



# Second Quarter 2020

Conference Call Presentation

July | 2020

### 1. Main Drivers under COVID

- ▶ Asset Quality, Liquidity, ICAP, Efficiency Ratio
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# ▶ Main Drivers under COVID

		2Q20	
		BANBAJIO	SYSTEM *
▶ Asset Quality			
	NPL Ratio	1.03 %	2.41 %
	NPL Adjusted Ratio	1.57 %	4.66 %
	Coverage Ratio	185.24 %	149.72 %
	Cost of Risk	2.07 %	3.09 %
▶ Liquidity			
	CCL – Liquidity Coverage Coefficient as of June 30 <sup>th</sup> (Minimum Regulatory 100%)	142.36 %	-
▶ Capitalization May 2020			
	ICAP	16.10 %	16.41 %
	TIER I	16.08 %	13.59 %
▶ Efficiency			
	Total Revenues	-5.7 %	-0.8 %
	Operating Expenses	-0.9 %	3.7 %
	Efficiency Ratio	46.66 %	54.57 %
	Change vs 2Q19	229 bps	238 bps
▶ Additional Allowance		\$ 556.45	
For Loan Losses created during 2Q20 (Million Pesos)			

\* Last available information for the system as of May 2020.

## ► Relief program update

### ■ Status of Relief Program as of June 30th

	Balance as of June 30 <sup>th</sup> *	Adhered Loans *	% of adhered loans
Company Loans and Financial Entities	161,738	43,941	27.2 %
Consumer	2,357	716	30.4 %
Mortgages	6,791	3,933	57.9 %
<b>Eligible Loan Portfolio</b>	<b>170,886</b>	<b>48,590</b>	<b>28.4 %</b>
<b>Government</b>	13,390	-	-
<b>Total Loan Portfolio</b>	<b>184,276</b>	<b>48,590</b>	<b>26.4 %</b>

\* Million Pesos

# ▶ Loan Portfolio and Deposits

- **Total Loan Portfolio** grew **4.7%** in **2Q20 Y o Y**.
- **Company Loans**, which represents our core business, increased **4.0 %**.

	Y o Y	Yield	
		2Q19	2Q20
Company Loans*	4.0 %	11.28%	9.48 %
Government	13.8 %		-1.80%
Consumer	28.4 %		
Mortgage	-2.1 %		

- **Total Deposits** grew **9.6%** in **2Q20**.

	Y o Y	Cost	
		2Q19	2Q20
Demand Deposits	6.4 %	5.67 %	4.13 %
Time Deposits	8.5 %		-1.54%
Notes	100.0 %		
Repos	-36.1 %		
Interbank Loans**	14.9 %		

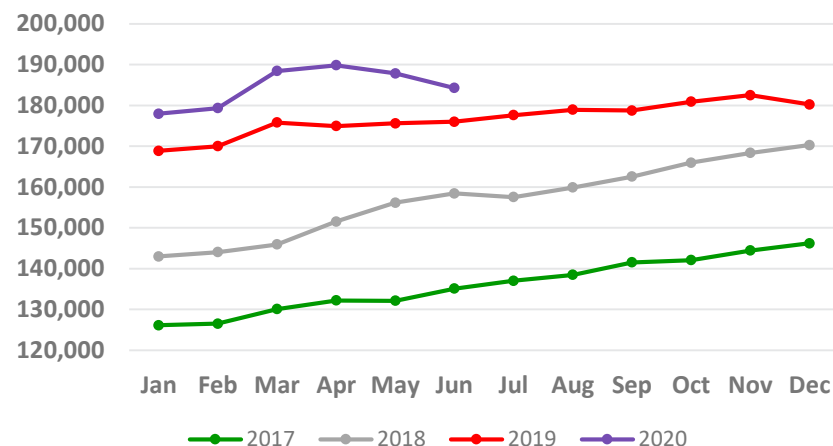
**TIIE average:** 2Q19 8.50 %  
2Q20 6.05 % } -2.45 %

\* Includes financial entities.

\*\* Mostly development banks.

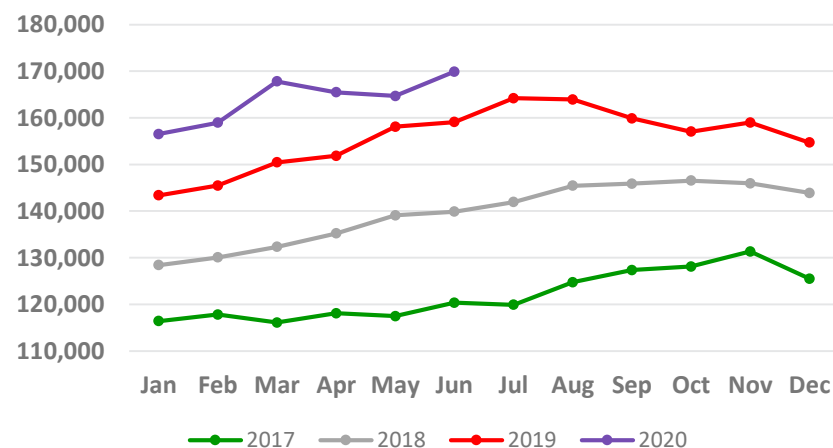
## ▼ Total Loan Portfolio | Million Pesos

CAGR '17 -'2Q20: 11.2% System <sup>(1)</sup> 8.5%



## ▼ Total Deposits <sup>(2)</sup> | Million Pesos

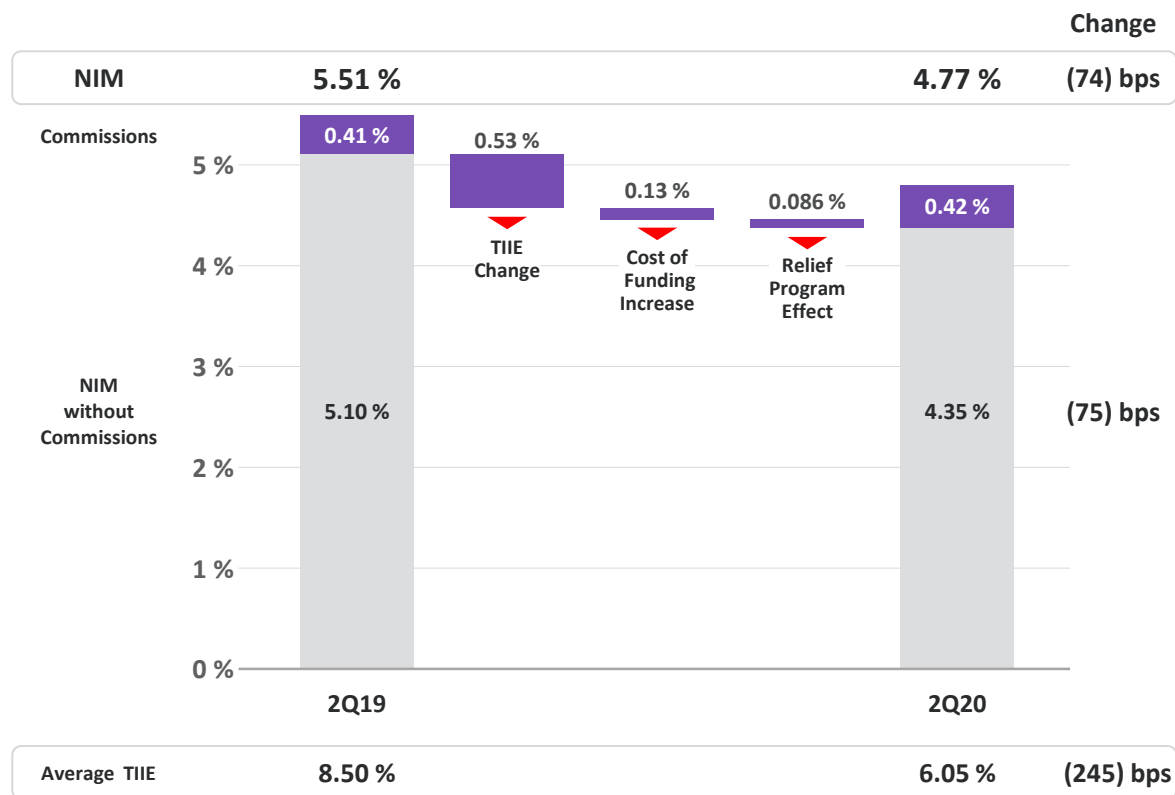
CAGR '17 -'2Q20: 11.2% System <sup>(1)</sup> 9.4%



1. Total Banca Multiple consolidated figures May20.

2. Includes Repos.

## ■ Financial Margin Analysis



- The negative effect by the reduction in the reference rate was Ps. 440 million compensated by Ps. 249 million for the 9.7% increase in productive assets volume resulting in a reduction of the non-interest income of Ps. 192 million.

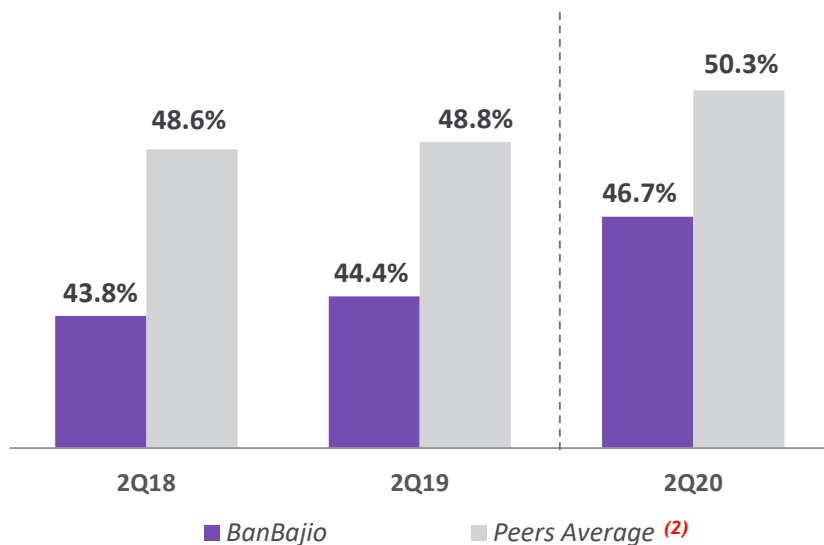
- NIM sensitivity as of June 30th 2020 is 25 bps for each 100 basis points of change in the TIIE rate.

# ► Efficiency Ratio

- Efficiency Ratio for 2Q20 stood at 46.7% and 46.2% for 6M20

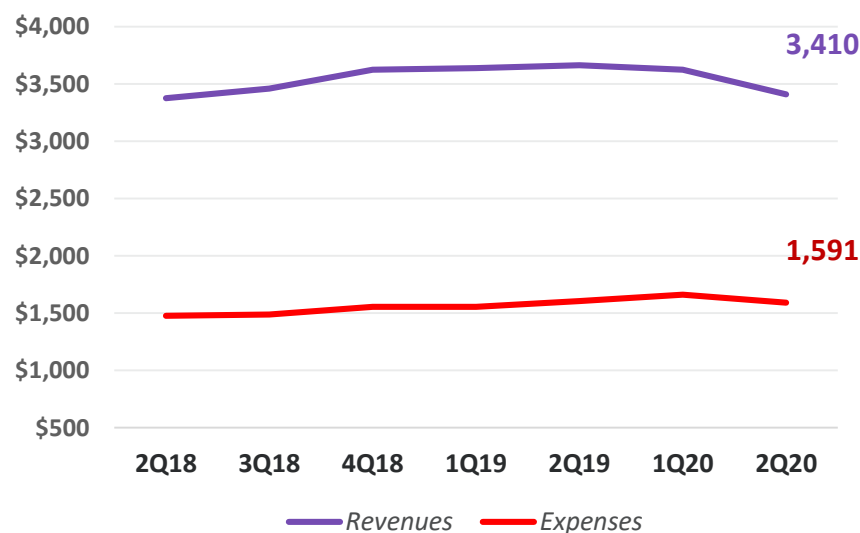
## ▼ Efficiency Ratio Evolution vs. Peers

Operating Expenses/Total Revenues <sup>(1)</sup> | %



## ▼ Total Revenues and Expenses <sup>(1)</sup>

Pes\$ MM | Quarterly



Source Company information

### Notes:

<sup>(1)</sup> Total Revenues (excluding Loan Loss Provisions).

<sup>(2)</sup> Peers Include: Banorte, Banregio, BBVA Bancomer, Citibanamex, HSBC, Santander and Scotiabank consolidated figures; last available information for the April and May 20 period.

## ▶ Development Banks continuous support

Funding and guarantees provided by Development Banks\* were included in the Relief Program, allowing us to maintain them perfectly matched.

- ▶ **19.5%** of the total loan portfolio has Development Banks Guarantees
- ▶ **20.7%** of total funding comes from Development Banks
- ▶ **16.9%** of the funded portion of Development Banks participated in the Relief Program

\* **NAFIN** (Nacional Financiera), **Bancomext** (Banco de Comercio Exterior) and **FIRA** (Fideicomisos Instituidos en Relación a la Agricultura).



	2020 Revised
▪ <b>Loan Growth</b>	4% - 7%
▪ <b>Deposits Growth</b>	10% - 12%
▪ <b>NIM</b>	4.4% - 4.5%
▪ <b>Net Interest Income Change</b>	(10.5%) - (11.7%)
▪ <b>Non Interest Income Growth</b>	2.5% - 3.0%
▪ <b>Expenses Growth</b>	0% - 2.0%
▪ <b>Efficiency Ratio</b>	Below 50%
▪ <b>Cost of Risk</b>	Below 1.6%
▪ <b>Tax Rate</b>	25%
▪ <b>Net Income</b> (Million Pesos)	\$2,800 - \$3,200
▪ <b>ROAE</b>	8.0% - 10.0%
▪ <b>NPL Ratio</b>	Below 1.6%
▪ <b>Coverage Ratio</b>	180% - 200%
▪ <b>Capitalization Ratio</b>	Above 15%

# ► Income Statement

Ps\$ MM	Var.				
	2Q19	1Q20	2Q20	Y o Y	Q o Q
▪ Interest Income	\$5,827	\$5,432	\$5,124	-12.1 %	-5.7 %
▪ Interest Expense	(2,764)	(2,341)	(2,239)	-19.0 %	-4.4 %
<b>Financial Margin</b>	<b>\$3,063</b>	<b>\$3,091</b>	<b>\$2,885</b>	<b>-5.8 %</b>	<b>-6.7 %</b>
▪ Net Fees & Commissions	423	457	443	4.7 %	-3.1 %
▪ Trading Income	132	62	60	-54.5 %	-3.2 %
▪ Other Operating Income / (Expense) *	(1)	16	22		37.5 %
<b>Non Interest Income</b>	<b>554</b>	<b>535</b>	<b>525</b>	<b>-5.2 %</b>	<b>-1.9 %</b>
<b>Total Revenues</b>	<b>\$3,617</b>	<b>\$3,626</b>	<b>\$3,410</b>	<b>-5.7 %</b>	<b>-6.0 %</b>
▪ Allowance for Loan Losses*	(114)	(310)	(963)	744.7 %	210.6 %
▪ Operating Expenses	(1,605)	(1,660)	(1,591)	-0.9 %	-4.2 %
▪ Equity in income of unconsolidated subsidiaries	1	1	9	800.0 %	800.0 %
<b>Income Before Taxes</b>	<b>\$1,899</b>	<b>\$1,657</b>	<b>\$865</b>	<b>-54.4 %</b>	<b>-47.8 %</b>
▪ Taxes	(487)	(419)	(160)	-67.1 %	-61.8 %
<b>Net Income</b>	<b>\$1,412</b>	<b>\$1,238</b>	<b>\$705</b>	<b>-50.1 %</b>	<b>-43.1 %</b>
▪ Effective Tax Rate	25.6 %	25.3 %	18.5 %		

\* Adjustment in 2Q19 in accordance with an accounting principle effective January 2020, where recoveries are net of allowance for loans losses

# ► Income Statement

Ps\$ MM	Var.		
	6M 19	6M 20	Y o Y
▪ Interest Income	\$11,403	\$10,556	-7.4 %
▪ Interest Expense	(5,258)	(4,580)	-12.9 %
<b>Net Interest Income</b>	<b>\$6,145</b>	<b>\$5,976</b>	<b>-2.8 %</b>
▪ Net Fees & Commissions	830	900	8.4 %
▪ Trading Income	219	122	-44.3 %
▪ Other Operating Income / (Expense) *	14	38	171.4 %
<b>Non Interest Income</b>	<b>1,063</b>	<b>1,060</b>	<b>-0.3 %</b>
<b>Total Revenues</b>	<b>\$7,208</b>	<b>\$7,036</b>	<b>-2.4 %</b>
▪ Allowance for Loan Losses*	(242)	(1,273)	426.0 %
▪ Operating Expenses	(3,162)	(3,251)	2.8 %
▪ Equity in income of unconsolidated subsidiaries	(1)	10	-
<b>Income Before Tax</b>	<b>\$3,803</b>	<b>\$2,522</b>	<b>-33.7 %</b>
▪ Tax	(981)	(579)	-41.0 %
<b>Net Income</b>	<b>\$2,822</b>	<b>\$1,943</b>	<b>-31.1 %</b>
▪ Effective Tax Rate	25.8 %	23.0 %	

\* Adjustment in 6M19 in accordance with an accounting principle effective January 2020, where recoveries are net of allowance for loans losses

# ► Balance Sheet

Ps\$ MM				Var.	
	2Q19	1Q20	2Q20	Y o Y	Q o Q
▪ Cash & Cash Equivalents	\$28,419	\$35,379	\$27,184	-4.3 %	-23.2 %
▪ Investment in Securities	11,226	9,742	11,168	-0.5 %	14.6 %
▪ <b>Cash &amp; Investments</b>	<b>\$39,645</b>	<b>\$45,121</b>	<b>\$38,352</b>	<b>-3.3 %</b>	<b>-15.0 %</b>
▪ Performing Loan Portfolio	174,504	186,264	182,386	4.5 %	-2.1 %
▪ Non-performing Loan Portfolio	1,486	2,167	1,890	27.2 %	-12.8 %
▪ <b>Gross Loan Portfolio</b>	<b>\$175,990</b>	<b>\$188,431</b>	<b>\$184,276</b>	<b>4.7 %</b>	<b>-2.2 %</b>
▪ Loan Loss Provisions	(2,606)	(2,920)	(3,501)	34.3 %	19.9 %
<b>Net Loan Portfolio</b>	<b>\$173,384</b>	<b>\$185,511</b>	<b>\$180,775</b>	<b>4.3 %</b>	<b>-2.6 %</b>
▪ Repos	12,359	9,292	23,003	86.1 %	147.6 %
▪ Other Assets	15,843	11,805	17,113	8.0 %	45.0 %
<b>Total Assets</b>	<b>\$241,231</b>	<b>\$251,729</b>	<b>\$259,243</b>	<b>7.5 %</b>	<b>3.0 %</b>
▪ Demand Deposits	65,084	74,616	69,266	6.4 %	-7.2 %
▪ Time Deposits	84,238	82,898	91,406	8.5 %	10.3 %
▪ Notes	-	3,007	3,009	-	0.1 %
<b>Total Deposits</b>	<b>\$149,322</b>	<b>\$160,521</b>	<b>\$163,681</b>	<b>9.6 %</b>	<b>2.0 %</b>
▪ Repos	9,758	7,274	6,233	-36.1 %	-14.3 %
<b>Funding Including Repos</b>	<b>\$159,080</b>	<b>\$167,795</b>	<b>\$169,914</b>	<b>6.8 %</b>	<b>1.3 %</b>
▪ Interbank Loans *	40,410	43,065	46,432	14.9 %	7.8 %
▪ Other Liabilities	12,589	8,147	9,668	-23.2 %	18.7 %
<b>Total Liabilities</b>	<b>\$212,079</b>	<b>\$219,007</b>	<b>\$226,014</b>	<b>6.6 %</b>	<b>3.2 %</b>
<b>Shareholder's Equity</b>	<b>\$29,152</b>	<b>\$32,722</b>	<b>\$33,229</b>	<b>14.0 %</b>	<b>1.5 %</b>

\* Mostly development banks.