



BANBAJIO



A Leading Specialized Bank set for
Long-Term Profitable Growth

Corporate Presentation

September | 2019

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► Guidance

	2019 Original	2019 Revised	
▪ Loan Growth	9% - 11%	8% - 10%	✘
▪ Deposits Growth	9% - 11%	14% - 16%	✔
▪ NIM	5.7% - 5.8%	5.5% - 5.6%	✘
▪ Revenues, Net of Reserves	13% - 14%	12% - 13%	✘
▪ Expenses Growth	14% - 16%	11% - 12%	✔
▪ Efficiency	Below 45%	Below 45%	≡
▪ Cost of Risk	Below 1%	Below 1%	≡
▪ Tax Rate	24.0% - 26.0%	24.0% - 26.0%	≡
▪ Net Income	\$5,500 - \$5,700	\$5,500 - \$5,700	≡
Growth	8.1% - 12.0%	8.1% - 12.0%	≡
▪ ROAE	18.1% - 18.7%	18.1% - 18.7%	≡
▪ NPL Ratio	Below 1.3%	Below 1.2%	✔
▪ Coverage Ratio	Above 160%	Above 160%	≡
▪ Capitalization Ratio	16.25% - 16.85%	16.3% - 16.7%	≡

* Does not consider any adjustment in the reference rate-TIIE.

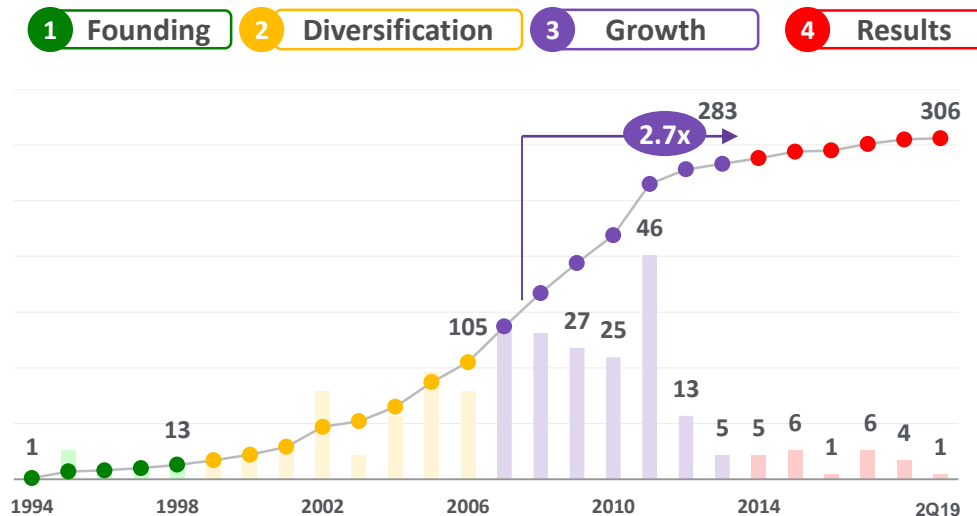
▶ Evolution from an emerging local bank to a specialized leader with national presence

▼ BanBajío Today

- ✓ **3rd largest** locally-controlled bank in Mexico⁽¹⁾, with ~US\$12.6 Bn⁽²⁾ in total assets.
- ✓ **8th largest** bank in the country by loans & deposits and company-sector loans.
- ✓ Focused on **profitable, low-risk and high-growth corporate and SME loan segments**.
- ✓ **ROAE improved from 10.9%** in 2015 to **19.1%** in 2Q19.
- ✓ **National presence** through a client-centric multi-channel platform.
- ✓ Currently in an intensive **digital transformation** process.
- ✓ Well capitalized with **diversified funding**.

▼ BanBajío's History in Four Phases

Evolution of Branch Network (#)



▼ Our Shareholders Have Been Instrumental Pillars of Our Success

Mexican Investors

('94 – At IPO)

97.3%

Deep relationships in the Mexican economy

+

Sabadell

('98 - '04): 10%

('05 - '12): 20%

Definition of business model

+



('06 - '16): 10%

Best-in-class corporate governance practices

+

Source: Company information, CNBV

TEMASEK*

('12 –At IPO)

2.7%

Profitability enhancements

Notes:

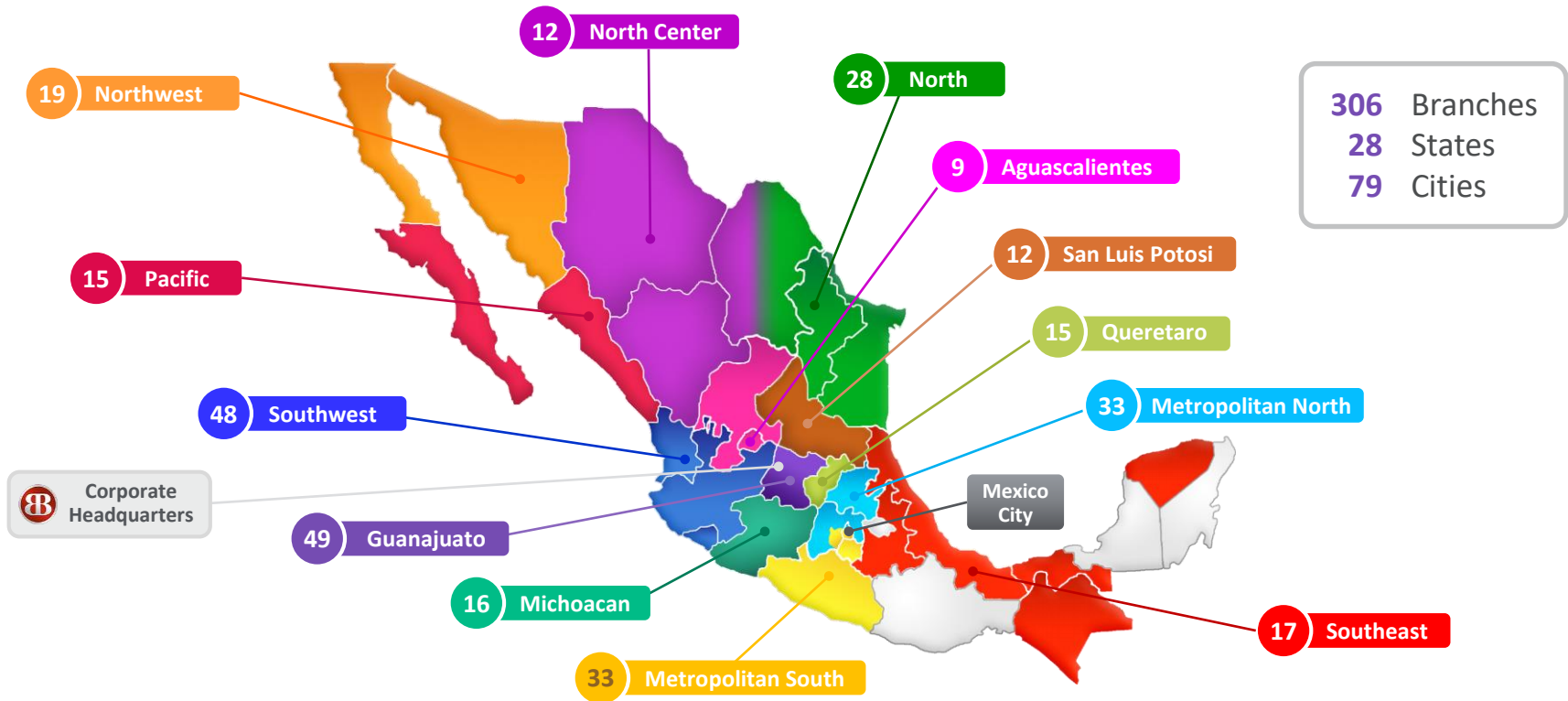
⁽¹⁾ Based on total deposits and total loans as of June 30, 2019.

⁽²⁾ Using an exchange rate of Ps\$19.2087 per US\$, round number.

*Pre IPO 12.97%, Post-IPO 2.7%

► Our well-invested platform allows us to offer a full multi-channel solution to our customers

Branch Distribution by Region



More ATMs at the Reach of our Clients

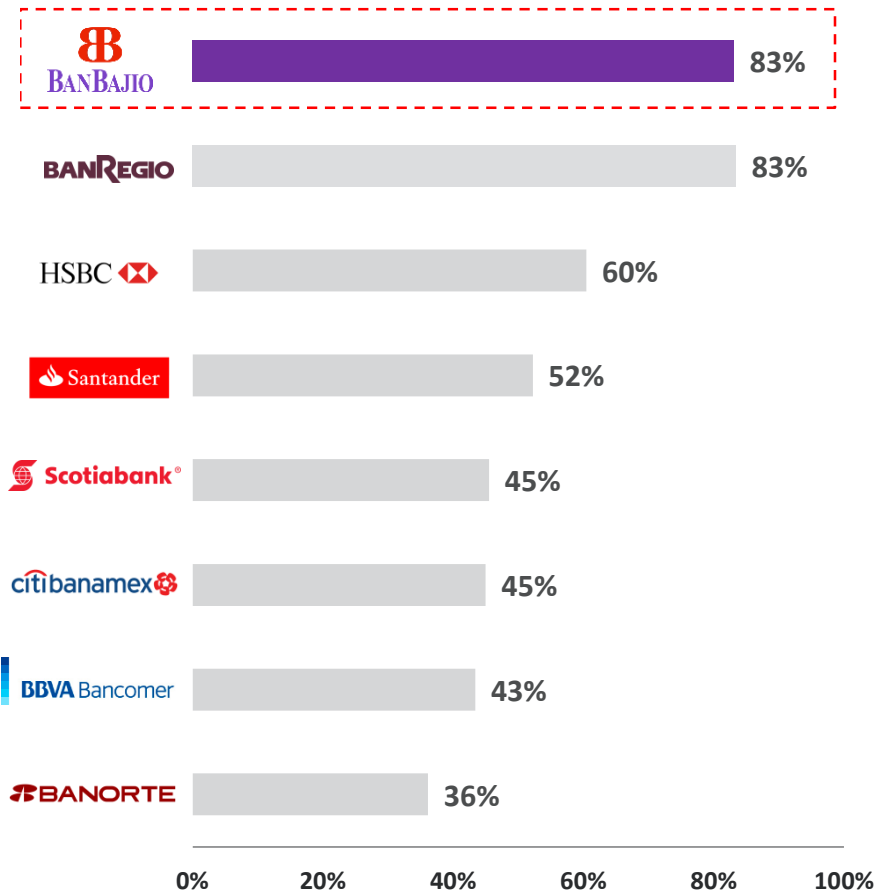


Source: Company information

▶ Specialized Bank on SME and Corporate Loans

▼ BanBajío is Highly Specialized on SME and Corporate Loans

Company Loans as % of Total Loans | 2Q19



Source: CNBV (Total Banca Multiple consolidated figures)

▼ BanBajío's Unique Access and Capabilities to Better Serve Companies

1

Deep and technical knowledge of our customers and their businesses

2

Client-centric business model with specialized relationship executives delivering close and personalized customer attention

3

Efficient and agile/local decision making process in credit origination

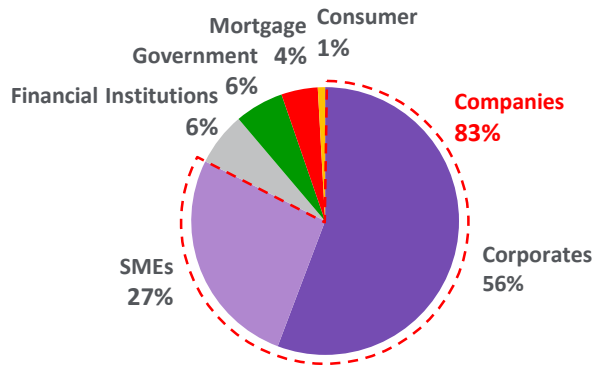
▶ Developing other business lines, based on the digital transformation process

- ✓ As we have been successful in our company loans-focused strategy, we believe that there is also growth potential in the **individuals segment** to diversify and increase our revenue sources.
- ✓ **Taking advantage** of our base of individuals related to companies.
- ✓ **Digital transformation** will better enable us to serve a broader base of individuals with agility and efficiency by focusing on their specific needs.

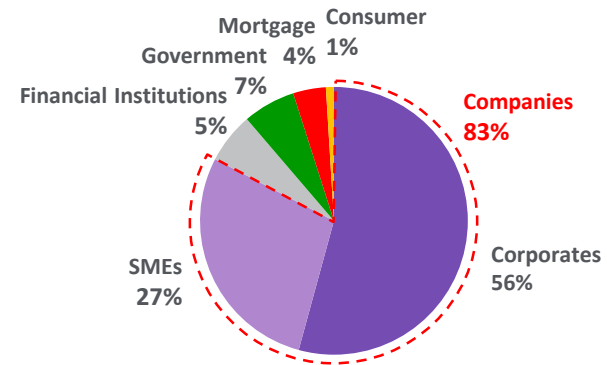
▶ Loan Portfolio, BanBajío's main asset

Loan Portfolio Breakdown | By Type

2Q18 | %

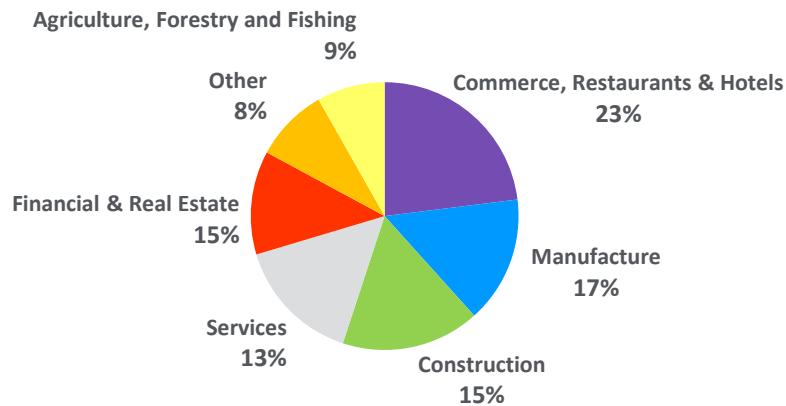


2Q19 | %

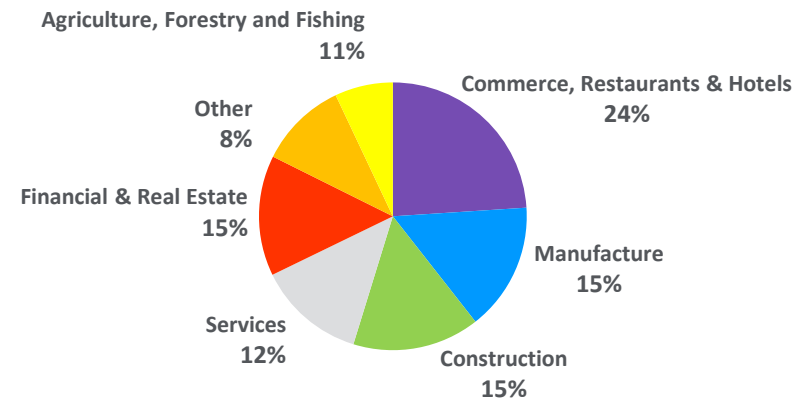


Commercial Portfolio Breakdown ⁽¹⁾ | By Economic Sector

2Q18 | %



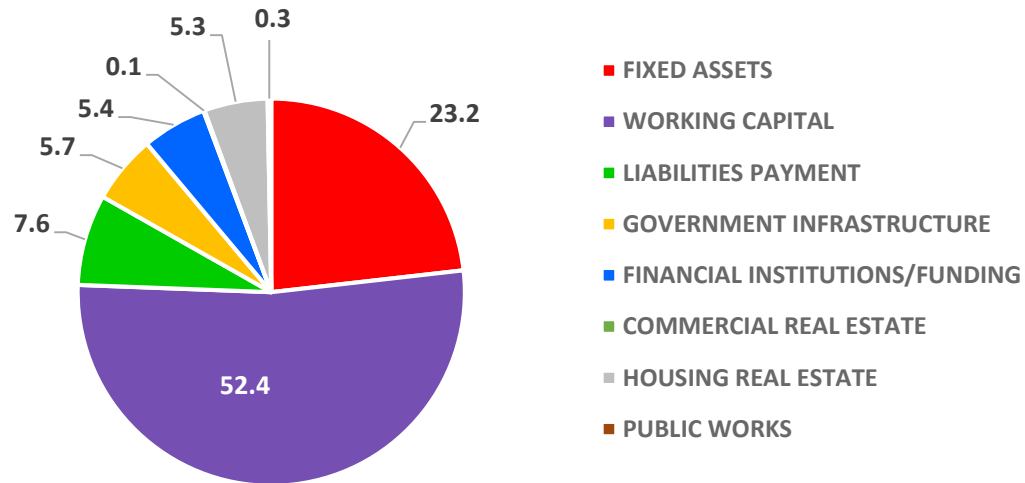
2Q19 | %



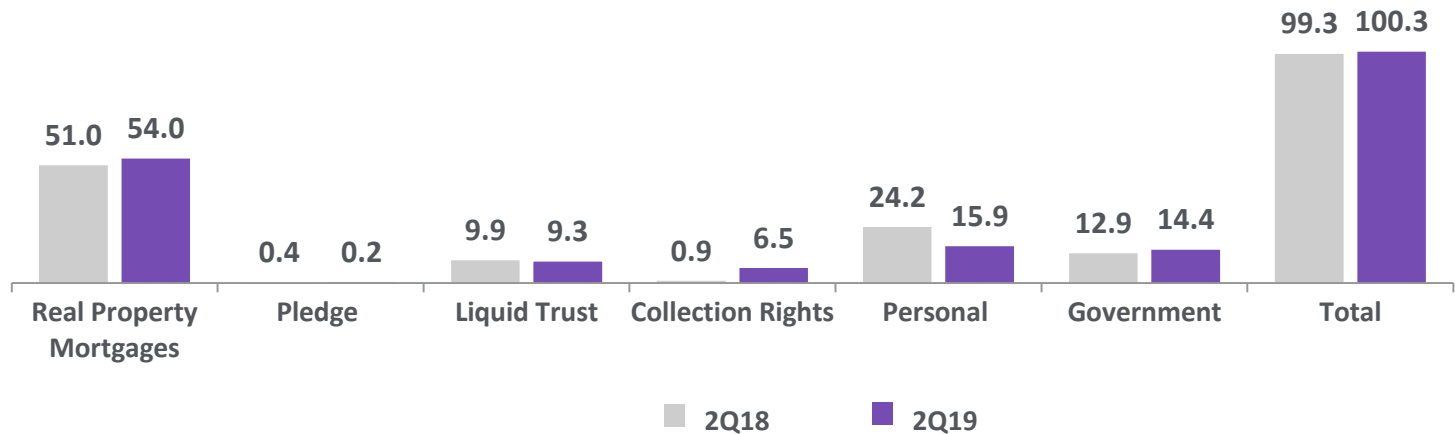
⁽¹⁾ Commercial portfolio includes = Company loans, Financial Institutions and Government.

▶ Loan Portfolio, BanBajío's main asset

Commercial portfolio Use 2Q19 | %



Commercial portfolio Coverage 2Q18-2Q19 ⁽¹⁾ | %



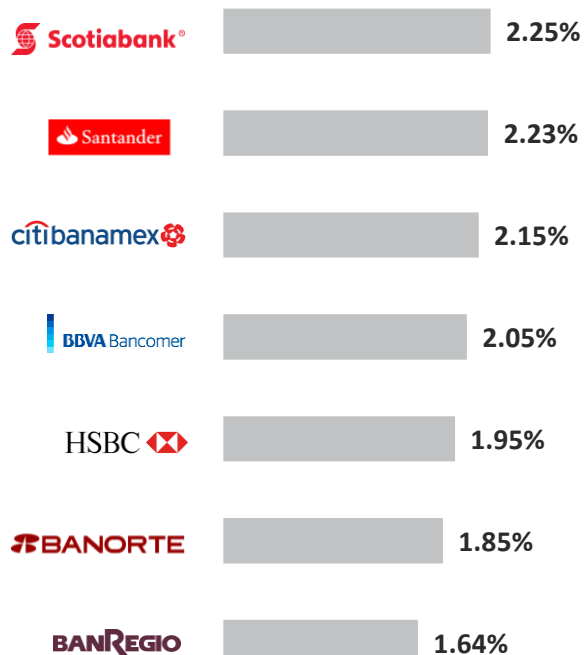
⁽¹⁾ Coverage includes = Government (Development Banks Funds, Federal Participations), Collection Rights, Actual Guarantees, Personal Guarantees, Real Property Mortgages.

▶ We have consistently maintained industry-leading asset quality

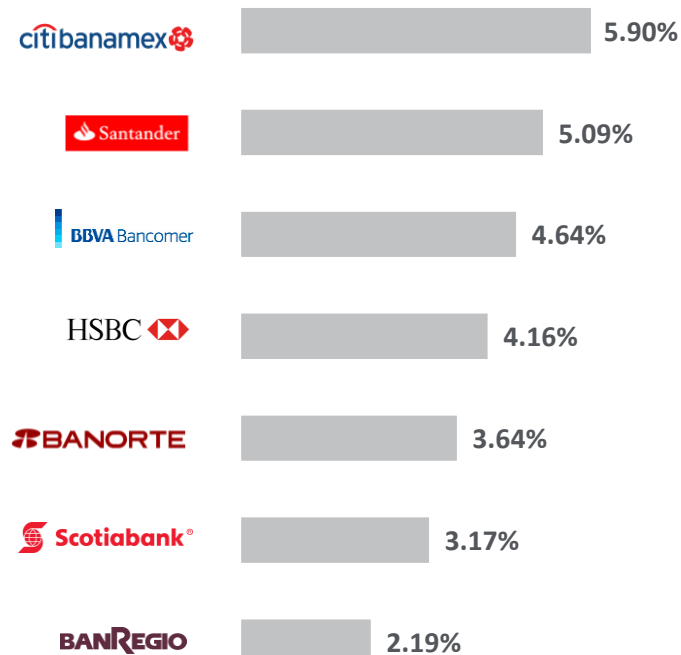
Best-in-Class Asset Quality

2Q19 | %

▼ NPLs



▼ NPLs Adjusted for Write-Offs ⁽¹⁾



0% 1% 2% 3%

0% 1% 2% 3% 4% 5% 6% 7%

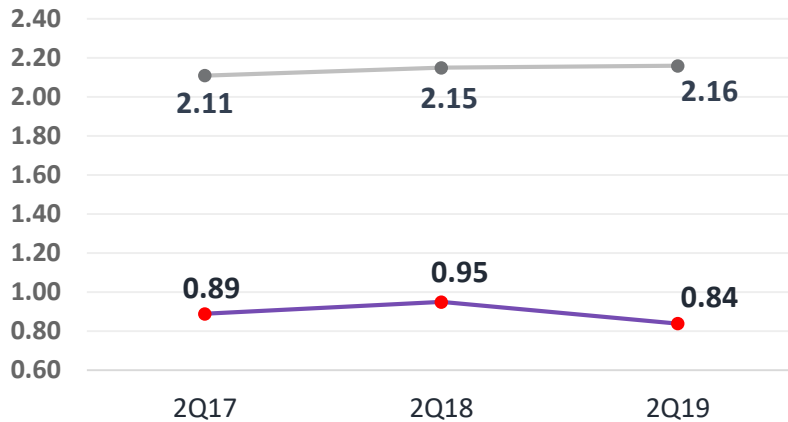
Source: Company information consolidated, CNBV

Notes:

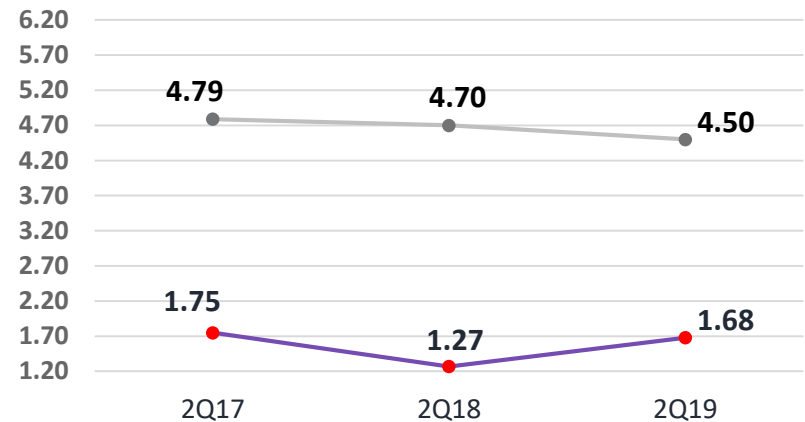
⁽¹⁾ Adjusted NPL Ratio = (Non-performing loan portfolio + write-offs) / Average (Gross loan portfolio + write-offs) for the period (12 months).

▪ High asset quality and outstanding risk profile

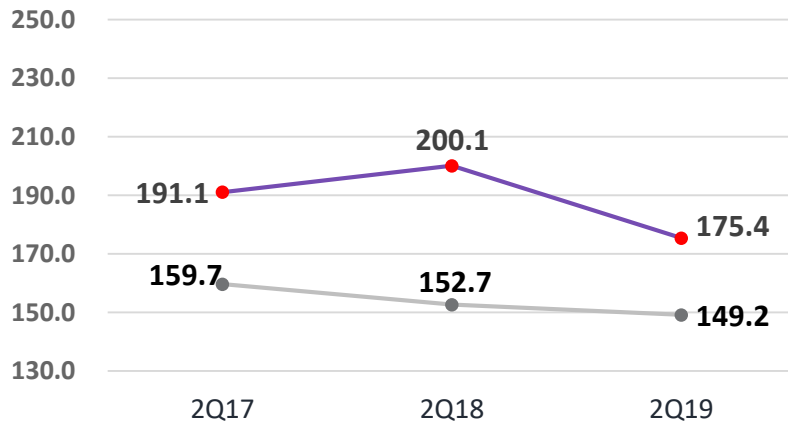
▼ NPL Ratio | %



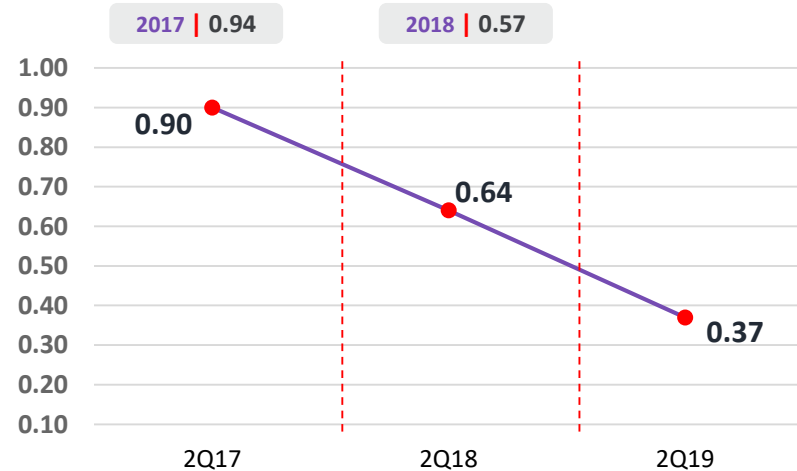
▼ NPL Ratio adjusted | %



▼ Coverage Ratio | %



▼ Cost of Risk¹ | %

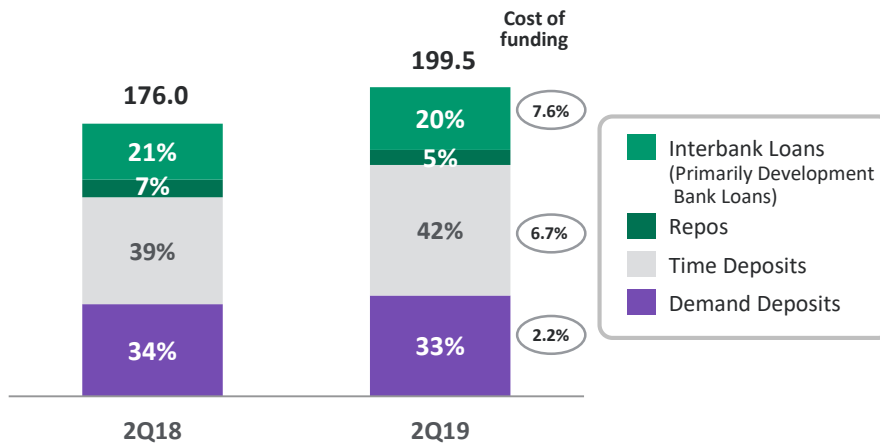


BanBajío —●— System —●—

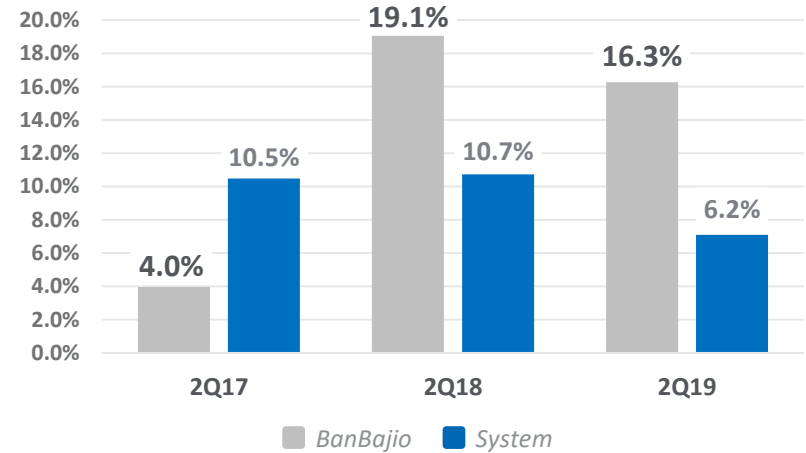
¹ Annualized quarter

▶ Increasingly diversified and low-cost funding base

Funding Breakdown | Ps\$ Bn

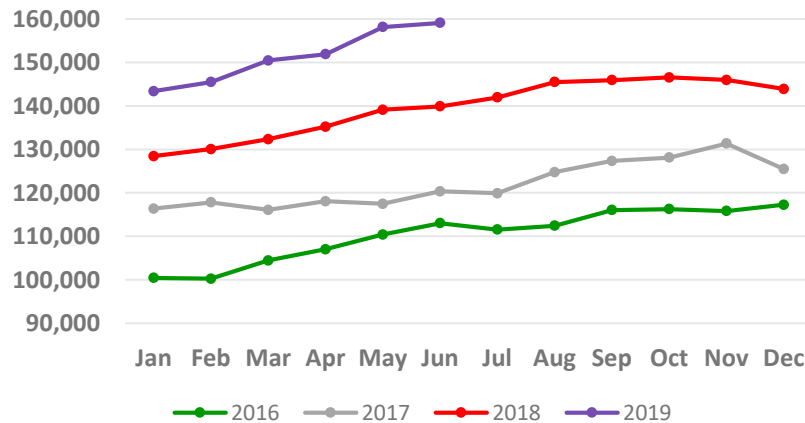


Total Deposits Growth (Demand + Time)



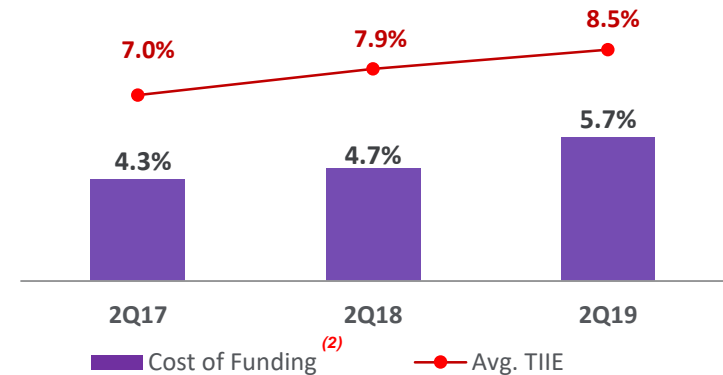
Total Deposits * | Million Pesos

CAGR '16 -'2Q19: 13.8% System⁽¹⁾ 6.8%



Cost of Total Funding | %

June 19: System⁽³⁾ 5.3%⁽⁴⁾



Notes:

1. Total Banca Multiple consolidated figures June 19.
2. Interest expense divided by total funding (deposits, interbank loans, repos).
3. Includes repos, derivatives, and changes in adjustment to financial asset hedging valuation.
4. Annualized.

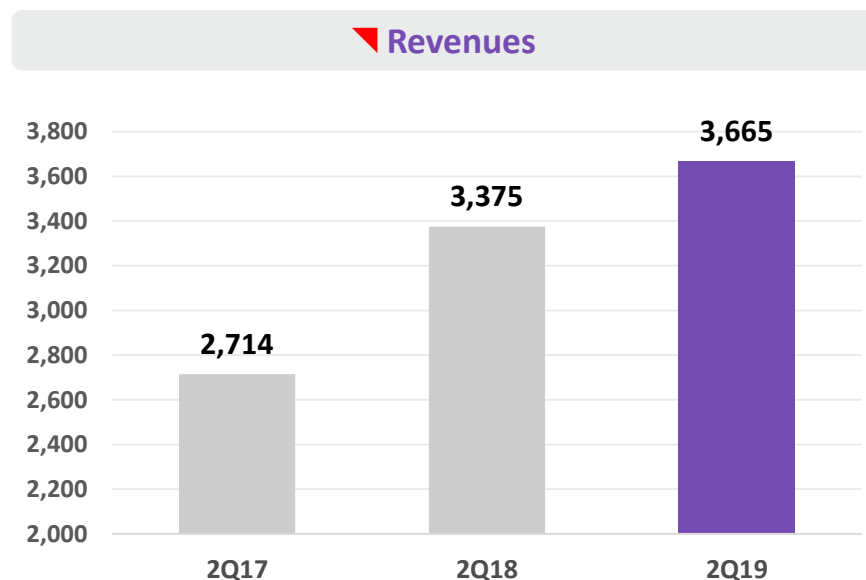
Source: Company information, CNBV

* Includes Repos.

▶ Continuous upward trend in Revenues

• Million Pesos

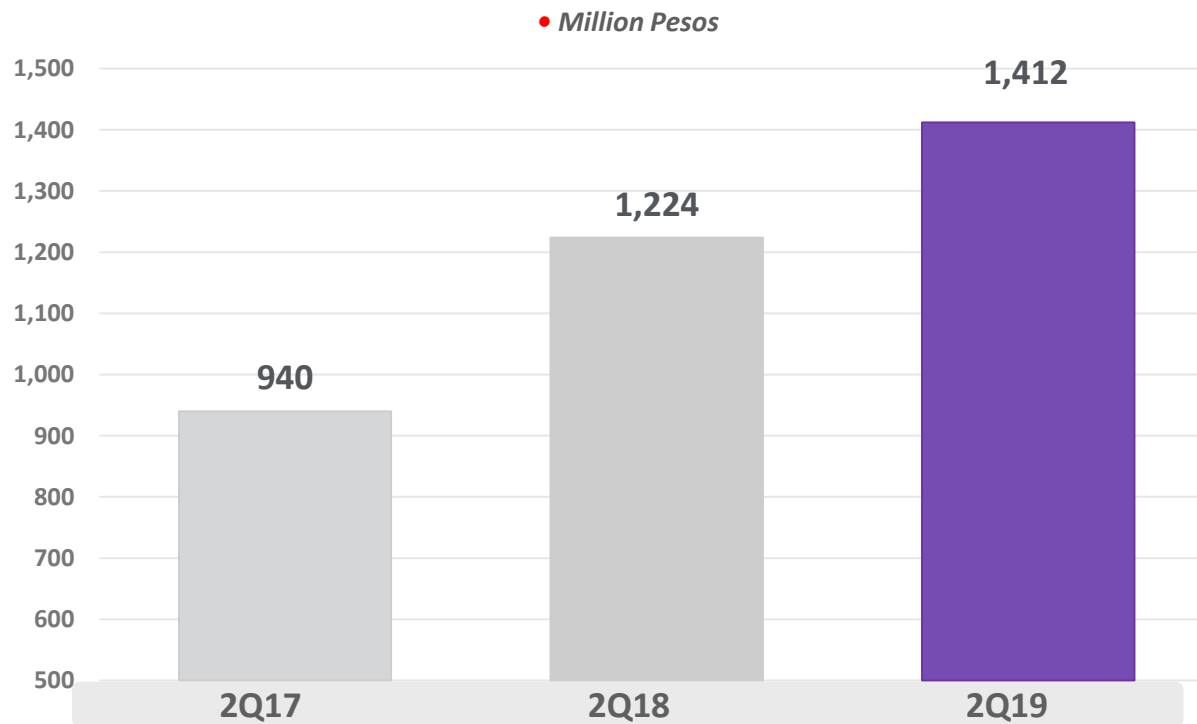
- **Revenues** increased **8.6%** in **2Q19** YoY and **13.2%** in **6M19**.
- **Positive performance in the Net Interest Income** as a result of an increase in volume and interest rates.



	2Q19	YoY	6M19	YoY
Net Interest Income	3,063	10.1%	6,145	14.0%
Non Interest Income	602	1.5%	1,160	8.9%
<i>Net Fees & Commissions</i>	<i>423</i>	<i>-3.9%</i>	<i>830</i>	<i>2.0%</i>
<i>Trading Income</i>	<i>132</i>	<i>51.7%</i>	<i>219</i>	<i>42.2%</i>
<i>Other Operating Income</i>	<i>47</i>	<i>-28.8%</i>	<i>111</i>	<i>14.4%</i>
Total Revenues	3,665	8.6%	7,305	13.2%

▶ Historical Net Income Performance

- **Net Income was Ps. 1,412 million in 2Q19, 15.4% higher than 2Q18, as a result of an increase in volume and interest rates. 6M19 was Ps. 2,822 million 18.6% higher than 6M18.**

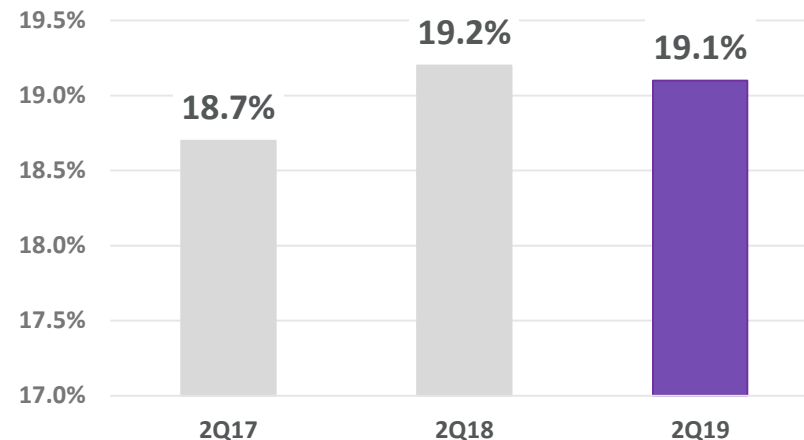


▶ Strong Results boosted Returns and EPS

- We continue to post an above 18% level of ROAE since the IPO.
- Continuous growth in Earnings, resulted in a 84.6% increase in EPS since the IPO, and 23.2% YoY.

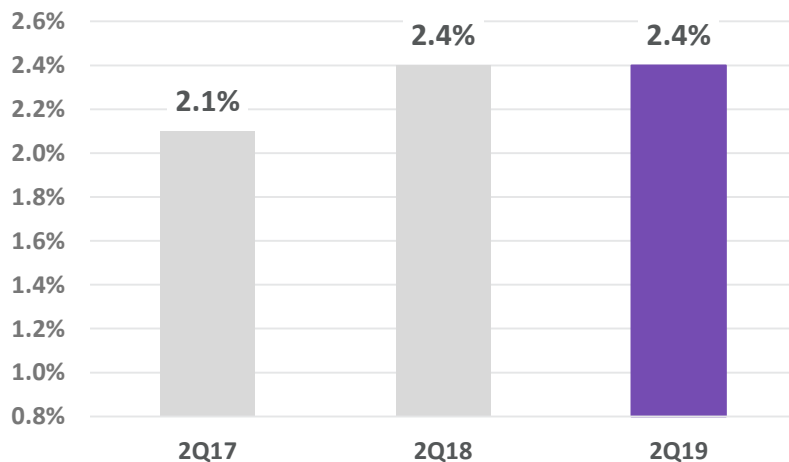
▼ ROAE

• Annualized quarter



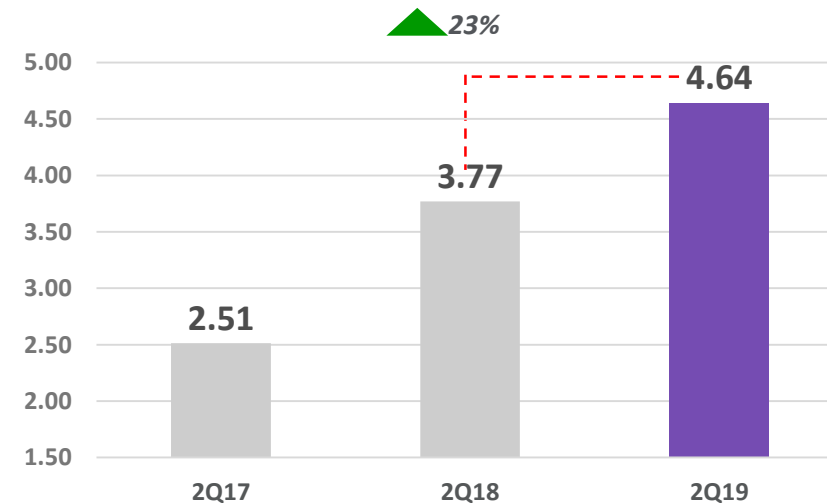
▼ ROAA

• Annualized quarter



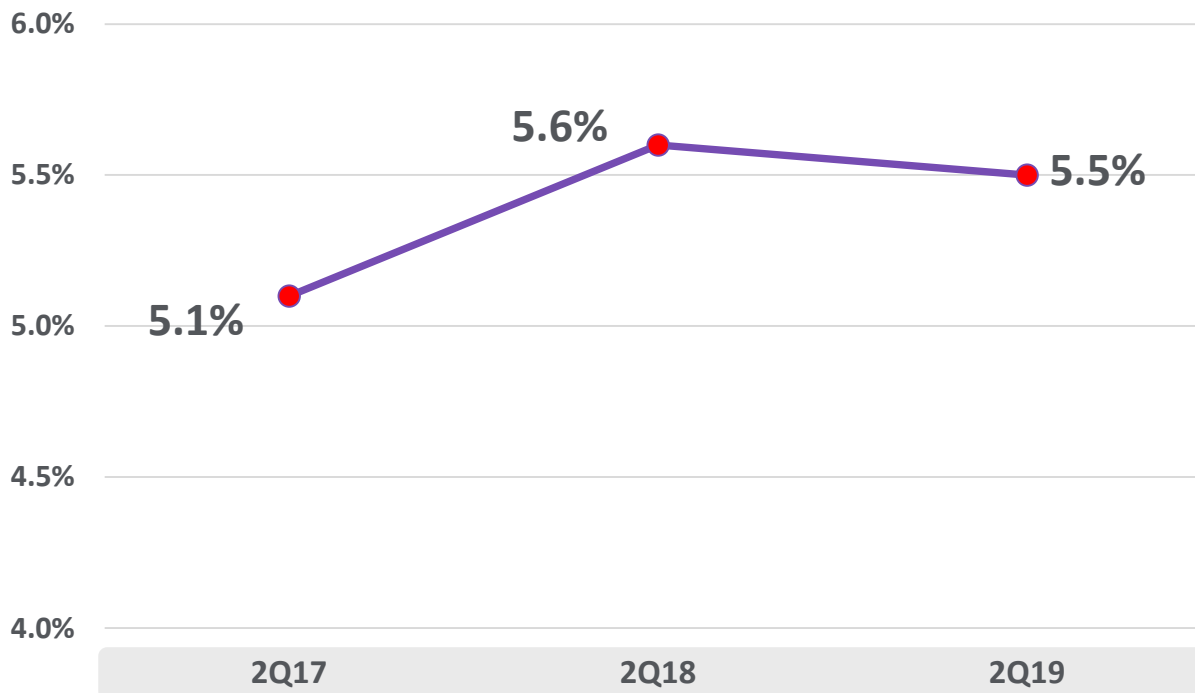
▼ EPS

• Pesos



▶ Net Interest Margin

- **NIM contracted 12 bps in 2Q19 YoY**, as a result of:
 - ▶ The Ps. **\$2 billion** dividend payment paid on May 10th that was replaced with interest bearing liabilities.
 - ▶ A higher growth in deposits compared to loans.

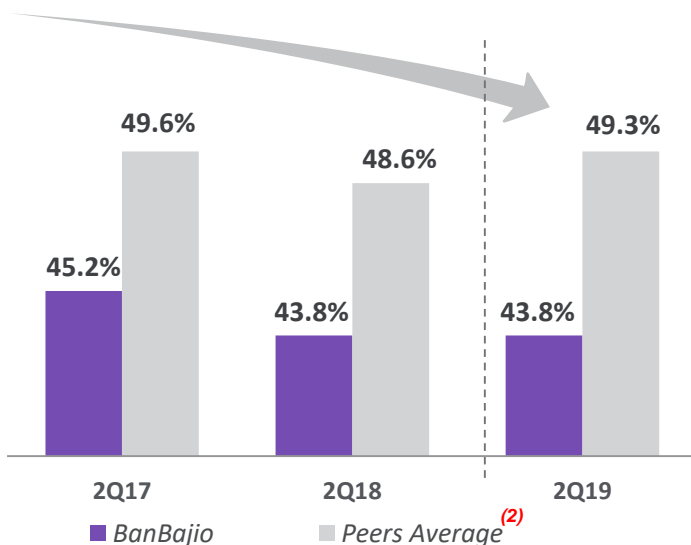


▶ Efficiency Ratio

- Efficiency Ratio for 2Q19 remains stable at 43.8% and 43.3% for 6M19 below the 44.2% in 6M18.

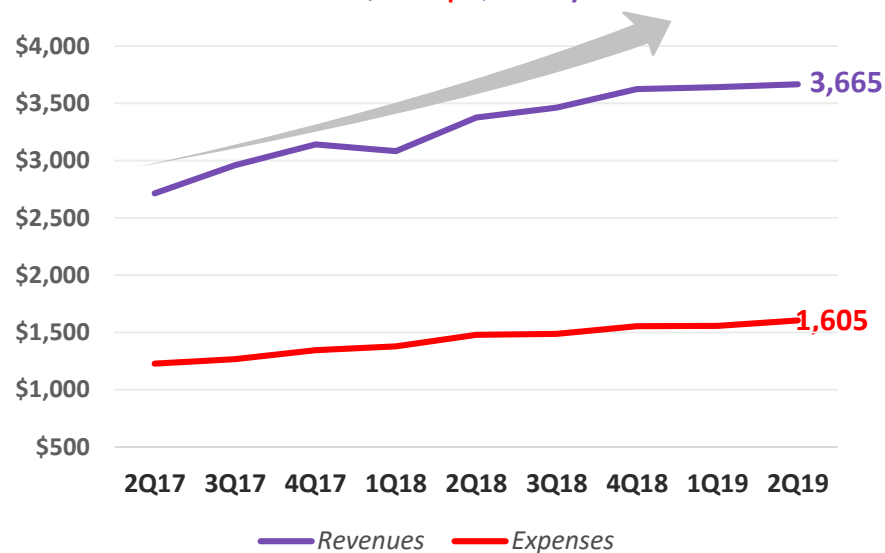
▼ Efficiency Ratio Evolution vs. Peers

Operating Expenses/Total Revenues ⁽¹⁾ | %



▼ Total Revenues and Expenses ⁽¹⁾

Ps\$ MM | Quarterly



Source Company information and CNBV

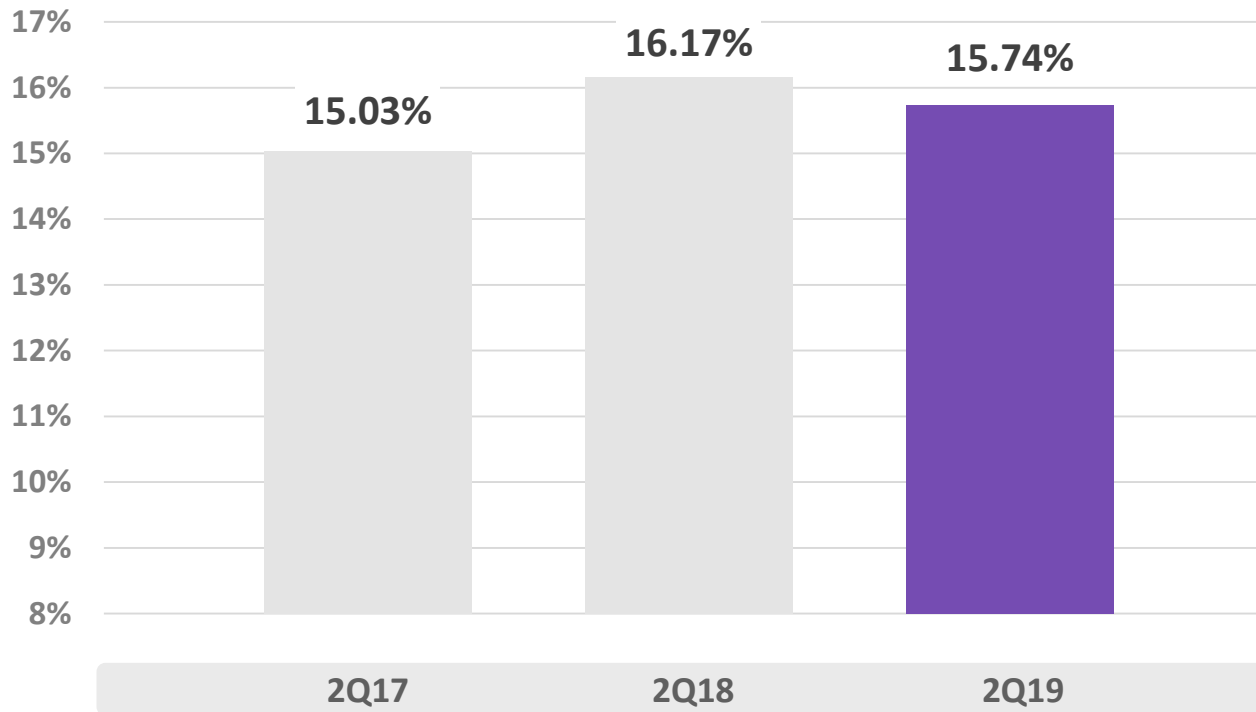
Notes:

⁽¹⁾ Total Revenues (excluding Loan Loss Provisions).

⁽²⁾ Peers Include: Banorte, Banregio, BBVA Bancomer, Citibanamex, HSBC, Santander and Scotiabank consolidated figures.

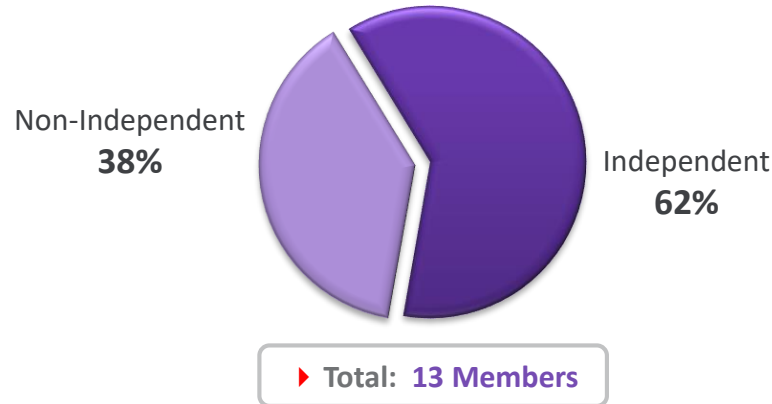
▶ Capital Adequacy Ratio

- **Solid capitalization** ratio with **99.9% TIER 1**



▶ Solid corporate governance standards

▼ Board of Directors Composition



▼ High Corporate Governance Standards

- ✓ Independent board members selected for their **ample experience** in banking, risks, economy and technology.
- ✓ **Unique IT Board committee**, not required by regulators, as testimony of BanBajio's commitment to technological advancement.
- ✓ Market standard variable compensation schemes **for top management**.
- ✓ **Professional top management team**, with no participation of relatives from controlling shareholders or board members.
- ✓ Loans to related parties **authorized by BoD** when required by size and granted at market terms.



Supplemental Financial Information

► Income Statement

Ps\$ MM				Var.	
	2Q18	1Q19	2Q19	Y o Y	Q o Q
▪ Interest Income	\$4,776	\$5,576	\$5,827	22.0 %	4.5 %
▪ Interest Expense	(1,994)	(2,494)	(2,764)	38.6 %	10.8 %
Financial Margin	\$2,782	\$3,082	\$3,063	10.1 %	-0.6 %
▪ Net Fees & Commissions	440	407	423	-3.9 %	3.9 %
▪ Trading Income	87	87	132	51.7 %	51.7 %
▪ Other Operating Income / (Expense)	66	64	47	-28.8 %	-26.6 %
Non Interest Income	593	558	602	1.5 %	7.9 %
Total Revenues	\$3,375	\$3,640	\$3,665	8.6 %	0.7 %
▪ Allowance for Loan Losses	(245)	(177)	(162)	-33.9 %	-8.5 %
▪ Administrative and Advertising Expenses	(1,477)	(1,557)	(1,605)	8.7 %	3.1 %
▪ Equity in income of unconsolidated subsidiaries	1	(2)	1	0.0 %	-150.0 %
Income Before Taxes	\$1,654	\$1,904	\$1,899	14.8 %	-0.3 %
▪ Taxes	(430)	(494)	(487)	13.3 %	-1.4 %
Net Income	\$1,224	\$1,410	\$1,412	15.4 %	0.1 %
▪ Effective Tax Rate	26.0 %	25.9 %	25.6 %	-35 b.p.	-30 b.p.

▶ Income Statement

Ps\$ MM	Var.		
	6M 18	6M 19	Y o Y
▪ Interest Income	\$9,262	\$11,403	23.1 %
▪ Interest Expense	(3,871)	(5,258)	35.8 %
Financial Margin	\$5,391	\$6,145	14.0 %
▪ Net Fees & Commissions	814	830	2.0 %
▪ Trading Income	154	219	42.2 %
▪ Other Operating Income / (Expense)	97	111	14.4 %
Non Interest Income	1,065	1,160	8.9 %
Total Revenues	\$6,456	\$7,305	13.2 %
▪ Allowance for Loan Losses	(417)	(339)	-18.7 %
▪ Administrative and Advertising Expenses	(2,855)	(3,162)	10.8 %
▪ Equity in income of unconsolidated subsidiaries	2	(1)	-150.0 %
Income Before Taxes	\$3,186	\$3,803	19.4 %
▪ Taxes	(806)	(981)	21.7 %
Net Income	\$2,380	\$2,822	18.6 %
▪ Effective Tax Rate	25.3 %	25.8 %	

▶ Balance Sheet

Ps\$ MM				Var.	
	2Q18	1Q19	2Q19	Y o Y	Q o Q
▪ Cash & Cash Equivalents	\$18,243	\$24,063	\$28,419	55.8 %	18.1 %
▪ Investment in Securities	19,191	17,006	11,226	-41.5 %	-34.0 %
▪ Cash & Investments	\$37,434	\$41,069	\$39,645	5.9 %	-3.5 %
▪ Performing Loan Portfolio	156,912	174,174	174,504	11.2 %	0.2 %
▪ Non-performing Loan Portfolio	1,501	1,614	1,486	-1.0 %	-7.9 %
▪ Gross Loan Portfolio	\$158,413	\$175,788	\$175,990	11.1 %	0.1 %
▪ Loan Loss Provisions	(3,003)	(2,795)	(2,606)	-13.2 %	-6.8 %
Net Loan Portfolio	\$155,410	\$172,993	\$173,384	11.6 %	0.2 %
▪ Repos	8,932	3,203	12,359	38.4 %	285.9 %
▪ Other Assets	11,938	12,333	15,843	32.2 %	28.5 %
Total Assets	\$213,759	\$229,598	\$241,231	12.9 %	5.1 %
▪ Demand Deposits	59,384	59,686	65,084	9.6 %	9.0 %
▪ Time Deposits	69,032	79,323	84,238	22.0 %	6.2 %
Total Deposits	\$128,416	\$139,009	\$149,322	16.3 %	7.4 %
▪ Repos	11,452	11,423	9,758	-14.8 %	-14.6 %
Funding Including Repos	\$139,868	\$150,432	\$159,080	13.7 %	5.7 %
▪ Interbank Loans *	36,153	40,073	40,410	11.8 %	0.8 %
▪ Other Liabilities	11,970	9,240	12,589	5.2 %	36.2 %
Total Liabilities	\$187,991	\$199,745	\$212,079	12.8 %	6.2 %
Shareholder's Equity	\$25,768	\$29,853	\$29,152	13.1 %	-2.3 %

* Mostly development banks funding.