FitchRatings

Nonbank Financial Institutions
Government-Sponsored Enterprises
Mexico

Instituto para la Proteccion al Ahorro Bancario (IPAB)

Key Rating Drivers

Sovereign's Adequate Ability to Provide Support: Instituto para la Proteccion al Ahorro Bancario's (IPAB) Issuer Default Ratings (IDRs) are driven by its Government Support Rating (GSR), which is equalized with the Long-Term IDR of Mexico (BBB–/Stable). This considers Mexico's high propensity to support IPAB and adequate ability to do so, as indicated by Mexico's 'BBB–' sovereign rating. The Stable Rating Outlook on IPAB's Long-Term IDRs mirrors that of the sovereign.

High Propensity to Provide Support: The Mexican government's high propensity to support IPAB is reflected in the latter's core policy role, its 100% long-term and strategic government ownership and laws that fully guarantee IPAB's operations and funding.

Important Policy Role: Fitch Ratings' GSR reflects IPAB's high strategic policy role as the sole banking deposit insurer in the country, the government's tool to resolve and liquidate banks facing financial problems and IPAB's role as a liquidity provider to the financial system. IPAB is tasked with maintaining the country's financial system stability and confidence in the banking system. Fitch views IPAB's systemic importance to the financial system as high. As the financial system's liquidity provider, IPAB issues debt instruments (Bonos de Proteccion al Ahorro Bancario, or BPAs) that have resulted in a safe haven for financial intermediaries to invest its liquidity excess.

Laws Guarantee IPAB's Obligations: If IPAB is unable to fulfil its financial obligations, the Bank Saving Protection Law stipulates that the Mexican Congress will establish the criteria and measures for payment of IPAB's guaranteed obligations and its financing. That law also stipulates that the Congress will provide the institution with sufficient budgetary resources to meet its corresponding financial obligations. Also, Mexico's Revenues Law 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 issuance.

Effective Execution: IPAB's execution has been strong in recent years. The two most recent bank resolutions, occurring in July 2020 and September 2021 — for Banco Ahorro Famsa (BAF) and Accendo Banco (Accendo), respectively — and liquidation processes were completed successfully. As of 1Q23, IPAB has paid 99.3% and 99.1% of guaranteed obligations for BAF and Accendo, respectively.

Financial Support from Government: IPAB's financial performance benefits from meaningful federal transfers from the Mexican government to partially cover interest expenses. For 2023, the Mexican government has transferred MXN54.2 billion to IPAB; this is 3.5x higher than 2022 amounts due to residual effects of high inflation and interest rates.

Stable Funding and Liquidity: IPAB's funding structure has been stable, albeit highly concentrated and sensitive to market conditions. However, its funding structure has been modestly sensitive to investor confidence. IPAB's funding structure is based on local debt issuance known as BPAs (*as mentioned above*). In Fitch's view, IPAB has demonstrated a high ability to manage refinancing risk. Its ample expertise in debt markets and strong linkage to the Mexican government has supported its presence within the local debt markets.

National Ratings: IPAB's National Long-Term Rating of 'AAA(mex)' and National Short-Term Rating of 'F1+(mex)' are based upon potential support from the Mexican sovereign. These ratings also reflect IPAB's creditworthiness relative to that of other issuers in Mexico.

Ratings

Foreign Currency	
Long-Term Issuer Default Rating	BBB–
Short-Term Issuer Default Rating	F3
Local Currency	
Long-Term Issuer Default Rating	BBB–
Short-Term Issuer Default Rating	F3
Government Support Rating	bbb–
National Rating	
National Long-Term Rating	AAA(mex)
National Short-Term Rating	F1+(mex)
Sovereign Risk (Mexico)	
Long-Term Foreign Currency Issuer Default Rating	BBB–
Long-Term Local Currency Issuer Default Rating	BBB–
Country Ceiling	BBB+

Rating Outlooks

Long-Term Foreign Currency Issuer Default Rating	Stable
Long-Term Local Currency Issuer Default Rating	Stable
National Long-Term Rating	Stable
Sovereign Long-Term Foreign Currency Issuer Default Rating	Stable
Sovereign Long-Term Local Currency Issuer Default Rating	Stable

Applicable Criteria

Non-Bank Financial Institutions Rating Criteria (May 2023)

National Scale Rating Criteria (December 2020)

Related Research

Fitch Affirms Mexico at 'BBB–'; Outlook Stable (June 2023)

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Rating Sensitivities

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

- Negative rating actions in IPAB's GSR and IDRs could follow negative actions in Mexico's sovereign rating.
- The GSR, IDRs and National Ratings could be downgraded if Fitch perceives a decrease in IPAB's policy role to the federal government, either through modifications of its legal framework or if the government reduces transfers of budgetary resources to IPAB in respect of requested amounts.

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

- Positive rating actions in IPAB's GSR and IDRs could follow positive actions in Mexico's sovereign rating while Fitch continues to view IPAB as having a core policy role to the federal government.
- The National Ratings cannot be upgraded because they are at the highest level on the national rating scale.

Recent Developments

Sovereign Rating

Fitch affirmed Mexico's long-term local currency and foreign currency ratings at 'BBB–' with a Stable Rating Outlook on June 16, 2023. For more information, see "Fitch Affirms Mexico at 'BBB–'; Outlook Stable" at www.fitchratings.com.

No Expected Changes in IPAB Rules After U.S. Regional Banks Failures Following a series of U.S. regional bank failures earlier in 2023, IPAB considers Mexico's bank resolution and liquidation rules to be strong. The guarantee fund has a conformable size to individually cover the guaranteed obligations of medium-sized banks in the event of banking stress. Mexico's bank resolution rules also consider exception regimens to avoid contagion risk.

Regarding Additional Tier 1 capital securities, IPAB has provided reassurance that investors of such subordinated hybrid securities have priority over shareholders, as established in Article 241 of Mexico's Credit Institutions Law, whereby any subordinated debt will be in the seventh and eighth positions in the payment hierarchy.

Debt Ratings

Debt Ratings: Instituto para la Proteccion al Ahorro Bancario (IPAB)

Rating Type	Rating	Rating Outlook
Senior Unsecured	AAA(mex)	N.A.

N.A. – Not applicable
Source: Fitch Ratings

The senior local debt ratings are equalized with IPAB's 'AAA(mex)' National Long-Term Rating, as the likelihood of a default of the notes is the same as that of the company.

Debt Rating Sensitivities

- IPAB's senior debt national ratings are likely to move in line with its National Long-Term Rating.

Government Support Rating

Key Rating Drivers for Policy Non-Bank Financial Institutions' GSRs

Ownership	Equalization with Sovereign Rating
Policy Role	Equalization with Sovereign Rating
Guarantees and Legal Status	Equalization with Sovereign Rating

The colors indicate the weighting of each Key Rating Driver in the assessment.
Higher Influence Moderate Influence Lower Influence

Fitch's GSR reflects IPAB's high strategic policy role as the sole banking deposit insurer in the country, the government's tool to resolve and liquidate banks facing financial problems and IPAB's role as a liquidity provider to the financial system.

Environmental, Social and Governance Considerations

FitchRatings **Instituto para la Proteccion al Ahorro Bancario (IPAB)** NBFI Ratings Navigator

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.

key driver	0	issues
driver	0	issues
potential driver	4	issues
not a rating driver	4	issues
	6	issues

Overall ESG Scale: 5, 4, 3, 2, 1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	1	Regulatory risks, emissions fines or compliance costs related to owned equipment, which could impact asset demand, profitability, etc.	Sector Risk Operating Environment	5
Energy Management	1	Investments in or ownership of assets with below-average energy/fuel efficiency which could impact future valuation of these assets	Risk Profile	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk profile & management; catastrophe risk; credit concentrations	Business Profile; Asset Quality	1

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	1	n.a.	n.a.	5
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	Sector Risk Operating Environment; Risk Profile; Asset Quality	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile; Management & Strategy; Earnings & Profitability; Capitalisation & Leverage; Funding, Liquidity & Coverage	3
Employee Wellbeing	1	n.a.	n.a.	2
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	Business Profile; Earnings & Profitability	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Management & Strategy	5
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	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile	3
Financial Transparency	3	Quality and timing of financial reporting and auditing processes	Management & Strategy	2
				1

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 displayed in the Sector Details box on page 1 of the navigator.

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	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.
4	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.
3	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.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

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, due to either 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/esg.

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.