

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/Stable/A-2

Local Currency

BBB+/Stable/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, amount of legacy debt from the Mexican financial crisis in 1994.
Proven efficiency in implementing resolution plans and liquidation processes for failing banks.	IPAB's debt repayment needs limits the fund's growth pace.
The deposit insurance fund has resumed growing while keeping solid coverage levels.	

IPAB remains a fundamental government tool that contributes to the stability of the Mexican financial system. IPAB will remain Mexico's sole bank deposit insurer and will keep its role as banking resolution authority, contributing to the stability of the Mexican financial system. Therefore, we expect our view of an almost certain likelihood of extraordinary government support to the institute in case of financial distress to remain unchanged in the next few years. In this sense, our ratings on IPAB will continue to reflect the rating on the sovereign.

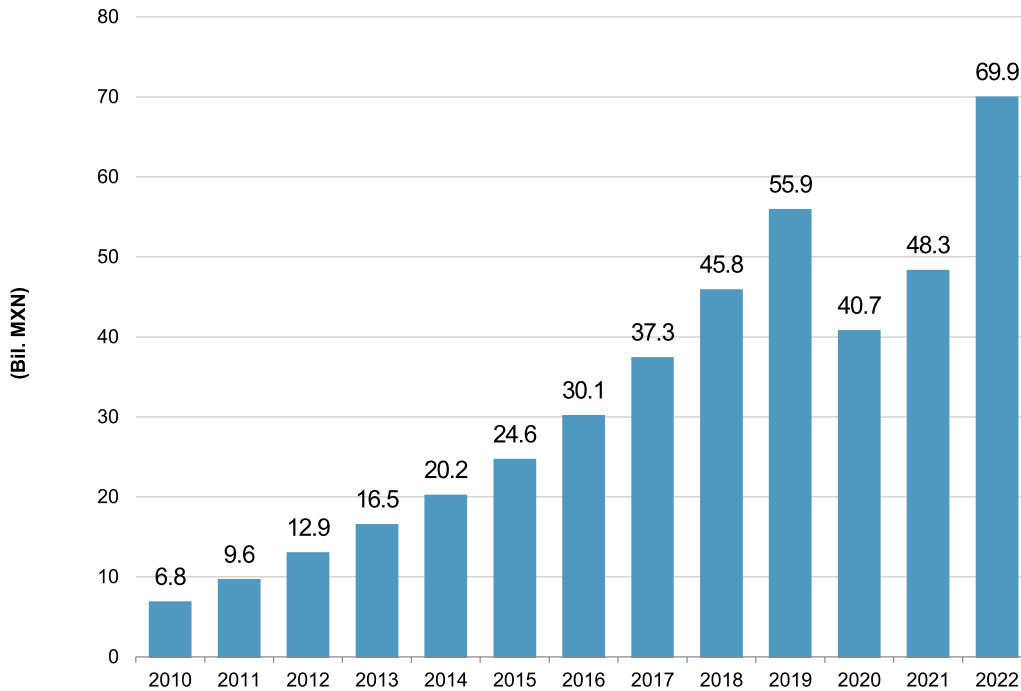
Besides serving as Mexico's sole bank deposit insurer, IPAB plays an important role in implementing resolution plans and liquidation processes for failing banks. In 2020 and 2021, IPAB's capacity to properly execute these plans was tested, and the entity responded efficiently by implementing an orderly exit for Banco Ahorro Famsa S.A. (BAF) and Accendo Banco S.A. (Accendo) from the financial system. In addition, IPAB responded with a timely payment of the guaranteed deposits to the banks' depositors. In our view, IPAB's proven efficiency will keep providing confidence to Mexican banks' depositors in the coming years.

IPAB's deposit fund is resilient, even after the liquidation of two failing banks, and it maintains solid levels of growth and coverage. We expect the fund to keep recovering to the level it had before Accendo's and BAF's failure. By year-end 2022, the fund's resources stood at MXN69.9 billion, well above the MXN55.8 billion it reported in 2019. We also think the institute will receive additional income related to the asset liquidation of these banks by the first quarter of 2023.

For the next few years, we expect that the balance of the fund will continue to grow in line with deposit growth in the banking system, and that the fund will keep sound coverage. However, we think this growth could be slower than in the past few years, given the economic conditions as households would require the use of their savings to face the adverse environment.

Chart 1

Evolution Of IPAB's Deposit Fund



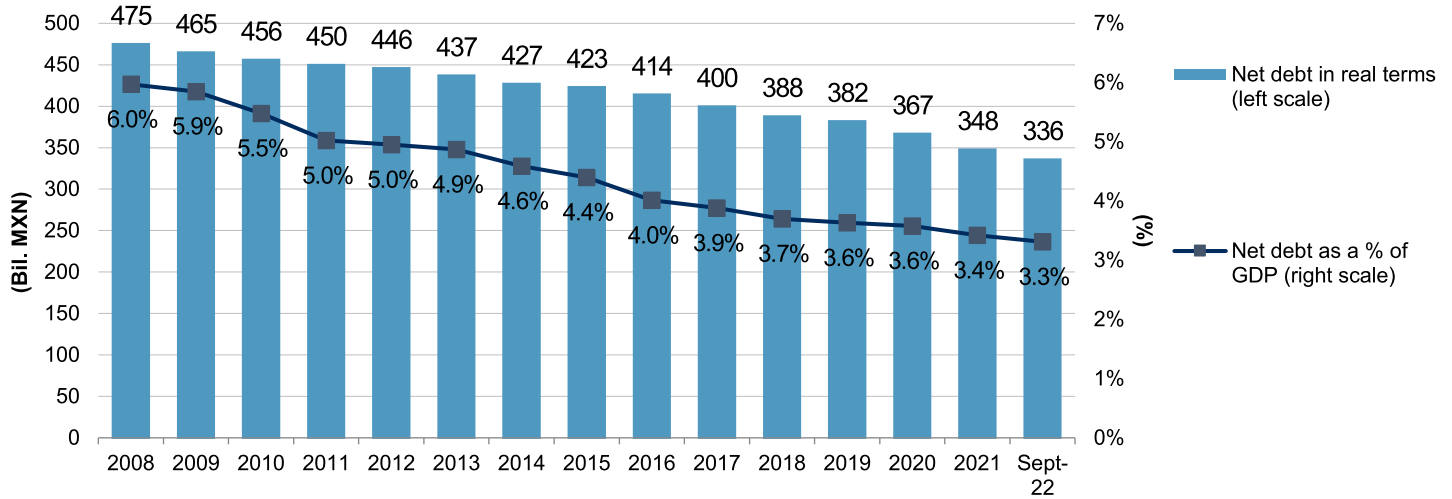
Source: S&P Global Ratings.

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The amount of IPAB's legacy debt--relative to GDP--will keep reducing, reflecting the effectiveness of its strategy. In order to accomplish its financial obligations, the government assigns part of the federal budget to pay IPAB's legacy debt. As of September 2022, this debt represented 3.31% of Mexico's GDP, significantly lower than in 1999, when the ratio was 11.29%. We expect this downward trend to continue in the coming years. Moreover, we believe investors' appetite for IPAB's debt placements will persist amid tightening financing conditions due to the government's support on the institute.

Chart 2

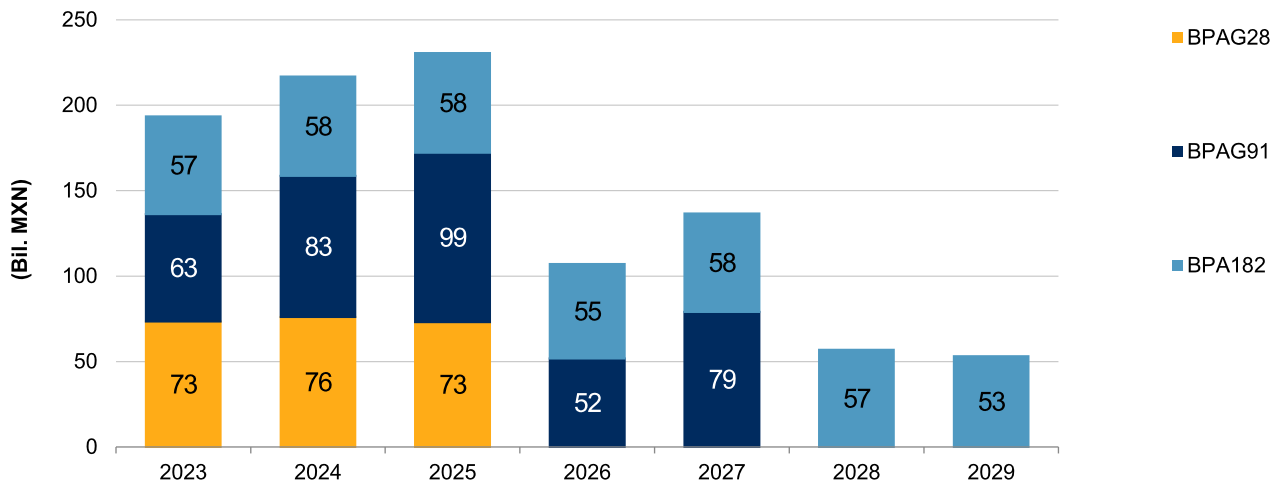
IPAB's Outstanding Debt



Source: S&P Global Ratings.
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Chart 3

IPAB's Debt Maturity Profile
 As of September 2022



Source: S&P Global Ratings.
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The implementation of TLAC in Mexico will strengthen systemically important banks' loss-absorbing capacity and reduce pressure on IPAB in case one of these entities fails. As of December 2022, the gradual implementation of the total loss-absorbing capacity (TLAC) metric had started. This is an additional capital buffer for domestic systemically important banks (D-SIBs), in addition to the regulatory capital requirements. The TLAC metric will represent 6.5% of D-SIBs' regulatory risk-weighted assets, and these entities will build this buffer gradually from 2022 until 2025 (by 25% each year). In our view, the implementation of TLAC will increase the banking system's loss-absorbing capacity, somewhat reducing the reliance on public funds to support the potential bailout from the government and releasing pressure on IPAB.

Outlook

The stable outlook on IPAB for the next two years mirrors that on the sovereign. This is because we expect our view of an almost certain likelihood of extraordinary government support to the institute in case of financial distress to continue during this timeframe. IPAB will remain Mexico's sole bank deposit insurer and will keep its role as banking resolution authority, contributing to the stability of the Mexican financial system. Therefore, our ratings on IPAB will move in tandem with those on Mexico (foreign currency: BBB/Stable/A-2; local currency: BBB+/Stable/A-2).

Downside scenario

A negative rating action on Mexico would result in a similar action on IPAB. Moreover, if we revise our assessment of extraordinary government support to a weaker category, we could also lower the ratings on the institute.

Upside scenario

We could raise the global scale ratings on IPAB if we were to take same rating action on the sovereign, reflecting our assessment of an almost certain likelihood of government support to the institute. The national scale ratings on IPAB are already at the highest level.

Key Metrics

Instituto Para La Proteccion al Ahorro Bancario--Key Metrics									
(Mil. MXN)	Q3 2022	2021	2020	2019	2018	2017	2016	2015	2014
Assets									
Cash and money market instruments	3.0	1.0	1.0	20.0	44.0	41.0	42.0	33.0	26.0
Securities	103,657.0	121,875.0	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)*	43,080.0	63,647.0	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	237.0	236.0	80.0	84.0	88.0	90.0	95.0	100.0
Accrued receivables	182.0	174.0	167.0	161.0	153.0	143.0	134.0	130.0	127.0
Other assets	969,518.0	945,009.0	927,536.0	911,414.0	901,461.0	890,147.0	861,755.0	852,635.0	843,263.0

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

(Mil. MXN)	Q3 2022	2021	2020	2019	2018	2017	2016	2015	2014
Total assets	1,073,593.0	1,067,296.0	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	0.0
Other borrowings less non-derivative trading liabilities	1,015,536.0	1,016,946.0	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	233,645.0	228,610.0	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	756,000.0	762,461.0	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	0.0	370.0
Other credit reserves	58,199.0	50,394.0	41,309.0	56,298.0	46,283.0	37,754.0	30,520.0	25,033.0	20,578.0
Other liabilities	7.0	8.0	17.0	62.0	41.0	37.0	39.0	29.0	40.0
Total liabilities	1,073,742.0	1,067,348.0	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	(149)	(52)	(57)	(26)	319.0	(8)	23.0	36.0	63.0
Total liabilities and equity	1,073,593.0	1,067,296.0	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.

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 January 25, 2023)*

Instituto Para La Proteccion al Ahorro Bancario

Issuer Credit Rating

<i>Foreign Currency</i>	BBB/Stable/A-2
<i>Local Currency</i>	BBB+/Stable/A-2
<i>CaVal (Mexico) National Scale</i>	mxAAA/Stable/mxA-1+

Senior Unsecured

<i>CaVal (Mexico) National Scale</i>	mxAAA
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Senior Unsecured

BBB+

Issuer Credit Ratings History

06-Jul-2022	<i>Foreign Currency</i>	BBB/Stable/A-2
27-Mar-2020		BBB/Negative/A-2
04-Mar-2019		BBB+/Negative/A-2
06-Jul-2022	<i>Local Currency</i>	BBB+/Stable/A-2
27-Mar-2020		BBB+/Negative/A-2
04-Mar-2019		A-/Negative/A-2

Ratings Detail (As Of January 25, 2023)*(cont.)		
09-Dec-2004	CaVal (Mexico) National Scale	mxAAA/Stable/mxA-1+
Sovereign Rating		
Mexico		
	Foreign Currency	BBB/Stable/A-2
	Local Currency	BBB+/Stable/A-2
	CaVal (Mexico) National Scale	mxAAA/Stable/--
Related Entities		
Banco Nacional de Comercio Exterior S.N.C.		
Issuer Credit Rating		
	Foreign Currency	BBB/Stable/A-2
	Local Currency	BBB+/Stable/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/Stable/A-2
	CaVal (Mexico) National Scale	mxAAA/Stable/mxA-1+
CFE International LLC		
Issuer Credit Rating		
		BBB/Stable/--
Comision Federal de Electricidad		
Issuer Credit Rating		
	Foreign Currency	BBB/Stable/--
	Local Currency	BBB+/Stable/--
	CaVal (Mexico) National Scale	mxAAA/Stable/--
Senior Unsecured		
	CaVal (Mexico) National Scale	mxAAA
Senior Unsecured		
		BBB
Senior Unsecured		
		BBB+
Deer Park Refining L.P.		
Issuer Credit Rating		
		BBB-/Stable/A-3
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/Stable/--
Mexico		
Issuer Credit Rating		
	Foreign Currency	BBB/Stable/A-2

Ratings Detail (As Of January 25, 2023)*(cont.)	
Local Currency	BBB+/Stable/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/Stable/A-2
Local Currency	BBB+/Stable/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/Stable/--
Local Currency	BBB+/Stable/--
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/Stable/--
P.M.I. Trading DAC	
Issuer Credit Rating	
Foreign Currency	BBB/Stable/--

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

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