



BANBAJIO



A Leading Specialized Bank set for
Long-Term Profitable Growth

Corporate Presentation

October | 2019

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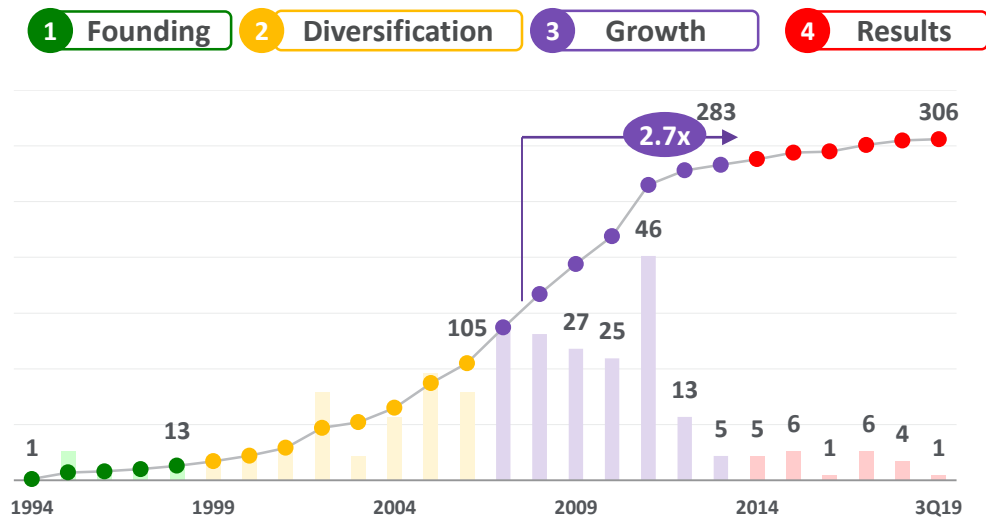
▶ Evolution from an emerging local bank to a specialized leader with national presence

▼ BanBajío Today

- ✓ **3rd largest** locally-controlled bank in Mexico⁽¹⁾, with ~US\$12.2 Bn⁽²⁾ in total assets.
- ✓ **8th largest** bank in the country by loans & deposits and company-sector loans. ⁽¹⁾
- ✓ Focused on **profitable, low-risk and high-growth corporate and SME loan segments**.
- ✓ **ROAE improved from 10.9%** in 2015 to **18.7%** in 3Q19.
- ✓ **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:

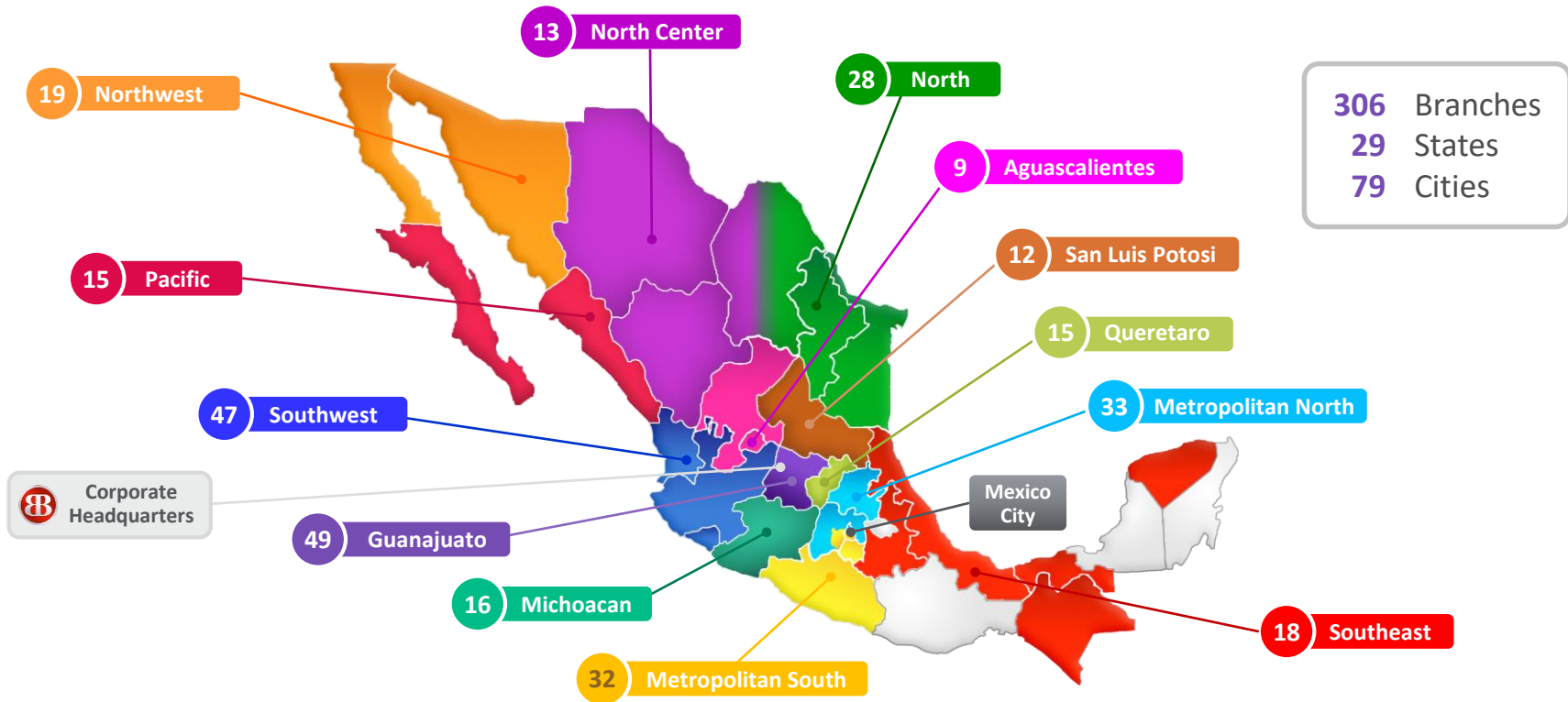
⁽¹⁾ Based on total deposits and total loans as of Sep 30, 2019.

⁽²⁾ Using an exchange rate of Ps\$19.7345 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

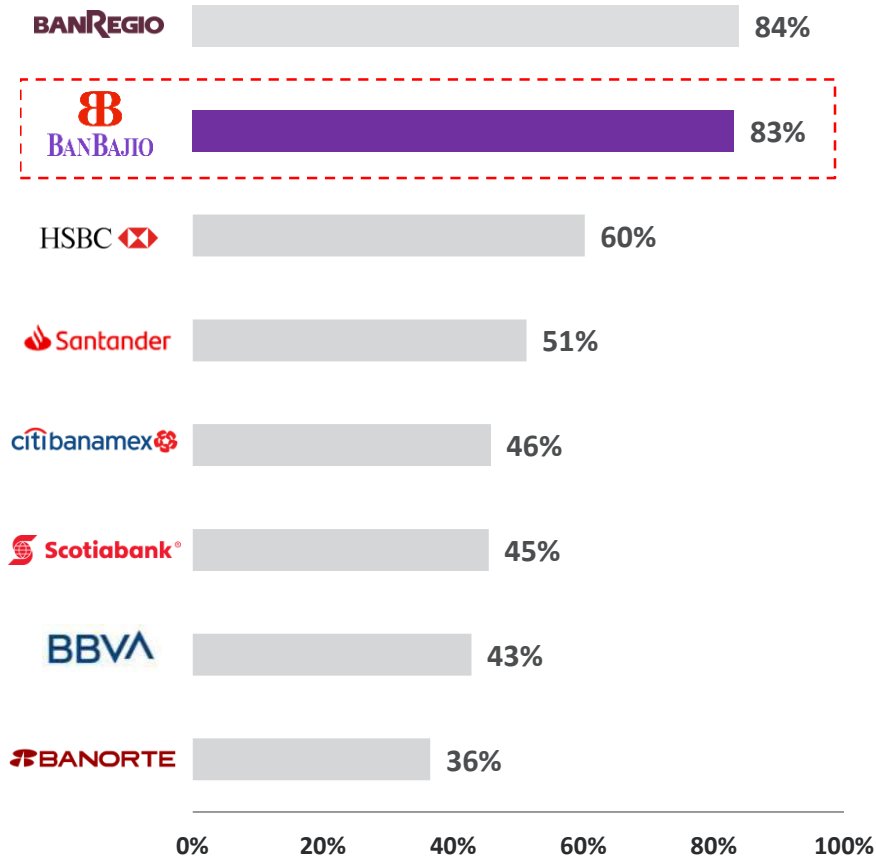


Source: Company information

▶ Specialized Bank on SME and Corporate Loans

▼ BanBajío is Highly Specialized on SME and Corporate Loans

Company Loans as % of Total Loans | 3Q19



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

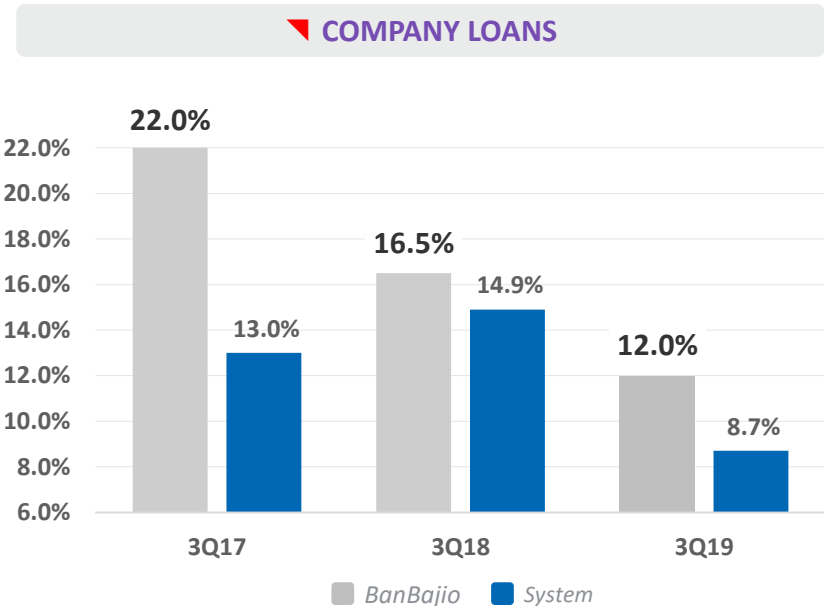
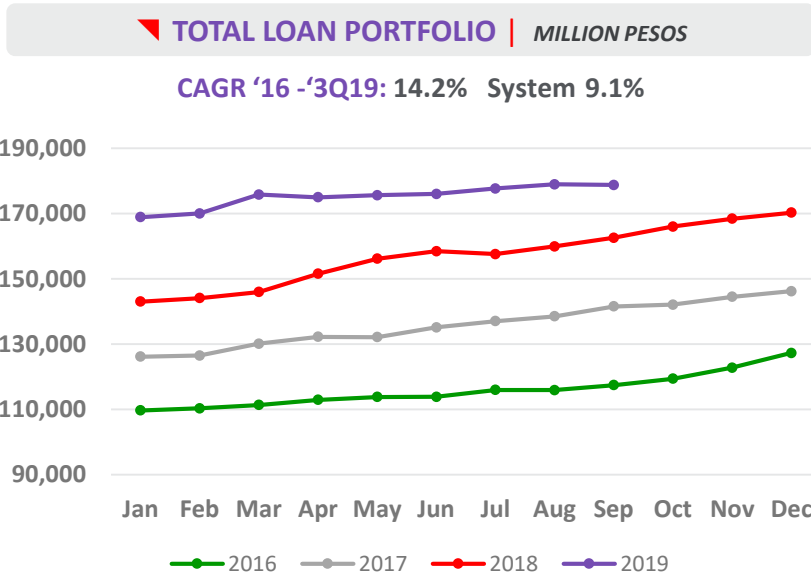
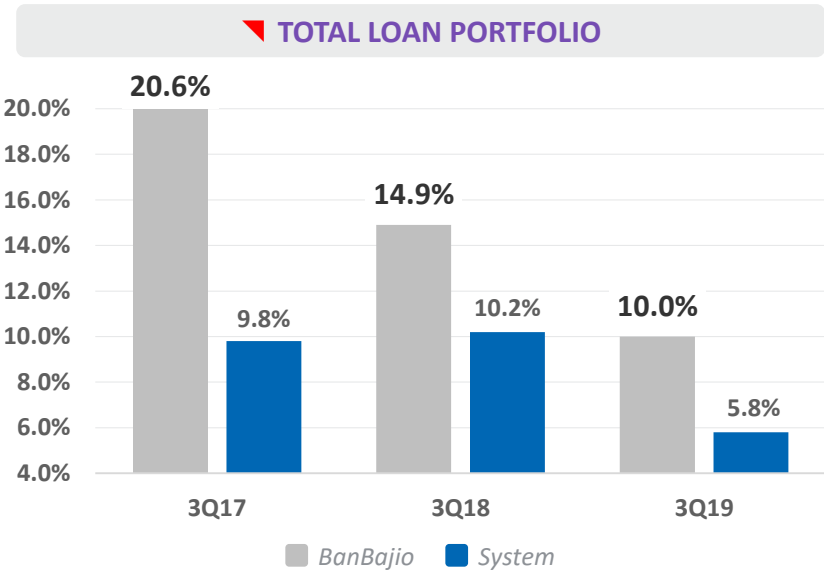
▶ Developing other business lines, based on the digital transformation process

- ✓ 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 Growth YoY

- **Total Loan Portfolio** grew **10.0%** in **3Q19**, above the 5.8% of the system.
- **Company Loans**, which represents our core business, increased **12.0%**.

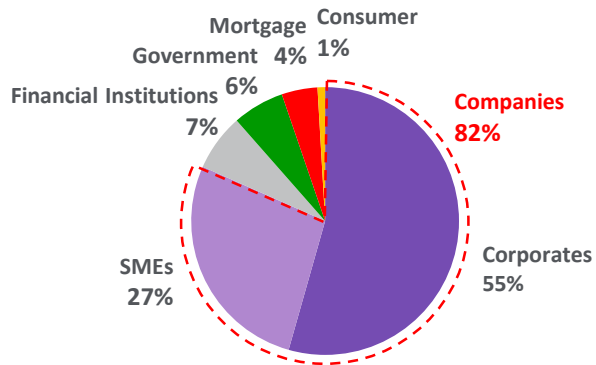
	YoY
Company Loans	12.0 %
Financial Institutions	-14.5 %
Government	15.3 %
Consumer	37.4 %
Mortgage	-2.7 %



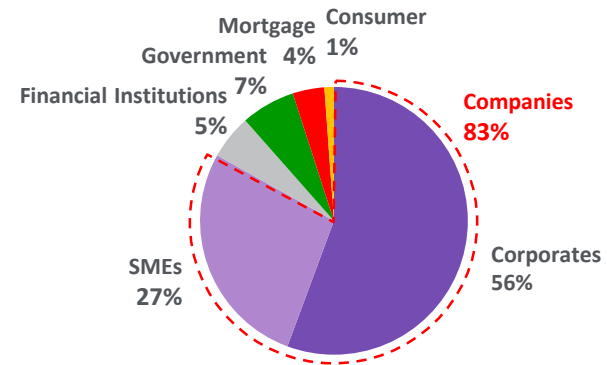
▶ Loan Portfolio, BanBajío's main asset

Loan Portfolio Breakdown | By Type

3Q18 | %

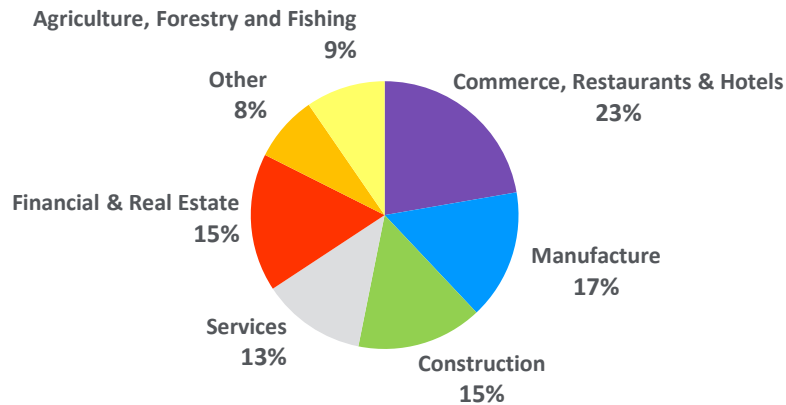


3Q19 | %

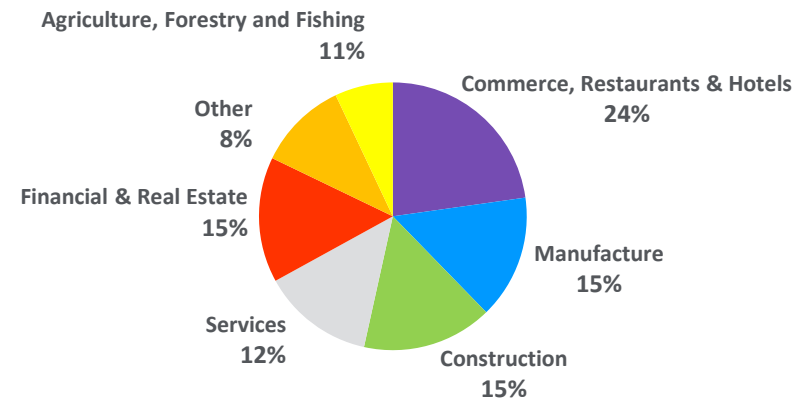


Commercial Portfolio Breakdown ⁽¹⁾ | By Economic Sector

3Q18 | %



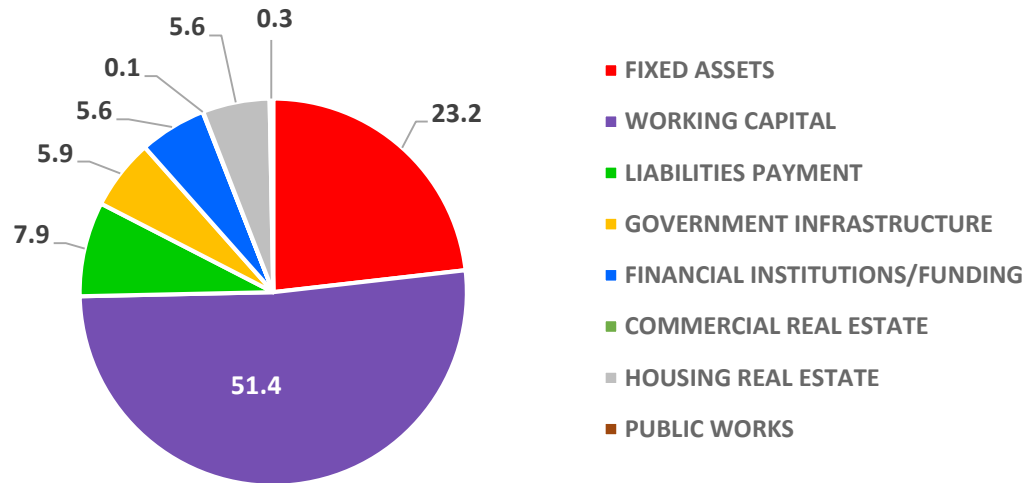
3Q19 | %



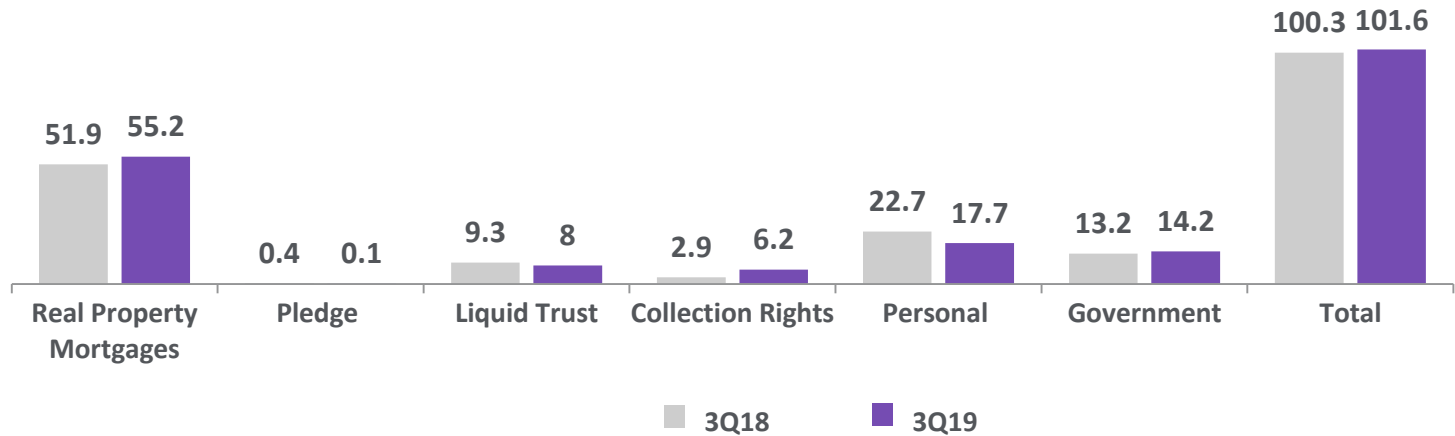
⁽¹⁾ Commercial portfolio includes = Company loans, Financial Institutions and Government.

▶ Loan Portfolio, BanBajío's main asset

Commercial portfolio Use 3Q19 | %



Commercial portfolio Coverage 3Q18-3Q19 ⁽¹⁾ | %



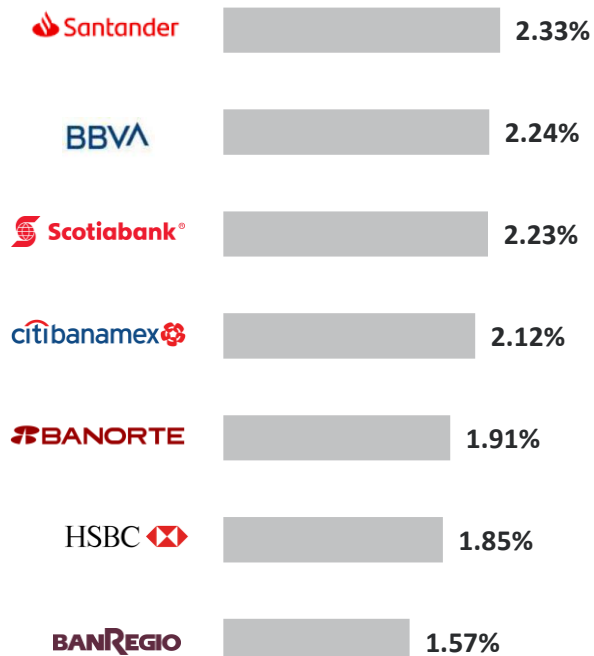
⁽¹⁾ Coverage includes = Government (Development Banks Funds, Federal Participations), Collection Rights, Actual Guarantees, Personal Guarantees, Real Property Mortgages.

▶ We have consistently maintained industry-leading asset quality

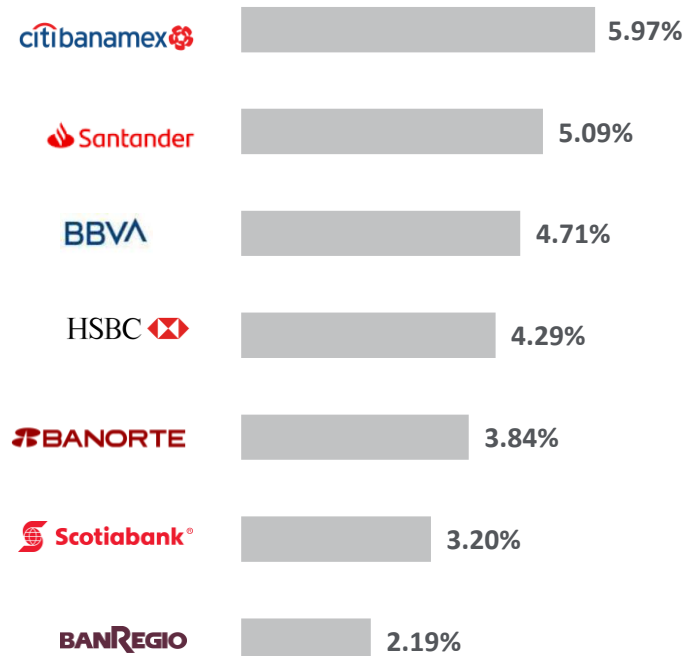
Best-in-Class Asset Quality

3Q19 | %

▼ NPLs



▼ NPLs Adjusted for Write-Offs ⁽¹⁾



0% 1% 2% 3%

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

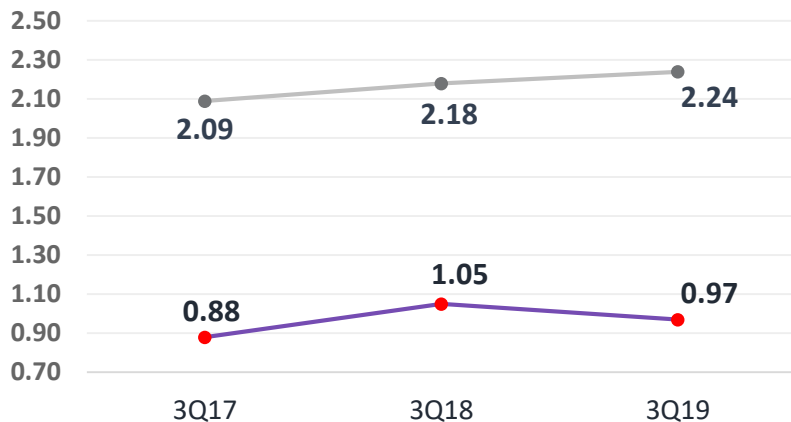
Source: Company information consolidated, CNBV

Notes:

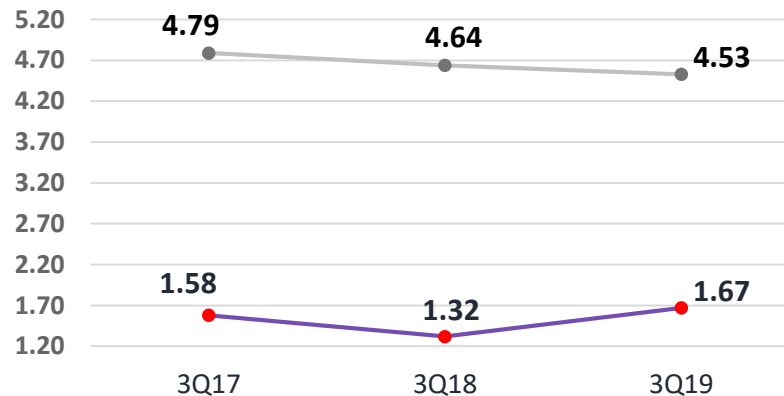
⁽¹⁾ Adjusted NPL Ratio = (Non-performing loan portfolio + write-offs) / Average (Gross loan portfolio + write-offs) for the period (12 months).

▪ High asset quality and outstanding risk profile

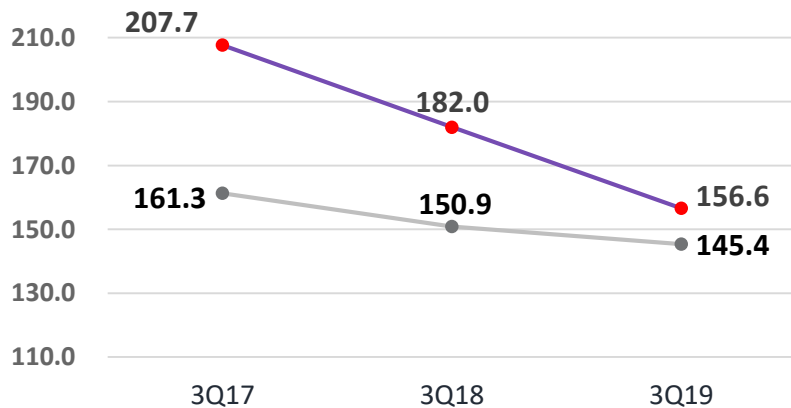
▼ NPL Ratio | %



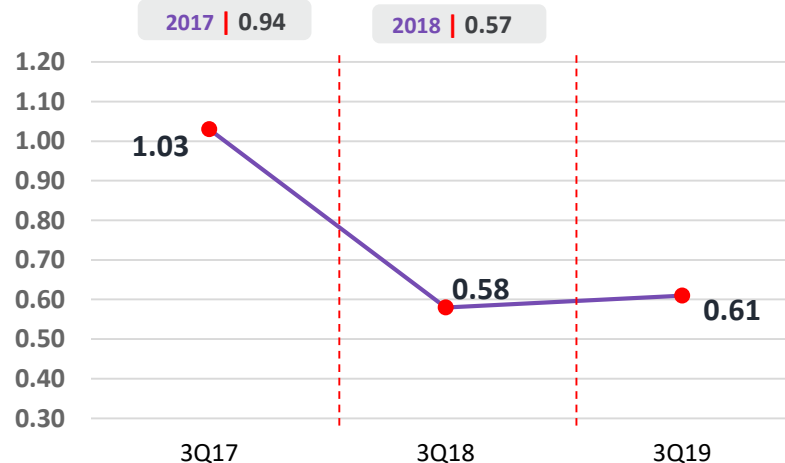
▼ NPL Ratio adjusted | %



▼ Coverage Ratio | %



▼ Cost of Risk⁽¹⁾ | %

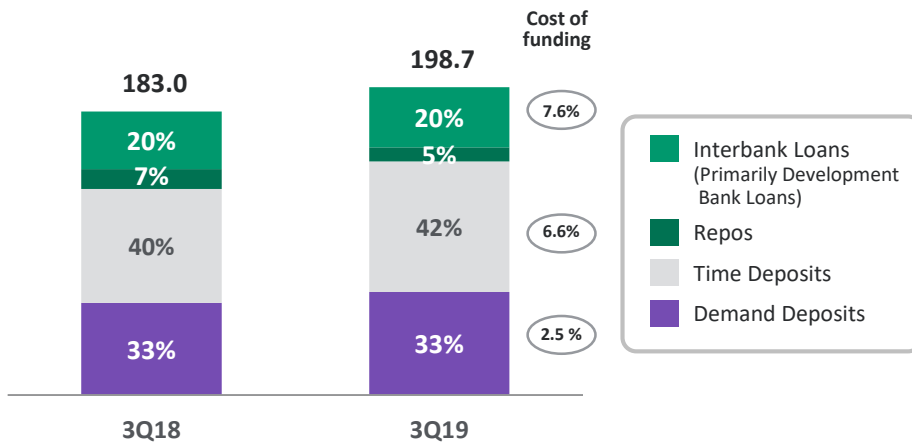


BanBajio —●— System —●—

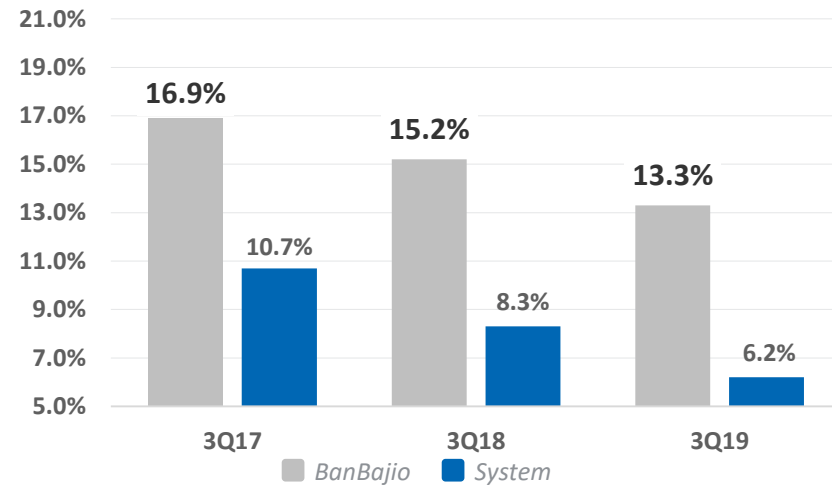
(1) Annualized quarter

▶ Strong growth in Total Deposits

Funding Breakdown | Ps\$ Bn

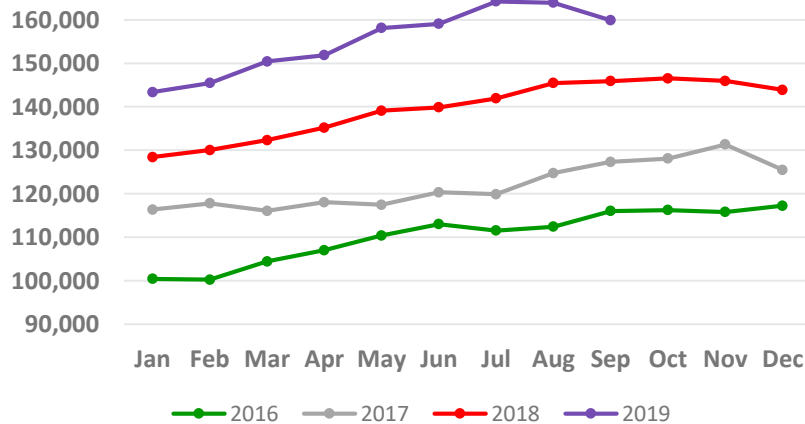


Total Deposits Growth (Demand + Time)



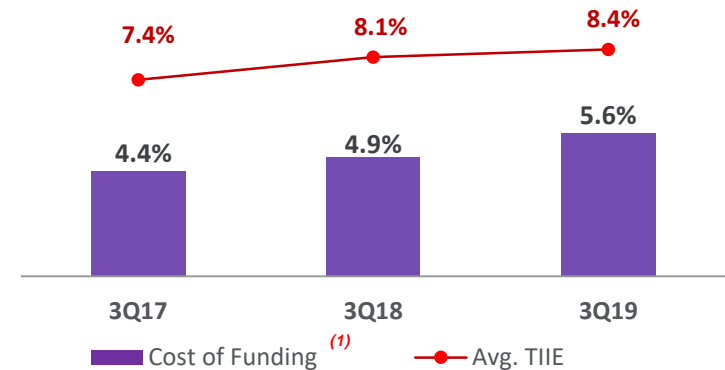
Total Deposits * | Million Pesos

CAGR '16 -'3Q19: 13.0% System 6.9%



Cost of Total Funding | %

Sep19: System ⁽²⁾ 5.3% ⁽³⁾



Notes:

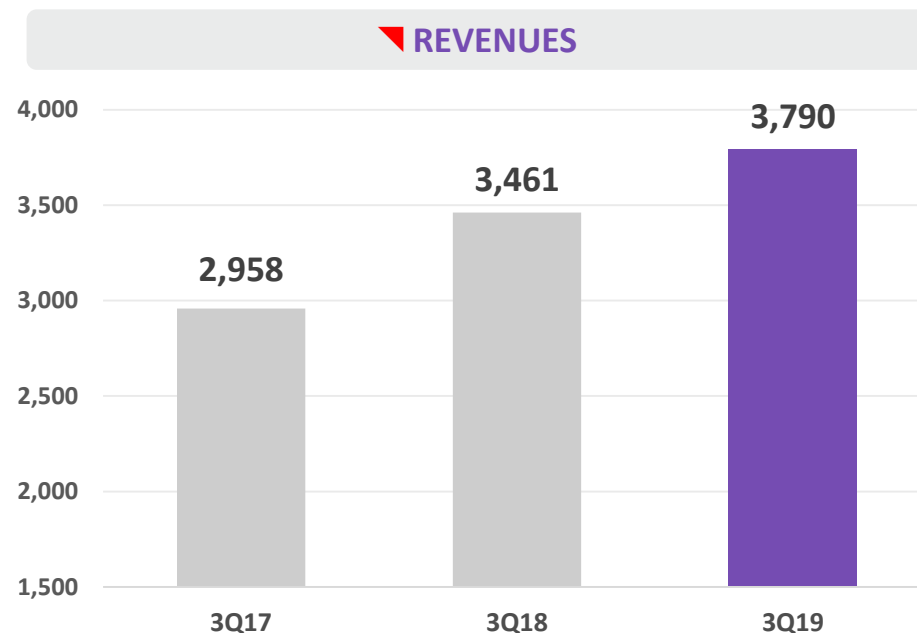
1. Interest expense divided by total funding (deposits, interbank loans, repos).
2. Includes repos, derivatives, and changes in adjustment to financial asset hedging valuation.
3. Annualized.

Source: Company information, CNBV
* Includes Repos.

▶ Continuous upward trend in Revenues

• Million Pesos

- Revenues increased 9.5% in 3Q19 YoY and 11.9% in 9M19.
- Strong performance in the Non Interest Income.

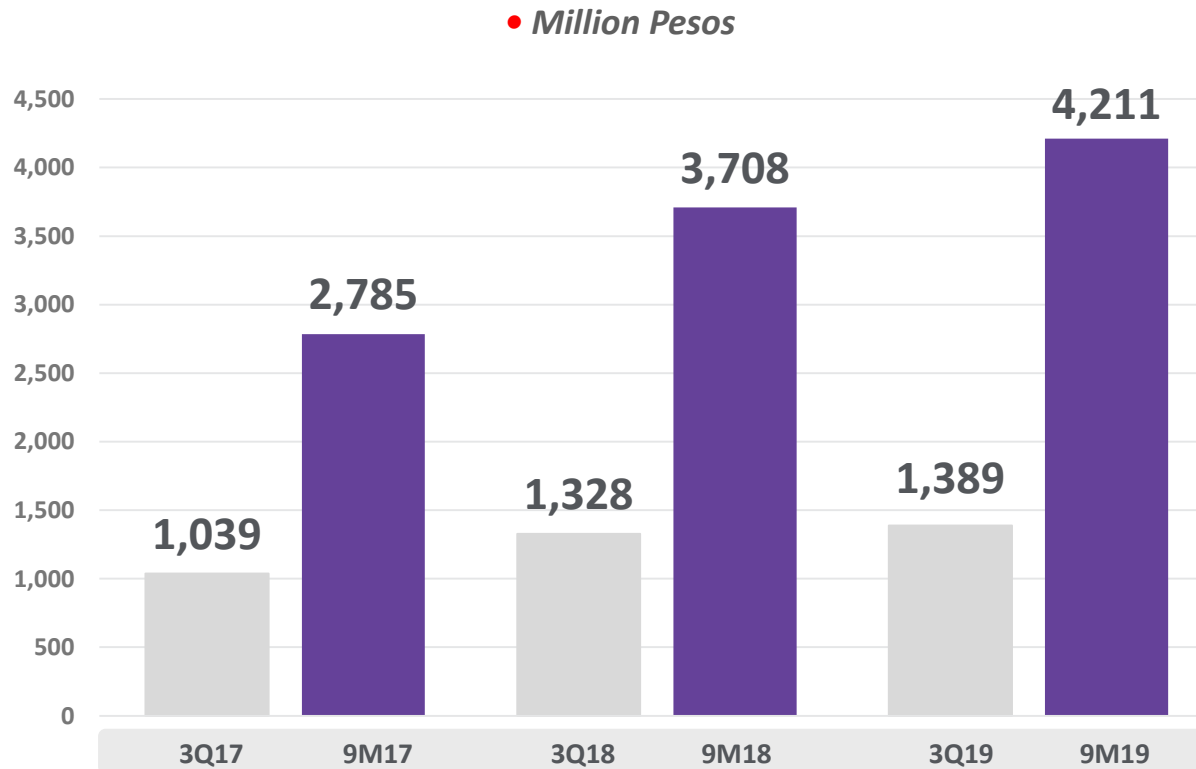


	3Q19	YoY	9M19	YoY
▪ Net Interest Income*	3,139	7.6 %	9,284	11.7 %
▪ Non Interest Income	651	19.7 %	1,811	12.6 %
▪ Net Fees & Commissions	456	8.1 %	1,286	4.0 %
▪ Trading Income*	155	72.2 %	374	53.3 %
▪ Other Operating Income	40	25.0 %	151	17.1 %
TOTAL REVENUES	3,790	9.5 %	11,095	11.9 %

* 3Q18 includes an adjustment of Ps. 73 million, also included in our 2018 audited financial statements.

▶ Historical Net Income Performance

- **Net Income was Ps. 1,389 million in 3Q19, 4.6% higher than 3Q18, despite a higher effective tax rate due to a lower level of inflation. For the 9M19 period, Net Income totaled Ps. 4,211 million, 13.6% higher than 9M18.**

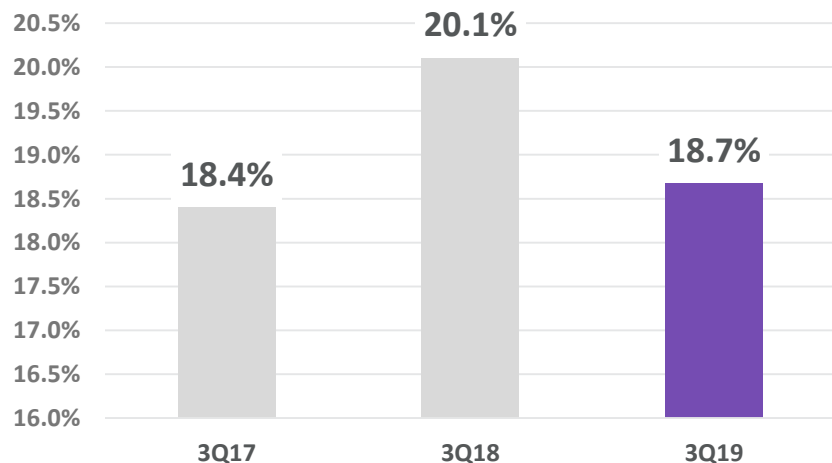


▶ Returns and EPS in line with our guidance

- We continue to post an above 18% level of ROAE since the IPO.
- Continuous growth in Earnings, resulted in a 86.6% increase in EPS since the IPO, and 16.9% YoY.

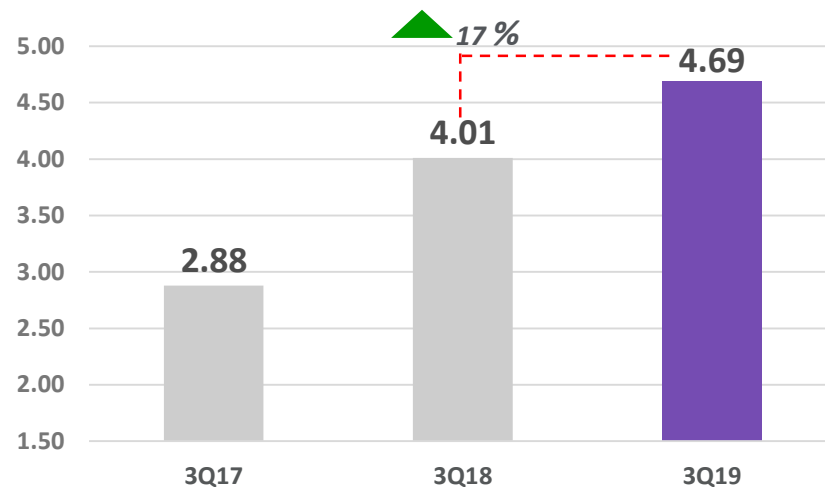
ROAE

Annualized quarter



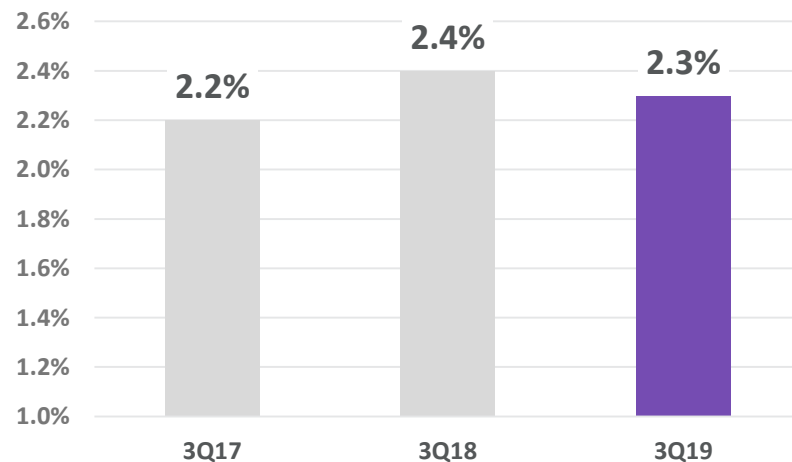
EPS

Pesos



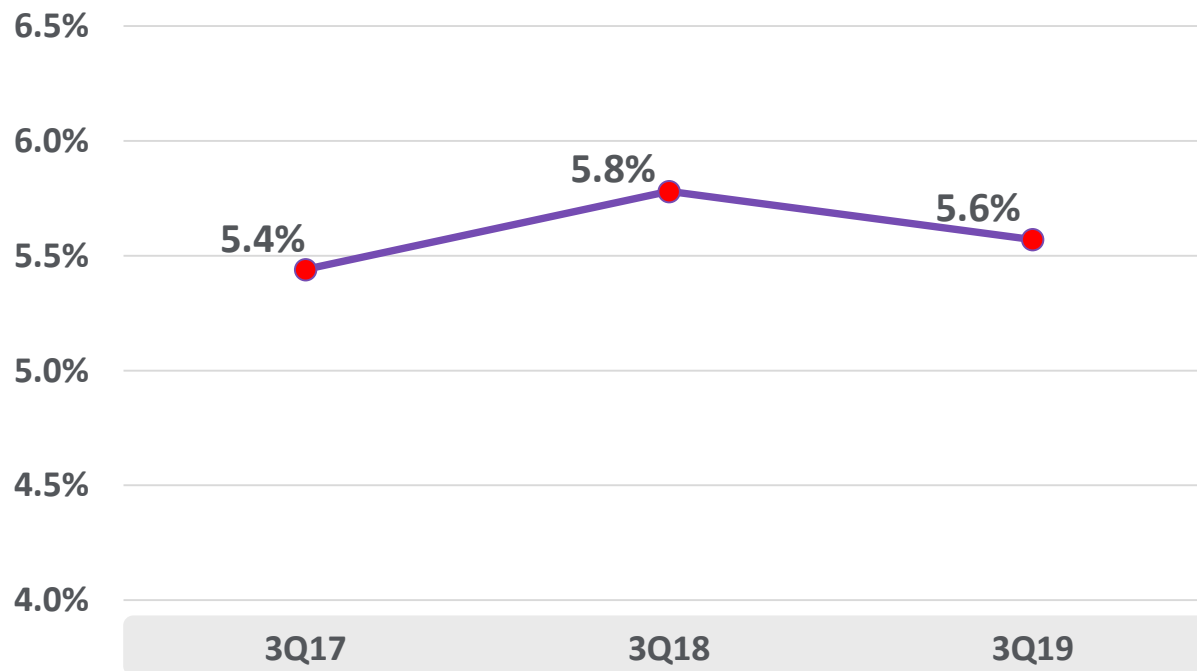
ROAA

Annualized quarter



▶ Net Interest Margin

- **NIM contracted 21 bps in 3Q19 YoY**, as a result of:
 - ▶ The Ps. **\$2 billion** dividend payment paid in May 10th that was replaced with interest bearing liabilities.
 - ▶ A higher growth in deposits compared to loans.
 - ▶ A reduction in the reference rate.

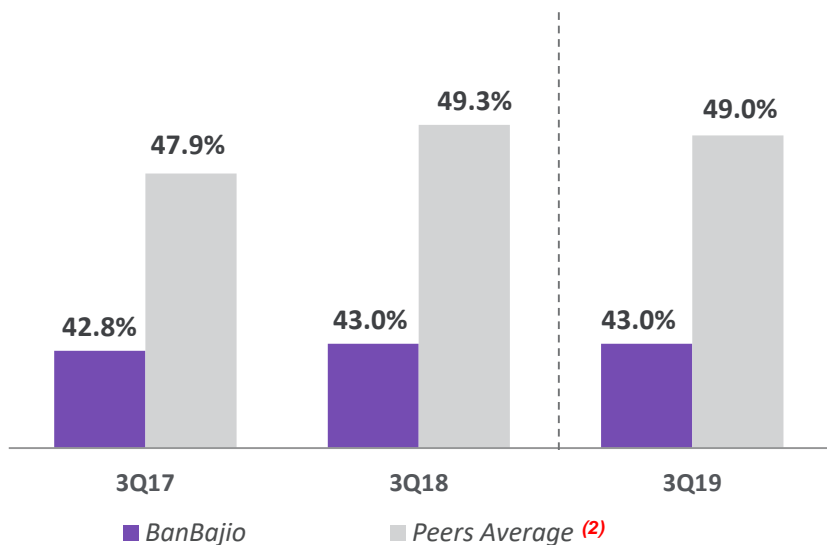


▶ Efficiency Ratio

- Efficiency Ratio for 3Q19 remains stable at 43.0%.

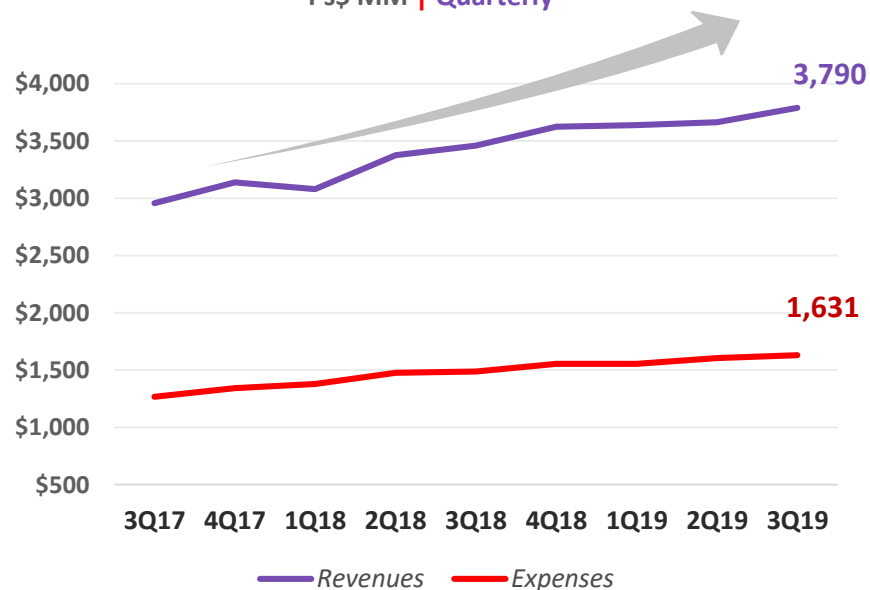
▼ Efficiency Ratio Evolution vs. Peers

Operating Expenses/Total Revenues ⁽¹⁾ | %



▼ Total Revenues and Expenses ⁽¹⁾

Ps\$ MM | Quarterly



Source Company information

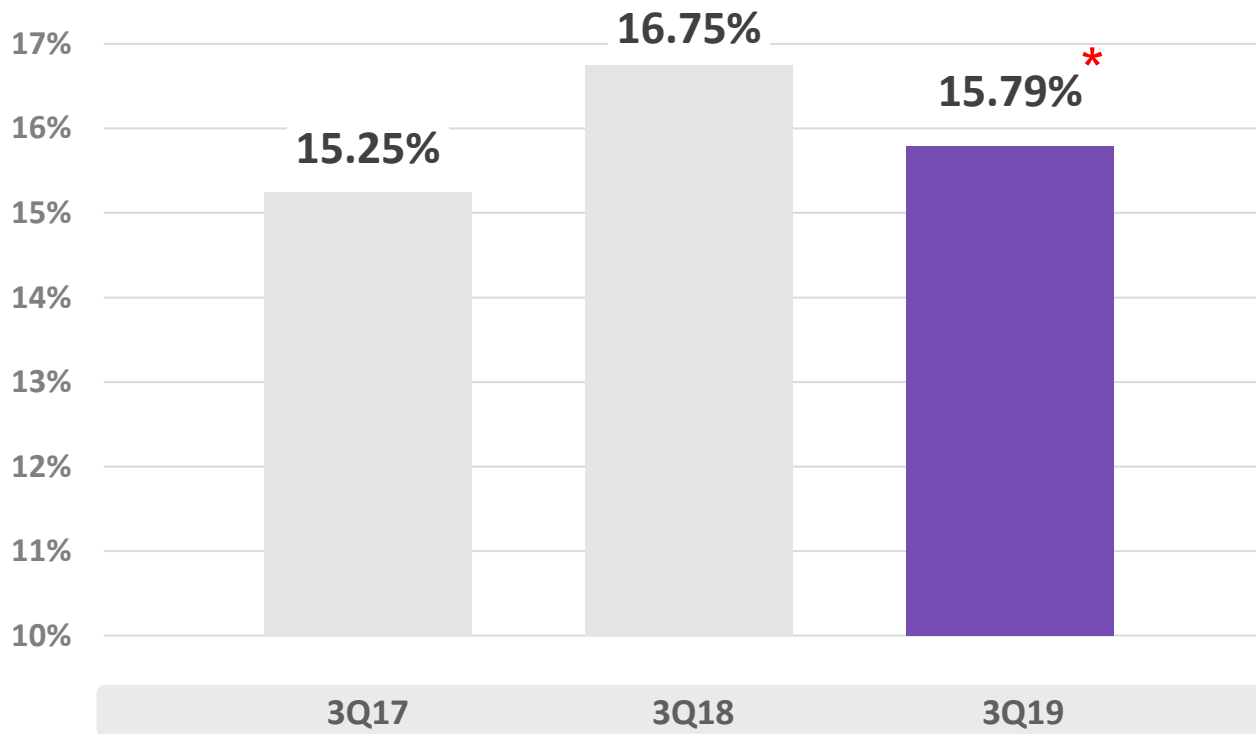
Notes:

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

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

▶ Capital Adequacy Ratio

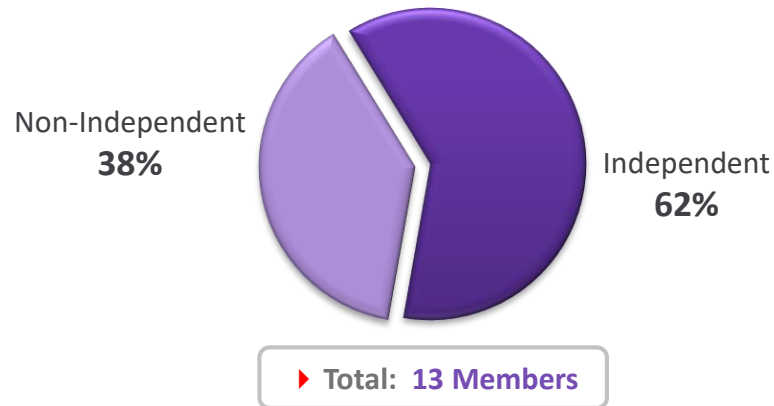
- **Solid capitalization** ratio with **99.9% TIER 1**



* ICAP September 2019 preliminary

▶ 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 BanBajío'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.	
	3Q18	2Q19	3Q19	Y o Y	Q o Q
▪ Interest Income	\$5,177	\$5,827	\$5,943	14.8 %	2.0 %
▪ Interest Expense	(2,187)	(2,764)	(2,804)	28.2 %	1.4 %
Net Interest Income*	\$2,990	\$3,063	\$3,139	5.0 %	2.5 %
▪ Net Fees & Commissions	422	423	456	8.1 %	7.8 %
▪ Trading Income*	17	132	155	811.8 %	17.4 %
▪ Other Operating Income / (Expense)	32	47	40	25.0 %	-14.9 %
Non Interest Income	471	602	651	38.2 %	8.1 %
Total Revenues	\$3,461	\$3,665	\$3,790	9.5 %	3.4 %
▪ Allowance for Loan Losses	(234)	(162)	(269)	15.0 %	66.0 %
▪ Administrative and Advertising Expenses	(1,488)	(1,605)	(1,631)	9.6 %	1.6 %
▪ Equity in income of unconsolidated subsidiaries	0	1	1	1150.0 %	0.0 %
Income Before Taxes	\$1,739	\$1,899	\$1,891	8.7 %	-0.4 %
▪ Taxes	(411)	(487)	(502)	22.1 %	3.1 %
Net Income	\$1,328	\$1,412	\$1,389	4.6 %	-1.6 %
▪ Effective Tax Rate	23.6 %	25.6 %	26.5 %		

* Figures included in this page, does not include the adjustment that was disclosed on page 3.

► Income Statement

Ps\$ MM	Var.		
	9M 18	9M 19	Y o Y
▪ Interest Income	\$14,439	\$17,346	20.1 %
▪ Interest Expense	(6,058)	(8,062)	33.1 %
Net Interest Income*	\$8,381	\$9,284	10.8 %
▪ Net Fees & Commissions	1,236	1,286	4.0 %
▪ Trading Income*	171	374	118.7 %
▪ Other Operating Income / (Expense)	129	151	17.1 %
Non Interest Income	1,536	1,811	17.9 %
Total Revenues	\$9,917	\$11,095	11.9 %
▪ Allowance for Loan Losses	(651)	(608)	-6.6 %
▪ Administrative and Advertising Expenses	(4,343)	(4,793)	10.4 %
▪ Equity in income of unconsolidated subsidiaries	2	(0)	-95.5 %
Income Before Tax	\$4,925	\$5,694	15.6 %
▪ Tax	(1,217)	(1,483)	21.9 %
Net Income	\$3,708	\$4,211	13.6 %
▪ Effective Tax Rate	24.7 %	26.0 %	

* Figures included in this page, does not include the adjustment that was disclosed on page 3.

► Balance Sheet

Ps\$ MM				Var.	
	3Q18	2Q19	3Q19	Y o Y	Q o Q
▪ Cash & Cash Equivalents	\$16,914	\$28,419	\$26,120	54.4 %	-8.1 %
▪ Investment in Securities	18,384	11,226	10,695	-41.8 %	-4.7 %
▪ Cash & Investments	\$35,298	\$39,645	\$36,815	4.3 %	-7.1 %
▪ Performing Loan Portfolio	160,823	174,504	176,990	10.1 %	1.4 %
▪ Non-performing Loan Portfolio	1,709	1,486	1,729	1.2 %	16.4 %
▪ Gross Loan Portfolio	\$162,532	\$175,990	\$178,719	10.0 %	1.6 %
▪ Loan Loss Provisions	(3,110)	(2,606)	(2,708)	-12.9 %	3.9 %
Net Loan Portfolio	\$159,422	\$173,384	\$176,011	10.4 %	1.5 %
▪ Repos	14,503	12,359	10,502	-27.6 %	-15.0 %
▪ Other Assets	12,805	15,843	17,669	38.0 %	11.5 %
Total Assets	\$222,028	\$241,231	\$240,997	8.5 %	-0.1 %
▪ Demand Deposits	59,493	65,084	66,579	11.9 %	2.3 %
▪ Time Deposits	73,601	84,238	84,230	14.4 %	0.0 %
Total Deposits	\$133,094	\$149,322	\$150,809	13.3 %	1.0 %
▪ Repos	12,800	9,758	9,060	-29.2 %	-7.2 %
Funding Including Repos	\$145,894	\$159,080	\$159,869	9.6 %	0.5 %
▪ Interbank Loans *	37,074	40,410	38,776	4.6 %	-4.0 %
▪ Other Liabilities	11,947	12,589	11,977	0.3 %	-4.9 %
Total Liabilities	\$194,915	\$212,079	\$210,622	8.1 %	-0.7 %
Shareholder's Equity	\$27,113	\$29,152	\$30,375	12.0 %	4.2 %

* Mostly development banks funding.