

# Update: Instituto para la Proteccion al Ahorro Bancario

November 30, 2023

## Credit Highlights

### Overview

#### Key strengths

Support from the government, given its role as Mexico's only deposit insurer.

Proven efficiency in implementing resolution plans and liquidation processes for failing banks.

The deposit fund's growth remains resilient, while keeping solid coverage levels.

#### Key risks

Large amount of legacy debt from the Mexican financial crisis in 1994, although it has been gradually declining.

Debt payment obligations that limit the fund's growth capacity.

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**Our ratings on Instituto para la Proteccion al Ahorro Bancario (IPAB) reflect our opinion of an almost certain likelihood of extraordinary support from the Mexican government if IPAB were to come under stress.** Our ratings and outlook on IPAB mirror those on Mexico (foreign currency BBB/Stable/A-2; local currency BBB+/Stable/A-2), reflecting IPAB's status as a government-related entity. We believe that IPAB plays a critical role for the Mexican government, with the institute being the country's only deposit insurer as well as the authority in charge of the banking resolution mechanisms. Additionally, IPAB has an integral link with the government, which determines the institute's strategy and makes the key budgetary decisions while maintaining a tight degree of control to ensure the implementation of the institute's policy role.

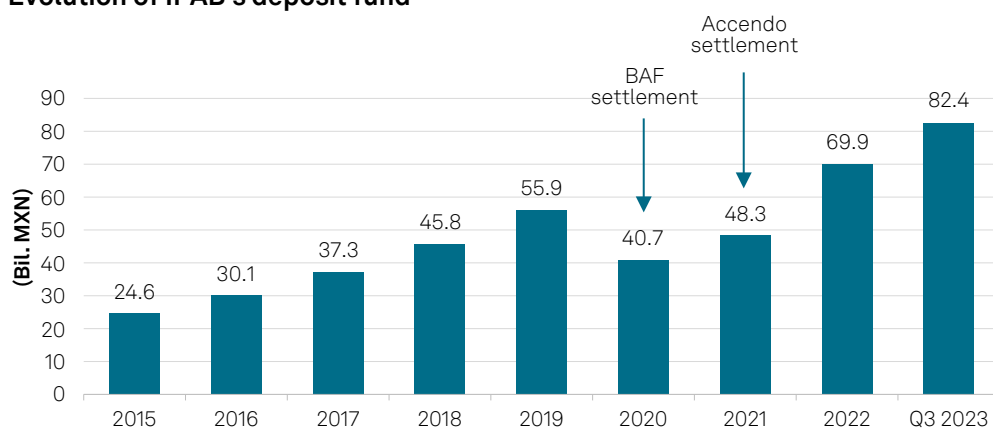
**IPAB continues to contribute to the Mexican banking sector's stability by implementing liquidation processes for failing banks.** In recent years, IPAB successfully executed resolution plans for Banco Ahorro Famsa S.A. (BAF) in 2020 and Accendo Banco S.A. in 2021, and it reacted in a timely manner regarding the settlement of covered depositors. We think IPAB's efficient response to these liquidation processes supports our view that the institution is able to comply with its role of safeguarding eligible banking system depositors.

**IPAB's deposit fund remains stable, with consistent growth and coverage levels.** As of September 2023, the fund stood at 82.4 billion Mexican pesos (MXN), 18% above the level reported at year-end 2022. The fund's outstanding balance usually reflects the deposit growth trend within the banking system, which translates into quota income from the banking system. However, the fund's growth in the last 12 months had a boost when the institution received

pending payments from BAF for up to MXN10.6 billion related to its resolution process. The fund has completely recovered from the drop caused by BAF's and Accendo's settlements, having grown 47% since 2019. Going forward, we expect that the fund will continue growing at a pace that's in line with historical levels--between 20% and 25% annually.

IPAB protects deposit accounts within the banking system up to a coverage limit of 400,000 investment units--units of value that are widely known by the acronym UDI and that are based on Mexico's inflation rate (as of September 2023, 400,000 UDIs was equivalent to about MXN3.1 million, or about US\$181,000). IPAB's insurance coverage limit remains one of the highest among global banking systems, and we don't expect IPAB to modify the coverage limit in the next 12-24 months.

**Evolution of IPAB's deposit fund**



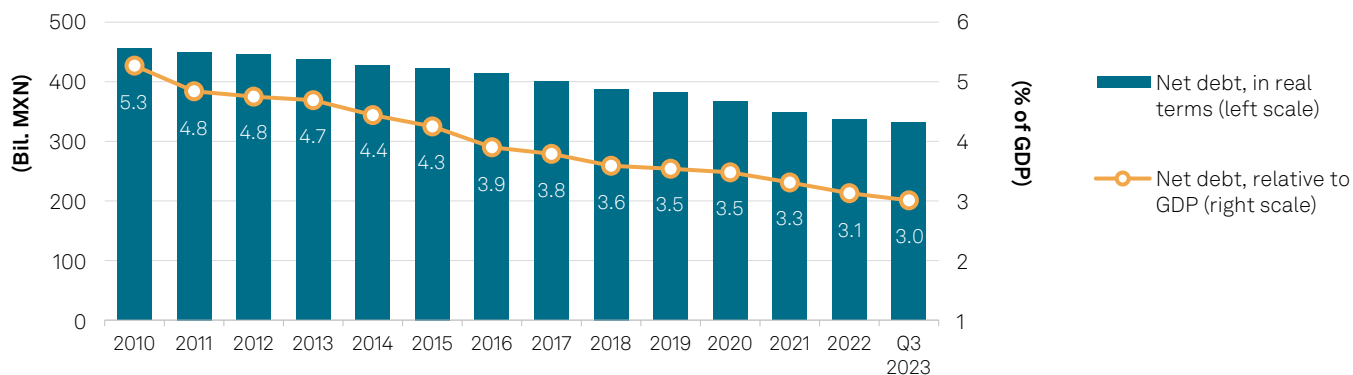
BAF--Banco Ahorro Famsa S.A. Accendo--Accendo Banco S.A. MXN--Mexican peso. Source: S&P Global Ratings.

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**We expect the amount of legacy debt that IPAB carries, relative to GDP, to keep falling in coming years.** Between year-end 2022 and September 2023, IPAB decreased its net debt in real terms by 1.8%, using 75% of the quota income that it received from the banking system, along with the annual federal budget assigned by the government. Moreover, the institute's legacy debt represented 3.01% of Mexico's GDP as of September 2023, a substantially smaller percentage than in 1999, when it was equal to 11.29% of GDP.

The institute's average debt maturity profile was about 2.5 years as of September 2023, with 23% of the BPAs (Bonos de Protección al Ahorro) maturing in 2023 and 2024 while the remaining 77% have maturities that are distributed through 2025-2030. In coming years, we expect that investor appetite for IPAB's debt placements will persist; we also expect that the institute will continue to refinance its debt obligations given the ample financial flexibility it has because of government support and its ongoing stream of banking quota income.

### IPAB's outstanding debt



MXN--Mexican peso. Source: S&P Global Ratings.

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**Finally, IPAB plays an important role in the financial system by making inspection visits to banks in order to review, verify, and evaluate their guaranteed deposits, fees, and quota calculations.** Moreover, the institute is following the gradual implementation of the total loss-absorbing capacity (TLAC) metric--an additional capital buffer for domestic systemically important banks, in addition to their regulatory capital requirements. 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 potential government bailouts and relieving pressure on IPAB. We expect systemically important banks to fully implement this metric before 2025.

## Outlook

The stable outlook on IPAB mirrors that on the sovereign. This is because, over the next two years, we expect to maintain our assessment of an almost certain likelihood of extraordinary government support if the institute were to come under stress. We believe IPAB will remain Mexico's sole bank deposit insurer and will keep its role as a banking resolution authority, contributing to the stability of the country's 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. We could also lower the ratings on the institute if we revised lower our assessment of the likelihood of extraordinary government support in the event of stress.

### Upside scenario

We could raise the global scale ratings on IPAB if we were to take same rating action on the sovereign, consistent with our assessment of an almost certain likelihood of extraordinary government support in the event of stress. 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 2023	2022	2021	2020	2019	2018
<b>Assets</b>						
Cash and money market instruments	8	1	1	1	20	44
Securities	140,761	117,843	121,875	132,333	150,748	130,549
Available for sale, fair value	91,114	38,854	63,647	37,950	66,375	54,255
Fixed assets	229	232	237	236	80	84
Accrued receivables	90	187	174	167	161	153
Other assets	985,861	977,587	945,009	927,536	911,414	901,461
Total assets	1,126,949	1,095,850	1,067,296	1,060,273	1,062,423	1,032,555
<b>Liabilities</b>						
Other borrowings less nonderivative trading liabilities	1,042,642	1,024,229	1,016,946	1,019,004	1,006,089	985,912
Long-term debt maturing within one year	235,803	210,999	228,610	220,025	216,783	220,668
Long-term debt, senior	791,586	797,419	762,461	774,247	789,306	765,244
Other credit reserves	84,318	71,772	50,394	41,309	56,298	46,283
Other liabilities	8	10	8	17	62	41
Total liabilities	1,126,968	1,096,011	1,067,348	1,060,330	1,062,449	1,032,236
Total equity	(19)	(161)	(52)	(57)	(26)	319
Total liabilities and equity	1,126,949	1,095,850	1,067,296	1,060,273	1,062,423	1,032,555

MXN--Mexican peso.

## Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- 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

## RatingsDetail

**Ratings Detail (as of November 28, 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
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
09-Dec-2004	<i>CaVal (Mexico) National Scale</i>	mxAAA/Stable/mxA-1+

**Sovereign Rating**

**Mexico**

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

**Related Entities**

**Banco Nacional de Comercio Exterior S.N.C.**

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 Secured		
<i>CaVal (Mexico) National Scale</i>		mxAAA

**Banco Nacional de Obras y Servicios Publicos S.N.C.**

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

**CFE International LLC**

Issuer Credit Rating		BBB/Stable/--
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**Comision Federal de Electricidad**

Issuer Credit Rating		
<i>Foreign Currency</i>		BBB/Stable/--
<i>Local Currency</i>		BBB+/Stable/--
<i>CaVal (Mexico) National Scale</i>		mxAAA/Stable/--
Senior Unsecured		

**Ratings Detail (as of November 28, 2023)\***

CaVal (Mexico) National Scale	mxAAA
Senior Unsecured	BBB
Senior Unsecured	BBB+
<b>Deer Park Refining L.P.</b>	
Issuer Credit Rating	BBB-/Stable/A-3
<b>Fideicomiso Irrevocable de Administracion y Emision de Certificados Bursatiles Fiduciarios No. 2595</b>	
Senior Unsecured	
CaVal (Mexico) National Scale	mxAAA
<b>Mex Gas Supply S.L.</b>	
Issuer Credit Rating	
Foreign Currency	BBB/Stable/--
<b>Mexico</b>	
Issuer Credit Rating	
Foreign Currency	BBB/Stable/A-2
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
<b>Nacional Financiera S.N.C. (NAFIN)</b>	
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
<b>Petroleos Mexicanos</b>	
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+
<b>PMI Norteamerica S.A. de C.V.</b>	
Issuer Credit Rating	
Foreign Currency	BBB/Stable/--

## Ratings Detail (as of November 28, 2023)\*

### 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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