



# A Giant for Sale

The Numbers Behind Citi's Mexican Consumer Banking Business

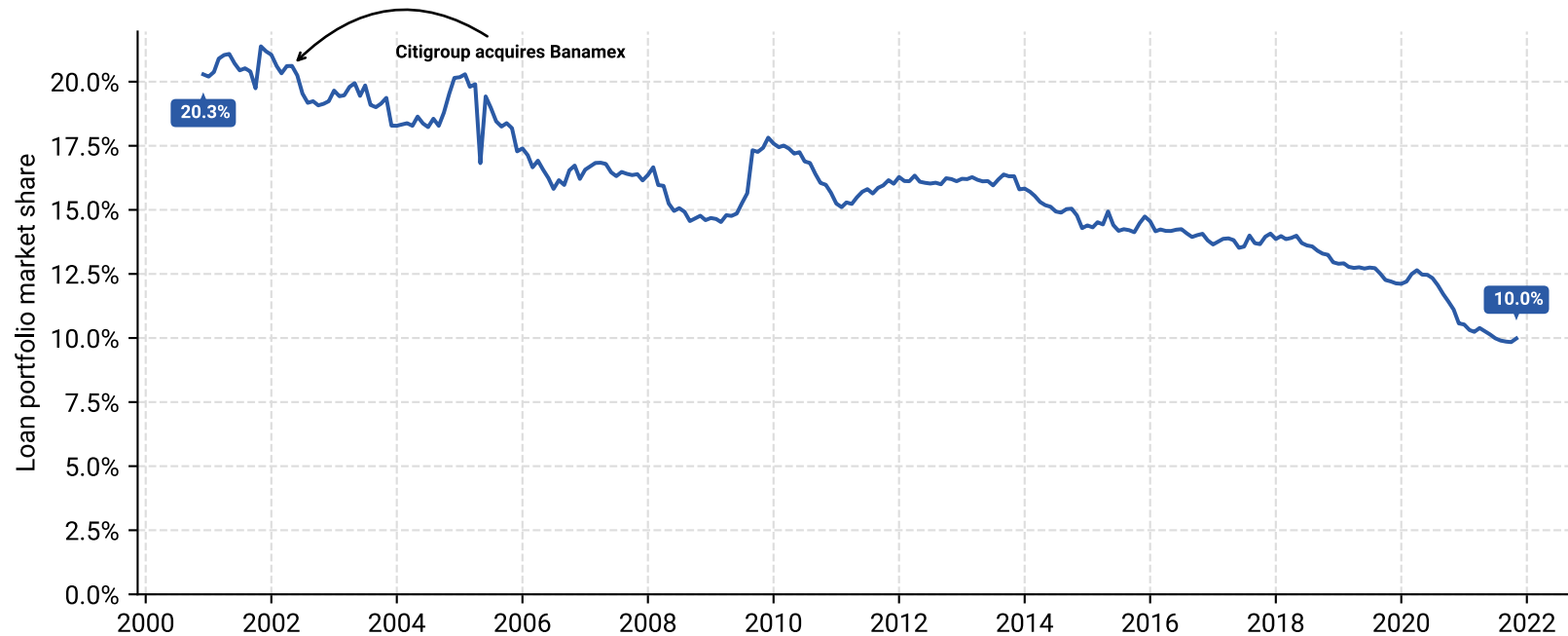


# Loan Portfolio Market Share has Been in Decline for Years

Eleven years ago, Banamex's total loan portfolio amounted to MXN 210 billion. Fast forward to November 2021 and that figure is now close to MXN 551 billion – representing a CAGR of 9.2% vs. the system's aggregate of 16.4%.

This has cost the Mexican bank considerable ground in the country, with market share declining by 10 percentage points in 11 years.

## BANAMEX – LOAN PORTFOLIO MARKET SHARE (%)

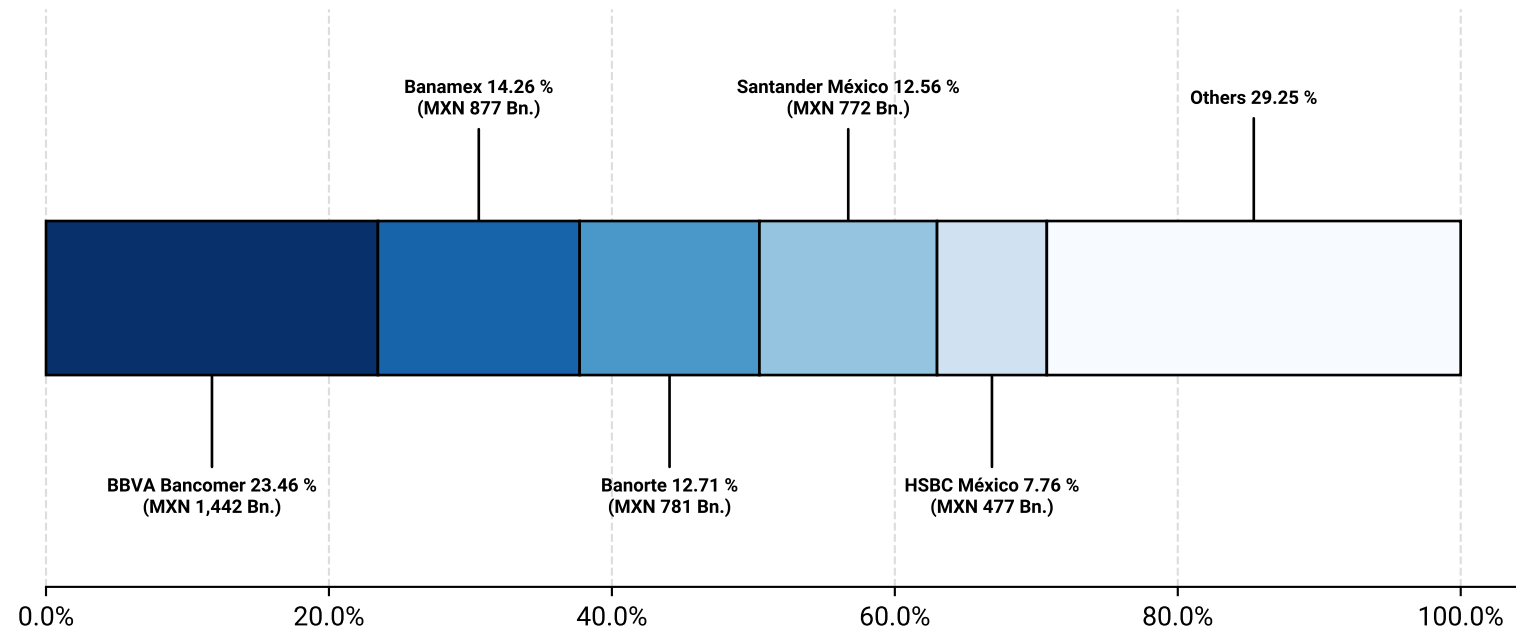


Source: TUKAN, CNBV

# However, They Still Hold a Huge Share of Mexico's Banking Deposits

Total deposits amounted to MXN 877 billion as of November 2021 – **14.3% of the system's aggregate** – lagging just behind BBVA which holds 23.5% of the country's commercial banking deposits.

## TOTAL DEPOSITS – MARKET COMPOSITION (AS OF NOV. 2021)

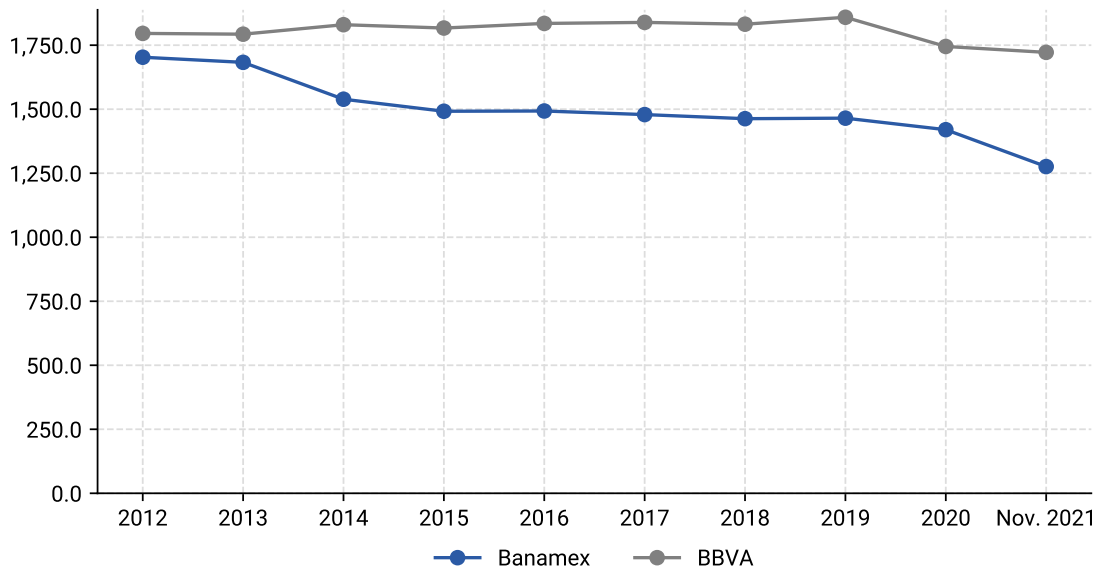


Source: TUKAN, CNBV.

# ...And Branches

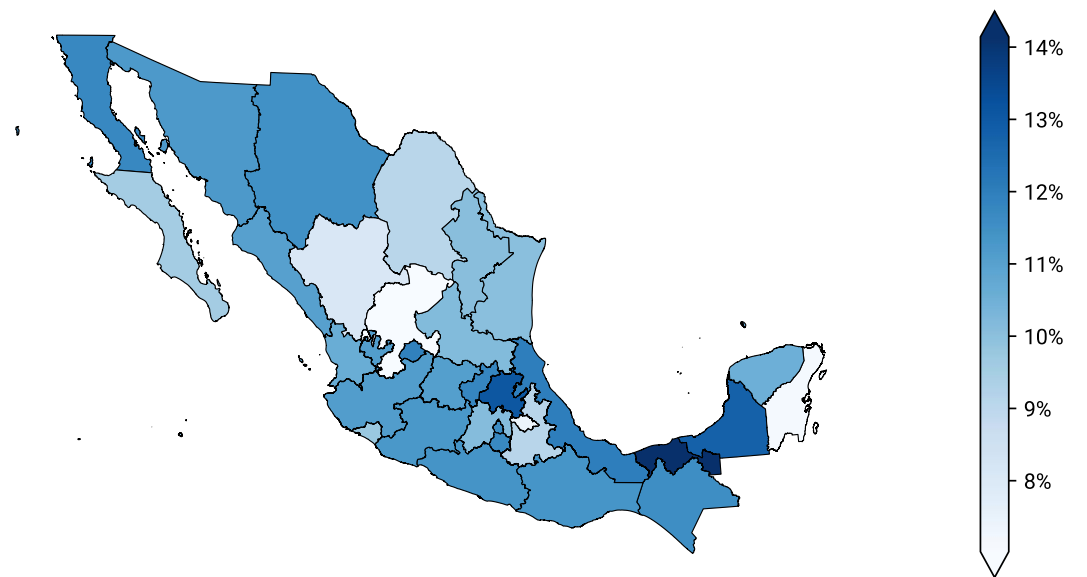
Despite the trend of banks seeking to move away from physical branches to more digital channels, Banamex's branch network remains **the third largest in the country with a strong presence throughout the whole territory** – with the bank owning over 10% of total branches in the majority of Mexico's states.

## BRANCHES IN OPERATION – BANAMEX VS. BBVA



Source: TUKAN, CNBV

## BANAMEX BRANCHES AS A % OF THE STATE'S TOTAL (NOV 2021)

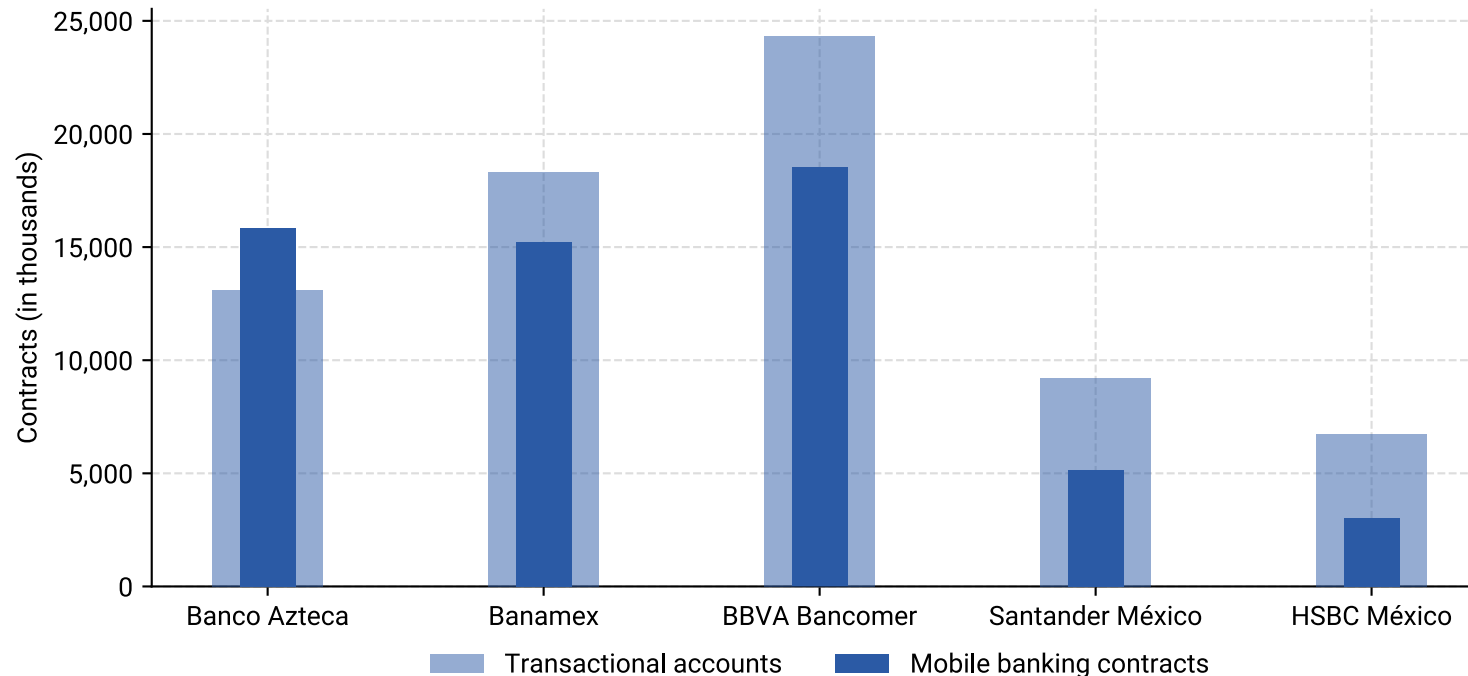


Source: TUKAN, CNBV

# User Digitalization has Been Key and Successful

Commercial banks in Mexico have been investing heavily on user digitalization and Citi's Mexican business has been extremely successful at that – with mobile banking contracts **representing 83% of transactional accounts**; the second highest ratio in the country (for banks with over 1M accounts) and ahead of digital giants BBVA.

## MOBILE BANKING CONTRACTS AS A % OF TRANSACTIONAL ACCOUNTS (AS OF OCT. 2021) – TOP 5



Source: TUKAN, CNBV.

# Loan Growth has Underperformed the System Across Key Segments

The following slides showcase market composition for Banamex's key markets, as well as historical YoY portfolio growth.

With the exception of its credit card portfolio, **Banamex has underperformed the system – in terms of loan portfolio YoY growth – across all key markets.**

## BANAMEX – LOAN PORTFOLIO COMPOSITION (AS OF NOV 2021)

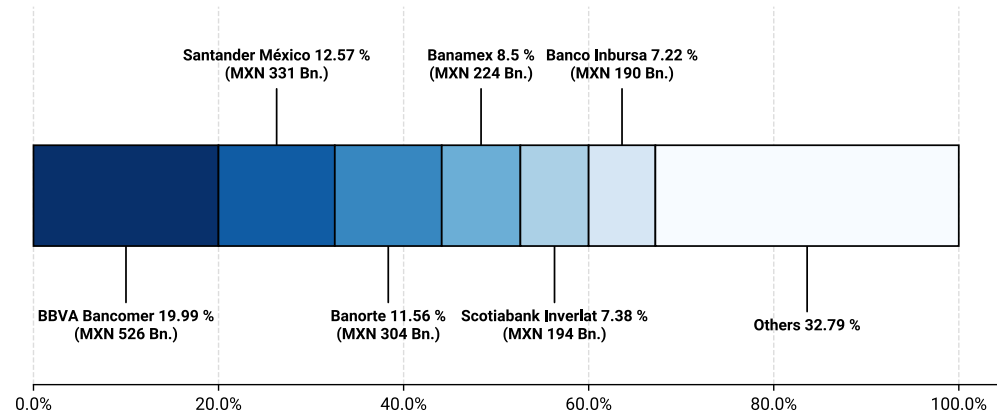
	Loan portfolio (MXN Bn.)	NPL ratio	As a % of total
<b>Corporate</b>	223.6	1.8%	40.6%
<b>Consumer</b>	165.1	2.7%	30.0%
<b>Credit card</b>	99.0	2.4%	18.0%
<b>Payroll</b>	47.0	3.1%	8.5%
<b>Personal</b>	19.0	3.0%	3.4%
<b>Mortgage</b>	72.3	3.4%	13.1%
<b>Government</b>	48.0	0.0%	8.7%
<b>Financial entities</b>	42.2	0.0%	7.7%
<b>Total</b>	<b>551.1</b>	<b>2.0%</b>	<b>100.0%</b>

Source: TUKAN, CNBV.

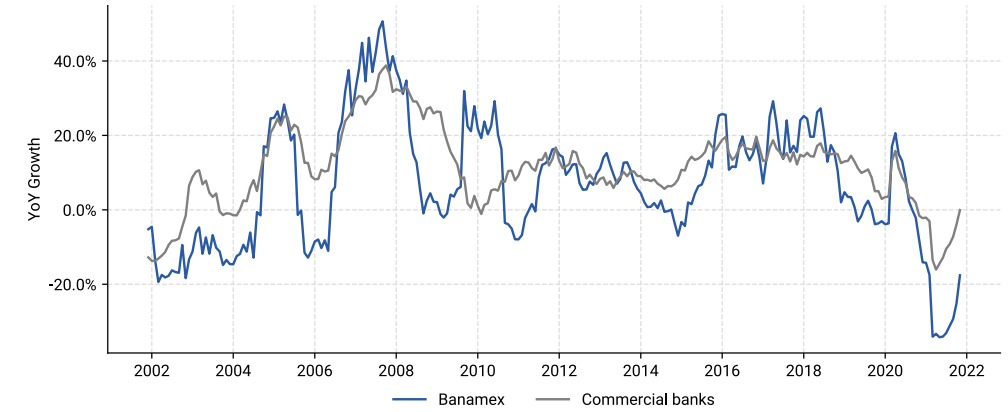
- NPL ratio = Non-performing loans / total loans.

# Loan Portfolio Composition

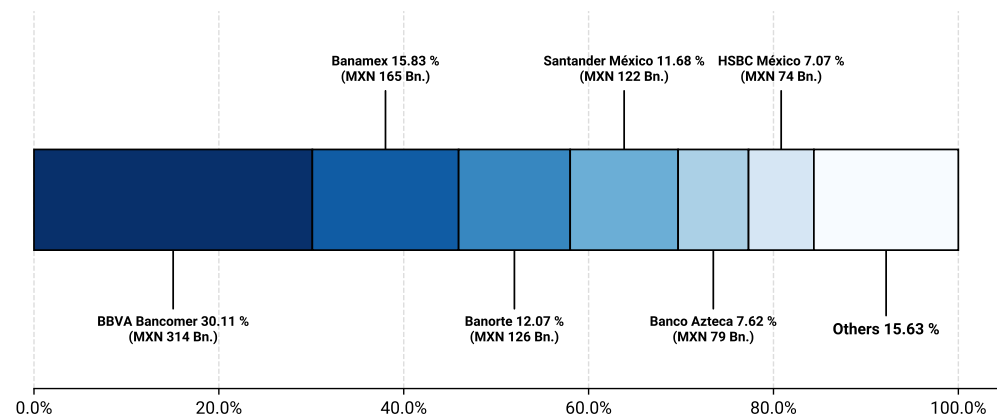
## CORPORATE LOANS – MARKET COMPOSITION (NOV 2021)



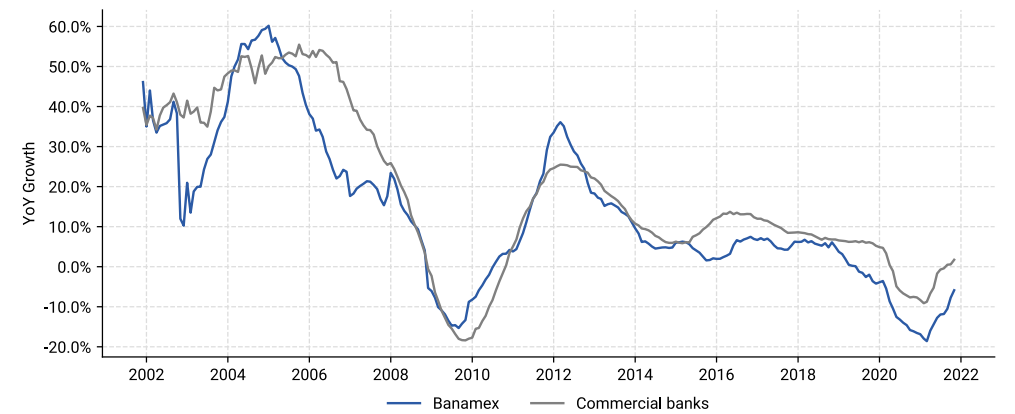
## BANAMEX – CORPORATE LOANS YOY GROWTH



## CONSUMER LOANS – MARKET COMPOSITION (NOV 2021)



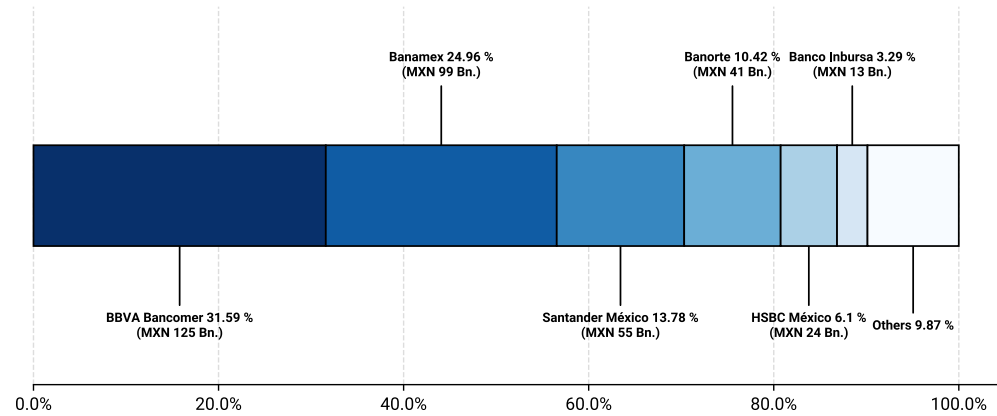
## BANAMEX – CONSUMER LOANS YOY GROWTH



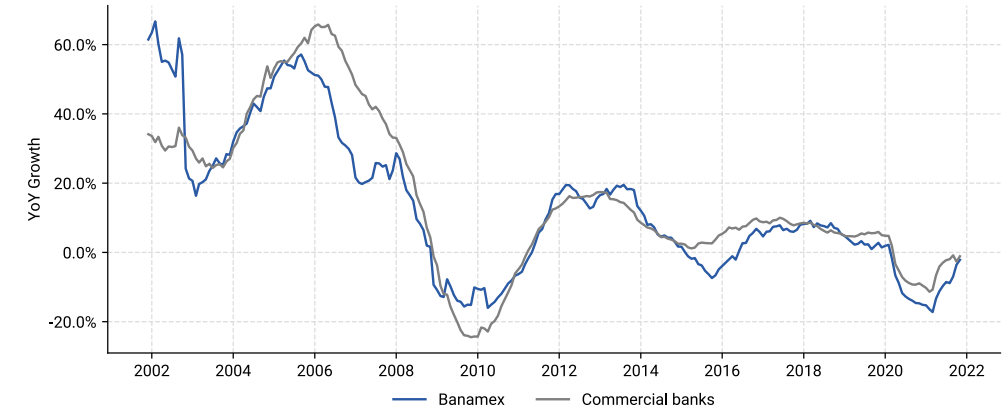
Source: TUKAN, CNBV.

# Loan Portfolio Composition

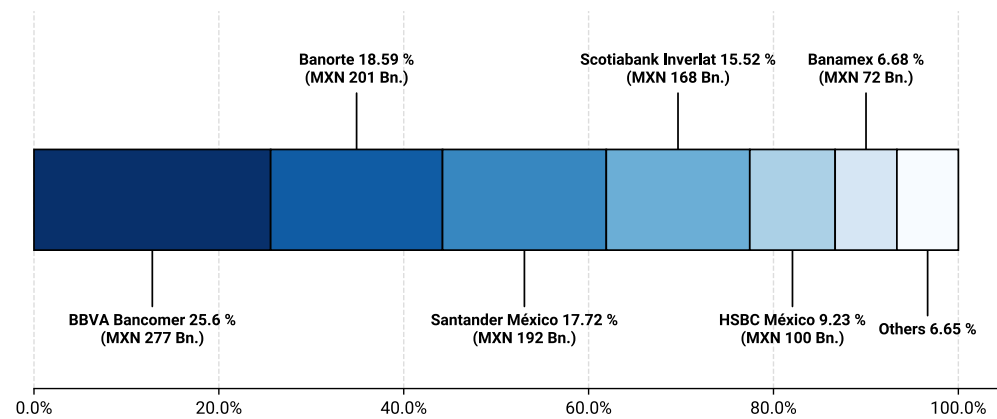
## CREDIT CARD PORTFOLIO – MARKET COMPOSITION (NOV 2021)



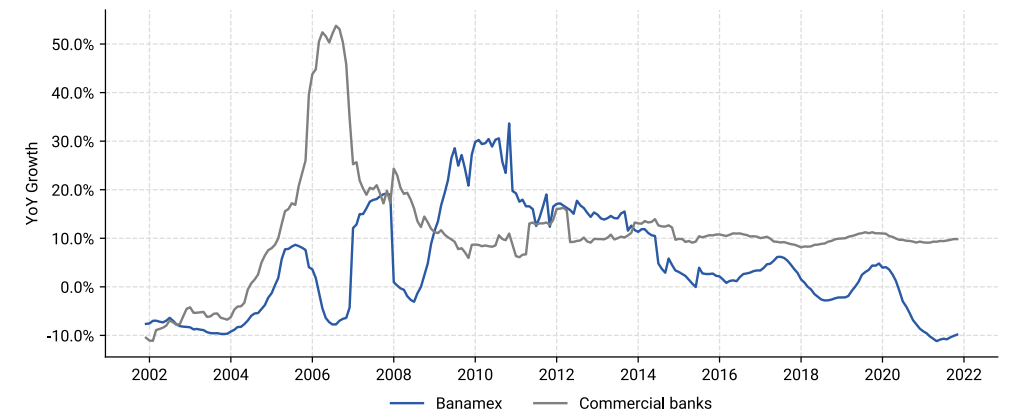
## BANAMEX – CREDIT CARD PORTFOLIO YOY GROWTH



## MORTGAGE LOANS – MARKET COMPOSITION (NOV 2021)



## BANAMEX – MORTGAGE LOANS YOY GROWTH

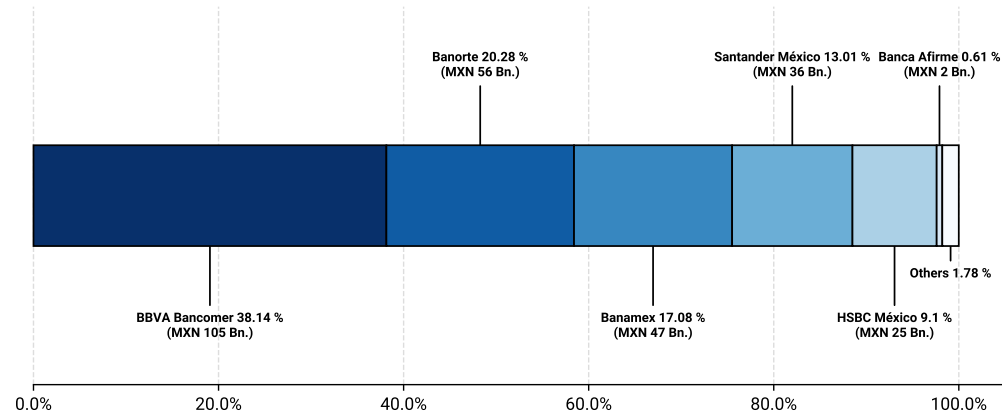


Source: TUKAN, CNBV.

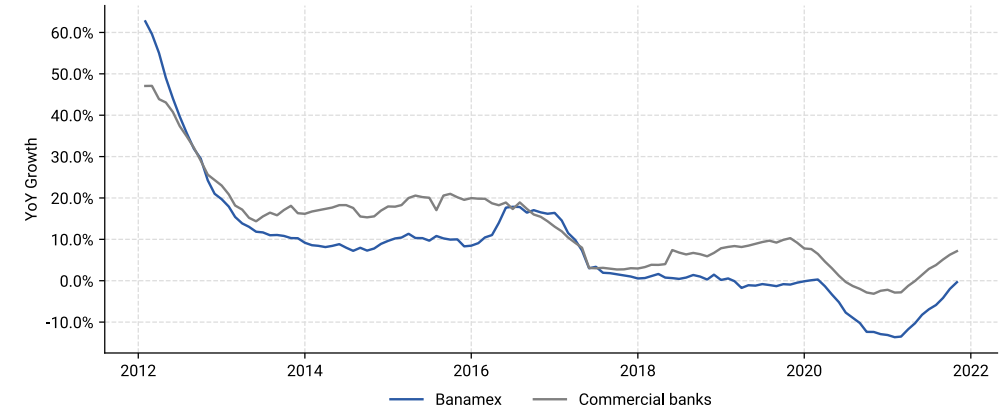


# Loan Portfolio Composition

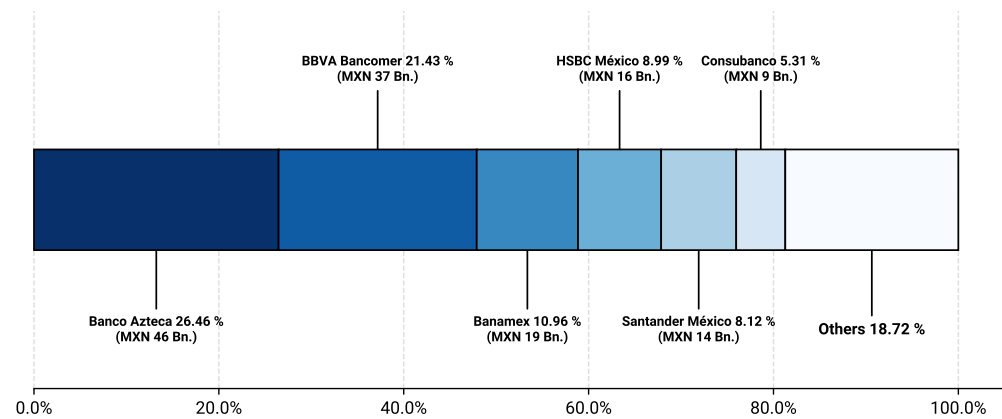
## PAYROLL LOANS – MARKET COMPOSITION (NOV 2021)



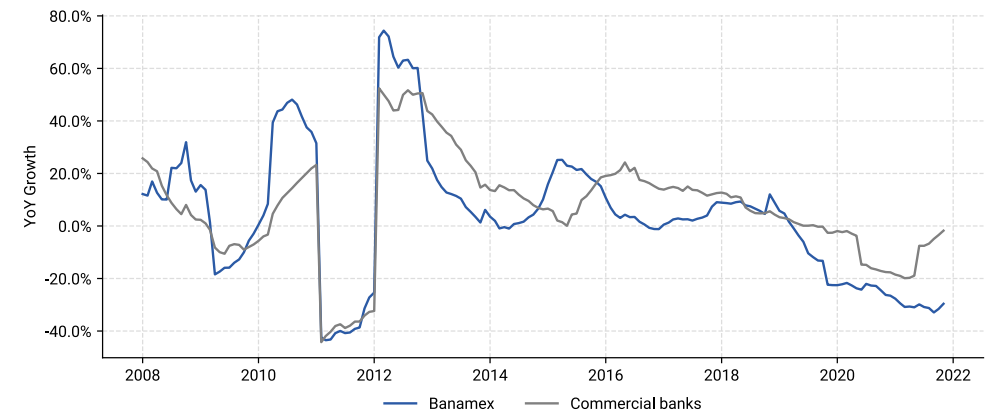
## BANAMEX – PAYROLL LOANS YOY GROWTH



## PERSONAL LOANS – MARKET COMPOSITION (NOV 2021)



## BANAMEX – PERSONAL LOANS YOY GROWTH



Source: TUKAN, CNBV.

# NPL Ratio In-line With Peers, but When Adjusted for Write-Offs...Not so Much

Since its peak in late 2005, Banamex has done a good job on lowering its NPL ratio to the levels reported by its closest peers.

However, when adjusting for write-offs (which increased heavily during the pandemic) **the bank's adjusted NPL ratio is the second highest of the bunch** – with a figure hovering above 5.8% as of November 2021, **and just marginally below Santander's adjusted NPL ratio of 6.0%**.

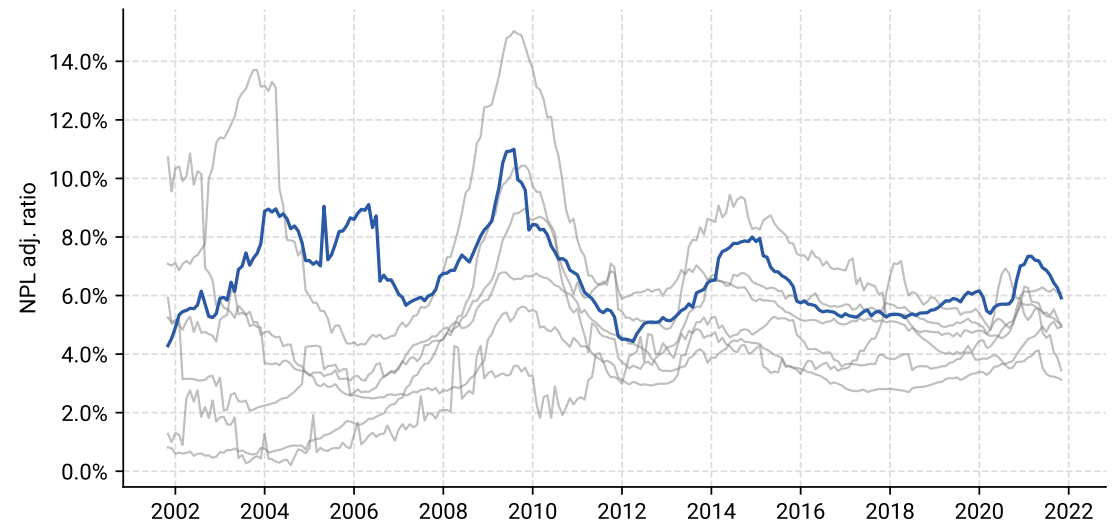
## BANAMEX VS. "BIG 7" – NPL RATIO



Source: TUKAN, CNBV

- $\text{NPL ratio adj.} = (\text{Non-performing loans} + \text{LTM write-offs}) / (\text{total loans} + \text{LTM write-offs})$ .

## BANAMEX VS. "BIG 7" – NPL RATIO ADJ.



Source: TUKAN, CNBV

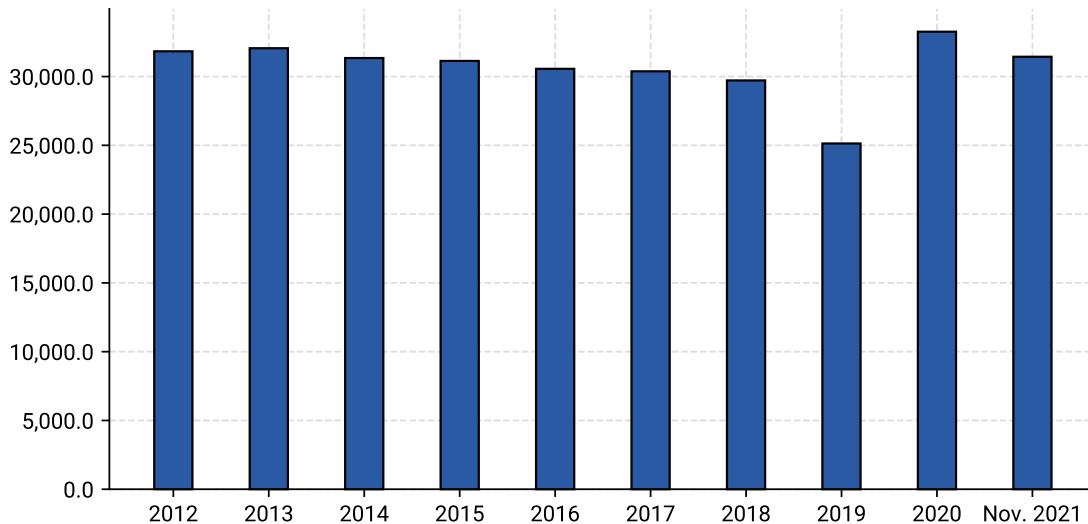
- *Big 7* include BBVA, Banorte, HSBC, Scotiabank, Inbursa, Santander and Banamex.

# Employee Growth and Efficiency

Headcount hasn't seen any major growth since 2012 – with the data highlighting only with a major drop in 2019 (most likely related to the outsourcing reform).

**Efficiency ratio for the bank is the second highest amongst the *Big 7*** (which isn't a good thing) and has posted an upward trend since 2014; the bank's ratio as of latest CNBV data is of 65% - more than 20 percentage points higher than BBVA (34%), Inbursa (38%), Banorte (39%) and Santander México (41%)

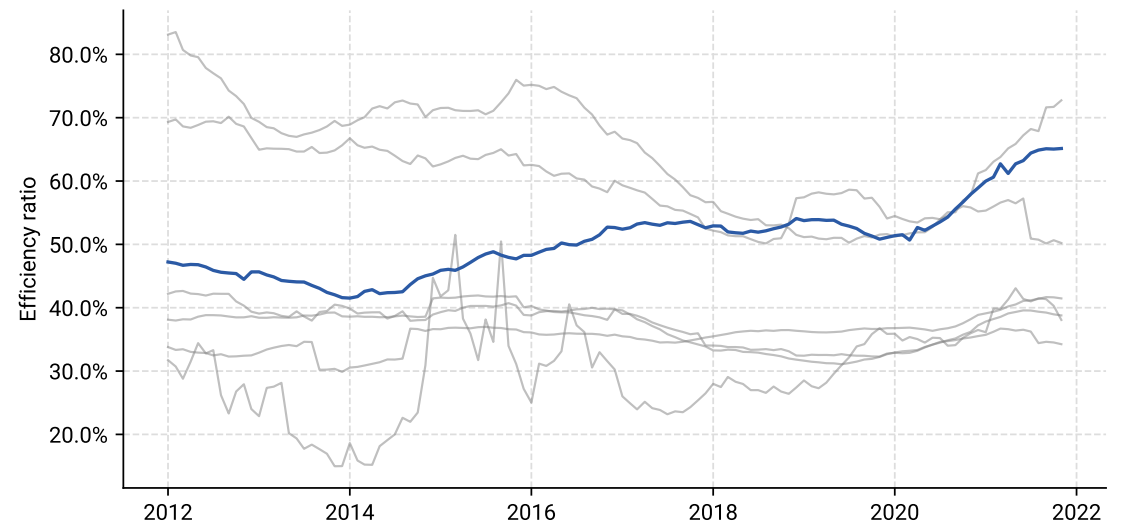
## BANAMEX – TOTAL NUMBER OF EMPLOYEES



Source: TUKAN, CNBV

- Efficiency ratio = Administrative expenses / (net interest income + net commissions + other finance income + financial intermediation result).

## BANAMEX VS. "BIG 7" – EFFICIENCY RATIO (LAST 12 MONTHS)



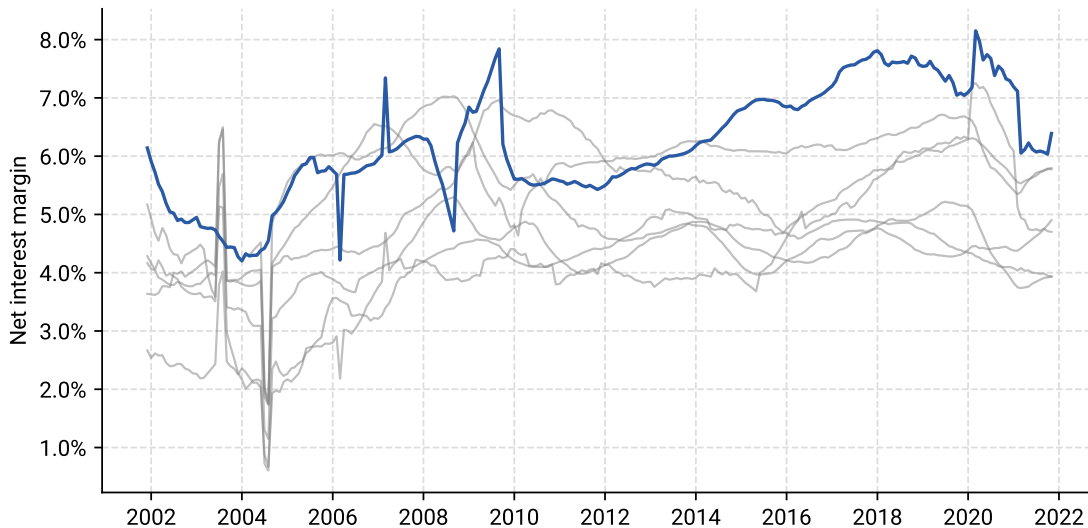
Source: TUKAN, CNBV

# Profitability – NIM Outperforms as ROE lags

When compared to its peers in Mexico's *Big 7*, Banamex still boasts **the highest net interest income margin (NIM)** as of CNBV's latest available data, with the bank recording a NIM of 6.4% vs. the average of 4.8% of the other 6 banks in the group.

However, results regarding the bank's **return over equity have not been as impressive** with Banamex now only outperforming HSBC México with a ROE of 9.8% as of November 2021.

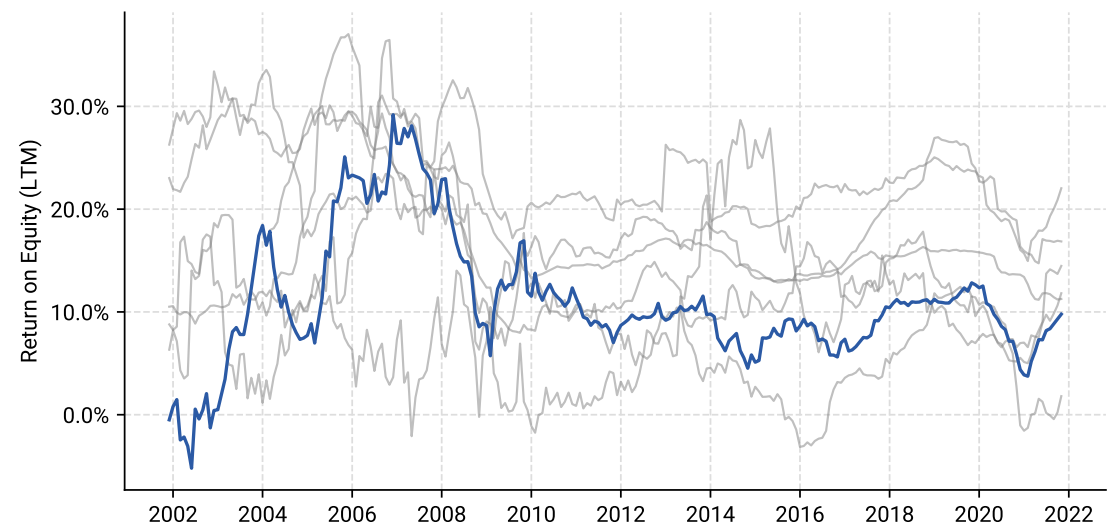
## BANAMEX VS. "BIG 7" – NIM (LAST 12 MONTHS)



Source: TUKAN, CNBV

- $ROE = \text{Profit (Loss)} / \text{Equity}$ .
- $NIM = (\text{Interest income} - \text{interest expenses}) / \text{productive assets}$ .

## BANAMEX VS. "BIG 7" – ROE (LAST 12 MONTHS)

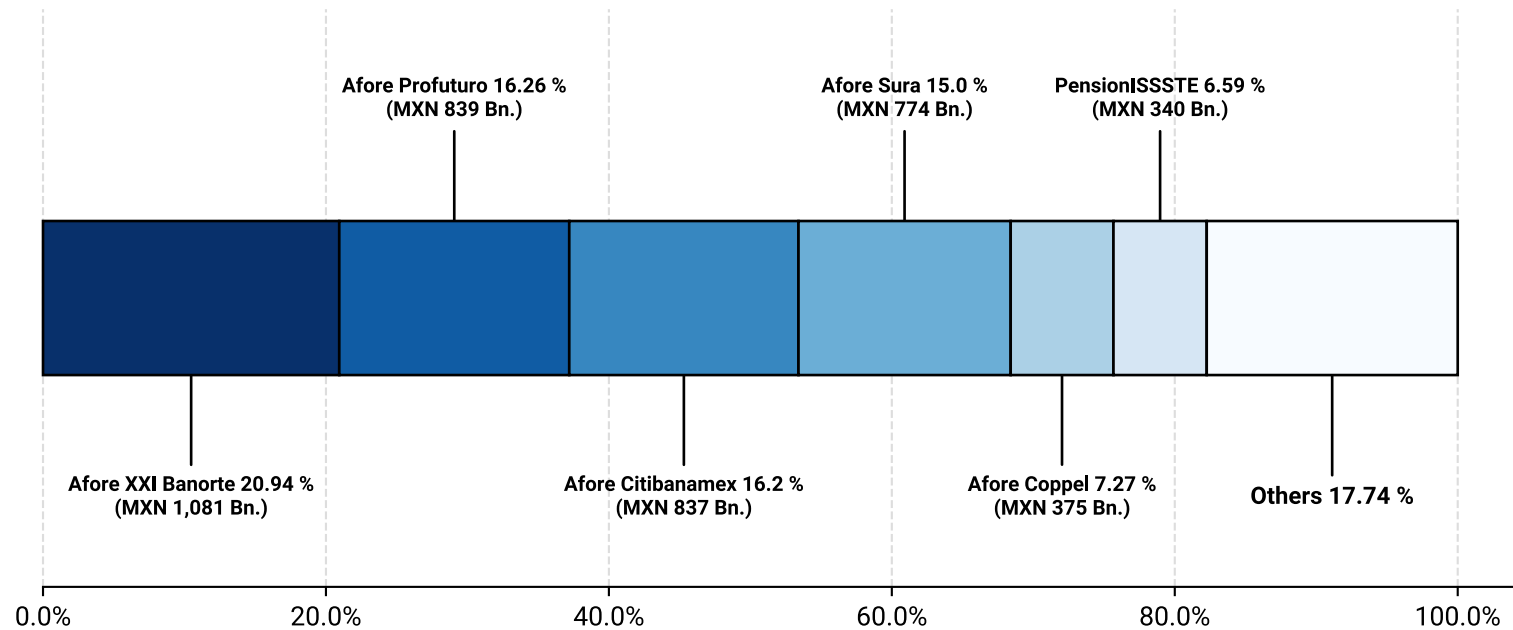


Source: TUKAN, CNBV

# The Group's Pension Fund is the 3<sup>rd</sup> Largest in Mexico

In terms of net assets – Afore Citibanamex ranks third within Mexico's pension fund system with **over MXN 837 billion in net assets as of November 2021**; a figure that has been growing consistently at ~10% YoY.

## NET ASSETS IN MEXICAN PENSION FUNDS – MARKET COMPOSITION (NOV 2021)



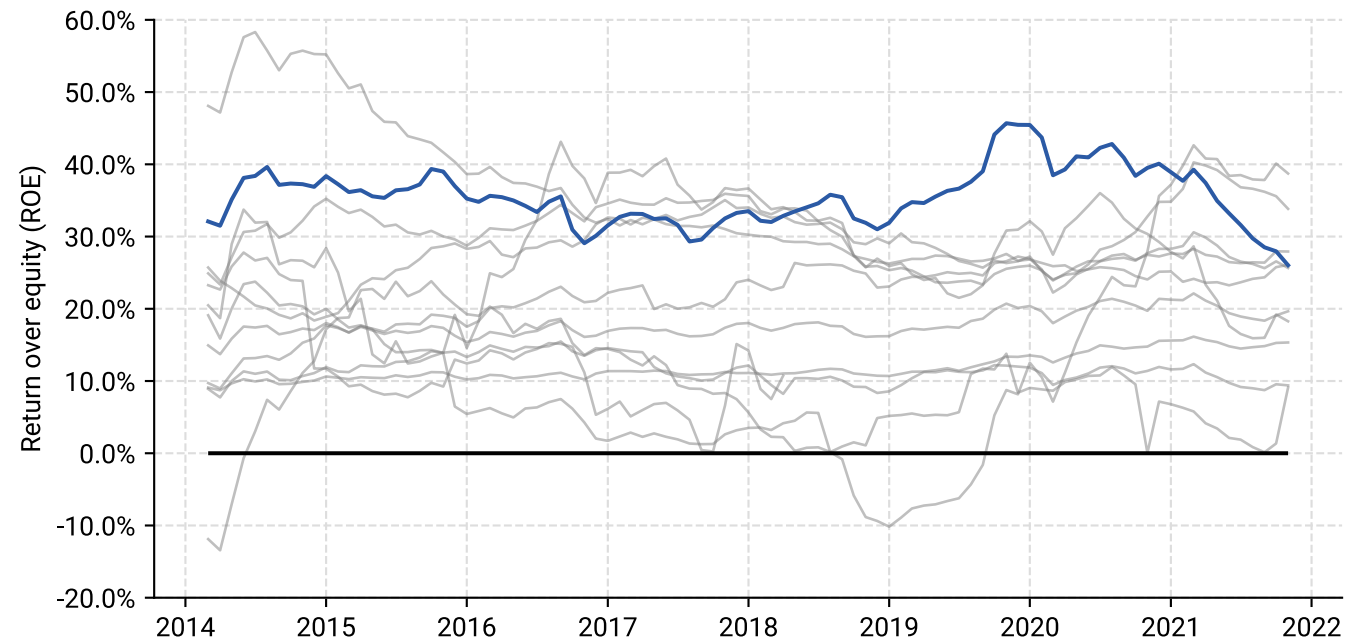
Source: TUKAN, CONSAR.

# And has Been One of the Most Profitable in Recent Years

Afore Citibanamex recorded a profit of MXN 12 billion in the 3<sup>rd</sup> quarter of 2021 – with the **pension fund outperforming most of its competitor in terms of ROE** throughout the period of 2019 – 2020.

Since the start of 2021, ROE has decelerated significantly to 26% as of November 2021.

## AFORE CITIBANAMEX VS. PENSION FUNDS – ROE (LAST TWELVE MONTHS)



Source: TUKAN, CONSAR.

# About TUKAN

TUKAN is a B2B data platform that facilitates access to public data sources for organizations. Our platform is a one-stop shop for standardized public datasets; enabling our clients to automate external data-collection, find data sources quickly, merge datasets across different government institutions, create customized data tables, charts and reports that update automatically.

You can learn more about us at [www.tukanmx.com](http://www.tukanmx.com), visit our blog at <https://blog.tukanmx.com/> or try an [interactive product demo here](#).

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