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Instituto Para La Proteccion al Ahorro Bancario

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Instituto Para La Proteccion al Ahorro Bancario

Credit Highlights

Issuer Credit Rating
Foreign Currency
BBB/Negative/A-2
Local Currency
BBB+/Negative/A-2
CaVal (Mexico) National Scale
mxAAA/Stable/mxA-1+

Key strengths	Key risks
Consistent support from the government given Instituto Para la Protección al Ahorro Bancario's (IPAB's) role as the only deposit insurer in the Mexican banking system.	IPAB has a large, although gradually declining, legacy debt from the Mexican financial crisis in 1994.
Efficient and timely response to deposit payment and liquidation processes.	The fund's growth remains slow, given that around 75% of the fees paid by banks are used to finance the institute's debt.
Still sound coverage levels in the deposit insurance fund, which will recover pre-pandemic levels by the end of 2022.	

IPAB will maintain its importance to the government as sole deposit insurer for the Mexican banking system. The government's mandate is for IPAB to manage bank deposit insurance to rescue bank depositors if a Mexican bank fails. This has occurred recently with Banco Ahorro Famsa S.A. Institución de Banca Múltiple (BAF) in 2020 and Accendo Banco S.A. Institución de Banca Múltiple (Accendo) in 2021. IPAB took control of these banks and paid the covered deposits for their customers. In addition, the institute has managed the asset sales from these banks.

We consider that IPAB benefits from explicit and consistent support from the government. IPAB also manages the outstanding debt from past bailouts with the goal of gradually reducing it in real terms. In order to accomplish its obligations, part of the federal budget is assigned to pay the institute's legacy debt and to guarantee support for its outstanding debt placements.

The institute has had an efficient and timely response to deposit payment and liquidation processes. In the past two years, IPAB has executed a timely payment of the covered deposits during the recent failure of BAF and Accendo. The latter, coupled with their liquidation process, allows for an orderly exit from the financial system, reducing the pernicious impact on the sector. Moreover, the institute's deposit fund, which supports the payment of covered deposits, remains at sound levels, and we expect it to recover after the intervention in the previously mentioned banks. In our opinion, these actions highlight the efficient management of the institute's functions.

Outlook

The negative global scale outlook on IPAB mirrors that on the sovereign. Any change in our ratings or outlook on Mexico (foreign currency: BBB/Negative/A-2; local currency: BBB+/Negative/A-2) would result in a similar action on IPAB. The stable outlook on the national scale rating on IPAB also reflects that on the national scale sovereign rating.

Downside scenario

In addition to a potential downgrade of Mexico, we could also lower the ratings on IPAB if the likelihood of government support diminishes, which could jeopardize the institution's sustainability or ability to refinance its debt. However, we view this scenario as highly unlikely, given IPAB's importance for the Mexican banking system.

Upside scenario

We could revise IPAB's outlook to stable following a similar action on Mexico.

Key Metrics

Instituto Para La Proteccion al Ahorro Bancario--Key Metrics

	--Fiscal year ended--							
(Mil. MXN)	**3Q 2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Assets								
Cash and money market instruments	32.0	1.0	20.0	44.0	41.0	42.0	33.0	26.0
Securities	115,900.0	132,333.0	150,748.0	130,549.0	123,359.0	106,222.0	95,591.0	71,939.0
Available for sale (fair value)*	62,263.0	37,950.0	66,375.0	54,255.0	70,264.0	71,271.0	61,469.0	50,270.0
Fixed assets	233.0	236.0	80.0	84.0	88.0	90.0	95.0	100.0
Accrued receivables	172.0	167.0	161.0	153.0	143.0	134.0	130.0	127.0
Other assets	936,285.0	927,536.0	911,414.0	901,461.0	890,147.0	861,755.0	852,635.0	843,263.0
Total assets	1,052,622.0	1,060,273.0	1,062,423.0	1,032,555.0	1,013,778.0	968,243.0	948,484.0	915,455.0
Liabilities								
Total deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other borrowings less non-derivative trading liabilities	1,006,264.0	1,019,004.0	1,006,089.0	985,912.0	975,995.0	937,661.0	923,386.0	894,774.0
Long-term debt maturing within one year	225,406.0	220,025.0	216,783.0	220,668.0	238,195.0	185,261.0	186,259.0	168,454.0
Long-term debt-senior	755,010.0	774,247.0	789,306.0	765,244.0	737,800.0	752,400.0	737,127.0	725,950.0
Other funding	0.0	0.0	0.0	0.0	0.0	0.0	0.0	370.0
Other credit reserves	46,398.0	41,309.0	56,298.0	46,283.0	37,754.0	30,520.0	25,033.0	20,578.0
Other liabilities	5.0	17.0	62.0	41.0	37.0	39.0	29.0	40.0

Instituto Para La Proteccion al Ahorro Bancario--Key Metrics (cont.)

	--Fiscal year ended--							
(Mil. MXN)	**3Q 2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Total liabilities	1,052,667.0	1,060,330.0	1,062,449.0	1,032,236.0	1,013,786.0	968,220.0	948,448.0	915,392.0
Total equity	(45.0)	(57.0)	(26.0)	319.0	(8.0)	23.0	36.0	63.0
Total liabilities and equity	1,052,622.0	1,060,273.0	1,062,423.0	1,032,555.0	1,013,778.0	968,243.0	948,484.0	915,455.0

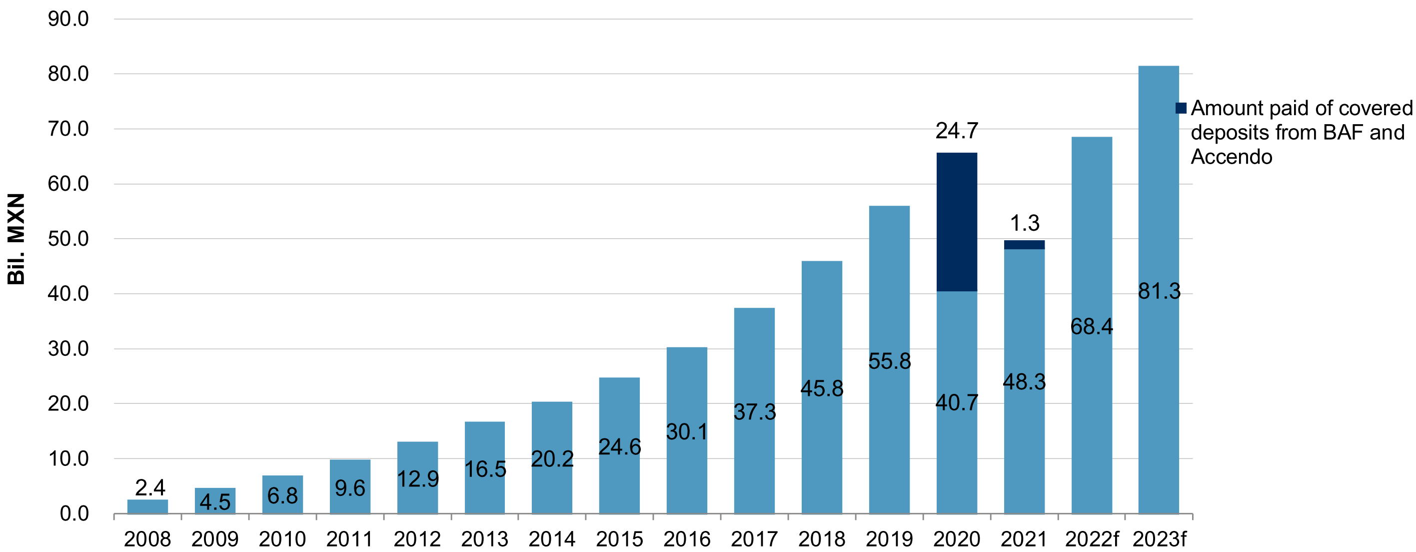
Q--Quarter. MXN--Mexican peso. *During 2018, IPAB reduced its available for sale position by MXN 20 million and increased in the same ammount its hold to maturity position.

IPAB continues to contribute to the Mexican banking sector's stability by providing a timely payment of insured deposits for failed bank's clients and orderly liquidation process. During 2021, Mexico's banking regulator revoked Accendo's license after it failed to comply with several regulatory requirements, which hampered its capitalization levels. At the end of 2021, due to Accendo's bankruptcy, IPAB had already paid about MXN1.3 billion of the bank's covered deposits, which was about 97% of total covered deposits. The amount paid to Accendo's customers represented less than 3% of the total deposit insurance fund and had no material effect on the fund's levels. Moreover, we expect the asset sales to occur this year. In our view, IPAB's timely response--along with its response to BAF's failure--are in line with global best practices, and illustrated a solid resolution plan design and a proper execution.

We expect the institute's deposit insurance fund to recover to pre-pandemic levels by the end of 2022, supported by the sale of BAF's assets, which we expect to occur during 2022, and consistent growth in the quota income from the banking system. The balance of the bank deposit insurance fund was MXN48.3 billion in December 2021, up from MXN40.7 billion in December 2020 (as shown in chart 1). This results in sound coverage of 0.8% (in terms of total system's guaranteed obligations), according to the International Association of Deposit Insurers (IADI) last survey, which compares favorably with those of international peers. We expect this coverage to return to 2019 levels of close to 1.0%.

Chart 1

Trajectory Of Deposits

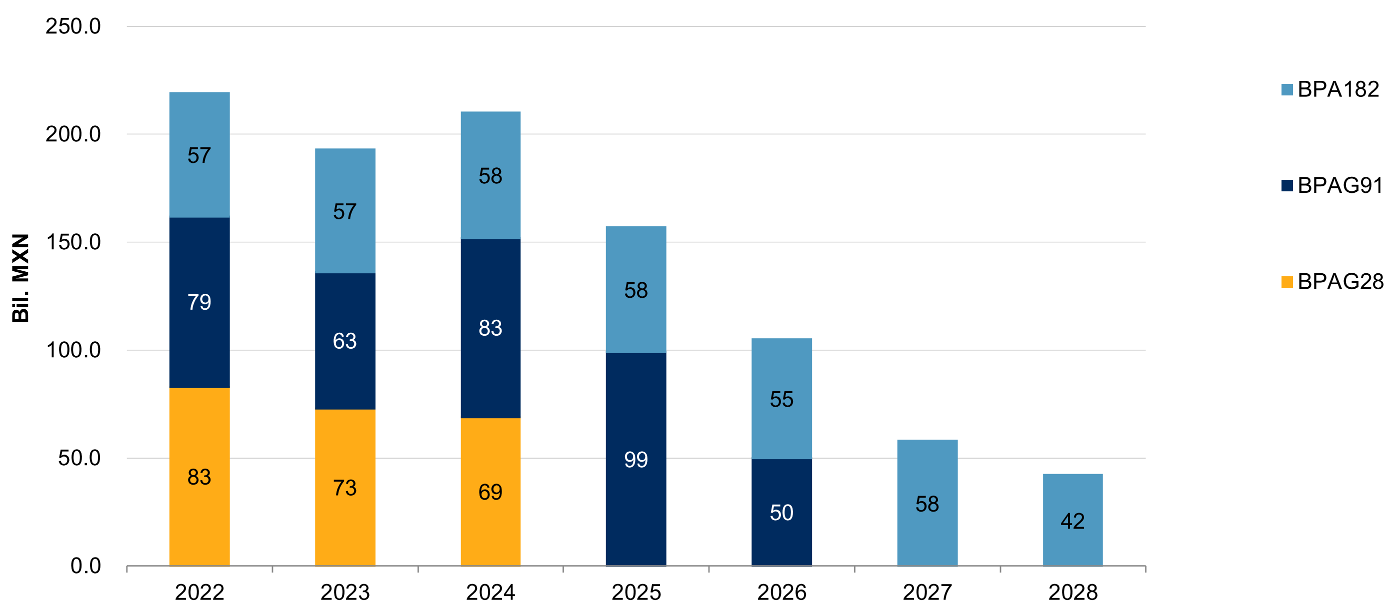


e--Estimate. f--Forecast. MXN--Mexican peso. Source: S&P Global Ratings.

We expect the institute to maintain sound financial flexibility without any further refinancing risk due to the government support. During 2021, the institute decreased its net debt in real terms 5.2% from the previous year. Moreover, we expect IPAB's placements to continue having a strong demand amid the increasing rates. As of December 2021, the BPA182 bond accounts for the largest share of IPAB's debt (39%), followed by BPAG91 (38%), and BPAG28 (23%). The institute's average debt maturity profile is 2.5 years, and 22% of its debt matures this year (as shown in chart 2).

Chart 2

IPAB's Debt Maturity Profile
As of December 2021



Source: S&P Global Ratings.

IPAB fully protects 99.89% of total deposit accounts in the banking system, given that resources in those accounts are under the UDI400,000 (investment units) limit. IPAB's insurance coverage remains one of the largest among global banking systems. The insurance coverage includes deposits, checking accounts, promissory notes with interest payable at maturity, term deposits, and other financial instruments. We don't expect IPAB to modify the coverage amount next year.

Related Criteria

- General Criteria: Methodology For National And Regional Scale Credit Ratings, June 25, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions, March 25, 2015
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Ratings Detail (As Of March 14, 2022)*		
Instituto Para La Proteccion al Ahorro Bancario		
Issuer Credit Rating		
Foreign Currency		BBB/Negative/A-2
Local Currency		BBB+/Negative/A-2
CaVal (Mexico) National Scale		mxAAA/Stable/mxA-1+
Senior Unsecured *CaVal (Mexico) National Scale*		mxAAA
Senior Unsecured		BBB+
Issuer Credit Ratings History		
27-Mar-2020	*Foreign Currency*	BBB/Negative/A-2
04-Mar-2019		BBB+/Negative/A-2
19-Jul-2017		BBB+/Stable/A-2
27-Mar-2020	*Local Currency*	BBB+/Negative/A-2
04-Mar-2019		A-/Negative/A-2
19-Dec-2017		A-/Stable/A-2
19-Jul-2017		A/Stable/A-1
09-Dec-2004	*CaVal (Mexico) National Scale*	mxAAA/Stable/mxA-1+
Sovereign Rating		
Mexico		
Foreign Currency		BBB/Negative/A-2
Local Currency		BBB+/Negative/A-2
CaVal (Mexico) National Scale		mxAAA/Stable/--
Related Entities		
Banco Nacional de Comercio Exterior S.N.C.		
Issuer Credit Rating		
Foreign Currency		BBB/Negative/A-2
Local Currency		BBB+/Negative/A-2
CaVal (Mexico) National Scale		mxAAA/Stable/mxA-1+
Senior Secured *CaVal (Mexico) National Scale*		mxAAA
Banco Nacional de Obras y Servicios Publicos S.N.C.		
Issuer Credit Rating		
Foreign Currency		BBB/Negative/A-2
CaVal (Mexico) National Scale		mxAAA/Stable/mxA-1+
CFE International LLC		
Issuer Credit Rating		BBB/Negative/--
Comision Federal de Electricidad		
Issuer Credit Rating		
Foreign Currency		BBB/Negative/--
Local Currency		BBB+/Negative/--
CaVal (Mexico) National Scale		mxAAA/Stable/--
Senior Unsecured *CaVal (Mexico) National Scale*		mxAAA
Senior Unsecured		BBB

Ratings Detail (As Of March 14, 2022)*(cont.)	
Senior Unsecured	BBB+
Fideicomiso Irrevocable de Administracion y Emision de Certificados Bursatiles Fiduciarios No. 2595	
Senior Unsecured *CaVal (Mexico) National Scale*	mxAAA
Fideicomiso Irrevocable Numero CIB\3484	
Senior Unsecured *CaVal (Mexico) National Scale*	mxAAA
Senior Unsecured	BBB+
Mex Gas Supply S.L.	
Issuer Credit Rating	
Foreign Currency	BBB/Negative/--
Mexico	
Issuer Credit Rating	
Foreign Currency	BBB/Negative/A-2
Local Currency	BBB+/Negative/A-2
CaVal (Mexico) National Scale	mxAAA/Stable/--
Transfer & Convertibility Assessment	A
Senior Unsecured	BBB
Senior Unsecured	BBB+
Short-Term Debt	A-2
Nacional Financiera S.N.C. (NAFIN)	
Issuer Credit Rating	
Foreign Currency	BBB/Negative/A-2
Local Currency	BBB+/Negative/A-2
CaVal (Mexico) National Scale	mxAAA/Stable/mxA-1+
Certificate Of Deposit	
Foreign Currency	BBB/A-2
Senior Secured *CaVal (Mexico) National Scale*	mxAAA
Petroleos Mexicanos	
Issuer Credit Rating	
Foreign Currency	BBB/Negative/--
Local Currency	BBB+/Negative/--
CaVal (Mexico) National Scale	mxAAA/Stable/mxA-1+
Senior Unsecured *CaVal (Mexico) National Scale*	mxAAA
Senior Unsecured	BBB
Senior Unsecured	BBB+
PMI Norteamerica S.A. de C.V.	
Issuer Credit Rating	
Foreign Currency	BBB/Negative/--
P.M.I. Trading DAC	
Issuer Credit Rating	
Foreign Currency	BBB/Negative/--

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable

Ratings Detail (As Of March 14, 2022)*(cont.)

across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.