

Instituto para la Protección al Ahorro Bancario (IPAB)

Update

Key Rating Drivers

Sovereign's Adequate Ability to Support: IPAB's IDRs and National Ratings are driven by its GSR, which is equalized with the Long-Term IDR of Mexico (BBB-/Stable). This considers Mexico's high propensity to support IPAB but adequate ability to do so, as indicated by Mexico's 'BBB-' sovereign rating.

High Propensity to Support: The propensity to support IPAB is reflected in its important policy role, 100% state ownership and laws that guarantee IPAB's operations. IPAB is the sole deposit insurer in the country and the government's tool to execute the resolution of banks with financial problems. IPAB helps maintain the country's financial system stability.

Effective Bank Resolutions: The execution of bank resolutions over the last two years has been effective. As of 1Q22, IPAB paid 99.2% and 97.1% of the guaranteed obligations of Banco Ahorro Famsa and Accendo Banco, respectively. In 2022, IPAB will use any guaranteed obligation payment recoveries from BAF and Accendo to support the Banking Protection Fund.

Laws Guarantee IPAB's Obligations: If IPAB is unable to fulfil its financial obligations, it is stipulated in the Bank Saving Protection Law that the Mexican Congress will establish the criteria and measures for the payment of guaranteed obligations and its financing, if required. That law also stipulates that the Congress will provide budgetary resources to the institute to face its financial obligations if required. Mexico's Revenues Law also specifies that the entity's financial agent, Mexico's Central Bank, could transitorily debit the treasury's accounts to meet the payment of IPAB's debt issuances.

Financial Performance Reflects Public Ownership: Historically, IPAB's profitability has been negative due to the high influence of its policy role. IPAB's net income is affected by the interest expenses from the BPAs. The federal transfers, installments charged to banks and interest income are not sufficient to cover operational and interest expenses. IPAB's funding structure has been modestly sensitive to investor confidence. In Fitch's view, IPAB has demonstrated a high ability to handle refinancing risk. Its ample expertise in debt markets and high linkage to Mexico's government have supported its recurrent presence in the local debt markets.

Rating Sensitivities

Factors that could, individually or collectively, lead to positive rating action/upgrade:

- IPAB's GSR and IDRs could be upgraded if the sovereign rating is upgraded and Fitch continues to view IPAB as having a significant policy role for the federal government.
- National ratings cannot be upgraded because they are at the highest level in the national rating scale.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

- IPAB's GSR and IDRs could be downgraded if the sovereign rating is downgraded.
- GSR, IDRs and national ratings could be downgraded if Fitch perceives a decrease in IPAB's policy role to the federal government, through modifications of its legal framework or if the government reduces transfers of budgetary resources to IPAB in respect to requested amounts; however, this scenario is unlikely in the short and medium term.

Banks

Non-Bank Financial Institutions
Mexico

Ratings

Foreign Currency

Long-Term IDR	BBB-
Short-Term IDR	F3

Local Currency

Long-Term IDR	BBB-
Short-Term IDR	F3

Government Support	bbb-
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National

National Long-Term Rating	AAA(mex)
National Short-Term Rating	F1+(mex)

Sovereign Risk

Long-Term Foreign-Currency IDR	BBB-
Long-Term Local-Currency IDR	BBB-
Country Ceiling	BBB+

Outlooks

Long-Term Foreign-Currency IDR	Stable
Long-Term Local-Currency IDR	Stable
National Long-Term Rating	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Applicable Criteria

[National Scale Rating Criteria \(December 2020\)](#)

[Non-Bank Financial Institutions Rating Criteria \(January 2022\)](#)

Related Research

[Mexican NBFIs Face Elevated Refi Risk After Recent Issuer Defaults \(March 2022\)](#)

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Other Debt and Issuer Ratings

Rating Level	Rating
Senior Unsecured: National Long Term	AAA(mex)

Source: Fitch Ratings.

- The senior local debt rating is equalized with IPAB's 'AAA(mex)' rating, as the likelihood of a default of the notes is the same as that of the company.

Factors that could, individually or collectively, lead to negative rating action/downgrade

- Downgrades in IPAB's local debt issuance ratings would mirror similar action on the issuer's national scale ratings.

Factors that could, individually or collectively, lead to positive rating action/upgrade

- There is no upside potential for IPAB's local debt issuance ratings as they are at the highest end of the local scale.

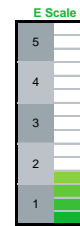
Environmental, Social and Governance Considerations

Credit-Relevant ESG Derivation

Instituto para la Proteccion al Ahorro Bancario (IPAB) has 4 ESG potential rating drivers ➔ Governance is minimally relevant to the rating and is not currently a driver.					Overall ESG Scale	
key driver	0	issues	5			
driver	0	issues	4			
potential driver	4	issues	3			
not a rating driver	4	issues	2			
	6	issues	1			

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	1	Regulatory risks, emissions fines or compliance costs related to owned equipment, which could impact asset demand, profitability, etc.	Operating Environment
Energy Management	1	Investments in or ownership of assets with below-average energy/fuel efficiency which could impact future valuation of these assets	Risk Appetite
Water & Wastewater Management	1	n.a.	n.a.
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Company Profile; Asset Quality



How to Read This Page

ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

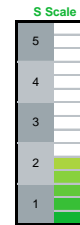
The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

Sector references in the scale definitions below refer to Sector as

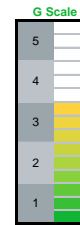
Social (S)

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	1	n.a.	n.a.
Customer Welfare - Fair Messaging, Privacy & Data Security	2	Fair lending practices; pricing transparency; repossession/foreclosure/collection practices; consumer data protection; legal/regulatory fines stemming from any of the above	Operating Environment; Risk Appetite; Asset Quality
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile; Management & Strategy; Earnings & Profitability; Capitalization & Leverage; Funding, Liquidity & Coverage
Employee Wellbeing	1	n.a.	n.a.
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core activities	Company Profile; Earnings & Profitability



Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Operational implementation of strategy	Management & Strategy
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal/compliance risks; business continuity; key person risk; related party transactions	Management & Strategy
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile
Financial Transparency	3	Quality and timing of financial reporting and auditing processes	Management & Strategy



CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?	Score	Description
Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.	5	
Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.	4	
Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.	3	
Irrelevant to the entity rating but relevant to the sector.	2	
Irrelevant to the entity rating and irrelevant to the sector.	1	

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/essg.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

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