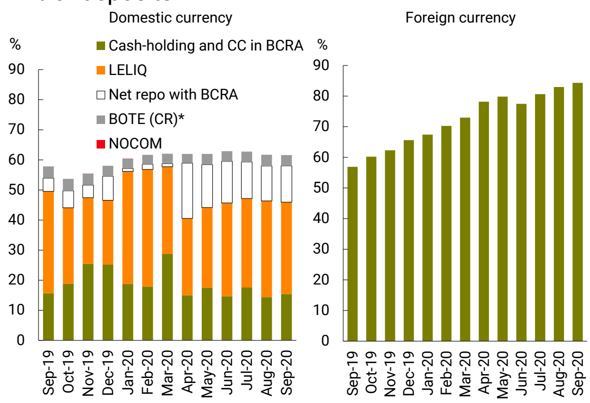
IV. Liquidity and Solvency

At the end of the third quarter, the financial system continued operating with liquidity and solvency margins that comfortably exceed the internationally recommended regulatory standards.

Regarding the sector's liquidity ratios, the Liquidity Coverage Ratio (LCR) stood at 2.2 for the included institutions (group A).[19] In turn, the Net Stable Funding Ratio (NSFR) totaled 1.8 among covered institutions (Group A) in June (latest available information).[20] In line with international recommendations, the minimum required domestically for both indicators is 1.

Broad liquidity[21] as a percentage of total deposits, showed no significant changes between ends of month, totaling 66% at the end of September (-0.1 p.p. in the month to 61.6% for items in pesos and +1.4 p.p. monthly to 84.3% for the segment in foreign currency, see Chart 13). Within the local currency segment, the share of current accounts held by institutions with the BCRA and of net repos against this Institution increased in the month, while the share of LELIQ holdings

Chart 13 | Financial System Liquidity
In % of deposits



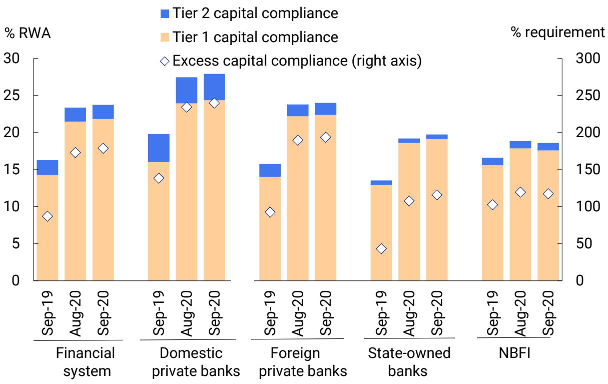
*CR: Cash reserves. Source: BCRA

18 Following BCRA criteria for minimum loan loss provisions (Amended Text "Minimum Loan Loss Provisions").
19 The LCR considers the liquidity available to face potential outflows in the event of a possible stress scenario in the short term. See Amended Text —AT— "Liquidity Coverage Ratio".
20 The NSFR takes into account institutions' availability of stable funding, in line with the terms of the businesses to which it applies. See AT " Net Stable Funding Ratio ".
21 Considering liquid assets, compliance with minimum cash requirements and BCRA's instruments, both in domestic and foreign currency.

decreased.[22] [23] Over the last year, broad liquidity increased by 8.4 p.p. of deposits, mainly explained by the foreign currency segment.

Regarding sector solvency ratios, the aggregate regulatory capital ratios increased in September (see Chart 14). The adjusted stockholders' equity (ASE) of the ensemble of institutions accounted for 23.7% of risk-weighted assets (RWA) (25.9% for private institutions and 19.7% for public ones), up 0.4 p.p. against the level observed in August. The capital position (difference between ACE and regulatory requirement) of the ensemble of institutions increased 5.8 p.p. of the regulatory requirement in the month, to 179% (216% for private institutions and 116% for public ones). The leverage ratio[24] totaled 11.8% at systemic level in September, comfortably exceeding the minimum threshold of 3% in line with international recommendations. Additionally, the ensemble of institutions continued to verify additional capital margins on an aggregate basis (2.5% of RWA for all institutions and an additional 1% for those with systemic importance).

Chart 14 | Compliance with Regulatory Capital
By group of financial institutions



*NBFI:Non-Banking Financial Institutions. Source: BCRA

These solvency levels partly reflect the effect of the different micro and macroprudential policies that this Institution has been implementing since the beginning of the health emergency, in line with what has also been adopted by other Central Banks. Namely, dividends distribution by financial institutions has been suspended in 2020.[25]

As to the endogenous generation of sector solvency, in the first 9 months of 2020 the financial system accrued total comprehensive income in uniform currency equivalent to 2.5% annualized (a.) off assets (ROA) and 16.8% a. of equity (ROE). In particular, during the third quarter, the financial system's ROA reached 1.9% a., down 1.4 p.p. and 0.3 p.p. against the second quarter and the first quarter, respectively.

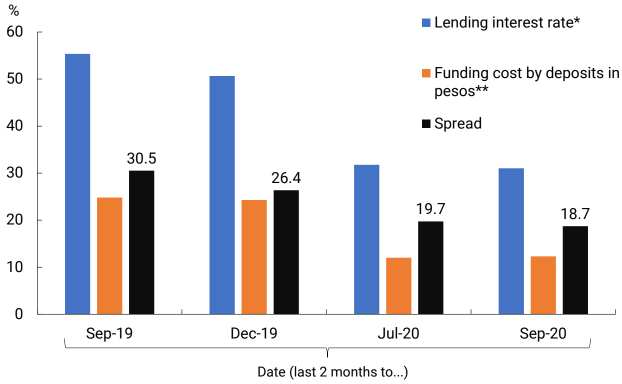
The aggregate financial margin in the year-to-date in September was 11.3% a. of assets. So far this year, the main positive concepts of the financial margin were income from interests (8.7% a. of

22 It should be noted that certain regulatory changes came into effect during September, with an impact on the composition of the financial system's liquidity. Thus, financial institutions capturing natural persons' time deposits at the minimum borrowing rate up to $1 million were granted the possibility of increasing their net LELIQ surplus by 13% of the average monthly stock of the previous month's daily deposits (see Communication "A" 7078). On the other hand, in September, the BCRA classified institutions into groups A, B and C, according to the size of their assets, and defined new rates in the minimum cash regime on time deposits belonging to group C institutions, (see Communication "A" 7108).
23 In relation to regulatory changes with a future impact on liquidity, effective as from October, the BCRA established that -following the updating of the Monetary Policy guidelines- financial institutions must reduce by 20 p.p. their net LELIQ surplus against the one recorded in September (see Press Release of October 1 and Communication "A" 7122). In addition, effective as from October, the BCRA increased to 50% the amount financed that may be deducted from minimum cash requirements (from the previous 35%) granted under the "*Ahora 12*" program (12 interest-free installments) (see Communication "A" 7114).
24 Recommended by the Basel Committee -defined as the ratio between the highest quality regulatory capital and a broad measure of exposures.
25 Communications "A" "6939 and " A "7035.

assets) and securities (8.3% a. of assets),[26] while interest expenses (8.6% a. of assets) were the main financial expenses of the system in the same period. In turn, among the most relevant non-financial concepts, income from services (1.9% a. of assets) stood out as the most significant source of income, while administrative expenses (6.6% a. of assets) and loss loan provisions (1.6% a. of assets) were the main non-financial expenses. [27]

Tracking implicit (lending and borrowing) interest rates in domestic currency and their difference allows to monitor the evolution of part of the main sources of income and expenses for each peso used in financial intermediation.[28] [29] Thus, the implicit lending rate in domestic currency in nominal terms and the cost of funding for deposits in the same currency in nominal terms decreased 24.3 p.p. and 12.5 p.p., respectively in September[30] against the same month of last year. As a consequence, the difference between both concepts diminished by 11.8 p.p. in the period (see Chart 15). In this context, it should be noted that income and expenses used to calculate the implicit rates were generated in different inflationary contexts. When estimating the implicit interest rates in real terms, the difference between the lending rate and the cost of funding went down 3.7 p.p. y.o.y. in September 2020.

Chart 15 | Estimated Implicit Interest Rates (annualized) for the Financial System



* For loans in pesos (non-financial), LELIQ not used for integration of minimum cash requirements and net repo with BCRA. ** It is considered minimum cash requirements. Source: BCRA

V. Payment System

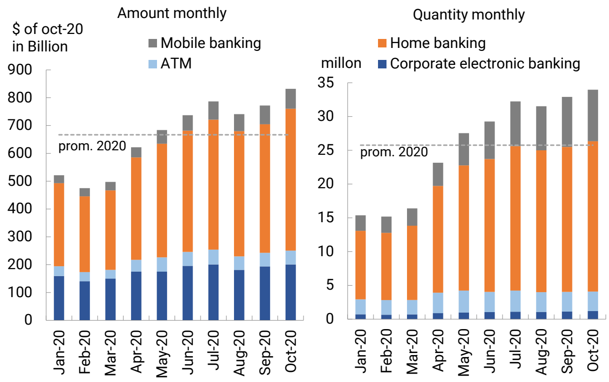
Payment system transactions continued to develop in September amidst the health emergency and the different measures adopted to reduce its impact on the population. The BCRA has been actively working to minimize the adverse economic and financial effects of this situation on users of financial services, mainly by boosting the use of digital payment channels, thus seeking to reduce the use of cash.

The use of instant electronic transfers continued to deepen in October (latest available information). Instant transfers in pesos increased, both in number (3.3%) and amount in real terms (7.8%) against September, thus maintaining values that exceed the monthly average for 2020.

26 This value is estimated to account for 10.3% a. of assets when considering both cumulative flows in the income statement, as well as in other comprehensive income.
27 Regarding income from services, the BCRA authorized in early November an update of the fees banks charge for the provision of services to financial users, effective in January and February 2021, with a ceiling of 9% each month. It should be noted that these fees could not be increased since February 19. For further details, see Press Release of November 5.
28 Since 2020 financial institutions present their balance sheets in uniform currency (for further details, see Communication "A" 6651), which means that the information from previous years is not directly comparable. Hence, the need to develop alternative ratios that, though still partial, allow some comparability over time.
29 These calculations do not include concepts such as administrative expenses, tax expenditures, cost of capital or other components associated with risks assumed by institutions.
30 Aggregate of 2 months and annualized.

Transfers increased monthly in amount and number in real terms in all channels, except for the number of ATM transactions. Total instant transfers increased year-on-year in number (103.5%) and amount in real terms (32%), with all channels showing a positive performance, particularly the dynamism of mobile banking (+230.8% y.o.y. in number and 122% y.o.y. in amount in real terms). Thus, from still low levels, the relative share of mobile banking instant transfers increased significantly over the last year (+8.6 p.p. to 22.5% in number and +3.5 p.p. to 8.6% in amount in real terms) (see Chart 16).

Chart 16 | Instant Transfers in pesos



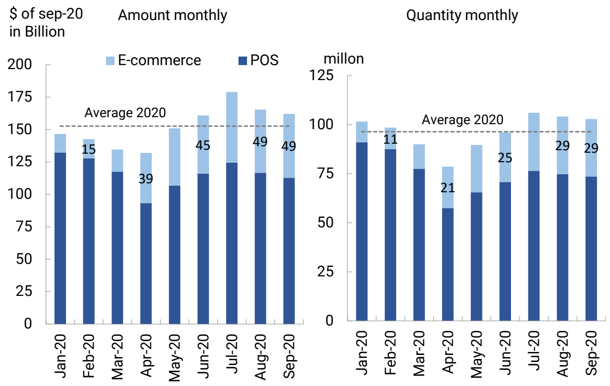
Source: BCRA

Furthermore, drawing on instant transfers' technological base, the BCRA has enabled since the beginning of December the 3.0 Transfers program, a tool designed to boost digital payments and promote greater financial inclusion in the country[31] . The purpose is to expand the reach of instant transfers, allowing to create a digital ecosystem of open and universal payments suitable to overcome cash efficiently and safely. The system is featured, first, by its interoperability. A Standardized Payment Interface (IEP in Spanish) with an open architecture created to enable the interoperability of all accounts (bank accounts and electronic wallets). Second, it is an immediate system. Shops will receive automatic and irrevocable transfers of funds. Third, it is a low-cost system with no hidden costs for shops for cash handling (transport, storage and security). Fourth, it is a system that fosters competitiveness in the provision of the service to retail businesses.[32] . Finally, it is a flexible system that will accept cards, QR codes, National Identity Documents, payment requests, and biometrics (such as digital fingerprints).

In September (latest available information), debit card transactions showed no significant changes in number (-0.1% against August) and decreased in amount in real terms (-2%). However, debit card transactions during September exceeded the monthly average so far in 2020. In the month, debit card transactions increased for the electronic channel (+4.4% and +1.1% in number and amount in real terms, respectively) and decreased for the in-person format (-1.5% and -3, 3% in number and amount in real terms, respectively). In this context, electronic transactions increased their relative share in total debit card transactions, to 28.5% in number and 30.4% in amount in real terms. Debit card transactions went up against the same month of last year in number (19%) and amount in real (32.2%, see Chart 17).

31 Communication "A" 7153 and Press Release of 10/29/2020.
32 Shops will be charged with fees of up to 8 per thousand.

Chart 17 | Debit Card Transactions



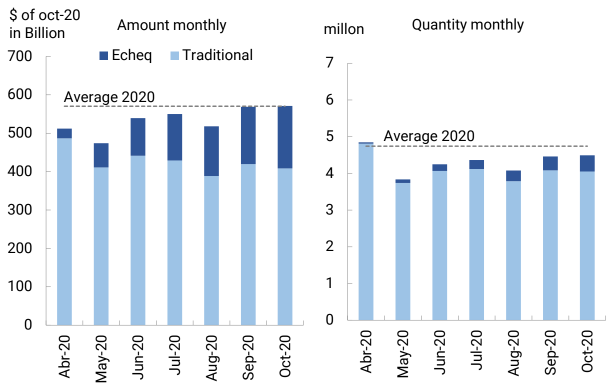
Source BCRA

ATM cash withdrawals showed no changes during September against the previous month. In year-on-year terms, ATM withdrawals decreased in number (-5.7%) and increased in amount in real terms (28.6%), thus augmenting the average amount of each withdrawal, measured in constant currency (+$1.325, up to almost $5.000 per withdrawal).

The total number of cleared checks increased in October (latest available information) in number (+0.7%) and amount (0.4% in real terms). The number of electronic checks cleared increased and that of physical ones decreased (see Chart 18). Electronic checks (*ECHEQs*) cleared went up 16.5% in number and 9% in amount in real terms in September, thus increasing its share in total checks cleared. On the other hand, the total checks cleared went down against the same month of the previous year (-37.2% in number and 30% in amount in real terms).

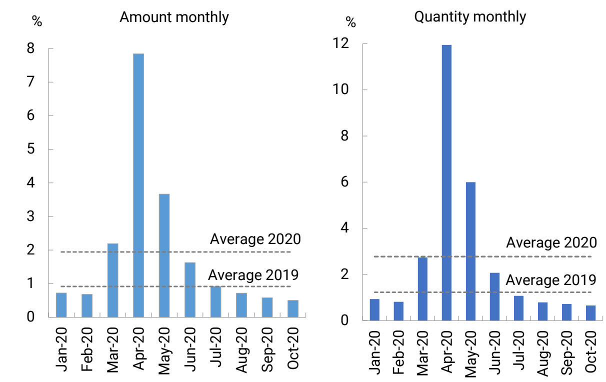
In October, the ratio of bounced checks for insufficient funds relative to the total checks cleared against last month decreased (-0.07 p.p. to 0.66% in number and -0.14 p.p. to 0.5% in amount). This ratio also fell against the same month of last year (-0.5 p.p. in number and -0.4 p.p. in amount). This ratio is, thus, below the average for this year and 2019 (see Chart 19), both in number and amount. On the other hand, considering electronic checks (*ECHEQs)* only, the ratio of bounced checks over the total cleared checks also went down in October.[33]

Chart 18 | Cleared Checks



Source: BCRA

Chart 19 | Bounced Checks for Insufficient Funds



Source: BCRA

33 According to the available information, the ratio of bounced electronic checks (*ECHEQs*) covers all the reasons for bouncing.