CENTRAL BANK OF
TRINIDAD & TOBAGO

Thematic Review of Credit Risk Management Practices at Selected Banks

March 2018

Contents

1.0 EXECUTIVE SUMMARY

1.1 Domestic Economy

Based on the economic decline that commenced in 2015 and continued into 2016 in Trinidad and Tobago, the Central Bank conducted a thematic review of credit and concentration risks at five commercial banks in 2017. The Trinidad and Tobago economy contracted in 2016 due to the decline in global energy prices in tandem with reduced production levels by local energy companies. On account of lower revenues from the energy sector, Government expenditure was reduced and as a result fiscal stimulus to the non-energy sector also declined.

The fall in economic activity in the non-energy sector was most pronounced in the construction industry as Government expenditure on public sector projects fell by sixty four per cent in September 2016 when compared to the same period in 2015. The lower levels of Government spending also impacted the manufacturing, distribution and services sectors negatively and contributed to the unemployment rates edging up to four per cent by September 2016, from three per cent as at September 2015. Despite lower economic activity, the domestic financial system remained stable.

1.2 Banking Sector Loans

In tandem with the contraction in economic activity, credit risk increased over 2015 and 2016, particularly in commercial/ corporate and retail lending activities. This trend was expected to continue in 2017. The primary areas of lending contributing to higher credit risk were identified as *residential mortgages, credit cards, retail loans and commercial lending to downstream energy companies and businesses in the services sector*.

Over the period 2012 - 2016, consumer loan growth was predominately in the real estate[1] and motor vehicle[2] segments. While growth slowed significantly, these segments still contributed the largest share of growth in consumer loans. Meanwhile, there was little

[1] See Appendix II – Chart 5
[2] See Appendix II – Chart 5

growth in business sector[3] loans over the same period. There was an improving trend in the banking system's ratio of non-performing loans to gross loans ("NPL ratio"), which stood at 3.2% as at the end of September 2016 compared to 3.5% in September 2015. However, banks expectedly increased their general and specific provisions for loan losses as they faced rising credit risk due to downward pressures on household and the corporate sectors' incomes and an increase in unemployment rates, which would have impacted negatively on debt servicing capabilities.

1.3 Thematic Review

It is against this backdrop, that the Central Bank conducted **the thematic review of credit and concentration risks at five commercial banks in 2017 using data as at September 30, 2016.** The main objectives of the thematic review were (i.) to determine whether on an industry wide basis, there was evidence of weakening of credit underwriting standards and credit quality at the commercial banks; and (ii.) to review what measures were being implemented by the banks to monitor and manage credit risk in the given economic scenario. These objectives were assessed against international best practice established under the Basel Core Principles for Management of Credit Risk[4] (September 2000). In order to realize the stated objectives, on-site examinations focusing on the following areas were conducted at each of the five banks:

1. Governance and controls;
2. Credit underwriting and risk assessment process;
3. Credit administration;
4. Delinquency Control and Management including Provisioning; and
5. Collateral management.

[3] See Appendix II – Chart 6
[4] Basel Core Principles document can be found at https://www.bis.org/publ/bcbs75.pdf

1.4 Key Observations

- Generally, banks' governance frameworks and credit risk management practices were in line with the Basel Committee's recommended Principles for the Management of Credit Risk *(See Appendix I)*.
- Oversight of credit risk was structured around appropriate reporting lines, specialized credit risk units, delegated roles and responsibilities, and a hierarchy of authority limits.
- The Central Bank did not observe any weakening of underwriting standards and practices, even in cases where as part of some banks' product marketing strategies, one hundred (100%) per cent financing was offered. Banks had sound underwriting policies and procedures to facilitate an adequate assessment of borrower's creditworthiness and ability to repay.
- Credit administration remained satisfactory with banks strengthening their processes to address the heightened credit risk.
- There was also evidence that highlighted banks' efforts to direct greater attention to delinquency management and collateral management.

1.5 Areas for Attention

Nevertheless there were areas that warrant attention as follows:

- Some banks did not conduct annual credit reviews of their commercial and corporate customers on a timely basis.
- Whilst not considered an area of high risk for banks, it was noted that most banks were tardy with regards to the updating of their Credit Policies and Procedures, especially when changes to these occurred outside of their normal review cycle.
- Further, it was observed that there was no clear documented procedure used by banks for restructuring of loans. Accordingly, banks must develop policies which specifically detail the conditions under which problem credits are eligible for restructuring and monitoring of these facilities.
- Additionally, given the anticipated increase in credit risk in the banking sector, the use of adverse assumptions and portfolio stress testing exercises are encouraged to assist banks in detecting vulnerabilities and understanding borrowers' default risks and the potential impact on banks' earnings.

- The one hundred (100%) per cent financing currently being offered albeit to highly rated clients by some institutions, was still considered high risk in the current economic environment, and will therefore require very close monitoring of the performance of these particular portfolios.
- Finally, the Central Bank noted the challenges associated with external real estate valuations, particularly for properties which secure facilities that are in the process of recovery. Banks should address the issue of external valuations which do not reflect the market or potential bidders' valuation as this has implications for the time to dispose and the attendant provisions.

2.0 INTRODUCTION

The Central Bank recognized the importance of conducting a review of the banking sector's credit risk management practices, having regard to the economic changes that were occurring in the domestic environment in 2016. The review focused on key areas affecting the management of credit risk, which is considered the most significant risk facing the financial sector. The management practices observed at the banks were assessed against international best practice established under the Basel Core Principles for Management of Credit Risk in the five areas identified in 1.2 above. A summary of the assessment of the commercial banks is provided in Appendix I.

3.0 GOVERNANCE AND CONTROLS

3.1 Banks' governance frameworks comprise the Boards of Directors who are responsible for determining the credit risk strategy and appetite. Credit Risk Committees of the Board have been established, which are charged with direct oversight of the banks' credit risk management practices that support the credit risk strategy and appetite.

3.2 Credit policies and procedures for most banks were comprehensive and addressed areas such as delegated limits of authority for approval of credit; concentration limits; provisioning and write off of uncollectible exposures; connected parties and connected party group transactions; risk rating of customers; Loan to Value ratios for retail and commercial credit based on collateral type; and customer rating and criteria for restructuring, rescheduling and watch-listing of loans. Some credit policies did not cover key areas such as sector exposure limits. It was noted that amendments to procedures adopted outside their review cycle were not always included in their Credit Policies and Procedures.

3.3 Reporting to Boards and Credit Committees has strengthened through enhanced reporting on delinquency trends by product category, high risk accounts (both individual and borrower groups) and on accounts where repayment is dependent on receivables from state agencies.

3.4 The Audit Committee[5] provides an additional layer of oversight, which ensures compliance with Credit Policies and Procedures. Within all banks, assurance over credit compliance and effectiveness of controls is provided by internal and external Auditors who directly report into the Audit Committee on the results of their credit reviews.

3.5 All Audit Committees are constituted in accordance with the Central Bank's regulatory requirements[6] and comprise a majority of independent directors.

4.0 CREDIT UNDERWRITING AND RISK ASSESSMENT

4.1 Controls over Credit Risk

4.1.1 Controls over credit are assigned to Credit Risk Departments (CRD) which have responsibility for establishing and maintaining the Credit Risk Policies and Procedures for the management, reporting, monitoring and analysis of credit risk. The CRDs independently assess and opine on the effectiveness of the institution's credit risk management processes and the overall quality of the credit portfolio and are not involved in credit origination.

4.2 Credit Underwriting

4.2.1 Banks' credit underwriting practices were observed to be conservative. This was in line with banks' lower risk appetites, given the current economic environment and the attendant increase in credit risk.

4.2.2 Banks' credit underwriting frameworks provided adequate guidance to the business units involved in the credit granting process.

4.2.3 Whilst some banks increased their risk appetite on specific retail products in order to remain competitive, credit underwriting practices did not appear to be compromised as banks attached additional qualifying criteria to these products. In such instances,

[5] The Audit Committee is a sub-committee of the Board
[6] Central Bank's Corporate Governance Guideline

stronger controls were applied e.g. stricter debt servicing requirements and only highly-rated customers who met certain conditions were eligible.

4.2.4 Credit underwriting practices were also strengthened for commercial/ corporate lending, particularly for project financing and real estate developments.

4.2.5 However, while enhanced practices were observed for higher risk lending, it was not evident that relevant credit policies and procedures were amended to reflect same.

4.3 Credit Risk Assessment

4.3.1 Banks conducted comprehensive risk assessments on borrowers and considered both individual customer risks as well as the industry risks for commercial/ corporate clients.

4.3.2 The structuring and pricing of products reflected the perception of the risks undertaken by the banks. Additionally, some banks conducted individual sensitivity analysis on debt service ratios to assess the threshold at which customers could comfortably meet loan repayments without increasing their risk profiles.

4.3.3 Some of the banks' Credit Risk Management departments also provided an additional layer of oversight on the credit risk assessment process. These departments ensured that the business development units adhered to the risk assessment criteria and that any deviations were subject to their approval, in particular for commercial/ corporate credits, and were accompanied by additional covenants and enhanced collateral.

4.3.4 Most banks used risk-weighting metrics or credit-scoring models in their retail portfolio which are based on pre-defined lending parameters, in order to appropriately price loans and qualify customers for lending. These parameters which included employment history, salary assignments, debt service coverage, credit checks and collateral were deemed adequate to conduct an appropriate risk assessment of the client. Nonetheless, there were a few cases at some banks where

risk ratings were inconsistently applied for retail loans despite it being a requirement in banks' credit policies.

4.3.5 In the mortgage portfolio, banks have not altered their risk assessment or eased underwriting requirements despite the forty per cent growth in residential mortgages over the last five years. Banks' Credit Policies have identified maximum debt service coverage ratios ranging between forty to forty five per cent (40% - 45%), and loan to value ratios of seventy (70%) to ninety (90%) per cent at origination for owner-occupied residential mortgages.

4.3.6 Commercial/ corporate loans were subject to more detailed assessments including analysis of borrowers' audited financial statements or management accounts and assessing the impact of total group borrowings, where applicable. Banks have also intensified their focus on the borrower's business expertise, the exposure of the borrower's economic sector and its position in that sector.

4.3.7 Risk assessments on commercial/ corporate loans included the use of loan covenants as a means of mitigating the risk being undertaken. Covenants are monitored both on an ongoing basis for high risk accounts and annually during the loan review process.

4.4 Credit Approvals

4.4.1 Banks have clearly established processes for approving credits including designated approving authority for varying loan thresholds as well as authority levels for approving changes in credit terms. These authority limits range from individual, dual, or joint level and at the Board and/ or the Board's Credit Committee and are also dependent on the type of facility.

4.4.2 Changes to credits that encompass exceptions, amendments, renewals or refinancing are subjected to an additional layer of scrutiny by higher levels of authorities such as the Credit Risk Departments, before approval is granted. Clearly defined policies are in place, which address the monitoring and management of these credits.

5.0 CREDIT ADMINISTRATION

5.1 Administration

5.1.1 Most banks' credit files were generally well organized and contained the necessary information to facilitate independent third party reviews by Internal Audit, Credit Risk Departments and the Central Bank.

5.1.2 Given the myriad of functions involved in credit administration, banks have assigned third-party reviews to specialized units which are independent of the business origination process. All of the banks reviewed have corporate business centers and centralized units which separately monitor delinquency of the commercial/ corporate and retail loan portfolios. Specialized units are also responsible for collateral management and the recovery of non-performing facilities.

5.2 Monitoring

5.2.1 To maintain the quality of their loan portfolios, banks have substantially strengthened their credit administration functions. Some banks have placed greater emphasis on monitoring the retail portfolio which collectively comprised forty four per cent of total banking industry loans as at September 30, 2016. Continuous monitoring of the commercial/ corporate accounts has been maintained by specialized units, with a specific focus on the sectors which have been identified as being most significantly impacted by the current economic environment.

5.2.2 To assist in the enhanced monitoring of the retail loan portfolio, some banks established sub-units to concentrate on delinquencies separated by time buckets and credit types.

5.2.3 Most of the banks reviewed have also upgraded their existing technology to improve the management and monitoring of delinquent facilities. The use of technology has allowed the banks to further refine the information required for their enhanced monitoring through identification of trends in migration, customer behavior patterns, and credit types. The granularity of information produced facilitated improved oversight of the credit risk management practices and led to more informed decision-making by Senior Management, the Boards and the Boards' Credit Committees.

5.2.4 Most banks' Credit Policies and Procedures require annual loan reviews for commercial/ corporate borrowers where the risk rating is assessed, with increased frequency for those accounts that are watch-listed or non-performing.

5.2.5 Annual reviews for corporate loans were conducted by the corporate business centers whilst retail loans were subjected to continuous monitoring on a delinquency basis by branches and the centralized monitoring units.

5.2.6 A sector wide issue identified by the banks was the inability to access annual audited statements in a timely manner. This was identified as a challenge to completing annual reviews of loan files within policy timeframes.

6.0 DELINQUENCY CONTROL AND MANAGEMENT

6.1 Early Remedial Action

6.1.1 The regulatory data submitted to the Central Bank and reports to the Boards' Credit Committees, showed persistently high past due balances in residential mortgages, motor vehicles and other purpose retail loans. *(Appendix II Chart 7 - Total Banking Industry Past Due Loans by Sector and Chart 8 – Retail Past Due Loans by Type)*

6.1.2 Banks have utilized a combination of technology (debt collection management software) and manual processes (such as Microsoft Excel workbooks) to enhance their ability to prevent loans from migrating into non-performing status. These tools enable the banks to focus on treating with arrears early, by engaging the customer in a timely manner to provide work-out solutions.

6.1.3 Banks have also enhanced their monitoring of loans to sectors that have been adversely impacted by lower commodity prices such as energy and energy services, as well as, businesses reliant upon government receivables. Given their levels of exposure to these sectors and the potential for default by borrowers, banks have intensified communication with these commercial/ corporate customers outside of the routine reviews *(Appendix II Chart 9 - Business Past Due Loans by Sector).*

6.2 Restructured / Rescheduled Loans

6.2.1 In most cases, banks require customers to meet the banks' qualifying criteria before consideration of any work-out or remedial solutions. Generally, it was noted that within the non-performing portfolio, few loans meet the banks' qualifying criteria for restructuring and rescheduling. However, there was a notable increase in debt consolidation and refinancing (mainly in credit cards) for retail customers in 2016. Facilities that have been refinanced or restructured are subject to enhanced monitoring. Generally, restructured/ rescheduled loans are monitored for compliance over a period of six to twelve months before the restructure is effected *(Appendix II Chart 10 - Banking Industry Total Rescheduled Loans).*

6.2.2 It was noted that not all banks had written policies and procedures for rescheduled/ restructured facilities.

6.3 Watch- Listed Loans

6.3.1 Banks have set criteria in their Credit Policies and Procedures for the watch-listing of commercial/ corporate facilities. Some of these criteria include industry conditions, management changes, declining financial performance, and non-compliance with loan covenants.

6.3.2 Most banks have become more aggressive in their watch-listing process and have expanded the criteria to include sectors and businesses that have been adversely impacted by the economic downturn.

6.3.3 Banks' watch-listed accounts have grown substantially over the past year to include commercial/ corporate customers exposed to the energy and energy services sectors, as well as hotels, services, trade, manufacturing and construction sectors. Further, businesses that are reliant on receivables from the government have also been included on the watch-list. It was noted that these watch-listed facilities are now subject to quarterly reviews, rather than the normal annual reviews.

6.4 Provisioning

6.4.1 Generally, banks have adopted the IAS 39 methodology for commercial/ corporate customers in determining the level of provisions to be allocated to the loan portfolio. While there were differences in the approaches to calculating specific provisions among banks, all banks calculate general provisions by applying a percentage to the total performing loan balance based on historic trends.

6.4.2 Banks also performed continuous assessments of the sufficiency of provisions on their portfolios until resolution.

6.4.3 Generally, banks' provisions were considered adequate. The provisions allocated to the non-performing loans sampled were assessed against both the IAS 39 and Central Bank's provisioning requirements *(Appendix II Chart 11 - the Banking Industry Provisioning for Non-Performing Loans).*

7.0 COLLATERAL MANAGEMENT

7.1 Collateral management was an important element of the loan monitoring process for the banks reviewed. The quality, condition and value of collateral was a key input into account classification and loan loss reserves and any changes were reflected in these credit risk indicators. Banks' collateral instruments are generally cash, real estate, guarantees, mortgage bills of sale for motor vehicles and life or term insurances.

7.2 Banks have generally been up-to-date with the monitoring of their security instruments. Gaps or non-compliance with policies and procedures were noted particularly in regard to re-registration of mortgage bills of sale. For real estate held as collateral, external valuations were conducted at origination and on commencement of the recovery process. For the banks which conducted annual reviews, internal property valuations were generally performed every two years. These internal valuations were performed through property inspection visits conducted by the banks' staff.

7.3 Some banks have attempted to address the issue of up-to-date valuations for residential properties subsequent to origination through the development of internal valuation policies and internal valuation databases. These databases are used as a barometer of estimated market values for residential properties in the absence of revised external valuations.

7.4 A major issue highlighted by the banks was that of the adequacy of real estate valuations particularly for residential properties that are in the process of recovery. Banks have generally found that potential bids for advertised properties are usually considerably lower than that obtained through the external valuator. It was noted that the valuator's price was normally influenced by prices obtained for property in the general area and most times did not consider the condition of the property or other socio-economic factors. Consequently, banks have found that their time to dispose of residential and commercial properties (usually three years) may need to be adjusted as it impacts both the discount factor and provisioning levels.

APPENDIX 1

Assessment Area	Basel Core Principle[7]	Central Bank's Assessment
1. Governance and Controls		
Governance	A bank's governance framework is essential in setting out its credit risk strategies and appetite. The Board and Senior Management must establish policies and procedures for identifying, measuring, monitoring and controlling credit risk as well as ensure the on-going monitoring of individual loans and the aggregate loan portfolio.	Overall banks' governance frameworks were considered adequate as the system of checks and balances in credit operations were appropriate for their size and operations.
2. Credit Underwriting and Risk Assessment		
Controls over Credit Risk	Banks are required to establish adequate controls over credit risk. This involves the establishment of a system of independent, on-going assessment of the bank's credit risk management processes with the results of such reviews communicated directly to the Board of Directors and Senior Management.	Banks have built a comprehensive set of internal controls, including independent internal and external audit reviews, into their credit risk management frameworks. The Board and Senior Management within the institutions have structured their oversight of credit risk around appropriate reporting structures, specialized credit risk units, delegated roles and responsibilities, and a hierarchy of authority limits.
Credit Underwriting	Best practice requires banks to operate within sound, well-defined credit granting criteria. These criteria should include a thorough understanding of the borrower, purpose and structure of the credit and the source of repayment. Banks should also have a clearly established process for approving new credits, amendments, renewal and refinancing of existing credits.	Banks have established sound, well-defined credit-granting criteria for the approval, management, monitoring, reporting and analysis of credit risk. **Attention Area:** Banks should ensure that when amendments to credit underwriting practices are enhanced and adopted outside their annual review cycle that these are included in the Credit Policies and Procedures in a timely manner so as to maintain discipline and adherence to current internal processes.
Credit Risk Assessment	Banks should ensure that there are adequate risk management procedures and controls in their credit granting activities. It is important that banks identify all credit risks inherent in their products, activities and customers. Such identification stems from a careful review of their existing and potential credit risk characteristics of the products, activities and customers.	Banks' credit risk assessment processes were considered effective in identifying and analyzing existing and potential risks inherent in their products, activities and customers. These were appropriately structured to manage the risks in their retail and commercial/ corporate customers' loans and products. **Attention Area:** Given the anticipated increase in credit risk within the banking system, banks should enhance their credit risk assessment of the retail portfolio using adverse assumptions.

[7] Basel Committee on Banking Supervision, Basel Core Principles for Management of Credit Risk (September 2000)

Assessment Area	Basel Core Principle[7]	Central Bank's Assessment
		Commercial and corporate loan portfolios should also be subjected to a similar stress test using downside scenarios given current economic conditions. Such stress tests should assist banks in detecting vulnerabilities and understanding borrowers' default risk and the potential impact on earnings.
Credit Approvals	Banks should have a clearly established process in place for approving new credits as well as the amendment, renewal and re-financing of existing credits. Banks may choose to assign responsibilities in different ways; however it is important that the credit granting process coordinate the efforts of all the various individuals in order to ensure that sound credit decisions are made.	Banks have established clear processes and appropriately assigned responsibilities for credit approvals. Credit approvals are organized around a hierarchy of delegated authority limits. The levels of approval mirror the credit granting process and include individuals who are involved in business origination, credit analysis and credit approvals.
3. Credit Administration		
Credit Administration	Banks should have in place a system for the ongoing administration of their various credit risk-bearing portfolios. Credit administration is a critical element in maintaining the safety and soundness of a bank. Once a credit is granted, it is the responsibility of the business unit in conjunction with the credit administration support team to ensure that the credit is maintained. This includes keeping the credit file up-to-date, obtaining current financial information, sending out renewal notices for collateral and preparing loan documents such as loan agreements.	Banks' credit files were well maintained and contained sufficient information to facilitate the on-going administration of the loan portfolio. Credit administration activities are organized to ensure the maintenance of a healthy loan portfolio. Specialized units are assigned specific responsibilities for monitoring the retail and commercial/ corporate portfolios including loan recovery.
Monitoring	Banks are required to have in place a system for monitoring the condition of individual credits including determining the adequacy of provisions and reserves.	Banks have adequate credit monitoring systems which encompass understanding the financial position of borrowers, monitoring compliance with covenants, identifying delinquencies on a timely basis, and classifying problem credits. These systems ensure that prompt attention is directed towards remedial management. **Attention Area:** Banks must ensure that annual reviews are conducted on their commercial/ corporate portfolios in a timely manner. Where the lack of current audited financial statements inhibits their ability to perform annual reviews, clear guidelines must be established and incorporated into banks' credit policies for the types of alternative information that can be used for the financial assessment.
4. Delinquency Control and Management		
Early Remedial	Banks must have a system in place for	Banks have in place systems which allow

Assessment Area	Basel Core Principle[7]	Central Bank's Assessment
Action	early remedial action on deteriorating credits, managing problem credits and developing work-out actions.	them to adequately conduct delinquency control and management. These systems include having early work-out solutions for delinquent loans and the resolution of non-performing facilities. Generally, banks had clearly defined policies and procedures which guided staff on the treatment and resolution of problem credits. Banks have been directing greater attention towards delinquency management within the retail portfolio as a result of the growth in overdue balances within the one to three months delinquency buckets for residential mortgages, motor vehicles, other retail loans and credit cards. **Attention Area:** Banks must develop policies which specifically detail the conditions under which problem credits are eligible for restructuring and the monitoring of these facilities. These must be included in their Board approved Credit Policies and Procedures.
Provisioning	Banks must have in place a system for monitoring the condition of individual credits, including determining the adequacy of provisions and reserves.	Banks have established systems for ensuring the adequacy of provisions to meet expected losses. All banks applied IAS39 requirements for loan losses. Some banks have been proactive and based on their External Auditor's recommendations have increased the reserve for loan losses.
5. Collateral Management		
Collateral Management	Banks must be cognizant that collateral values may become impaired by factors which lead to diminished recoverability of credit exposures. Accordingly, banks should have policies covering acceptability of various forms of collateral, procedures for ongoing valuations of such collateral and a process to ensure that collateral is and continues to be enforceable and realizable.	Banks have adequate specialized monitoring units which oversee the condition and maintenance of collateral. Some banks have established internal valuation databases to address the issue of external valuations for residential properties subsequent to origination. Generally, collateral taken was appropriate for the type of credit risk being undertaken. **Attention Areas:** Banks should implement systems which will assist with early identification of the anniversary date for the re-registration of mortgage bills of sale. Banks should also implement systems to address the issue of external valuations which do not reflect the market or potential bidders' valuation as this has implications for the time to dispose and the attendant provisions.

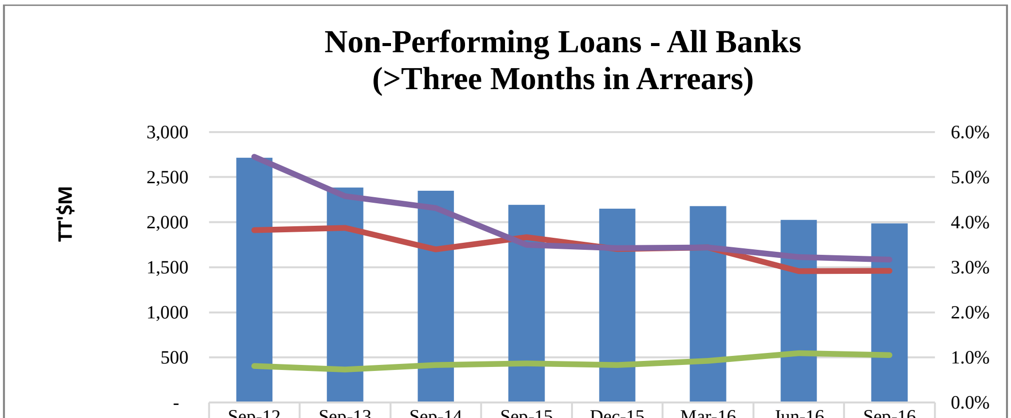
APPENDIX II

SUMMARY ANALYSIS OF BANKING SECTOR LOANS

Table 1
Total Sample of Loans Tested

Type of loans	Total Number of Files Tested	Total Value of Loans Tested (TT$ in Mn)	Total Value of All Banks Industry Loans (TT$ in Mn)	% of All Banks Industry Loans Tested
Residential mortgages	78	$195.0	$12,346.3	1.6%
Retail motor vehicle loans	109	$36.3	$3,941.3	0.9%
Retail refinanced loans	30	$28.9	$1,754.4	1.6%
Retail debt consolidation	51	$62.1	$1,709.2	3.6%
Commercial mortgages	45	$396.2	$5,377.8	7.4%
Construction	44	$907.5	$3,894.0	23.3%
Restructured loans	19	$55.4	$378.4	14.6%
TOTAL TESTED	**376**	**$1,681.4**		

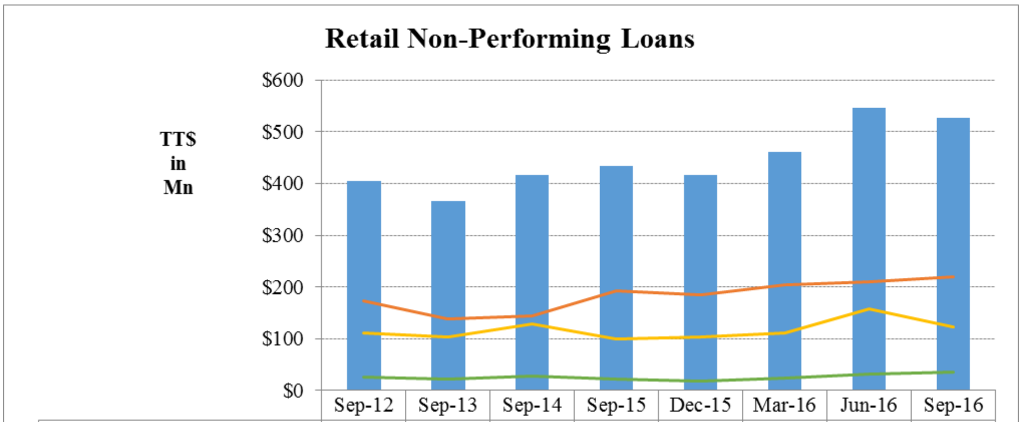
Chart 1



	Sep-12	Sep-13	Sep-14	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16
Total NPLs	2,716	2,384	2,349	2,193	2,148	2,177	2,024	1,988
Business	1,913	1,935	1,698	1,834	1,703	1,720	1,457	1,460
Consumer	405	367	417	435	416	460	546	527
NPL Ratios	5.4%	4.6%	4.3%	3.5%	3.4%	3.4%	3.2%	3.2%

Source: Central Bank data

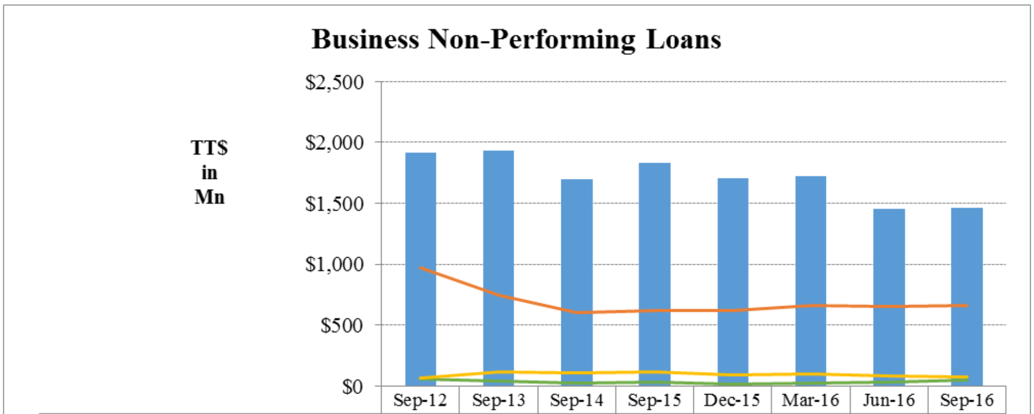
Chart 2



	Sep-12	Sep-13	Sep-14	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16
Total Consumer NPLs	405.1	366.6	416.7	434.5	415.7	460.5	545.6	526.9
Real estate lending	172.6	137.4	144.6	192.0	185.6	203.6	210.1	219.4
Motor vehicles	26.7	21.2	27.7	21.3	19.1	23.7	31.6	35.4
Credit card and other misc.	110.4	103.3	128.7	100.5	103.2	111.3	157.6	123.1

Source: Central Bank data

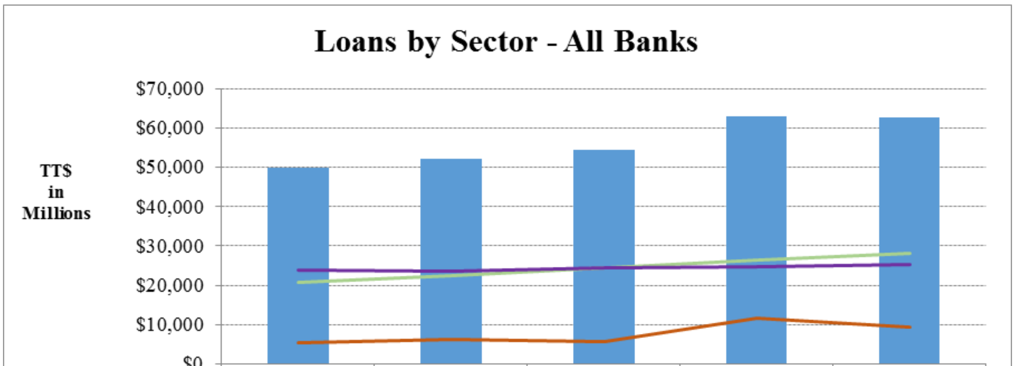
Chart 3



	Sep-12	Sep-13	Sep-14	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16
Total Business NPLs	1,912.8	1,934.9	1,698.2	1,834.2	1,703.3	1,720.1	1,457.1	1,459.5
Real Estate & Real Estate Mortgages	971.9	746.5	602.9	615.8	618.2	660.4	653.5	662.0
Distribution	59.0	40.2	20.5	29.1	19.4	25.4	29.3	47.6
Construction	68.9	113.5	107.3	112.3	93.0	103.4	80.3	74.9

Source: Central Bank data

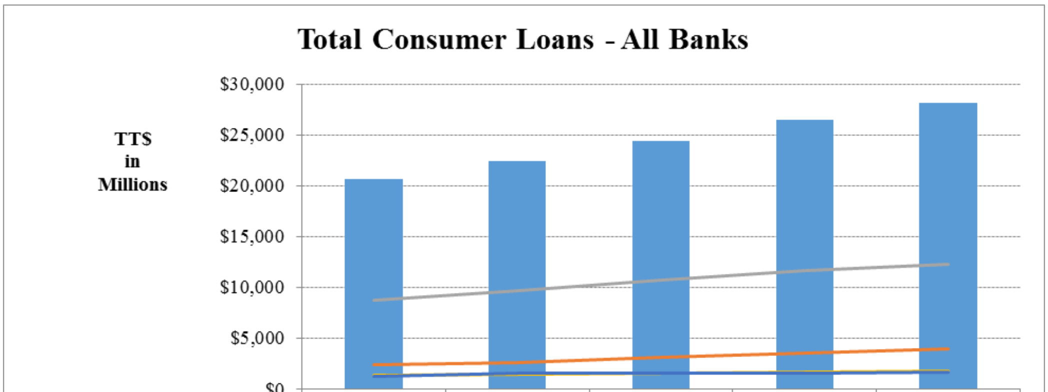
Chart 4



	Sep-12	Sep-13	Sep-14	Sep-15	Sep-16
Total Loans	49,841.5	52,128.9	54,448.5	62,837.1	62,741.4
Consumers	20,661.0	22,465.2	24,456.8	26,482.3	28,125.6
Business	23,800.9	23,540.8	24,390.9	24,812.2	25,284.1
Government	5,379.7	6,122.9	5,600.8	11,542.6	9,331.8

Source: Central Bank data

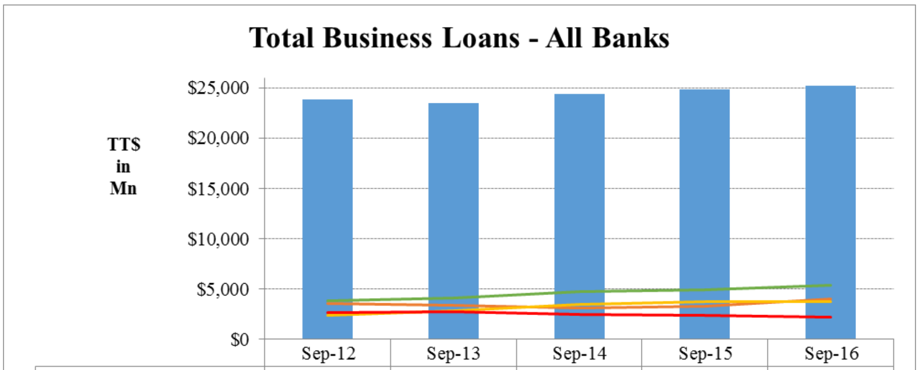
Chart 5



	Sep-12	Sep-13	Sep-14	Sep-15	Sep-16
Total Consumer Loans	20,661	22,465	24,457	26,482	28,126
Real Estate Mortgages	8,795.6	9,667.1	10,752.1	11,707.4	12,346.3
Motor Vehicles	2,378.7	2,628.0	3,169.2	3,585.1	3,941.3
Refinancing	1,379.7	1,504.1	1,590.7	1,664.1	1,754.4
Consolidation of debt	1,315.7	1,542.9	1,558.1	1,593.0	1,709.2

Source: Central Bank data

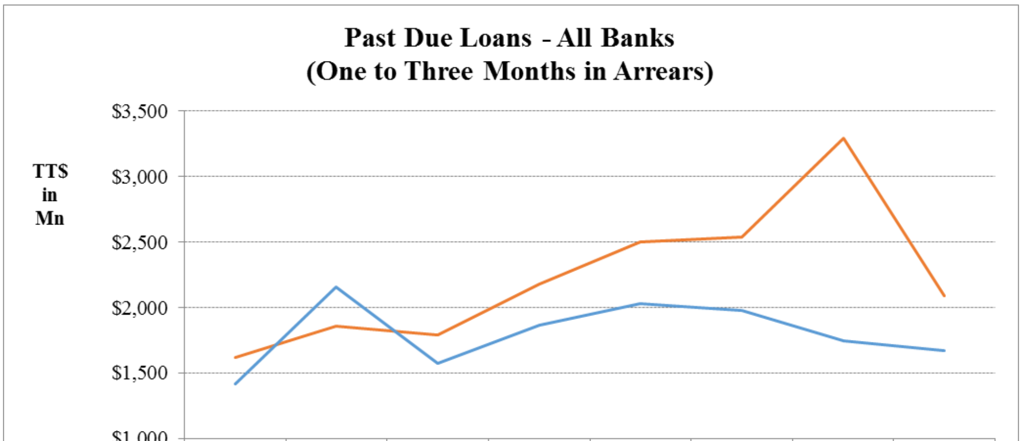
Chart 6



	Sep-12	Sep-13	Sep-14	Sep-15	Sep-16
Total Business Loans	23,787.6	23,492.6	24,390.9	24,812.2	25,201.7
Commercial mortgages	3,798.0	4,125.0	4,721.6	4,952.0	5,377.8
Manufacturing	3,551.8	3,408.7	3,122.5	3,303.1	4,018.1
Distribution	2,370.5	2,835.9	3,511.2	3,735.7	3,720.6
Construction	2,675.9	2,706.5	2,471.3	2,368.6	2,242.1

Source: Central Bank data

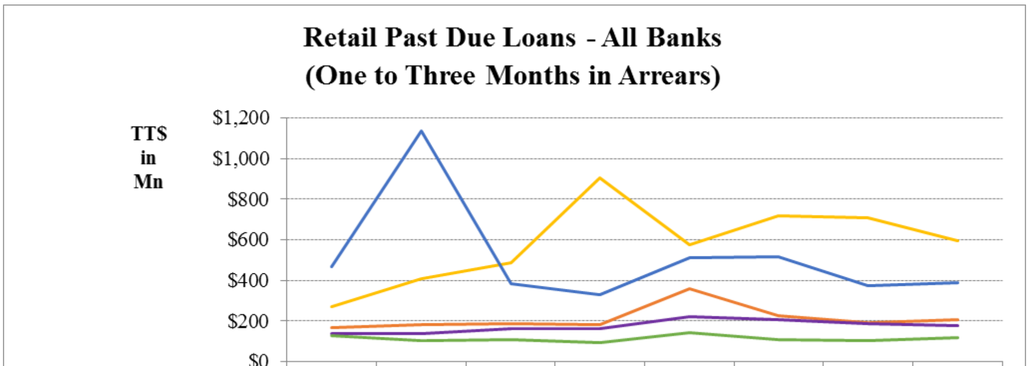
Chart 7



	Sep-12	Sep-13	Sep-14	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16
Business	1,618.0	1,857.4	1,786.4	2,174.7	2,497.5	2,534.0	3,293.2	2,088.9
Consumers	1,412.6	2,156.4	1,575.6	1,861.6	2,031.8	1,978.2	1,742.6	1,673.3

Source: Central Bank data

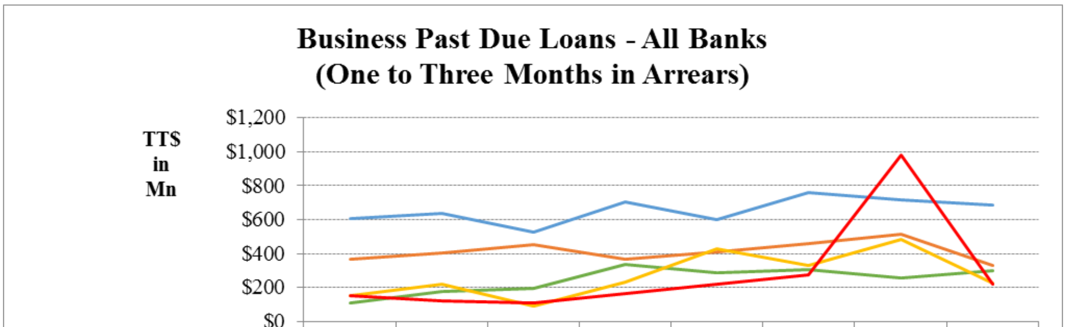
Chart 8



	Sep-12	Sep-13	Sep-14	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16
Other Purposes	269	408	487	907	577	717	708	597
Real Estate Mortgages	469	1,136	382	327	510	515	372	388
Refinancing	166	179	187	182	358	224	190	206
Motor Vehicles	136	137	162	160	222	205	185	179
Consolidation of Debts	128	105	107	92	142	108	105	116

Source: Central Bank data

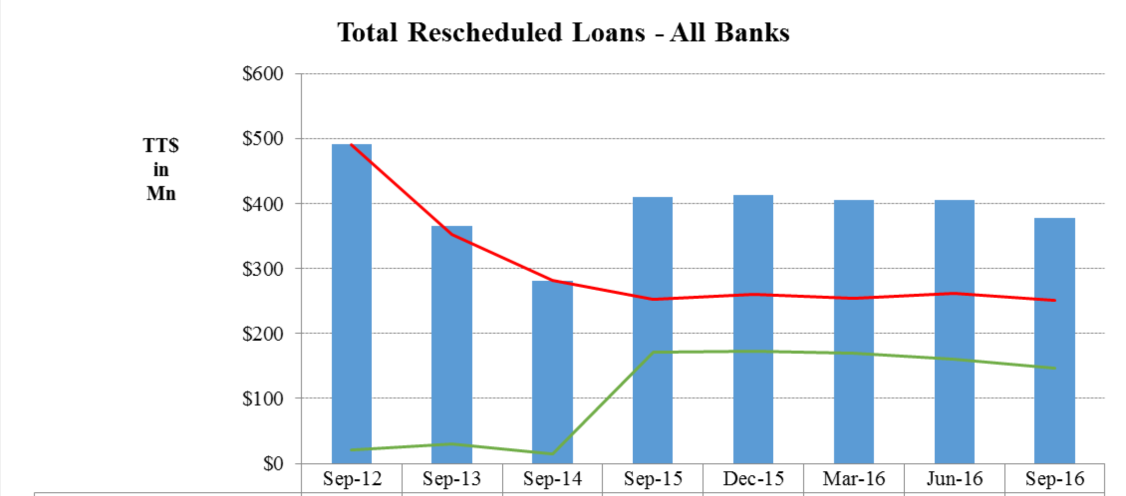
Chart 9



	Sep-12	Sep-13	Sep-14	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16
Commercial Mortgages	603.8	635.9	526.5	705.8	602.1	762.0	719.7	687.6
All Other Services	367.1	402.6	450.2	365.4	413.0	459.6	513.9	331.0
Distribution	106.6	179.3	194.4	337.3	288.3	308.0	253.8	297.5
Manufacturing	149.8	220.1	89.6	232.6	430.4	332.0	485.1	228.2
Construction	153.1	122.7	108.5	167.6	221.2	272.3	983.6	217.4

Source: Central Bank data

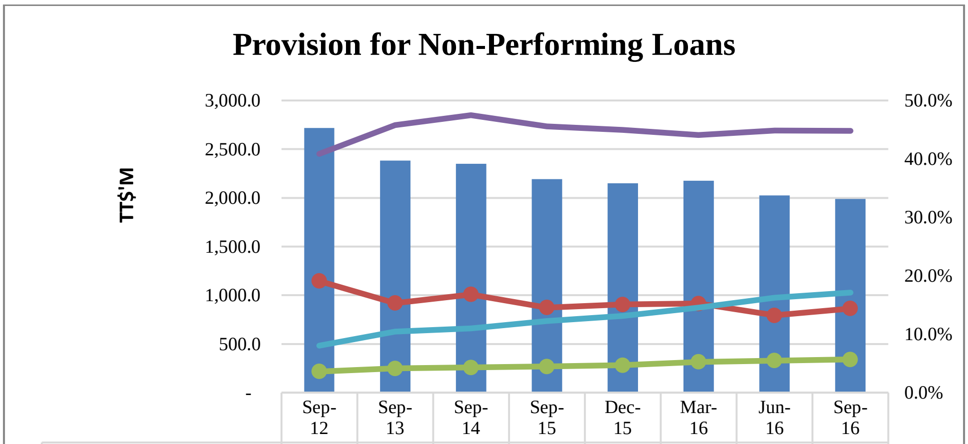
Chart 10



	Sep-12	Sep-13	Sep-14	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16
Total Rescheduled Loans	492.0	365.0	281.4	409.5	412.9	405.9	404.6	378.4
First Time Rescheduled	490.3	352.3	281.4	252.9	260.7	254.8	262.0	250.6
Previously Rescheduled	20.7	29.7	14.6	172.0	172.7	169.6	161.1	146.8

Source: Central Bank CB20 Report

Chart 11



	Sep-12	Sep-13	Sep-14	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16
Total NPLs	2,716.1	2,384.1	2,349.0	2,193.1	2,148.0	2,176.5	2,023.9	1,987.6
Specific Provisions	1,146.0	920.4	1,008.2	873.2	905.1	914.9	793.8	863.2
General Provisions	218.1	248.7	258.7	268.5	281.5	316.3	329.0	340.3
Specific Prov to NPLs	40.9%	45.8%	47.5%	45.5%	45.0%	44.1%	44.8%	44.8%
General Prov to NPLs	8.0%	10.4%	11.0%	12.2%	13.1%	14.5%	16.3%	17.1%

Source: Central Bank data