Industry Outlook: Nonbank Financial Institution (NBFIs)

Sector Analysis

Financial institutions
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HR Ratings comments on the historical performance of the NBFIs sector in Mexico, which shows an adequate solvency position and stability regarding portfolio quality.

The non-bank financial intermediary (NBFIs) sector maintains an adequate solvency position based on the sample of institutions analyzed by HR Ratings by reaching a capitalization ratio of 37.5% at the end of 2Q24, compared to 37.6% as of 2Q23, as well as an adjusted leverage ratio and current portfolio to net debt ratio of 2.0 times (x) and 1.7x as of 2Q24 (vs. 2.0x and 1.7x as of 2Q23). Despite an increase in risk-weighted assets, mainly in the credit portfolio, profit generation have allowed solvency indicators to remain at adequate levels. In addition, portfolio quality remains adequate, with a delinquency ratio and adjusted delinquency of 3.7% and 7.4%, respectively, as of 2Q24 (vs. 3.7% and 7.4% as of 2Q23). In accordance with the above, the sector maintains a coverage level above one, with a coverage ratio of 1.5x as of 2Q24 (vs. 1.4x as of 2Q23), which shows concern regarding loan-loss provision generation to mitigate potential losses.

However, given the Bank of Mexico’s restrictive monetary policy in 2022 and 2023, the sector's rate spread narrowed as a result of the high reference rate levels and reached 11.2% as of 2Q24 (vs. 12.3% as of 2Q23) Moreover, this contraction is explained by the rise in the sector's borrowing rate to 15.6% from 14.1% and the discrepancy between fixed-rate origination and variable-rate funding for sectors such as Microfinance and Payroll Deduction. In this regard, profitability indexes have fallen slightly with an Average ROA of 3.1% as of 2Q24 (vs. 3.4% as of 2Q23). However, in March and August 2024, the Bank of Mexico lowered the target reference rate, which indicates a change in the monetary policy trend and, based on HR Ratings' estimates, this trend is expected to continue in coming periods.

NBFIs belonging to the Agro-financial, Microfinance, Payroll Deduction and SME'S sectors were considered for the period from 2020 to the second quarter of 2024 (2Q24) for this sector report. Therefore, 81 intermediaries were included in the total sample, 32 financial institutions from the Agro-financial sector, 21 from the SME'S sector, 17 from the Microfinance sector and 11 from the Payroll Deduction sector.

Historical Performance of the Sample Rated by HR Ratings

- **Portfolio steadiness, with a delinquency ratio and an adjusted delinquency ratio of 3.7% and 7.4% as of 2Q24 (vs. 3.7% and 7.4% as of 2Q23).** Considering the origination, tracking and collections processes, the sector has maintained portfolio quality. Delinquency levels in the Payroll Deduction sector in particular slightly fell, while the Agro-financial sector showed an increase in both indicators attributable to weather-related disruptions, mainly in the country's northern states.
- **Reduction in the *Interest Rate Spread*, closing at 11.2% as of 2Q24 (vs. 12.3% as of 2Q23).** The rate spreads of the Microfinance and Payroll Deduction sectors have fallen due to the discrepancy between fixed-rate origination and variable-rate funding, while in the SME'S sector, the increase in the borrowing rate has not been fully transferred to the lending rate applicable to their borrowers. Due to applicable origination and financing schemes, the rate spread in the Agro-financial sector remains stable.
- **Contraction in the Adjusted NIM to 12.7% at the end of 2Q24 (vs. 13.7% as of 2Q23).** The reduction in the sector's Adjusted NIM is due to the decrease in the interest rate spread, as well as an increase in loan-loss provision generation, particularly in the Payroll Deduction sector.
- **Adequate profitability levels with an Average ROA of 3.1% as of 2Q24, although it is down from previously observed levels (vs. 3.4% as of 2Q23).** Despite net profit generation, profitability indexes of the sector have fallen due to a drop in Adjusted NIM from 13.7% in 2Q23 to 12.7% in 2Q24.
- **Solvency steadiness with the capitalization ratio closing at 37.5% as of 2Q24 (vs. 37.6% as of 2Q23).** The capitalization ratio remains one of the sector's key strengths, despite an increase in assets at risk due to an increase in the sector's 12m portfolio of 9.2%.

Sector Position and Challenges

- **Maintain portfolio quality considering a moderation in the economic growth outlook for the following periods.** HR Ratings' estimated 2024 and 2025 growth reflects the expectation of a slowdown with a downward trend compared to the Mexican economy's performance in 2022 and 2023, which could impact borrowers' ability to pay in the event of a less active economy. The Microfinance sector in particular could be affected by an adverse economic environment regarding portfolio quality.
- **A slower-than-expected reduction in the reference rate as anticipated.** The intermediaries' Adjusted NIM has been affected in recent periods due to high reference rate levels. If the reference rate does not show a decreasing trend, the interest rate spread could remain under pressure and, therefore, the profitability indexes could continue to fall.

- **Diversification and Access to Funding.** Intermediary operations' access to funding has faced difficulties in previous periods, as well as a concentration of funding tools in certain intermediaries and sectors. However, there has been an increase in the sector's volume of operations with a stable leverage ratio.
- **Digitalization and Technological Innovation.** The adoption of technological tools that allow for greater efficiency in loan origination and follow-up processes, which could positively impact the behavior of administrative expenses and portfolio quality, which would also imply greater exposure to technological and cybersecurity risks.
- **Exchange Rate Volatility and Current Environment.** At the end of August 2024, the exchange rate had depreciated by 18.2% compared to the value at the end of 2023. Moreover, sectors such as the Agro-financial sector could show volatility in exchange rate behavior-linked indicators.

This report explains the historical performance from 2020 to the end of 2Q24 of the Non-bank Financial Intermediaries sector, which includes 81 financial institutions rated by HR Ratings, of which 79 are Non-bank Financial Institutions and two are banking institutions. The analysis segments these intermediaries into four sectors: Agro-financial, Microfinance, Payroll Deduction and SME's.

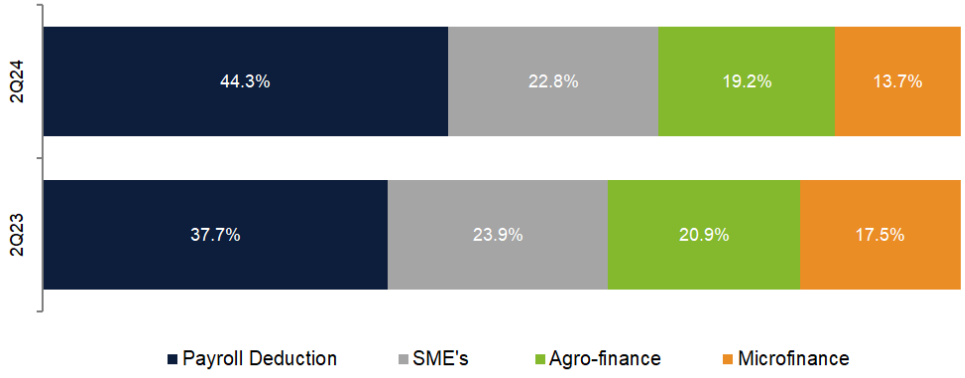
Portfolio Analysis

Loan Portfolio Distribution

At the end of 2Q24, the total portfolio balance of the sample had grown 9.2%, with a closing portfolio balance of P$193,890.9m (vs. P$177,566.1m as of 2Q23). The total portfolio's growth is explained by the 28.2% increase in the Payroll Deduction sector's portfolio for the period, despite a 14.5% decrease in the Microfinance sector's portfolio, which closed at P$26,571m, and a 0.5% drop in the Agro-financial sector, with P$37,269.3m (vs. P$31,067.6m and P$37,094.9m respectively as of 2Q23). The decrease in the Microfinance sector is mainly attributed to the high interest rate environment, which has complicated credit placement in new groups. Therefore institutions would rather prioritize portfolio quality over new placements. However, the Agro-financial sector has maintained its portfolio operations of P$37,269.3m (vs. P$37,094.9m in 2Q23)

Regarding the portion of the portfolio in the sample, as of the second quarter of the year, the Payroll Deduction sector had 44.3%, followed by the SME'S sector with 22.8%, the Agro-financial sector with 19.2% and the Microfinance sector with 13.7% (vs. 37.7%, 23.9%, 20.9% and 17.5% in 2Q23). The Payroll Deduction segment's increased share is in line with the portfolio's performance.

Figure 1. Consolidated Portfolio Distribution by Sector

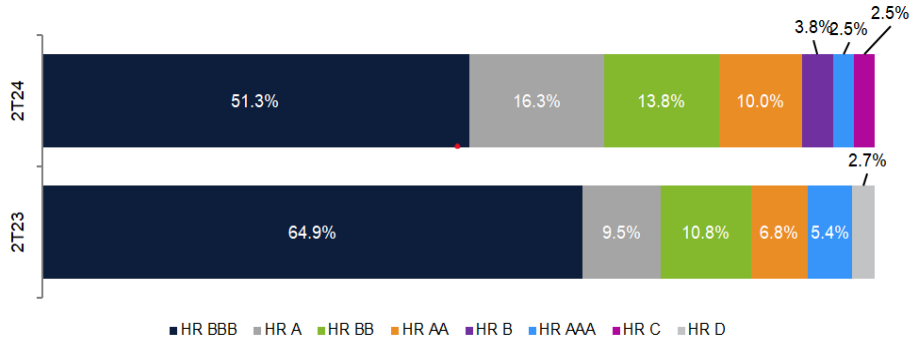


Source: Analysis performed by HR Ratings with internal information from the rated entities.

The predominant rating of the 81 financial institutions included in this analysis is within the range of HR BBB with 51.3%, followed by HR A with 16.3%, HR BB with 13.8% and HR AA with 8.8% (vs. 64.0%, 9.3%, 10.7% and 6.7%). Ratings in the HR B, HR AAA, and HR C ranges accounted for 3.8%, 3.8%, and 2.6% as of 2Q24 (vs. 0.0%, 6.7% and 0.0% as of 2Q23). Moreover, at the end of 2Q24, none of the financial institutions included in the sample received an HR D rating. In line with the

previous year, over 80.0% of the sample is in the HR BB and HR A rating ranges, with a share of 81.4% (vs. 84.0% previously). Furthermore, the institutions with a rating in the HR C range at the previous cut-off had a rating of HR D and resolved such default in the last twelve months (LTM). It should be noted that there are different levels of relative strength "+" and weakness "-" in the rating ranges which were not differentiated in the rating distribution provided.

Figure 2. Sample Distribution by Rating



Source: Analysis performed by HR Ratings with internal information from the rated entities

Additionally, the range of credit ratings of the financial institutions classified by sector is shown in the table below. HR BBB is the range with the largest share in three of the four sectors referred to in the document, with 63.6% in Payroll Deduction, 57.1% in SME'S and 54.8% in Agro-finance. The Microfinance Sector maintains a greater dispersion in the rating ranges issued with a higher concentration, since the HR BBB and HR A ranges have a 29.4% share and the HR BB range has a 17.6% share. Finally, it should be noted that of the institutions considered in the SME'S sector, there are no ratings below the HR BB range, while the ratings in the HR C range correspond to institutions in the Agro-financial and Microfinance sectors, in which certain indicators have deteriorated in previous periods.

Figure 3. Sample Distribution by Sector Rating

Sector	HR AAA	HR AA	HR A	HR BBB	HR BB	HR B	HR C	HR D
Agro-financial	6.3%	9.4%	12.5%	53.1%	12.5%	3.1%	3.1%	0.0%
Payroll Deduction	9.1%	0.0%	9.1%	63.6%	9.1%	9.1%	0.0%	0.0%
SMEs	0.0%	14.3%	14.3%	57.1%	14.3%	0.0%	0.0%	0.0%
Microfinance	0.0%	11.8%	29.4%	29.4%	17.6%	5.9%	5.9%	0.0%
Sectorial	**3.7%**	**9.9%**	**16.0%**	**50.6%**	**13.6%**	**3.7%**	**2.5%**	**0.0%**

Source: Analysis performed by HR Ratings with internal information from the rated entities.

Financial Position

HR Ratings conducted an analysis of the financial performance and main indicators of 81 financial institutions in four sectors over the last four years and the annual comparison from the second quarter of 2023 (2Q23) to the second quarter of 2024 (2Q24).

Figure 4. Historical Performance

(Figures in Millions of Pesos)	Annual				Quarterly	
	2020	2021	2022	2023	2Q23	2Q24
Total Portfolio	130,381.2	148,466.9	172,854.2	187,944.3	177,566.1	193,890.9
Income by Interest and Revenue 12m	36,829.2	38,163.2	45,847.7	55,208.6	51,165.6	58,111.6
Interest and Depreciation Expenditure	9,826.2	8,850.0	12,786.1	19,519.9	16,411.4	21,175.5
Loan Loss Provisions 12m	6,564.3	7,016.4	7,783.2	9,193.2	8,672.2	10,012.4
Administration Expenses 12m	16,303.9	17,231.8	18,975.2	20,696.1	20,142.4	20,784.8
Net Income 12m	4,566.5	6,936.8	7,033.5	7,170.6	7,089.5	7,380.8
Delinquency Ratio	4.1%	3.8%	3.6%	3.6%	3.7%	3.7%
Adjusted Delinquency Ratio	8.2%	7.9%	6.7%	7.5%	7.4%	7.4%
Adjusted NIM	13.9%	14.5%	14.3%	13.1%	13.7%	12.7%
Efficiency Ratio	57.0%	53.6%	54.1%	53.8%	54.4%	52.3%
Coverage Ratio	1.4	1.4	1.4	1.4	1.4	1.5
Average ROA	2.8%	4.1%	3.6%	3.2%	3.4%	3.1%
Average ROE	8.5%	11.7%	10.8%	9.9%	10.4%	9.7%
Capitalization Ratio	40.5%	40.5%	37.1%	37.3%	37.6%	37.5%
Adjusted Leverage Ratio	2.0	1.8	1.9	2.0	2.0	2.0
Current Portfolio to Net Debt Ratio	1.8	1.8	1.8	1.7	1.7	1.7
Assets to Liabilities Maturity Ratio	2.4	2.4	2.4	2.3	2.3	2.3
Rate Spread	13.3%	14.0%	15.3%	13.7%	12.3%	11.2%
Lending Rate	24.8%	24.6%	25.6%	26.7%	26.4%	26.8%
Borrowing Rate	10.7%	9.3%	11.9%	15.3%	14.1%	15.6%

Source: HR Ratings with quarterly and audited information from 81 financial institutions.

Total Portfolio Performance

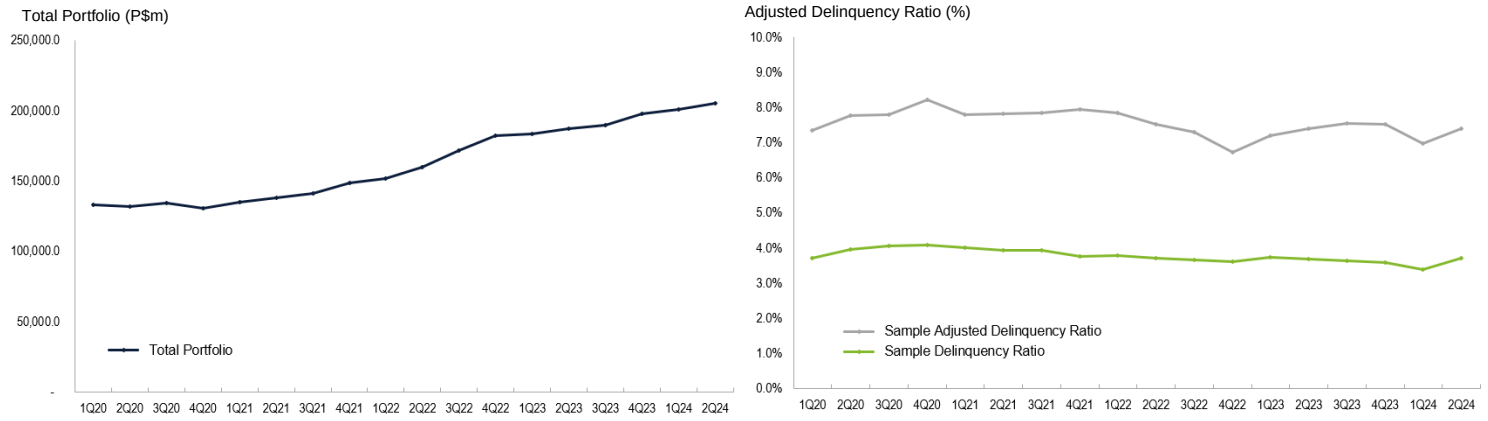
The total portfolio shows significant growth from 2020 to 2023 with a cumulative amount of P$130,381.2m in 2020, P$148,466.9m in 2021, P$172,854.2m in 2022 and P$187,944.3m in 2023. This represents an average annual growth of 13.0%. This shows a gradual recovery in loan placements following the impact of COVID-19. In 2022, the highest portfolio growth rate was 16.4% due to a greater need for financing to resume their productive activities and an increase in consumption levels, which led to an increase in loans from financial institutions. However, in 2023, as a result of restrictive monetary policies with continuously rising reference rates, and a level of 11.0% or higher since February 2023, and more moderate economic growth compared to the two previous years, at the end of the year there was a lower increase in the credit-placement amounts with annual growth of 8.7%. This behavior is similar to the end of 2Q24, which had 9.2% growth compared to the same period of the previous year, with an accumulated amount of P$193,890.9m (vs. P$177,566.1m in June 2023).

The Agro-financial sector had the lowest portfolio growth by sector within the portfolio, with an average annual growth rate of 2.6% from 2020 to 2023. This sector has had ongoing issues placing credit, which can be seen in the volatility of growth in the sample. In 2020, the sector closed with an annual growth of 7.7%, supported mainly by the fact that since the primary sector is classified as a priority activity for the economy during the pandemic, the financial institutions in this segment were benefited,

receiving support from their funders such as FIRA to restructure loans in their portfolios. However, since 2022 the sector has faced different weather-disruption events such as droughts, floods or fires that limit the growth of agricultural production, as well as socioeconomic events that have affected supply and export chains. As a result, the sector grew only 0.5% in the last 12 months and closed at an amount of P$37,269.3m in 2Q24 (vs. P$37,094.9m in 2Q23).

The Payroll Deduction sector had the highest average annual growth rate for the 2020 to 2023 period with 26.7%, followed by the SME'S sector with 17.3% and the Microfinance sector with 7.5%. The increase is explained for the Payroll Deduction sector in particular by the increase of two financial institutions that comprise 82.3% of the sector's portfolio. Finally, the Microfinance sector's portfolio fell 14.5% at the end of 2Q24 compared to the previous period, due to the fact that a representative institution in the sector's sample reduced its loan portfolio due to internal policy changes. However, excluding this institution, the Microfinance sector's portfolio grew 5.5% during this period.

Figure 5. Total Portfolio vs. Delinquency Ratios



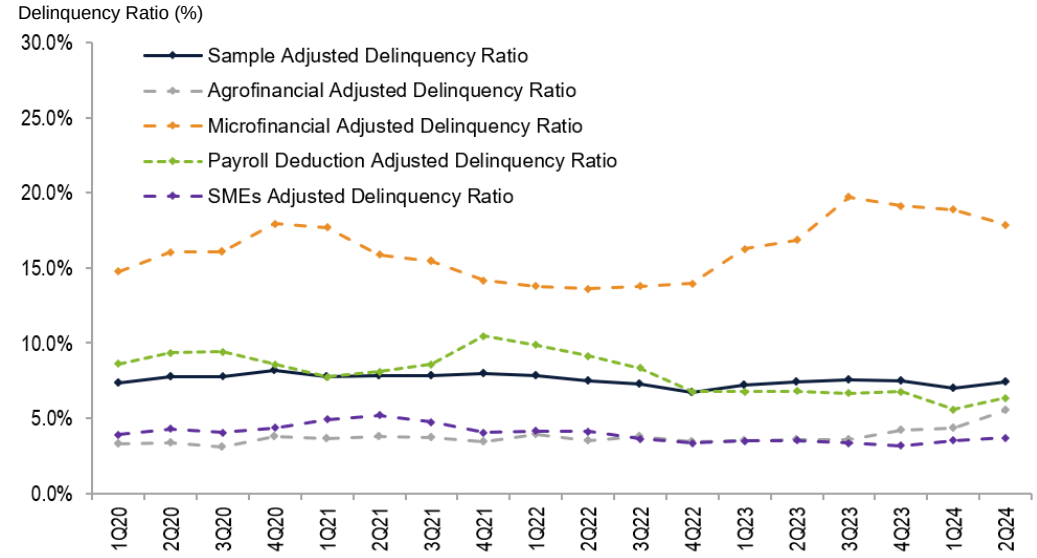
Source: HR Ratings with quarterly and audited information from 81 financial institutions.

Loan Portfolio Quality

Regarding loan portfolio quality, it can be observed that the delinquency ratio has remained stable where it has averaged 3.7% from 2020 to 2Q24, with few fluctuations throughout the sample period with a maximum level of 4.1% as of 4Q20 and a minimum of 3.4% as of 1Q24. At the end of 2Q24, the delinquency ratio rebounded slightly to 3.7%, which is in line with the level observed as of 2Q23.

The adjusted delinquency ratio has been more volatile in the sample period, with a maximum level of 8.2% at the end of 2020. Subsequently, as a result of the economic recovery and a return to normal activities, the adjusted delinquency ratio gradually fell until it reached its minimum level of 6.7% at the end of 2022. However, as of 2023, write-offs have continually been applied, which has allowed for stable non-performing loans portfolio levels, with the adjusted delinquency ratio reaching 7.4% as of 2Q24. However, despite the increase compared to 4Q22, this level is lower than the 2Q20 to 4Q21 period, with an average level of 7.9%. The Microfinance Sector fluctuated the most, with a portfolio consisting of shorter-term loans, which were particularly affected during the pandemic, while the rest of the sectors have shown less portfolio quality volatility.

Figure 6. Adjusted Delinquency Ratio by Sector



Source: HR Ratings with quarterly and audited information from 81 financial institutions.

Coverage Ratio

When analyzing the behavior of the coverage ratio, it should be noted that there is no standardized practice in the sectors for methodologies used to calculate loan-loss provisions among non-bank financial intermediaries. This is due to the high percentage of institutions that operate as SOFOMs[1], Unregulated Entity, and therefore do not have a specific requirement to adhere to the expected loss methodology used for regulated entities.

Despite the above, the sector's coverage ratio has remained at historical average levels of 1.4x from 2020 to 2Q24, and at 1.5x as of 2Q24 (vs. 1.4x as of 2Q23). This reflects the prudential measure taken by several non-bank financial institutions to have additional reserves in anticipation of possible negative portfolio impacts. In this regard, we note that the additional reserves have proven to be sufficient to maintain adequate coverage of non-performing loans portfolio. Following the above, as of 2Q24 the Microfinance sector maintained higher portfolio coverage with a coverage ratio of 2.1x, followed by the Payroll sector with 1.6x, the SME'S sector with 1.4x and the Agro-financial sector with 0.9x (vs. 1.7x, 1.3x, 1.3x, 1.2x respectively as of 2Q23). Most financial institutions in the Agro-financial sector use the expected loss methodology to determine loan-loss provisions, which takes into consideration the guarantees granted by the borrower. Therefore, the sector tends to have within its portfolio guarantees provided by government institutions such as FIRA specifically for this sector, which allows for lower levels of coverage.

[1] Multiple Purpose Financial Society (SOFOM)

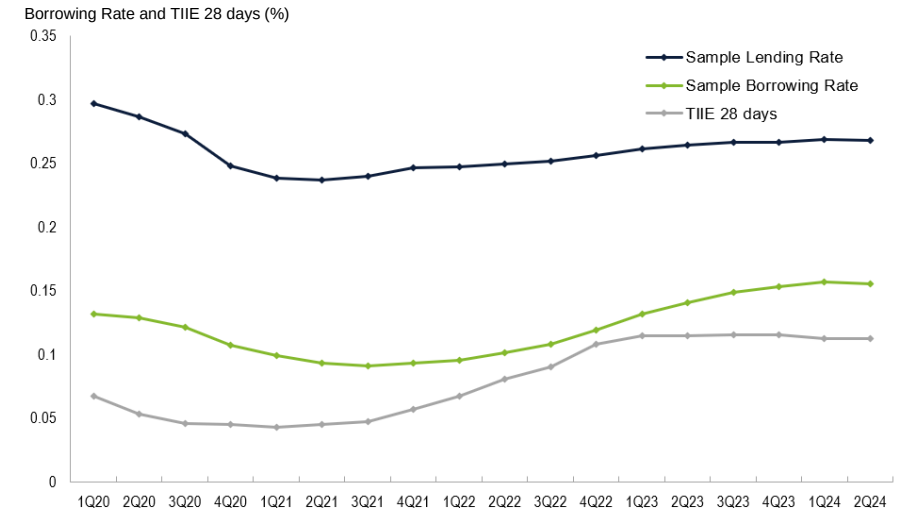
Income and Expenses

Income generated from interest over 12m of the sample that make up the sector continued to grow, amounting to P$36,829.2m in 2020, P$38,163.2m in 2021, P$45,847.7m in 2022, and P$55,208.6m in 2023. The continued growth in the generation of income by interest is attributed to the increase in the volume of its operations through loan placement and to an economic environment with a restrictive monetary policy. As of the end of June, 2024, income by interest 12m grew 13.6%, closing at an amount of P$58,111.6m with a lending rate of 26.8% as of 2Q24 (vs. P$51,165.6m and 26.4% in 2Q23). Regarding the behavior of the lending rate by sector, the SME'S and Agro-financial sectors tend to maintain a relevant share of their variable rate origination, thus replicating the behavior of the reference rate. In June 2024, only the lending rate of the Payroll Deduction sector fell from 25.5% to 25.2%, while the lending rates of the Agro-financial, SME'S and Microfinance sectors continued to rise, closing at 16.3%, 21.2% and 51.6% as of 2Q24 (vs. 14.3%, 20.5% and 49.9% in 2Q23).

Interest expense amounted to P$21,175.5m in June 2024, an increase of 29.0% compared to P$16,411.35m reported at the end of June 2023. This increase is due to a greater use of funding to support the volume of its operations, and an increase in the borrowing rate, which rose to 15.6% as of 2Q24 (vs. 14.1% as of 2Q23). It should be noted that the increase in the sector borrowing rate considered in the sector analysis is not explained by a particular sector, since all of them had a borrowing rate increase. The smallest increase was in the Payroll Deduction sector with an increase of 0.8% (from 15.1% as of 2Q23 to 15.9% as of 2Q24), while the largest growth was in the Microfinance sector with an increase of 2.2% (vs. 21.6% in 2Q23 to 23.8% in 2Q24).

Furthermore, the interest rate spread was at its lowest level in the sample analysis period, at 11.2% as of 2Q24 (vs. 12.3% as of 2Q23). The reduction in the rate spread is a result of the increase in the borrowing rate due to the consistently high levels of the reference rate in line with the Bank of Mexico's restrictive monetary policy. Due to the characteristics of the loan products in the different sectors, the lending rate has not increased in the same portion. The Adjusted NIM decreased and closed at 12.7% (vs. 13.7% in 2Q23). The Payroll Deduction sector had the largest decrease in Adjusted NIM with a rate 12.4% in 2Q24 (vs. 15.1% as of 2Q23). The reduction is explained by a fall in the rate spread, and a rise in loan-loss provisions. The Adjusted NIM in the rest of the sectors remained comparable to 2Q23, and even in the Microfinance sector there was a slight increase due to improved generation of provisions; however, this did not compensate the decrease in the Payroll Deduction sector.

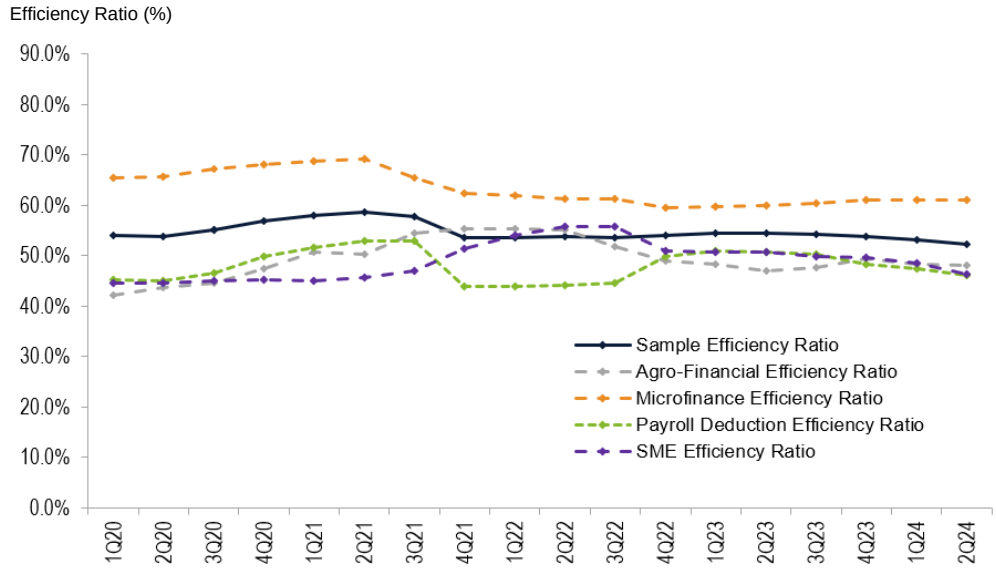
Figure 7. Lending Rate and Borrowing Rate vs. Reference Rate



Source: HR Ratings with quarterly and audited information from 80 financial institutions, as well as information from Banxico on Interbank Interest Rates

Administration expenses have had an average annual growth of 15.5%, in line with the growth of the sector's operations, from P$16,303.9m in 2020 to P$20,696.1m in 2023. It should be noted that some financial institutions have managed to reduce their operating expenses through process automation and the implementation of economies of scale, so it is observed that, in 2Q24, expenditure has grown at a slower rate than in previous periods with a growth of 3.2% and closed in the amount of P$20,784.8m (vs. P$20,142.4m in June 2023). This represents an efficiency ratio of 52.3% (vs. 54.4% in 2Q23).

Figure 8. Efficiency Ratio by Sector



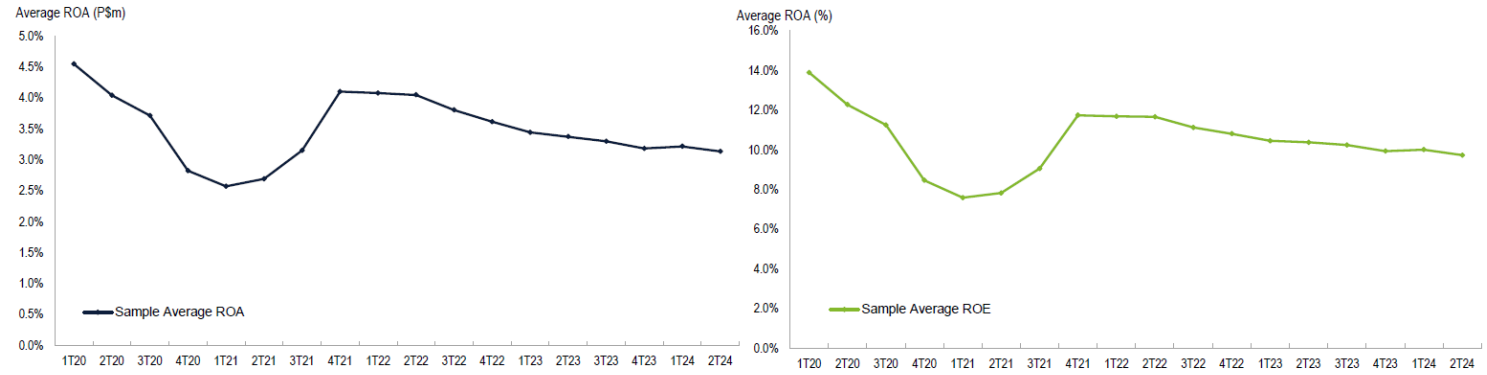
Source: HR Ratings with quarterly and audited information from 81 financial institutions.

Profitability

As a result of a continuous decrease in the interest rate spread due to high reference rate levels, as well as pressure on the adjusted NIM by the loan-loss provision, the sector sample's 12m net income grew moderately, with an amount of P$7,380.8m as of 2Q24, an increase of 4.1% compared to 2Q23. Despite the increase in profit observed in 2Q24, the sector's profitability

decreased, an reached its highest level of 4.1% in 4Q21. In the opinion of HR Ratings, profitability remains at moderate levels despite the economic recovery following the pandemic due to pressures in the interest rate spread as a result of high reference rate levels.

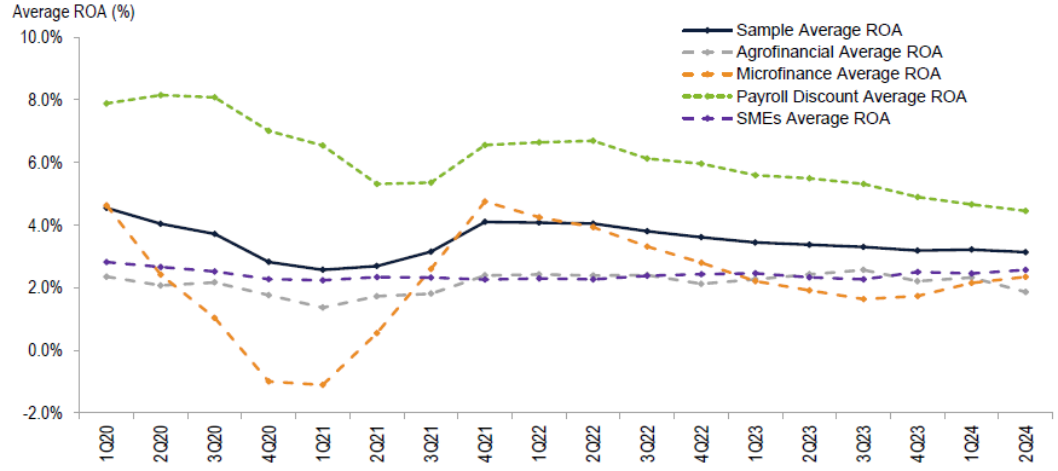
Figure 9. Average ROA vs. Average ROE



Source: HR Ratings with quarterly and audited information from 81 financial institutions.

In particular, the Agro-financial sector had the largest decrease in its net income 12m as of 2Q24, as it had a reduction of 22.3% compared to 2Q23, which represented an amount of P$858.1m. The Microfinance sector had a significant increase in earnings, reaching P$971.6m as of 2Q24 compared to P$787.6m as of 2Q23 due to lower loan-loss provision generation. The SME'S and Payroll Deduction sectors had earnings increases of 11.1% and 2.7% as of 2Q24. As of 2Q24, only the Microfinance and SME'S sectors showed an improvement in their profitability indexes, reaching 2.3% and 2.6% (vs. 1.9% and 2.3% as of 2Q23).

Figure 10. Average ROA by sector



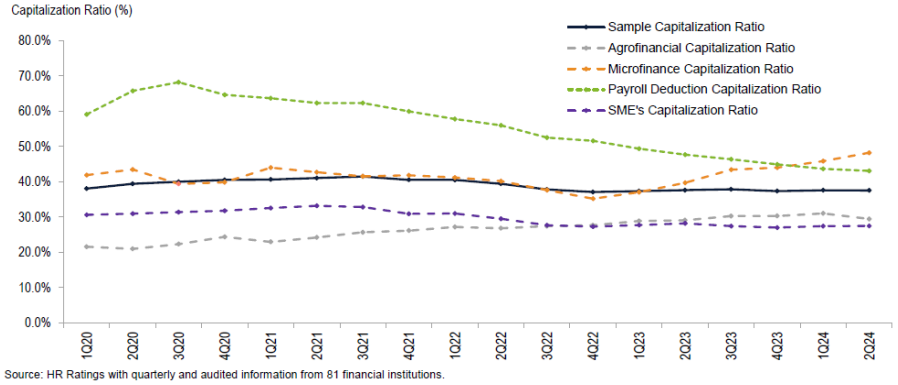
Source: HR Ratings with quarterly and audited information from 81 financial institutions.

Solvency and Leverage

Regarding the sector's solvency position, the capitalization ratio has remained at levels similar to those observed in previous periods, with a level of 37.5% as of 2Q24 (vs. 37.6% as of 2Q23). Stability is based on the continuous generation of net earnings, which has allowed mitigation of the impact on the increase in assets at risk indicator due to an increase in placement by intermediaries. Specifically, the Microfinance sector has the highest levels of capitalization with 48.2% as of 2Q24, which is explained by the decrease in assets at risk of one of the most relevant institutions in the sample (vs. 39.7% as of 2Q23). The

Payroll Deduction sector's indicator continued to drop due to the increase in assets at risk 12m of 28.2% as of 2Q24, bringing the capitalization ratio to 43.1% (vs. 47.7% as of 2Q23). HR Ratings considers that the sector maintains a capitalization ratio at adequate levels.

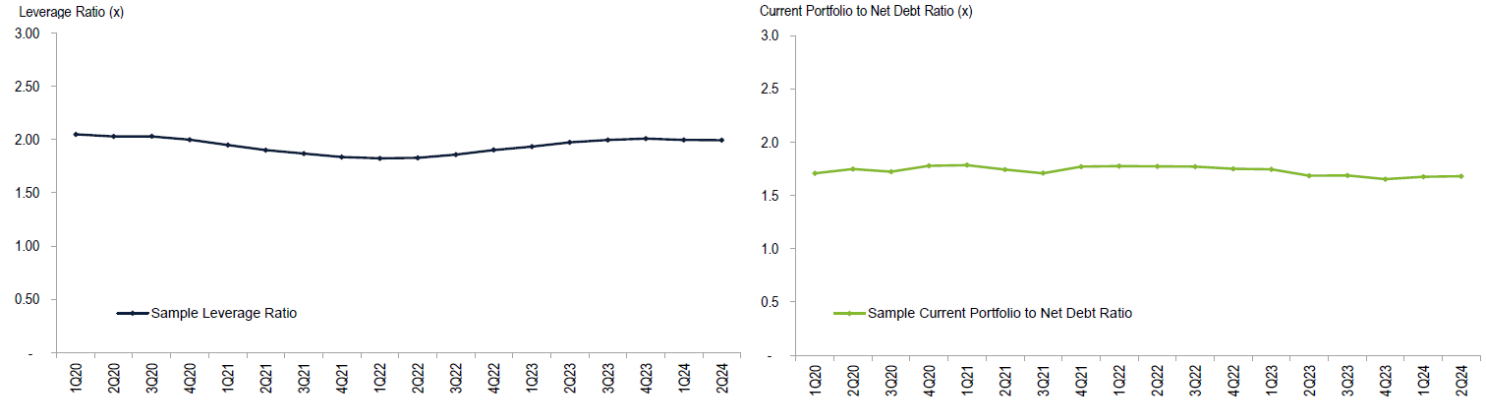
Figure 11. Capitalization Ratio by Sector



Source: HR Ratings with quarterly and audited information from 81 financial institutions.

Finally, the leverage ratio was stable, although slightly higher than in previous years. The increase in metrics is explained by a greater use of funding lines to support the volume of operations made by the intermediaries in the sample. As a result, the leverage ratio remained at 2.0x as of 2Q24 (vs. 2.0x as of 2Q23), while the current portfolio to net debt ratio was 1.7x as of 2Q24 (vs. 1.7x as of 2Q23).

Figure 12. Leverage Ratio vs. Current Portfolio to Net Debt Ratio



Source: HR Ratings with quarterly and audited information from 81 financial institutions.

Appendix

Main Indicators: Agro-finance Sector

(Figures in Millions of Pesos)	Annual				Quarterly	
	2020	2021	2022	2023	2Q23	2Q24
Total Portfolio	34,304.4	36,962.0	38,796.9	37,090.7	37,094.9	37,269.3
Income by Interest and Revenue 12m	4,960.5	4,341.2	5,295.7	6,833.5	6,168.6	7,120.6
Interest and Depreciation Expenditure 12m	2,774.2	2,105.9	2,835.6	3,991.4	3,494.0	4,180.4
Loan Loss Provisions 12m	301.7	138.0	305.5	260.3	301.6	481.2
Administration Expenses 12m	1,245.4	1,545.8	1,435.2	1,656.1	1,514.3	1,674.1
Net Income 12m	799.4	1,086.2	974.1	1,034.1	1,104.9	858.1
Delinquency Ratio	3.3%	2.8%	3.3%	3.3%	3.3%	4.0%
Adjusted Delinquency Ratio	3.8%	3.4%	3.5%	4.2%	3.6%	5.5%
Adjusted NIM	4.4%	5.0%	5.1%	6.0%	5.6%	5.7%
Efficiency Ratio	47.4%	55.3%	48.9%	49.3%	47.1%	48.2%
Coverage Ratio	1.1	1.1	1.1	1.0	1.2	0.9
Average ROA	1.8%	2.4%	2.1%	2.2%	2.4%	1.9%
Average ROE	8.3%	10.6%	8.7%	8.4%	9.6%	6.9%
Capitalization Ratio	24.3%	26.1%	27.7%	30.3%	29.1%	29.4%
Adjusted Leverage Ratio	4.0	3.5	3.1	2.8	3.0	2.7
Current Portfolio to Net Debt Ratio	1.3	1.4	1.3	1.3	1.3	1.4
Rate Spread	3.2%	3.9%	3.6%	3.6%	3.5%	3.6%
Lending Rate	11.4%	10.2%	12.5%	15.8%	14.3%	16.3%
Borrowing Rate	8.2%	6.3%	8.9%	12.3%	10.8%	12.6%

Source: HR Ratings with quarterly and audited information from 32 financial institutions in the Agro-financial sector

Main Indicators: Microfinance Sector

(Figures in Millions of Pesos)	Annual				Quarterly	
	2020	2021	2022	2023	2Q23	2Q24
Total Portfolio	21,789.0	24,186.9	31,810.2	27,059.4	31,067.6	26,571.9
Income by Interest and Revenue 12m	13,523.5	14,424.4	16,824.2	18,051.3	18,035.5	17,967.6
Interest and Depreciation Expenditure 12m	1,890.0	1,596.6	2,221.1	3,081.1	2,856.0	3,169.9
Loan Loss Provisions 12m	3,982.7	3,116.2	4,690.7	5,205.9	5,236.5	4,896.3
Administration Expenses 12m	8,434.2	8,502.1	9,202.0	9,692.2	9,612.2	9,624.4
Net Income 12m	-328.4	1,592.4	1,139.7	761.6	787.6	971.6
Delinquency Ratio	5.0%	4.5%	4.3%	4.7%	4.3%	4.1%
Adjusted Delinquency Ratio	17.9%	14.2%	13.9%	19.1%	16.9%	17.9%
Adjusted NIM	27.2%	34.4%	29.8%	26.6%	27.5%	28.4%
Efficiency Ratio	68.1%	62.3%	59.5%	61.0%	59.9%	61.1%
Coverage Ratio	1.4	1.5	1.8	1.9	1.7	2.1
Average ROA	-1.0%	4.8%	2.8%	1.7%	1.9%	2.3%
Average ROE	7.8%	14.1%	8.9%	5.5%	6.2%	6.9%
Capitalization Ratio	39.8%	41.8%	35.2%	44.0%	39.7%	48.2%
Adjusted Leverage Ratio	1.7	1.5	1.6	1.5	1.7	1.3
Current Portfolio to Net Debt Ratio	2.7	3.2	3.4	3.6	3.8	3.0
Rate Spread	33.6%	37.0%	33.3%	26.3%	28.3%	27.8%
Lending Rate	48.0%	51.1%	50.5%	49.2%	49.9%	51.6%
Borrowing Rate	14.4%	14.1%	17.2%	23.0%	21.6%	23.8%

Source: HR Ratings with quarterly and audited information from 17 financial institutions in the Microfinance sector

Main Indicators: Payroll Deduction Sector

(Figures in Millions of Pesos)	Annual				Quarterly	
	2020	2021	2022	2023	2Q23	2Q24
Total Portfolio	37,695.1	45,953.8	60,305.5	76,649.1	66,899.4	85,797.9
Income by Interest and Revenue 12m	11,907.5	12,648.9	15,093.8	19,106.9	16,970.4	21,597.6
Interest and Depreciation Expenditure 12m	2,028.0	2,053.8	3,279.4	5,935.0	4,582.3	7,118.3
Loan Loss Provisions 12m	1,632.5	3,105.9	2,126.9	3,075.0	2,365.5	3,953.2
Administration Expenses 12m	5,067.8	5,286.4	6,231.5	6,977.8	6,752.9	7,282.4
Net Income 12m	3,258.6	3,437.3	3,899.6	4,084.2	4,030.5	4,141.6
Delinquency Ratio	5.2%	5.1%	4.3%	4.3%	4.4%	4.2%
Adjusted Delinquency Ratio	8.6%	10.5%	6.8%	6.7%	6.8%	6.4%
Adjusted NIM	19.5%	15.8%	16.5%	13.5%	15.1%	12.4%
Efficiency Ratio	49.8%	44.0%	49.8%	48.4%	50.7%	46.2%
Coverage Ratio	1.5	1.4	1.4	1.4	1.3	1.6
Average ROA	7.0%	6.6%	6.0%	4.9%	5.5%	4.5%
Average ROE	10.2%	12.7%	12.9%	12.1%	12.6%	11.5%
Capitalization Ratio	64.6%	60.0%	51.6%	44.9%	47.7%	43.1%
Adjusted Leverage Ratio	1.1	1.1	1.2	1.5	1.3	1.6
Current Portfolio to Net Debt Ratio	2.8	2.4	2.3	1.9	1.9	2.0
Rate Spread	14.5%	15.7%	12.3%	9.4%	10.3%	9.3%
Lending Rate	28.4%	27.1%	25.7%	25.3%	25.5%	25.2%
Borrowing Rate	13.9%	11.3%	13.4%	15.9%	15.1%	15.9%

Source: HR Ratings with quarterly and audited information from 12 financial institutions in the Payroll Discount sector

Main Indicators: SME'S Sector

(Figures in Millions of Pesos)	Annual				Quarterly	
	2020	2021	2022	2023	2Q23	2Q24
Total Portfolio	29,039.0	33,615.0	41,746.1	46,865.2	42,504.2	44,251.9
Income by Interest and Revenue 12m	6,437.7	6,748.7	8,634.0	11,216.9	9,991.1	11,425.8
Interest and Depreciation Expenditure 12m	3,312.7	3,650.0	4,166.5	4,698.5	5,479.0	6,706.9
Loan Loss Provisions 12m	647.4	656.3	660.1	651.9	768.6	681.7
Administration Expenses 12m	1,556.5	1,897.6	2,106.5	2,370.0	2,263.0	2,203.9
Net Income 12m	856.0	917.2	1,131.9	1,348.8	1,166.4	1,409.5
Delinquency Ratio	2.9%	2.3%	2.3%	2.0%	2.4%	2.2%
Adjusted Delinquency Ratio	4.3%	4.1%	3.3%	3.2%	3.5%	3.7%
Adjusted NIM	8.1%	8.4%	8.4%	8.4%	8.2%	8.1%
Efficiency Ratio	45.3%	51.3%	50.9%	49.6%	50.6%	46.3%
Coverage Ratio	1.1	1.3	1.3	1.4	1.3	1.4
Average ROA	2.3%	2.3%	2.4%	2.5%	2.3%	2.6%
Average ROE	8.2%	8.0%	9.5%	10.4%	9.5%	10.6%
Capitalization Ratio	31.8%	30.9%	27.3%	27.0%	28.2%	27.5%
Adjusted Leverage Ratio	2.7	2.5	2.9	3.1	3.1	3.1
Current Portfolio to Net Debt Ratio	1.3	1.3	1.2	1.3	1.2	1.2
Rate Spread	7.7%	7.9%	7.3%	6.8%	7.2%	6.5%
Lending Rate	17.9%	17.5%	19.1%	21.3%	20.5%	21.2%
Borrowing Rate	10.3%	9.6%	11.7%	14.5%	13.3%	14.7%

Source: HR Ratings with quarterly and audited information from 21 financial institutions in the SME's sector

Balance Sheet: Consolidated Sector

	Annual				Quarterly	
(Millions of pesos)	2020	2021	2022	2023	2Q23	2Q24
ASSET	**166,840.7**	**182,854.8**	**218,297.4**	**242,695.7**	**228,523.8**	**247,124.6**
Liquid Assets	**9,070.9**	**7,506.7**	**9,196.0**	**10,946.7**	**9,932.9**	**11,387.5**
Total Net Loan Portfolio	**123,060.8**	**140,889.9**	**172,854.2**	**187,944.3**	**177,566.1**	**193,890.9**
Net Loan Portfolio	**123,060.8**	**140,889.9**	**172,854.2**	**187,944.3**	**177,566.1**	**193,890.9**
Loan Portfolio	130,381.2	148,466.9	182,162.7	198,061.3	187,074.3	205,278.9
Current Loan Portfolio	**125,038.9**	**142,891.2**	**175,579.0**	**190,937.2**	**180,175.9**	**197,633.1**
Commercial Loans	82,633.8	93,498.7	113,888.9	116,038.7	114,623.7	115,649.7
Non-performing Loan Portfolio	**5,342.3**	**5,575.7**	**6,583.7**	**7,124.1**	**6,898.4**	**7,645.8**
Commercial Loans	3,235.6	3,067.7	3,677.4	3,809.8	3,825.3	4,013.6
Loan Loss Provisions	**-7,320.5**	**-7,577.0**	**-9,308.6**	**-10,117.0**	**-9,508.1**	**-11,388.0**
Other Accounts Payable[1]	**6,175.5**	**8,295.4**	**10,336.3**	**14,833.8**	**10,950.3**	**11,800.3**
Foreclosed Assets	**1,895.0**	**1,906.5**	**2,079.5**	**2,237.6**	**1,965.2**	**2,268.8**
Property, Furniture and Equipment	**5,210.6**	**5,420.0**	**5,687.9**	**5,663.2**	**6,111.9**	**5,554.1**
Property, Furniture and Equipment Own Use	3,523.9	3,484.8	4,126.8	4,119.7	4,483.9	3,986.7
Leased Properties, Furniture and Equipment	1,686.7	1,935.3	1,561.1	1,543.5	1,628.0	1,567.4
Other Assets	**7,483.7**	**7,736.7**	**8,877.0**	**8,892.1**	**7,914.6**	**8,065.4**
Deferred Charges, Prepayments and Intangible Assets	6,223.0	6,068.8	6,554.6	6,262.4	5,521.0	5,112.6
LIABILITIES	**111,179.9**	**120,692.3**	**149,337.8**	**166,242.8**	**156,288.2**	**167,752.8**
Stock Liabilities	**16,831.9**	**20,570.8**	**21,886.0**	**24,024.8**	**24,880.2**	**25,030.0**
Interbank Loans and Loans from Other Institutions	**67,176.4**	**71,610.9**	**91,118.1**	**108,243.5**	**96,376.1**	**110,270.8**
Short Term	43,317.4	46,649.8	56,584.3	66,788.5	64,076.0	70,359.9
Long Term	23,859.0	24,961.1	34,533.8	41,455.0	32,300.0	39,910.9
Collateral Sold or Pledged	**11,668.5**	**11,482.6**	**13,606.0**	**14,244.8**	**13,448.0**	**14,016.4**
Repos	5,857.5	7,308.6	9,673.0	11,160.8	9,935.0	10,867.4
Other Short Term Debts	**13,489.9**	**14,614.5**	**20,075.0**	**17,585.9**	**19,624.1**	**16,693.7**
Sundry Creditors and Other Short Term Debts	10,228.8	11,443.5	13,310.6	15,007.1	13,311.6	16,040.6
Deferred Taxes and Employee Profit Sharing (Expense)	**331.3**	**433.9**	**564.0**	**325.7**	**176.0**	**403.0**
EQUITY	**55,660.7**	**62,162.3**	**68,959.6**	**76,452.9**	**72,235.7**	**79,371.8**
Controlling Interest	**55,236.7**	**61,552.1**	**68,257.5**	**75,642.7**	**71,504.7**	**78,508.7**
Contributed Capital	**36,542.3**	**39,527.6**	**43,890.7**	**49,389.8**	**48,317.7**	**52,707.1**
Capital stock	33,334.3	36,305.0	40,893.5	46,274.4	45,133.5	48,798.7
Additional paid-in capital	2,953.3	2,956.3	2,439.2	2,131.5	2,435.4	2,132.9
Earned Capital	**18,694.5**	**22,024.4**	**24,366.8**	**26,252.9**	**23,187.0**	**25,801.7**
Capital Reserves	2,287.8	2,554.4	2,885.7	3,174.3	3,078.6	3,441.9
Results from prior periods	11,402.0	12,096.1	13,900.7	15,544.7	16,143.0	17,991.4
Net income	4,566.3	6,936.8	7,033.5	7,170.6	3,618.4	3,828.8
Net Debt	**70,961.2**	**81,032.0**	**100,650.5**	**116,107.6**	**107,543.1**	**118,327.2**

Source: HR Ratings with quarterly and audited information from 81 financial institutions.

Income Statement: Consolidated Sector

	Annual				Quarterly	
(Millions of pesos)	**2020**	**2021**	**2022**	**2023**	**2Q23**	**2Q24**
Income by interest and Revenue	**36,829.2**	**38,163.2**	**45,847.7**	**55,208.6**	**26,252.9**	**29,156.0**
Interest and Depreciation Expenditure	**9,826.2**	**8,850.0**	**12,786.1**	**19,519.9**	**8,930.9**	**10,586.5**
Financial Margin	**26,932.6**	**29,193.1**	**33,055.1**	**35,756.6**	**17,355.0**	**18,648.1**
Loan Loss Provisions	6,564.3	7,016.4	7,783.2	9,193.2	4,283.4	5,102.6
Financial Margin Adjusted for Credit Risks	**20,368.4**	**22,176.7**	**25,271.9**	**26,563.4**	**13,071.6**	**13,545.4**
Commissions and Fees Charged	1,227.8	1,303.3	1,524.7	1,659.8	883.3	835.3
Commissions and Fees Paid	773.7	834.3	920.3	999.7	465.3	416.3
Other Operating Inflows (Expenses)	857.9	2,501.5	1,327.7	1,962.7	787.3	809.5
Total Operating Inflows (Expenses)	**22,054.7**	**25,124.0**	**27,272.3**	**29,255.1**	**14,335.9**	**14,802.0**
Administration and Promotion Expenses	16,303.9	17,231.8	18,975.2	20,696.1	10,243.2	10,331.8
Operating income	**5,679.6**	**7,796.1**	**8,186.6**	**8,500.9**	**4,077.2**	**4,464.5**
Deferred Income Taxes (Net)	-324.2	40.7	-152.4	27.8	3.8	27.9
Income before discontinued operations	**5,128.8**	**7,228.8**	**7,106.3**	**7,252.4**	**3,644.2**	**3,879.0**
Discontinued Operations	562.3	292.0	72.8	81.9	25.8	50.4
Net income	**4,566.5**	**6,936.8**	**7,033.5**	**7,170.6**	**3,618.4**	**3,828.7**

Source: HR Ratings with quarterly and audited information from 81financial institutions.

Financial Institution Metrics	**2020**	**2021**	**2022**	**2023**	**2Q23**	**2Q24**
Delinquency Ratio	4.1%	3.8%	3.6%	3.6%	3.7%	3.7%
Adjusted Delinquency Ratio	8.2%	7.9%	6.7%	7.5%	7.4%	7.4%
Adjusted NIM	13.9%	14.5%	14.3%	13.1%	13.7%	12.7%
Efficiency Ratio	57.0%	53.6%	54.1%	53.8%	54.4%	52.3%
Coverage Ratio	1.4	1.4	1.4	1.4	1.4	1.5
Average ROA	2.8%	4.1%	3.6%	3.2%	3.4%	3.1%
Average ROE	8.5%	11.7%	10.8%	9.9%	10.4%	9.7%
Capitalization Ratio	40.5%	40.5%	37.1%	37.3%	37.6%	37.5%
Adjusted Leverage Ratio	2.0	1.8	1.9	2.0	2.0	2.0
Current Portfolio to Net Debt Ratio	1.8	1.8	1.8	1.7	1.7	1.7
Assets to Liabilities Maturity Ratio	2.4	2.4	2.4	2.3	2.3	2.3
Rate Spread	14.0%	15.3%	13.7%	11.4%	12.3%	11.2%
Lending Rate	24.8%	24.6%	25.6%	26.7%	26.4%	26.8%
Borrowing Rate	10.7%	9.3%	11.9%	15.3%	14.1%	15.6%

Source: HR Ratings with quarterly and audited information from 81financial institutions.

Cash Flow: Consolidated Sector

	Annual				Quarterly	
(Millions of pesos)	**2020**	**2021**	**2022**	**2023**	**2Q23**	**2Q24**
Net income	**4,566.5**	**6,937.0**	**7,034.7**	**7,170.6**	**3,618.4**	**3,828.7**
Adjustment for Non-Cash Items:	**6,564.3**	**7,016.4**	**7,783.2**	**9,217.9**	**4,283.4**	**5,211.7**
Provisions	6,564.3	7,016.4	7,783.2	9,193.2	4,283.4	5,102.6
Operating Activities						
Change in Loan Portfolio (Net)	-4,342.9	-24,845.6	-39,747.5	-24,283.4	-8,995.4	-11,049.2
Change in Other Accounts Receivable	-355.1	-2,119.9	-2,040.9	-4,497.5	-614.0	3,033.5
Change in Foreclosed Assets (Net)	-521.6	-11.4	-173.1	-158.1	114.3	-31.2
Change in Other Operating Assets (Net)	491.3	-253.1	-1,140.3	-15.1	962.5	826.7
Change in Interbank Loans and Loans from Other Institutions	1,632.0	4,434.5	19,507.2	17,125.4	5,258.0	2,027.3
Change in Collateral Sold or Pledged as Collateral	1,154.8	-185.9	2,123.4	638.8	-158.0	-228.4
Change in Other Short Term Debts	-2,162.0	1,124.6	5,460.5	-2,489.1	-450.9	-892.3
Change in Deferred Taxes and Employee Profit Sharing (Expense)	-59.9	102.6	130.1	-238.3	-388.0	77.3
Net Cash Flows from Operating Activities	**-8,643.4**	**-14,874.0**	**-12,624.5**	**-14,960.4**	**-6,398.6**	**-7,689.9**
Investment Activities						
Payments for Acquisition of Property, Furniture and Equipment	-210.5	-209.4	-267.8	0.0	-424.1	0.0
Payments for Acquisition of Property, Furniture and Equipment Own Use	-210.5	-209.4	-267.8	0.0	-424.1	0.0
Net Cash Flow from Investment Activities	**-210.5**	**-209.4**	**-267.8**	**0.0**	**-424.1**	**0.0**
Financing Activities						
Stock Issuance Fee	-5.8	-435.2	-236.3	322.7	-342.3	-909.8
Net Cash Flow from Financing Activities	**-5.8**	**-435.2**	**-236.3**	**322.7**	**-342.3**	**-909.8**
Net Increase or Decrease in Cash and Cash Equivalents	**2,271.1**	**-1,565.2**	**1,689.3**	**1,750.7**	**736.9**	**440.7**
Effects of Changes in the Value of Cash and Cash Equivalents	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Cash and Cash Equivalents at Beginning of Period	**6,800.7**	**9,071.8**	**7,506.6**	**9,195.9**	**9,195.9**	**10,946.6**
Cash and Cash Equivalents at End of Period	**9,071.8**	**7,506.6**	**9,195.9**	**10,946.6**	**9,932.8**	**11,387.2**

Source: HR Ratings with quarterly and audited information from 81financial institutions.

Free Cash Flow	**2020**	**2021**	**2022**	**2023**	**2Q23**	**2Q24**
Net income	4,566.5	6,937.0	7,034.7	7,170.6	3,618.4	3,828.7
+ Loan-loss provisions	6,564.3	2,601.2	2,210.3	2,504.4	2,107.7	2,667.5
+ Depreciation and Amortization	0.0	0.0	0.0	24.7	0.0	109.1
- Write-offs	1,753.76	2,511.2	1,863.9	2,227.5	2,012.1	2,423.9
+ Changes in Accounts Receivable	-355.1	-2,119.9	-2,040.9	-4,497.5	-614.0	3,033.5
+ Changes in Short Term Debt	-2,162.0	1,124.6	5,460.5	-2,489.1	-450.9	-892.3
FCF	10,367.4	11,054.2	14,528.4	4,940.5	6,673.3	11,170.3

Source: HR Ratings with quarterly and audited information from 81financial institutions.

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