

Banco de San Juan S.A.

Update Report

Profile

Banco de San Juan S. A. (BSJ) is the financial agent of San Juan Province, as well as of Santa Cruz, Santa Fe and Entre Ríos Provinces through its controlled companies. The San Juan Group's banks are leaders in their provinces in terms of deposits and loans. San Juan Group intends to keep increasing its assistance to individuals (mostly with automatic debit from salary accounts) and to corporate banking by granting loans to the main sectors of the local economies and their value chains.

Key Rating Drivers

Financial Agent: Its performance as the financial agent of the provinces where it operates provides the bank with a stable funding and a customer portfolio with high business potential

Very good profitability: The entity shows good return levels, albeit lower than the ones shown at Dec'16 (ROA: 3.6% Dec'17 vs. 3.9% Dec'16), in line with the national private banks average (ROA 3.6%). Although at Dec'17 the bank shows a higher net interests margin, the reduction in the interest rates of the economy from the second half of 2016 on, caused a fall in net gains on securities (-9.9% from Dec'16).

Adequate capitalization: The entity's capitalization levels decreased from the previous year (Equity/Assets 10.5% at Dec'17 vs. 11.0% at Dec'16), placing below the private banks average (12.3% at Dec'17), mainly because of the lower profitability, the assets growth and the dividends distribution. In Dec'16, the Group participated together with other entities in the granting of a syndicated loan to Santa Cruz Province. It is guaranteed with the income from the Federal Tax Revenue Share and 40% of hydrocarbon royalties. At Dec'17, San Juan Group's assistance amounts to \$473 million, which implies 4.5% exposure on the consolidated bank equity. FIX will monitor its evolution.

Very good asset quality: NPL/Total loans ratio registered a small increase from Dec'16 (1.7% at Dec'17 vs. 1.4% at Dec'16), although it is still good. Moreover, the coverage of irregular loans with reserves is adequate related to NPL's (113.8%) though low in terms of the total portfolio (2.0%). FIX estimates that the loan quality will maintain good levels due to the weighting of personal loans with automatic debit from salary accounts and to the geographic diversification.

Good liquidity: The bank's funding rests primarily on deposits, with a high share of those of the public sector (29.0% at Dec'17) which results from the role of the Group's entities as financial agents in their provinces. Due to the high share of Central Bank Bills in assets (21.0%), the bank shows high liquidity levels. Immediate Liquidity (Cash + Central Bank Bills) represents 45.8% of total deposits.

Rating Sensitivities

Deterioration of its capitalization level or its performance: A sustained increase in its leverage levels and/or a severe deterioration of the bank's performance, that substantially reduces its liquidity levels, would generate a revision in the bank's ratings.

Capitalization and product diversification: The diversification of products offered by the bank, a higher regionalization strategy, together with comfortable and sustained capitalization levels, would generate an upgrade of the bank's ratings.

Ratings

National

Long-Term Debt AA-(arg)
Short-Term Debt A1+(arg)

Rating Outlook Stable

Financial Summary

Millones	12/31/2017	12/31/2016
Assets (USD)	5.375,5	4.748,6
Assets (ARS)	100.921,6	75.266,7
Equity (ARS)	10.602,8	8.306,0
Net Income (ARS)	3.292,4	2.680,5
ROA (%)	3,6	3,9
ROE (%)	35,9	35,2
Equity / Assets (%)	10,5	11,0

USD=ARS: 12/31/17:18.7742 y 12/31/16:15.8502

Related Criteria:

[Financial Entities' Rating Methodology](#) registered under CNV.

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Annex I

Banco de San Juan S.A. Income Statment

	31-Dec-17		31-Dec-16		31-Dec-15		31-Dec-14	
	Annual ARS mill Original	As % of Earning Assets	Annual ARS mill Original	As % of Earning Assets	Annual ARS mill Original	As % of Earning Assets	Annual ARS mill Original	As % of Earning Assets
1. Interest Income on Loans	12.384,4	15,24	10.447,4	17,88	7.556,2	17,21	4.773,4	13,79
2. Other Interest Income	233,5	0,29	252,0	0,43	157,6	0,36	115,1	0,33
3. Dividend Income	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Gross Interest and Dividend Income	12.617,9	15,53	10.699,4	18,31	7.713,8	17,57	4.888,5	14,12
5. Interest Expense on Customer Deposits	5.494,6	6,76	6.197,9	10,61	3.818,1	8,70	2.593,3	7,49
6. Other Interest Expense	91,3	0,11	66,3	0,11	55,3	0,13	33,2	0,10
7. Total Interest Expense	5.586,0	6,88	6.264,2	10,72	3.873,4	8,82	2.626,5	7,59
8. Net Interest Income	7.031,9	8,66	4.435,2	7,59	3.840,4	8,75	2.262,0	6,53
9. Net Gains (Losses) on Trading and Derivatives	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Net Gains (Losses) on Other Securities	4.902,8	6,03	5.438,5	9,31	3.173,5	7,23	2.489,0	7,19
11. Net Gains (Losses) on Assets at FV through Income Statement	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Net Insurance Income	n.a.	-	n.a.	-	n.a.	-	n.a.	-
13. Net Fees and Commissions	1.457,8	1,79	1.618,6	2,77	1.543,6	3,52	1.278,8	3,69
14. Other Operating Income	-279,2	-0,34	-615,3	-1,05	-266,6	-0,61	-182,1	-0,53
15. Total Non-Interest Operating Income	6.081,4	7,49	6.441,8	11,03	4.450,5	10,14	3.585,8	10,36
16. Personnel Expenses	4.466,5	5,50	3.598,0	6,16	2.693,8	6,14	2.010,6	5,81
17. Other Operating Expenses	2.978,6	3,67	2.448,4	4,19	1.920,7	4,37	1.245,8	3,60
18. Total Non-Interest Expenses	7.445,1	9,16	6.046,4	10,35	4.614,5	10,51	3.256,3	9,40
19. Equity-accounted Profit/ Loss - Operating	67,7	0,08	36,6	0,06	15,5	0,04	14,1	0,04
20. Pre-Impairment Operating Profit	5.735,9	7,06	4.867,2	8,33	3.691,8	8,41	2.605,6	7,52
21. Loan Impairment Charge	845,4	1,04	562,1	0,96	393,0	0,90	298,2	0,86
22. Securities and Other Credit Impairment Charges	56,0	0,07	42,6	0,07	55,4	0,13	82,2	0,24
23. Operating Profit	4.834,4	5,95	4.262,6	7,30	3.243,3	7,39	2.225,2	6,43
24. Equity-accounted Profit/ Loss - Non-operating	n.a.	-	n.a.	-	n.a.	-	n.a.	-
25. Non-recurring Income	789,1	0,97	499,5	0,86	383,8	0,87	293,0	0,85
26. Non-recurring Expense	535,9	0,66	468,5	0,80	344,2	0,78	249,1	0,72
27. Change in Fair Value of Own Debt	n.a.	-	n.a.	-	n.a.	-	n.a.	-
28. Other Non-operating Income and Expenses	n.a.	-	n.a.	-	n.a.	-	n.a.	-
29. Pre-tax Profit	5.087,7	6,26	4.293,5	7,35	3.283,0	7,48	2.269,0	6,55
30. Tax expense	1.795,3	2,21	1.613,0	2,76	1.246,9	2,84	875,1	2,53
31. Profit/Loss from Discontinued Operations	n.a.	-	n.a.	-	n.a.	-	n.a.	-
32. Net Income	3.292,4	4,05	2.680,5	4,59	2.036,1	4,64	1.394,0	4,03
33. Change in Value of AFS Investments	n.a.	-	n.a.	-	n.a.	-	n.a.	-
34. Revaluation of Fixed Assets	n.a.	-	n.a.	-	n.a.	-	n.a.	-
35. Currency Translation Differences	n.a.	-	n.a.	-	n.a.	-	n.a.	-
36. Remaining OCI Gains/(losses)	n.a.	-	n.a.	-	n.a.	-	n.a.	-
37. Fix Comprehensive Income	3.292,4	4,05	2.680,5	4,59	2.036,1	4,64	1.394,0	4,03
38. Memo: Profit Allocation to Non-controlling Interests	n.a.	-	n.a.	-	n.a.	-	n.a.	-
39. Memo: Net Income after Allocation to Non-controlling Interests	3.292,4	4,05	2.680,5	4,59	2.036,1	4,64	1.394,0	4,03
40. Memo: Common Dividends Relating to the Period	n.a.	-	1.200,0	2,05	1.550,0	3,53	n.a.	-
41. Memo: Preferred Dividends Related to the Period	n.a.	-	n.a.	-	n.a.	-	n.a.	-

Banco de San Juan S.A. Balance Sheet

	31-Dec-17		31-Dec-16		31-Dec-15		31-Dec-14	
	Annual ARS mill Original	As % of Assets	Annual ARS mill Original	As % of Assets	Annual ARS mill Original	As % of Assets	Annual ARS mill Original	As % of Assets
Assets								
A. Loans								
1. Residential Mortgage Loans	1,263,5	1,25	1,093,5	1,45	1,012,7	1,76	692,2	1,62
2. Other Mortgage Loans	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Other Consumer / Retail Loans	30.766,6	30,49	23.036,6	30,61	17.479,8	30,45	11.127,2	26,11
4. Corporate & Commercial Loans	13.948,3	13,82	10.896,5	14,48	9.521,7	16,59	8.432,9	19,79
5. Other Loans	5.085,1	5,04	3.958,8	5,26	1.700,1	2,96	1.682,3	3,95
6. Less: Reserves for Impaired Loans / NPLs	1.052,9	1,04	740,6	0,98	530,4	0,92	402,7	0,95
7. Net Loans	50.010,6	49,55	38.244,7	50,81	29.183,9	50,84	21.531,9	50,53
8. Gross Loans	51.063,5	50,60	38.985,3	51,80	29.714,3	51,77	21.934,7	51,48
9. Memo: Impaired Loans included above	925,6	0,92	578,1	0,77	382,1	0,67	296,1	0,70
10. Memo: Loans at Fair Value included above	n.a.	-	n.a.	-	n.a.	-	n.a.	-
B. Other Earning Assets								
1. Loans and Advances to Banks	445,1	0,44	420,3	0,56	514,2	0,90	497,9	1,17
2. Reverse Repos and Cash Collateral	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Trading Securities and at FV through Income	21.246,4	21,05	14.915,0	19,82	9.647,8	16,81	8.443,1	19,81
4. Derivatives	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Available for Sale Securities	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Held to Maturity Securities	63,0	0,06	480,9	0,64	617,7	1,08	191,7	0,45
7. At-equity Investments in Associates	313,5	0,31	211,0	0,28	114,7	0,20	54,0	0,13
8. Other Securities	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Total Earning Assets	21.622,9	21,43	15.606,9	20,74	10.380,2	18,08	8.688,9	20,39
10. Memo: Government Securities included Above	n.a.	-	n.a.	-	n.a.	-	n.a.	-
11. Memo: Total Securities Pledged	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Investments in Property	n.a.	-	n.a.	-	n.a.	-	n.a.	-
13. Insurance Assets	n.a.	-	n.a.	-	n.a.	-	n.a.	-
14. Other Earning Assets	9.163,3	9,08	4.147,7	5,51	3.827,5	6,67	3.907,3	9,17
15. Total Earning Assets	81.241,9	80,50	58.419,5	77,62	43.905,8	76,49	34.625,9	81,26
C. Non-Earning Assets								
1. Cash and Due From Banks	14.943,3	14,81	13.296,4	17,67	10.846,0	18,90	6.132,2	14,39
2. Memo: Mandatory Reserves included above	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Foreclosed Real Estate	170,2	0,17	146,2	0,19	129,0	0,22	78,1	0,18
4. Fixed Assets	1.640,4	1,63	1.168,1	1,55	748,9	1,30	481,9	1,13
5. Goodwill	0,0	0,00	n.a.	-	n.a.	-	6,9	0,02
6. Other Intangibles	168,7	0,17	149,9	0,20	139,9	0,24	103,5	0,24
7. Current Tax Assets	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Deferred Tax Assets	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Discontinued Operations	n.a.	-	n.a.	-	n.a.	-	n.a.	-
10. Other Assets	2.757,1	2,73	2.086,5	2,77	1.628,9	2,84	1.181,7	2,77
11. Total Assets	100.921,6	100,00	75.266,7	100,00	57.398,5	100,00	42.610,2	100,00
Liabilities and Equity								
D. Interest-Bearing Liabilities								
1. Customer Deposits - Current	5.840,0	5,79	4.965,6	6,60	3.606,3	6,28	2.999,8	7,04
2. Customer Deposits - Savings	24.062,9	23,84	16.787,5	22,30	11.481,5	20,00	8.594,3	20,17
3. Customer Deposits - Term	21.524,8	21,33	17.257,3	22,93	11.826,7	20,60	7.114,4	16,70
4. Total Customer Deposits	51.427,7	50,96	39.010,4	51,83	26.914,5	46,89	18.708,4	43,91
5. Deposits from Banks	288,3	0,29	121,9	0,16	43,6	0,08	227,7	0,53
6. Repos and Cash Collateral	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Other Deposits and Short-term Borrowings	26.742,5	26,50	21.005,3	27,91	17.682,2	30,81	14.620,2	34,31
8. Total Deposits, Money Market and Short-term Funding	78.458,5	77,74	60.137,6	79,90	44.640,4	77,77	33.556,2	78,75
9. Senior Debt Maturing after 1 Year	743,2	0,74	1.345,5	1,79	1.276,8	2,22	776,6	1,82
10. Subordinated Borrowing	n.a.	-	n.a.	-	n.a.	-	n.a.	-
11. Other Funding	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Total Long Term Funding	743,2	0,74	1.345,5	1,79	1.276,8	2,22	776,6	1,82
13. Derivatives	n.a.	-	n.a.	-	n.a.	-	n.a.	-
14. Trading Liabilities	7.336,1	7,27	2.259,4	3,00	1.848,1	3,22	1.518,4	3,56
15. Total Funding	86.537,9	85,75	63.742,4	84,69	47.765,2	83,22	35.851,3	84,14
E. Non-Interest Bearing Liabilities								
1. Fair Value Portion of Debt	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Credit impairment reserves	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Reserves for Pensions and Other	145,6	0,14	125,2	0,17	107,0	0,19	86,3	0,20
4. Current Tax Liabilities	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Deferred Tax Liabilities	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Other Deferred Liabilities	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Discontinued Operations	n.a.	-	n.a.	-	n.a.	-	n.a.	-
8. Insurance Liabilities	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Other Liabilities	3.635,3	3,60	3.093,0	4,11	2.491,7	4,34	1.608,9	3,78
10. Total Liabilities	90.318,8	89,49	66.960,7	88,96	50.363,9	87,74	37.546,5	88,12
F. Hybrid Capital								
1. Pref. Shares and Hybrid Capital accounted for as Debt	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	-	n.a.	-	n.a.	-	n.a.	-
G. Equity								
1. Common Equity	9.518,1	9,43	7.425,7	9,87	6.295,2	10,97	4.524,1	10,62
2. Non-controlling Interest	1.084,7	1,07	880,3	1,17	739,3	1,29	539,6	1,27
3. Securities Revaluation Reserves	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Foreign Exchange Revaluation Reserves	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Fixed Asset Revaluations and Other Accumulated OCI	n.a.	-	n.a.	-	n.a.	-	n.a.	-
6. Total Equity	10.602,8	10,51	8.306,0	11,04	7.034,6	12,26	5.063,7	11,88
7. Total Liabilities and Equity	100.921,6	100,00	75.266,7	100,00	57.398,5	100,00	42.610,2	100,00
8. Memo: Fix Core Capital	10.434,1	10,34	8.156,1	10,84	6.894,6	12,01	4.953,3	11,62
9. Memo: Fix Eligible Capital	10434,1	10,34	8156,102	10,84	6894,623	12,01	4953,298	11,62

Banco de San Juan S.A. Summary Analytics

	31-Dec-17	31-Dec-16	31-Dec-15	31-Dec-14
	Annual	Annual	Annual	Annual
A. Profitability Ratios - Interest Ratios				
1. Interest Income on Loans / Average Gross Loans	27,82	30,34	28,46	25,49
2. Interest Expense on Customer Deposits / Average Customer Deposits	12,50	19,05	16,99	15,97
3. Interest Income/ Average Earning Assets	17,39	19,92	18,87	15,69
4. Interest Expense/ Average Interest-bearing Liabilities	7,11	10,86	9,28	8,20
5. Net Interest Income/ Average Earning Assets	9,69	8,26	9,40	7,26
6. Net Int. Inc Less Loan Impairment Charges / Av. Earning Assets	8,53	7,21	8,44	6,30
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Assets	9,69	8,26	9,40	7,26
B. Other Operating Profitability Ratios				
1. Non-Interest Income/ Gross Revenues	46,38	59,22	53,68	61,32
2. Non-Interest Expense/ Gross Revenues	56,78	55,59	55,66	55,68
3. Non-Interest Expense/ Average Assets	8,14	8,85	9,26	8,63
4. Pre-impairment Op. Profit/ Average Equity	62,46	63,83	62,02	61,50
5. Pre-impairment Op. Profit/ Average Total Assets	6,27	7,12	7,41	6,90
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	15,72	12,42	12,15	14,60
7. Operating Profit/ Average Equity	52,64	55,90	54,49	52,52
8. Operating Profit/ Average Total Assets	5,29	6,24	6,51	5,89
9. Taxes/ Pre-tax Profit	35,29	37,57	37,98	38,56
10. Pre-Impairment Operating Profit / Risk Weighted Assets	7,77	12,01	8,20	7,65
11. Operating Profit / Risk Weighted Assets	6,55	10,51	7,21	6,54
C. Other Profitability Ratios				
1. Net Income/ Average Total Equity	35,85	35,15	34,21	32,90
2. Net Income/ Average Total Assets	3,60	3,92	4,09	3,69
3. Fix Comprehensive Income/ Average Total Equity	35,85	35,15	34,21	32,90
4. Fix Comprehensive Income/ Average Total Assets	3,60	3,92	4,09	3,69
5. Net Income/ Av. Total Assets plus Av. Managed Securitized Assets	n.a.	n.a.	n.a.	n.a.
6. Net Income/ Risk Weighted Assets	4,46	6,61	4,52	4,10
7. Fix Comprehensive Income/ Risk Weighted Assets	4,46	6,61	4,52	4,10
D. Capitalization				
1. Fix Core Capital/Weighted Risks	14,14	20,12	15,32	14,55
3. Tangible Common Equity/ Tangible Assets	10,36	10,86	12,04	11,65
4. Tier 1 Regulatory Capital Ratio	12,60	18,50	14,45	13,82
5. Total Regulatory Capital Ratio	13,46	19,54	15,34	n.a.
6. Core Tier 1 Regulatory Capital Ratio	n.a.	n.a.	n.a.	n.a.
7. Equity/ Total Assets	10,51	11,04	12,26	11,88
8. Cash Dividends Paid & Declared/ Net Income	n.a.	44,77	76,13	n.a.
9. Cash Dividend Paid & Declared/ Fitch Comprehensive Income	n.a.	44,77	76,13	n.a.
10. Cash Dividends & Share Repurchase/Net Income	n.a.	n.a.	n.a.	n.a.
11. Net Income - Cash Dividends/ Total Equity	31,05	17,82	6,91	27,53
E. Loan Quality				
1. Growth of Total Assets	34,09	31,13	34,71	33,56
2. Growth of Gross Loans	30,98	31,20	35,47	32,57
3. Impaired Loans(NPLs)/ Gross Loans	1,72	1,40	1,19	1,20
4. Reserves for Impaired Loans/ Gross loans	1,95	1,79	1,65	1,63
5. Reserves for Impaired Loans/ Impaired Loans	113,76	128,12	138,83	136,00
6. Impaired Loans less Reserves for Imp Loans/ Equity	(1,20)	(1,96)	(2,11)	(2,11)
7. Loan Impairment Charges/ Average Gross Loans	1,90	1,63	1,48	1,59
8. Net Charge-offs/ Average Gross Loans	0,45	0,16	0,29	0,28
9. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets	2,03	1,75	1,59	1,51
F. Funding				
1. Loans/ Customer Deposits	99,29	99,94	110,40	117,24
2. Interbank Assets/ Interbank Liabilities	154,42	344,83	1.178,98	218,69
3. Customer Deposits/ Total Funding excl Derivatives	59,43	61,20	56,35	52,18

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