



Tatiana Padilla – A financial data analysis

The Development Bank Financial analysis

Below is a brief glossary of financial indicators and terms used in this analysis;

- **Assets:** We understand by assets the set of resources available to a company to carry out its operations.
- **Liabilities:** They are the debts and obligations of the company.
- **Equity:** Equity or accounting capital is the value of the company, either derived from its activity or from contributions from partners.
- **Portfolio:** They are all the credits granted by the bank to the market. They represent the main source of income.
- **Reserves:** Represents the resources that the entity has immediately available.
- **Physical assets:** they are made up of those assets or rights that cannot be converted into cash in a period of less than one year. Mainly composed of furniture and computer equipment.
- **Net income:** Represents the financial or accounting results that can be profit or loss.
- **Profit margin:** Measures the difference between income and financial costs.
- **Operational efficiency:** Indicates the % of how well the entity's resources are being used.
- **ROA:** Measures the profitability of the company's total assets.
- **ROE:** Measures return on equity.
- **IMOR:** Measures the volume of credits that have been considered delinquent or are not paid on time.
- **ICOR:** It is the level of protection that financial institutions have against unpaid customer loans

How to choose the perfect bank to invest in?



In order to determine which is the best development bank or which bank to invest in, a rating of the banks will be made through their financial indicators and corresponding analysis. The rating will be done as follows:

- 7 Indicators will be evaluated and will have the following scores:

1	Net incomes	16%
2	ROA	16%
3	ROE	16%
4	Profit Margin	16%
5	OE	16%
6	ICOR	10%
7	IMOR	10%

Total score	100%
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- Every Bank will be ranked according to the result of the 7 financial KPIs:

Rating	KPI Name	Score
1	Banobras	16%
2	Banjército	14%
3	Bancomext	11%
4	Nafin	8%
5	Hipotecaria Federal	3%
6	Banco del Bienestar	0%

The first position will have all the points (16 or 10% according to the KPI)

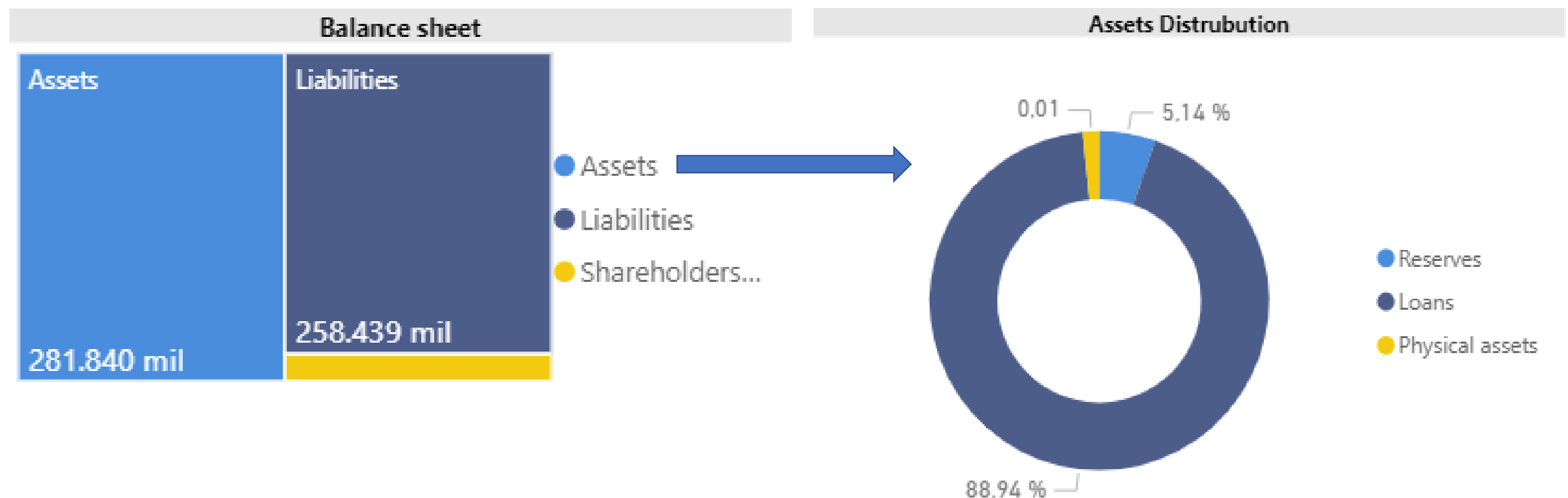
Last position does not receive points.

The bank that has been in the first position several times or has accumulated the most points (from 1% to 100%) will be the best decision to invest,

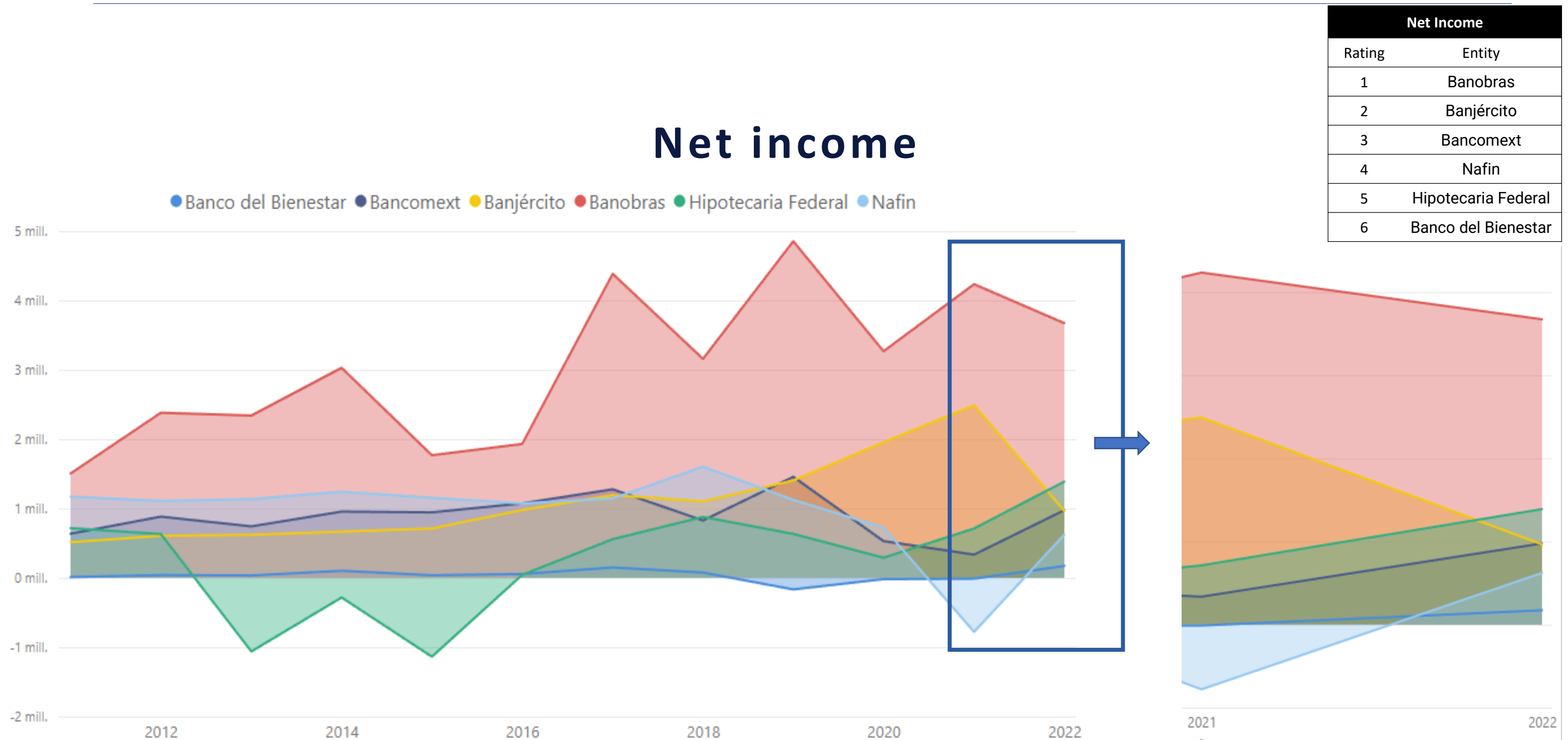


16%	16%	16%	16%	16%	10%	10%	100%
Net incomes	ROA	ROE	Profit Margin	OE	ICOR	IMOR	Total score

A general insight to the bank development

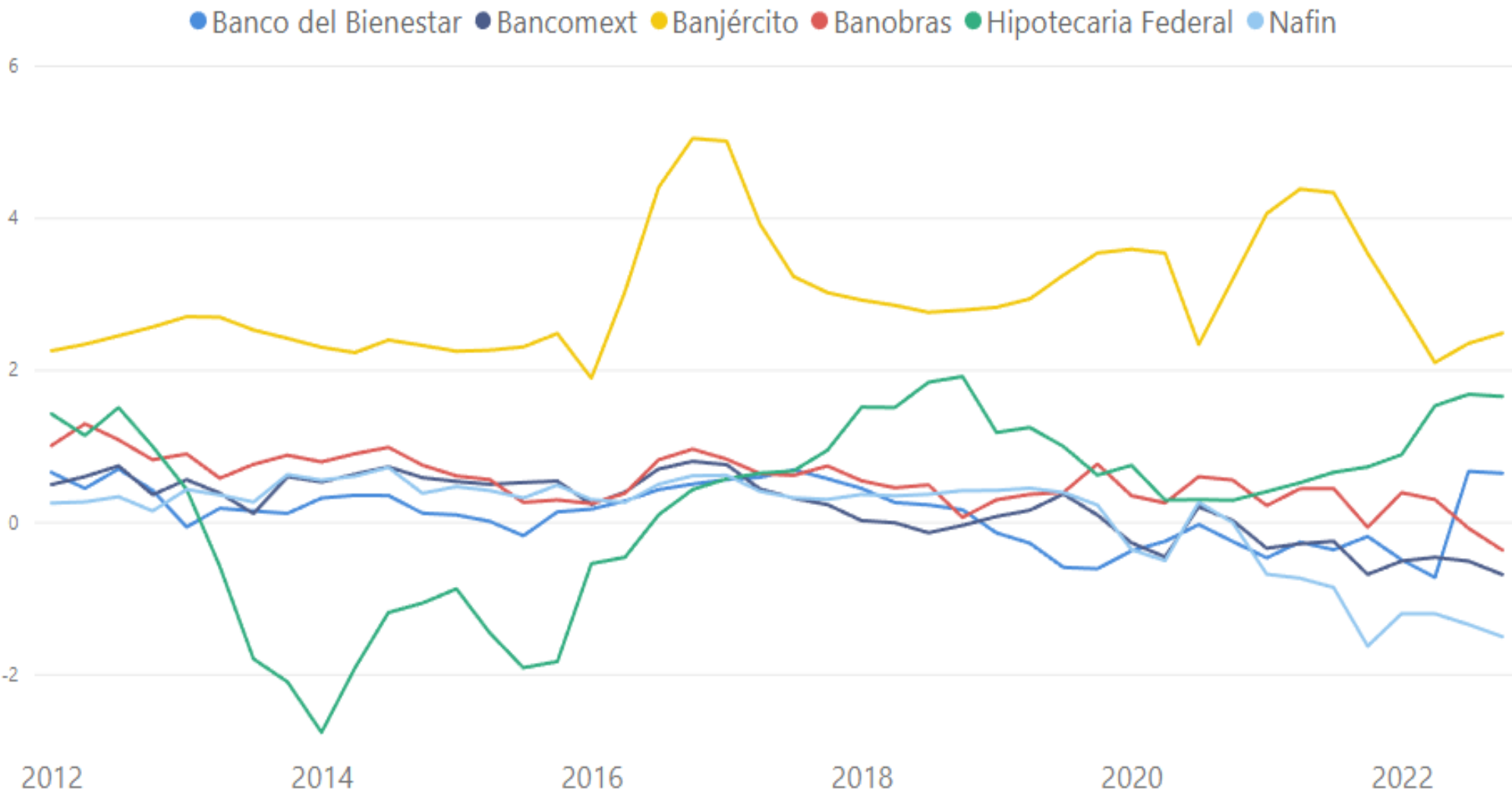


Analyzing the balance sheet of the Development bank in the years from 2021 to 2022, it can be observed a good liquidity when assets and equity are greater than liabilities. There is also a good distribution of assets with 88.94% of the investment concentrated in Loans, which are the main source of income for a bank.



Hipotecaria Federal and Nefin have received in previous years several calls for attention due to negative net incomes, with Hipotecaria Federal being a recurring offender for 3 consecutive years (2013, 2014, 2015). It should be noted that from 2021 to 2022, there is a rebound in the net incomes of Hipotecaria Federal, Bancomext, and Nafin. Banobras and Banjercito turn out to be the most solid ones in terms of net incomes.

ROA (Return On Assets)



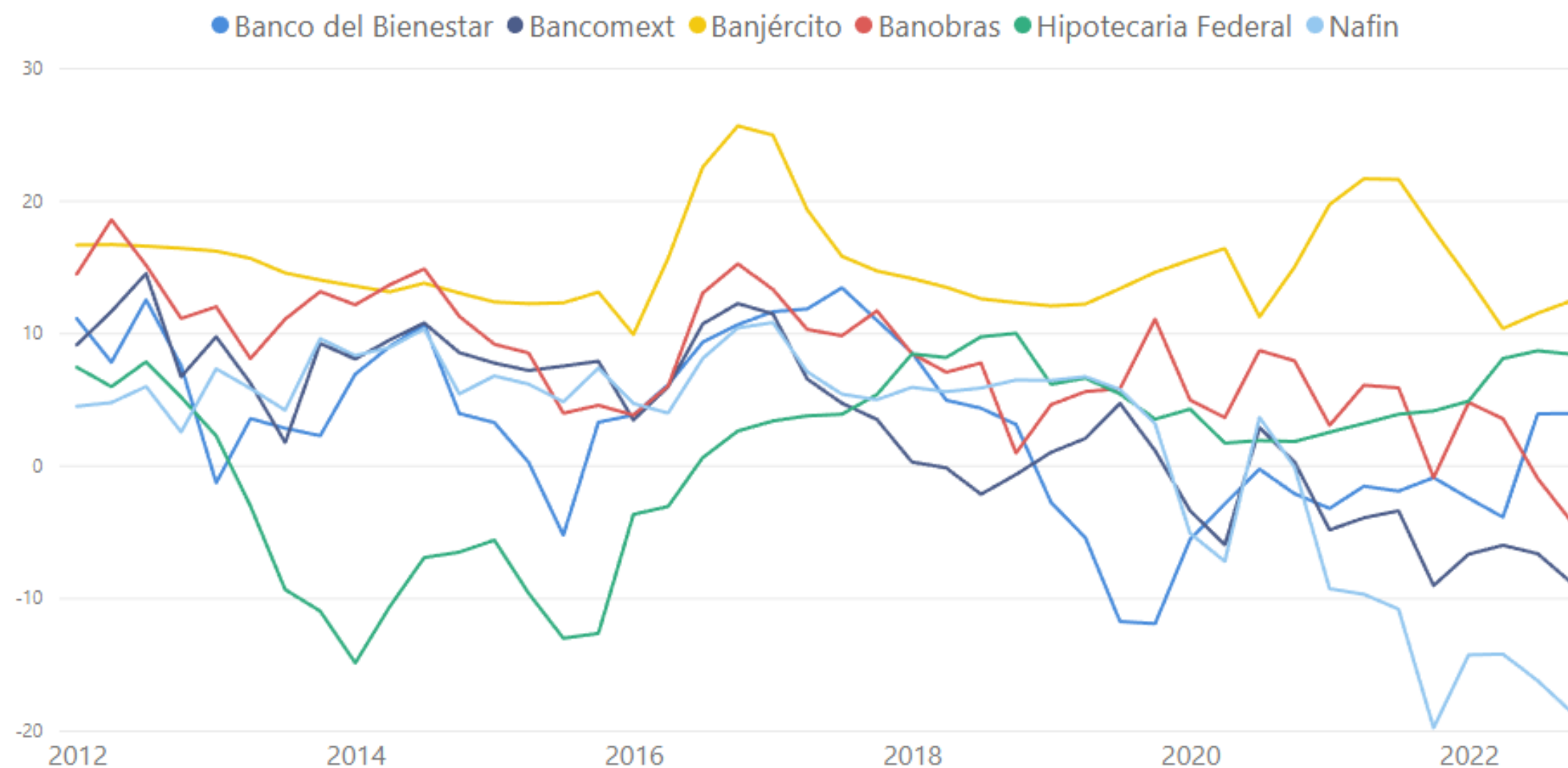
ROA	
Rating	Entity
1	Banjército
2	Banobras
3	Hipotecaria Federal
4	Bancomext
5	Banco del Bienestar
6	Nafin

Entity	ROA
Banjército	2,98
Banobras	0,55
Hipotecaria Federal	0,21
Bancomext	0,20
Banco del Bienestar	0,10
Nafin	0,09
Total	0,69

Regarding the ability of the asset to generate profits, we can see that Banjercito is the one that presents the highest indicator, in this case it is 2.98%, which indicates that for each peso invested in assets, they generate a profitability of \$0.0298 pesos.

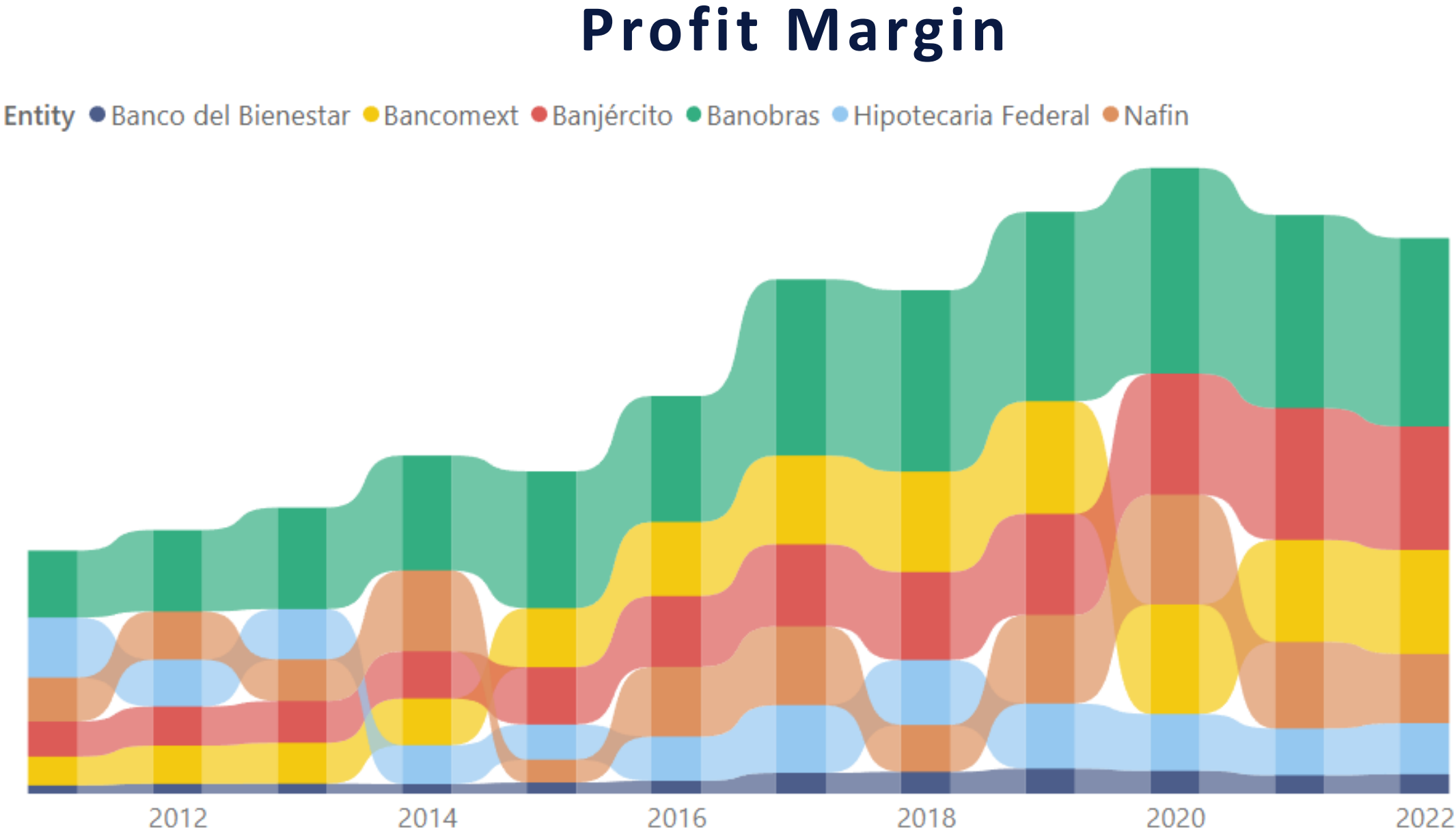
ROE (Return On Equity)

ROE	
Rating	Entity
1	Banjército
2	Banobras
3	Bancomext
4	Banco del Bienestar
5	Nafin
6	Hipotecaria Federal



Entity	ROE
Banjército	15,25
Banobras	8,26
Bancomext	3,41
Banco del Bienestar	2,81
Nafin	2,14
Hipotecaria Federal	0,94
Total	5,47

The best average return on equity invested by shareholders is the one presented in the Banjército financial institution 15.25%, which indicates that for each peso invested in equity, \$0.1525 pesos of profit are generated. This entity has also reached maximums of 28.86% and turns out to be the one with the greatest stability for the ROE.

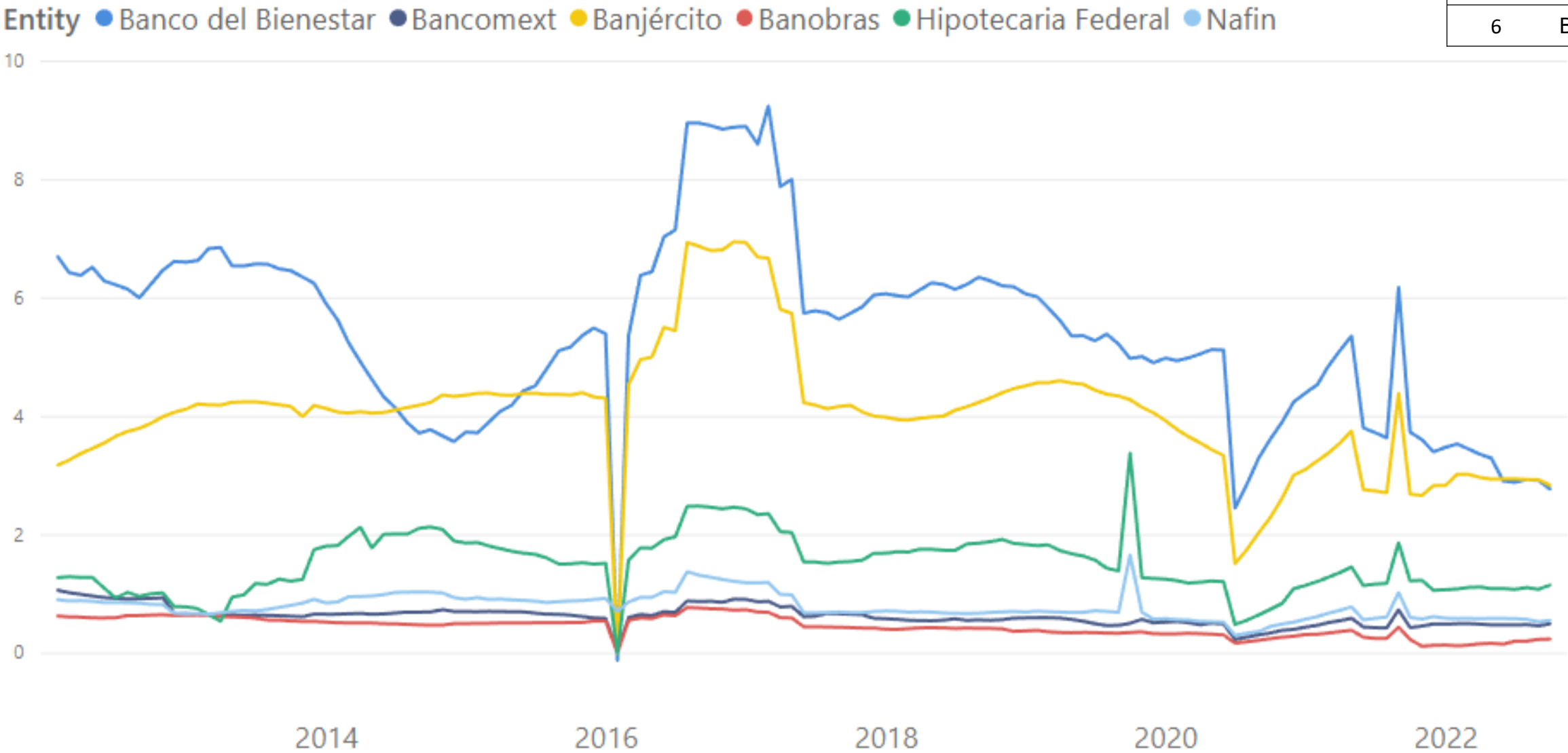


PROFIT MARGIN	
Rating	Entity
1	Banobras
2	Banjército
3	Bancomext
4	Nafin
5	Hipotecaria Federal
6	Banco del Bienestar

In this scenario, we observe that over time the profit margin increases substantially for most of the banking entities, with the exception of Banco del Bienestar, which present very static margin over time. Compared to the other entities, **Banobras** is the one who shows the highest profit margin. It would be necessary to review and retake what political or financial decisions were made in 2020 since it led Nafin, Banjercito and Banobras to reach the maximum profit margin ever.

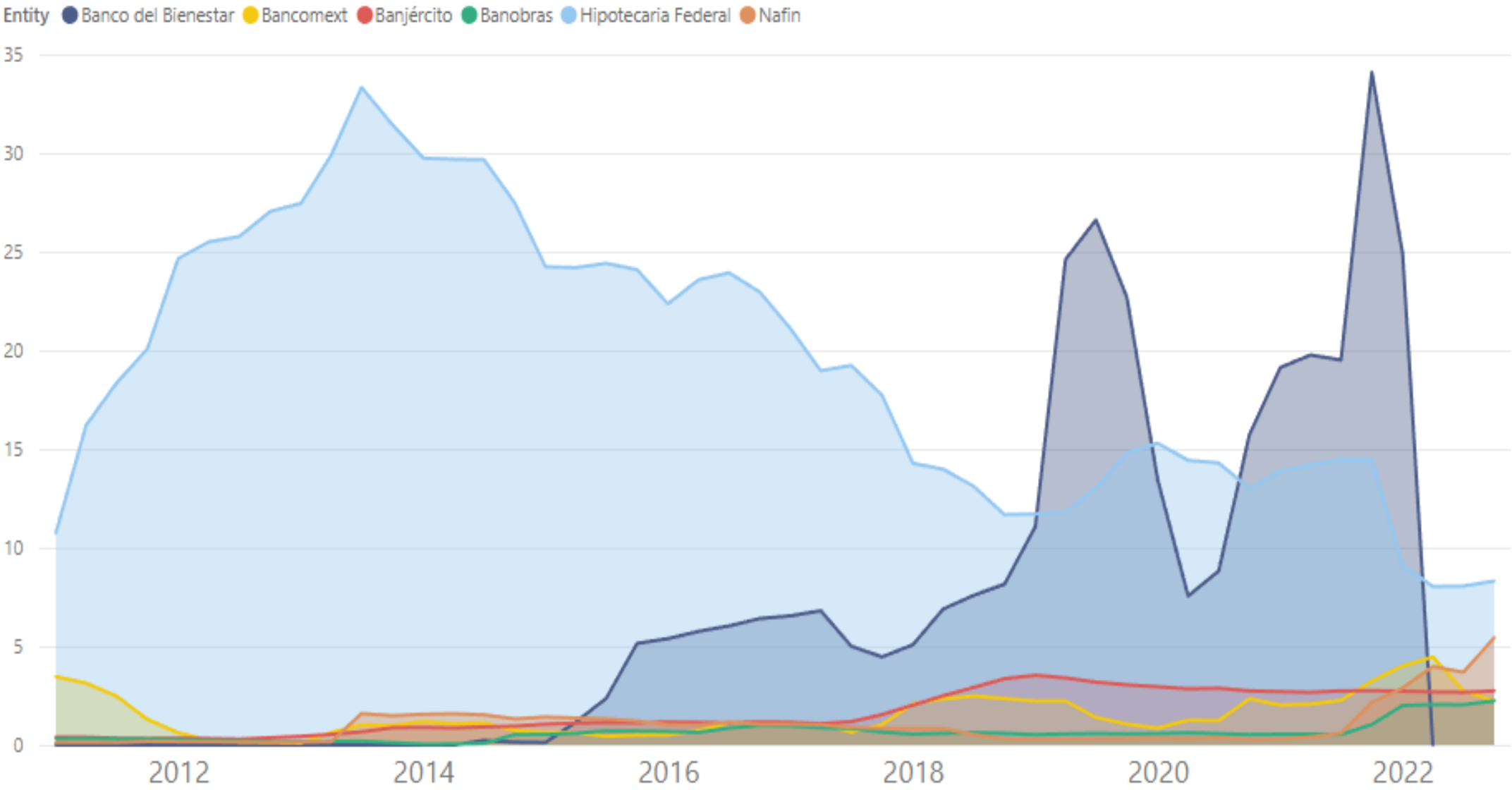
Operational Efficiency

OPERATIONAL EFFICIENCY	
Rating	Entity
1	Banobras
2	Bancomext
3	Nafin
4	Hipotecaria Federal
5	Banjército
6	Banco del Bienestar

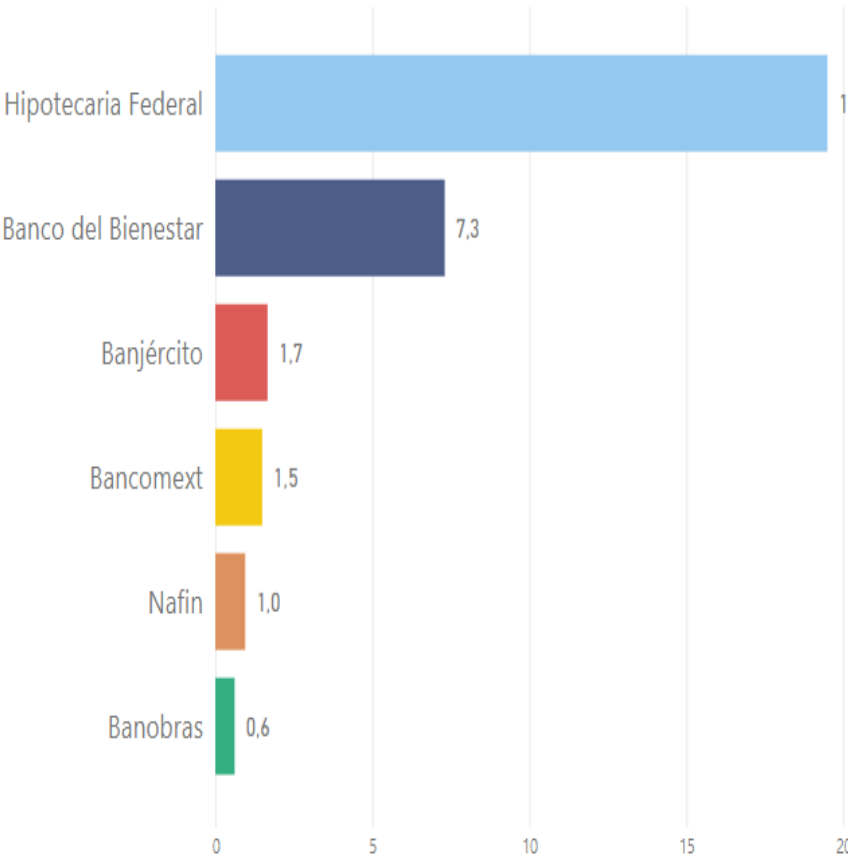


In terms of relative productivity, the least efficient banking entities found in this analysis were Banco del Bienestar and Banjército, since they presented the highest result for this indicator, therefore, they require greater administration and promotion expenses to capture the same income as the other entities. Overt time the most efficient entities are Banobras, Bancomext and Nafin.

IMOR



IMOR	
Rating	Entity
1	Banobras
2	Nafin
3	Bancomext
4	Banjército
5	Banco del Bienestar
6	Hipotecaria Federal

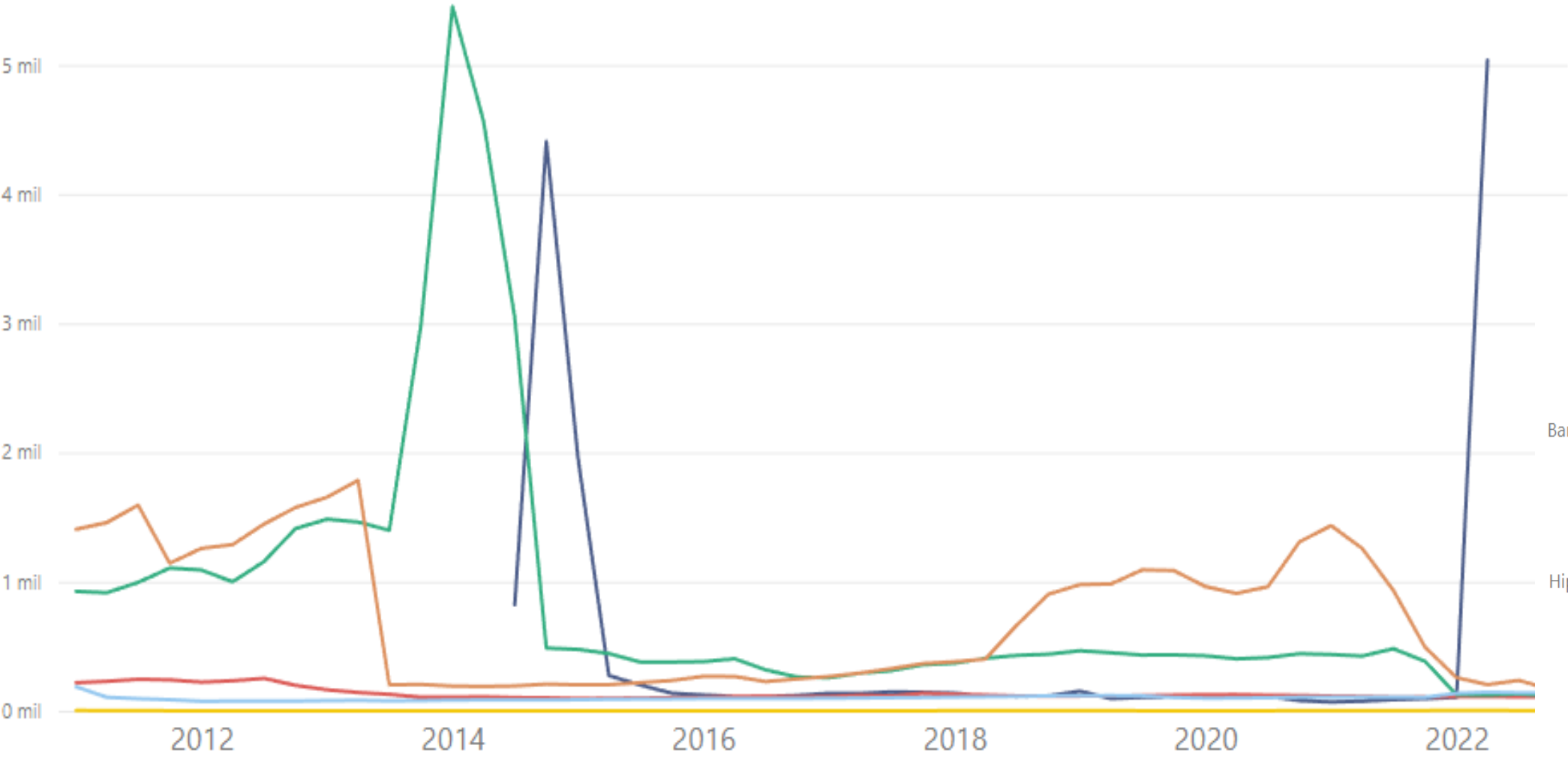


The graph above shows the proportion of the portfolio that has payment problems and/or payment delays in relation to the gross portfolio of each bank entity. Hipotecaria Federal has presented an average of 19.5% of its portfolio with payment problems, and a maximum record of 33.3% with this situation, it can be seen that this value has been decreasing over the years but it continues to be the entity with the highest default in its portfolio.

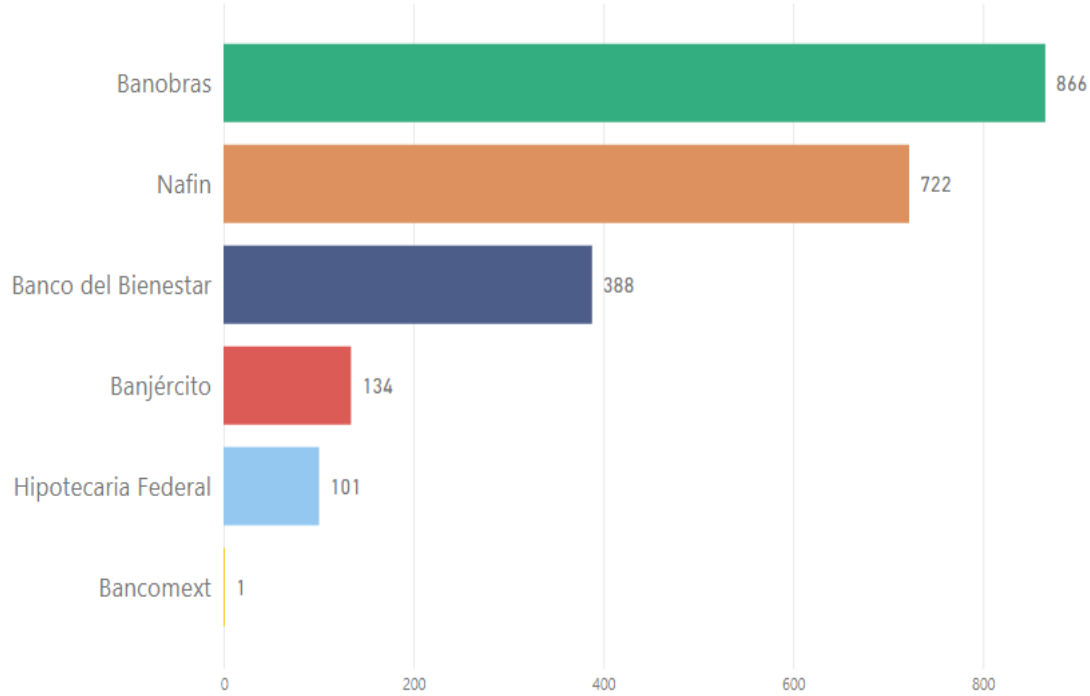
On the other hand, 7% of Banco del Bienestar's portfolio corresponds to portfolio with problems and it continues to increase, already presenting two maximum peaks of this value in the last 4 years. Until May 2022, the entity has not presented more data.

ICOR

Entity ● Banco del Bienestar ● Bancomext ● Banjército ● Banobras ● Hipotecaria Federal ● Nafin



ICOR	
Rating	Entity
1	Banobras
2	Nafin
3	Banco del Bienestar
4	Banjército
5	Hipotecaria Federal
6	Bancomext



It is possible to observe that the ICOR of the Banco del Bienestar was radically decreased for 2015, which is why the IMOR had a significant increase in that same year, (evidenced in the previous slide) and kept increasing in subsequent years. Additionally, it can be seen that in mid-2022, this entity increased its reserves to cover the high default rate that it presented and caused an abrupt drop in the IMOR from 34% to 0.01% in that period.

On the other hand, Banobras and Nafin present high levels of this indicator, which means that they have good reserves to cover credit risks, in a stable manner, more than 7 times the overdue balance of this type of credits.

Score Board



16%

Rating	Net incomes	Score
1	Banobras	16%
2	Banjército	14%
3	Bancomext	11%
4	Nafin	8%
5	Hipotecaria Federal	3%
6	Banco del Bienestar	0%

16%

Rating	ROA	Score
1	Banjército	16%
2	Banobras	14%
3	Hipotecaria Federal	11%
4	Bancomext	8%
5	Banco del Bienestar	3%
6	Nafin	0%

16%

Rating	OE	Score
1	Banobras	16%
2	Bancomext	14%
3	Nafin	11%
4	Hipotecaria Federal	8%
5	Banjército	3%
6	Banco del Bienestar	0%

10%

Rating	ICOR	Score
1	Banobras	10%
2	Nafin	9%
3	Banco del Bienestar	7%
4	Banjército	5%
5	Hipotecaria Federal	2%
6	Bancomext	0%

16%

Rating	ROE	Score
1	Banjército	16%
2	Banobras	14%
3	Bancomext	11%
4	Banco del Bienestar	8%
5	Nafin	3%
6	Hipotecaria Federal	0%

16%

Rating	Profit Margin	Score
1	Banobras	16%
2	Banjército	14%
3	Bancomext	11%
4	Nafin	8%
5	Hipotecaria Federal	3%
6	Banco del Bienestar	0%

10%

Rating	IMOR	Score
1	Banobras	10%
2	Nafin	9%
3	Bancomext	7%
4	Banjército	5%
5	Banco del Bienestar	2%
6	Hipotecaria Federal	0%

Ranking results

Entity	Net incomes	ROA	ROE	Profit Margin	OE	ICOR	IMOR	Total score
Banobras	16%	14%	14%	16%	16%	10%	10%	97%
Banjército	14%	16%	16%	14%	3%	5%	5%	74%
Bancomext	11%	8%	11%	11%	14%	0%	7%	63%
Nafin	8%	0%	3%	8%	11%	9%	9%	48%
Hipotecaria Federal	3%	11%	0%	3%	8%	2%	0%	28%
Banco del Bienestar	0%	3%	8%	0%	0%	7%	2%	20%

Conclusions

After analyzing the financial status and ranking the 6 banking entities exposed today, it is found that financially the entity that is most profitable for an investment is **Banobras**.

- There is an adequate growth of the management from 2012 to the 2022 management in the size of the institution, this mainly due to the growth of assets has not slowed down over the years, and that 92% of these assets are concentrated in the loan portfolio, which is the most important asset within the balance sheet structure.
- The Bank Institution has kept the proportion of portfolio with credit problems too low for a whole decade, and presents good reserves to cover credit risks, in a stable manner, more than 8 and a half times the overdue balance of this type of credits.
- Finally, it has been demonstrated that the entity's assets have the capacity to generate profits, in this case it is 0.5% on average, so for each peso invested in assets, they will generate a return of \$0.005 pesos. However, in the last two quarters of 2022, a negative balance is observed in terms of profitability, possibly due to an increase of 0.5% to 2% in the past-due portfolio index for this period, as well as a decrease in invested capital. to prevent credit risks, which had worked perfectly for the entity in previous years.
- It is recommended not to modify these strategies that allowed this entity to maintain good results from 2011 to 2021 and above the other entities analyzed.