FitchRatings

Banks
Development Banks
Mexico

Banco Nacional de Comercio Exterior, S.N.C., Institucion de Banca de Desarrollo

Update

Key Rating Drivers

Sovereign Support Drives IDRs: Banco Nacional de Comercio Exterior, S.N.C., Institucion de Banca de Desarrollo's (Bancomext) IDRs are driven by its 'bbb–' Government Support Rating (GSR), and both are equalized with the IDRs of Mexico (BBB–/Stable), Bancomext's owner and guarantor. This reflects a high probability of support from Mexico's federal government, if needed. Bancomext's ratings factor in the sovereign's adequate ability to support the bank, as well as its full state ownership, key policy role and explicit government guaranteed funding.

Key Policy Financial Institution: Fitch Ratings believes that Bancomext's longstanding policy role would be difficult to transfer. As the Export Credit Agency of the Mexican government, the bank focuses on fostering export–import transactions in both the public and private sectors in Mexico, in particular by facilitating access to financing for small and midsized enterprises (SMEs). As a policy bank, Bancomext's main objective is to support economic development. To this end, it offers a wide array of financial products, including funding and guarantees, as well as direct and indirect lending options.

Improved Asset Quality: Bancomext's loan portfolio increased by 34.9% in the first nine months of 2024, with the majority of growth in Tier 1 loans. Along with reduced chargeoffs, this eased pressure on the bank's asset quality metrics. Stage 3 loans to gross loans fell to 1.8% as of September 2024 (3Q24) from 3.3% in 2023. Reserves coverage improved to 208.5% from 132.0% over the same period. Fitch expects Bancomext to maintain its asset quality while meeting its market financing needs.

Low Profitability: Bancomext's profitability remains more constrained than that of commercial banks due to its policy focus. The operating profit to risk-weighted assets (RWAs) ratio was 1.6% in 3Q24, an improvement from -1.7% in 2023. However, factors such as high interest rates and in turn higher funding costs, as well as continuous government payments and loan impairments, continue to pressure profitability.

Reasonable Capitalization: Bancomext's capitalization and loss-absorption capacity are reasonable, supported by capital injections, including MXN5,726 million in 2023. The CET1-to-RWA ratio was 13.2% in 3Q24, down from 14.3% in 2023. Loss-absorption capacity is enhanced by hybrid capital notes, comprising 21.3% of net capital, leading to a total capital ratio of 16.7%.

Diversified Funding Structure: The sovereign guarantee gives Bancomext the flexibility to handle challenges and access financial markets. Funding includes core deposits through short-term notes (PRLV and Cedes), at 51.9% of total funding (excluding repos) in 3Q24, debt issuances at 35.4% and credit lines at 8.2%. The loans-to-deposit ratio stood at 178.5% as of the same date.

Ratings

Foreign Currency	
Long-Term IDR	BBB–
Short-Term IDR	F3
Local Currency	
Long-Term IDR	BBB–
Short-Term IDR	F3
Government Support Rating	bbb-
National Rating	
National Long-Term Rating	AAA(mex)
National Short-Term Rating	F1+(mex)
Sovereign Risk (Mexico)	
Long-Term Foreign Currency IDR	BBB–
Long-Term Local Currency IDR	BBB-
Country Ceiling	BBB+

Rating Outlooks

Long-Term Foreign Currency IDR	Stable
Long-Term Local Currency IDR	Stable
National Long-Term Rating	Stable
Sovereign Long-Term Foreign Currency IDR	Stable
Sovereign Long-Term Local Currency IDR	Stable

Applicable Criteria

Bank Rating Criteria (March 2024)

National Scale Rating Criteria (December 2020)

Related Research

Fitch Affirms Mexico at 'BBB–'; Outlook Stable (July 2024)

Mexico (August 2024)

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Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- A negative rating action on Bancomext's GSR and IDRs could follow negative actions on Mexico's sovereign rating;
- The national ratings have limited downside as they are driven by sovereign support.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- A positive rating action on Bancomext's GSR and IDRs could follow a similar action on Mexico's sovereign rating.
- The national ratings have no upside potential as they are at the highest level on the national rating scale.

Other Debt and Issuer Ratings

Rating Level	Rating
Senior Unsecured	AAA(mex)
Subordinated: Long Term	BB

Source: Fitch Ratings

Key Rating Drivers

Senior Debt: Bancomext's local senior unsecured debt is rated at the same level as the bank's national long-term rating, reflecting the same probability of default as that of the issuer.

Subordinated Notes: Bancomext's subordinated hybrid preferred capital securities are rated two notches below the bank's Long-Term IDR. The notching down of the loss severity risk rating factors reflects expected poor recoveries upon non-performance for bondholders, given the subordinated status of the hybrid securities.

Despite the hybrid securities' coupon deferral feature, which allows the bank to defer, but not cancel, principal or interest payments due on the securities, Fitch views the risk of non-performance stemming from this feature as adequately mitigated by explicit sovereign support and by the bank's federal government ownership and clear strategic role for the government. Therefore, no additional incremental notching is required.

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade:

- Bancomext's subordinated hybrid securities could be downgraded if Bancomext's Long-Term IDRs are downgraded;
- The national debt ratings have limited downside, as they are driven by government support.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade:

- A positive action on Bancomext's Long-Term IDR would be reflected in its subordinated securities, which would remain two notches below the bank's IDR;
- The national debt ratings have no upside because they are at the highest level on the national rating scale.

Significant Changes from Last Review

Sovereign Rating

Fitch affirmed Mexico's long-term local and foreign currency ratings at 'BBB–' with a Stable Rating Outlook on July 18, 2024. For more information, see "Fitch Affirms Mexico at 'BBB-'; Outlook Stable."

New Governmental Administration, Policy Role Expected to Remain Unchanged

Claudia Sheinbaum, of the incumbent MORENA party, won the June 2, 2024 presidential election by a landslide, becoming Mexico's first female president. The election results suggest broad policy continuity, though specific strategic policy and initiatives for policy banks during her presidency are yet to be defined. However, Fitch expects policy roles to remain unchanged.

Fitch expects Mexico's six state-owned banks to gradually increase their role in the execution of economic and financial policies. Relatively low financial inclusion, especially in segments such as micro credit, SMEs, low-income individuals and certain less developed regions and industries, gives Mexico's policy banks a key opportunity to further establish their economic and social roles in the country, which is supportive of ratings and credit. Financial inclusion as measured by private credit to GDP was 34% in 2023 versus the LatAm median of 50%.

Financials

Summary Financials and Key Ratios

	Sept. 30, 2024[a]		Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2021
	Nine months – Third quarter	Nine months – Third quarter	Year end	Year end	Year end
	(USD Mil.)	(MXN Mil.)	(MXN Mil.)	(MXN Mil.)	(MXN Mil.)
	Not disclosed	Not disclosed	Audited - unqualified	Audited - unqualified	Audited – unqualified (emphasis of matter)
Summary Income Statement					
Net interest and dividend income	355	6,979.0	8,239.0	7,772.0	6,615.0
Net fees and commissions	51	1,000.0	811.0	755.0	604.0
Other operating income	15	301.0	-6,707.0	-4,631.0	-4,272.0
Total operating income	422	8,280.0	2,343.0	3,896.0	2,947.0
Operating costs	128	2,507.0	2,453.0	2,228.0	2,235.0
Pre-impairment operating profit	294	5,773.0	-110.0	1,668.0	712.0
Loan and other impairment charges	124	2,435.0	3,830.0	5,167.0	3,714.0
Operating profit	170	3,338.0	-3,940.0	-3,499.0	-3,002.0
Other non-operating items (net)	1	14.0	-42.0	-2.0	96.0
Tax	36	700.0	-579.0	-507.0	-444.0
Net income	135	2,652.0	-3,403.0	-2,994.0	-2,462.0
Other comprehensive income	13	252.0	327.0	-297.0	626.0
Fitch comprehensive income	148	2,904.0	-3,076.0	-3,291.0	-1,836.0
Summary Balance Sheet					
Assets					
Gross loans	15,112	296,861.0	220,025.0	219,045.0	234,693.0
- of which impaired	274	5,391.0	7,369.0	5,267.0	8,499.0
Loan loss allowances	572	11,239.0	9,730.0	11,523.0	10,917.0
Net loans	14,540	285,622.0	210,295.0	207,522.0	223,776.0
Interbank	N.A.	N.A.	47,796.0	21,298.0	N.A.
Derivatives	102	1,995.0	6,190.0	3,233.0	1,851.0
Other securities and earning assets	14,736	289,473.0	207,631.0	204,232.0	200,200.0
Total earning assets	29,377	577,090.0	471,912.0	436,285.0	425,827.0
Cash and due from banks	1,231	24,175.0	34.0	6.0	24,184.0
Other assets	729	14,313.0	10,792.0	14,409.0	16,111.0
Total assets	31,337	615,578.0	482,738.0	450,700.0	466,122.0
Liabilities					
Customer deposits	8,466	166,312.0	127,568.0	97,316.0	103,421.0
Interbank and other short-term funding	12,995	255,283.0	191,859.0	195,066.0	207,114.0
Other long-term funding	7,292	143,247.0	115,879.0	110,132.0	107,954.0
Trading liabilities and derivatives	272	5,347.0	1,820.0	7,420.0	8,396.0
Total funding and derivatives	29,026	570,189.0	437,126.0	409,934.0	426,885.0
Other liabilities	280	5,507.0	8,634.0	6,438.0	3,795.0
Preference shares and hybrid capital	N.A.	N.A.	N.A.	N.A.	N.A.
Total equity	2,030	39,882.0	36,978.0	34,328.0	35,442.0
Total liabilities and equity	31,337	615,578.0	482,738.0	450,700.0	466,122.0
Exchange rate		USD1 = MXN19.644	USD1 = MXN17.0297	USD1 = MXN19.4143	USD1 = MXN20.6582

[a] Nine months of 2024 only, ended Sept. 30. CNBV – Comisión Nacional Bancaria y de Valores. N.A. – Not available. Note: Financial figures are in accordance with CNBV criteria. Figures for 2022, 2023 and 3Q24 include recent accounting changes as a result of conversion to IFRS. Prior years do not include these changes, and Fitch believes the figures are not directly comparable.
Source: Fitch Ratings, Fitch Solutions, Bancomext

Summary Financials and Key Ratios

	Sept. 30, 2024[a]	Dec. 31, 2023	Dec. 31, 2022	Dec. 31, 2021
Ratios (annualized as appropriate)				
Profitability				
Operating profit/risk-weighted assets	1.6	-1.7	-1.5	-1.3
Net interest income/average earning assets	1.9	1.9	1.9	1.6
Non-interest expense/gross revenue	30.3	104.7	57.2	75.8
Net income/average equity	9.2	-9.5	-8.3	-7.0
Asset quality				
Impaired loans ratio	1.8	3.3	2.4	3.6
Growth in gross loans	34.9	0.4	-6.7	-3.5
Loan loss allowances/impaired loans	208.5	132.0	218.8	128.5
Loan impairment charges/average gross loans	1.3	1.8	2.3	1.6
Capitalization				
Common equity Tier 1 ratio	13.2	14.3	13.8	14.2
Fully loaded common equity Tier 1 ratio	N.A.	N.A.	N.A.	N.A.
Fitch Core Capital ratio	N.A.	N.A.	N.A.	14.8
Tangible common equity/tangible assets	6.1	7.1	7.2	7.5
Basel leverage ratio	6.7	6.9	6.9	7.0
Net impaired loans/common equity Tier 1	-16.1	-7.1	-19.9	-7.3
Net impaired loans/Fitch Core Capital	N.A.	N.A.	N.A.	-6.9
Funding and liquidity				
Gross loans/customer deposits	178.5	172.5	225.1	226.9
Liquidity coverage ratio	N.A.	N.A.	N.A.	N.A.
Customer deposits / total non-equity funding	29.4	29.3	24.2	24.7
Net stable funding ratio	N.A.	N.A.	N.A.	N.A.

[a] Nine months of 2024 only, ended Sept. 30. CNBV – Comisión Nacional Bancaria y de Valores. N.A. – Not available. Note: Financial figures are in accordance with CNBV criteria. Figures for 2022, 2023 and 3Q24 include recent accounting changes as a result of conversion to IFRS. Prior years do not include these changes, and Fitch believes the figures are not directly comparable.
Source: Fitch Ratings, Fitch Solutions, Bancomext

Support Assessment

Policy Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	bbb- to bb
Actual jurisdiction D-SIB GSR	bb+
Government Support Rating	bbb-
Government ability to support D-SIBs	
Sovereign Rating	BBB-/ Stable
Sovereign financial flexibility (for rating level)	
Government propensity to support D-SIBs	
Resolution legislation	
Support stance	
Government propensity to support bank	
Systemic importance	
Liability structure	
Ownership	
Policy role and status	
Ownership	Equalised
Policy role	Equalised
Guarantees and legal status	Equalised

The colors indicate the weighting of each KRD in the assessment.
Higher influence Moderate influence Lower influence

Environmental, Social and Governance Considerations

FitchRatings **Banco Nacional de Comercio Exterior, S.N.C., Institucion de Banca de Desarrollo** Banks Ratings Navigator

Credit-Relevant ESG Derivation

Banco Nacional de Comercio Exterior, S.N.C., Institucion de Banca de Desarrollo has 5 ESG potential rating drivers

- Banco Nacional de Comercio Exterior, S.N.C., Institucion de Banca de Desarrollo has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			Overall ESG Scale
key driver	0	issues	5
driver	0	issues	4
potential driver	5	issues	3
not a rating driver	4	issues	2
	5	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2
				1

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

SOLICITATION & PARTICIPATION STATUS

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.