FINANCIAL SECTOR ASSESSMENT PROGRAM - DEVELOPMENT MODULE

EL SALVADOR

PUBLIC BANKS

TECHNICAL NOTE

NOVEMBER 2016

This Technical Note was prepared in the context of a World Bank Financial Sector Assessment Program mission in the Republic of El Salvador in March 2016 led by John Pollner and overseen by Finance and Markets Global Practice, World Bank. The document contains technical analysis and detailed information underpinning the FSAP assessment's findings and recommendations. Further information on the FSAP program can be found at www.worldbank.org/fsap.

THE WORLD BANK
FINANCE AND MARKETS GLOBAL PRACTICE
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ABBREVIATIONS AND ACRONYMS

Bandesal	Banco de Desarrollo de El Salvador
BCR	Central Bank of El Salvador *(Banco Central de Reserva)*
BFA	Banco de Fomento Agropecuario
BH	Banco Hipotecario
BMI	Banco Multisectorial de Inversiones
CAR	Capital Adequacy Ratio
FONAVIPO	National Fund for Popular Housing (*Fondo Nacional de Vivienda Popular*)
FSG	Salvadoran Guarantee Fund *(Fondo Salvadoreño de Garantía)*
FSV	Social Fund for Housing *(Fondo Social para la Vivienda)*
FSAP	Financial Sector Assessment Program
GyS	Garantía y Servicios (Mutual Guarantee Company)
IGD	Deposit Insurance Agency *(Instituto de Garantía de los Depósitos)*
ISO	International Standard Organization
IT	Information Technology
LFSDP	Law of the Financial System for Development Promotion
MGS	Mutual Guarantee System (*Sociedad de Garantía Recíproca)*
NBSCI	Non-Bank Saving and Credit Institutions
NPL	Non Performing Loan Ratio
PROGARA	Agricultural Guarantee Program
ROA	Return on Assets
ROE	Return on Equity
SME	Small and Medium Size Enterprises
SSF	Financial System Superintendence (*Superintendencia del Sistema Financiero, El Salvador*)
WB	World Bank

PREFACE

A World Bank (WB) mission visited San Salvador from March 6 to 16, 2016 to update the developmental aspects of the Financial Sector Assessment Program (FSAP) conducted in 2010.[1] As agreed with the authorities, this FSAP Development Module focused on (i) financial systems issues, including competition and efficiency; (ii) financial inclusion and non-bank financial institution issues, (iii) public sector banks, (iv) financial system infrastructure, including payments, remittances transfers, and credit information systems; (v) capital market and private pensions development issues; and (iv) insurance.

Specifically to address the issue of development banks, there were meetings with the main stakeholders, including the Central Bank of El Salvador (*Banco Central de la Reserva* – BCR), the Financial Sector Superintendence (*Superintendencia del Sistema Financiero*, SSF), and the public banks. Other complementary meetings were held with other financial institutions and the associations representing them.

The Technical Note[2] describes the background and current situation of the public sector and development banks, and continues with specific recommendations directly linked with the assessment and diagnosis performed.

[1] The team comprised John Pollner (Mission Chief), Rekha Reddy (Deputy Mission Chief), Maria Teresa Chimienti, Denise Dias, Tamuna Loladze, Fredesvinda Montes, Mateo Clavijo Munoz (all World Bank staff); José Rutman (Former Regulation General Deputy Manager, Central Bank of Argentina), and Monica Caceres (Former Deputy Superintendent, Insurance, Chile).

[2] This technical note was prepared by José Rutman with input from John Pollner and Rekha Reddy.

EXECUTIVE SUMMARY

El Salvador has two public sector banks and one public development bank, who are subject to the same regulation and supervision as private banks.

The 2011 Law of the Financial System for Development Promotion (LFSDP) produced significant changes in the development bank Banco de Desarollo de El Salvador (Bandesal), including the ability to act as a first-tier bank. Although Bandesal has granted first tier loans under this new legal framework, they have been of relatively small number and magnitude. The LFSDP also created the Economic Development Fund (FDE) and the Salvadoran Guarantee Fund (FSG), assigning the administration of both to Bandesal. Bandesal cannot take deposits of any kind, and its funding is based on its capital, loans from international and regional financial institutions as well from bonds issued in the capital market.

Through the FDE, Bandesal provides direct loans as a first-tier bank assisting several sectors including microcredit loans to the commerce sector. Among the type of credit products launched by Bandesal, there is a program on microcredit directed to women, with credits of up to $500. The operations of Bandesal's first-tier banking through the FDE have presented certain pitfalls and inefficiencies.

Through the FSG, Bandesal provides partial guarantees for specific type of loans operating as second-tier bank, directed to loans with specific destinations and for amounts that cannot exceed $350,000. The market participants have a good opinion on the role and functioning of the FSG as a guarantee mechanism.

The Mutual Guarantee System (MGS) of El Salvador has its specific legal framework, with the SSF as a supervisor. Only one private mutual guarantee company has been registered, with relatively good performance albeit limited impact due to, among other factors, the lack of reinsurance.

The Banco Hipotecario (BH) has been performing well in recent years, although faces capital constraints to be able to continue its growth. It has been providing financial assistance to sectors not attended by other financial institutions; its entire portfolio has some type of collateral.

The third public bank, Banco de Fomento Agropecuario (BFA), provides financial services to an underserved market segment, mainly in the agricultural sector. BFA business structure comprises high risks and high costs, both for funding and lending, being also negatively affected by public credit program of subsidized interest rate with no compensation. Results of BFA have been positive, although meager and declining, with Capital Asset Ratio (CAR) levels that limit its future growth.

Bandesal should focus its first tier activity on large size operations, and deepen its second tier operations, both for loans and guarantees. To stimulate greater financing through capital markets for strategic sectors such as infrastructure and Small and Medium Size Enterprises (SME), Bandesal could expand its offering of credit enhancement instruments. Bandesal could also expand its guarantee offerings for the SME sector by supporting SME lenders – institutions solely dedicated to extending credit to SMEs – to obtaining funding through capital markets.

The subsidies and associated costs to government program lending to the agricultural sector that are attended by BFA, should be calculated prior to launch, with appropriate compensation. The Government should advance in the consideration and approval of a new updated law for BFA.

Both BH and BFA will be unable to expand their outreach without an increase in regulatory capital. There is room for improvement in the coordination of policies and strategies among the various public banks and other public institutions.

The Government should work to facilitate the creation and development of a reinsurance mechanism for the Mutual Guarantee System (MGS).

TABLE OF RECOMMENDATIONS

	Timeframe	Priority
Bandesal should refocus its strategy on second-tier operations, expand its offering of guarantees by providing credit enhancements for specific bond issuances, and engage in first-tier banking primarily for large transactions related with infrastructure and key sectors of the economy.	ST	High
Before launching programs with subsidized interest rates to be implemented by public sector banks, the Government should require the corresponding bank to calculate the cost of the subsidy and compensate the public institution accordingly with a separate subsidy grant element.	ST	High
The Government should consider enabling expanded outreach of BH and BFA through an increase in regulatory capital.	MT	Medium

The Government should promote a framework for improving the coordination of policies and strategies of the public banks with the aim to improve efficiency and minimize overlapping activities.	ST	High
Put in place a reinsurance mechanism for the MGS (either through the support for the creation of a reinsurance company or the renewal of the reinsurance role of the specific trust for supporting MGS)	MT	Medium
The Government should advance in the consideration and approval of a new updated law for BFA.	MT	Medium

I. BACKGROUND AND CURRENT SITUATION

1. **El Salvador has two public sector banks and a public development bank.** These are Banco Hipotecario (BH), with an orientation of lending to SMEs, Banco de Fomento Agropecuario (BFA) focused mainly in the agricultural sector, and Banco de Desarollo de El Salvador (Bandesal) a second-tier bank (and, since 2012, also conducting first-tier banking).

2. **They are subject to the same regulation and supervision.** The SSF has a specific team in charge of the supervision of public sector financial institutions[3]. The regulation has no difference with the regulation applicable to private banks, and the process of supervision follows the same process than the implemented for other institutions.

3. **The 2011 Law of the Financial System for Development Promotion (LFSDP) produced significant changes in the development bank, including the ability to act as a first-tier bank.** This law created Bandesal as the continuation of the Banco Multisectorial de Inversiones (BMI). In addition to making some changes in corporate governance (changing the mechanism of electing president, composition of the board of governors[4]) it included the possibility of acting as first-tier bank for loans of large amounts, financing up to 50 percent of a project at a minimum of 2 percent of Bandesal´s regulatory capital ($ 4.5 million); hence the project should need a loan of a minimum of $ 10 million. Bandesal cannot take any kind of deposits.,Its main sources of its funding (in addition to its capital) have been credit lines from International and Regional Financial Institutions and the issuance of bonds in the market.

4. **Although Bandesal has granted first tier loans under the new legal framework, they have been of relatively small number and magnitude**. One of the factors that limits these transactions is the requirement that the financial conditions (interest rate, collateral required, etc.) provided by the other financial institution (e.g. domestic or foreign bank) participating in the transaction cannot be different from the one applicable by Bandesal . The loans provided by Bandesal have been focused in financing projects on key sectors, including infrastructure; with amounts ranging from $ 5 million to $ 25 million per project.

5. **The LFSDP also created the Economic Development Fund (FDE) and the Salvadoran Guarantee Fund (FSG), assigning the administration of both to Bandesal**. These two funds are outside the balance sheet of Bandesal. Their relative performance and impact in the financial system were quite different.

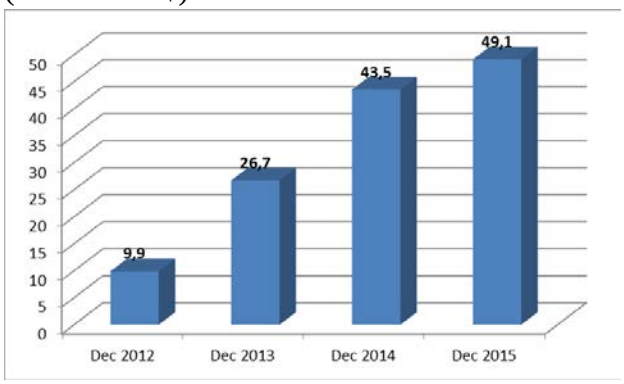
6. **Through the FDE, Bandesal provides direct loans as a first-tier bank, assisting several sectors including microcredit loans to the commerce sector**. According to LFSDP the maximum amount FDE could provide to each debtor cannot surpass the 5 percent of FDE´s capital (currently estimated at $ 60 million). Additionally, the loans could be up to 90% of the project when they are below $ 100,000 and 80% when they are above it. The total amount of loans was $ 49.1 million as of December 2015 (Figure 1 shows the evolution from its beginning in 2012). The main sectors attended include manufacturing, service, agricultural and

[3] Additionally to BH, BFA and Bandesal, the SSF supervises other public financial institutions such as: BCR, Deposit Insurance Agency (IGD), Social Housing Fund (Fondo Social para la Vivienda) and other public sector credit institutions (FOSAFFI, FOSOFAMILIA, CORSAIN, FONAVIPO).

[4] The Board of Governors is composed by the Ministry of Finance, the Governor of the BCR, the Minister of Economy, the Technical Secretary of the Presidency, the President of Bandesal, one representative for each of the following sector: agricultural sector, industrial, SME and private university.

construction. (The Annexes of Section VII has a table with the sectoral breakdown of FDE assistance, including its evolution in the last 3 years). Since FDE has no more lending capacity, Bandesal has started to fund it[5].

Figure 1: Evolution of stock of loans of FDE
(millions of $)



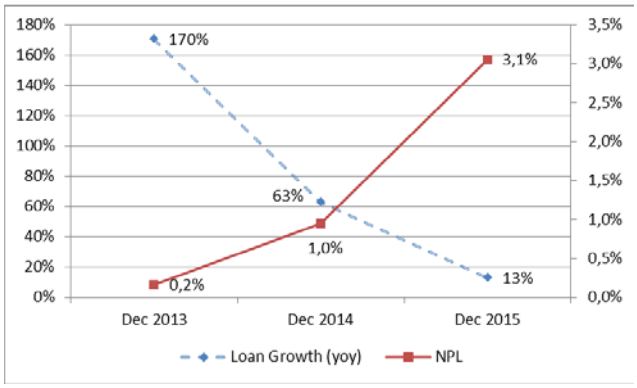
Source: SSF and Bandesal

7. **Among the type of credit products launched by Bandesal, there is a microcredit program directed to women ("Banca Mujer"), with credits of up to $ 500**. These types of loans are very demanding in terms of resources. Bandesal has no branches and personnel for processing and managing these type of loans, they had to outsource the process. First they started with 8 banks that were contracted for the origination of the credit, but it presented problems on the quality of the loans (in part as a consequence of the distortive incentive mechanism, where banks had the incentive to send the "worst" clients). Afterwards, they changed the mechanism and selected only 4 banks for just the administration of the credits; but Bandesal detected that this management was inadequate, with problems in the maintenance of the client´s file (e.g. banks moved the client´s documentation from Bandesal´s files to the ones corresponding to other financial services provided by the bank to the client). Finally, Bandesal decided to manage the entire process of the credit (origination, management, recovery) and only to contract the services of banks for the disbursement of the loan and collection of the installments. During this process, Bandesal started to hire and train new staff, attracting people from specialized microcredit institutions (who perceived it as a form of "crowding out").

8. **The operations of Bandesal's first-tier banking through the FDE have presented certain pitfalls and inefficiencies.** Bandesal is an institution with a tradition and experience in second-tier banking. When using FDE funds, Bandesal started providing first-tier loans for low-value credits, which demanded considerable resources (staff, structures, organization). As a consequence of entering into the new market where Bandesal has not much competitive advantage, the past due loans of FDE started to rise, reaching levels a Non-Performing Loan Ratio –NPL- of nearly 5% in 2015. Figure 2 shows the evolution of the loan growth and at the NPLfor the end of the last 3 years. The fact that Bandesal had to change 3 times its business model for its first-tier banking operation through FDE, as well as the negative performance of the NPL, validates the need of Bandesal to review its strategy of operating as a first-tier bank, with respect to low-size transactions. Additionally, this type of role could be played –with a greater competitive advantage- by other public banks or private financial entities.

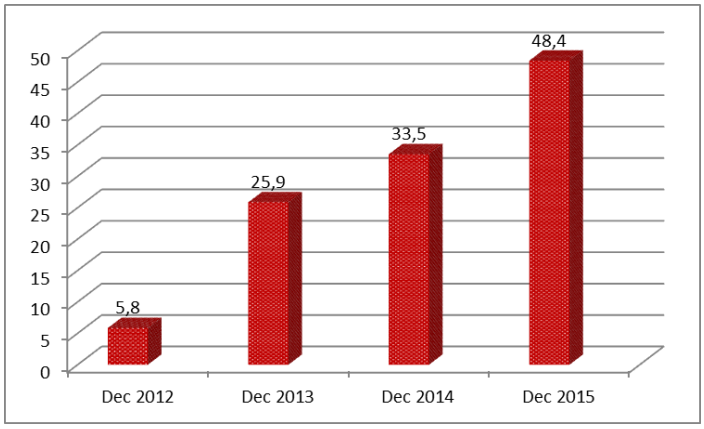
[5] LFSDP authorizes the transfer of reimbursable resources to FDE which must not exceed 50% of the loan portfolio of FDE, nor exceed the maximum amount of financing approved by Bandesal to any other eligible institutions.

Figure 2: Loan growth and NPL performance of FDE



9. **Through the FSG[6], Bandesal provides partial guarantees for specific type of loans operating as second-tier bank, directed to loans with specific destinations and for amounts that cannot exceed $350,000.** The guarantee ranges from 50 percent of the loan (most of the cases) up to 90 percent (for loans to students), with annual premiums of around 2 percent of the total credit amount[7]. The credit risk analyses for the provision of these guarantees are based solely on the client bank´s assessment. FSG has granted 11,000 guarantees, with outstanding guarantees of $ 48 million (Figure 3 shows their evolution.), being close to reach the maximum amount allowed for their current capital. The FSG has paid out claims for $ 700,000, which represents 1.6% of the guarantees granted (see Annex for the evolution of these concepts since 2013).

Figure 3: Evolution of stock of loans of FDE
(Millions of $)



Source: SSF and Bandesal

10. **The market participants have a good opinion of the role and functioning of the FSG as a guarantee mechanism.** Banks as well as Non-Bank Saving and Credit Institutions (NBSCI) are active users of the guarantee provided by the FSG, which performs in an efficient way. The process to grant guarantees is quite quick, since Bandesal does not perform any specific risk analysis, and there have been no major delays in the payments of claims once default occurs). This type of collateral encourages financial institutions to analyze and assume certain type of credit exposure that would not be attractive without this partial guarantee.

[6] The design of the FSG was the result of implementing the best practices and after a revision of the older programs, which were subject to improvements through several technical assistances received by ES authorities in key areas.

[7] For a 50 percent guarantee of FSG, the 2 percent annual premium would turn into an effective premium of 4 percent.

11. **The Mutual Guarantee System (MGS) of El Salvador has its specific legal framework. Only one private mutual guarantee company has been registered, with relatively good performance albeit limited impact due to, among other factors, the lack of reinsurance.** There is a specific legal framework for the mutual guarantee system activity, which is supervised by the SSF (subject to prudential regulation, such as capital requirements and loan loss provisioning). The only company registered (Garantía yServicios –GyS) started in 2004, and has 8 foundational partners (including one specific trust fund created for supporting the MGS -called Development Trust for MGS -, 5 banks and one private company), with $213 million of guarantees granted and more the 4,000 requirements analyzed. Currently, the outstanding guarantees are $ 24 million, and its CAR is of 47% (compared with the minimum of 12% required). For its risk analysis, it combines parametric scoring (for requirements below $ 25,000) and deeper analysis (as well as coaching) of the cases with higher amounts required. The reinsurance mechanism, included in the legal framework, contemplated the creation of a reinsurance company that never happened. Until the end of 2015 the role of reinsurance has been performed by the specific Trust Fund for supporting MGS (managed by Bandesal), which has expired. The implementation of an effective and stable mechanism for reinsuring the activity of mutual guarantee could help for, among other factors, further developing and reinforcing the MGS, which complements other public efforts to facilitate the financial inclusion and access to credit.

12. **The BH has been performing well in recent years, although it faces capital constraints to continue its growth.** Total loans ($ 622 million) have been growing steadily, being 55 percent higher than in 2011 (Figure 4). Although it is concentrated in the SME sector, it is diversified within the economic sectors it serves. Its NPL ratio was 1.1 percent as of December 2015 (with similar percentages in the last 3 years and half of the ratio observed in 2010/2011), and performance has been positive (average Return on Equity –ROE- of around 10 percent in the latest years, with a slight decrease in 2015). Although BH has not been distributing dividends, its CAR (13.8 percent versus a regulatory minimum of 12.0 percent) limits the future growth of its risk portfolio. A $10 million capitalization from the Government was committed, but has not yet materialized. Due to the potential high financial cost, BH has not been planning to issue subordinated debt to be computed as regulatory capital.

Figure 4: Evolution of key variables of BH
(millions of $)

Concept / December of...	2010	2011	2012	2013	2014	2015
Total Loans	340	394	451	502	572	622
Non-Performing Loan Ratio*	2,4%	2,0%	1,4%	0,9%	1,0%	1,1%
ROE (%)	6,1%	9,1%	11,2%	12,7%	12,0%	8,6%
Capital Asset Ratio	*12,4%*	*13,1%*	*13,1%*	*13,4%*	*13,4%*	*13,8%*

Source: SSF

13. **BH has been providing financial assistance to sectors not attended by other financial institutions; its entire portfolio has some type of collateral.** BH has been receiving credit lines from Bandesal ($59 million), as well as from other regional institutions (BCIE, BICSA), which is complemented with the funding coming from deposits (individual, companies and institutional). Two key sectors that have been attended by BH in the latest year are coffee (with a market share of 60% of the total loans directed to this sectorwith medium and large size loans to companies that BFA is not able to attended due to its capital limitation), and public transportation. 80 percent of the loans have some type of real guarantee (e.g mortgage, pledge of vehicles) complemented with guarantees from the FSG. There has been some initial approaches

for BH to use the branches network of BFA, although its expansion faces operational, IT and data challenges, among others.

14. **BFA provides financial services to an underserved market segment**. 88 percent of loans granted in 2015 ($152 million) were for amounts less than $ 5,000. The $ 88 million of disbursed loans to the agricultural sector ($ 39 million for basic grains) accounted for 39 percent of the total system. It uses the Agricultural Guarantee Program (PROGARA) as well as the FSG. The distribution of BFA´s loan portfolio comprises: 60 percent to the agricultural and agroindustry sector; 13 percent to small commerce and service sector, including microcredit (of which 80% is related with the agricultural sector) and the remaining is oriented to several sectors (tourism, popular housing, among others).

15. **BFA business structure comprises high risks and high costs, both for funding and lending, which is being negatively affected by public credit program of subsidized interest rate.** The main source of funding are deposits, whose cost is affected by the low average amount (with high administrative costs) and the high interest rate and volatility from the institutional depositors (many of them, public institutions for which the government has established as a benchmark the financial system average reference rate plus 100 basis points). The administrative cost of handling small credits loans (BFA manages around 50,000 loans) plus the high credit risk and, in some cases, limitations in terms of the active interest rate that could be applied to the loan, have a negative impact in BFA´s performance. The subsidized loans comprise public programs targeted to specific sector for which the government establishes an interest rate level that is well below the one needed for breakeven of BFA[8]. BFA is, among the public sector financial institutions, the one with most branches and presence in the interior of the country (which also has a significant impact in the structure of its costs). Risk management has been improving, but has yet to implement improvements in the Information Technology (IT) area including a new banking core system. Certain procedures of BFA have received an International Standard Organization (ISO) quality certification.

16. **Results of BFA have been positive, although meager and declining, with CAR levels that limit its future growth**. During 2015 the ROE was only 1.0%, representing a significant decline compared with the already low level observed in the previous years (average of 5.5%). This performance reflects the impact on BFA´s income statement from the high cost and risks that it faces (previously described). The CAR of 14.4 % at year end- 2015 (which has been quite stable in the latest years), reflects the capital needs of BFA to continue growing within the minimum regulatory requirements (a compromise from the Government to capitalize BFA has not been materialized yet). There is a draft law for reforming BFA legal framework (the current one dates from more than 30 years ago), with the aim of including structures and practices more in line with best practices for managing financial institutions.

Figure 5: Evolution of key variables of BFA
(millions of $)

Concept / December of...	2010	2011	2012	2013	2014	2015
Total Loans	133	162	176	188	202	215
Non-Performing Loan Ratio*	2,8%	2,8%	3,0%	3,8%	3,5%	3,6%
ROE (%)	4,8%	5,0%	6,0%	5,8%	5,4%	1,0%
Capital Asset Ratio	*14,8%*	*14,1%*	*13,9%*	*14,3%*	*14,6%*	*14,4%*

Source: SSF

[8] To be described more in depth in the Section of Recommendations

II. RECOMMENDATIONS

17. **Bandesal should focus its first tier operations on large size operations, and deepen its second tier operations, both for loans and guarantees**. Bandesal has a significant excess of regulatory capital (CAR of 47.2%), which allows it to boost lending and guarantees (the latter have the advantage of not requiring immediate liquidity, which turns to be one of the limitations for Bandesal´s expansion). Additionally, for both types of businesses, Bandesal has a competitive advantage, as there is no other institution in El Salvador performing such roles.

18. **To stimulate greater financing through capital markets for strategic sectors such as infrastructure and SMEs, Bandesal could expand its offering of credit enhancement instruments**. For large infrastructure development needs of the country (e.g., for projects over $ 100 million, such as the expansion of airport, ports, roads, utilities, etc.), Bandesal would not have the financial capacity to provide such direct financing. Here, credit enhancement instruments could be more effective, especially if the projects are considering financing through capital markets, such as partial credit guarantees for principal or coupon payments of bond investors, including liquidity and/or interest payment guarantees during the construction period, all of which give more comfort and confidence on the project to potential bond investors as well as an increase in the crediting rating (e.g provided by a credit rating agency).

19. **Bandesal could also expand its guarantee offerings to the SME sector by supporting institutions dedicated to extending credit to SMEs in obtaining funding through capital markets**. By partially guaranteeing their bond offerings, Bandesal could help these usually first-time issuers improve their credit rating and achieve greater success in attracting investors at favorable prices, and thus allow them to increase their scope of lending to underserved sectors.

20. **The subsidies and associated costs to government program lending to the agricultural sector that are attended by BFA, should be calculated prior to launch, with appropriate compensation**. Some programs with very low interest rate loans (e.g. the program of low-interest rate directed to low value loans for financing basic grains) involve a total cost to BFA of up to 6 times the rate of interest rate established by the government for the program[9]. An alternative to implement these types of loans without affecting the operations of BFA (or any other public bank) would be to channel them through a specific fund provided by the Government to BFA to be assigned to a specific financing program. The subsidy element should be separated from the interest rate element to make clear to the end-borrower what the market rate is and what portion is government subsidized. Additionally to measuring the direct cost of the subsidized loan programs, it should be considered the potential indirect negative impact on the rest of the loans to the sector that are not included in the program (e.g. they could perceive that the market interest rate they are charged is “unfair and abusive”).

21. **Both BH as BFA will be unable to expand their outreach without an increase in regulatory capital.** They will be unable to continue increasing their risk assets (loans) within the prudential regulation limits. If the capital injection would not be feasible in the short term (e.g., because of fiscal constraints), the possibility could be considered for Bandesal to subscribe a subordinated debt amount, computable in the regulatory capital of these banks.

22. **There is room for improvement in the coordination of policies and strategies among the various public banks and other public institutions**. There is currently a financial sub-

[9] The Ministry of Agriculture, through the Special Trust Fund for the Agricultural Sector (FIDEAGRO), has partially compensated BFA with five percentage points.

cabinet, not formalized and coordinated by the Technical Secretary of the Presidency, which meets every eight days, comprising the heads of the BH, BFA, Bandesal, BCR, SSF, Social Fund for Housing (FSV) and National Fund for the Popular Housing (FONAVIPO). This type of meeting could be suitable to discuss better coordination and complementarity of the actions of the public sector banks. To substantiate these discussions, it is advisable to encourage the creation of technical working groups with representatives of public sector banks.

23. **The Government should advance in the consideration and approval of a new law for BFA.** The current outdated law of BFA should be replaced with a new legal framework that introduce structures and practices more in line with the best practices for managing financial institutions.

24. **A reinsurance mechanism for the MGS should be put in place.** The reinsurance is a key component for reinforcing the development of the MGS, which could be instrumented either through the support for the creation of a reinsurance company or by renewing the reinsurance activity performed by the specific Trust Fund for supporting MGS (managed by Bandesal).

III. ANNEXES

FONDO DE DESARROLLO ECONOMICO (FDE)

LOANS				
Thousands of USD. As of end of ...	2012*	2013	2014	2015
Agricultural		7.161	11.395	9.739
Mining		0	0	25
Manufacturing		9.341	12.929	13.885
Construction		3.456	7.419	7.431
Electricity, Water, Sanitary Services, Gas		487	816	809
Commerce		219	1.182	2.667
Transportation and Communications		333	328	1.887
Services		5.064	9.465	12.683
Not Classified Activities		663	0	0
Consumption		0	0	8
TOTAL LOANS	9.881	26.724	43.535	49.134
Total Past Due Loans		*44*	*416*	*1.502*
Loan Provisions		123	521	1.333

* Information on loans for 2012 was extracted from the balance sheet (with no breakdown per sector), since there was no information available at the Central de Riesgos of the SSF

Sources: Central de Riesgos of the SSF

FONDO SALVADOREÑO DE GARANTÍAS (FSG)

Thousands of USD. Concept / End of	2012	2013	2014	2015
Total Guarantees Granted	5.847	25.861	33.510	48.403
Total Claims Paid	0	51	385	751
Total Recovery of Claims Paid	0	0	2	33
Claim Paid / Guarantees Granted		0,2%	1,1%	1,6%
Claim net of Recovery / Guarantees Granted		0,2%	1,1%	1,5%

Source: SSF based on BANDESAL

BANCO DE FOMENTO AGROPECUARIO (BFA)

Mill of USD

Concept / December of...	2010	2011	2012	2013	2014	2015
Total Assets	249	254	271	291	298	320
Market share	1,9%	2,0%	1,9%	2,0%	2,0%	2,0%
Total Loans	133	162	176	188	202	215
Non-Performing Loan Ratio*	2,8%	2,8%	3,0%	3,8%	3,5%	3,6%
Loan Provisions / NPL	102%	102%	102%	102%	102%	100%
ROE (%)	4,8%	5,0%	6,0%	5,8%	5,4%	1,0%
ROA (%)	0,5%	0,5%	0,6%	0,6%	0,6%	0,1%
Capital Asset Ratio	14,8%	14,1%	13,9%	14,3%	14,6%	14,4%
Liquid Assets / Short Term Liabilities	56,7%	43,4%	40,6%	39,9%	37,0%	33,9%
Non Financial Expenditures / Total Income	61,3%	65,0%	64,9%	63,7%	64,8%	63,3%

* Past Due Loans

BANCO HIPOTECARIO DE EL SALVADOR

Mill of USD

Concept / December of...	2010	2011	2012	2013	2014	2015
Total Assets	523	572	651	726	787	865
Market share	4,0%	4,5%	4,7%	4,9%	5,2%	5,4%
Total Loans	340	394	451	502	572	622
Non-Performing Loan Ratio*	2,4%	2,0%	1,4%	0,9%	1,0%	1,1%
Loan Provisions / NPL	122%	146%	196%	218%	177%	149%
ROE (%)	6,1%	9,1%	11,2%	12,7%	12,0%	8,6%
ROA (%)	0,6%	0,8%	1,1%	1,3%	1,3%	0,9%
Capital Asset Ratio	12,4%	13,1%	13,1%	13,4%	13,4%	13,8%
Liquid Assets / Short Term Liabilities	38,7%	28,2%	25,3%	28,2%	22,2%	26,3%
Non Financial Expenditures / Total Income	43,9%	49,6%	50,0%	46,5%	46,3%	41,9%

* Past Due Loans

BANCO DE DESARROLLO DE EL SALVADOR*

Mill of USD

Concept / December of...	2010	2011	2012	2013	2014	2015
Total Assets	594	575	514	541	522	561
Market share	4,6%	4,5%	3,7%	3,7%	3,5%	3,5%
Total Loans	-	-	287	329	350	374
ROE (%)	2,7%	2,2%	2,2%	2,2%	2,1%	2,3%
ROA (%)	0,9%	0,7%	0,9%	0,9%	0,9%	0,9%
Capital Asset Ratio			37,0%	38,8%	48,9%	47,2%
Liquid Assets / Short Term Liabilities	3,6%	13,9%	3,3%	1,7%	1,8%	1,5%
Non Financial Expenditures / Total Income	30,6%	36,5%	35,3%	32,8%	33,0%	30,6%

* Past Due Loans

*Years 2010 and 2011 corresponds to BMI

Source: SSF