



Salles Sainz

**Grant Thornton**

**Consolidated Financial Statements and  
Independent Auditor's Report**

**Nacional Financiera S.N.C. Institución de  
Banca de Desarrollo and Subsidiaries**

**December 31, 2021 and 2020**

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## Independent auditor's report

To the Board of Directors of:

Nacional Financiera, S.N.C., Institución de Banca de Desarrollo

### **Opinion**

We have audited the accompanying consolidated financial statements of Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries (the Institution), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended, and a summary of the significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements, as at and for the years ended December 31, 2021 and 2020, are prepared, in all material respects, in conformity with the Accounting Criteria for Lending Institutions in Mexico (the Accounting Criteria), issued by the National Banking and Securities Commission (the Banking Commission).

### **Basis for opinion**

We conducted our audits in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Institution in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements that are relevant to our audits of the financial statements in Mexico in accordance with the Instituto Mexicano de Contadores Públicos A.C.'s Code of Professional Ethics (IMCP Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA and IMCP Codes. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Emphasis paragraph**

As discussed in Notes 1 and 2 a) , the accompanying consolidated financial statements are prepared in conformity with the Accounting Criteria applicable to Lending Institutions set out by the Banking Commission and beginning April 2020, with the temporary application of the special accounting criteria issued by the Banking Commission in March 2020, in dealing with the COVID-19 contingency, concerning the consumer lending portfolio, as well as housing and trade portfolios for customers that have been affected by that contingency, which were classified for accounting purposes as performing portfolios in the terms set out in those criteria in the terms and conditions of the guidelines listed in Note 4 a). Our opinion has not been modified in connection with this matter.

**Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole as at and for the year ended December 31, 2021, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each key audit matter, we describe below how it was addressed in our audit.

Key audit matter	How the matter was addressed in the audit
<b>Derivatives.</b> See Note 9 to the consolidated financial statements	
<p>The determination of fair value of some derivative financial instruments designated as hedges as at December 31, 2021 is carried out, by using valuation techniques that involve significant judgments made by Management, primarily when the use of inputs is required that are obtained from various sources or data not observed on the market and complex valuation models.</p> <p>In addition, the requirements that must be met for recording financial instruments designated as hedges in the accounting, as well as the documentation and monitoring for testing their effectiveness involve a certain degree of specialization by Management.</p> <p>The documentation of derivatives, their designation, valuation and results determine the accounting treatment and presentation of derivatives and their hedged position, which implies a complex methodological analysis that requires the participation of specialists.</p>	<p>Our audit procedures included, among other things, the review of the documentation of derivative financial instruments in compliance with the requirements set forth in the accounting criteria for the designation, recognition, and treatment of derivatives for trading and hedging purposes.</p> <p>Likewise, we involved our expert for evaluating the reasonableness of valuation through selective tests for assisting us in understanding and evaluating the assumptions, methodologies, and input data used by the Institution for the determination of the fair value of derivative financial instruments, and the appropriate compliance with the criteria and documentation to be considered as such for hedging transactions, hedge effectiveness, and an appropriate disclosure and presentation in the consolidated financial statements, in adherence with accounting criterion B-5.</p>



<b>Loan portfolio and allowance for loan losses.</b> See Note 10 to the consolidated financial statements	
<p>As discussed in Note 4 a), beginning April 2020, the Institution applied the special accounting criteria issued by the Banking Commission for dealing with the economic impact brought on by the pandemic, relative to the loan portfolio set out in the "General and Specific Guidelines for rescheduling amortizations of the borrowers of the Institution in dealing with the circumstances brought about by the SARS-CoV2 (COVID-19) virus", which set forth the rules for implementing the benefits and support granted in the term provided for by the Commission.</p> <p>The documentation on the agreements with customers for rescheduling credits, verification of meeting requirements for granting the benefit were the basis for carrying out the adjustments to the process and the operating system that enables accounting treatment and presentation, in conformity with special accounting criteria, which meant a significant change in how that portfolio is managed.</p> <p>As discussed in Note 3 j), the allowance for loan losses of the commercial loan portfolio is determined in accordance with the classification rules and portfolio rating set forth by the Banking Commission. That methodology involves significant judgments for the evaluation of the credit rating of debtors, considering the various qualitative and quantitative factors used in the loan portfolio rating process, as well as for evaluating the reliability of the documentation and restatement for the determination of the allowance for loan losses of the loan portfolio.</p>	<p>As part of our audit procedures, we performed an analysis of the processes and controls implemented by Management for identifying, quantifying, and managing the credits to the customers to whom special accounting criteria were applied. In addition, our sample included credits subject to the special accounting criteria for performing substantive audit tests focused on verifying the accounting recognition, in conformity with the accounting criteria issued.</p> <p>As part of our audit procedures applied on a selective basis to evaluate the correct determination by Management of the allowance for loan losses and their effect on income for the year, we evaluated the qualitative and quantitative factors used, as well as the calculation mechanism applied, and their adherence to the current methodologies for each type of loan portfolio, as set forth by the Banking Commission. Moreover, in conformity with the General Provisions applicable to Lending Institutions (the Provisions or the CUBs - for its acronym in Spanish) issued by the Banking Commission, we verified the compliance with the accounting recognition of the additional reserves as at December 31, 2021, which was carried out based on the methodology and which were authorized by the Banking Commission. Those reserves considered the possible effects to be generated pursuant to the pandemic caused by the SARS-CoV2 (COVID-19) virus.</p>
<b>Employee benefits.</b> See Note 20 to the consolidated financial statements	
<p>The Institution has established benefit plans and defined contributions for its employees that cover retirement pensions, seniority premiums, legal indemnifications, special loans for savings, and financial cost of credits and other postretirement benefits, which are discussed in Note 20 to the consolidated financial statements. The determination of the liability corresponding to those plans as of December 31, 2021 was performed through complex actuarial calculations that require significant judgments in the selection of the hypotheses used for the determination of the projected net</p>	<p>With the participation of our expert, we evaluated the reasonableness of the assumptions used by Management for determining the projected net liability of labor obligations at retirement and for termination, as well as the calculation mechanism used, the treatment of personnel movements. Moreover, pursuant to selective tests, personnel data (age, seniority, salary, etc.) were verified that were included as the base for the actuarial calculation.</p>



liability of labor obligations. Due to the foregoing and movements of the personnel of the Institution, as well as early retirements and considerable changes in the hypotheses performed in 2021, that liability was considered as a key audit matter.	
<b>Income taxes and Employee Statutory Profit Sharing, current and deferred.</b> See Note 21 to the consolidated financial statements	
The determination of income taxes and employee statutory profit sharing, current and deferred, is complex, due to the interpretation of currently enacted tax legislation. It further requires significant judgments, fundamentally on the valuation of deferred income taxes assets and employee statutory profit sharing to evaluate present and future factors that allow for the best estimate on the realization of those assets.	<p>The audit procedures applied to the calculations made by Management for the recognition of income taxes and employee statutory profit sharing, current and deferred included selective tests of the inputs used and the nature of the items incorporated into those calculations, considering currently enacted tax legislation.</p> <p>With the participation of our tax specialist, we evaluated the reasonableness of the relevant tax assumptions, including the reversal period of temporary items, the projections of future taxable income determined by Management, which support the probability that income taxes assets will be recovered.</p>

### **Management's responsibilities and of those responsible for the Institution's governance with respect to the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the accompanying consolidated financial statements in accordance with the Accounting Criteria applicable to Lending Institutions issued by the Banking Commission and for the internal control deemed necessary by Management to permit the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error,

In the preparation of consolidated financial statements, Management is responsible for evaluating the Institution's ability to continue as a going concern and disclosing, if applicable, those matters relative to the going concern and using the accounting postulate for a going concern, unless Management has the intent to liquidate the Institution or suspend its operations, or there is no other more realistic alternative.

Those charged with governance of the Institution are responsible for overseeing the process and issue of its financial reporting.

### **Auditor's Responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements of the Institution as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit in accordance with ISAs, we apply our professional judgment and maintain an attitude of professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institution's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institution's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Institution to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the subsidiaries or business activities within the Institution to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for the auditor's opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance of the Institution with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance of the Institution, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report.

SALLES, SAINZ - GRANT THORNTON, S.C.

A handwritten signature in black ink, appearing to read 'Nancy', written over a horizontal line.

C.P.C. Nancy Velasco Contreras

Mexico City, Mexico  
March 15, 2022

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**Nacional Financiera, S. N. C.,**  
**Institución de Banca de Desarrollo and Subsidiaries**  
**Av. Insurgentes Sur 1971, Col. Guadalupe Inn, Postal Code 01020 Mexico City**  
**Consolidated Balance Sheets**  
**Years ended December 31, 2021 and 2020**  
**(Millions of Mexican pesos)**

<b>Assets</b>	<b>2021</b>	<b>2020</b>	<b>Liabilities and Stockholders' Equity</b>	<b>2021</b>	<b>2020</b>
<b>Cash and cash equivalents (Note 6)</b>	<b>\$ 29,919</b>	<b>\$ 44,265</b>	<b>Deposit funding (Note 15)</b>		
<b>Margin accounts</b>	<b>191</b>	<b>165</b>	Time deposits		
<b>Investment securities (Note 7)</b>			Money market	<b>\$ 125,531</b>	<b>\$ 136,051</b>
Trading	<b>205,802</b>	<b>224,048</b>	Debt securities issued		
Available-for-sale	<b>19,821</b>	<b>17,453</b>	In the Country:		
Held-to-maturity	<b>38,315</b>	<b>45,597</b>	Stock certificates (Note 16)	<b>76,707</b>	<b>61,099</b>
	<b>263,938</b>	<b>287,098</b>	Abroad		
<b>Debtors on repurchase/resell agreements (Note 8)</b>	<b>-</b>	<b>180</b>	Bank bonds (Note 17)	<b>30,187</b>	<b>39,073</b>
<b>Derivatives (Note 9)</b>			Stock notes	<b>4,462</b>	<b>4,829</b>
Trading purposes	<b>6,148</b>	<b>5,911</b>		<b>236,887</b>	<b>241,052</b>
Hedging purposes	<b>851</b>	<b>3,461</b>	<b>Bank and other borrowings (Note 18)</b>		
	<b>6,999</b>	<b>9,372</b>	Due on demand	<b>7,309</b>	<b>26,397</b>
<b>Valuation adjustment from hedging of financial assets</b>	<b>3,929</b>	<b>4,934</b>	Short-term	<b>13,119</b>	<b>8,216</b>
<b>Current loan portfolio</b>			Long-term	<b>27,274</b>	<b>15,791</b>
Commercial loans				<b>47,702</b>	<b>50,404</b>
Business or commercial activity	<b>45,520</b>	<b>51,721</b>	<b>Creditors on repurchase/resell agreements (Note 8)</b>	<b>147,272</b>	<b>247,648</b>
Financial entities	<b>128,319</b>	<b>165,900</b>	<b>Derivatives (Note 9)</b>		
Government entities	<b>10,409</b>	<b>3,143</b>	Trading purposes	<b>6,217</b>	<b>5,974</b>
	<b>184,248</b>	<b>220,764</b>	Hedging purposes	<b>8,692</b>	<b>8,147</b>
Consumer loans	<b>15</b>	<b>15</b>		<b>14,909</b>	<b>14,121</b>
Residential mortgages loans	<b>80</b>	<b>94</b>	<b>Valuation adjustments from hedging financial liabilities</b>	<b>1,387</b>	<b>4,150</b>
Loans granted as Federal Government Financial Agent	<b>-</b>	<b>-</b>	<b>Other accounts payable (Note 19)</b>		
<b>Total current loan portfolio</b>	<b>184,343</b>	<b>220,873</b>	Income tax payable	<b>72</b>	<b>73</b>
<b>Past-due loan portfolio</b>			Employee statutory profit sharing payable	<b>3</b>	<b>-</b>
Commercial loans			Creditors on settlement of transactions	<b>7,292</b>	<b>-</b>
Business or commercial activity	<b>5,223</b>	<b>528</b>	Creditors on collateral received in cash	<b>129</b>	<b>2,652</b>
Financial institutions	<b>-</b>	<b>-</b>	Sundry creditors and other accounts payable	<b>3,336</b>	<b>2,773</b>
	<b>5,223</b>	<b>528</b>		<b>10,832</b>	<b>5,498</b>
Consumer loans	<b>2</b>	<b>6</b>	<b>Deferred credits and prepayments</b>	<b>74</b>	<b>72</b>
Residential mortgages loans	<b>4</b>	<b>5</b>	<b>Total liabilities</b>	<b>459,063</b>	<b>562,945</b>
<b>Total past-due loan portfolio</b>	<b>5,229</b>	<b>539</b>	<b>Stockholders' equity (Note 22)</b>		
<b>Loan portfolio</b>	<b>189,572</b>	<b>221,412</b>	<b>Paid-in capital</b>		
<b>(-) less:</b>			Capital stock	<b>9,638</b>	<b>9,293</b>
Allowance for loan losses	<b>(12,635)</b>	<b>(8,071)</b>	Contribution for future capital increases formalized	<b>11,564</b>	<b>13,178</b>
<b>Total loan portfolio, net (Note 10)</b>	<b>176,937</b>	<b>213,341</b>	Paid stock premium	<b>21,053</b>	<b>15,510</b>
<b>Other accounts receivable, net (Note 11)</b>	<b>10,633</b>	<b>37,392</b>		<b>42,255</b>	<b>37,981</b>
<b>Foreclosed assets, net (Note 12)</b>	<b>-</b>	<b>-</b>	<b>Earned capital</b>		
<b>Property and equipment, net (Note 13)</b>	<b>1,412</b>	<b>1,444</b>	Statutory reserves	<b>3,115</b>	<b>3,115</b>
<b>Permanent investments (Note 14)</b>	<b>3,062</b>	<b>2,939</b>	Retained earnings	<b>196</b>	<b>4,432</b>
<b>Deferred income taxes and employee statutory profit sharing, net</b>	<b>1,315</b>	<b>3,088</b>	Result from valuation of available for sale securities, net	<b>22</b>	<b>(74)</b>
<b>Other assets</b>			Result on valuation of cash flow hedge instruments	<b>108</b>	<b>1</b>
Deferred income charges, prepaid expenses and intangibles	<b>937</b>	<b>831</b>	Remeasurements of defined employee benefits, net	<b>(1,966)</b>	<b>(1,358)</b>
	<b>937</b>	<b>831</b>	Effects of valuation in associate and affiliate companies	<b>1,318</b>	<b>635</b>
<b>Total assets</b>	<b>\$ 499,272</b>	<b>\$ 605,049</b>	Net income	<b>(6,668)</b>	<b>(4,228)</b>
			Non-controlling interest	<b>1,829</b>	<b>1,600</b>
			<b>Total stockholders' equity</b>	<b>40,209</b>	<b>42,104</b>
			<b>Total liabilities and stockholders' equity</b>	<b>\$ 499,272</b>	<b>\$ 605,049</b>

**Nacional Financiera, S. N. C.,**  
**Institución de Banca de Desarrollo and Subsidiaries**  
**Av. Insurgentes Sur 1971, Col. Guadalupe Inn, Postal Code 01020 Mexico City**  
**Years ended December 31, 2021 and 2020**  
**Consolidated Balance Sheets**  
**(Millions of Mexican pesos)**

**Memorandum accounts (Note 23)**

	<u>2021</u>	<u>2020</u>
Contingent assets and liabilities	<b>\$ 80,949</b>	<b>\$ 77,729</b>
Loan commitments	<b>344,206</b>	299,403
Assets placed in trust or mandate		
Trusts	<b>1,767,660</b>	1,572,581
Mandates	<b>13,544</b>	14,444
	<b>1,781,204</b>	1,587,025
Federal Government Financial Agent	<b>376,271</b>	389,477
Assets in custody or administration	<b>543,091</b>	559,621
Collateral received by the entity	<b>17,795</b>	3,098
Collateral received and sold or pledged as a guarantee by the entity	<b>17,796</b>	3,100
Investment banking transactions on behalf of third parties, net	<b>138,587</b>	108,140
Interest earned but not collected arising from past-due loan portfolio	<b>6</b>	1
Other memorandum accounts	<b>765,303</b>	721,257

These consolidated balance sheets were prepared in accordance with the Accounting Criteria for credit institutions issued by the National Banking and Securities Commission, based on Articles 99, 101, and 102 of the Law for Credit Institutions which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly they reflect the transactions carried out by the Institution through the dates noted above. Furthermore, these transactions were carried out and valued in accordance with sound banking practices and the applicable legal and administrative provisions.

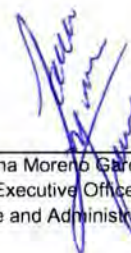
At December 31, 2021 and 2020, the historical capital stock, in accordance with the Regulation of the Organic Law of Nacional Financiera, S. N. C., I. B. D amounts to \$3,000 and \$2,390, respectively.

These consolidated financial statements could be searchable on the following webpage [https://www.nafin.com/portaInf/content/nafin-en-cifras/informacion-financiera/estados\\_financieros\\_dictaminados.html](https://www.nafin.com/portaInf/content/nafin-en-cifras/informacion-financiera/estados_financieros_dictaminados.html) and <https://portafolioinfo.cnbv.gob.mx/Paginas/Contenidos.aspx?ID=37&Titulo=Banca de Desarrollo>

These consolidated balance sheets were approved by the Board of Directors, under the responsibility of the following officers.



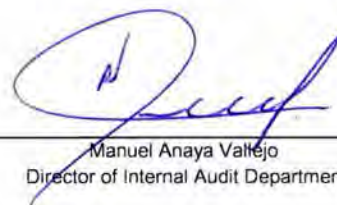
Luis Antonio Ramírez Pineda  
Chief Executive Officer



Paulina Moreno García  
Chief Executive Officer of  
Finance and Administration



Raúl Martínez Morán  
Director of Accounting and Budget Department



Manuel Anaya Vallejo  
Director of Internal Audit Department

See accompanying notes to consolidated financial statements.

**Nacional Financiera, S. N. C.,**  
**Institución de Banca de Desarrollo and Subsidiaries**  
**Av. Insurgentes Sur 1971, Col. Guadalupe Inn, Postal Code 01020 Mexico City**  
**Years ended December 31, 2021 and 2020**  
**Consolidated Statement of Income**  
**(Millions of Mexican pesos)**

	<u>2021</u>	<u>2020</u>
Interest income (Note 24)	\$ 19,290	\$ 29,616
Interest expense (Note 24)	<u>(13,928)</u>	<u>(22,623)</u>
<b>Financial margin</b>	<b>5,362</b>	<b>6,993</b>
Allowance for loan losses (Note 10)	<u>(4,721)</u>	<u>(305)</u>
<b>Financial margin adjusted for the allowance for loan losses</b>	<b>641</b>	<b>6,688</b>
Commission and fees income	\$ 4,473	\$ 3,935
Commission and fees expense	<u>(206)</u>	<u>(182)</u>
Financial intermediation income	879	(1,104)
Other operating income (expenses), net (Note 11 y 24)	<u>(7,678)</u>	<u>(11,001)</u>
Administrative and promotion expenses	<u>(3,100)</u>	<u>(2,902)</u>
<b>Operating income</b>	<b>(4,991)</b>	<b>(4,566)</b>
Equity method in the net income of unconsolidated subsidiaries and affiliates	<u>69</u>	<u>30</u>
<b>Income, before income taxes</b>	<b>(4,922)</b>	<b>(4,536)</b>
Current income tax (Note 21)	<u>(174)</u>	<u>(24)</u>
Deferred income tax, net (Note 21)	<u>(1,469)</u>	<u>387</u>
<b>Net income</b>	<b>(6,565)</b>	<b>(4,173)</b>
Non-controlling interests	<u>103</u>	<u>55</u>
<b>Net income on controlling interests</b>	<b>\$ (6,668)</b>	<b>\$ (4,228)</b>

These consolidated statements of income were prepared in accordance with the Accounting Criteria for credit institutions issued by the National Banking and Securities Commission, based on Articles 99, 101, and 102 of the Law for Credit Institutions which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly they reflect the transactions carried out by the Institution for the years noted above. Furthermore, these transactions were carried out and valued in accordance with sound banking practices and the applicable legal and administrative provisions.

These consolidated financial statements could be searchable on the following webpage [https://www.nafin.com/portalfin/content/nafin-en-cifras/informacion-financiera/estados\\_financieros\\_dictaminados.html](https://www.nafin.com/portalfin/content/nafin-en-cifras/informacion-financiera/estados_financieros_dictaminados.html) and <https://portafolioinfo.cnbv.gob.mx/Paginas/Contenidos.aspx?ID=37&Titulo=Banca de Desarrollo>

These consolidated statements of income were approved by the Board of Directors, under the responsibility of the following officers.



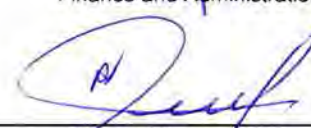
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Raúl Martínez Morán  
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Manuel Anaya Vallejo  
Director of Internal Audit Department

See accompanying notes to consolidated financial statements.

Nacional Financiera, S. N. C.,  
Institución de Banca de Desarrollo and Subsidiaries  
Av. Insurgentes Sur 1971, Col. Guadalupe Inn, Postal Code 01020 Mexico City  
Years ended December 31, 2021 and 2020  
Consolidated Statements of Changes in Stockholders' Equity  
(Millions of Mexican pesos)

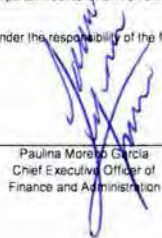
	Paid in capital					Earned capital						
	Capital stock	Contributions for future capital stock increases formalized by the Board of Directors	Paid stock premium	Statutory reserves	Retained earnings	Result from valuation of available-for-sale securities	Result on valuation of cash flow hedge instruments, net	Remeasurements of defined employee benefits, net	Effects of valuation in associated and affiliated companies	Net income	Non-controlling interest	Total stockholder's equity
<b>Balances as of December 31, 2019</b>	\$ 9,202	\$ 7,264	\$ 14,225	\$ 1,730	\$ 8,089	\$ 5	\$ -	\$ (1,442)	\$ 1,125	\$ (2,272)	\$ 1,587	\$ 39,513
Retrospective reclassification due to increase in the capital reserve (Nota 10)	-	-	-	1,385	(1,385)	-	-	-	-	-	-	-
<b>Balances as of December 31, 2019 reclassified</b>	<b>\$ 9,202</b>	<b>\$ 7,264</b>	<b>\$ 14,225</b>	<b>\$ 3,115</b>	<b>\$ 6,704</b>	<b>\$ 5</b>	<b>\$ -</b>	<b>\$ (1,442)</b>	<b>\$ 1,125</b>	<b>\$ (2,272)</b>	<b>\$ 1,587</b>	<b>\$ 39,513</b>
<b>Changes resulting from stockholders' resolutions:</b>												
Appropriation of prior year loss	-	-	-	-	(2,272)	-	-	-	-	2,272	-	-
Contributions for future capital increases	-	7,290	-	-	-	-	-	-	-	-	-	7,290
Capitalization of contributions for future capital increases	91	(1,376)	1,285	-	-	-	-	-	-	-	-	-
Total	91	5,914	1,285	-	(2,272)	-	-	-	-	2,272	-	7,290
<b>Changes related to the recognition of comprehensive income</b>												
Net income	-	-	-	-	-	-	-	-	-	(4,173)	-	(4,173)
Result from valuation in associated and affiliated companies	-	-	-	-	-	-	-	-	(490)	-	-	(490)
Result from valuation of available-for-sale securities, net	-	-	-	-	-	(79)	-	-	-	-	-	(79)
Result on valuation of cash flow hedge instruments	-	-	-	-	-	-	1	-	-	-	-	1
Remeasurements of defined employee benefits, net	-	-	-	-	-	-	-	84	-	-	-	84
Non-controlling interest	-	-	-	-	-	-	-	-	-	(55)	13	(42)
Total of changes related to the recognition of comprehensive income	-	-	-	-	-	79	1	84	(490)	(4,228)	13	(4,699)
<b>Balances as of December 31, 2020</b>	<b>\$ 9,293</b>	<b>\$ 13,178</b>	<b>\$ 15,510</b>	<b>\$ 3,115</b>	<b>\$ 4,432</b>	<b>\$ (74)</b>	<b>1</b>	<b>\$ (1,358)</b>	<b>\$ 635</b>	<b>\$ (4,228)</b>	<b>\$ 1,600</b>	<b>\$ 42,104</b>
<b>Changes resulting from stockholders' resolutions:</b>												
Appropriation of prior year loss	-	-	-	-	(4,228)	-	-	-	-	4,228	-	-
Contributions for future capital increases (Note 22)	-	4,274	-	-	-	-	-	-	-	-	-	4,274
Capitalization of contributions for future capital increases (Note 22)	345	(5,888)	5,543	-	-	-	-	-	-	-	-	-
Total	345	(1,614)	5,543	-	(4,228)	-	-	-	-	4,228	-	4,274
<b>Changes related to the recognition of comprehensive income</b>												
Net income	-	-	-	-	-	-	-	-	-	(6,565)	-	(6,565)
Result from valuation in associated and affiliated companies	-	-	-	-	-	-	-	-	683	-	-	675
Result from valuation of available-for-sale securities, net	-	-	-	-	(8)	96	-	-	-	-	-	96
Result on valuation of cash flow hedge instruments	-	-	-	-	-	-	107	-	-	-	-	107
Remeasurements of defined employee benefits, net	-	-	-	-	-	-	-	(608)	-	-	-	(608)
Non-controlling interest	-	-	-	-	-	-	-	-	-	(103)	229	126
Total of changes related to the recognition of comprehensive income	-	-	-	-	(8)	96	107	(608)	683	(6,668)	229	(6,169)
<b>Balances as of December 31, 2021</b>	<b>\$ 9,638</b>	<b>\$ 11,564</b>	<b>\$ 21,053</b>	<b>\$ 3,115</b>	<b>\$ 196</b>	<b>\$ 22</b>	<b>\$ 108</b>	<b>\$ (1,966)</b>	<b>\$ 1,318</b>	<b>\$ (6,668)</b>	<b>\$ 1,829</b>	<b>\$ 40,209</b>


These consolidated statements of changes in stockholders' equity were prepared in accordance with the Accounting Criteria for credit institutions issued by the National Banking and Securities Commission, based on Articles 99, 101, and 102 of the Law for Credit Institutions which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly they reflect the transactions carried out by the Institution for the years noted above. Furthermore, these transactions were carried out and valued in accordance with sound banking practices and the applicable legal and administrative provisions.

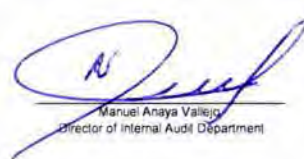
These consolidated financial statements could be searchable on the following webpage [https://www.nafin.com/portafin/content/nafin-en-cifras/informacion-financiera/estados\\_financieros\\_dictaminados.html](https://www.nafin.com/portafin/content/nafin-en-cifras/informacion-financiera/estados_financieros_dictaminados.html) and <https://portalofinfor.cntv.gob.mx/Paginas/Contenidos.aspx?ID=37&Titulo=Banca de Desarrollo>

These consolidated statements of changes in stockholders' equity were approved by the Board of Directors, under the responsibility of the following officers:

  
Luis Antonio Ramirez Pineda  
Chief Executive Officer

  
Paulina Moreno Garcia  
Chief Executive Officer of  
Finance and Administration

  
Raúl Martínez Morán  
Director of Accounting and  
Budget Department

  
Manuel Anaya Valiejo  
Director of Internal Audit Department

See accompanying notes to consolidated financial statements

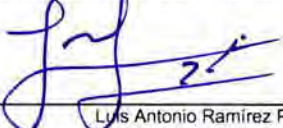
**Nacional Financiera, S. N. C.,**  
**Institución de Banca de Desarrollo and Subsidiaries**  
**Av. Insurgentes Sur 1971, Col. Guadalupe Inn, Postal Code 01020 Mexico City**  
**Years ended December 31, 2021 and 2020**  
**Consolidated Statement of Cash Flows**  
**(Millions of Mexican pesos)**


	<u>2021</u>	<u>2020</u>
Net Income	<u>\$ (6,668)</u>	<u>\$ (4,228)</u>
<b>Adjustments for items not requiring cash flow:</b>		
Impairment loss and non-recoverability allowance (Note 11)	2,469	3,353
Depreciation of property, furniture and equipment	41	41
Provisions	119	144
Current and deferred income taxes	304	559
Equity method of unconsolidated subsidiaries and affiliates	(69)	(30)
Others, mainly valuation at fair value	(535)	445
	<u>2,329</u>	<u>4,512</u>
<b>Operating activities:</b>		
Change in margin accounts	(26)	(145)
Change in investment securities	23,665	(25,818)
Change in debtors on repurchase/ resell agreements	180	9,370
Change in derivatives (asset)	3,377	(8,813)
Change in loan portfolio (net)	36,403	4,657
Change in foreclosed assets	-	-
Change in other operating assets	25,828	(34,208)
Change in deposit funding	(4,166)	(17,613)
Change in bank and other borrowings	(2,702)	17,322
Change in creditors on repurchase/ resell agreements	(100,376)	47,229
Change in derivatives (liability)	(1,780)	10,380
Change in other operating liabilities	4,445	(5,951)
Payments of income taxes	(9)	(29)
Net cash flows from operating activities	<u>\$ (15,161)</u>	<u>\$ (3,619)</u>
<b>Investing activities:</b>		
Payments for acquisition of property and equipment	(9)	(2)
Proceeds from disposal of subsidiaries and associates	851	(483)
Collections of cash dividends	38	29
Net cash from investing activities	<u>\$ 880</u>	<u>\$ (456)</u>
<b>Financing activities:</b>		
Contributions for future capital stock increases	4,274	7,290
Net cash flow from financing activities	<u>\$ 4,274</u>	<u>\$ 7,290</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(14,346)</b>	<b>3,499</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>44,265</b>	<b>40,766</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 29,919</b>	<b>\$ 44,265</b>

These consolidated statement of cash flows were prepared in accordance with the Accounting Criteria for credit institutions issued by the National Banking and Securities Commission, based on Articles 99, 101, and 102 of the Law for Credit Institutions which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly they reflect the transactions carried out by the Institution for the years noted above. Furthermore, these transactions were carried out and valued in accordance with sound banking practices and the applicable legal and administrative provisions.

These consolidated financial statements could be searchable on the following webpage [https://www.nafin.com/portafolio/content/nafin-en-cifras/informacion-financiera/estados\\_financieros\\_dictaminados.html](https://www.nafin.com/portafolio/content/nafin-en-cifras/informacion-financiera/estados_financieros_dictaminados.html) and <https://portafolioinfo.cnbv.gob.mx/Paginas/Contenidos.aspx?ID=37&Titulo=Banca de Desarrollo>

These consolidated statement of cash flows were approved by the Board of Directors, under the responsibility of the following officers.

  
 \_\_\_\_\_  
 Luis Antonio Ramírez Pineda  
 Chief Executive Officer

  
 \_\_\_\_\_  
 Raúl Martínez Morán  
 Director of Accounting and Budget Department

  
 \_\_\_\_\_  
 Paulina Moreno García  
 Chief Executive Officer of  
 Finance and Administration

  
 \_\_\_\_\_  
 Manuel Anaya Vallejo  
 Director of Internal Audit Department

See accompanying notes to consolidated financial statements.

# Notes to the Consolidated Financial Statements

December 31, 2021 and 2020

(Millions of Mexican pesos)

## 1. NATURE OF OPERATIONS AND MAIN ACTIVITIES

Nacional Financiera, S.N.C. Institución de Banca de Desarrollo (the Institution), was formed on June 30, 1934, by Federal Government Decree as an instrument of significant social and economic transformations, with the purpose of promoting the securities market and foster the mobilization of the financial resources in Mexico.

The Institution has its offices at Avenida de los Insurgentes Sur 1971, Col. Guadalupe Inn, Alcaldía Álvaro Obregón, Postal Code 01020, Mexico City, Mexico.

The Institution operates as a development banking institution, in accordance with its internal Organic Law and Regulations, the Lending Institutions Law and the General Provisions applicable to Lending Institutions (the Provisions) issued by the National Banking and Securities Commission (the Banking Commission or CNBV - for its acronym in Spanish).

The Institution's purpose is to contribute to the development of companies, by providing access to financing products, training, technical assistance and information, in order to foster their competitiveness and the productive investment; promote the development of strategic and sustainable projects for the country, in an orderly and targeted manner, under schemes that allow correction of market failures in coordination with other development banks; promote the regional and sectoral development of the Country, particularly in the states with less development, through a differentiated product offer and according to the productive vocations of each region: developing the financial markets and the venture capital industry in the Country, to serve as sources of financing for entrepreneurs and small and medium enterprises; to be an Institution with an effective management, based on a consolidated structure of corporate governance, that ensures a continuous and transparent operation, as well as the preservation of its capital and to not represent a financial burden to the Federal Government.

In accordance with the Provisions of article 2 of the Institution's internal regulation, the Institution has the goal of promoting savings and investment, as well as channeling financial and technical supports to industrial development and, in general, to the national and regional economic development of the country.

The Institution operates according to the applicable legal framework and sound banking practices and applications to achieve the general objectives outlined in the 4th article of the Lending Institutions Law, which establishes that the state shall exercise the rectory of the Mexican banking system, thus the Institution basically directs its activities to support and promote the development of the Country's productive system and the growth of the national economy, based on a sovereign economic policy, by promoting savings in all sectors and regions of Mexico and their appropriate channeling and extensive regional coverage to favor the decentralization of the Mexican banking system, with adherence to sound practices and banking applications.

Development banking institutions are oriented to the productive activities determined by the Union Congress as a specialty of each one of these, in the respective internal regulations.

The Institution carries out its operations according to financing criteria for development banking, channeling its resources mainly through the first-tier banking and non-banking financial intermediaries. The main funding sources for the Institution arise from loans from international development institutions such as the International Bank for Reconstruction and Development and the Inter-American Bank of Development (IADB), lines of credit from foreign banks and placement of securities in the national and international financial markets.

As of December 31, 2021 and 2020, the Institution and its consolidated subsidiaries are integrated as follows:

- i. *Operadora de Fondos Nafinsa, S.A. de C.V.*– Which aims to contribute to the development of financial markets, promoting access to the securities market to small and medium investors.
- ii. *Corporación Mexicana de Inversiones de Capital, S.A. de C.V.*– Incorporated on February 2, 2006, its main activity being to buy, sell and invest in companies, institutions and private equity funds, as well as promote productive investment in Mexico in the medium and long-term, promoting the institutionalization, development and competitiveness of the small and medium enterprises.
- iii. *Fideicomiso 80595 Programa de venta de títulos en directo al público*– Manages the trust funds and carries out the necessary actions to develop and implement the Program for the sale of securities directly to the public, in accordance with the operation rules, which, were appropriate, the Trust’s Technical Committee authorizes.
- iv. *Fideicomiso 11480 Fondo para la participación de riesgos*– Its purpose is having entities which allow to fulfill compliance with the institutional objectives related to the access of micro, small and medium-sized companies in the Country to formal finance. The Institution implemented the guarantee program, in order to share with the financial banking and non-banking institutions (intermediaries) determined by the Trust’s Technical Committee, the credit risk of the financing that these grant to national companies and individuals.
- v. *Fideicomiso 11490 Fondo para la participación de riesgos en fianzas*– Its purpose is sharing with the country’s bonding institutions, established in accordance with the Federal law for bonding institutions determined by the Trust’s Technical Committee, the risk of default on administrative bonds and/or procurement concerning section III, article 36 of the law of bonds, granted to micro, small and medium- sized enterprises, as well as to individuals with entrepreneurial activity, which have signed a contract to supply goods, services and public works to the Federal public administration.
- vi. *Fideicomiso 80757 Defensa y Asistencia Legal*– Its objective is to manage the trust corpus and make the payment of the considerations for defense services and legal assistance to the beneficiaries (NAFIN employees), who have a legal or administrative proceeding arising from discharging their duties.
- vii. *Plaza Insurgentes Sur, S.A. de C.V.*– Its purpose is to provide the Institution with integral real estate services through the leasing of space and furniture, as well as adaptation of offices with preventive and corrective maintenance programs to real estate infrastructure.
- viii. *Pissa Servicios Corporativos, S.A. de C.V. (in liquidation)*– Provides complementary or auxiliary services in the administration or in the realization of the corporate purpose of any national credit entity that is or becomes its shareholder, as well as auxiliary companies and trusts thereof.

As of December 31, 2021 and 2020, the operations structure of the Institution abroad, includes two branches located one in London, UK and another in the Grand Cayman Islands.

#### **IMPACTS OF COVID-19 AND CONTINGENCY PLAN FOR BUSINESS CONTINUITY**

Management implemented the Contingency plan for maintaining Business Continuity at the Institution under the scenario of the pandemic. The measures carried out, among other things, are:

- Weekly follow-up on the operation of the Institution (amount and number of transactions).
- Foster the telecommuting shift:
- The Institution's facilities were sanitized periodically, and masks, alcohol gel, and protective masks were delivered. Entries by persons were filtered by applying pulse oximeters and taking temperatures, and sanitary rounds were made at the workplace of the collaborators who went to the offices.
- Medical attention for personnel with symptoms at the doctor's office installed by the Institution for COVID-19; sanitary barrier for contacts of confirmed cases of personnel with COVID-19.

No effects have been observed in the operation of the Institution, and the customary operation has continued. In addition, the emerging programs have been taken care of, as well as the new regulatory Provisions arising from the contingency due to the pandemic. All of the Institution's informatics services are operating and no major incidents have taken place. No incidents have materialized with regard to information security, and follow-ups have been implemented for operating risk incidents.

As of December 31, 2021, there has been no information security incident. The information security department continues to carry out a campaign to reinforce the knowledge of information security that Institution personnel have during their telecommuting work shift, as well as to reinforce their awareness.

As of the date of approval of the financial statements, weekly meetings continue to be held with the participation of the Deputy Executive Officers and Directors of the Institution in order to follow up on the contingency plan implemented to deal with the COVID-19 pandemic.

#### **CNBV SPECIAL ACCOUNTING CRITERIA IN DEALING WITH THE CONTINGENCY CAUSED BY THE SARS-CoV2 (COVID-19) VIRUS, APPLICABLE TO LENDING INSTITUTIONS**

Pursuant to Article 175 of the "General Provisions applicable to Lending Institutions" and in view of the "Agreement whereby the General Health Council recognizes the SARS-CoV2 (COVID-19) virus epidemic in Mexico as a serious disease requiring priority attention", the Banking Commission recognizes the pandemic for the SARS-CoV2 (COVID-19) virus, published in the Official Daily Gazette on March 23, 2020, and the negative impact generated in various activities of the economy. The Commission further issued temporary Special Accounting Criteria applicable to Lending Institutions in dealing with the Contingency of COVID-19, pursuant to Official Letters P285/2020, P293/2020, and P325/2020, dated March 26, April 15, and June 23, 2020, respectively, applicable to lending institutions with regard to the consumer lending portfolio, as well as housing and trade portfolios for customers who have been affected by that contingency and that were classified as performing for accounting purposes in the periods set out for those criteria.

In this regard, the Internal Credit Committee of the Institution authorized the "General and Specific Guidelines for rescheduling amortizations of borrowers of the Institution in dealing with the circumstances caused by the SARS-CoV2 (COVID-19) virus, as well as supporting measures" (The Guidelines), on April 3, 2020, in order to: i. The borrowers of the Institution can access a rescheduling scheme of payments on capital and/or interest; ii. Accompany and support Financial Brokers in implementing various benefits and schemes to support sole proprietors and legal entities in the industry, commerce, and service sectors to deal with the economic impact brought on by the pandemic of the SARS-CoV2 (COVID-19) on their businesses; iii. Support companies by granting financing for their working capital needs, in order for those companies to be able to maintain jobs and realize the most essential expenses to continue with their operation. The conditions and application of the special accounting criteria are discussed in detail in Note 4a) to the consolidated financial statements.

## **FACILITY 8 OF BANK OF MEXICO**

On April 21, 2020, the Bank of Mexico announced ten additional measures to promote an orderly behavior of financial markets, strengthen credit granting channels, and provide liquidity for sound development of the financial system as an answer to the adverse effects arising from the COVID-19 pandemic in the country; therefore, through Circular 25/2020 published on June 19, 2020 addressed to Full Service and Development Banking Institutions, the so-called facility 8 was granted to such Institutions, in turn, to have them channel resources directly by granting credit earmarked toward micro, small, and medium-sized companies, or indirectly through other non-banking financial institutions by entering into lending operations that have guarantees on those other credits that have been previously granted by those institutions to legal entities of Mexican nationality, as well as public trusts with high creditworthiness that issue debt securities.

In order to have sufficient resources in the best terms and financial conditions possible that would allow for continuing to support micro, small and medium-sized companies (MSMEs), the Board of Directors of Nacional Financiera authorized the assignment of credit assets as security for obtaining financing from the Bank of Mexico in terms of Circular 25/2020, at its meeting held on December 1, 2020. The Note 18 describes the financing obtained by the Institution through Facility 8, as well as the summary of debt securities and the portfolio assigned as security in the trust agreement set up.

## **2. APPROVAL AND BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS**

### **Authorization**

On March 15th, 2022, Luis Antonio Ramírez Pineda (Chief Executive Officer), Paulina Moreno García (CEO of Finance and Administration), Manuel Anaya Vallejo (Director of Internal Audit) and Raúl Martínez Morán (Director of the Accounting and Budget Department) authorized the issuance of the consolidated financial statements and related notes, consequently, they do not reflect events beyond that date.

The Institution's Board of Directors and the Banking Commission are empowered to modify the consolidated financial statements after issuance. The 2021 consolidated financial statements will be approved at the next meeting of the Board of Directors.

### **Bases of presentation**

#### **a) Statement of compliance**

The accompanying consolidated financial statements were prepared in conformity with the banking legislation, and in accordance with the accounting criteria for lending institutions in Mexico, set out by the Banking Commission, which is responsible for the inspection and oversight of lending institutions, as well as the review of their financial information. Moreover, beginning April 2020, the Institution applied the special accounting criteria issued by the Banking Commission to deal with the COVID-19 Contingency, with regard to the consumer lending portfolio, as well as housing and trade portfolios for customers who have been affected by that contingency and who were classified as performing for accounting purposes in the periods set out in those criteria. Toward that end, the Institution drew up the guidelines to have them applied appropriately as discussed in detail in Note 4a).

The accounting criteria provide that in the absence of a specific accounting criterion by the Banking Commission for lending institutions, and in a wider context in the Mexican Financial Reporting Standards (MFRS), issued by the Mexican Board of Financial Reporting Standards (Consejo Mexicano de Normas de Información Financiera, A.C. or CINIF - for its acronym in Spanish), the suppletory process as established by MFRS A-8 shall be applicable, and only when the International Financial Reporting Standards (IFRS) referred to by MFRS A-8 do not resolve the accounting treatment, the suppletory application of an accounting standard pertaining to any other regulatory framework may be opted for, provided that all the requirements set out by the MFRS are met by the standard. The suppletory application shall be in the following order: U.S. Generally Accepted Accounting Principles (US GAAP), and then any other accounting standard that is part of a formal and recognized set of standards, provided that they do not contravene the accounting criteria of the Banking Commission.

#### **b) Use of estimates and judgments**

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the year. Actual results may differ from these estimates and assumptions.

#### **Significant management judgments**

The information about judgments made in the application of accounting policies that have the most significant effect on amounts reported in the consolidated financial statements are described in Note 3n) Permanent Investments: Whether the Institution has significant influence.

#### **Assumptions and uncertainties in the estimates**

The information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the following year is included in the following notes:

- Note 3(t)– Measurement of defined benefit obligations: key actuarial assumptions;
- Note 3(p)– Recognition of deferred tax assets;
- Note 9– Derivatives;
- Note 10(d)– Allowance for loan losses.

#### **c) Functional and reporting currency**

The consolidated financial statements are presented in Mexican pesos, which is the reporting currency, as well as the recording currency and the functional currency.

For purposes of disclosure in the notes to the consolidated financial statements, “pesos” or “\$” refers to millions of Mexican Pesos, and when reference is made to “dollars” or “USD”, it means millions of dollars of the United States of America.

#### **d) Recognition of assets and liabilities from financial instruments**

Assets and liabilities related to the purchase and sale of foreign currencies, investment securities, repurchase/resell agreements and derivatives are recognized in the accompanying consolidated financial statements on the trade date, regardless of the settlement date.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies which are described below have been applied consistently in the preparation of the consolidated financial statements, and have been consistently applied by the Institution:

**a. Consolidation of financial statements**

The consolidated financial statements include the assets, liabilities and results of the Institution and its subsidiary companies, in which it exercises control through the power it has over them to direct its relevant activities, is exposed to or is entitled to variable returns from that participation and it has the ability to affect those returns through its power over those subsidiaries.

All balances and operations between the Institution and its subsidiary companies have been eliminated in the consolidation process, including unrealized gains and losses.

All subsidiaries present their financial information for consolidation purposes as of December 31, 2021 and 2020.

**b. Impact of inflation**

The accompanying consolidated financial statements include the recognition of inflation based on Investment Units (Unidades de Inversión or UDI) until December 31, 2007, according to the applicable accounting criteria.

The years ended December 31, 2021 and 2020 are considered under a non-inflationary economic environment (inflation accumulated over the three preceding years less than 26%), as established in MFRS B-10 “Effects of Inflation”, consequently the effects of inflation on the Institution's financial information are not recognized. Should the environment become inflationary again, the cumulative effects of inflation not recognized in prior periods must be retrospectively recognized from the last period that the economic environment was considered as non- inflationary. The accumulated inflation rate of the last three years is shown as follows:

<u>December 31</u>	<u>UDI</u>	<u>Inflation</u>	
		<u>Annual</u>	<u>Accumulated</u>
2020	7.108233	3.23%	11.31%
2019	6.399018	2.77%	15.03%
2018	6.226631	4.92%	15.71%

**c. Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand, deposits with banks in pesos and dollars, as well as 24, 48 and 72 hours foreign currency purchase and sale transactions. It also includes restricted cash and cash equivalents comprised of bank borrowings with original maturities of up to three days (“Call Money”), and deposits in Banco de México (Central Bank) which include the monetary regulation deposits that the Institution is required to maintain in conformity with the Provisions issued by the Central Bank for the purpose of regulating liquidity in the financial market; the deposits have no term and bear interests at the average banking funding rate, recognized in the consolidated statements of income as they accrue.

The cash and cash equivalents are recognized at nominal value. For dollar currencies, the exchange rate used for the translation is the one published by the Central Bank. The translation effect is recognized in the consolidated statements of income, as interest income or interest expense, accordingly.

Notes receivable will be recorded as other cash equivalent according to the following:

- Transactions with Mexican entities: two business days after the transaction took place.
- Transactions with foreign entities: five business days after the transaction took place.

When the aforementioned notes are not collected within the established deadlines, the related amounts will be transferred to the originating item, as applicable, either “Other accounts receivable” or “Loan portfolio”, and due consideration is given to the Provisions of criterion A-2, “Application of specific standards”, and B-6 “Loan portfolio”, respectively.

The transactions transferred to sundry debtors under the caption "Other accounts receivable", and that are not settled within fifteen days following the transfer date will be classified as past-due and an allowance for their total amount will be recorded concurrently.

Notes received subject to collection are recorded in memorandum accounts under the caption "Other memorandum accounts".

Checking account overdrafts, as reported in the bank statement issued by the corresponding lending institution, are shown in the caption "Sundry creditors and other accounts payable".

Likewise, the balance of receivable currencies offset against deliverable currencies, in case this offset results negative.

The foreign exchange currencies acquired and agreed to be settled in 24, 48 and 72 hours purchase/sell transactions are recognized as restricted cash (foreign currency receivable), while the currency sold is recorded as cash outflow (foreign currency deliverable). The rights and obligations from the 24, 48 and 72 hours sales and purchases of foreign exchange are recorded in clearing accounts under the caption "Other accounts receivable" and "Creditors on settlement of transactions", respectively.

#### **d. Margin accounts**

The margin accounts granted in cash required from the Institution to operate derivatives in recognized markets are recorded at their normal value and presented in the caption "Margin accounts". The value of margin accounts granted in cash is modified by margin calls or withdrawals made by the clearing house and by additional contributions or withdrawals made by the Institution.

Returns and commissions affecting the margin accounts, other than fluctuations in derivatives prices, are recognized in the result of operations for the year as accrued under "Interest income" and "Commission and fees expense", respectively. The partial or total settlement amounts deposited or withdrawn by the clearinghouse owing to derivatives price fluctuations are recognized in "Margin accounts".

#### **e. Investment securities**

Investment securities consist of equities, government securities, bank promissory notes, and other debt securities listed in recognized markets, which are classified using the categories shown below, based on the intention and ability of Institution's Management on their ownership:

##### **Trading securities**

Trading securities are those acquired with the intention of selling them to get short-term gains arising from differences in prices resulting from their trading in the market. Securities at the time of acquisition are accounted for at fair value (which includes, where applicable, the discount or premium) which presumably corresponds to the price paid; transaction costs for the acquisition of securities are recognized in the statements of income on the same date.

Subsequently, securities are valued at fair value provided by an independent price vendor; when the securities are sold, the gain (loss) on purchase/sell is determined by the difference between the purchase and sale prices; this shall cancel the gain (loss) on valuation that has been previously recognized in the statements of income.

Interest earned on debt securities are determined according to the effective interest method and are recognized in the year's income under the caption "Interest income".

Dividends from equity securities are recognized in the year's income when the right to receive payment arises, under the caption "Interest income".

Valuation effects and purchase or sale gain (loss) are recognized in the year's income within the caption "Financial intermediation income".

#### **Available for sale securities**

Available-for-sale securities are those for which there is neither the intention to profit from differences in prices in the short-term nor the intention or capacity to hold to maturity. The initial recognition and subsequent valuation is performed in the same manner as trading securities, except that the effect of valuation is recognized in stockholders' equity under the caption "Result from valuation of available-for-sale securities", which is adjusted by the effect of deferred taxes, and then is cancelled by its recognition in the statements of income at the time of the sale within the caption of "Financial intermediation income".

Interests earned are determined according to the effective interest method and are recognized in the year's statement of income under the caption "Interest income".

Dividends from equity instruments are recognized in the year's statement of income when the right to receive payment arises, in the financial statements caption "Interest income".

#### **Held to maturity securities**

Those are debt securities with fixed or determinable payments and with fixed maturity, for which the entity has the intention and capacity to hold until maturity. These securities are initially recognized at fair value which is presumably the price paid; and later are valued at amortized cost, which implies that the amortization of the premium or discount as well as the transaction costs form part of the interests earned recognized in the statements of income under "Interest income". Interest is recognized in the statements of income as earned and when the securities are sold, the gain (loss) from purchase-sell is recognized for the difference between the net realizable value and the book value of the securities within the caption of "Financial intermediation income".

#### **Securities impairment**

Where sufficient objective evidence exists that a security available-for-sale or held-to-maturity has been impaired because of one or more events that occurred after the securities initial recognition, the carrying amount of the security is modified and the impairment is recognized in the current year's profit under the caption "Financial intermediation income". Regarding available-for-sale securities, the amount of loss recognized in equity is canceled.

If, in a subsequent period, the fair value of the security increases, and this effect is related objectively to an event occurring after the impairment was recognized in the statements of income, the impairment is reversed in the year's statement of income, except if it is an equity instrument.

#### **Value date transactions**

Securities acquired where settlement takes place on a subsequent date, up to a maximum of four business days following the date of the purchase-sale transaction, are recognized as restricted securities, while securities sold are recognized as securities to be delivered, and are deducted from investment securities; the counter entry is a credit or debit to a settlement account, as applicable. Where the amount of securities to be delivered exceeds the balance of same nature proprietary securities (government, bank, equity and other debt securities), this is reflected as a liability under the "Assigned securities pending settlement" caption.

#### **Reclassification between categories**

The accounting criteria allow the reclassifications from held-to-maturity to available-for-sale securities, provided that there is no intention or capacity to hold them until maturity.

Valuation adjustments at the date of the reclassifications are recognized in stockholders' equity. In the case of reclassifications of securities to the held-to-maturity category, or of securities from trading to available for sale, this is only permissible with the express authorization of the Banking Commission

**f. Repurchase/resell agreements**

At the trade date of the repurchase/resell agreement transaction (reporto), the Institution acting as seller recognizes either the cash inflow or a debit clearing account, as well as an account payable, whereas when acting as buyer recognizes either the cash outflow or a credit clearing account, as well as an account receivable. Both the account payable and the account receivable are initially stated at the agreed-upon price, representing the obligation to repay or the right to recover the cash, respectively.

Over the term of the reporto, the account receivable and the account payable are valued at amortized cost, recognizing the interest on reporto in the result of operations for the year as earned, in accordance with the effective interest method. The interest is recognized under the financial statement caption "Interest income" or "Interest expense", as appropriate. The account receivable and the account payable, as well as the interest earned are reported in the financial statement caption "Debtors on repurchase/resell agreements" and "Creditors on repurchase/resell agreements", respectively.

The Institution acting as buyer recognizes the received collateral in memorandum accounts within the caption of "Collateral received by the entity", in accordance with accounting criterion B-9 "Assets in custody and under management".

Financial assets granted as collateral, when the Institution is acting as seller, are reclassified in the consolidated balance sheets within the caption of "Investment securities", reporting it as a restricted asset.

Should the Institution, acting as buyer sell or pledge the collateral, the proceeds from the transaction are recognized and an account payable is recorded for the obligation to return the collateral to the seller, which is valued, in the case of a sale at fair value, or if pledged in another sale and repurchase agreement, at amortized cost. The account payable is offset with the account receivable, which is recognized when the Institution acting as buyer becomes the seller and the debit or credit balance is presented in the consolidated financial statement caption "Debtors on repurchase/resell agreements" or in "Collaterals sold or pledged", as applicable.

Additionally, the collateral received, delivered or sold is recognized in memorandum accounts within the caption of "Collateral received and sold or pledged by the entity", in accordance with accounting criterion B-9 "Assets in custody and under management".

**g. Derivatives**

Transactions with derivative financial instruments comprise those carried out for trading and hedging purposes. Irrespective of their purpose, the derivatives are recognized at fair value.

The valuation effect of the derivatives for trading purposes is shown in the consolidated balance sheets and consolidated statements of income under "Derivatives", in the assets or liabilities, accordingly, and "Financial intermediation income", respectively.

The effective portion of the valuation gain (loss) of hedges designated for cash flow purposes is recognized in stockholders' equity, under the caption "Gain (loss) from valuation of cash flow hedge instruments", while the ineffective portion of the change in fair value is recognized immediately in the consolidated statements of income under "Financial intermediation income", and the counter-account with such effect is presented in the consolidated balance sheets under "Derivatives". The gain or loss associated with the coverage of the forecasted transaction that has been recognized in stockholders' equity, is reclassified to the consolidated statements of income within the same caption that presents gain (loss) from valuation of the hedged party attributable to the hedged risk, in the same period during which the hedged forecasted cash flows affect the year's results of operations.

If the cash flow hedge derivative reaches maturity, is exercised, terminated or the hedge does not meet the requirements to be deemed effective, the hedge designation is canceled, while the valuation of the cash flow hedge derivative within stockholders' equity remains in this caption and is recognized in the year's results when the forecasted transaction occurs, in the same caption which presents the gain or loss from the valuation attributable to the hedged risk.

The gain or loss arising from valuing the fair value hedge derivative is recognized in the consolidated balance sheets under "Derivatives" and in the consolidated statements of income in "Interest income" and "Financial intermediation income", since they correspond to hedges of interest rate on loan portfolio and investments securities classified as available-for-sale, respectively. The result of valuation of the item attributable to the hedged risk is recognized in the consolidated balance sheet under "Valuation adjustments from hedging of financial assets" and recognized in the year's statement of income in "Interest income" in the case of the loan portfolio, while for investments securities classified as available-for-sale, in "Financial intermediation income".

### **Collaterals pledged and received in derivative transactions carried out over-the-counter**

The collateral is a guarantee obtained to ensure payment of the price agreed in contracts with derivative financial instruments in over-the-counter transactions in operations not carried out in recognized markets or exchanges.

The granting of collateral pledged in cash in derivative over-the-counter transactions not performed in recognized markets or exchanges are recorded as account receivable under the caption "Other accounts receivable", while collateral received in cash are recorded as "Other accounts payable".

The collaterals pledged in securities are recorded as restricted securities in guarantees, and the collaterals received in securities from derivatives transactions are recorded in memorandum accounts.

#### **h. Offsetting clearing accounts**

Amounts receivable or payable on investment securities, securities repurchase/resell agreements, and/or derivatives, which have expired but have not been settled at the consolidated balance sheets date, including the amounts receivable or payable for purchase or sale of foreign currencies, which are not for immediate settlement or those with a same day value date, are recorded in clearing accounts.

The balances of clearing accounts, credit and debit are offset as long as there is a contractual right to offset amounts recognized, and the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

The clearing accounts are shown under the financial statement caption "Other accounts receivable, net" or "Creditors on settlement of transactions", as appropriate.

#### **i. Loan portfolio**

Represents the balance of the total or partial dispositions of credit lines granted to the borrowers plus uncollected accrued interest, less the interest collected in advance. The allowance for loan losses is presented by deducting the balances from the loan portfolio.

Undrawn credit facilities are recorded in memorandum accounts, under "Loan commitments". The withdrawn amount is recorded into the loan portfolio according to the corresponding portfolio category.

At the time of contracting, transactions with letters of credit are recorded in memorandum accounts under "Loan commitments" which, upon being used by the customer or its counterparty are transferred to the loan portfolio.

### **Past-due loans and interest**

Outstanding loans and interest balances are classified as past due according to the following criteria:

1. Knowledge that the borrower has filed for bankruptcy, under the Bankruptcy Law.

An exemption exist from the aforementioned rule, for those loans that continue receiving payment in terms of the Bankruptcy Law under section VIII of article 43, as well as those loans granted under article 75, in relation to sections II and III of article 224 of the mentioned Law, however, if incurred in one of the cases provided in the following numeral 2, they will be recorded as past-due loan portfolio.

2. Their installments have not been fully settled on the terms originally agreed, considering the following:
  - a) If the debt consists in loans with a single payment of principal and interest at maturity, and are 30 or more calendar days past-due;
  - b) If the debt refers to loans with a single payment of principal at maturity and periodic payments of interest, and the related interest payment is 90 or more calendar days past-due, or principal is 30 or more calendar days past-due;
  - c) If the debt consists of loans with principal and interest periodic partial payments, including mortgage loans, are 90 or more calendar days past-due;
  - d) If the debt consists of revolving loans, which are unpaid for two monthly normal billing periods or, where the billing period is other than monthly, when they are 60 or more calendar days past-due; and
  - e) Overdrafts from checking accounts, and notes receivable, upon occurrence of such event.

When a loan is transferred to the past-due portfolio, accrual of interest is discontinued and record thereof is kept in memorandum accounts. Also suspending the amortization of accrued financial income in the year's statement of income.

Once collected, such interest is recognized directly in the consolidated statements of income under "Interest income". Recognition in the consolidated statements of income of interest income resumes when the portfolio ceases to be considered as past due.

An allowance is constituted for an amount equal to the total of uncollected accrued interest corresponding to loans deemed past-due at the time the loan is transferred to the past-due portfolio. For past-due loans, which restructuring agrees to the capitalization of earned, uncollected interest previously recorded in memorandum accounts, an allowance is created for the total of such interest amount. The allowance is released when there is evidence of sustained payment.

Past-due loans are reclassified as current when the unpaid balances have been fully paid by the debtor (principal and interest, etc.), except for restructured loans or renewed, which are transferred to current portfolio when sustained payment has been made.

### **Sustained payment**

It is considered that there is sustained payment when the borrower shows compliance of the payment without delay for the total amount of principal and interest, for at least three consecutive amortizations of the loan payment scheme, or in the case of loans with amortizations that cover periods greater than 60 calendar days, the payment of an exhibition.

In loans with periodic payments of principal and interest whose amortizations are less than or equal to 60 days in which the periodicity of payment to fewer periods is modified due to the application of a restructuring, a sustained payment of the loan is considered, when the borrower shows payment of amortizations equivalent to three consecutive amortizations of the original loan scheme.

In the case of consolidated loans, if two or more loans originate the reclassification to the caption “Past-due loan portfolio”, in order to determine the three consecutive amortizations required for the existence of a sustained payment, the repayment scheme should be considered, for the original loan whose repayments equal the longer term.

Regarding loans with a single payment of principal at maturity, regardless of whether the payment of interest is periodic or at maturity, it is considered that there is a sustained payment of the loan when any of the following assumptions occur:

- a) the borrower has covered at least 20% of the original amount of the loan at the moment of the restructuring or renewal or,
- b) the amount of interest accrued under the restructuring or renewal payment scheme corresponding to a period of 90 days would have been covered.

Prepayment of an amortization of restructured or renewed loan (amortization of restructured or renewed loan that have been paid without the occurrence of natural days equivalent to three consecutive amortizations of the loan amortization schedule or in the case of loans with amortization covering longer periods than 60 calendar days, the payment of an exhibition), other than those with a single payment of principal at maturity, regardless of whether the interest is paid periodically or at maturity, is not considered as a sustained payment.

### **Restructuring and renewals**

Unless there is evidence of sustained payments, past-due loans restructured or renewed shall remain within the past-due loan portfolio.

Loans with single payment of principal at maturity and periodic interest payments, as well as loans with a single payment of principal and interest at maturity being restructured during the term of the loan or renewed at any time will be considered as nonperforming loans as long as there is no evidence of sustained payment.

Current loans that are restructured or renewed, without at least 80% of the original loan term having elapsed, shall be deemed current only when the borrower has:

- i) Paid the total accrued interest, and
- ii) Paid the original principal loan amount which at the renewal or restructuring date should have been covered.

Current loans that are restructured or renewed during the course of the final 20% of the original term of the loan will be considered as current only when the borrower has:

- i) Fully paid the total interest accrued;
- ii) Covered the total original amount of the loan which at the date of renewal or restructuring should have been paid, and
- iii) Paid 60% of the original loan amount.

Renewed or restructured loans where the borrower fails to meet the above conditions will be deemed past-due from the renewal or restructuring date until there is evidence that sustained payments are being made.

Those loans considered revolving, which have been restructured or renewed, will be considered as current when the borrower has paid off the totality of accrued interest, there are no invoicing periods past due and there is evidence to prove the debtor's repayment capability.

Loans with payable principal and interest amounts which, at the restructuring date, have been repaid in full and for which one or several of the following loan conditions have been changed, shall not be deemed restructured or renewed:

- i) Guarantees: only when involving the extension or replacement with better quality guarantees
- ii) Interest rate: when the agreed-upon interest rate is improved.
- iii) Currency: provided that the rate corresponding to the new currency is applied.
- iv) Payment date: only if the change does not represent exceeding or modifying the frequency of payments. In no case shall the change in the payment date enable omitting the payment in any given period.

The loan portfolio restructurings or renewals are made in compliance with the General Provisions applicable to Lending Institutions and their viability is analyzed specifically.

The Institution periodically evaluates if a past-due loan should remain in the consolidated balance sheet or be written-off, provided a provision has been created for 100% of the loan amounts. Such write-off is made by cancelling the unpaid loan balance against the allowance for loan losses previously created for each loan when the Institution has exhausted all legal instances to recover the loan. Any recovery derived from loans that were previously written-off is recognized in the year's statement of income.

Write-downs, cancellations, refunds or discounts are recorded against the allowance for loan losses. In case the amount of these items exceeds the allowance for loan losses balance related to the loan, a charge to provision is recorded up to the amount of the difference.

#### **Cost and expenses related to loan origination**

The costs and expenses related to loan origination are recorded as a deferred charge, which is amortized to the income statements under the caption "Interest expense" during the average term of the loans, except for origination of revolving loans, which are amortized over a period of 12 months against the expense caption that corresponds according to its nature.

#### **j. Allowance for loan losses**

An allowance for loan losses is recorded, which, based on the Institution's management best estimate is sufficient to cover probable losses inherent to the loan portfolio as well as guarantees issued and irrevocable loan commitments.

**Commercial loans-** The allowances for the commercial loans are based on the individual assessment of the credit risk of borrowers and their classification, in accordance with the general provisions applicable to the rating methodology of the lending institution's loan portfolio, established by the Banking Commission. Commercial loans shall be subject to credit rating without including those loans with guarantee from Entities of the Federal Public Administration under direct budgetary control, productive State enterprises or those indicated in Section VI of Article 112 of the Provisions, in which the allowance percentage shall be equal to 0.5%.

The Provisions use a methodology which classifies the loan portfolio into different groups: in states and municipalities, investment projects with own source of payment, trustees acting under trusts, financial institutions and corporations and individuals with business activity not included in the aforementioned groups; the last group must be divided into two subgroups: corporations and individuals with business activity with annual net sales or revenues greater than 14 million UDIS and less than 14 million UDIS. For purposes of rating projects with own source of payment, the Provisions establish that the rating is calculated using a risk analysis of the investment projects according to their stage of construction or operation, and through the extra cost of labor and cash flows of the project. For other groups, an expected loss methodology is established for credit risk, considering the probability of default, loss given default and exposure to default.

Loan portfolio granted to corporations and individuals with business activity, with annual net revenues or sales lesser than 14 million UDIS, is credit rated through the application of methodology set forth on Appendix 21 of the Provisions. For the financial Institution's loans, the methodology set forth on Appendix 20 of the Provisions is used, which establishes the concept of probability of default, loss severity and exposure to default.

The estimates carried out as of December 31, 2021 and 2020, were determined based on the risk levels and allowance percentage according to the following table:

<b><u>Grade of risk</u></b>	<b><u>Art 129 CUB Range of allowance percentage</u></b>	
A1	0.000%	0.90%
A2	0.901%	1.5%
B1	1.501%	2.0%
B2	2.001%	2.5%
B3	2.501%	5.0%
C1	5.001%	10.0%
C2	10.001%	15.5%
D	15.501%	45.0%
E	Higher than 45.0%	

### **Mortgage loans**

Allowance for mortgage loans losses is determined using the corresponding balances the last day of each month. Furthermore, factors such as the following are taken into consideration: i) amount payable; ii) payment made; iii) house value; iv) outstanding loan balance; v) days of delinquency; vi) loan denomination; and vii) file documentation. The total amount to reserve for each assessed loan is the result of multiplying the probability of default by the loss severity and exposure to default.

The risk grades and percentages of allowance for loan losses as of December 31, 2021 and 2020, are shown as follows:

<b><u>Grade of risk</u></b>	<b><u>Range of allowance percentage</u></b>	
A1	0.000%	0.50%
A2	0.501%	0.75%
B1	0.751%	1.00%
B2	1.001%	1.50%
B3	1.501%	2.00%
C1	2.001%	5.00%
C2	5.001%	10.00%
D	10.001%	40.00%
E	40.001%	100.00%

### **Non revolving consumer loans portfolio**

The methodology followed to determine the allowance for the non-revolving consumer loans portfolio is described in articles 91 and 92 of the Provisions. The total allowance amount for each loan is the result of multiplying the probability of default by the loss severity and exposure to default.

The risk grades and percentages of allowance for loan losses as of December 31, 2021 and 2020, are shown as follows:

<u>Grade of risk</u>	<u>Range of allowance percentage</u>	
A1	0.000%	2.0%
A2	2.01%	3.00%
B1	3.01%	4.00%
B2	4.01%	5.00%
B3	5.01%	6.00%
C1	6.01%	8.00%
C2	8.01%	15.00%
D	15.01%	35.00%
E	35.01%	100.00%

*Impaired loan portfolio*– For consolidated financial statement disclosure purposes, the Institution considers as impaired loans, those commercial loans for which it determines that there is a considerable probability that they could not be recovered in full, without excluding improvements in risk levels resulting from the secured portion of the loan, or loans that, although current, result from negotiations in which a forgiveness, reduction or settlement was authorized at the end of the agreed-upon term.

*Additional identified reserves*– Are established for those loans, which in management’s opinion, may give cause for concern in the future given the particular situation of the customer, the industry or the economy. Furthermore, it includes estimates for items such as normal interest earned but not collected and other items whose realization is considered to result in a loss to the Institution, as well as reserves maintained for guarantees granted.

#### **k. Other accounts receivable**

Loans to officers and employees, collection rights and the accounts receivable related to debts whose maturity is agreed from origin to a more than-90-calendar-day term are assessed by the Institution’s management to determine the estimated recoverable amount and as required, to create the corresponding allowance. The balances of other debit items are recorded into the statements of income 90 days after their initial recording, if they correspond to identified items and 60 days if the balances are unidentified, regardless of their chance of recovery, except for tax-related (VAT included) balances.

With regards to clearing accounts, in the case where the amount receivable is not settled within 90 calendar days from the record in clearing accounts, it is recorded as past due and an allowance for un-recoverability or doubtful account is recorded for the total amount.

#### **l. Foreclosed assets or assets received in lieu of payment**

Foreclosed assets are recorded on the date the admission order of the judicial sale by which the foreclosure was decreed, became final and conclusive and is immediately available for execution.

Assets received in lieu of payment are recorded on the date the deed of payment, or that on which the transfer of title to the asset is formally executed.

The accounting recognition of a foreclosed assets considers the value of the tangible asset (at the lower of cost or fair value less strictly necessary costs and expenses incurred for foreclosure), as well as the net value of the asset arising the foreclosure. When the net value of the asset arising, the foreclosure exceeds the value of the foreclosed asset, the loss is recognized in the consolidated statements of income caption “Other operating income (loss)”. Otherwise, the value of the foreclosed asset is adjusted to the net value of the asset.

The value of the asset originating the foreclosure and the relevant allowance for loan loss set up as of that date are derecognized from the consolidated balance sheets.

Foreclosed assets and promised for sale are restricted to their carrying value; collections received on account of the asset are recorded as a liability. On the date of sale, the resulting gain or loss is recognized in the consolidated statements of income caption "Other operating income (loss)".

Foreclosed assets are valued according to the type of assets they represent, recording said valuation (reductions in the value) in the consolidated statements of income caption "Other operating income (loss)". The Institution creates additional provisions that acknowledge signs of impairment from potential value losses over time in foreclosed assets in the year's results of operations under "Other operating income (loss)", which are determined by multiplying the reserve percentage applicable by the value of the foreclosed assets, based on the provisions of foreclosed assets or assets received in payment methodology of the Banking Commission, as follows:

<u>Months elapsed from the date of foreclosure or received in lieu of payment</u>	<u>Reserve percentage</u>	
	<u>Real estate</u>	<u>Receivables, furniture, and equipment and investment securities</u>
Over 6	0%	0%
More than 6 to 12	0%	10%
More than 12 to 18	10%	20%
More than 18 to 24	10%	45%
More than 24 to 30	15%	60%
More than 30 to 36	25%	100%
More than 36 to 42	30%	100%
More than 42 to 48	35%	100%
More than 48 to 54	40%	100%
More than 54 to 60	50%	100%
More than 60	100%	100%

#### **m. Property and equipment**

Property and equipment are recorded at acquisition cost. Those assets acquired before December 31, 2007 were adjusted using factors based on the UDI value from the date of acquisition through that date, with recognition of the effects of inflation on the financial information that was suspended according to the MFRS.

Depreciation is calculated using the straight-line method, based on the estimated useful lives by the Institution's management of the corresponding assets.

Depreciation amount of property and equipment is determined by subtracting the residual value and, as applicable, the cumulative impairment losses from the acquisition cost. The Institution periodically evaluates property and equipment residual values to determine amounts to be depreciated.

The Institution evaluates periodically the net book values of property and equipment, to determine whether there is an indication that these values exceed their recoverable amount. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net revenues expected to be generated by the asset. If the net book value of an asset exceeds its recoverable amount, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset.

**n. Permanent investments**

The permanent investments where there is no control, joint control or significant influence are classified as other investments, which are initially recognized and maintained valued at acquisition cost. Dividends, if any, received from these investments are recognized in consolidated statements of income caption "Other operating income (loss)", except if are from prior periods to the acquisition, in which case are decreased from the permanent investment.

**o. Other assets**

This caption includes mainly prepaid expenses and commissions as well as guarantee deposits, which are recognized as an asset on the trade date considering economic future benefits for the Institution.

In case of any indication of impairment, the potential impairment loss is determined, and if the net carrying value exceeds the recoverable amount, the asset value is written down and the impairment loss is recognized in the results of operations for the year.

**p. Income taxes and employee statutory profit sharing (ESPS)**

The income taxes and ESPS payable for the year are determined in conformity with the applicable tax provisions.

Income taxes payable are presented as liability in the consolidated balance sheets; when the tax prepayments exceed the income tax payable, the difference corresponds to an account receivable.

Deferred income taxes and deferred ESPS are accounted for under the asset and liability method. Deferred taxes and ESPS assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and in the case of Income Tax (IT) for operating loss carryforwards. Deferred tax and ESPS assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled, pursuant to the foregoing, beginning fiscal 2021, the Institution evaluates if the enacted rate will be lower than the rate due for deferred ESPS purposes pursuant to the limits set forth in currently enacted legislation for the payment of ESPS. If so, determine the rate that is expected to be assessed, whether through financial projections or based on the ESPS due rate.

The deferred income tax asset is periodically estimated creating, where appropriate, valuation allowance for those temporary differences which might exist an uncertain recovery.

Current and deferred income taxes and ESPS are presented and classified in the results of the period, except those that originate from a transaction that is recognized in the OCI or directly in a caption of stockholders' equity.

Current and deferred ESPS is presented in the caption "Administrative and promotion expenses", in the consolidated statements of income.

**q. Deposit funding**

This caption comprises time deposits of the money market funding, the placement of debt certificates and bank bonds in the country or abroad. Interest is charged to expense on an accruals basis under "Interest expense". For instruments sold at a value different from their face value, the difference is recognized as a deferred charge or credit and amortized on a straight-line basis over the term of the respective instrument.

**r. Provisions**

Based on management's estimates, the Institution recognizes accruals for present obligations where the transfer of assets or the rendering of services is probable and arises because of past events.

**s. Bank and other borrowings**

Bank and other borrowings comprise short and long-term loans from domestic and foreign banks, which are recorded based on the contractual value of the obligation. Interest is recognized on accruals basis under the caption "Interest expense".

**t. Employee benefits****Short-term direct benefits**

Short-term direct employee benefits are recognized in income for the period in which the services rendered are accrued. A liability is recognized for the amount expected to be paid if the Institution has a legal or assumed obligation to pay this amount as a result of past services provided and the obligation can be reasonably estimated.

**Long-term direct benefits**

The Institution's net obligation in relation to direct long-term benefits (except for deferred ESPPs- see note income taxes and employee statutory profit sharing), and which the Institution is expected to pay at least twelve months after the date of the most recent consolidated balance sheet presented, is the amount of future benefits that employees have obtained in exchange for their service in the current and previous periods. This benefit is discounted to its present value.

**Termination benefits**

A liability is recognized for termination benefits along with a cost or expense when the Institution has no realistic alternative other than to make the corresponding payments or when the offer of these benefits cannot be withdrawn or when the conditions that require the recognition of restructuring costs are met, whichever occurs first. If benefits are not expected to be settled wholly within twelve months after the date of the most recent balance sheet presented, then they are discounted.

**Defined benefit plans**

In addition, the Institution has a defined benefit plan in place that covers the pensions for retirement, the seniority premiums and legal compensation to which employees are entitled in accordance with the Federal Labor Law, as well as obligations related to corresponding to plans medical benefits, and life insurance for retirees.

Irrevocable trusts have been established for all plans to manage the respective plan funds and assets.

The calculation of liabilities for defined benefit plans, held annually by actuaries using the projected unit credit method. When the calculation results in a possible asset to the Institution, recognized asset is limited to the present value of the economic benefits available in the form of future refunds from the plan or reductions in future contributions to it. To calculate the present value of the economic benefits, any minimum funding requirements should be considered.

The labor cost of current service, which represents the periodic cost of employee benefits for having completed one more year of working life based on the benefit plans, is recognized in administrative and promotional expenses. The Institution determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of estimates of contributions and benefit payments.

Modifications to the plans that affect past service cost are recognized in income immediately in the year the modification occurs, with no possibility of deferral in subsequent years. Furthermore, the effects of events of liquidation or reduction of obligations in the period that significantly reduce future service cost and/or significantly reduce the population eligible for benefits, are recognized in income (loss) for the period.

Remeasurements generated as from January 1, 2016 (before actuarial gains and losses) resulting from differences between the projected and actual actuarial assumptions at the end of the period, are recognized when incurred as part of OCI within stockholders' equity and is subsequently recycled to the results of the period, based on the average remaining working life of the employees.

According to the resolution published on December 31, 2015 by the Banking Commission, in fiscal 2021, the Institution recognized the first application of the 20% of the modifications to the plans and remeasurements accumulated up to December 31, 2015; therefore, pursuant to that resolution, it will continue to be applied gradually during the next four years, and the corresponding 20% will be recognized in each one of the subsequent years until the accumulated remeasurements up to fiscal 2015 are totally recognized.

#### **u. Revenue recognition**

Interest on loans granted including the interbank loans fixed to a term less than or equal to three business days, is recorded in income as earned. Interest on past-due loans is recognized in income upon collection.

The interest collected in advance and loan origination fees are recorded within "Deferred credits and prepayments", and applied to the year's results of operations in "Interest income" and "Commission and fee income", respectively, as accrued, in the term of the loan or during a year, as applicable.

The commissions from assets in custody or under management are recognized in income when the services rendered in "Commission and fees income".

Fees on trust transactions are recognized in income as accrued in "Commission and fees income". Such revenues are not accrued when fees are 90 or more calendar days past due, and are recorded in memorandum accounts. When accrued revenues are collected, they are recorded directly in income for the year.

Fees for restructured or renewed loans are recorded as deferred credits and amortized against the results of operations for the year in "Interest income" using the straight-line method during the new term of the loan.

Commissions from intermediation by the Institution between the lender and the borrower for the contracting of loans on the markets, are recorded in the consolidated statements of income as the service is provided under the caption "Commission and fees income".

#### **v. Foreign currency transactions**

Foreign currency transactions are recognized at the exchange rate prevailing on the date of execution, for consolidated financial statements presentation purposes. In the cases of currencies other than dollars are translated into dollars at the exchange rates as established in the Provisions, and the dollar equivalent, together with dollar balances, are then translated into Mexican pesos using the exchange rate determined by the Central Bank.

At the year-end close date of the consolidated financial statements, foreign currency monetary assets and liabilities are translated into pesos at the FIX exchange rate published by Central Bank, while foreign exchange gains or losses arising from foreign currency translation are recorded in the results of operations for the originating period.

**w. Memorandum accounts**

Memorandum accounts corresponds mainly to assets in custody or management and trust transactions.

Customer's securities held in custody, guarantee or under management, are recorded in the corresponding memorandum accounts in accordance with the accounting criteria established by the Banking Commission, and represent the maximum expected amount at which the Institution is obliged to respond to its customers.

The amounts of the assets in custody or under management are presented in the caption "Assets in custody or under management", while the trust transactions are presented in the caption "Assets in trust or under mandate".

**x. Contingencies**

Significant liabilities or losses related to contingencies are recorded when it is probable that their effect will realize and the amount thereof can be reasonably estimated. When a reasonable estimation cannot be made, disclosure is provided in the notes to the consolidated financial statements. Contingent revenues, earnings or assets are not recognized until their realization is assured.

**4. CHANGES IN ACCOUNTING POLICIES AND RECLASSIFICATIONS****a. Special 2020 and 2021 accounting criteria**

The Banking Commission temporarily issued the special accounting criteria through official letters P285/2020, P293/2020, and P325/2020, dated March 26, April 15, and June 23, 2020, respectively. Its objectives were to protect the economy of persons and companies that could have problems for covering their credits due to the economic impact of the COVID-19 pandemic, as well as strengthen the liquidity of families and companies, by enabling borrowers to be able to recover before reactivating their payments.

The foregoing allowed for restructuring or renewing consumer lending portfolio, as well as housing and trade portfolios performing as of March 31, 2020, in accordance with official letter P325/2020 (up to June 23, 2020. The date set was February 28, 2020, except for the microcredits, in accordance with official letter P293/2020), without affecting their credit record or the accrual of interest in arrears. Lending institutions were granted the facility of not recording restructured or renewed credits as non-performing portfolio, which gave rise to not increasing its reserves during the moratorium period. On July 31, 2020, the period expired for completing the restructuring or renewal formalities (up to June 23, 2020, the date set was June 26, 2020).

In this regard, on April 3, 2020, the Internal Credit Committee of NAFIN authorized the "General and Specific Guidelines for rescheduling amortizations of the borrowers of NAFIN in dealing with the circumstances caused by the SARS-CoV2 (COVID-19), as well as supporting measures" (The Guidelines), which were issued in compliance with accounting criterion B-6 "Loan Portfolio" (Criterion B-6) and they included the application of special accounting criteria issued by the Banking Commission, which primarily allows for deferring the payment of interest accrued as of the date of restructuring the credits. As of March 31, 2020, the special accounting criteria described above had not been applied and they began to be applied beginning the second quarter of 2020.

- The significant accounting criteria applied beginning April 2020 is described in detail below:
  - i. *Credits with a single principal payment at maturity and periodic interest payments, as well as credits with a single principal and interest payment at maturity.*- The principal and/or interest payment upon maturity of credits was deferred for a period not exceeding 6 months, beginning the date on which they would have matured, recorded as performing portfolio as of February 28, 2020, in accordance with official letter P285/2020 and as of March 31, 2020, in accordance with official letter P325/2020, and concluding the restructuring formalities no later than 120 calendar days after the referred to above. In conformity with the special accounting criteria, they

were considered as performing portfolio since the Provisions set forth in paragraph 79 of accounting criterion B-6 were not applied. Those Provisions set forth that when these credits are renewed at any time, they will be considered as nonperforming portfolio, since there is no evidence of sustained payment as of the restructuring date.

- ii. *Credits with periodic principal and interest payments.*- The credits that were restructured with a term to maturity not exceeding 6 months beginning the date on which they would have matured, recorded as performing portfolio as of February 28, 2020, in accordance with official letter P285/2020 and as of March 31, 2020, in accordance with official letter P325/2020, and completing the restructuring formalities no later than 120 calendar days after the date referred to above. In conformity with the special accounting criteria, they were considered as performing portfolio since the Provisions set forth in paragraphs 82 and 84 of accounting criterion B-6 were not applied, which set forth the following for this type of credits:
  - Without at least 80% of the original term of the credit having elapsed, they will continue to be considered as performing, only when the borrower has covered the total accrued interest and principal of the original amount of the credit, which should have been covered as of the date of the renewal or restructuring (Paragraph 82).
  - During the course of the final 20% of the original term of the credit, they will only be considered as performing when the borrower has liquidated the total accrued interest and principal of the original amount of the credit that should have been covered as of the date of the renewal or restructuring, as well as having covered 60% of the original amount of the credit (Paragraph 84).
- iii. *Credits whose revolving character is stipulated since their inception.*- The credits that were restructured or renewed within 120 calendar days subsequent to February 28, 2020, in accordance with official letter P285/2020 and as of March 31, 2020, in accordance with official letter P325/2020 were not considered as a performing portfolio in terms of the Provisions of paragraph 80 of accounting criterion B-6, which requires that the borrower should have:
  - Liquidated the total interest due and payable; and
  - Covered the total payments to which the borrower is bound, in terms of the agreement as of the restructuring or renewal date.

These three types of credits were not considered as restructured credits, in accordance with the Provisions of paragraph 40 of accounting criterion B-6, nor were they reported as nonperforming credits with credit information companies.

With regard to the cases in which the accounting criteria were applied, it is important to note that the Institution did not modify the original conditions set forth in paragraphs 40 and 89 of accounting criterion B-6, which has not implied total or partial deferment of the principal and/or interest.

The Guidelines authorized by the Internal Credit Committee at the Institution considered the special accounting criteria issued by the Commission. In addition, restructurings were carried out in compliance with criterion B-6; therefore, the main rescheduling were carried out in accordance with the accounting standard in effect. As discussed above, the application of the special accounting criteria issued by the CNBV were considered in the Guidelines, which mainly allowed for deferring the payment of accrued interest as of the date of the restructuring.

The application of special accounting criteria in the case of the guarantee Program is described in detail below:

- i. The Institution authorized financial brokers to extend the original date of maturity of the secured credits up to 6 months, arising from the partial or total deferment of the capital payment or capital and interest payment granted to its borrowers,
- ii. Defer the collection of fees to financial brokers for up to 6 months, exclusively when those brokers grant their borrowers the benefit of deferring the capital and interest payment on the proportionate part of each portfolio corresponding to the credits that receive such a benefit; and
- iii. Extend the maximum guarantee period granted to revolving credits up to 6 months in those credits that receive the benefit of deferred payments.

The special accounting criteria in the rescheduling of credits had not been applied in the first quarter of the year. The rescheduling of credits of the second quarter in reliance on the special accounting criteria were reported to the Banking Commission, in compliance with official letters, 122-2/4974/2020 with monthly reports, and 122-2/5021/2020 with weekly reports.

The balances of credits as of December 31, 2021 and 2020 that were supported in the application of the special accounting criteria are summarized as follows:

<b>Rescheduled credits in reliance on the special accounting criteria</b>		
<b>Commercial portfolio (local currency)</b>	<b>2021</b>	<b>2020</b>
First tier	\$ 494	\$ 919
Second tier	1,788	3,261
<b>Total Commercial portfolio (local currency)</b>	<b>\$ 2,282</b>	<b>\$ 4,180</b>
<b>Commercial portfolio (foreign currency)</b>		
First tier	\$ 1,923	\$ 2,364
Second tier	19	2,195
<b>Total Commercial portfolio (foreign currency)</b>	<b>\$ 1,942</b>	<b>\$ 4,559</b>
<b>Total portafolio</b>	<b>\$ 4,224</b>	<b>\$ 8,739</b>
<b>Guarantees with COVID support</b>		
	<b>2021</b>	<b>2020</b>
Automatic	\$ 9,876	\$ 28,632
Selective	159	635
<b>Total</b>	<b>\$ 10,035</b>	<b>\$ 29,267</b>

It is important to note that the rescheduling of these borrowers was carried out to support the liquidity of those who required it as such; therefore, had the special accounting criteria not existed, the payment of accrued interest would have been required as of the restructuring date, in compliance with criterion B-6, thereby maintaining the portfolio as performing.

Pursuant to the foregoing, had the special accounting criterion not been applied, the portfolio would not have migrated to nonperforming portfolio; therefore, the balance sheet would not have been affected by this item.

However, even when the special accounting criterion allows the reserves not to be increased during the moratorium period, the Institution prudentially determined that the reserves of borrowers who received

support be increased, either based on accounting criterion B-6 or on special accounting criteria. Due to the foregoing, additional reserves were created in the amount of \$56, with regard to the restructured portfolio based on the special accounting criteria. That reserve is included in the balance sheet item of allowance for loan losses as of December 31, 2021, and in the statement of income for the year ended December 31, 2021.

The effect of these prudential credit reserves in the ICAP as of December 31, 2021 is 2 base points; therefore, the ICAP to date reasonably reflects its level of capitalization.

A credit that was classified in the nonperforming portfolio and provided for at 100% with a balance amounting to \$589 as of December 31, 2021, was restructured under accounting criterion B-6.

On the other hand, the Board of Directors approved the implementation of the support scheme named “COVID Regulatory Facilities” at the meeting held on December 1, 2020, related to restructurings or renewals for the borrowers of NAFIN of credit and guarantees, as well as for the former employee portfolio, who were affected by the COVID-19 pandemic, based on the terms and conditions referred to in official letters P417/2020 “Official letter of facilities on restructurings and renewals”, and P418/2020 “Official letter on capital, and reserves”, and their respective scopes, issued by the Banking Commission.

The deadline for formalizing restructurings under “COVID Regulatory Facilities” was on January 31, 2021. Restructurings were not recorded in reliance on this scheme.

As of December 31, 2021 and 2020, the application of special accounting criteria gave rise to the need to stop recognizing amounts for capitalizations and interest in the accounting records, both balance sheet and income accounts, respectively, in accordance with the following:

Type of portfolio	Capital		Interests	
	2021	2020	2021	2020
First tier and lines of credit	\$ 520	\$ 594	\$ 6	\$ 43
Second tier Bank Financial Brokers and others	-	185	-	-
<b>Total</b>	<b>\$ 520</b>	<b>\$ 779</b>	<b>\$ 6</b>	<b>\$ 43</b>

#### **b. Changes in accounting policies due to the implementation of IFRS 9 “Financial Instruments in 2022**

On March 13, 2020, the National Banking and Securities Commission (CNBV) published various modifications to the “General provisions applicable to Lending Institutions”, which set out that the modifications would become effective on January 1, 2021. Considering the sanitary contingency, the extension of the effectiveness of the modifications was published in the DOF on December 4, 2020, and the effective date for Full Service and Development Banking Institutions was set out on January 1, 2022.

As a result of the issuance of IFRS 9, the Consejo Mexicano de Normas de Información Financiera, A.C. published 10 new financial reporting standards that became effective on January 1, 2018. Based thereon, the National Banking and Securities Commission started the adaptation process of the regulation corresponding to the entities supervised to the new international framework.

On December 4, 2020, the CNBV published the modifications to the resolution of March 13, 2020 in the DOF, which substitutes criteria A-2 “Application of particular standards”, A-3 “Application of general standards”, B-1 “Cash and cash equivalents”, B-6 “Loan portfolio”, B-7 “Foreclosed assets”, and Series D “Criteria relative to the basic financial statements” of Exhibit 33.

The accounting criteria that are modified are:

- A-2 “Application of particular standards”
- A-3 “Application of general standards”
- B-1 “Cash and cash equivalents”
- B-3 “Repurchase / resell agreements”
- B-4 “Securities lending”
- B-6 “Loan portfolio”
- B-7 “Foreclosed assets”
- B-8 “Guarantees by endorsement”
- B-9 “Asset custody and management”
- B-10 “Trusts”
- C-2 “Securitization transactions”
- D-1 “Statement of financial position”
- D-2 “Statement of comprehensive income”
- D-3 “Statement of changes in stockholders’ equity”
- D-4 “Statement of cash flows”

Accounting criteria that are repealed:

- B-2 “Investment securities”
- B-5 “Derivatives and hedging transactions”
- B-11 “Collection rights”
- C-1 “Financial asset recognition and derecognition”
- C-3 “Related parties”
- C-4 “Segment information”

MX FRS that are incorporated into Criterion A-2 “Application of Particular Standards”

- B-5 “Segment financial information”
- B-11 “Disposal of long-lived assets and discontinued operations”
- B-12 “Compensation of financial (trading) assets and financial (trading) liabilities”
- C-2 “Investment in financial instruments”
- C-10 “Derivative financial instruments and hedge relationships”
- C-13 “Related parties”
- C-14 “Transfer and derecognition of financial assets”
- C-22 “Cryptocurrencies”

IFRS 9 “Financial Instruments”

International Financial Reporting Standard IFRS 9 “Financial Instruments” (IFRS 9) is a standard that comes forth for the purpose of setting out the principles for the recognition and the measurement of financial assets and financial liabilities, in order for the entity to present useful, relevant information for uses of financial statements in dealing with the evaluation of the amounts and certainty of the Institution’s future cash flows.

With an effective date of January 1, 2022 for Full Service and Development Banking Institutions, IFRS 9 includes three chapters that refer to the bulletins of MX FRS:

- C-2 Investment in financial instruments
- C-16 Impairment of trade financial assets
- C-10 Derivative financial instruments and hedge accounting
- C-20 Financial instruments to collect its principal and interest

### **Accounting criterion MX FRS C-2 Investments in Financial Instruments**

Pursuant to the foregoing, in order to address the changes presented in IFRS 9, the CNBV has defined modifications to the accounting criteria set forth in the Single Banking Circular (CUB - for its acronym in Spanish) and specifically criterion B-2 Investments in securities for MX FRS C-2 Investments in Financial Instruments.

The purpose of this FRS is to set out valuation, presentation, and disclosure standards for the beginning and subsequent recognition of the investment in financial instruments in the financial statements of an economic entity.

The above accounting criterion B-2 for banking was basically focused on the classification and valuation of financial instruments, and it set out three classes for those instruments, which were based on the intent whereby those instruments were acquired and used, that is, the class of Trading Securities, Available-for-Sale securities, and Held-to-maturity securities. Certain rules and conditions were set out for transferring financial instruments between the distinct classes.

The business model concept of managing investments in financial instruments based on cash flows is adopted by applying MX FRS C-2 Standard, which can be used to obtain a contractual yield of a financial instrument from the collection and/or sale of contractual yields or obtaining gains on their purchase and sale, in order to classify the various financial instruments. Thus, the statement of financial position presents financial instruments in assets separately, considering if its main risk is credit or market, or both, in accordance with the Institution's strategy.

- Financial Instruments for Collecting Principal and Interest (IFCPI - for its acronym in Spanish), which is intended to collect contractual flows on preestablished dates that correspond to payments on principal and interest on the unpaid amount of the principal.
- Financial Instruments for Collecting or Selling (IFCV - for its acronym in Spanish), whose objective is to collect contractual cash flows on principal and interest or obtain a gain on its sale when advisable.
- Negotiable Financial Instruments (IFN - for its acronym in Spanish) are intended to obtain a gain between the buy and sell price, based on the market risk management of that instrument.

Moreover, the measurement / valuation of investments in financial instruments by the Institution should be made as:

- IFCPI – At amortized with an effect on income (loss) and impairment.
- IFCV – At fair value with an effect on Other Comprehensive Income (recycling) and marginal recognition of impairment in income.
- IFN – At fair value with an effect on income (loss).

The main effects on the financial statements of the Institution for fiscal 2022 refer to:

**i) Cash and cash equivalents formerly liquid assets**

The main changes refer to modifications on the treatment of the financial statements discussed in paragraph b) below, which sets out that only those instruments that have high liquidity will be considered in this item and their disposal is foreseen within a maximum of 48 to 72 hours.

**ii) Financial instruments**

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognized when the Institution becomes a party to the contractual provisions of the financial instrument. Financial assets and liabilities represent contractual rights and obligations, respectively, in relation to monetary economic resources.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

The classification is determined both by the business model of the entity on the management of the financial asset, as well as the contractual characteristics of the cash flow of the financial asset.

Financial assets are classified in the following categories:

- Cash and cash equivalents
- Trade receivables
- Financial instruments to collect its principal and interest
- Financial instruments to collect or sell
- Financial instruments to trade

Cash and cash equivalents, both on initial and subsequent recognition, are measured at fair value, which is its face value.

Trade receivables and other accounts receivable, that do not contain a significant financing component are measured at the transaction price in accordance with NIF D-1 'Revenue from Contracts with Customers' (NIF D-1) and subsequently at the transaction price pending of collection.

All other categories of financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

All income and expenses relating to financial assets that are recognized in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Subsequent measurement of financial assetsFinancial instruments to collect its principal and interest (IFCPI for its Acronym in Spanish)

Accounts receivable from customers and other accounts receivable, which do not contain a financing component, are subsequently measured at the price of the pending transaction.

Financial assets (IFCPI) are measured at amortized cost if the assets meet the following conditions and were not designated as fair value through profit or loss (FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Measurement at amortized cost is carried out by using the effective interest method, discounting is omitted where the effect of discounting is immaterial. The Institution's cash and cash equivalents, trade and other receivables, that contain a significant financing component, fall into this category of financial instruments and are measured at amortized cost.

Financial instruments to collect or sell (IFCV for its Acronym in Spanish)

Institution's IFCV are subsequently measured at fair value through other comprehensive income (FVTOCI), previously recognizing the amounts for accrued interest, exchange rate fluctuation and impairment losses, provided that the assets comply with IFCPI conditions and additionally, their business model includes the possibility of selling them.

Any gains or losses recognized in other comprehensive income (OCI) will be reclassified upon derecognition of the financial asset.

Financial instruments to trade (IFN for its Acronym in Spanish)

Financial assets that are held within a different business model other than trade receivables, IFCP or IFCV, are subsequently measured at FVTPL. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

**iii) Loan portfolio**

This criterion is intended to define the particular standards relative to the opening and closing recognition, valuation, presentation, and disclosure in the financial statements of the loan portfolio of entities.

This criterion also includes the accounting guidelines relative to the recognition and presentation of the allowance for loan losses.

## Recognition and valuation standards

Amortized cost

The business model relative to how the loan portfolio is managed by the Institution, as well as the tests performed on the portfolio allowed for validating total cash flows from the portfolio arise from contractual

aspects and under no circumstances from portfolio sales; therefore, the valuation applicable there to is the value at amortized cost.

Thus, the value at amortized cost, which is defined as the present value of contractual cash flows receivable of the loan portfolio, plus the unamortized transaction costs, by using the effective interest method and reducing the allowance for loan losses, is the mechanism that the Institution will use in the determination of the value of its portfolio.

It is important to consider that in the case of the current portfolio as of December 2021 month-end, should there not be any fees or transaction costs that may be associated to a particular lending operation, the value of the effective rate and contractual rate of lending operations coincide.

#### Interest rate determination of the effective interest rate

In order to determine the effective rate, the entity must follow the following steps:

1. Determine the amount of future cash flows estimated to be received. - By adding the principal and interest that will be received in conformity with the credit payment schemes during the contractual period, or in a shorter period if there is a probability of payment before the due date or another circumstances that justifies the use of a shorter period.
2. Determine the effective interest rate. - Reducing from future cash flows estimated to be received.
3. Determine the effective interest rate. - It represents the relationship between effective interest and the net amount financed.

#### Initial recognition

In the initial recognition as of December 31, 2021, the loan portfolio must be valued at its amortized cost, which must include increases in accrued effective interest, decreases in the amortization of transaction costs, and items collected in advance, as well as decreases in collections of principal and interest, and the allowance for loan losses.

Categorization of the loan portfolio by credit risk level:

- Portfolio with credit risk stage 1
- Loan portfolio with credit risk stage 2
- Loan portfolio with credit risk stage 3

#### **iv) Allowance for loan losses**

The amount of the allowance for loan losses is determined based on the different methodologies set out by the CNBV for each type of credit and credit risk level, as well as additional estimates required in various regulations and bodies of laws recognized by the CNBV, should be recognized in profit and loss of the corresponding period.

The estimate for expected losses will be carried out by the Institution by considering 3 stages, depending on the level of credit impairment of assets. Stage 1 is the stage that will incorporate financial instruments whose credit risk has not increased significantly since their opening recognition, and the estimate should be created for a 12-month period. Stage 2 will incorporate the instruments in which a significant risk is presented in the credit risk since their opening recognition. Finally, stage 3 will encompass instruments in which objective evidence of impairment and which, in stage 2 as well as in stage 3, that stage sets for that the Institution should create allowance for loan losses for the remaining term to maturity.

## v) Leases

The accounting treatment of leases is aligned with international accounting standards and a single lease recognition model for the lessee, which requires that the lessee recognize the assets and liabilities of all leases that have a duration exceeding twelve months. A lessee is required to recognize an asset for the right-of-use, which represents its right to use the leased underlying asset, and a liability for a lease, which represents its obligation to make payments for the lease.

### The Institution as a lessee

The Institution makes the use of leasing arrangements principally for the provision of its office space. The rental contracts for offices are typically negotiated for terms of between 3 and 5 years and some of these have renewal options. The Institution does not enter into sale and leaseback arrangements. All the leases are negotiated on an individual basis and contain a wide variety of different terms and conditions such as purchase options and escalation clauses.

The Institution assesses whether a contract is or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

Some lease contracts contain both lease and non-lease components. These non-lease components are usually associated with facilities management and maintenance contracts. The Institution has elected to not separate its leases for offices into lease and non-lease components and instead accounts for these contracts as a single lease component. For its other leases, the lease components are split into their lease and non-lease components based on their relative stand-alone prices.

### *Measurement and recognition of leases as a lessee*

At lease commencement date, the Institution recognises a right-of-use asset and a lease liability in its statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Institution, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Institution depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Institution also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Institution measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate that is implicit in the lease, if said rate is easily determinable, the Institution's incremental financing rate or the risk-free rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced by lease payments that are allocated between repayments of principal and finance costs. The finance cost is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability.

The lease liability is reassessed when there is a change in the lease payments. Changes in lease payments arising from a change in the lease term or a change in the assessment of an option to purchase a leased asset. The revised lease payments are discounted using the Institution's incremental borrowing rate at the date of reassessment when the rate implicit in the lease cannot be readily determined. The amount of the remeasurement of the lease liability is reflected as an adjustment to the carrying amount of the right-of-use asset. The exception being when the carrying amount of the right-of-use asset has been reduced to zero then any excess is recognised in profit or loss.

The most significant quantitative effects in the adoption of IFRS 9 in the financial information of the Institution as of December 31, 2021 are as follows:

**Effect of implementation as of January 1, 2022 (Unaudited amounts)**

<b>Amounts in conformity with CNBV criterion</b>	<b>\$</b>	<b>29,919</b>	<b>Amounts with adaptation of the changes in the IFRS 9 standard</b>	<b>\$</b>	<b>29,919</b>	<b>Effects of adoption</b>	<b>\$</b>	<b>-</b>
<b>Liquid assets</b>			<b>Cash and cash equivalents</b>					
<b>Investments in securities</b>		<b>263,938</b>	<b>Investments in financial instruments, net</b>		<b>263,765</b>		<b>(173)</b>	
Trading securities		205,802	Negotiable financial instruments		197,032		(8,770)	
Available-for-sale securities		19,821	Financial instruments for collecting or selling		28,591		8,770	
Held-to-maturity securities		38,315	Financial instruments for collecting principal and interest (securities)		38,315		-	
			<b>Estimate for expected credit losses for investments in financial instruments for collecting principal and interest (securities)</b>		<b>(173)</b>		<b>(173)</b>	
<b>Total loan portfolio</b>		<b>189,572</b>	<b>Total loan portfolio</b>		<b>189,572</b>		<b>-</b>	
Current loan portfolio		184,343	Loan portfolio with credit risk stage 1		184,343		-	
Nonperforming loan portfolio		5,229	Loan portfolio with credit risk stage 2		-		-	
			Loan portfolio with credit risk stage 3		5,229		-	

				-
				-
<b>Allowance for loan losses</b>	<b>(12,635)</b>	<b>Allowance for loan losses</b>	<b>(12,635)</b>	-
				-
		<b>Right-of-use assets of property and equipment (net)</b>	<b>3</b>	<b>3</b>
		<b>Lease liability</b>	<b>(3)</b>	<b>(3)</b>
<b>Income (loss) for the year</b>	<b>(6,668)</b>	<b>Income (loss) for the year</b>	<b>(6,668)</b>	-
<b>Prior year income (loss)</b>	<b>196</b>	<b>Prior year income (loss)</b>	<b>22</b>	<b>(173)</b>

**MX FRS C-2 and MX FRS C-20 Investments in financial instruments**

The decrease amounting to \$173 for the recognition of the expected credit loss on financial instruments for collecting principal and interest, which should be recognized in prior year income.

Criterion B-6 “Loan portfolio” and allowance for loan losses

The adoption of the standard did not give rise to any impact that must be recognized in prior year income in stockholders’ equity due to:

- In conformity with the business model that was approved by the Credit Committee of the Institution, the loan portfolio meets the objective of collecting only principal and interest thereof (SPPI); therefore, it is valued at amortized cost.
- The loan portfolio was categorized by credit risk level in accordance with the following:
  1. Portfolio with credit risk stage 1.- All those credits whose credit risk has not increased significantly since their opening recognition up to the date of the financial statements, and that are not in the assumptions to be considered as stage 2 or 3 in terms of this criterion. The amount determined was \$184,343.
  2. Portfolio with credit risk stage 2.- No portfolio was identified in this stage in conformity with the methodology set out in the provisions.
  3. Portfolio with credit risk stage 3.- They are credits with credit impairment due to one or more events that have occurred that have a negative impact on the future cash flows of those credits, in conformity with the provisions in this criterion. The amount determined was \$5,229.
- The amount of the allowance for loan losses was determined based on the different standard methodologies issued by the CNBV for each type of credit and the credit risk level through the Provisions, which would give rise to transferring the allowance for loan losses created in conformity with the following exhibits:

**(Unaudited amounts)**

<b>Exhibit</b>	<b>Number of borrowers</b>	<b>Reserves with methodology in effect</b>	<b>Reserve with the new methodology</b>	<b>Release or organization</b>
19	30	\$ 4,123	\$ 5,627	\$ 1,504
20	90	1,993	558	(1,435)
21	1	589	589	-

<b>22</b>	<b>18</b>		<b>260</b>		<b>191</b>	<b>(69)</b>
<b>Total</b>	<b>139</b>	<b>\$</b>	<b>6,965</b>	<b>\$</b>	<b>6,965</b>	<b>\$ -</b>
<b>Additional reserves of the Institution</b>			<b>741</b>		<b>741</b>	<b>-</b>
<b>Reserves on contingent operations and institutional guarantees</b>			<b>100</b>		<b>100</b>	<b>-</b>
<b>Reserves of Fiso 1148</b>			<b>4,422</b>		<b>4,422</b>	<b>-</b>
<b>Reserves on contingent operations and guarantees Fiso 1148</b>			<b>407</b>		<b>407</b>	<b>-</b>
<b>Total reserves</b>		<b>\$</b>	<b>12,635</b>	<b>\$</b>	<b>12,635</b>	<b>\$ -</b>

#### MX FRS D-5 “Leases” Right-of-use assets of property and equipment (net) and lease liability

The Institution determined the application of this MX FRS of the financial lease agreements of the London’ offices, which gave rise to recognizing the amount of \$3 as an underlying asset and the corresponding liability.

#### **c. Reclassifications**

1. As discussed in Note 22, the consolidated financial statements of fiscal 2020 and prior year financial statements were reclassified in the item of prior year income in the amount of \$1,385 to increase the capital reserve, in conformity with the provisions of the Lending Institutions Law.
2. The Institution’s Management reclassified term deposit operations with domestic and foreign banks with periods exceeding 3 and 5 business days, respectively, which were previously reported in the item of liquid assets in the amount of \$32,534 as of December 31, 2020, for their recognition in the item of investments in securities-held-to-maturity, as discussed in detail in Note 7. That reclassification is comparable with the 2021 criterion and it was carried out based on official communication 113-1/15582/2022, dated February 24, 2022, whereby the Commission communicates its answer to the request for confirmation of criterion concerning the accounting recognition of term deposit operations with domestic and foreign banks with periods exceeding 3 and 5 business days, respectively.

#### **5. FOREIGN CURRENCY POSITION**

Central Bank regulations require that banks maintain balanced positions in foreign currencies within certain limits. The short or long position permitted by the Central Bank is equal to a maximum of 15% of the basic capital computed as of the third immediately preceding quarter. Therefore, as of December 31, 2021 and 2020, the Institution’s position is within the authorized limits. The foreign currency position of Nacional Financiera, S.N.C. Institución de Banca de Desarrollo not consolidated, is analyzed as follows:

	<b>Dollars</b>		<b>Equivalent in pesos</b>	
	<b>2021</b>	2020	<b>2021</b>	2020
Assets	<b>5,103</b>	5,360	<b>104,640</b>	106,698
Liabilities	<b>(5,113)</b>	(5,392)	<b>(104,829)</b>	(107,332)
<b>Short position</b>	<b>(10)</b>	(32)	<b>(189)</b>	(634)

As of December 31, 2021 and 2020, the assets and liabilities in millions of foreign currency of local currency and valued balances are shown below:

	2021			2020		
	Assets	Liabilities	Net position	Assets	Liabilities	Net position
USD Dollar	4,861	(4,874)	(13)	5,081	(5,120)	(39)
Japanese Yen	25,048	(25,037)	11	25,047	(25,038)	9
Euros	14	(12)	2	23	(17)	6
Sterling pounds	6	(5)	1	6	(6)	0

As of December 31, 2021 and 2020, the assets and liabilities in foreign currencies translated to pesos are shown below:

	2021			2020		
	Assets	Liabilities	Net position	Assets	Liabilities	Net position
USD dollars	\$ 99,683	\$ (99,943)	\$ (260)	\$ 101,149	\$ (101,942)	\$ (793)
Japanese Yen	4,464	(4,462)	2	4,831	(4,829)	2
Euros	333	(282)	51	559	(410)	149
Sterling pounds	158	(142)	16	157	(151)	6
French Francs	2	-	2	2	-	2
	<b>\$ 104,640</b>	<b>\$ (104,829)</b>	<b>\$ (189)</b>	<b>\$ 106,698</b>	<b>\$ (107,332)</b>	<b>\$ (634)</b>

The exchange rate relative to the US dollar as of December 31, 2021 and 2020, was \$20.5075 and \$19.9087, pesos per dollar, respectively, and on the issuance date of the consolidated financial statements, it was \$20.8266 pesos per dollar.

## 6. CASH AND CASH EQUIVALENTS

As of December 31, 2021 and 2020, cash and cash equivalents are analyzed as follows:

	2021	2020
Domestic and foreign Banks	\$ 7,428	\$ 10,261
24 and 48 hours foreign currency sales	(1,210)	-
Immediate payment documents	1	1
Restricted funds:		
Call money	10,628	29,426
Deposits with the central bank	4,579	4,577
24, 48 and 72 hours foreign currency purchase	8,493	-
	<b>\$ 29,919</b>	<b>\$ 44,265</b>

As of December 31, 2021 and 2020, deposits at the Central Bank correspond to monetary regulation which have no maturity. The interest generated by deposits in the Central Bank as of December 31, 2021 and 2020, were \$202 and \$513, respectively. The Provisions in force issued by the Central Bank for monetary regulation deposits set that may be comprised of cash, securities, or both.

As of December 31, 2021 and 2020, the Institution had the following call money:

	2021		
	Amount	Annual rate	Annual term
Banco de México	\$ 10,371	5.5%	3 days
Sociedad Hipotecaria Federal, S.N.C.	257	0.1%	3 days
	<b>\$ 10,628</b>		

	2020		
	Amount	Annual rate	Annual term
Banco de México	\$ 23,132	4.25%	4 days
Banobras	6,000	4.26%	4 days
Sociedad Hipotecaria Federal, S.N.C.	294	0.15%	4 days
	<u>\$ 29,426</u>		

As of December 31, 2021 and 2020, foreign currency receivable and deliverable equivalent in pesos in connection with the purchases and sales to be settled within 24, 48 and 72 hours were negotiated in USD dollars.

The offset balance of foreign currency receivables with foreign currency deliverables as of December 31, 2020, shows a net credit balance, and it is presented in the item of the liability "Other liabilities and other payables".

As of December 31, 2021 and 2020, cash and cash equivalents in foreign currency are as follows:

	2021		
	Millions of local currency	Exchange rate	Equivalent in pesos
USD Dollars	714	\$ 20.5075	\$ 14,641
Euros	4	23.3222	96
Sterling pounds	1	27.7805	17
			<u>\$ 14,754</u>

	2020		
	Millions of local currency	Exchange rate	Equivalent in pesos
USD Dollars	785	\$ 19.9087	\$ 15,635
Euros	7	24.3563	161
Sterling pounds	0	27.2033	12
			<u>\$ 15,808</u>

## 7. INVESTMENT SECURITIES

As of December 31, 2021 and 2020, investment securities at fair value, except held to maturity, are analyzed as follows:

### Trading

	2021			
	Acquisition cost	Accrued interest	Valuation	Book value
<i>Unrestricted:</i>				
Shares of Fondo de Desarrollo del Mercado de Valores (FDMV)	\$ 86	\$ -	\$ (38)	\$ 48
Bonds	37,849	25	101	37,975
Certificates	16,555	60	23	16,638

CETES	3,892	12	(4)	3,900
Ipabonos	10,037	-	(17)	10,020
Bank promissory notes	12	-	-	12
<i>Restricted:</i>				
Bonds*	69,227	-	105	69,332
Certificates	8,403	1	(3)	8,401
CETES	995	-	(1)	994
Ipabonos	58,367	11	94	58,472
Equity investments	10	-	-	10
	<u>\$ 205,433</u>	<u>\$ 109</u>	<u>\$ 260</u>	<u>\$ 205,802</u>

\* As discussed in Notes 1 and 18, the Institution obtained financing from the Bank of Mexico, which was secured by Bondes trading securities in the amount of \$280 that are restricted as of December 31, 2021.

	2020			
	Acquisition cost	Accrued interest	Valuation	Book value
<i>Unrestricted:</i>				
Shares of Fondo de Desarrollo del Mercado de Valores (FDMV)	\$ 68	\$ -	\$ (38)	\$ 30
Bonds	4,824	6	7	4,837
Certificates	7,356	16	(11)	7,361
CETES	2,264	3	1	2,268
Bank promissory notes	1,400	-	-	1,400
<i>Restricted:</i>				
Bonds	110,439	-	80	110,519
Certificates	17,644	-	10	17,654
CETES	435	-	-	435
Ipabonos	79,239	3	55	79,297
Bank promissory notes	237	1	-	238
Equity investments	9	-	-	9
	<u>\$ 223,915</u>	<u>\$ 29</u>	<u>\$ 104</u>	<u>\$ 224,048</u>

#### Available for sale

	2021			
	Acquisition cost	Accrued interest	Valuation	Book value
<i>Unrestricted:</i>				
Sovereign debt	\$ 2,045	\$ 17	\$ 132	\$ 2,194
Bonds issued by lending institutions	453	4	34	491
Debentures and other securities	16,058	102	80	16,240
<i>Restricted:</i>				
Sovereign debt	795	14	87	896
	<u>\$ 19,351</u>	<u>\$ 137</u>	<u>\$ 333</u>	<u>\$ 19,821</u>

	2020			
	Acquisition cost	Accrued interest	Valuation	Book value
<i>Unrestricted:</i>				
Sovereign debt	\$ 2,768	\$ 31	\$ 358	\$ 3,157
Bonds issued by lending institutions	440	3	42	485
Debentures and other securities	12,310	77	1,424	13,811
	<u>\$ 15,518</u>	<u>\$ 111</u>	<u>\$ 1,824</u>	<u>\$ 17,453</u>

**Held-to-maturity:**

	2021		
	Acquisition cost	Accrued interest	Book value
<i>Unrestricted:</i>			
Certificates	\$ 554	\$ 80	\$ 634
Strippable certificates of deposit	418	294	712
Udibonos	50	34	84
Term deposits	27,585	6	27,591
	<u>5,450</u>	<u>3,844</u>	<u>9,294</u>
<i>Restricted:</i>			
Segregable certificates	<u>\$ 34,057</u>	<u>\$ 4,258</u>	<u>\$ 38,315</u>

	2020		
	Acquisition cost	Accrued interest	Book value
<i>Unrestricted:</i>			
Certificates	\$ 545	\$ 69	\$ 614
Strippable certificates of deposit	2,658	1,551	4,209
Sovereign debt	111	2	113
Udibonos	50	28	78
Term deposits	32,521	13	32,534
	<u>5,075</u>	<u>2,974</u>	<u>8,049</u>
<i>Restricted:</i>			
Strppable certificates of deposit	<u>\$ 40,960</u>	<u>\$ 4,637</u>	<u>\$ 45,597</u>

Term deposits as of December 31, 2021 have a maturity of up to one hundred and eighty-two days, whose period matures in January, February and March 2022 in the amount of \$11,971, \$10,974, and \$4,646, respectively. Term deposits as of December 31, 2020 had a maturity of up to one hundred and eighty days, during the first and second quarter of 2021 in the amount of \$26,061 and \$6,473, respectively.

Pursuant to official communication 113-1/15582/2022, dated February 24, 2022, whereby the Commission answers the request for confirmation of criterion concerning the recognition of term deposit operations with domestic and foreign banks with periods exceeding 3 and 5 business days, respectively. In the scope of that answer, the Institution follows up on the conformation of criterion discussed above pursuant to brief DCP-131/2022 dated March 14, 2022.

The summary of trading securities considering their cost of acquisition and classification by category is shown by term to maturity below:

### Trading

	2021				Total
	Less than a month	Between one and three months	More than three months	Without term	
<i>Unrestricted:</i>					
Shares of Fondo de Desarrollo del Mercado de Valores (FDMV)	\$ -	\$ -	\$ -	\$ 486	\$ 486
Bonds	2,214	5,058	30,577	-	37,849
Certificates	7,125	50	9,380	-	16,555
CETES	172	930	2,790	-	3,892
Ipabonos	-	400	9,637	-	10,037
Bank promissory notes	12	-	-	-	12
<i>Restricted:</i>					
Bonds	-	267	68,960	-	69,227
Certificates	-	-	8,403	-	8,403
CETES	-	583	412	-	995
Ipabonos	-	-	58,367	-	58,367
Bank promissory notes	-	-	-	-	-
Equity investments net	-	-	-	10	10
	<u>\$ 9,523</u>	<u>\$ 7,288</u>	<u>\$ 188,526</u>	<u>\$ 496</u>	<u>\$ 205,833</u>
	2020				
	Less than a month	Between one and three months	More than three months	Without term	Total
<i>Unrestricted:</i>					
Shares of Fondo de Desarrollo del Mercado de Valores (FDMV)	\$ -	\$ -	\$ -	\$ 68	\$ 68
Bonds	-	2,531	2,293	-	4,824
Certificates	1	50	7,305	-	7,356
CETES	123	46	2,095	-	2,264
Bank promissory notes	1,400	-	-	-	1,400
<i>Restricted:</i>					
Bonds	-	3,523	106,916	-	110,439
Certificates	-	335	17,309	-	17,644
CETES	-	-	435	-	435
Ipabonos	-	-	79,239	-	79,239
Bank promissory notes	237	-	-	-	237
Equity investments net	-	-	-	9	9
	<u>\$ 1,761</u>	<u>\$ 6,485</u>	<u>\$ 215,592</u>	<u>\$ 77</u>	<u>\$ 223,915</u>

**Available for sale**

	2021		
	Less than one year	More than one year	Total
<i>Unrestricted:</i>			
Sovereign debt	\$ -	\$ 2,045	\$ 2,045
Bonds issued by lending institutions	-	453	453
Debentures and other securities	-	16,058	16,058
<i>Restricted:</i>			
Sovereign debt	-	795	795
	<u>\$ -</u>	<u>\$ 19,351</u>	<u>\$ 19,351</u>

	2020		
	Less than one year	More than one year	Total
Sovereign debt	\$ -	\$ 2,768	\$ 2,768
Bonds issued by lending institutions	-	440	440
Debentures and other securities	495	3,490	3,985
Securities issued from abroad	-	8,325	8,325
	<u>\$ 495</u>	<u>\$ 15,023</u>	<u>\$ 15,518</u>

**Held-to-maturity:**

	2021		
	Less than one year	More than one year	Total
<i>Unrestricted:</i>			
Certificates	\$ -	\$ 554	\$ 554
Segregable certificates	-	418	418
Sovereign debt	-	-	-
Udibonos	-	50	50
Term deposits	27,585	-	27,585
<i>Restricted:</i>			
Segregable certificates	-	5,450	5,450
	<u>\$ 27,585</u>	<u>\$ 6,472</u>	<u>\$ 34,057</u>
	2020		
	Less than one year	More than one year	Total
<i>Unrestricted:</i>			
Certificates	\$ -	\$ 545	\$ 545
Segregable certificates	-	2,658	2,658
Sovereign debt	-	111	111
Udibonos	-	50	50
Term deposits	32,521	-	32,521
<i>Restricted:</i>			
Segregable certificates	1,757	3,318	5,075
	<u>\$ 34,278</u>	<u>\$ 6,682</u>	<u>\$ 40,960</u>

The valuation result from available for sale securities as of December 31, 2021 and 2020 recognized in Comprehensive Income within stockholders' equity amounted to \$22 and \$(74), net of deferred income tax, respectively.

For the years ended December 31, 2021 and 2020, net gains from interest income, trading income and valuation (loss) gain from investments securities are as follows:

	2021	2020
Interest income	\$ 1,978	\$ 1,722
Valuation (loss) gain	491	(460)
Trading income	676	906
	<b>\$ 3,145</b>	<b>\$ 2,168</b>

For the years ended December 31, 2021 and 2020, the Institution has not made reclassifications from held to maturity to available for sale, or from trading securities to available for sale.

#### Issuers over 5% of Institution's net capital-

As of December 31, 2021 and 2020, investments in non-governmental debt securities of the same issuer and exceeding 5% of the Institution's net capital are analyzed below:

2021					
Issuer	Serie	Number of securities	Annual average rate	Average term	Amount
FEFA	Various	208,568,200	5.91%	542	20,959
PEMEX	Various	27,188,770	9.35%	1,317	2,584
PEMEX USD	Various	2,013,634	6.16%	2,820	4,229
PEMEX EUR	Various	30,000	3.17%	481	73
PEMEX GBP	83270	50,297	3.75%	1,097	135
2020					
Issuer	Serie	Number of securities	Annual average rate	Average term	Amount
FEFA	Various	240,218,200	4.85%	778	\$ 24,092
PEMEX USD	Various	1,318,562	5.93%	2,882	2,804
PEMEX EUR	Various	4,500	2.96%	645	114
PEMEX GBP	Various	5,000	3.75%	1,462	129

#### 8. REPURCHASE/RESELL AGREEMENTS

As of December 31, 2021 and 2020, the "Debtors on repurchase/resell agreements" and "Creditors on repurchase/resell agreements" balances in which the Institution acts as buyer or as seller, are analyzed as follows:

	<b>Debtors on repurchase/resell agreements</b>		<b>Creditors on repurchase/resell agreements</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>Government securities</b>				
Udibonos	\$ -	\$ -	\$ -	\$ -
Segregable certificates	38	400	(9,669)	(8,634)
Bonds	-	-	(91)	(982)
Fix rate bonds	16,750	-	(68,858)	(109,457)
Ipabonos	-	-	(58,377)	(107,583)
CETES	1,000	2,880	(995)	(435)
UMS Gobierno Federal	-	-	(878)	(2,912)
	<b>\$ 17,788</b>	<b>\$ 3,280</b>	<b>\$ (138,868)</b>	<b>\$ (230,003)</b>
<b>Other debt securities</b>				
Certificates	-	-	(8,404)	(17,645)
<b>Subtotal</b>	<b>17,788</b>	<b>3,280</b>	<b>(147,272)</b>	<b>(247,648)</b>
<b><u>Collateral sold or pledged as a guarantee (creditors)</u></b>				
<b>Government securities</b>				
Bonds	(38)	(400)	-	-
Bondes (Federal Government Development Bonds)	(16,750)	-	-	-
Ipabonos	-	-	-	-
CETES	(1,000)	(2,700)	-	-
<b>Subtotal</b>	<b>(17,788)</b>	<b>(3,100)</b>	<b>-</b>	<b>-</b>
	<b>\$ -</b>	<b>\$ 180</b>	<b>\$ (147,272)</b>	<b>\$ (247,648)</b>

## 9. DERIVATIVES

As of December 31, 2021 and 2020, the fair value of derivative financial instruments for trading and hedging purposes, recognized under the caption "Derivatives", is analyzed as follows:

	<b>2021 Position</b>		<b>2020 Position</b>	
	<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>
Trading purposes:				
Swaps	\$ 6,148	\$ (6,217)	\$ 5,911	\$ (5,974)
Hedging purposes:				
Swaps	\$ 851	\$ (8,692)	\$ 3,461	\$ (8,147)

The Institution participates in the Mexican Derivatives Market (MEXDER), through trading shares, CPI, interest rates and currency futures, and interest rate and currency swaps in accordance with the authorization granted by the Central Bank.

In the case of over-the-counter dollar-peso forwards, the master agreement does not establish maintaining guarantees, instead it does apply penalties on the nonperforming counter party. The exchange and interest rates futures and forward contracts carried out by the Institution are oriented to obtain earnings for the Institution.

In the case of dollar-peso forward for trading purposes, the fair value represents the amount that two parties agree to exchange, based on sources of information that affect the prices of these operations.

The Institution through the Risk Management Committee performs various analyses on underlying markets for derivative instruments that are traded in order to identify and assess the inherent risks. Operations with futures and forward contracts, involve recovery risks. To reduce the risks in the operation of these instruments, the Institution maintains matched positions.

	2021	2020
<b>Futures and forward contracts</b>		
<u>Purchases</u>		
Contract value	\$ 2,256	\$ -
Deliverable	(2,253)	-
Valuation	(2)	-
<u>Sales</u>		
Contract value	\$ 2,253	\$ -
Receivable	(2,263)	-
Valuation	(5)	-

**Swaps trading purposes:**

	2021			2020		
Interest rate	Contract value	Receivable	Deliverable	Contract value	Receivable	Deliverable
	\$ 280,385	\$ 6,148	\$ (6,217)	\$201,500	\$ 5,911	\$ 5,974

**Swaps hedging purposes:**

	2021			2020		
Interest rate	Contract value	Receivable	Deliverable	Contract value	Receivable	Deliverable
	\$ 74,831	\$ 851	\$ (8,692)	\$ 72,031	\$ 3,461	\$ 8,147

As of December 31, 2021 and 2020, hedge effectiveness/ineffectiveness derived from the application of the B-5 criterion "Derivatives and hedging transactions" of the Banking Commission, is detailed below:

The net effect of the valuation of the hedged position and the fair value hedge Swaps (with impact in statements of income):

	2021	2020
Ineffectiveness for:		
Deposit funding hedging	\$ 60	\$ (118)
Investments hedging	8	(3)
Loan portfolio	2	(15)
<b>Total</b>	<b>\$ 70</b>	<b>\$ (136)</b>

As of December 31, 2021 and 2020, the Institution has only contracted fair value hedge swaps.

**Trading Swaps (with impact in statements of income):**

Interest rate	2021		2020	
	\$	(68)	\$	(63)

The adjustments to the book value arising from interest rate hedges derivative transactions on financial assets and liabilities, due to the application of the criterion B-5 “Derivatives and hedging transactions” of the Banking Commission, as of December 31, 2021 and 2020, are detailed below:

	2021		2020	
	Asset	Liability	Asset	Liability
Deposit funding hedging	\$ 1,715	\$ -	\$ 833	\$ (3,426)
Investments hedging	1,318	(1,281)	890	(708)
Loan portfolio hedging	896	(106)	3,211	(16)
<b>Total</b>	<b>\$ 3,929</b>	<b>\$ (1,387)</b>	<b>\$ 4,934</b>	<b>\$ (4,150)</b>

The (loss) gain net, for the years ended December 31, 2021 and 2020, recognized in the consolidated statements of income derived from the valuation of instruments used for fair value hedging purposes, amounted to \$(1,339) and \$1,048, respectively. The effect of the gain (loss) related to the valuation of the effective hedge portion for the year ended December 31, 2021 and 2020 amounted to \$1,545 and \$1,099, respectively.

***Use of derivative financial instruments policy management (unaudited)-***

The Institution’s policies allow the use of derivative instruments for hedging and trading purposes. The main objectives of the operation of these instruments is risk hedging and the generation of revenues that support the Institution’s profitability.

The establishment of objectives and policies related to the operation of these instruments are included in the Risk Management regulatory and operational manuals.

Derivative financial instruments used by the Institution are interest rate and currency swaps, CPI and interest rate futures, as well as exchange rate forwards, which, according to the portfolio, can support hedging and trading strategies.

Derivative financial instruments are traded in over-the-counter markets and recognized stock markets. Eligible counterparties for the OTC derivatives are mainly domestic and foreign banks, whereas for derivatives traded in stock markets, the counterparty is the clearing house.

**Processes and levels of authorization**

Control processes, policies and levels of authorization for transactions with derivatives are set forth in the Integral Risk Management Committee (IRMC), whose duties include approval of:

- The specific limits for discretionary risks, when it has been empowered by the Board of Directors therefor, as well as the levels of tolerance in the case of non-discretionary risks.
- The methodology and procedures for identifying, measuring, overseeing, limiting, controlling, reporting and disclosing the different types of risk that the Institution is exposed to, as well as their eventual modifications.
- The models, parameters and scenarios that must be used to value, measure, and control the risks proposed by the Risk Management area, must concur with the Institution’s technology.

- The methodologies for identifying, valuing, measuring and controlling the risks of the new operations, products, and services that the Institution plans to offer to the market.
- The corrective actions proposed by the Integral Risk Management area.
- The assessment of aspects of Integral Risk Management referred to in Article 77 of the Provisions for its presentation to the Board of Directors and the Banking Commission.
- The Integral Risk Management manuals, in accordance with the objectives, guidelines, and policies established by the Board of Directors, referred to in the last paragraph of Article 78 of the Provisions.

All the new products or services traded in relation with any line of business are approved by the Committee, in accordance with the powers granted by the Board of Directors.

### **Independent reviews**

The Institution is under the supervision and monitoring of the Banking Commission and the Central Bank, which is performed through processes of monitoring, inspection visits, requirements of information and documentation, and delivery of reports. There are also periodic reviews by the internal and external auditors.

### **Generic description of valuation techniques**

Derivative financial instruments are valued in accordance with the criterion B-5 “Derivatives and hedging transactions” issued by the Banking Commission.

### **Valuation methodology**

- For derivatives with trading and hedging purposes— there is a structure of operating and regulatory manuals that set forth the valuation methodologies used.
- The reference inputs used in the valuation process are used by convention in the market practices (rates, exchange rates, prices, volatilities, etc.).
- The frequency of valuation of derivative financial instruments for trading purposes is daily.

### **Administration of internal and external sources of liquidity that could be used to meet requirements related to derivative financial instruments**

The resources are obtained through the National Treasury, as well as the International Treasury (London Branch).

### **Changes in identified risk exposure, contingencies and known or expected events in derivative financial instruments**

Stress tests and backtesting are performed on a regular basis to estimate the impact on derivatives instruments positions and to validate statistically that the market risk measurement models provide results consistent with the exposure to the market variability, which must be maintained within the parameters approved by the IRMC.

The methodology currently used for preparing stress measurement report, consists of calculating the current portfolio value, having ability to apply changes in risk factors occurring in:

- Tequila Effect (1994)
- Russian Crisis (1998)
- Twin Towers (2001)
- Mexican Stock Exchange Effect (2002)
- Effect on Real Interest Rate (2004)
- Mortgage Crisis Effect (2008)
- USA Elections effect (2016)
- COVID-19 effect (2020)

Backtesting tests are based on the daily generation of the following information:

- Valuation of the investment portfolio at day t.
- The VaR of the investment portfolio with a time horizon of 1 day and with a level of confidence of 97.5% (VaR).
- The portfolio valuation with the new risk factors at day t+1.

During 2021, the number of derivative financial instruments traded was the following:

Instrument		Number of transactions		Notional	
		Trading	Hedging	Trading	Hedging
<b>Futures</b>	(1)	(3)	-	57	-
<b>Forwards (Arbitrations)</b>	(2)	94	-	50	-
<b>Swaps</b>	(3)	530	83	83,130	41,113

(1) The number of transactions is equal to purchase transactions minus sales. Notional refers to number of contracts: 976 of purchase and 979 sales.

(2) Purchasing transactions. Notional in millions of US dollars.

(3) Notional amount traded during the year.

During 2020, the number of derivative financial instruments traded was the following:

Instrument		Number of transactions		Notional	
		Trading	Hedging	Trading	Hedging
Futures	(1)	(595)	-	14,713	-
Forwards (Arbitrations)	(2)	175	-	642	-
Swaps	(3)	437	78	58,368	27,311

(1) The number of transactions is equal to purchase transactions minus sales. Notional refers to number of contracts: 7,059 of purchase and 7,654 sales.

(2) Purchasing transactions. Notional in millions of US dollars.

(3) Notional amount traded during the year.

### Formal documentation of hedges

In order to comply with the applicable regulations with respect to derivatives and hedging transactions (Criterion B-5 issued by the Banking Commission), the Institution has a hedge file that includes the information shown as follows:

- I. File cover letter.
- II. Authorization of the hedge.
- III. Diagram of the strategy.
- IV. Evidence of prospective tests of hedge effectiveness.
- V. Evidence of execution of the derivative.
- VI. Details of the primary position being hedged.
- VII. Derivative confirmation.

### Sensitivity analysis

A sensitivity analysis is performed through different measures every day, such as:

- 1) Duration.— There are primarily two types of duration with different meanings:
  - a. Macaulay Duration: It is the weighted average maturity of the current cash flow values where weighting ratios are the time in years up to the payment of the corresponding flow.
  - b. Modified Duration: It is the percentage variation experienced by the price of a bond in light of small variations in the market interest rate.
- 2) Convexity.— It is the variation experienced by the slope of a curve with respect to a dependent variable, i.e., it measures the variation experienced, by the duration when rates change.
- 3) Greeks.— Sensitivity measurements for options, except for interest rate options:
  - a. Delta: Price Sensitivity for options at the price of the underlying of the option.
  - b. Theta: Price Sensitivity of options to the time variable.
  - c. Gamma: Third degree price sensitivity of the option to the underlying of the option.
  - d. Vega: Price Sensitivity of the option in response to volatility used for its valuation.
  - e. Rho: Price Sensitivity of the option in response to changes in interest rate.
- 4) Beta- It is the measurement of the systematic risk of a share.

This analysis is reported to the instances that define the operating strategy of derivatives on financial markets and operators therein, in order for them to set their criterion in risk taking with these instruments.

## 10. LOAN PORTFOLIO

### (a) Classification of loan portfolio by currency

As of December 31, 2021 and 2020, the classification of loans into current and past due by currency (valued in local currency), is analyzed as follows:

	2021			2020		
	Local	Foreign	Total	Local	Foreign	Total
<b>Current portfolio:</b>						
Business or commercial activity loans*	\$ 8,359	\$ 37,161	\$ 45,520	\$ 15,020	\$ 36,701	\$ 51,721
Financial institutions loans	123,723	4,596	128,319	156,482	9,418	165,900
Government entities loans	8,870	1,539	10,409	2,004	1,139	3,143
Consumer loans	15	-	15	15	-	15
Mortgage loans	80	-	80	94	-	94
Loans granted as agent of the Federal Government	-	-	-	-	-	-
<b>Subtotal</b>	<b>\$ 141,047</b>	<b>\$ 43,296</b>	<b>\$ 184,343</b>	<b>\$ 173,615</b>	<b>\$ 47,258</b>	<b>\$ 220,873</b>
<b>Past due portfolio:</b>						
Business or commercial activity loans	5,223	-	5,223	-	528	528
Financial institutions loans	-	-	-	-	-	-
Consumer loans	2	-	2	6	-	6
Mortgage loans	4	-	4	5	-	5
<b>Subtotal</b>	<b>5,229</b>	<b>-</b>	<b>5,229</b>	<b>11</b>	<b>528</b>	<b>539</b>
<b>Total loan portfolio</b>	<b>\$ 146,276</b>	<b>\$ 43,296</b>	<b>\$ 189,572</b>	<b>\$ 173,626</b>	<b>\$ 47,786</b>	<b>\$ 221,412</b>

\* As discussed in Notes 1 and 18, the Institution obtained financing from the Bank of Mexico, which was secured by the loan portfolio to financial entities in the amount of \$14,844.

Loans granted by the Institution acting as a financial agent, correspond to financing granted to Federal Government entities with resources obtained from international organizations for this particular purpose, which are presented in the loan portfolio.

Loans to financial institutions are granted to banking and non-banking entities through the discount of documents from individuals and entities engaged in business activities.

As of December 31, 2021 and 2020, the Institution has no loan portfolio subject to support program promoted by the Federal Government.

#### (b) Classification of loan portfolio by economic sector

As of December 31, 2021 and 2020, credit risk, classified by economic sector and the percentage of concentration are analyzed as follows:

	2021		2020	
	Amount	%	Amount	%
Federal Government	\$ -	-	\$ -	-
Decentralized agencies and state-owned enterprises	10,409	5	3,143	1
Commercial Banks	53,949	28	67,598	31
Other private financial brokers	74,370	39	98,303	44
Companies	50,743	28	52,249	24
Private parties	101	-	119	-
<b>Total</b>	<b>\$ 189,572</b>	<b>100</b>	<b>\$ 221,412</b>	<b>100</b>

#### (c) Additional loan portfolio information

Annual weighted lending rates (unaudited):

During 2021 and 2020, annual weighted rates not audited, were as follows:

Type	2021	2020
Commercial loans *	6.52%	6.02%
Consumer	4.73%	4.28%
Mortgages	2.50%	2.47%
Excluded	3.09%	2.94%

\* Includes commercial, financial and government entities loans.

#### Restructured and renewed loans:

As of December 31, 2021 and 2020, restructured loans are analyzed as follows:

	2021			2020		
	Current portfolio	Past due portfolio	Total	Current portfolio	Past due portfolio	Total
Commercial loans	\$ 13,630	\$ 995	\$ 14,625	\$ 8,648	\$ 528	\$ 9,176
Financial entities	-	-	-	-	-	-
Mortgage	6	2	8	11	-	11
<b>Total</b>	<b>\$ 13,636</b>	<b>\$ 997</b>	<b>\$ 14,633</b>	<b>\$ 8,659</b>	<b>\$ 528</b>	<b>\$ 9,187</b>

For the years ended December 31, 2021 and 2020, interests arising from restructured loans amounted to \$437 and \$418, respectively.

As of December 31, 2021 and 2020, no renewed loans were recorded by the Institution.

### Past-due portfolio:

An analysis of past-due loans as of December 31, 2021 and 2020, from the date the loans were considered past-due are summarized as follows:

	1 to 180 days	181 to 365 days	366 to 730 days	Over 2 years	Total
<b>2021</b>					
<b>Commercial*</b>	\$ -	\$ -	\$ -	\$ 5,223	\$ 5,223
<b>Consumer</b>	1	-	-	1	2
<b>Mortgage</b>	3	-	-	1	4
	\$ 4	\$ -	\$ -	\$ 5,225	\$ 5,229
<b>2020</b>					
<b>Commercial *</b>	\$ -	\$ -	\$ -	\$ 528	\$ 528
<b>Consumer</b>	1	1	-	4	6
<b>Mortgage</b>	3	-	-	2	5
	\$ 4	\$ 1	\$ -	\$ 534	\$ 539

\* Includes commercial, financial and government entities loans.

The activity in the past-due loan portfolio for the years ended December 31, 2021 and 2020, is summarized below:

Activity	2021	2020
Balance at beginning of year	\$ 539	\$ 731
Settlements	(1,075)	(235)
Transfer from performing to non-performing portfolio	5,765	3
Foreign exchange fluctuation	-	40
<b>Balance at end of year</b>	<b>\$ 5,229</b>	<b>\$ 539</b>

As of December 31, 2021 and 2020 the past-due loan portfolio is comprised of 35 and 25 former employees, respectively, and 3 and 1 companies, in both years, which are in a judicial or extra-judicial process.

As of December 31, 2021 and 2020, the interests on the past-due loan portfolio not recognized in net income amounted to \$6 and \$1, respectively, these are recorded in memorandum accounts.

For the years ended December 31, 2021 and 2020, the Institution recorded write-offs from those past due loans that had been fully reserved, for a total of \$0 and \$0, respectively.

For the years ended December 31, 2021 and 2020, the Institution had no recoveries from written-off loans.

### Impaired loan portfolio:

In accordance with criterion B-6, "Loan portfolio", of the Provisions, commercial loans are deemed impaired loan when it is determined that, based on current facts and information, as well as the review process of such loans, there is a significant likelihood of them not being entirely recovered (whether their principal component or interest) in accordance with the terms and conditions originally agreed. Both the current and non-performing portfolio may be identified as an impaired portfolio.

As of December 31, 2021 and 2020, the impaired portfolio is summarized below:

	2021				2020			
	Risk grade		Total	Allowance recorded	Risk grade		Total	Allowance recorded
	D	E			D	E		
Current	\$ 610	\$ -	\$ 610	\$ 128	\$ 294	\$ -	\$ 294	\$ 132
Past-due	-	5,316	5,316	4,354	-	528	528	528
Total	\$ 610	\$ 5,316	\$ 5,926	\$ 4,482	\$ 294	\$ 528	\$ 822	\$ 660

Interest and commissions from the loan portfolio as of December 31, 2021 and 2020, are integrated as follows:

	2021			2020		
	Interest	Commissions	Total	Interest	Commissions	Total
Business or commercial activity loans	\$ 2,682	\$ 7	\$ 2,689	\$ 3,284	\$ 43	\$ 3,327
Financial institutions loans	7,230	64	7,294	10,827	54	10,881
Government entities loans	184	-	184	438	2	440
Mortgage loans	2	-	2	3	-	3
Consumer loans	1	-	1	-	-	-
Total	\$ 10,099	\$ 71	\$ 10,170	\$ 14,552	\$ 99	\$ 14,651

The average weighted term for the amortization of commissions collected on the granting of loans is one month.

#### Adjustment from valuation of financial asset hedging:

The fair value hedges of interest rate risk of a portion of a portfolio comprised of financial assets, could generate an adjustment to the carrying amount of the hedged item, from the gain or loss recorded in the consolidated statements of income and presented under the valuation adjustments from hedging of financial assets caption.

As of December 31, 2021 and 2020, the adjustment to the carrying value of the loan portfolio from the gain or loss recognized in results of operations for the year is presented under the caption "Valuation adjustment from hedging of financial assets" in the consolidated balance sheets for \$3,929 and \$4,934, respectively.

#### (d) Allowance for loan losses

As of December 31, 2021 and 2020, as a result of the application of the rating methodology, the probability of default and loss given default by type of loan portfolio, obtained as weighted average (unaudited) of the exposure to default, are as follows:

Portfolio type	Probability of default	Loss given default	Exposure to default
<b>2021</b>			
Commercial	4.05%	44.88%	\$ 279,714
Mortgage	8.05%	23.10%	84
Consumer	19.71%	81.93%	17
Exempt	-	-	\$ -
<b>2020</b>			
Commercial	2.88%	44.88%	\$ 307,005
Mortgage	7.57%	25.22%	99
Consumer	35.54%	85.61%	21

Exempt - - \$ -

The parameters are weighted on the loans of each of the portfolios. Exposure to default shown for credit includes credit commitments.

In accordance with the Provisions for the loan portfolio rating, for development banking institutions, the loan portfolio under the responsibility of the Federal Government and the discounting of development banking entities, is not subject to the creation of allowance for loan losses, since these entities assume the credit risk. The balances of the loan portfolio and contingent operations subject to rating are controlled in memorandum accounts and are rated based on the methodologies established by the Banking Commission.

As of December 31, 2021, the credit rated loan portfolio and allowance for loan losses, are analyzed as follows:

#### Credit rated loan portfolio

Grade of Risk	Business or commercial	Financial institutions	Government entities	Consumer	Mortgage	Total
A-1	\$ 111,356	\$ 39,702	\$ 10,409	\$ 1	\$ 60	\$ 161,528
A-2	6,453	37,021	-	4	3	43,481
B-1	3,282	35,175	-	3	3	38,463
B-2	11,309	4,784	-	2	6	16,101
B-3	2,573	11,453	-	1	1	14,028
C-1	-	89	-	1	6	96
C-2	-	-	-	1	2	3
D	607	3	-	1	3	614
E	5,406	92	-	3	-	5,501
<b>Total</b>	<b>\$ 140,986</b>	<b>\$ 128,319</b>	<b>\$ 10,409</b>	<b>\$ 17</b>	<b>\$ 84</b>	<b>\$ 279,815</b>
<b>Exempted portfolio:</b>						
<b>Federal Government</b>						-
<b>Total portfolio</b>						<b>\$ 279,815</b>

#### Allowance for loan losses of credit rated loan portfolio

Grade of Risk	Business or commercial	Financial institutions	Government Entities	Consumer	Mortgage	Total
A-1	\$ 519	\$ 311	\$ 52	\$ -	\$ -	\$ 882
A-2	91	425	-	-	-	516
B-1	63	624	-	-	-	687
B-2	277	116	-	-	-	393
B-3	85	418	-	-	-	503
C-1	-	6	-	-	-	6
C-2	-	-	-	-	-	-
D	127	1	-	-	2	130
E	4,262	92	-	2	-	4,356
<b>Total</b>	<b>\$ 5,424</b>	<b>\$ 1,993</b>	<b>\$ 52</b>	<b>\$ 2</b>	<b>\$ 2</b>	<b>\$ 7,473</b>
<b>Additional reserves recognized by the Banking Commission</b>						<b>740</b>
<b>Allowance for assignment of lines of guarantees</b>						<b>4,422</b>
<b>Total</b>						<b>\$ 12,635</b>

As of December 31, 2020, the credit rated loan portfolio and the allowance for loan losses, are analyzed as follows:

Credit rated loan portfolio

Grade of risk	Business or commercial	Financial institutions	Government entities	Consumer	Mortgage	Total
A-1	\$ 103,682	\$ 38,348	\$ 3,143	\$ -	\$ 69	\$ 145,242
A-2	9,931	47,641	-	3	6	57,581
B-1	2,302	49,786	-	2	2	52,092
B-2	11,160	12,299	-	3	7	23,469
B-3	2,629	17,636	-	3	-	20,268
C-1	6,071	30	-	2	9	6,112
C-2	246	-	-	1	3	250
D	1,410	161	-	1	1	1,573
E	531	-	-	6	1	538
<b>Total</b>	<b>\$ 137,962</b>	<b>\$ 165,901</b>	<b>\$ 3,143</b>	<b>\$ 21</b>	<b>\$ 98</b>	<b>\$ 307,125</b>
Exempted portfolio:						
Federal Government						-
<b>Total</b>						<b>\$ 307,125</b>

Allowance for loan losses of credit rated loan portfolio

Grade of risk	Business or commercial	Financial institutions	Government entities	Consumer	Mortgage	Total
A-1	\$ 417	\$ 245	\$ 16	\$ -	\$ -	\$ 678
A-2	94	544	-	-	-	638
B-1	22	913	-	-	-	935
B-2	109	263	-	-	-	372
B-3	49	601	-	-	-	650
C-1	508	2	-	-	-	510
C-2	3	-	-	-	-	3
D	277	72	-	-	-	349
E	528	-	-	6	1	535
<b>Total</b>	<b>\$ 2,007</b>	<b>\$ 2,640</b>	<b>\$ 16</b>	<b>\$ 6</b>	<b>\$ 1</b>	<b>\$ 4,670</b>
Additional reserves recognized by the Banking Commission						970
Allowance for assignment of lines of guarantees						2,431
<b>Total</b>						<b>\$ 8,071</b>

The activity in the allowance for loan losses for the years ended December 31, 2021 and 2020, is summarized as follows:

	2021	2020
Balance at beginning of year	\$ 8,071	\$ 7,953
Provision charged to income for the year	12,316	8,387
Provisions, write-offs and others	(4)	(228)
Allowance cancellation	(7,789)	(8,084)
Exchange rate fluctuations	41	43
<b>Balance at end of year</b>	<b>\$ 12,635</b>	<b>\$ 8,071</b>

**11. OTHER ACCOUNTS RECEIVABLE, NET**

As of December 31, 2021 and 2020, other accounts receivable, are shown below:

	2021	2020
Loans to Institution's personnel	\$ 2,313	\$ 2,201
Debtors for settlement of operations	64	30,128
Other receivables	5,664	4,544
Receivables for fees on current trading activities	63	68
Payments receivable on swap trades	8,162	4,884
	<b>16,266</b>	<b>41,825</b>
Allowance for write-offs of other receivables	<b>(5,633)</b>	<b>(4,433)</b>
<b>Total</b>	<b>\$ 10,633</b>	<b>\$ 37,392</b>

**12. FORECLOSED ASSETS**

As of December 31, 2021 and 2020, foreclosed assets are analyzed as follows:

	2021	2020
Property	\$ 31	\$ 30
Furniture, securities and foreclosed rights	216	242
	247	272
Allowances for impairment	<b>(247)</b>	<b>(272)</b>
	<b>\$ -</b>	<b>\$ -</b>

The activity of the allowance for impairment for the years ended December 31, 2021 and 2020 is analyzed as follows:

	2021	2020
Balance at beginning of year	\$ (272)	\$ (49)
Increase on allowance of foreclosed assets	25	(223)
<b>Balance at end of year</b>	<b>\$ (247)</b>	<b>\$ (272)</b>

In conformity with the Provisions, additional reserves have been recorded for foreclosed assets in judicial or extra-judicial process or received in lieu of payment.

**13. PROPERTY AND EQUIPMENT, NET**

Property and equipment as of December 31, 2021 and 2020, are analyzed as follows:

	2021	2020
Land	\$ 53	\$ 53
Building	2,228	2,228
Furniture and equipment	261	262
Computer equipment	42	39
	<b>2,584</b>	<b>2,582</b>
Less – Accumulated depreciation	<b>(1,172)</b>	<b>(1,138)</b>
	<b>\$ 1,412</b>	<b>\$ 1,444</b>

The useful lives during which the main assets are depreciated are shown below:

<b>Concept</b>	<b>Useful life</b>
Building	53 to 70 years
Furniture and equipment	10 years
Computer equipment	3 to 4 years

Depreciation charged to income for the years ended December 31, 2021 and 2020, amounted to \$41 and \$41, respectively.

For the years ended December 31, 2021 and 2020, there was no effect from impairment of property, leasehold improvements and adaptations. As of December 31, 2021 and 2020, the percentages of depreciation applied by our main subsidiary, Plaza Insurgentes Sur, S.A. de C.V., which provides the Institution with furniture and real property lease services, are as follows:

<b>Concept</b>	<b>% of depreciation</b>
Building	2%
Furniture and equipment	10%
Computer equipment	30%
Installation expenses	5%

#### 14. PERMANENT INVESTMENTS AND OTHER INVESTMENTS

As of December 31, 2021 and 2020, the shares in permanent investments, are integrated as follows:

	<b>2021</b>		<b>2020</b>	
Corporación Andina de Fomento	\$	2,680	\$	2,607
Shares of other entities		337		287
Investments in subsidiary companies		34		32
Fideicomiso Patronato del Centro de Diseño de México		7		9
Fideicomiso Capital Emprendedor		4		4
<b>Total</b>	\$	<b>3,062</b>	\$	<b>2,939</b>

The activity in the permanent investments and other investments as of December 31, 2021 and 2020, is summarized as follows:

	<b>2021</b>		<b>2020</b>	
Balance at beginning of year	\$	2,939	\$	2,904
Equity method in the results of unconsolidated subsidiaries		69		30
Exchange translation		84		141
Investments acquisition		27		62
Investments disposals		-		(10)
Applications		(57)		(188)
<b>Balance at end of year</b>	\$	<b>3,062</b>	\$	<b>2,939</b>

#### 15. DEPOSIT FUNDING

As of December 31, 2021 and 2020, the deposit-funding caption is analyzed as follows:

	<b>2021</b>			<b>2020</b>		
	<b>Currency</b>		<b>Total</b>	<b>Currency</b>		<b>Total</b>
	<b>Local</b>	<b>Foreign</b>		<b>Local</b>	<b>Foreign</b>	
<b>Time deposits:</b>						
<b>Money market</b>	\$ 122,276	\$ 3,255	\$ 125,531	\$ 132,468	\$ 3,583	\$ 136,051
<b>Debt securities issued:</b>						

<b>Certificates</b>	<b>76,707</b>	<b>-</b>	<b>76,707</b>	61,099	-	61,099
<b>Bank bonds</b>	-	<b>30,187</b>	<b>30,187</b>	-	39,073	39,073
<b>Securities notes</b>	-	<b>4,462</b>	<b>4,462</b>	-	4,829	4,829
	<b>76,707</b>	<b>34,649</b>	<b>111,356</b>	61,099	43,902	105,001
<b>Total deposit funding</b>	<b>\$ 198,983</b>	<b>\$ 37,904</b>	<b>\$ 236,887</b>	\$ 193,567	\$ 47,485	\$ 241,052

As of December 31, 2021 and 2020, time deposits from the money market according to their maturity are integrated as follows:

	2021	2020
<b>Less than one year</b>	\$ <b>125,355</b>	\$ 135,815
<b>Between one and five years</b>	-	-
	<b>125,355</b>	135,815
<b>Accrued unpaid interest</b>	<b>176</b>	236
	<b>\$ 125,531</b>	\$ 136,051

As of December 31, 2021 and 2020, the (unaudited) average weighted interest rates and average terms in days on time deposits from money market are as follows:

#### Time deposits from money market

Instrument	2021		
	Annual average rate	Average term in days	Amount
<b>Bank promissory notes</b>	<b>5.23%</b>	<b>4</b>	\$ <b>122,100</b>
<b>Deposit certificates in foreign currency (valued)</b>	<b>-</b>	<b>134</b>	<b>3,255</b>
<b>Accrued unpaid interest</b>			<b>176</b>
			<b>\$ 125,531</b>

Instrument	2020		
	Annual average rate	Average term in days	Amount
Stock certificates	17.13%	5,477	\$ 374
Bank promissory notes	4.11%	10.2	131,862
Deposit certificates in foreign currency (valued)	0.4%	16	3,579
<b>Accrued unpaid interest</b>			<b>236</b>
			<b>\$ 136,051</b>

#### 16. DEBT SECURITIES ISSUED IN THE COUNTRY

As of December 31, 2021 and 2020, the Institution has issued stock certificates with par value of one hundred pesos each, under the Institution's financial program authorized by the Ministry of Finance, as shown below:

Issuance date	Maturity	Securities (millions)	Par value (pesos)	Interest rate	2021	2020
<b>Cebures settled in Indeval</b>						
<b>03/08/2012</b>	<b>22/07/2022</b>	<b>20</b>	<b>100</b>	<b>5.69</b>	<b>\$ 2,000</b>	<b>\$ 2,000</b>
<b>10/12/2012</b>	<b>22/07/2022</b>	<b>20</b>	<b>100</b>	<b>5.69</b>	<b>2,000</b>	<b>2,000</b>

22/11/2013	08/03/2024	30	100	6.55	3,000	3,000
14/03/2014	08/03/2024	5	100	6.55	475	475
14/03/2014	08/03/2024	43	100	6.55	4,275	4,275
06/06/2014	08/03/2024	40	100	6.55	4,000	4,000
26/09/2014	08/03/2024	32.5	100	6.55	3,250	3,250
17/04/2015	07/03/2025	60	100	6.15	6,000	6,000
24/08/2015	07/03/2025	40	100	6.15	4,000	4,000
12/04/2017	25/09/2026	12.5	100	6.20	1,250	1,250
27/04/2018	23/04/2021	45	100	8.26	-	4,500
02/05/2018	25/09/2026	25	100	6.20	2,500	2,500
26/07/2019	22/07/2022	52.8	100	5.17	5,280	5,280
26/07/2019	13/07/2029	27.2	100	7.92	2,720	2,720
02/07/2021	20/06/2031	75	100	7.35	7,500	-
22/11/2021	10/11/2031	65	100	7.79	6,500	-
02/07/2021	28/06/2024	13.85	100	5.15	1,385	-
22/11/2021	19/11/2024	22	100	5.18	2,200	-
02/07/2021	26/06/2026	11.15	100	5.21	1,115	-
22/11/2021	17/11/2026	13	100	5.2	1,300	-
<b>Premium or discount on placement</b>					(289)	(263)
<b>Accrued interest payable</b>					981	775
<b>Subtotal</b>					\$ 61,442	\$ 45,762
<hr/>						
<b>Issuance date</b>	<b>Maturity</b>	<b>Securities (millions)</b>	<b>Par value (pesos)</b>	<b>Interest rate</b>	<b>2021</b>	<b>2020</b>
<b>Cebures settled in Euroclear and Clearstream</b>						
27/04/2016	25/09/2026	50	99.31	6.2	\$ 5,000	\$ 5,000
25/10/2016	25/09/2026	42	99.40	6.2	4,200	4,200
<b>Premium or discount on placement</b>					(2)	(59)
<b>Accrued interest payable</b>					27	143
<b>Subtotal</b>					9,225	9,284
<b>Green bond denominated in local currency</b>						
02/09/2016	01/09/2023	20	99.99	6.05	2,000	2,000
<b>Accrued interest payable</b>					28	40
<b>Subtotal</b>					2,028	2,040
<b>Social bond</b>						
21/07/2017	15/07/2022	40	100	4.47	4,000	4,000
<b>Accrued interest payable</b>					12	13
<b>Subtotal</b>					4,012	4,013
<b>Total</b>					\$ 76,707	\$ 61,099

#### Stock certificates

In April 2016, two stock certificates (fixed-rate and reviewable rate) were issued under the communicative units format and under the program of syndicated auctions that the Institution has been carrying out since the end of 2013.

### Green bond

Additionally, in September 2016, the Institution issued its second green bond; the demand was close to \$6,000 (2.92 times) and the final placement amounted to \$2,000 which was initially used to finance three projects, two mini- hydroelectric plants and an eolian park located in the states of Nayarit and Puebla, respectively. The issuance was also highlighted by the support of the second opinion from Sustainalytic. This marks the beginning of Green bonds in Mexico since it is the first issue in pesos of this type.

### Social bond

In July 2017, the Institution placed the first social bond listed in the Mexican Stock Exchange who has the second opinion of Sustainalytics. The demand of this transaction amounted to \$13,373 (3.34 times) and the final placement amounted to \$4,000 and 6.68 times the target amount that was \$2,000. The Institution's social bond is aligned with the social bonds principles 2017 of the International Capital Market Association ("ICMA"), due to the nature of the eligibility criteria for the programs and populations target.

### Valuation adjustments from financial liabilities hedging

The fair value hedges of interest rate risk of a portion of a portfolio comprised of financial liabilities could generate an adjustment to the carrying amount of the hedged item, from the gain or loss recorded in the consolidated statements of income and presented under valuation adjustments for financial liabilities hedging.

As of December 31, 2021 and 2020, the valuation adjustment from hedging of financial liabilities in the consolidated balance sheets amounted to \$(110) and \$4, respectively.

## 17. CREDIT SECURITIES ISSUED ABROAD

### Bank bonds

As of December 31, 2021 and 2020, the bank bonds balance amounts to \$30,187 and \$39,073, respectively. The current balances of securities placed by the Institution abroad are presented below:

2021						
Currency	Securities	Balance in foreign currency in millions	Interests	% Average rate	Balance in local currency	Term
US Dollars						
	57	1,296	-	0.2291	\$ 26,600	Less than one year
	5	175	-	0.9656	3,587	Over one year
					\$ 30,187	
2020						
Currency	Securities	Balance in foreign currency in millions	Interests	% Average rate	Balance in local currency	Term
US Dollars						
	57	1,786	1	0.4610	\$ 35,589	Less than one year
	5	175	-	1.0110	3,484	Over one year
					\$ 39,073	

**Stock notes:**

As of December 31, 2021 and 2020, the current balance of this caption for \$4,462 and \$4,829, respectively and it is integrated as follows:

<b>2021</b>				
<b>Currency</b>	<b>Balance in foreign currency (millions)</b>	<b>% Average rate</b>	<b>Balance in local currency</b>	<b>Term</b>
Japanese Yen	10,000	0.78	\$ 1,782	5 years
Japanese Yen	15,000	0.66	2,673	5 years
Accrued interests			7	
			<b>\$ 4,462</b>	

<b>2020</b>				
<b>Currency</b>	<b>Balance in foreign currency (millions)</b>	<b>% Average rate</b>	<b>Balance in local currency</b>	<b>Term</b>
Japanese Yen	10,000	0.78	\$ 1,931	5 years
Japanese Yen	15,000	0.66	2,891	5 years
Accrued interests			7	
			<b>4,829</b>	

**18. BANK AND OTHER BORROWINGS**

As of December 31, 2021 and 2020, bank and other borrowings are comprised mainly for credits from foreign financial institutions at current market rates, as follows:

	<b>2021</b>	<b>2020</b>
Multinational and governmental agencies:		
World Bank	\$ 923	\$ 996
Central Bank	11,318	-
Inter-American Development Bank	6,409	6,520
Others	6,155	5,991
	<b>24,805</b>	<b>13,507</b>
Banking institutions	15,119	10,482
Other borrowings	7,309	26,397
Accrued unpaid interest	469	18
	<b>22,897</b>	<b>36,897</b>
	<b>\$ 47,702</b>	<b>\$ 50,404</b>

As of December 31, 2021 and 2020, maturity term less than one-year amount to \$20,428 and \$34,613, respectively.

As of December 31, 2021, bank and other borrowings based on their maturity dates are integrated as follows:

Financial agency	Average rate	Average term to maturity (residual)	Millions in foreign currency	Local currency
<b>Due on demand</b>				
Local currency	5.44%	3 days	\$ 7,309	\$ 7,309
Foreign currency	-	-	-	-
<b>Total</b>				\$ 7,309
<b>Short term</b>				
<b>US Dollars:</b>				
<b>Commercial banking</b>				
Kreditanstalt Fur Wiederaufbau (kfw)	1.12%	365 days	19	390
Mizuho Corporate Bank Limited New York	1.06%	5 days	90	1,844
Corporación Andina de Fomento (CAF)	0.36%	33 days	300	6,151
Instituto de Crédito Oficial (ICO)	1.25%	365 days	-	2
NF BID Cclip 2226 OC-ME				
Desarrollo Pymes Pemex	1.20%	365 days	5	103
NF CTF BIRF 98062 Programa de sustitución de electrodomésticos	0.75%	365 days	5	103
N.F.BID Cclip 2843/OC-ME Prog Línea Cred Condiciona ME-X1010	1.20%	365 days	5	103
NF BID 3237/OC-ME Prog				
<b>Financiamiento Impulso</b>				
Cogeneración e	1.20%	365 days	4	103
The Bank of Nova Scotia	0.30%	26 days	200	4,102
European Investment Bank	0.99%	365 days	6	119
<b>Euros:</b>				
Kreditanstalt fur wiederaufbau (kfw)	1.28%	365 days	3	73
Natexis Banque Populaires	2%	365 days	-	1
Interests	-	-	1	25
<b>Total</b>				\$ 13,119
Financial agency	Average rate	Average term to maturity (residual)	Millions in foreign currency	Local currency
<b>Long term</b>				
<b>Local currency:</b>				
Central Bank (a)	4.39%	759 days	11,318	11,318
<b>US Dollars:</b>				
<b>Commercial banking</b>				
Kreditanstalt fur wiederaufbau (kfw)	1.21%	2,439 days	185	3,798
Instituto de Crédito Oficial (ICO)	1.25%	395 days	-	1
NF BID Cclip 2226 OC-ME				
Desarrollo Pymes Pemex	1.20%	4,914 days	63	1,282

<b>NF CTF BIRF 98062 Programa de sustitución de electrodomésticos</b>	<b>0.75%</b>	<b>3,180 days</b>	<b>40</b>	<b>820</b>
<b>2631 TC ME Programa de financiamiento de energías renovables</b>	<b>0.75%</b>	<b>3,836 days</b>	<b>70</b>	<b>1,436</b>
<b>N.F.BID Cclip 2843/OC-ME Prog Línea Cred Condiciona ME-X1010</b>	<b>1.20%</b>	<b>5,979 days</b>	<b>78</b>	<b>1,589</b>
<b>NF BID 3237/OC-ME Prog Financiamiento Impulso Cogeneración</b>	<b>1.20%</b>	<b>6,741 days</b>	<b>88</b>	<b>1,794</b>
<b>European Investment Bank</b>	<b>0.90%</b>	<b>4,722 days</b>	<b>231</b>	<b>4,742</b>
<b>Subtotal</b>				<b>\$ 26,780</b>
<b>Euros:</b>				
<b>Kreditanstalt fur wiederaufbau (kfw)</b>	<b>1.10%</b>	<b>1,095 days</b>	<b>2</b>	<b>50</b>
<b>Natexis Banque Populaires</b>	<b>2.00%</b>	<b>730 days</b>	<b>-</b>	<b>-</b>
<b>Subtotal</b>				<b>50</b>
<b>Interests</b>				<b>444</b>
				<b>\$ 27,274</b>
		<b>Total</b>		

On February 11, 2021, the Institution entered into an unsecured credit opening agreement with the Bank of Mexico and Irrevocable Guarantee Trust No.10667 Banco Nacional de Comercio Exterior (BANCOMEXT) as the chief trust officer whereby the Bank of Mexico, through the SICA system, grants financing in the amount of \$11,384 with a capital term to maturity and interest up to 36 months. Its interest rate will be a rate equivalent to the average of the interbank interest rate at a day that has been determined by the Governance of the Bank of Mexico with a target rate for monetary policy purposes, during every day of the effectiveness of the financing. This credit is allocated toward granting financing to micro, small and medium-sized companies (MSMEs) directly or indirectly through other financial entities (first and second tier).

That financing was initially guaranteed by assigning the collection rights of the eligible loan portfolio collection rights of Scotiabank Inverlat S.A. I.B.M. and Multiva S.A. I.B.M. in the amounts of \$12,500 and \$2,786, respectively, recognized in Irrevocable Guarantee Trust No. 10667 in the benefit of the Bank of Mexico. The value of the guarantees is adjusted by the discount factors that the Bank of Mexico has determined, and it should totally cover both the principal and estimated interest and any other expense agreed upon, in conformity with the provisions of the Rules.

As of December 31, 2021, the financing from the Bank of Mexico amounts to \$11,318 in capital and \$444 in long-term interest, and the trust principal of trust No. 10667 as of this same date is comprised of the portfolio collection rights amounting to \$12,502 of Banco Scotiabank Inverlat, S.A. I.B.M. and by governmental securities that are itemized below and are recognized in investments in trading securities as restricted.

#### Guarantees in credit securities

As of December 31, 2021, the guarantees in credit securities are summarized as follows:

Date	TV	Issuer	Series	Securities	Amount of acquisition	Valuation	Amount valued
31/12/2021	LD	Bondes	240425	500,000	\$ 50	\$ -	\$ 50

<b>31/12/2021</b>	<b>LD</b>	<b>Bondes</b>	<b>240425</b>	<b>500,000</b>	<b>50</b>	<b>-</b>	<b>50</b>
<b>31/12/2021</b>	<b>LD</b>	<b>Bondes</b>	<b>230330</b>	<b>1,800,00</b>	<b>179</b>	<b>1</b>	<b>180</b>
<b>Total</b>						<b>\$</b>	<b>280</b>

These investments in trading securities delivered to the Bank of Mexico are restricted as discussed in Note 7.

### Loan portfolio

As of December 31, 2021, the loan portfolio granted in reliance on those resources presents the following situation:

Number of customers supported:	8,687
Number of credits supported:	192,958
Amount of capital	\$ 14,736
Amount of interest:	108
Total capital plus interest	\$ 14,844

That portfolio is recognized in the item of loan portfolio of financial entities in Note 10.

As of December 31, 2020, bank and other borrowings based on their maturity dates are integrated as follows:

Financial agency	Average rate	Average term to maturity (residual)	Millions in foreign currency	Local currency
<b>Due on demand</b>				
Local currency	4.16%	2 days	\$ 21,022	\$ 21,022
Foreign currency	4.25%	2 days	270	5,375
<b>Total</b>				<b>\$ 26,397</b>
<b>Short term</b>				
<b>US Dollars:</b>				
<b>Commercial banking</b>				
Kreditanstalt Fur Wiederaufbau (kfw)	1.45%	362 days	21	424
Mizuho Corporate Bank Limited New York	1.01%	5 days	60	1,195
Corporación Andina de Fomento (CAF)	0.45%	130 days	300	5,972
Instituto de Crédito Oficial (ICO)	1.33%	363 days	1	15
NF BID Cclip 2226 OC-ME Desarrollo Pymes Pemex	1.12%	363 days	5	100
NF CTF BIRF 98062 Programa de Sustitución de Electrodomésticos	0.75%	363 days	5	100
NF BID Cclip 2843/OC-ME Prog Línea Cred Condicional ME-X1010	1.12%	363 days	5	100
NF BID 3237/OC- ME Prog Financiamiento Impulso Cogeneración	1.12%	362 days	5	100
European Investment Bank	0.91%	-	6	115
<b>Euros:</b>				
Kreditanstalt fur wiederaufbau (kfw)	1.24%	-	3	76

Natexis Banque Populaires	2.00%	-	-	1
Interest	1.18%	-	18	18
<b>Total</b>				<b>\$ 8,216</b>

Financial agency	Average rate	Average term to maturity (residual)	Millions in foreign currency	Local currency
Long term				
US dollars:				
Commercial banking				
Kreditanstalt fur wiederaufbau (kfw)	1.45%	2,407 days	192	\$ 3,824
Instituto de Crédito Oficial ICO	1.33%	760 days	-	3
NF BID Cclip 2226 OC-ME	1.12%	5,279 days	68	1,344
Desarrollo Pymes Pemex				
NF CTF BIRF 98062 Programa de Sustitución de Electrodomésticos	0.75%	3,545 days	45	896
2631 TC ME Programa de Financiamiento de Energías Renovables	0.75%	4,201 days	70	1,394
NF BID Cclip 2843/OC-ME Prog	1.12%	6,344 days	83	1,642
Línea Cred Condiciona ME-X1010	1.12%	7,106 days	93	1,842
NF BID 3237/OC-ME Programa Financiamiento Impulso Cogeneración	0.91%	5,085 days	237	4,717
European Investment Bank				
Subtotal				<u>\$ 15,662</u>
Euros:				
Kreditanstalt fur wiederaufbau (kfw)	1.24%	973 days	5	128
Natexis Banque Populaires	2.00%	1,095 days	-	1
Subtotal				<u>129</u>
<b>Total</b>				<b><u>\$ 15,791</u></b>

The account of credits obtained pending disposition (Note 23 Memorandum accounts) represent the lines of credit granted to the Institution not exercised at year-end, and are analyzed as follows:

	2021	2020
Central Bank	\$ 219	\$ 212
Kreditanstal Fur Wiederaufbau Frankfurt	751	785
Banco Interamericano de Desarrollo	1,760	1,708
<b>Total</b>	<b>\$ 2,730</b>	<b>\$ 2,705</b>

## 19. OTHER ACCOUNTS PAYABLE

As of December 31, 2021 and 2020, this caption is analyzed as follows:

	2021	2020
Payables for cash collateral received	\$ 129	\$ 2,652
Sundry creditors	3,074	2,547
Income taxes payable	72	73
Employee statutory profit sharing payable	3	-

Clearing accounts	7,292	-
Provisions for other items	259	223
Guarantee deposits	3	3
<b>Total \$</b>	<b>10,832</b>	<b>\$ 5,498</b>

## 20. EMPLOYEE BENEFITS

### a) Defined contribution retirement plan-

Beginning in 2006, the Institution amended the General Labor Conditions (GLC) based on trends and best practices in the management and operation of retirement and pension schemes, to incorporate new employees, as well as those who decided to migrate from defined benefits to defined contribution scheme. This scheme allows for having a greater control over costs and liabilities of the plan, maintain an adequate cost-benefit ratio for the Institution and for employees and establishes clear rules of contribution or retirement.

This plan consists of the contributions carried out by the Institution to open individual accounts for each employee, which are divided in two sub accounts, denominated "A" and "B", respectively. It further consists of contributions carried out by the employee to the sub-account "B" and the returns generated by both subaccounts, which are jointly identified as the employee's individual account.

The amount of the contributions for the years ended December 31, 2021 and 2020, amounted to \$43 and \$40, respectively.

As of December 31, 2021 and 2020, the defined contribution plan assets amount to \$264 and \$269, respectively, and are invested in an irrevocable trust incorporated in the Institution.

### b) Defined benefits retirement plan-

Moreover, GLCs set forth that employees who reach 65 years of age and complete 30 years of service will be entitled to a retirement annuity. Moreover, upon reaching 65 years of age with 5 years of seniority, employees will be entitled to receive a monthly annuity, whose amount will be equal to the result of multiplying the average of the net monthly salary accrued by the employee during the last year of service by the number of years of service rendered by the 0.0385 factor. The Institution reserves the right to pay a pension for retirement to the employee who has reached 60 years of age or completed 26 years of service.

On the other hand, the articles of the GLC dated August 12, 1994 set forth that employee who joined the Institution prior to the above mentioned date and reach 55 years of age and have completed 30 years of service, 60 years of age and have completed 26 years of service or 60 years of age and completed 5 years of seniority will be entitled for a pension in the terms of the GLC referred to above.

In the event of an unjustified dismissal or termination of the employment relationship, the employee may choose to receive the compensation upon termination or a retirement annuity calculated based on the main characteristics of the retirement plan if the employee is 50 years old and has 16 or more years of seniority.

Article 5 paragraph a) of the GLC, reviewed in 2006, establishes that individuals who have obtained pension for disablement, disability or retirement prior to this GLC review and those employees who joined the Institution prior to such date and to whom the defined retirement benefit plan applies, will continue to enjoy the right to receive from the Institution at the time when they retire the following additional benefits:

Short-term loans, medium-term loans and special loan for savings, which will be paid with a charge to caption "Administrative and promotional expenses", with an 18% net guaranteed return of the maximum capacity to invest that will be calculated on 41.66% of the net monthly pension multiplied by 72 months, as well as the available capacity that will be over 50% of the net pension, less monthly deductions from the short and medium-term loans with principal and interest multiplied by 72 months, with a 41.66% cap of monthly net pension. The special loan for Savings will bear 1% annual interest on the principal, which will be withheld by the Institution.

The net period cost for the years ended December 31, 2021 and 2020, amounts to \$886 and \$979, respectively, including the effect of other post-retirement benefits. The estimated net period cost for the year 2022 amounts to \$930.

As of December 31, 2021 and 2020, the plan assets of the fund for labor obligations amounted to \$7,307 and \$7,354, respectively, and is invested in an irrevocable trust incorporated in the Institution. The net period cost recognized in the unconsolidated statements of income of the Institution amounted to \$175 and \$137, respectively.

As of December 31, 2021 and 2020, plan assets related to "Other post-retirement benefits" amounts to \$14,454 and \$13,829, respectively. The net period cost recognized in the consolidated statements of income of the Institution amounted to \$711 and \$841, respectively.

As of December 31, 2021 and 2020, the assets of the plan of the Fund for labor obligations are invested in the following securities:

<b>Classification of securities in the Fund and its concentration</b>	<b>2021</b>	<b>2020</b>
Government securities	<b>40.46%</b>	45.32%
Banking securities	<b>0.30%</b>	2.05%
Other debt securities	<b>59.24%</b>	52.63%
<b>Total</b>	<b>100.00%</b>	100.00%

As of December 31, 2021, from the total assets of the plan, 25.97% in Federal Government Development Bonds (35.44% in December 2020); 13.73% in Bonds of the Institute for the Protection of Bank Savings (9.88% in December 2020); 0.76% in Treasury Certificates (a balance was not generated in December 2020); 0.30% in term investments with performance payable at maturity and investment companies of securities issued by lending institutions (2.05% in December 2020); 59.24% in Certificates and investment companies, securities issued by lending institutions and private sector companies with high credit rating (52.63% in December 2020).

The summary of the actuarial calculations as of December 31, 2021, is as follows:

<b>Concept</b>	<b>2021</b>			
	<b>Pension</b>	<b>Seniority premium</b>	<b>Other retirement benefits</b>	<b>Financial credit cost</b>
<b>Accounting policy for the recognition of losses and gains</b>				
<b>General benefits description</b>	<b>Deferred amortization</b>			
	<b>According to general employment conditions</b>			
<b>Obligation for acquired benefits</b>	\$ 7,420	\$ 3	\$ 11,418	\$ 4,173

**Reconciliation between the value of the Defined Benefits Obligation (DBO) and the fair value of plan assets (PA) with the net liability for defined benefits or net asset for defined benefits**

<b>Concept</b>	<b>2021</b>			
	<b>Pension</b>	<b>Seniority premium</b>	<b>Other retirement benefits</b>	<b>Financial credit cost</b>
<b>Defined benefits obligations</b>	\$ (7,586)	\$ (37)	\$ (13,771)	\$ (4,375)
<b>Plan assets at fair value</b>	7,288	19	10,883	3,571
<b>Financial situation of the obligation</b>	(298)	(18)	(2,888)	(804)

<b>Remeasurements pending of recognition</b>		<b>384</b>		<b>2</b>		<b>841</b>		<b>287</b>
<b>Net (liability) asset for defined benefits</b>	\$	<b>86</b>	\$	<b>(16)</b>	\$	<b>(2,047)</b>	\$	<b>(517)</b>

2021								
Concept	Pension		Seniority premium		Other retirement benefits		Financial credit cost	
<b>Net (liability) assets for defined benefits at the beginning of year</b>	\$	<b>635</b>	\$	<b>16</b>	\$	<b>1,297</b>	\$	<b>787</b>
<b>Net period cost</b>		<b>60</b>		<b>3</b>		<b>266</b>		<b>76</b>
<b>Contributions</b>		<b>-</b>		<b>(1)</b>		<b>-</b>		<b>(18)</b>
<b>Remeasurements of liabilities or (assets) recognized in OCI</b>		<b>(781)</b>		<b>(2)</b>		<b>(144)</b>		<b>(328)</b>
<b>Net (liability)/asset for defined benefits (PNBD)/AND</b>	\$	<b>(86)</b>	\$	<b>16</b>	\$	<b>1,419</b>	\$	<b>517</b>
<b>Net period cost</b>								
<b>Labor cost</b>	\$	<b>5</b>	\$	<b>2</b>	\$	<b>86</b>	\$	<b>86</b>
<b>Financial cost</b>		<b>296</b>		<b>1</b>		<b>479</b>		<b>164</b>
<b>Return on assets</b>		<b>(278)</b>		<b>(1)</b>		<b>(411)</b>		<b>(137)</b>
<b>Recycling of remeasurements</b>		<b>37</b>		<b>1</b>		<b>111</b>		<b>43</b>
<b>Net period cost</b>	\$	<b>60</b>	\$	<b>3</b>	\$	<b>265</b>	\$	<b>156</b>

**Net liability (asset) reameasurements for defined benefits**

<b>Defined benefits obligations</b>	\$	<b>7,586</b>	\$	<b>37</b>	\$	<b>13,771</b>	\$	<b>4,375</b>
<b>Estimated defined benefits obligation</b>		<b>(7,994)</b>		<b>(37)</b>		<b>(12,998)</b>		<b>(4,417)</b>
<b>Actuarial (gains) / losses on obligations</b>	\$	<b>(408)</b>	\$	<b>-</b>	\$	<b>773</b>	\$	<b>(42)</b>

2021								
Concept	Pension		Seniority premium		Other retirement benefits		Financial credit cost	
<b>Fair value of the plan assets</b>	\$	<b>(7,288)</b>	\$	<b>(19)</b>	\$	<b>(10,883)</b>	\$	<b>(3,571)</b>
<b>Estimated value of plan assets</b>		<b>7,336</b>		<b>20</b>		<b>10,917</b>		<b>3,615</b>
<b>(Gains)/losses on return on plan assets</b>		<b>48</b>		<b>1</b>		<b>34</b>		<b>44</b>
<b>Remeasurements generated in the year recognized in OCI</b>	\$	<b>(360)</b>	\$	<b>1</b>	\$	<b>807</b>	\$	<b>2</b>
<b>Average remaining working life</b>		<b>10.54</b>		<b>11.27</b>		<b>10.54</b>		<b>10.54</b>

The summary of the actuarial calculations as of December 31, 2020, is as follows:

2020				
Concept	Pension	Seniority premium	Other retirement benefits	Financial credit cost
Accounting policy for the recognition of losses and gains				
	Deferred amortization			
General benefits description	According to general employment conditions			
Obligation for acquired benefits	\$ 8,087	\$ 3	\$ 11,035	\$ 3,917

Reconciliation between the value of the Defined Benefits Obligation (DBO) and the fair value of plan assets (PA) with the net liability for defined benefits or net asset for defined benefits or asset.

2020				
Concept	Pension	Seniority premium	Other retirement benefits	Financial credit cost
Defined benefits obligations	\$ (8,254)	\$ (26)	\$ (12,701)	\$ (4,149)
Plan assets at fair value	7,336	18	10,255	3,574
Financial situation of the obligation	(918)	(8)	(2,446)	(575)
Remeasurements pending of recognition	589	2	1,223	408
Net (liability) asset for defined benefits	\$ (329)	\$ (6)	\$ (1,223)	\$ (167)

2020				
Concept	Pension	Seniority premium	Other retirement benefits	Financial credit cost
Net (liability) assets for defined benefits at the beginning of year	\$ 742	\$ 8	\$ 2,432	\$ 895
Net period cost	70	2	305	87
Contributions	(25)	(1)	(82)	(56)
Remeasurements of liabilities or (assets) recognized in OCI	(458)	(3)	(1,432)	(759)
Net (liability)/asset for defined benefits	\$ 329	\$ 6	\$ 1,223	\$ 167
Net period cost				
Labor cost	\$ 5	\$ 1	\$ 70	\$ 7
Financial cost	285	1	452	160
Return on assets	(264)	(1)	(366)	(131)
Recycling of remeasurements	44	1	149	51
Net period cost	\$ 70	\$ 2	\$ 305	\$ 87

Net liability (asset) reameasurements for defined benefits net

Defined benefits obligations	\$ 8,254	\$ 26	\$ 12,701	\$ 4,149
Estimated defined benefits obligation	(8,016)	(26)	(12,694)	(4,473)
Actuarial (gains)/losses on obligations	\$ 238	\$ -	\$ 7	\$ (324)

2020	Concept	Pension	Seniority premium	Other retirement benefits	Financial credit cost
	Fair value of the plan assets	\$ (7,336)	\$ (18)	\$ (10,255)	\$ (3,574)
	Estimated value of plan assets	7,274	18	10,188	3,598
	(Gains)/losses on return on plan assets	(62)	-	(67)	24
	Remeasurements generated in the year recognized in OCI	\$ 176	\$ -	\$ (60)	\$ (300)
	Average remaining working life	9.08	9.66	9.08	9.08

**Main hypothesis used:**

	2021	2020
Discount rate	8.23%	7.16%
Increase in wage rate	19.00%	4.00%
Increase of minimum wage rate	6.00%	4.00%
Medical inflation rate	11.50%	11.10%
Long term inflation rate	3.50%	3.50%

**Financial position**

As of December 31, 2021 and 2020, the financial position is as follows:

2021	Retirement pension	Seniority plan	Medical service, fund insurance, premium sport club	Other retirement benefits SLS and financial credit cost
<b>Defined benefits obligations</b>	\$ (7,586)	\$ (37)	\$ (13,771)	\$ (4,375)
<b>Fair value of the plan assets</b>	7,288	19	10,883	3,571
<b>Obligation's financial position</b>	(298)	(18)	(2,888)	(804)
<b>Remeasurements pending recognition</b>	384	2	841	287
<b>Net asset (liability) for defined benefits</b>	86	(16)	(2,047)	(517)

2020	Retirement pension	Seniority plan	Medical service, fund insurance, premium sport club	Other retirement Benefits SLS and financial credit cost
Defined benefits obligations	\$ (8,254)	\$ (26)	\$ (12,701)	\$ (4,149)
Fair value of the plan assets	7,336	18	10,255	3,574
Obligation's financial position	(918)	(8)	(2,446)	(575)
Remeasurements pending recognition	589	2	1,223	408
Net (liability) asset for defined benefits	(329)	(6)	(1,223)	(167)

**Reserve and OCI reconciliation**

At the same dates, the reserve and OCI reconciliation are as follows:

	Retirement pension	Seniority premium	Medical service, savings fund, insurance, premium sport club	Other retirement benefits (SLS) and financial credit cost
<b>2021</b>				
Reserve balance at beginning of year	\$ 635	\$ 16	\$ 1,927	\$ 787
Net period cost	60	3	266	76
Contributions	-	(1)	-	(18)
Remeasurements liabilities or (assets) recognized in OCI	(397)	(1)	697	(41)
<b>Balance at end of year</b>	<b>\$ 298</b>	<b>\$ 17</b>	<b>\$ 2,890</b>	<b>\$ 804</b>

	Retirement pension	Seniority premium	Medical service, savings fund, insurance, premium sport club	Other retirement benefits (SLS) and financial credit cost
<b>2020</b>				
Reserve balance at beginning of year	\$ 742	\$ 8	\$ 2,432	\$ 895
Net period cost	70	2	305	87
Contributions	(25)	(1)	(82)	(56)
Remeasurements liabilities or (assets) recognized in OCI	131	(1)	(209)	(351)
<b>Balance at end of year</b>	<b>\$ 918</b>	<b>\$ 8</b>	<b>\$ 2,446</b>	<b>\$ 575</b>

	Retirement pension	Seniority premium	Medical service, savings fund, insurance, premium sport club	Other retirement Benefits (SLS) and financial credit cost
<b>2021</b>				
<b>Accumulated OCI statement</b>				
Balance at beginning of year pending of recognition in OCI	\$ 498	\$ 2	\$ 1,037	\$ 345
Recycling of remeasurements	(84)	-	(172)	(58)
<b>Balance at year end pending of recognition in OCI</b>	<b>\$ 414</b>	<b>\$ 2</b>	<b>\$ 865</b>	<b>\$ 287</b>
Beginning balance recognized in OCI	227	16	1,180	500
Recycling of remeasurements	47	-	61	16

<b>Actuarial (gain)/losses in obligations</b>	<b>(408)</b>	-	<b>773</b>	<b>(42)</b>
<b>(Gains)/losses in return on plan assets</b>	<b>48</b>	-	<b>34</b>	<b>43</b>
<b>Balance at year end recorded in OCI</b>	<b>(86)</b>	<b>16</b>	<b>2,048</b>	<b>517</b>
<b>Net liabilities (assets) due to defined benefits at end of year</b>	<b>\$ (86)</b>	<b>\$ 16</b>	<b>\$ 2,048</b>	<b>\$ 517</b>

	Retirement pension	Seniority premium	Medical service, savings fund insurance, premium sport club	Other retirement benefits (SLS) and financial credit cost
2020				
Accumulated OCI statement				
Balance at beginning of year pending of recognition in OCI	\$ 624	\$ 3	\$ 1,293	\$ 432
Recycling of remeasurements	(35)	(1)	(70)	(24)
Balance at end of year pending of recognition in OCI	\$ 589	\$ 2	\$ 1,223	\$ 408
Beginning balance recognized in OCI	162	6	1,361	494
Recycling of remeasurements	(9)	(1)	(78)	(27)
Actuarial (gain) / losses in obligations	238	-	7	(324)
(Gains) / losses in return on plan assets	(62)	1	(67)	24
Balance at year end recorded in OCI	329	6	1,223	167
Net liabilities (assets) due to defined benefits at end of year	\$ 329	\$ 6	\$ 1,223	\$ 167

In accordance with the amendments to the Provisions published in the Official Federal Gazette on December 31, 2015, and with the effectiveness of the new MFRS D-3 issued by the CINIF, the Institution adopted the progressive application referred to in the third transitory article of the aforementioned Provisions, the Institution decided to progressively apply the first application in the year referred to in transitional Article three of the Provisions referred to above by recording the amount of \$445, which corresponds to the first 20% of the modifications to the plans and remeasurements accumulated up to December 31, 2015.

Based on the aforementioned, the recognition of the balances indicated in subparagraphs a) and b) of the paragraph 81.2 of MFRS D-3, the balance of modifications to the plan not yet recognized and the unrecognized accumulated balance for gains or losses the plan, respectively, will be recognized in fiscal year 2021 at the latest, recognizing 20% from its initial application and an additional 20% in each of the subsequent years, up to 100% within a maximum period of 5 years. The decision of the Institution to adopt the progressive application of the recognition of these balances, was communicated to the Banking Commission in a timely manner.

The accumulated balance of Plan losses not recognized, amounts to \$(1,513). The initial effects of the application of MFRS D-3 involve the recognition of 20% of the accumulated balance plan losses of \$(378), amount which will be recognized, in the caption of "Remeasurements for employee's defined benefits" in earned capital. The remaining amount of \$(1,135) will be applied in the subsequent years, within a maximum period of 5 years.

## 21. INCOME TAXES AND EMPLOYEE STATUTORY PROFIT SHARING (ESPS)

Income Tax (IT) Law effective as of January 1, 2014 establishes an IT rate of 30% for 2014 and later years. The current ESPS rate is 10%, for the years 2021 and 2020.

As of December 31, 2021 and 2020, current IT and ESPS expense are as follows:

	2021		2020	
	IT	ESPS	IT	ESPS
<b>Current IT and ESPS:</b>				
Institution	\$ -	\$ -	\$ -	\$ -
Consolidated trusts	(7)	-	(2)	-
CMIC	(155)	-	-	-
Management funds	(5)	(2)	(6)	-
Plaza Insurgentes	(7)	(1)	(16)	-
<b>Current IT and ESPS</b>	<b>\$ (174)</b>	<b>\$ (3)</b>	<b>\$ (24)</b>	<b>\$ -</b>
<b>Deferred IT and ESPS:</b>				
Institution	\$ (757)	\$ 46	\$ 1,304	\$ 292
Consolidated trusts	(729)	(243)	(788)	(263)
CMIC	-	-	(135)	-
Plaza Insurgentes	17	-	6	-
<b>Deferred IT and ESPS</b>	<b>(1,469)</b>	<b>(197)</b>	<b>387</b>	<b>29</b>
	<b>\$ (1,643)</b>	<b>\$ (200)</b>	<b>\$ 363</b>	<b>\$ 29</b>

The Institution does not consolidate for tax purposes the tax result with its subsidiaries, thus the information presented below is for informational purposes only.

The Institution has not recognized a deferred tax liability, on the undistributed profits of subsidiaries and associated companies; the Institution currently does not expect these undistributed profits to be reinvested and taxable in the near future.

### Deferred IT and ESPS

The analysis of the effective rate of the Institution without its subsidiaries as of December 31, 2021, is analyzed as follows:

2021	Tax base	Tax at 30%	Effective rate	ESPS at 10%
<b>Income before taxes</b>	\$ (5,136)	\$ 1,541	(30%)	\$ 514
<b>Allocation to current tax:</b>				
<b>Adjustment for inflation effects</b>	(2,474)	742	(5%)	247
<b>Valuation of financial instruments</b>	(939)	282	(5%)	94
<b>Non-deductible expenses</b>	173	(52)	1%	(17)
<b>Allowance for loan losses, net</b>	2,527	(758)	15%	(253)
<b>Deferred ESPS</b>	197	(59)	1%	(20)
<b>Trusts without business activity</b>	3,994	(1,198)	23%	(399)
<b>Others, net</b>	982	(295)	6%	(98)
<b>Current tax and ESPS</b>	<b>(676)</b>	<b>-</b>	<b>(6%)</b>	<b>-</b>
<b>Tax effect of consolidated trusts</b>	<b>23</b>	<b>-</b>	<b>-</b>	<b>-</b>



- (1) The Institution acting as trustee, in accordance with article 13 of the income tax law, when business activities are carried out through a trust, will determine under the terms of title II of tax law, the taxable income or tax loss for such activities in each fiscal year and fulfill the obligations, including the obligation to make provisional tax payments on behalf of trustees.

The tax effects of tax on earnings and ESPS of temporary differences that generate significant portions of deferred tax assets and ESPS as of December 31, 2021 and 2020 of the Institution without subsidiaries are summarized below:

	2021		2020	
	IT	ESPS	IT	ESPS
Deferred asset (liability):				
Valuation of financial instruments	\$ 116	\$ 39	\$ 14	\$ 5
Provisions and others	(56)	(19)	(36)	(12)
Allowance for loan losses to be deducted	(1,359)	(453)	(1,999)	(666)
Interest on derivative financial instruments (Swaps)	(7)	(3)	178	59
Tax loss	(1,091)	-	(894)	-
Defined benefit measurements	(397)	(132)	(274)	(92)
Others	(30)	(10)	(27)	(9)
<b>Deferred income tax and ESPS</b>	<b>\$ (2,824)</b>	<b>\$ (578)</b>	<b>\$ (3,038)</b>	<b>\$ (715)</b>
Deferred tax asset allowance not recoverable due to tax loss	1,091	-	-	-
<b>Deferred income tax and ESPS</b>	<b>\$ (1,733)</b>	<b>\$ (578)</b>	<b>\$ (3,038)</b>	<b>\$ (715)</b>

#### Other considerations:

In accordance with Mexican tax law, the tax authorities may examine transactions carried out during the five years prior to the most recent income tax return filed.

According to the IT Law, corporations carrying out transactions with related parties, whether domestic or foreign, are subject to limitations and tax obligations, as to the determination of the transaction prices, since these prices must be similar to those that would be used in arm's-length transactions.

For the years ended December 31, 2021 and 2020, a base was generated for employee profit sharing of \$0 and \$0, respectively, which differs from the Income Tax base of every year, due to the payment of ESPS made and the amount of other benefits paid to employees that are not totally deductible for income tax purposes.

#### Tax losses carryforwards

Tax losses carryforwards can be realized in the ten following fiscal years against taxable income. Those carryforwards are subject to being restated by using the National Consumer Price Index (NCPI).

As of December 31, 2021, tax loss carryforwards, restated at that date, are summarized as follows:

Year incurred	Original amount	Restatement	Restated amount	Year of expiration
2019	\$ 1,556	\$ 205	\$ 1,761	2029
2020	1,426	131	1,557	2030
2021	653	25	678	2031
	<b>\$ 3,635</b>	<b>\$ 361</b>	<b>\$ 3,996</b>	

## 22. STOCKHOLDERS' EQUITY

### Capital stock

As of December 31, 2021, the Institution's capital stock is comprised as follows:

	<u>Series "A"</u>		Nominal value (pesos)	Amount	Series "A"	Series "B"	Total
	Capital contribution Certificates						
	Series "A"	Series "B"					
<b>Subscribed capital</b>	39,600,000	20,400,000	\$ 50	\$ 1,980	\$ 1,020	\$ 3,000	
<b>Unissued capital</b>	(4,930,421)	(2,539,914)	50	(246)	(127)	(373)	
<b>Suscribed and paid capital</b>	34,669,579	17,860,086	\$ 50	\$ 1,734	\$ 893	\$ 2,627	
Increase from restatement							7,011
<b>Total stockholders equity</b>							\$ 9,638

The Agreement modifying the Rules of Internal Procedure of Nacional Financiera was published in the Official Daily Gazette on February 18, 2021, whereby Article 7 includes the new maximum amount of the Institution's capital stock in the amount for recognizing the new maximum amount of the Institution's Capital Stock in the amount of \$3,000, supported by 39,600,000 Series "A" certificates of capital contribution, as well as 20,400,000 Series "B" certificates of capital contribution, with a par value of each one of the certificates of \$50.00 (Fifty pesos and 00/100).

The Institution's capital stock will be represented in 66% by "A" Series and 34% by "B" Series. The "A" Series may only be subscribed by the Federal Government and "B" Series by Federal Government, Mexican individuals or companies. As of December 31, 2021 and 2020, the Federal Government owns 66% of the "A" series in both years, as well as 34% and 33.94% of "B" series, respectively.

On July 29<sup>th</sup>, 2021, the Ministry of Finance and Public Credit issued official letter No. 368.-VI-A.-064/2021 addressed to the Institution, where a simple copy of the certificate of delivery-reception of the CAP titles that represent the investments of the Federal Government is delivered, which represent investments by the Federal Government to the TESOFE for its custody and receipt of the CAPs of series "A" and "B", issued on March 10, 2020. Moreover, a plain copy of the series "A" and "B" CAPs was delivered signed on July 15, 2021. Moreover. The foregoing represents the paid-in capital stock increase, arising from the contribution to capital made by the Ministry of Finance and Public Credit on December 31, 2020, in the amount of \$5,888, applied to paid-in capital stock in the amount of \$345, and additional paid-in capital of CAPs in the amount of \$5,543.

### Contributions for future capital stock increases

As of December 31, 2021 and 2020, its value amounts to \$11,564 and \$13,178, respectively. On December 31, 2021, the Ministry of Finance and Public Credit (SHCP - for its acronym in Spanish) made a capital contribution in the amount of \$4,274. At the Board of Directors Meetings, the contribution of capital stock was authorized in the amount of \$4,274. The Institution's Management will make the necessary arrangements to have the contribution to capital stock authorized, required to be able to support the volume of development and investment banking operations, which includes investments in capital risk, as well as maintains a prudential level of capitalization for the 2021 year end.

### **Paid stock premium**

This premium applies to payments made by holders of the Equity Contribution Certificates of series “B” certificates. The balance of the premiums paid as of December 31, 2021 and 2020 amounts to \$21,053 and \$15,510, respectively. As mentioned in this note, under the capital stock section, during the year 2021 the paid stock premium was increased by \$5,543.

### **Capital reserve**

The Lending Institutions Law binds the Institution to separate 10% of its annual earnings to create capital reserves up to the amount of paid-in capital stock.

Pursuant to the meeting held on September 7, 2021, the Board of Directors of the Institution approved the book entry amounting to \$1,385 corresponding to the reclassification of Prior Year Income to increase the Capital Reserve Fund, by allocating 10% of the net earnings of each fiscal year. That book entry was requested by the Banking Commission pursuant to official communication 122-2/3025838/2021 ended August 4, 2021 with the confirmation of criterion on the annual creation of the reserve fund referred to in Article 99-A of the Lending Institutions Law of fiscal years 2008 to 2018, without including the calculation of the capital reserve of the effects of restatement of the account, which was considered in prior years.

The amount of the increase in the capital reserve is summarized as follows:

<b>Year</b>	<b>2021</b>
<b>2008</b>	<b>\$ 11</b>
<b>2009</b>	<b>57</b>
<b>2010</b>	<b>104</b>
<b>2011</b>	<b>83</b>
<b>2012</b>	<b>136</b>
<b>2013</b>	<b>178</b>
<b>2014</b>	<b>165</b>
<b>2015</b>	<b>125</b>
<b>2016</b>	<b>132</b>
<b>2017</b>	<b>150</b>
<b>2018</b>	<b>244</b>
<b>Total</b>	<b>\$ 1,385</b>

The foregoing represented a reclassification in the prior year financial statements referred to in Note 4c), whereby the nominal value of the capital reserves as of December 31, 2021 and 2020 amounts to \$1,699, and its restated value amounts to \$3,115.

### **Dividends declared**

The dividends paid to individuals and residents abroad shall be subject to an additional tax of 10%, which is considered final and must be withheld by entities that distribute such dividends. The rule applies only to dividends payment from earnings generated beginning January 1, 2014.

For the years ended December 31, 2021 and 2020 there were no dividends declared.

### Comprehensive income

The comprehensive income reported in the consolidated statements of changes in stockholders' equity, represents the result of total activity during the year and includes the net income, the effect of the valuation of investments securities available for sale for \$22 and \$74 as of December 31, 2021 y 2020, respectively, as well as the effect on valuation in associated and affiliated companies and the remeasurements of defined employee benefits for \$1,318 and \$1,966 as of December 2021, respectively, \$635 and \$1,358 as of December 31, 2020, respectively.

### Restrictions on stockholders' equity

The Lending Institutions Law requires an appropriation of 10% of net income for the year to statutory reserves until such reserves reach an amount equal to the paid in capital stock.

In case of contributions or retained earnings distributions to stockholders, income tax is due on the portion of the contributions or distributions exceeding the taxable basis. As of December 31, 2021, the Capital contribution account of the Institution (Cuenta de Capital de Aportación or CUCA) and the net taxable income account (Cuenta de Utilidad Fiscal Neta or CUFIN), amounted to \$81,452 and \$17,688, respectively.

The retained earnings of subsidiaries may not be distributed to the Institution's stockholders until dividends are collected.

### Capitalization (unaudited)

As of December 31, 2021, the preliminary calculation of the capitalization ratio was set at 20.12%, which is comprised starting with net capital amounting to \$31,033 and total risk-weighted assets amounting to \$154,223.

#### a) Basic and supplementary capital

The Institution's net capital consists of \$31,033 of basic capital. Pursuant to the application of the portfolio rating methodology, supplementary capital is zero, which implies that net capital is equal to the basic capital, which in turn equals the fundamental capital.

#### b) Assets adjusted for market risks

Assets adjusted for market risks amount to \$41,245 and are equivalent to a capital requirement of \$3,300, which is integrated as follows:

<b>Exposed positions to market risk by risk factor</b>		
<b>Concept</b>	<b>Risk weighted assets</b>	<b>Capital requirement</b>
Transactions in Mexican pesos at nominal rates	\$ 11,363	\$ 909
Transactions with debt securities in pesos with premium and adjustable rates	4,821	386
Transactions in Mexican pesos at real rates or denominated in UDI's	1,724	138
Positions in UDI's or with returns indexed to the NCPI	6	1
Foreign currency transactions at nominal rates	5,968	477
Foreign currency positions or with exchange rate indexed returns	66	5
Gold positions	-	-
Equity positions or with returns indexed to the price of a single share or group of shares	17,297	1,384
	<u>\$ 41,245</u>	<u>\$ 3,300</u>

*c) Assets adjusted for credit risks*

Assets adjusted for credit risk amount to \$104,116 and are equivalent to a capital requirement of \$8,329. Assets adjusted for risk related to borrowers and deposits amount to \$80,697 which are equivalent to a capital requirement of \$6,456, and are comprised as follows:

<b>Weighted assets subject to credit risk by risk group</b>		
<b>Concept</b>	<b>Risk weighted assets</b>	<b>Capital requirement</b>
Group III (weighted at 20%)	\$ 12,755	\$ 1,020
Group III (weighted at 50%)	4,970	398
Group III (weighted at 100%)	349	28
Group III (weighted at 120%)	2	0
Group IV (weighted at 20%)	2,153	172
Group VI (weighted at 100%)	480	38
Group VII (weighted at 20%)	8,409	673
Group VII (weighted at 50%)	3,412	273
Group VII (weighted at 100%)	14,849	1,188
Group VII-B (weighted at 100%)	31,784	2,544
Group VIII (weighted at Group VI)	4	0
Group VIII (weighted at Group VII-B)	1,106	88
Group IX (weighted at 100%)	424	34
	<b>\$ 80,697</b>	<b>\$ 6,456</b>

*d) Assets adjusted for operational risks*

Assets adjusted for operational risks amounted to \$8,862 and are equivalent to a capital requirement of \$709.

<b>Weighted assets subject to operational risk</b>		
<b>Used method</b>	<b>Assets weighted by risk</b>	<b>Capital requirements</b>
Basic benchmark	\$8,862	\$709
Average market and credit risk requirement of the last 36 months	\$14,068	Annual average of positive net income for the past 36 months \$4,726

The Appendix I-O of the Provisions establishes the requirements for the disclosure of information relating to capitalization, which shall contain, in addition to those listed in the preceding subparagraphs, the following sections:

1. Net capital is presented in accordance with the international format of revelation contained in the document "Format of capital integration without considering transitory application of regulatory adjustments".

<b>Ref.</b>	<b>Tier 1 Common Stock (CET 1): Instruments and reserves</b>	<b>Amount</b>
1	Common shares that qualify for Tier 1 common stock plus its applicable premium	\$ 42,255
2	Prior year income	196
3	Other elements of comprehensive income (and other reserves)	(5,389)
6	<b>Tier 1 common stock before regulatory adjustments</b>	<b>\$ 37,062</b>
	<b>Tier 1 common stock: regulatory adjustments</b>	

15	Defined benefits pension plan	18,190
21	Deferred income taxes in favor from temporary differences (amount that exceeds the 10% threshold, net of taxes deferred charges)	578
26	Domestic regulatory adjustments	5,452
A	From which Other elements of comprehensive income (and other reserves)	-
D	From which: Investments in multi-lateral agencies	670
F	From which: Investments in capital risk	4,520
G	From which: Investments in mutual funds	262
28	<b>Total regulatory adjustments to tier 1 common stock</b>	<u>\$ 6,029</u>
29	<b>Tier 1 Common Stock (CET 1)</b>	<u>\$ 31,033</u>
	<b>Additional tier 1 capital: regulatory adjustments</b>	
44	<b>Additional tier 1 capital (AT1)</b>	<u>\$ -</u>
45	<b>Tier 1 Stock (T1 = CET1 + AT1)</b>	<u>\$ 31,033</u>
	<b>Tier 2 capital: instruments and reserves</b>	
51	<b>Tier 2 capital before regulatory adjustments</b>	<u>-</u>
	<b>Tier 2 Capital: regulatory adjustments</b>	
59	<b>Total Capital (TC = T1 + T2)</b>	<u>\$ 31,033</u>
60	<b>Assets weighted by total risk</b>	<u>\$ 154,223</u>
	<b>Capital ratios and supplements</b>	
61	Common tier 1 capital (as a percentage of the weighted assets by total risk)	20.12%
62	Tier 1 capital (as a percentage of the weighted assets by total risk)	20.12%
63	Total capital (as a percentage of the weighted assets by total risk)	20.12%
64	Institutional specific supplement (it should at least consist of the common tier 1 capital requirement, plus the capital conservation buffer, plus the countercyclical buffer, plus the G- SIB buffer stated as a percentage of the total weighted risk assets)	7.00%
65	of which: Conservation capital supplement	2.50%
68	Tier 1 common capital available to cover supplements (as a percentage of the total weighted risks assets)	13.12%

## 2. Ratio of net capital with the balance sheet:

<b>Balance sheet amounts (expressed in millions of pesos)</b>		
<b>Balance sheet Items Reference</b>	<b>Balance sheet items (unconsolidated)</b>	<b>December 2021</b>
	<b>Asset:</b>	
BG1	Cash and cash equivalents	29,698
BG2	Margin accounts	191
BG3	Investment securities	252,784

BG4	Debtors on repurchase/resell agreements	-
BG5	Securities lending	-
BG6	Derivatives	6,999
BG7	Valuation adjustment from hedging of financial assets	2,432
BG8	Total loan portfolio (net)	181,764
BG9	Receivable benefits on securities trading	
BG10	Other receivables (net)	10,458
BG11	Foreclosed assets (net)	-
BG12	Property and equipment (net)	6
BG13	Permanent investments */	30,153
BG14	Long-lived assets available for sale	
BG15	Deferred income taxes and ESPS (net)	2,311
BG16	Other assets	916
<b>Liabilities:</b>		
BG17	Deposit funding	257,197
BG18	Bank and other borrowings	47,702
BG19	Creditors on repurchase/resell agreement	147,272
BG20	Securities lending	
BG21	Collateral sold or furnished as a guarantee	
BG22	Derivatives	14,909
BG23	Valuation adjustments of hedging financial liabilities	(110)
BG24	Debentures in securities trading	
BG25	Other accounts payable	12,288
BG26	Outstanding unsecured obligations	
BG27	Deferred income taxes and ESPS (net)	-
BG28	Deferred credits and prepayments	74
<b>Stockholders' equity:</b>		
BG29	Capital stock	42,255
BG30	Earned capital	(3,875)
<b>Memorandum Accounts:</b>		
BG31	Guarantees granted	-
BG32	Contingent assets and liabilities	92,875
BG33	Loan commitments	176,391
BG34	Assets placed in trust or mandate	1,774,329
BG35	Federal Government Financial Agent	376,271
BG36	Assets in custody or administration	523,326
BG37	Collateral received by the entity	17,795
BG38	Collateral received and sold or pledged as a guarantee by the entity	17,796
BG39	Investment banking transactions on behalf of third party (net)	83,359
BG40	Interest earned but not collected arising from past due – loan portfolio	6
BG41	Other memorandum accounts	749,985

\*/ Includes other investments.

Regulatory items considered for the calculation of the net capital components.

Identifier	Regulatory items considered for the calculation of net Capital	Reference to the disclosure form of the capital integration of section 1 to this exhibit	Amount of combination with notes to regulatory concepts considered for the calculation of net capital components	Reference(s) of the balance sheet item and the related amount to the regulatory concepts considered for the calculation of net capital from the aforementioned reference
	<b>Assets:</b>			
3	Deferred income taxes (in favor) from losses and tax credits	10	578	
15	Investments in multi-lateral agencies	26 - D	670	
17	Investment in risk capital	26 - F	4,520	
18	Investments in mutual funds	26 - G	262	
22	Investments of the defined benefits pension plan	26 - N	18,190	Informative uncomputed data main
	<b>Shareholders' equity:</b>			
34	Paid in capital in accordance with exhibit 1-Q	1	\$ 42,255	
Identifier	Regulatory items considered for the calculation of net capital	Reference to the disclosure form of the capital integration of section 1 to this exhibit	Amount of combination with notes to regulatory concepts considered for the calculation of net capital components	Reference(s) of the balance sheet item and the related amount to the regulatory concepts considered for the calculation of net capital from the aforementioned reference
35	Prior year income	2	196	
37	Other capital earned elements other than the foregoing	3	-5,389	

41	Accumulated effect on translation	3, 26 - A	N/A
42	Net income from non-monetary assets holding	3, 26 - A	N/A
	<b>Regulatory concepts not considered in the balance sheet:</b>		
45	Profit or increase in the value of the assets by acquisition of securitization positions (Originating Institutions)	26 - C	N/A
46	Transactions that contravene the Provisions	26 - I	N/A
47	Relevant related parties transactions	26 - M	N/A
48	Adjustment for capital recognition	26 - O, 41, 56	N/A

3. Main characteristics of securities composing stockholders' net equity (Series A)

<u>Ref.</u>	<u>Characteristics</u>	<u>Options</u>
1	Issuer	<b>Nacional Financiera, Sociedad Nacional de Crédito</b>
2	Identifier ISIN, CUSIP or Bloomberg	
3	Legal framework	In conformity with Article 30 of Credit Institutions Law, Nacional Financiera, Sociedad Nacional de Crédito, Institución de Banca de Desarrollo, is governed by its internal regulations, holders of Series "A", capital contribution certificates, if applicable will have the rights set forth in article 35 of the Lending Institutions Law and article 12 of internal regulations of Nacional Financiera
	<b>Regulatory treatment:</b>	
4	Capital level with transitory status	
5	Capital level without transitory status	Basic 1
6	Level of instrument	Lending institution without consolidating subsidiaries
<u>Ref.</u>	<u>Characteristics</u>	<u>Options</u>
7	Type of instrument	<b>"A" Series certificates of capital contribution</b>
8	Recognized amount in regulatory capital	66% in accordance with (3)
9	Nominal value of the instrument	<b>50.00</b>
9A	Instrument currency	<b>Mexican pesos</b>
10	Accounting classification	<b>Capital</b>
11	Issuance date	
12	Instrument term	<b>Perpetuity</b>

13	Maturity date	<b>Without maturity</b>
14	Prepaid expense clause	<b>No</b>
15	First prepaid expense date	
15A	Regulatory or tax events	
15B	Liquidation prices of prepaid expense clause	
16	Subsequent prepaid expense dates	
	<i>Yields / dividends</i>	
17	Type of yield / dividend	Variable
18	Interest rate / dividend	Variable
19	Dividend Cancellation clause	No
20	Discretionary nature in the payment	Completely discretionary
21	Interest increase clause	No
22	Yield / dividend	Noncumulative
23	Instrument convertibility	Nonconvertible
24	Convertibility conditions	
25	Degree of convertibility	
26	Conversion rate	
27	Type of instrument convertibility	
28	Type of financial instrument of convertibility	
29	Issuer of instrument	
30	Write - down clause	
31	Write - down conditions	
32	Degree of write - down	
33	Temporary status of write – down	
34	Temporary value write - down mechanism	
35	Subordinated position in case of liquidation	
36	Nonperformance characteristics	
37	Description of nonperformance characteristics	

#### 4. Capital management.

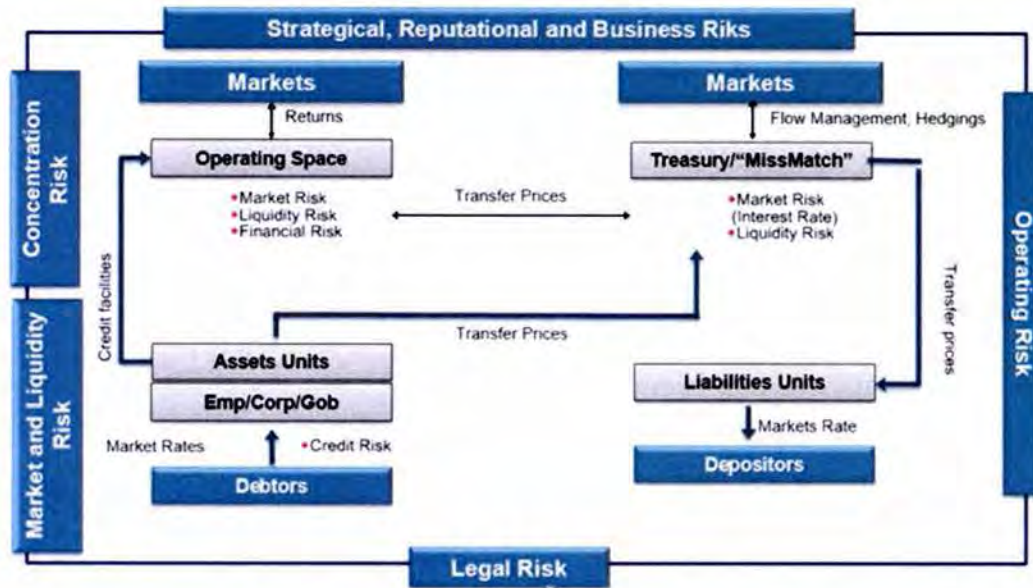
The framework for risk management must facilitate and support the measurement and monitoring of quantifiable risks, ensuring solid risk measurements to establish the Institution's risk appetite and generate value.

To ensure that risk management is a decision-making support tool, models and methodologies are established, that allow for measuring, monitoring and controlling the different types of risk to which the Institution is exposed. These risk measures should also contribute to the definition of business strategies and support decision-making of operation.

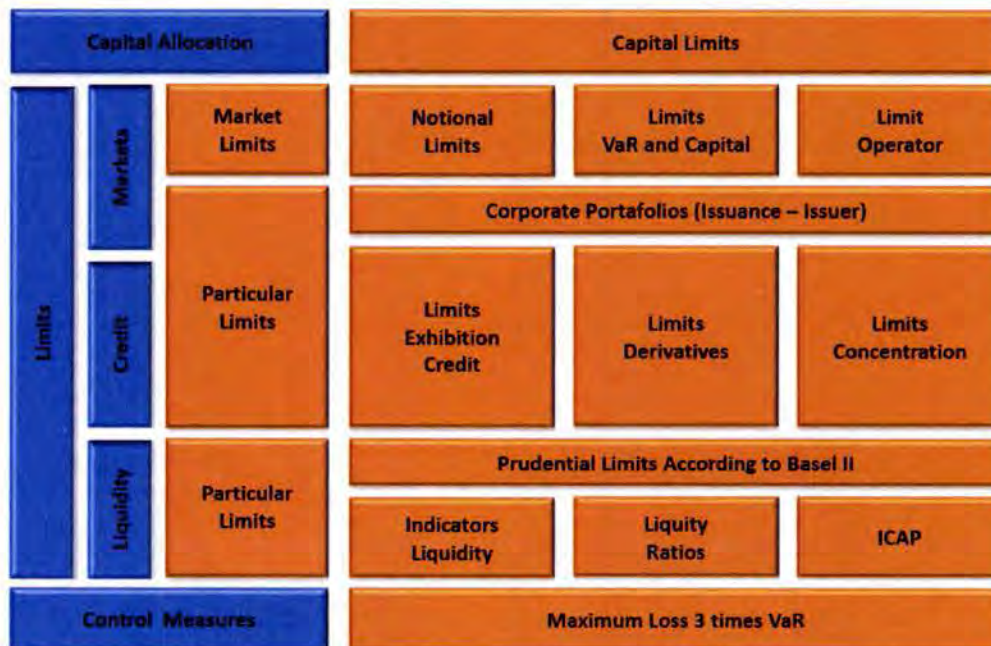
A fundamental point of departure for establishing limits is the definition of a business model that describes the exposure to different types of risk that generate the different operating units in the Institution.

- Treasury: it operates as the central unit that manages the resources of the Institution. It is responsible for establishing transfer prices, controlling liquidity levels and control the risks of balance sheet. This unit incurs market, credit and liquidity risks, and in the case of Nacional Financiera, is also responsible for the deposit-funding unit.
- Operation desks: their main function is to generate revenues through the operation in different financial markets, (money, foreign exchange, capital and foreign currency bonds).
- Asset units: are those that encompass the promotion activities of the Institution and are derived from

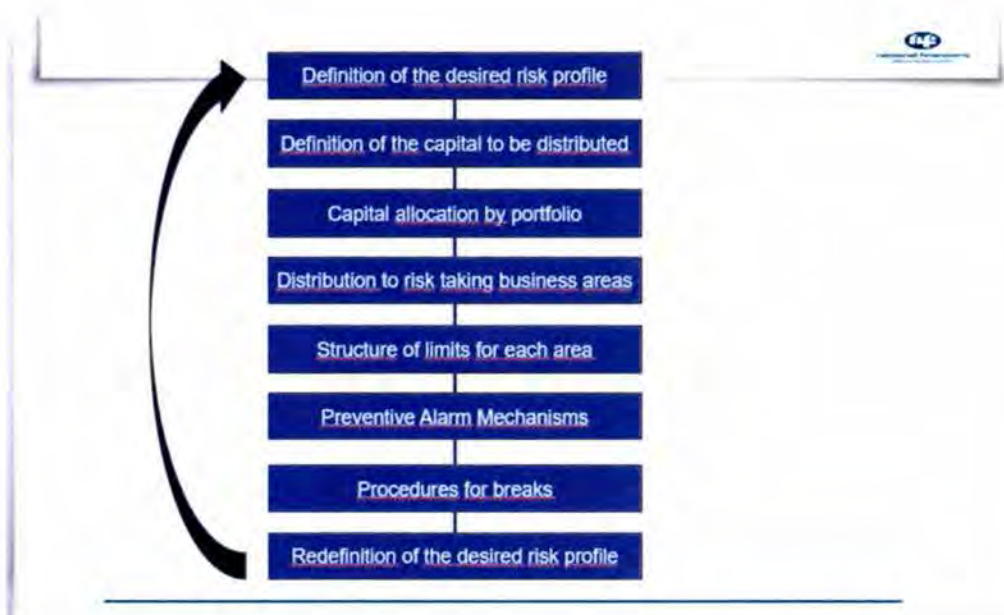
credit activities of Nacional Financiera. These activities are the main generators of credit risk.



Based on the aforementioned, the Institution has a solid structure of global and specific limits for exposure to different types of risk considering the consolidated risk, breaking down by unit of business, factor risk and cause, as presented in the following diagram:



The diagram presented above, has a strong relevance to the capital limits, for which the following process is followed to determine limits:



The capital allocation process is derived from the regulatory capital, which is regulated based on capitalization rules described in Appendix 9. Based on these concepts, the capital distributable is determined, which is the capital that the Institution has to deal with the risks that its operations consume.

Basilea III establishes that the Institution has three indicators of solvency, where ICAP is the most restrictive, given the fact the requirement changed from 8.0% to 10.5%. It is precisely this restriction that establishes the appetite for risk through the limits of capital, in order to ensure if, 100% of the limits are consumed, and in stress situations, the level of capitalization is in no case less than 10.5%.



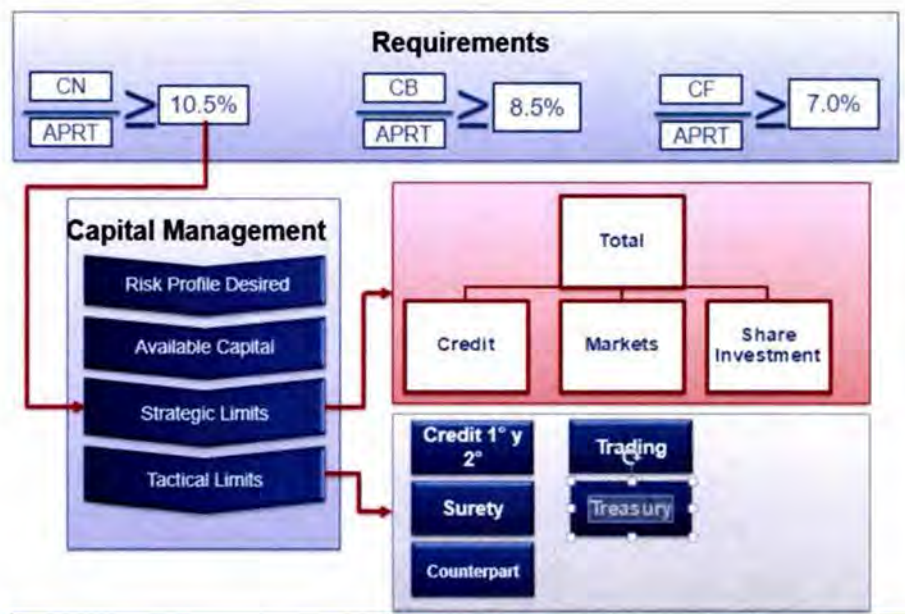
This increase of 250 basis point in the ICAP is a strong regulator that will replace the capital volatility for risk profile and operational risk previously held.

### Capital limits structure

The Institution’s capital management considers a limits structure with two levels of allocation:

- a) A strategic level authorized by the Board of Directors.
- b) A tactical level that is regulated by the IRMC, through reallocations or excess of limits, as well as the business areas management. Additionally, Deputy General Managers involved in the business areas can also propose reallocations of the limits, with the approval of the Risk Director, who subsequently informs the CAIR.

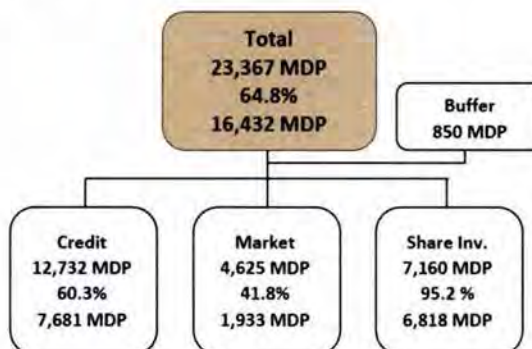
In summary the Institution has:



It is important to mention that, within the strategic structure of these limits, operational risk is not included, since this does not originate from the discretionary risk taking, i.e., that it is implicit in the operation of the Institution itself. Due to the above, there is a regulator for operational risk that does not compute for the capital limits, but that is considered in the computation of the capitalization level. Nonetheless, in terms of operational risk, the identification, measurement, monitoring, control and mitigation of the risks to which the Institution is exposed are performed.

Considering the above, at the end of December 2021, the capitalization ratio was 20.12%. and the capital limit recorded a global consumption of 64.8%.

There are three basic scenarios:



1. If capital limits are utilized at 100%, the level of funding would remain above the 10.5% required.
2. If, under the current structure, there is an adverse event of default or volatility in the markets affecting capital, there is sufficient capacity to maintain the ICAP above 10.5%.
3. The combination of the above events, i.e., capital limits utilized at 100% and an adverse event with an impact on capital, would also allow the ICAP to be maintained above the minimum level required.

Finally, in order to have the capacity to obtain resources and continue operating under a stress scenario, in which the Institution's capital sufficiency is compromised without default of the minimums established by the authorities, the Treasury Department will obtain in the markets, the necessary resources in the best terms of cost and term, based on the guidelines established by the Institution's Management.

In order to manage liquidity risks, the treasury will regulate the operational execution in accordance with strategies that will be aligned with the Institution's Management objectives and will be responsible for detonating the contingent procedures for the management of liquidity, and in some cases, the procedures established in the "Business Continuity Plan" will apply.

The treasury department will inform the Risk Management Officer of any liquidity contingency situation.

### 23. MEMORANDUM ACCOUNTS

#### Contingent asset and liabilities

As of December 31, 2021 and 2020, this caption amounts to \$80,949 and \$77,729, respectively, integrated as follows:

	2021	2020
<b>Contingent liabilities:</b>		
Guarantees granted (1)	\$ 89,610	\$ 84,253
Unreimbursed guarantees paid covered by counter guarantee (2)	12,801	15,258
Receivables on claims	255	218
Acquired commitments	1,791	1,766
Contingency for portafolio without resource of Fisso 80139 (6)	1,559	2,528
Subtotal	<b>106,016</b>	104,023
<b>Contingent assets:</b>		
Counter-guarantee received from the counter-guarantee trust for enterprise financing (3)	\$ 6,669	6,620
Recoverable guarantees paid covered by counter-guarantors (4)	12,801	15,258
Guarantees paid pending of recovery without counter-guarantee (5)	5,597	4,416
Subtotal	<b>25,067</b>	26,294
<b>Total</b>	<b>\$ 80,949</b>	<b>\$ 77,729</b>

(1) In this caption, the Institution has mainly guarantees granted through Fondo para la Participación de Riesgos and Fondo para la Participación de Riesgos en Fianzas, which as of December 31, 2021 and 2020, both present an amount of guarantees granted for \$88,280 and \$81,746, respectively. The spread as of December 31, 2021 and 2020, for \$1,330 and \$2,507, respectively, correspond to selective guarantees granted directly by the Institution. These guarantees represent the amount of the responsibilities assumed by the Institution to guarantee financial intermediaries the recovery of their loan portfolio.

(2) The Institution's contingent obligation to reimburse, mainly to the counter-guarantee Trust for Corporate Financing, the amount of the guarantees paid, has been recorded in this caption which counted with the counter-guarantee and which are in the process of recovery by bank and non-bank financial intermediaries.

(3) Fondo para la Participación de Riesgos reduces the Institution's contingency through the counter-guarantee received from Fideicomiso de Contragarantía para el Financiamiento Empresarial, the promoter of granting of credits for specific purposes, which has assigned resources for these purposes for \$6,669 and \$6,620, as of December 31, 2021 and 2020, respectively. These funds ensure, the recovery up to these amounts of the guarantees exercised by the financial intermediaries, who assume the commitment of negotiating the recovery of the credits of their final borrowers judicially and out-of- court.

In addition to this counter-guarantee, the Fund has created a allowance for loan losses, for \$4,827 and \$2,828, as of December 31, 2021 and 2020, respectively, in accordance with the Provisions of the Banking Commission.

With the counter-guarantee received, as well as with the level of preventive allowance created, the Institution considers that the exposure is covered, based on the experience observed in the guarantee program.

(4) The contingent right of the Institution to recover the amount of the guarantees paid that had a counter-guarantee and were covered by the Fideicomiso de Contragarantía para el Financiamiento Empresarial, and which are in the process of recovery by bank and non-bank financial intermediaries.

(5) In the caption of paid guarantees pending recovery without counterguarantee, is recognized the amount of guarantees honored by the Institution that are in the process of recovery by financial intermediaries and that did not have the coverage of Fideicomiso de Contragarantía para el Financiamiento Empresarial.

(6) The item of contingency for portfolio without recourse corresponds to guarantees not exercised by the financial intermediary.

### Credit commitments

As of December 31, 2021 and 2020, the balance of authorized credit facilities and lines of guarantees granted to financial intermediaries that have not been withdraw amounted \$344,206 and \$299,403, respectively. As of December 31, 2021, \$176,391 correspond to credit and \$167,815 to lines of guarantee granted, respectively, where as of December 31, 2020, \$131,369 correspond to credit and \$168,034 to lines of guarantees granted, respectively.

### Assets placed in trust or mandates and financial agent for the Federal Government

The Institution's trust activity recorded in memorandum accounts as of December 31, 2021 and 2020, as well as operations as financial agent for the Federal Government, are integrated as shown below:

	2021	2020
Investments trusts	\$ 2,134	\$ 17,951
Administrative trusts	1,711,440	1,535,793
Guarantee trusts	54,086	18,837
	<b>1,767,660</b>	<b>1,572,581</b>
Mandates	13,544	14,444
	<b>1,781,204</b>	<b>1,587,025</b>
Financial Agent of the Federal Government	376,271	389,477
<b>Total</b>	<b>\$ 2,157,415</b>	<b>\$ 1,976,502</b>

Investment and administrative trusts refer to entities with their own legal incorporation, independent from the Institution. These balances represent the valuation of Trust Assets which, overall, represent assets valued with distinct accounting practices, and which essentially represent neither rights of the entity, nor the contingency to which the Institution is subject in the event of nonperformance in its role as trustee.

Guarantee trusts correspond to entities that maintain loans, securities, real estate, etc., as part of its trust assets, which serve as collateral for the settlement of financing received from other lending institutions by the trustees of the same. The Institution only performs the fiduciary function in such entities.

The Institution's revenue from its trustee activities as of December 31, 2021 and 2020, amounted to \$422 and \$446, respectively.

As of December 31, 2021 and 2020, the trust accounts include a balance of \$332 and \$370, respectively, which corresponds to the assets of Fideicomiso de Recuperación de Cartera (FIDERCA), which manages doubtful accounts that were originally of the Institution and that in the year of 1996 were transferred to the Federal Government. The Institution currently holds the respective trustee rights.

The Institution incorporated the trust for the strengthening of its capital in compliance with the Provisions of article 55 Bis of Lending Institution Law and in accordance with the general rules for Domestic Lending Institutions and Development Banking Institutions published on October 24, 2002 in the Official Federal Gazette.

#### Assets in custody or administration

As of December 31, 2021 and 2020, this caption includes, trading securities and credit operations, as well as the securities issued by the Institution and managed on behalf of customers, as shown below:

	2021	2020
Custody	\$ 6,582	\$ 9,790
Pledge securities	189,653	224,520
Securities in administration	327,091	305,403
Subsidiaries	19,765	19,908
	<b>\$ 543,091</b>	<b>\$ 559,621</b>

Fees collected by the Institution for this type of activities for the years ended December 31, 2021 and 2020, amounted to \$8 and \$7, respectively.

#### Other memorandum accounts

As of December 31, 2021 and 2020, the balances of other memorandum accounts are comprised as follows:

	2021	2020
Guarantees paid reported by brokers as uncollectible without a counterguaranty (a)	\$ 319	\$ 288
Classification by degree of risk of the loan portfolio	279,816	307,126
Loans obtained pending for disbursements (Note 18)	2,729	2,705
Other memorandum accounts (b)	482,439	411,138
<b>Total</b>	<b>\$ 765,303</b>	<b>\$ 721,257</b>

(a) Correspond to the amounts of unrecovered guarantees on which the collection procedures have been exhausted by the intermediaries and which did not have a counterguarantee.

(b) Other memorandum accounts are included for control of renewed and restructured loans, uncollectible credits, uncollectible loans applied against the provision, mortgage-backed loans, certificates and coupons to be incinerated, VAT recorded by states, portfolio recovery, issue of provisional certificates, foreclosed assets written-off preventively, control of amounts contracted in repurchase/resell agreements and derivative instruments, commitments, allowance for loan losses from financial brokers and various unspecified items.

## 24. ADDITIONAL INFORMATION ON OPERATIONS AND SEGMENTS

### Segment information (unaudited)-

The factors used to identify the business segments considered the nature of the activities carried out; the existence of specific administrators for those activities, the generation of revenues and expenses thereof as well as the monitoring regularly performed on the results generated that are presented regularly to the Board of Directors of the Institution.

The market and treasury segment include investments carried out in the money, capital, exchange and treasury markets.

The loan portfolio placed directly with the public and private sector, is considered for the first tier credit segment while the loan portfolio channeled through banking and non-banking financial intermediaries is considered for the second tier credit segment.

Guarantees granted to banks and non-bank financial intermediaries are included in the credit guarantees segment. The balances of this segment are presented in memorandum accounts and as of December 31, 2021 and 2020, amount to \$92,875 and \$77,129, respectively.

The balances of the Financial Agent segment correspond to activities carried out by mandate of the Federal Government, to manage on its behalf, resources obtained from international financial organizations, and as of December 31, 2021 and 2020, amounted to \$376,271 and \$389,477, respectively, are recorded in memorandum accounts.

The trustee segment includes administrative services for proprietary an external trusts, which amount to \$1,774,329 and \$1,587,025 as of December 31, 2021 and 2020, respectively, which are presented in memorandum accounts

Investment banking and balances of subsidiaries are included in the "Other areas segment". Commissions for structuring of credits, stock market guarantees, as well as the participation in venture capital for public and private companies are included in investment banking.

As of December 31, 2021 and 2020, the assets, liabilities and net income of the main operations by business segments of the Institution are presented below:

2021 Business Segments	Assets		Liabilities and equity		Net income	
	Amount	%	Amount	%	Amount	%
Markets and treasury	\$ 301,048	60.5	\$ 301,048	60.5	\$ 2,368	(35.5)
First tier credit	60,548	12.2	60,548	12.2	(2,864)	43.0
Second tier credit	129,024	25.9	129,024	25.9	2,128	(31.9)
Loan guarantees	-	-	-	-	(1,343)	20.1
Financial agent	-	-	-	-	(190)	2.8
Trustee	-	-	-	-	(363)	5.4
Other áreas	7,155	1.4	7,155	1.4	549	(8.2)
Retirement benefit and expense	-	-	-	-	(6,953)	104.3
<b>Total</b>	<b>\$ 497,775</b>	<b>100</b>	<b>\$ 497,775</b>	<b>100</b>	<b>\$ (6,668)</b>	<b>100</b>

2020 Business Segments	Assets		Liabilities and equity		Net income	
	Amount	%	Amount	%	Amount	%
Markets and treasury	\$ 341,081	56.4	\$341,081	56.4	\$ 1,605	(37.9)
First tier credit	51,660	8.5	51,660	8.5	749	(17.8)
Second tier credit	166,609	27.5	166,609	27.5	514	(12.1)
Loan guarantees	-	-	-	-	1,802	(42.6)
Financial agent	-	-	-	-	47	(1.1)
Trustee	-	-	-	-	(15)	0.3
Other áreas	45,699	7.6	45,699	7.6	470	(11.1)
Retirement benefit and expense	-	-	-	-	(9,400)	222.3
Total	\$ 605,049	100	\$ 605,049	100	\$(4,228)	100

For the years ended December 31, 2021 and 2020, income by business segment is analyzed as follows:

2021	Markets and treasury	First tier credit	Second tier credit	Loan guarantees	Financial agent	Trustee	Other areas	Retirement benefit and expense	Total
<b>Income:</b>									
<b>Financial income net (a)</b>	\$ 2,595	\$ 712	\$ 2,421	\$ 4,055	\$ 139	\$ 175	\$ 646	\$ -	\$ 10,743
<b>Expenses:</b>									
<b>Operating expense</b>	(353)	(94)	(509)	(359)	(128)	(209)	(43)	-	(1,695)
<b>Operative income</b>	\$ 2,242	\$ 618	\$ 1,912	\$ 3,696	\$ 11	\$ (34)	\$ 603	\$ -	\$ 9,048
<b>Allowance for loan losses and write-offs (b)</b>	(16)	(3,385)	888	(4,540)	(6)	(11)	(2)	-	(7,072)
<b>Retiree expense</b>	-	-	-	-	-	-	-	(925)	(925)
<b>Other expenses and taxes (c)</b>	142	(97)	(672)	(499)	(195)	(318)	(52)	(6,028)	(7,719)
<b>Net income</b>	\$ 2,368	\$ (2,864)	\$ 2,128	\$ (1,343)	\$ (190)	\$ (363)	\$ 549	\$ (6,953)	\$ (6,668)

2020	Markets and treasury	First tier credit	Second tier credit	Loan guarantees	Financial agent	Trustee	Other areas	Retirement benefit and expense	Total
<b>Income:</b>									
<b>Financial income net (a)</b>	\$ 1,756	\$ 862	\$ 2,234	\$ 7,440	\$ 168	\$ 183	\$ 507	\$ -	\$ 13,150
<b>Expenses:</b>									
<b>Operating expense</b>	(327)	(100)	(499)	(353)	(120)	(195)	(50)	-	(1,644)
<b>Operative income</b>	\$ 1,429	\$ 762	\$ 1,735	\$ 7,087	\$ 48	\$ (12)	\$ 457	\$ -	\$ 11,506
<b>Allowance for loan losses and write-offs</b>	(9)	(104)	(1,257)	(5,495)	(4)	(6)	(2)	-	(6,877)
<b>Retiree expense</b>	-	-	-	-	-	-	-	(1,015)	(1,015)
<b>Other expenses and taxes (d)</b>	185	91	36	210	3	3	15	(8,385)	(7,842)
<b>Net income</b>	\$ 1,605	\$ 749	\$ 514	\$ 1,802	\$ 47	\$ (15)	\$ 470	\$ (9,400)	\$ (4,228)

- (a) It includes the following areas: investment banking, subsidiaries and other income (expenses) net.  
 (b) It includes \$3,373 of reserves created of Altan Redes, S.AP.I. de C.V.  
 (c) It includes \$1,691 of taxes.  
 (d) It includes \$543 of taxes.

As of December 31, 2021, the net revenue for the first-tier credit amounted to \$918, comprised of \$592 of financial margin, and other net income by \$326.

The accumulated financial income for the year ended December 31, 2021 for the second-tier credit amounted to \$2,216, of which \$2,095 correspond to financial margin and \$58 to commissions and \$63 to other net income associated with the credit operation.

Revenue from financial margin is \$21 lower than the revenue obtained during the same period of 2020, on the other hand, a 24.9% decrease was recorded in the average balance of this portfolio, which went from \$161,851 down to \$121,519.

As of December 31, 2021, the credit guarantees segment presents net financial revenue of \$4,055, including \$3,153 of fees charged for the guarantees granted, \$797 of interest on investments, \$42 of guarantees paid to recover and recoveries, \$39 for selective guarantee fees and \$25 for Fiso Bonds 80686 (previously 1149) results, as well as fees payments, taxes and commissions for \$1.

As of December 31, 2021, net financial revenue of the financial Agent segment amounted to \$139 thanks to the commissions were obtained in the period for \$139, which represented a decrease of \$29 with respect to the commissions obtained during the previous year, which is partially explained by adjustments in the balances of the managed businesses.

During 2021, in the Trustee segment, net financial revenue amounted to \$175 which decreased 4.4% compared to 2020.

#### Financial margin-

For the years ended December 31, 2021 and 2020, the financial margin in the consolidated statements of income is comprised is as follows:

	2021		
	Total	Local currency	Foreign currency
<b>Interest income:</b>			
<b>Interests of performing and nonperforming loan portfolio:</b>			
<b>Commercial loans</b>	\$ 2,682	\$ 1,192	\$ 1,490
<b>Mortgage loans</b>	2	2	-
<b>Consumer loans</b>	1	1	-
<b>Loans to government entities</b>	184	138	46
<b>Loans to financial entities</b>	7,230	7,081	149
	<b>\$ 10,099</b>	<b>\$ 8,414</b>	<b>\$ 1,685</b>
<b>Interests and returns earned on investments in securities:</b>			
<b>Trading securities</b>	\$ 529	\$ 529	-
<b>Securities available for sale</b>	378	-	378
<b>Securities held to maturity</b>	1,071	1,047	24
	<b>\$ 1,978</b>	<b>\$ 1,576</b>	<b>\$ 402</b>

**Interests and returns earned on repurchase/resell agreements:**

<b>Repurchase/ resell agreements</b>	\$ 11,129	\$ 11,129	-
<b>Cash and cash equivalents interest:</b>			
<b>Banks</b>	90	-	90
<b>Restricted cash and cash equivalents</b>	695	694	1
	\$ 785	\$ 694	\$ 91
<b>Commissions from credit operations:(return adjustment)</b>			
<b>Commercial loans</b>	\$ 71	\$ 71	\$ -
<b>Interest and returns from margin accounts</b>	5	5	-
<b>Valuation from of hedging transactions</b>	(4,915)	(4,092)	(823)
<b>Premium on debt placement</b>	12	12	-
<b>Equity dividends, net</b>	38	38	-
<b>Gain from valuation</b>	88	8	80
	\$ (4,701)	\$ (3,958)	\$ (743)
<b>Total interest income</b>	\$ 19,290	\$ 17,855	\$ 1,435
<b>Interest expenses:</b>			
<b>Interest from time deposits</b>	\$ 5,573	\$ 5,570	3
<b>Interest on securities issued</b>	4,050	3,939	111
<b>Interest paid on interbank loans and other agencies</b>	1,037	850	187
<b>Interests and returns paid on repurchase / resell agreements</b>	8,543	8,541	2
<b>Expenses from hedging transactions</b>	(5,362)	(5,323)	(39)
<b>Discounts for debt issued</b>	71	71	-
<b>Issuance expenses due to debt placement</b>	16	12	4
<b>Total interest expenses</b>	\$ 13,928	\$ 13,660	\$ 268
<b>Financial margin</b>	\$ 5,362	\$ 4,195	\$ 1,167

2020

	Total	Local currency	Foreign currency
<b>Interest income:</b>			
<b>Interests of performing and nonperforming loan portfolio:</b>			
<b>Commercial loans</b>	\$ 3,284	\$ 1,479	\$ 1,805
<b>Mortgage loans</b>	3	3	-
<b>Loans to government entities</b>	438	408	30
<b>Credits granted as agent of the Federal Government</b>			
<b>Loans to financial entities</b>	10,827	10,492	335
	\$ 14,552	\$ 12,382	\$ 2,170
<b>Interests and returns earned on investments in securities:</b>			
<b>Trading securities</b>	494	494	-
<b>Securities available for sale</b>	360	-	360
<b>Securities held to maturity</b>	869	839	30
	\$ 1,723	\$ 1,333	\$ 390

Interests and returns earned on repurchase/resell agreements:			
Repurchase/ resell agreements	\$ 15,621	\$ 15,621	-
Cash and cash equivalents interest:			
Banks	248	-	248
Restricted cash and cash equivalents	1,043	1,040	3
	\$ 1,291	\$ 1,040	\$ 251
Commissions from credit operations (return adjustment):			
Commercial loans	\$ 99	\$ 99	\$ -
Interest and returns from margin accounts	3	3	-
Gain (loss) from hedging transactions	(5,183)	(4,527)	(656)
Premium on debt placement	12	12	-
Equity dividends, net	29	29	-
Gain from valuation	1,469	3	1,466
	\$ (3,571)	\$ (4,381)	\$ 810
Total interest income	\$ 29,616	\$ 25,995	\$ 3,621
Interest expenses:			
Interest from time deposits	8,298	8,266	32
Interest on securities issued	4,651	3,953	698
Interest paid on interbank loans and other agencies	788	483	305
Interests and returns paid on repurchase / resell agreements	14,144	14,138	6
Expenses from operations of:	-	-	-
Expenses from hedge trading	(5,442)	(4,425)	(1,017)
Discounts for debt issued	71	71	-
Issuance expenses due to debt placement	19	11	8
Loss from valuation	94	94	-
Total interest expenses	\$ 22,623	\$ 22,591	\$ 32
Financial margin	\$ 6,993	\$ 3,404	\$ 3,589

**Commission and fee income -**

For the years ended December 31, 2021 and 2020, the commissions and fee income are analyzed as follows:

2021	Total	Local currency	Foreign currency
<b>Commissions and fees earned:</b>			
<b>Credit operations</b>	\$ 499	\$ 499	\$ -
<b>Assets in custody or administration</b>	8	8	-
<b>Trustee activities</b>	422	422	-
<b>Others</b>	3,544	3,505	39
	\$ 4,473	\$ 4,434	\$ 39
<b>Commissions and fees paid:</b>			
<b>Loans received</b>	8	-	8
<b>Debt placement</b>	18	18	-
<b>Others (services)</b>	180	176	4
	\$ 206	\$ 194	\$ 12

2020	Total	Local currency	Foreign currency
Commissions and fees earned:			
Credit operations	\$ 130	\$ 130	\$ -
Assets in custody or administration	7	7	-
Trustee activities	446	446	-
Others	3,352	3,282	70
	\$ 3,935	\$ 3,865	\$ 70
Commissions and fees paid:			
Loans received	10	2	8
Debt placement	3	2	1
Others (services)	169	166	3
	\$ 182	\$ 170	\$ 12

**Financial intermediation income -**

For the years ended December 31, 2021 and 2020, financial intermediation income is analyzed as follows:

2021			
	Total	Local currency	Foreign currency
<b>Gain (loss) from valuation at fair value and decrease from securities valued at cost:</b>			
<b>Trading securities</b>	\$ 339	\$ 339	\$ -
<b>Derivative financial instruments for trading purposes</b>	(55)	(48)	(7)
<b>Derivative financial instruments for hedging Purposes</b>	207	(2,216)	2,423
	\$ 491	\$ (1,925)	\$ 2,416
<b>Gain (loss) from securities purchase/sale and derivative financial instruments</b>			
<b>Securities for trading</b>	\$ 4	\$ 4	\$ -
<b>Securities available for sale</b>	666	666	-
<b>Securities held to maturity</b>	6	-	6
<b>Derivate financial instruments for trading purposes</b>	(327)	(327)	-
	\$ 349	\$ 343	\$ 6
<b>Result from currency trading</b>	\$ 39	\$ -	\$ 39
<b>Financial intermediation income</b>	\$ 879	\$ (1,582)	\$ 2,461
2020			
	Total	Local currency	Foreign currency
Gain (loss) from valuation at fair value and decrease from securities valued at cost:			
Trading securities	\$ (342)	\$ (342)	\$ -
Derivative financial instruments for trading purposes	(67)	(45)	(22)
Derivative financial instruments for hedging purposes	(51)	1,821	(1,872)
Collaterals sold	-	-	-
	\$ (460)	\$ 1,434	\$ (1,894)

Gain (loss) from securities purchase/sale and derivative financial instruments				
Securities available for sale	\$	94	\$	94
Securities held to maturity		810		775
Derivate financial instruments for trading purposes		804		804
	\$	1,708	\$	1,673
			\$	35
Result from currency trading	\$	(2,352)	\$	-
Financial intermediation income	\$	(1,104)	\$	3,107
			\$	(4,211)

### Other operating income (expenses)

For the years ended December 31, 2021 and 2020, other operating income (expenses) is analyzed as follows:

2021	Total	Local currency	Foreign currency
<b>Other recoveries</b>	\$ 59	\$ 59	\$ -
<b>Reversal on the surplus of allowance for loan losses.</b>	194	194	-
<b>Others foreclosed</b>	(51)	(51)	-
<b>Allocation to the estimation due to recoverability or difficult collection</b>	(2,469)	(2,469)	-
<b>Income from sale of foreclosed assets</b>	23	23	-
<b>Income from loans to employees</b>	35	35	-
<b>Other items of operating income (expenses) (a)</b>	(5,493)	(5,493)	-
<b>Lease income</b>	24	24	-
	\$ (7,678)	\$ (7,678)	\$ -

2020	Total	Local currency	Foreign currency
Tax recoveries	\$ (51)	\$ (51)	\$ -
Other recoveries	101	101	-
Estimation due to irrecoverability or difficult collection	(3,353)	(3,353)	-
Others foreclosed	(2)	(2)	-
Income from sale of foreclosed assets	27	27	-
Income from loans to employees	35	35	-
Other items of operating income (expenses) (a)	(7,786)	(7,796)	10
Lease income	28	28	-
	\$ (11,001)	\$ (11,011)	\$ 10

- a) On November 17, 2021 and December 31, 2020, the Institution paid \$6,028 and \$7,290, respectively, in accordance with the official letter number 368.-134/2021 and 368.-143/2020, dated on November 12, 2021 and December 17, 2020, respectively, issued by the Ministry of Finance and Public Credit, whereby the Federal Government instructs the Institution to pay based on the legal nature of use for furnishing sovereign guarantee of the Federal Government.

### Administration and promotion expenses

For the years ended December 31, 2021 and 2020, the Administration and promotion expenses item is as follows:

2021	Total	Local currency	Foreign currency
Administration and promotion expenses	\$ 3,099	\$ 3,099	\$ -
Unidentified deposits	1	1	-
	<b>\$ 3,100</b>	<b>\$ 3,100</b>	<b>\$ -</b>

2020	Total	Local currency	Foreign currency
Administration and promotion expenses	\$ 2,902	\$ 2,902	-
Unidentified deposits	-	-	-
	<b>\$ 2,902</b>	<b>\$ 2,902</b>	<b>\$ -</b>

### Financial ratios (unaudited)

The main quarterly financial ratios of the Institution, as of and for the years ended December 31, 2021 and 2020 are as follows:

	2021			
	1st Q	2nd Q	3rd Q	4th Q
Delinquency index	0.31%	0.57%	0.60%	2.76%
Coverage of past due loan portfolio index	1,394.58%	856.57%	962.77%	241.61%
Operating efficiency (administrative and promotional expenses / average total assets)	0.59%	0.65%	0.87%	0.76%
ROE (annualized net income for the quarter/ average stockholders' equity)	3.03%	(0.37)%	2.00%	(66.09)%
ROA (annualized net income for the quarter / average total assets)	0.24%	(0.03)%	0.17%	(5.70)%
Net capital/ assets subject to credit risk	30.82%	32.36%	33.13%	29.81%
Net capital/ assets subject to credit, market and operational risk	21.12%	20.93%	22.30%	20.12%
Liquidity (liquid assets / liquid liabilities)	252.38%	293.79%	285.10%	282.46%
Financial margin after allowance for loan losses/ average earning assets	8.06%	3.60%	3.26%	(8.94)%

	2020			
	1st Q	2nd Q	3rd Q	4th Q
Delinquency index	0.35%	0.34%	0.38%	0.24%
Coverage of past due loan portfolio index	881.93%	916.09%	992.06%	1,497.17%
Operating efficiency (administrative and promotional expenses / average total assets)	0.56%	0.44%	0.36%	0.63%
ROE (annualized net income for the quarter/ average stockholders' equity)	8.63%	(3.40)%	8.53%	(56.48)%
ROA (annualized net income for the quarter / average total assets)	0.60%	(0.22)%	0.62%	(4.18)%
Net capital/ assets subject to credit risk	24.19%	23.58%	25.96%	27.45%
Net capital/ assets subject to credit, market and operational risk	15.49%	15.15%	16.95%	18.52%
Liquidity (liquid assets / liquid liabilities)	380.79%	216.22%	259.40%	222.36%
Financial margin after allowance for loan losses/ average earning assets	4.46%	12.00%	5.12%	(0.43)%

## 25. COMMITMENTS AND CONTINGENCIES

### Lease

Leases provide periodic rental adjustments expense, based on changes in various economic factors. The Institution has commitments for non-cancellable leases. The total rental expense for office property, for the years ended December 31, 2021 and 2020, amounted to \$4 and \$4, respectively.

### Claims and trials

In the normal course of operations, the Institution is involved in some claims and trial, which are not expected to have a material adverse effect on the financial situation and results of its operations. In such cases that represent a probable loss or make a cash outflow, the Institution has made the necessary provisions. It is worth to mention that to date there are no litigations on tax matters.

The main trials and claims refer to lawsuits for recoveries of loan portfolios and trusts for the years ended December 2021 and 2020 and its possible effect amounted to \$5,457 and \$1,267, respectively. Moreover, as of December 31, 2021 and 2020, there continue to be labor lawsuits, which present a value of the lawsuit in the amount of \$125 and \$100, respectively.

The Administration considers that the final resolution of the claims and judgments previously described will not have a significant effect on the financial situation of the Institution.

### Labor liabilities

There is a contingent liability derived from employee benefits, which is mentioned in the last paragraph of the Note 3t) and in the last paragraph of the Note 20.

## 26. RISK MANAGEMENT (UNAUDITED INFORMATION)

### Risk management and follow-up

The national and international regulations on risk management have seen an unprecedented evolution in recent years, incorporating a preventive approach in the financial processes carried out by lending institutions, as well as the obligation to issue internal guidelines to establish controls in order to foresee any economic loss due to the materialization of risks, whether discretionary, non-discretionary or even non-quantifiable.

The Institution, to keep up with the implementation of the requirements from the various provisions of prudential nature in matters of risk management, credit and internal control, applicable to lending institutions, as well as what is indicated by regulatory bodies in Mexico for the prevention of money laundering, has tried to implement international standards from a systematic and integral perspective within its controls and processes (unaudited numbers).

### Discretionary quantifiable risks

#### 1. Market risk

The Institution uses the VaR methodology to calculate the market risk of its trading and available for sale portfolios. In general, the methodology that is being applied is the historical simulation.

The following general principles, stand out:

- The confidence interval that is being applied in the VaR calculation is 97.5% (considering the extreme left of the profit and loss distribution).
- The base time horizon considered is 1 day.
- In the generation of scenarios, a year of historical information is considered in the risk factors.

The following risk factors are considered: domestic and foreign interest rates, spreads, exchange rates, indexes and share prices.

In addition to the VaR information, sensitivity measures are calculated, and stress tests are carried out (“stress-test”).

Backtesting tests are carried out on a monthly basis to statistically validate that the market risk measurement model provides reliable results within the parameters chosen by the Institution.

Up to date, the limits to which they are monitored on a daily basis are:

- Value at risk: based on the capital allocated to market risks.
- Regulatory capital: based on the rules for the capitalization requirements of the Commercial Banks National Credit entities and Development Banking Institutions.
- Notionals: referring to the maximum nominal values that can be held in position.
- Maximum loss measure: a limit of maximum losses is established in the face of unfavorable market trends.

The amount of the average VaR for the year 2021 \$64.83 which represents 0.21% of the net capital at the end of December 2021.

Markets	
Amount VaR \$64.833 MDP	
Trading VaR \$30.651 MDP	Treasury VaR \$34.182 MDP

## 2. Management of assets and liabilities

The management of assets and liabilities refers to the management of risks that affect the Institution’s balance sheet. It includes the management techniques and tools necessary to identify, measure, monitor, control and manage the financial risks (liquidity and interest rates) to which the balance sheet is exposed, and also aims to maximize its adjusted performance due to market risks and, consequently, optimize the use of the Institution’s capital.

## 3. Liquidity risk

The liquidity risk that affects a banking institution is classified broadly into three categories:

- Market liquidity risk: is the possibility of economic loss due to the difficulty of alienating or cover assets without a significant reduction in its price. This kind of risk as a result of drastic interest rate movements, is incurred when large positions are taken in any instruments or when investments are made in markets or instruments for which there is not a wide supply and demand in the market.
- Funding liquidity risk: represents the difficulty of an institution to obtain the necessary results and settle its liabilities, through the revenue, from its assets or through the acquisition of new liabilities. This kind of crisis is usually caused by a sudden and drastic deterioration in the quality of assets that originates an extremely difficulty to turn them into liquid resources.
- Liquidity risk by mismatch in cash flows: the inability to meet the present and future needs of cash flows affecting daily operations or financial conditions of the institution, as well as the potential loss from the change in the structure of the balance sheet of the institution because of the time difference between assets and liabilities.

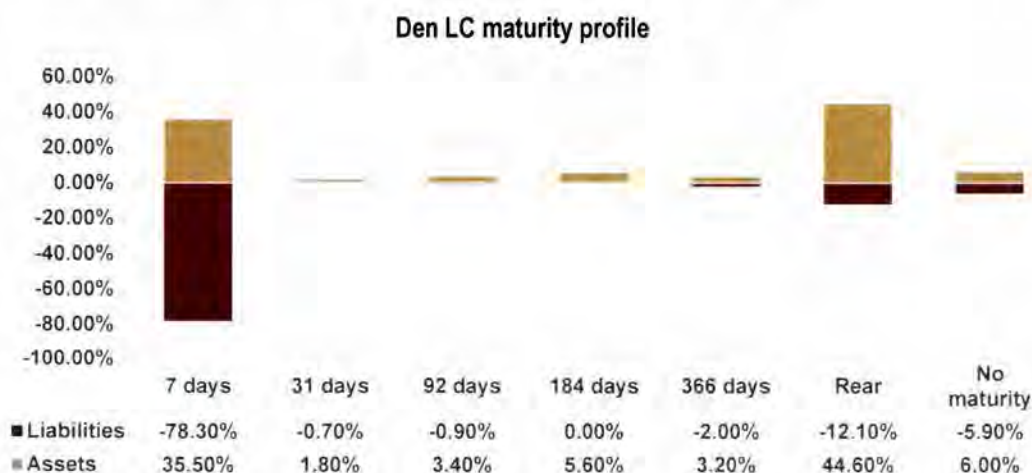
The Institution, in compliance with the provisions of comprehensive risk management, developed a contingency financing Plan and stress liquidity scenarios, laying down various measures to monitor, quantify and follow up with the risks listed above, as well as a plan of action at the institutional level, in case of possible liquidity problems.

#### 4. Maturity profile in local currency

Active and passive operations in national currency increased 21.6% during 2021, reaching \$656,325 at the end of December. Based on regulatory criteria, the maturity Gap considers both balance sheet items and memorandum accounts, that is, reportos and derivatives. The amounts presented do not match with those shown in the balance sheet due to changes in the presentation of derivative financial instruments. Here we present the net IRS (Interest Rate Swap) per band and the CCS (Cross Currency Swap) according to the nature of each leg.

Maturity ranges	2021			2020		
	Asset	Liability	Gap	Asset	Liability	Gap
Up to 7 days	\$ 232,822	\$ 514,079	(281,257)	\$ 76,696	\$ 351,663	(274,967)
Up to 31 days	11,586	4,543	7,043	11,548	73,695	(62,147)
Up to 92 days	22,605	6,119	16,486	27,244	1,697	25,547
Up to 184 days	36,439	239	36,200	26,233	4,518	21,715
Up to 366 days	21,046	13,211	7,835	57,545	1,348	56,197
Subsequent	292,458	79,436	213,022	304,598	66,786	237,812
No defined maturity	39,369	38,698	671	36,012	40,169	(4,157)
Total	\$ 656,325	\$ 656,325		\$ 539,876	\$ 539,876	

The Gap of negative liquidity on the horizon of a month amounts to \$274,214.

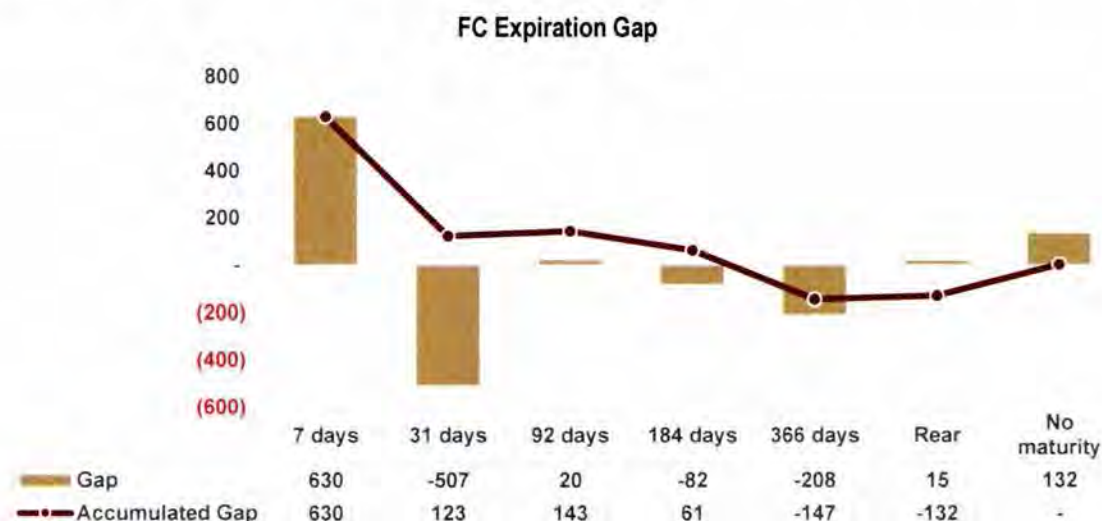


#### 5. Maturity profile in foreign currency

Active and passive operations in foreign currency as of December 31, 2021 decreased by 6.3% during the year. Based on regulatory criteria, the maturity Gap considers both balance sheet items and memorandum accounts, that is, reportos and derivatives. The amounts presented do not match with those shown in the balance sheet due to changes in the presentation of derivative financial instruments. Here the net IRS (Interest Rate Swap) per band and the CCS (Cross Currency Swap) are presented according to the nature of each leg.

Maturity ranges	2021			2020		
	Asset	Liability	Gap	Asset	Liability	Gap
Up to 7 days	\$ 1,185	\$ 555	630	\$ 1,198	\$ 1,131	67
Up to 31 days	358	865	(507)	229	448	(219)
Up to 92 days	914	894	20	818	429	389
Up to 184 days	6	88	(82)	359	615	(256)
Up to 366 days	1	209	(208)	4	192	(188)
Subsequent with no defined maturity	2,574	2,559	15	2,750	2,703	47
	132	0	132	160	-	160
Total	\$ 5,170	\$ 5,170		\$ 5,518	\$ 5,518	

In accordance with the contractual maturity of assets and liabilities in foreign currency and based on figures of the balance sheet at the end of December 2021, it can be seen that in the first 7 days of January of 2022, there was a positive million dollar liquidity of \$630 USD dollars.



### 6. Estimate of gain or loss on advance sale

To comply with the Provisions of article 81 of the section I, subparagraph (b) of the Provisions, below, is the estimation of results from advance sales of assets under normal and extreme scenarios.

At the end of December 2021, considering the scenarios of crisis in the portfolios of corporate trading and investment to maturity, if there was a similar situation to November 9, 2016, it would lead to a loss of \$250.47, equivalent to 1.08% of the value of the position.

MDP

Portfolio LC	Position	Advanced sale	Crisis scenarios							
			21-dec-94	25-agu-98	11-sep-01	19-sep-02	28-apr-04	16-oct-08	09-nov-16	11-mar-20
Corporate trading	4,892.05	(42.83)	(43.06)	(48.71)	(56.94)	(25.92)	(26.92)	(6.35)	(42.83)	(34.23)
Investment to maturity	18,315.41	(207.64)	(58.71)	(77.23)	(0.64)	(25.90)	(87.62)	(76.67)	(207.64)	(157.09)

At December 2021 closing, upon considering the crisis scenarios discussed in the London's investment to maturity portfolio, the major loss would be observed in the assumption that there would be a situation similar to that of September 2001, by generating a loss equivalent to \$140.1 million pesos, which represents 1.56% of the value of the position.

Portfolio LC	Position	Advanced sale	Crisis scenarios							
			21-dec-94	12-oct-98	12-sep-01	19-sep-02	10-may-04	16-oct-08	09-nov-16	11-mar-20
Available for sale	(8,527.86)	(129.13)	(10.80)	(110.25)	(129.13)	(55.57)	(45.35)	(31.17)	(83.62)	(31.20)
Held to maturity	(454.24)	(11.36)	(1.24)	(9.82)	(11.36)	(5.50)	(4.19)	(1.62)	(10.46)	(7.79)

MDP

## 7. Credit risk

Credit risk is defined as the possibility that a counterparty or accredited breach in time and form with their credit obligations, it also refers to the loss of value of investment determined by the change in the credit quality of some counterpart or borrowers, without default necessarily occurring.

## 8. Expected loss

The expected loss of the loan portfolio is obtained using the portfolio rating methodology established in the Chapter V of the Provisions, regarding the rating of the loan portfolio.

Considering this methodology, the following assumptions are also established:

- The portfolio of former employees is excluded, in order to directly measure the effect of the expected losses of the portfolio with risk from the private sector.
- The contingent portfolio of the credit to the Trust for the Participation to Risks is not considered since this trust is in charge of managing its credit risk.
- Additional reserves are not included.
- The financial agent portfolio is not considered as it is a portfolio without risk
- The nonperforming portfolio is considered, since according to the portfolio qualification methodology based on expected loss, when an event of default occurs, it does not imply that the expected loss is reserved at 100%.

Under the aforementioned assumptions, at the end of December 2021, the total portfolio stood at \$189,472, while the expected loss from the loan portfolio amounted to \$6,965, equivalent to 3.68% of the total portfolio.

Portfolio	Portfolio balance	Expected loss	% Expected los
Exempt	-		
Risk A	116,134	991	0.85%
Risk B	67,825	1,565	2.31%
Risk C	89	6	6.67%
Risk D	108	49	45.00%
Risk E	5,316	4,354	81.92%
<b>Rated</b>	<b>189,472</b>	<b>6,965</b>	<b>3.68%</b>
<b>Total \$</b>	<b>\$ 189,472</b>	<b>\$ 6,965</b>	<b>3.68%</b>

## 9. Unexpected loss

Unexpected loss represents the impact that the capital of the Institution could have derived from unusual losses in the loan portfolio, the level of coverage of this loss for the capital and reserves of an institution is an indicator of solvency adjusted for risk of the same.

Since December 2005, the Institution makes the estimation of the unexpected loss of the credit portfolio operations, using Monte Carlo simulation and analytical methodologies, as of that date the stability of these measures has been observed and its behavior in the face of various changes in the environment, to determine which of them should be used as a measure of the risk of the Institution's loan portfolio.

In November 2007, the IRMC concluded that, of the methodologies proposed for the estimation of the unexpected loss of the loan portfolio, the methodology with an economic approach is the one that best aligns with the basic method based on internal Basilea II qualifications, according to:

- The similarity of concepts existing between the proposed economic methodology and the capital requirement for credit risk estimated from the Basilea II basic approach. This approach allows institutions to estimate with internal methods the capital requirement necessary to support their risk.
- High levels of correlation and similarity in the average capital requirement observed during a year of internal implementation of the proposed credit portfolio unexpected loss methodologies.

In addition, it was considered that the unexpected loss of the loan portfolio should continue to be estimated monthly through the valuation and Monte Carlo methodologies in order to have information regarding future changes in the banking standard in which the portfolio market valuation is requested. These methodologies are applied in a horizon of one year and with a confidence level of 95%

At the end of December 2021, the estimate of unexpected loss under the economic approach amounts to \$17,475 and the credit VaR amounts to \$19,675 and represents 10.38% of the portfolio with risk.

## 10. Counterparty risk and diversification

In the Institution, an integral control of counterparty risk is exercised, applying the established credit exposure limits. These limits consider the operations throughout the entire balance sheet, that is, both the financial markets and the credit portfolio. The methodology used is consistent with the General Rules for the Diversification of Risks in the Realization of Active and Passive Operations Applicable to Lending Institutions.

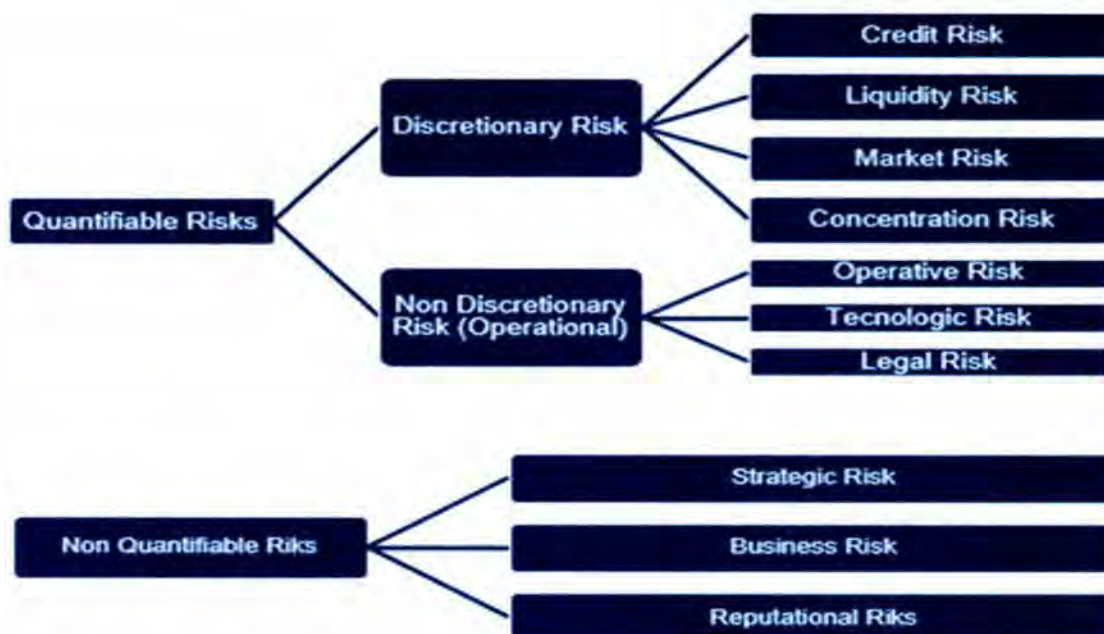
At the end of December 2021, no economic group concentrates credit risk above the maximum financing limits. You have the following number of financings (credit and market operations) that exceed 10% of the basic capital individually:

<u>Number of financing</u>	<u>Total amount</u>	<u>Capital percentage</u>
22	\$ 187,331	543.4%

The amount of financing for credit operations that is maintained with the three main companies based on Article 60 of the CUB amounts to \$13,708.

## 11. Operational risk and non-quantifiable

The risks to which a financial institution is exposed are classified into two broad categories; quantifiable and not quantifiable. Non-quantifiable risks are in turn divided into three types. The quantifiable and non-quantifiable risks, in turn, are divided as follows:



The non-discretionary risks, that is, the operational risk, are those resulting from the operation of the business, but they are not the result of taking a risk position. These risks are defined below:

- Operational Risk: potential losses derived from failures or deficiencies of internal controls, due to errors in the processing and storage of operations.
- Technological risk: potential losses derived from damages, interruption, alteration or failures derived from the use or dependence on hardware, software, systems, applications, networks and any other channel of information distribution in the provision of banking services with customers of the Institution that derive in errors in the processing and storage of operations or in the transmission of information.
- Legal Risk: potential losses derived from the applicable legal and administrative provisions, the issuance of unfavorable administrative and judicial resolutions and the application of sanctions, in relation to the operations carried out by the institutions.

Non-quantifiable risks are unforeseen events to which a statistical base cannot be formed to measure potential losses, among which are the following:

- Strategic risk: potential losses by deficiencies in the decision-making process, in the implementation of procedures and actions to carry out the business model and strategies of the Institution, as well as the lack of knowledge about the risks to which it is exposed by the development of its business activity and that affect expected results to achieve the objectives agreed upon by the Institution in its strategic plan.
- Business risk: potential losses attributable to the inherent characteristics of the business and changes in the economic cycle or environment in which the Institution operates.
- Reputation risk: potential losses in the development of the activity of the Institution proceeding from the impairment in perception that have the different parties concerned, both internal and external, on its solvency and viability.

The objective of managing operational risk and non-quantifiable risks is to formally establish the rules and policies necessary to systematically and efficiently carry out the identification, measurement, monitoring, limitation, control, information and disclosure of non-discretionary risks and non-quantifiable, which all areas of the Institution that are involved in activities that imply a non-discretionary or non-quantifiable risk must apply, as well as the purpose of ensuring the timely identification of the capital requirements and the resources derived from these risks.

The quantitative analysis for the identification of risk concentrations by management for processes under ISO Standard 9001-2015.

In relation to the scope and nature of information systems and measurement of operational risks and their reports, the Institution uses the institutional system called Operational Risk Tool to which the information of the results obtained from operational risk monitoring is incorporated, and where everything related to internal reports and regulatory reports (classifications and quantification) is managed.

The reports related to the management of operational risk (including technological and legal) are made in the IRMC through the "Risk management and monitoring report" that has at least a quarterly periodicity.

### Methodologies, limits and tolerance levels

#### Method to determine the capital requirement for operational risk

The Institution uses the basic indicator method to calculate the capital requirement for their exposure to operational risk. The methodology is described in chapter V of Title One Bis of the general provisions applicable to lending institutions (CUB) issued by the National Banking and Securities Commission (CNBV). The calculation of net income of the last 36 months is carried out in the first instance, by distributing them in 12-month periods and following the next formula:

$$INA_1 = \sum_{l=t-1}^{t-12} IN_l \quad INA_2 = \sum_{l=t-13}^{t-24} IN_l \quad INA_3 = \sum_{l=t-25}^{t-36} IN_l$$

$INA_1, INA_2, INA_3$  is the sum of annual net income for each period. The capital requirement for Operational Risk is obtained once annual Net Income is calculated, in conformity with the following:

$$RCRO = \left[ \frac{\sum_{j=1}^3 \max (INA_j, 0)}{n} \right] * \alpha$$

Where:

RCRO is the capital requirement for Operational risk

$INA_j$  is the annual net income for each one off the three periods, in conformity with the information of the last 36 months.

n = Number of years of the last three in which net income was positive

$\alpha = 15\%$

#### Non-discretionary risks: Operational risk

The methodology used for operational risk management (quantitative and qualitative analysis) is the Institutional Operational Risk Management, based on a self-evaluation or scorecard that considers six risk factors.

- Regulatory Framework
- Transaction
- Person
- Technological
- Relationship between customers and suppliers
- Information Security

This methodology is applied to the results obtained from the processes analyzed by two indicators, nature and efficiency. Toward that end, levels of tolerance have been defined by risk factor and by indicator. In addition, the potential inherent risks of each process are identified, classified, and rated, based on the methodology defined by the CNBV, and the result is sent in a regulatory annual report named “Estimate of Operational Risk Levels”. Actions and/or additional controls for managing inherent risks located in quadrant nine will be defined together with the persons responsible for the process to which it belongs.

The quantitative analysis is performed through operational risk loss events that occurred at the Institution, whose information is furnished by the owners of the processes involved. These events are classified in accordance with the methodology defined by the CNBV.

**Nature Indicator.** It is the degree of importance of the process analyzed in connection with the Institution’s other processes that require a higher or lower availability of funds and infrastructure to guarantee the business as a going concern.

**Efficiency indicator.** It is the measurement of adequate execution of a process that allows for developing plans to foresee undesired events that permit development of sensitivity toward the perception of Operational Risk through a measurement.

#### **Non-discretionary risks: Technological risk**

The technological risk methodology for identifying, quantifying, and managing this risk is carried out by Informatics, and it is based on five indicators:

- Network security.
- Detection and blocking of viruses.
- Availability of critical and non-critical services.
- Recovery of critical services through the Recovery before disaster Plan

It is monitored monthly and it is carried out by comparing:

$$\frac{\text{levels obtained in each indicator}}{\text{level of service agreed upon}} \%$$

Based on the results obtained, areas of opportunity were identified the enable us to take action on the possible solutions to the case.

#### **Non-discretionary risks: Legal risk**

There is an internal methodology for estimating the registry of potential losses in terms of legal risk, based on expectations of success or failure and based on the procedural stage in which demand is found in five bands:

- Without sufficient evidence
- High
- Moderate
- Considerable
- Low

The application of the methodology is carried out by the Litigation and Credit Legal Department, the staff identifies, quantifies and manages the legal risk. As a control of risk monitoring, IRMC is informed at least quarterly.

The results of the potential losses are grouped, analyzed and reported, with at least a quarterly periodicity to the IRMC, by type of suits, which are the following:

- Labour nature
- Contentious portfolio
- Trust
- Commercial
- Treasury and stock trading

#### **Risks on the assets of the Institution**

They are those derived from casualties or unforeseen external events that cannot be associated with a probability of occurrence and for which the economic losses caused can be transferred to external entities that bear risks.

<b>Type of risk</b>	<b>Definition</b>	<b>Example</b>
Damage	Risk of loss due to catastrophic natural events that can interrupt the operation or affect assets of the Institution.	Fire, earthquake, volcanic eruption, hurricane, among others.
External	Risk of loss caused by entities outside the Institution.	Vandalism, seedlings, etc.

For this type of risk, monitoring is carried out considering the following criteria:

<b>Inventory</b>	<b>Control measures</b>	<b>Economic impact</b>
Institution Assets	Institutional Program for Assets Insurance.	Payment of premiums
Foreclosed Assets		Deductibles in case of materialization.

#### **Non-Quantifiable Risks**

The implemented methodologies are in accordance with the Provisions. A brief description of these is provided as follows:

- **Business risk.** - In order to manage this risk, certain indicators are monitored to help identify the possible materialization of the risks that could affect the Institution derived from:
  - Movements in the financial environment
  - Economic cycle
- **Reputation risk.** - To manage this Risk, the General Office of Institutional Communication follows up on the events that could affect the existing internal perception of the Institution, whereas the General Office Market Research and Institutional Business Positioning follows up on the events that could affect the existing external perception of the Institution. As a control of this risk, the IRMC is informed at least quarterly.

#### **Operational Risk Results**

##### **Results of self-assessments**

The result of the most relevant processes of the Institution in terms of its nature at the end of December 2021, is as follows:

<b>Name of the process</b>	<b>Nature indicator */</b>	<b>Tolerance level</b>
Exchange market	69.70	Medium high risk
Acquisition of goods and services engaged Nacional Financiera, S.N.C.	69.43	Medium high risk
Internal control	68.87	Medium high risk
General services rendered	65.45	Medium high risk
Management of financing from Foreign Banks and External Debt	65.27	Medium high risk
Employment relationships	64.17	Medium high risk
SPEI operation	63.49	Medium high risk
Provision of contentious legal services and banking formalization	62.20	Medium high risk
Formalization and management of the NAFIN investment portfolio	59.85	Medium high risk
Prevention of Ilicit Operations and Financing of Terrorism	59.17	Medium high risk
Automatic guarantees management of Nacional Financiera, S.N.C., and the participant development bank. (Guarantee program)	58.00	Medium high risk
Provision and management of the medical service	56.74	Medium high Risk
Permanent stock and trust portfolio	56.27	Medium high Risk
Money market	53.81	Medium high Risk
Derivatives market	53.47	Medium high risk
Programing and financial budgeting	53.44	Medium high risk
Regulatory framework and tax operation	53.38	Medium high risk
Information and credit management record	53.28	Medium high risk
Securities loan	52.53	Medium high risk
Formalization and management of mandate investment portfolios	51.83	Medium high risk
Fiduciary process	51.59	Medium high risk
Rating of portfolio, reserves and regulatory reports	51.27	Medium high risk
Financial agent back office	50.61	Medium high risk
Recovery of first floor portfolios, emerging programs and exemployee	50.36	Medium high risk
Capital market	47.94	Medium high risk
Recovery of second tier portfolio	45.11	Medium high risk
Cash flow management and control	44.92	Medium high risk
General cash fund	44.69	Medium high risk
Spending operation	44.13	Medium risk
Custody and administration of securities and cash	42.07	Medium risk
Treasury management	40.60	Medium risk
Strategic planning and follow-up on management indicators	40.42	Medium risk
Credit control desk operation	39.59	Medium risk
Legal attention in acquisitions, governmental regulatory framework and inquiries	37.99	Medium risk

<b>Consolidation and dissemination of financial information</b>	34.79	Medium risk
<b>Technological planning</b>	32.73	Medium risk
<b>Electronic products management</b>	32.02	Medium risk
<b>Settlements and Back Office procedures</b>	31.93	Medium risk
<b>Save values</b>	28.41	Medium risk
<b>Risk management</b>	27.53	Medium risk
<b>Applied development</b>	17.24	Low risk
<b>Advertising and design</b>	16.40	Low risk
<b>Central infrastructure</b>	13.70	Low risk
<b>Distributed infrastructure and telecommunications</b>	13.01	Low risk
<b>Central Production Services</b>	11.45	Low risk

**\*/ The higher score, the more critical in terms of nature of the process.**

The result obtained at the end of December 2021 of the most relevant processes that describe the Institution's work, in terms of efficiency, is shown below:

<b>Name of the process</b>	<b>Operative efficiency indicator */</b>	<b>Tolerance level</b>
<b>Provision and management of the medical service</b>	36.64	Medium risk
<b>Strategic planning and follow-up on management indicators</b>	30.49	Medium risk
<b>Applied development</b>	27.31	Medium risk
<b>Central infrastructure</b>	27.11	Medium risk
<b>Financial agent back office</b>	26.68	Low risk
<b>Formalization and management of mandate investment portfolios</b>	25.10	Low risk
<b>Spending operation</b>	23.67	Low risk
<b>Securities loan</b>	22.20	Low risk
<b>Electronic products management</b>	21.86	Low risk
<b>Save values</b>	21.85	Low risk
<b>Prevention and identification of operations with resources of illegal origin</b>	21.84	Low risk
<b>Employment relationships</b>	21.80	Low risk
<b>Custody and administration of securities and cash</b>	21.70	Low risk
<b>Risk management</b>	21.57	Low risk
<b>Acquisition of goods and services engaged Nacional Financiera, S.N.C.</b>	20.98	Low risk
<b>General services rendered</b>	20.13	Low risk
<b>Treasury management</b>	19.73	Low risk
<b>Fiduciary process</b>	19.55	Low risk
<b>Credit control desk operation</b>	19.34	Low risk
<b>Derivatives market</b>	19.04	Low risk
<b>Regulatory framework and tax operation</b>	18.30	Low risk
<b>Exchange market</b>	17.57	Low risk
<b>Information and credit management record</b>	16.36	Low risk
<b>Permanent stock and trust portfolio</b>	16.32	Low risk

<b>Technology planning</b>	16.00	Low risk
<b>Legal attention in acquisitions, governmental regulatory framework and inquiries</b>	15.68	Low risk
<b>Internal control</b>	14.74	Low risk
<b>Cash flow management and control</b>	14.28	Low risk
<b>Recovery of first floor portfolios, emerging programs and exemployee</b>	14.08	Low risk
<b>Formalization and management of the NAFIN investment portfolio</b>	12.93	Low risk
<b>Advertising and design</b>	11.92	Low risk
<b>Money market</b>	11.77	Low risk
<b>Consolidation and dissemination of financial information</b>	11.74	Low risk
<b>Settlements and Back Office procedures</b>	11.22	Low risk
<b>SPEI operation</b>	10.91	Low risk
<b>Capital market</b>	10.46	Low risk
<b>Rating of portfolio, reserves and regulatory reports</b>	10.17	Low risk
<b>Provision of contentious legal services and banking formalization</b>	9.00	Low risk
<b>Central Production Services</b>	8.03	Low risk
<b>Management of financing from Foreign Banks and External Debt</b>	7.63	Low risk
<b>Recovery of second tier portfolio</b>	7.37	Low risk
<b>General cash fund</b>	6.96	Low risk
<b>Automatic guarantees management of Nacional Financiera, S.N.C., and the participant development bank (Guarantee program)</b>	6.26	Low risk
<b>Programing and financial budgeting</b>	6.14	Low risk
<b>Distributed Infrastructure and Telecommunications</b>	2.75	Low risk

**\*/ The higher score, the more critical in terms of efficiency of the process.**

Four operational risks were recorded in the upper threshold (9) in 2021, in accordance with the rating methodology provided by the CNBV, which reduce its rating upon applying their mitigation actions (controls).

#### **Results of the events of economic losses**

During the year 2021, 48 loss events were accounted for due to operational risk with a likely impact of \$20.99. The monthly average was 4 events with an amount of \$1.90.

<b>Month</b>	<b>Number of events</b>	<b>Likely economic impact</b>	<b>% Of LEI (IEP) each month</b>
January	2	0.00	0.00%
February	6	9.34	44.50%
March	3	0.00	0.00%
April	6	0.00	0.00%
May	9	3.96	18.87%
June	4	0.00	0.00%
July	4	0.12	0.57%

August	3	0.00	0.00%
September	3	0.00	0.00%
October	2	0.04	0.19%
November	1	0.00	0.00%
December	5	7.53	35.87%
<b>Total</b>	<b>48</b>	<b>20.99</b>	<b>100.00%</b>

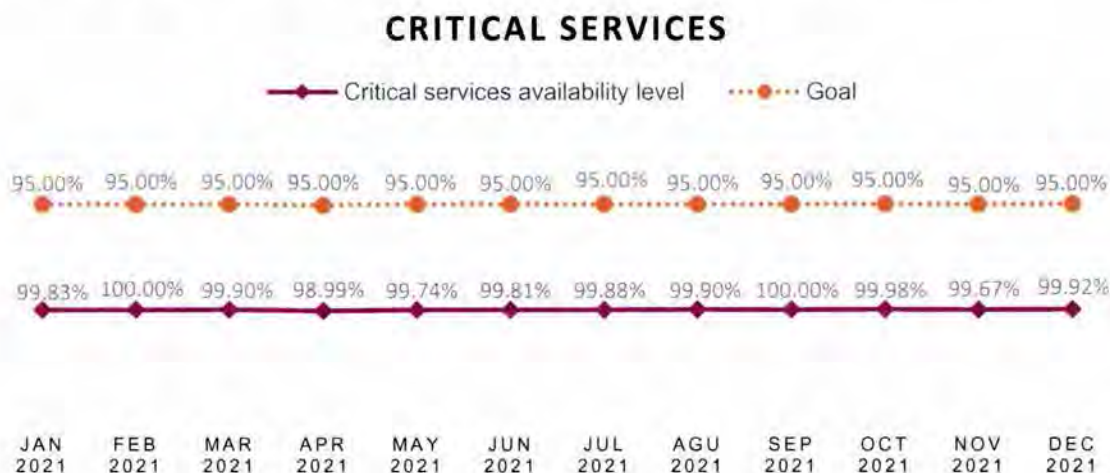
\* Some amounts of \$0.00 can represent amounts which, divided by one million, become very small; therefore, they are not visible in the table.

Considerations: Events of economic loss that were recorded by the administrative units in the Institutional accounting, as well as the events arising from operating incidents, were included in the annual report.

**Result of technological risk indicators**

During 2021, the indicator level of security to the network had zero intrusions, the indicator of recovery of critical services under disaster drills had 100% of behavior, likewise, the indicator of detection and blocking of virus to the network had zero impacts. The quarterly and monthly average of these three risk indicators were located in the defined goal.

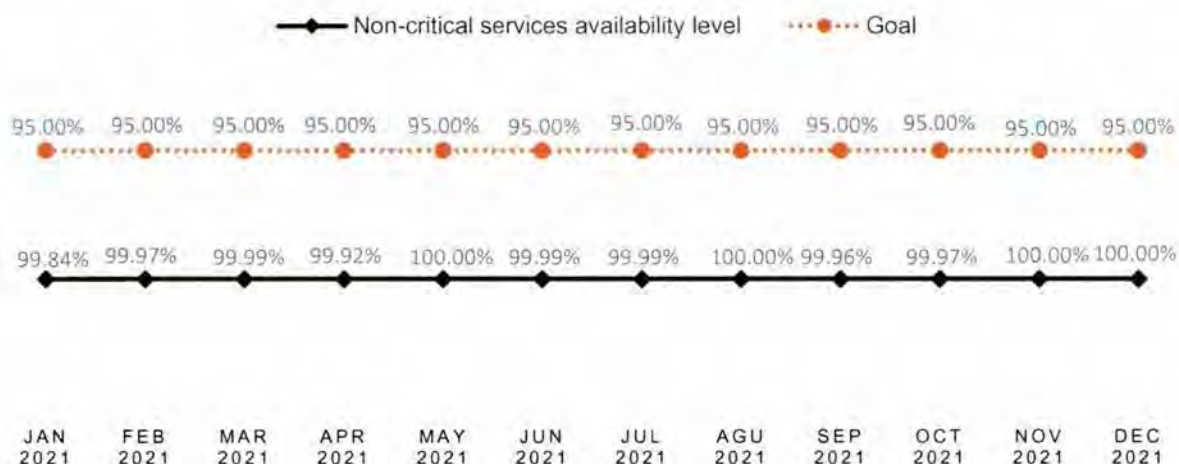
The behavior by month of the availability indicator of critical services is as follows:



Note: Some months could show an availability of 100.00% as result of the rounding to two decimal places shown here.

The behavior by month of the availability indicator of non-critical services is as follows:

### NON-CRITICAL SERVICES



Note: Some months could show an availability of 100.00% as result of the rounding to two decimal places shown here.

The technological risk indicators were within the goals set out by management for this risk during fiscal 2021.

% Access security level to the Nafinsa network	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
% Detection and blocking of viruses to the Nafinsa network	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
% Availability level of critical services	99.83%	100%	99.90%	98.99%	99.74%	99.81%	99.88%	99.90%	100%	99.98%	99.67%	99.92%	99.80%
% Availability level of non-critical services	99.84%	99.97%	99.99%	99.92%	100%	99.99%	99.99%	100%	99.96%	99.97%	100%	100%	99.97%
Recovery of critical services under simulated contingency disaster practices (action plan practices DRP)	NA	NA	NA	NA	NA	NA	ND	ND	93.00%	ND	ND	ND	93.00%

### Result of the legal risk

At the end of December 2021, the statement that keeps the record of potential losses in terms of legal risk is:

Type of lawsuit	Contingency	Provision	Provision / contingency	Income loss	Results / provision
Total (1+2+3+4)	253.63	89.92	35.45%	52.81	58.73%
1) Labour nature	61.78	36.11	58.45%	26.32	72.89%
2) Litigation portfolio	10.85	9.83	90.60%	0.00	0.00%
3) Trusts	181.00	43.98	24.30%	26.49	60.23%

4) Treasury and securities trading	0.00	0.00	0.00%	0.00	0.00%
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Figures in millions of pesos, valued at an exchange rate of \$20.5075

Comparative results with the prior year

1. The contingency of the Labor Portfolio reports an amount of \$61.78, which had an increase of 33.43% with respect to the closing of the previous quarter that is equivalent to an amount of \$15.48. The provision reports an amount of \$36.11, which had an increase of 20.33% with respect to the closing of the previous quarter, which is equivalent to an amount of \$6.10. The movement in the Contingency and Provision is derived mainly from the update in the expectation of the demand and the amounts demanded according to the law.

During fiscal 2021, a final ruling was handed down on 23 of the labor lawsuits filed against the Institution, of which it is important to highlight:

- 17 indirect labor lawsuits, all of which had favorable rulings handed down for the Institution.
  - 3 direct labor legal proceedings with pensions in which the Institution was absolved of the total benefits claimed.
  - Moreover, partially favorable rulings were handed down in 2 direct labor proceedings, in addition to complying with a ruling handed down in another direct labor proceeding still pending concerning the restatement of a pension, in which the Institution was ordered to pay \$3.47 as the sum of three litigations.
  - And a direct labor proceeding in which, although the Institution had been ordered to carry out a reinstatement and other benefits, the Federal Conciliation and Arbitration Board determined the prescription for the enforcement of the arbitral award, therefore, the matter had to be concluded without stopping the harm to the Institution.
2. The litigation portfolio reports an amount of \$10.85, that had a 14.30% decrease with respect to the prior year end closing, which is equivalent to an amount of \$1.81. 40 non-labor lawsuits filed against Nacional Financiera, S.N.C. were concluded. Favorable rulings were handed down in 100% of them and the Institution was absolved of the total amount claimed.
    - 38 corresponding to unquantifiable benefits.
    - The lack of force of two tax liabilities amounting to \$556 thousand pesos, for which the Institution was exonerated.
  3. The trusts contingency reports an amount of \$181, which had a 15.07% increase with respect to the prior year end, which is equivalent to an amount of \$23.7. The provision for Trusts underwent a 140.07% increase, which is equivalent to the amount of \$25.66 with regard to the prior year.

Pursuant to the foregoing, there is a contingency in an amount approximating \$253.63, a provision that amounts to \$89.92, and an effect in income amounting to \$52.81, with amounts as of December 2021 year end.

### **Non-quantifiable risks**

#### **Results in the affectations to the patrimonial assets of the Institution**

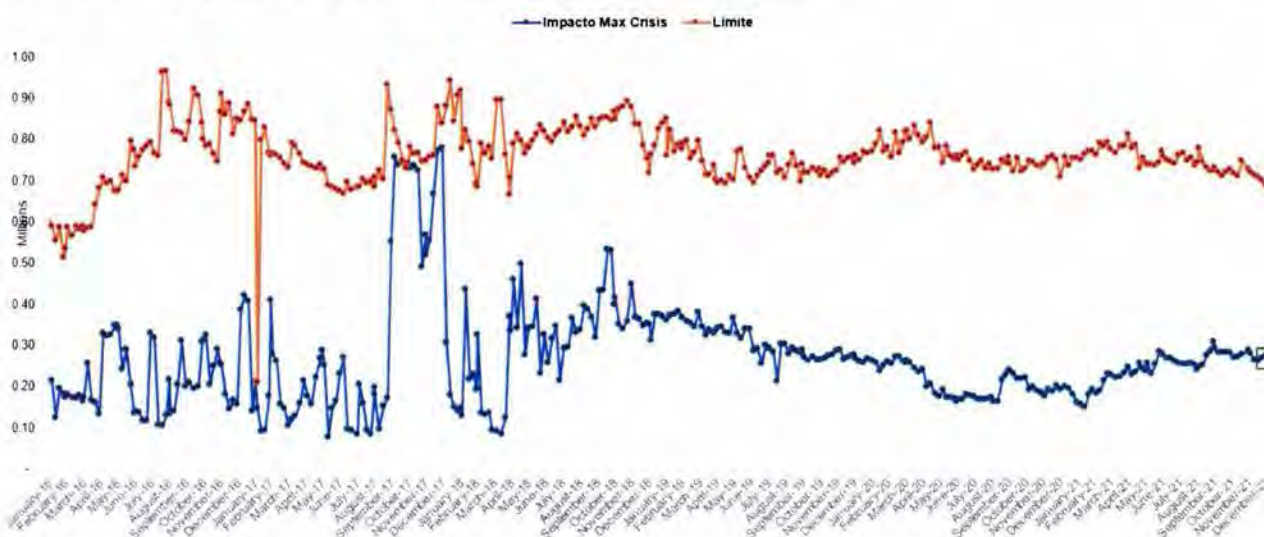
A loss did not occur until the fourth quarter of 2021:

Date	Damaged asset	Cause of the damage	Claimed	Paid	Deductible	Net income
21/07/2021	Basin (Talavera)	Carelessness in passing maneuvers	6,100.14	6,100.14	7.00	6,093.14

\*Information provided by Dirección de Adquisiciones y Servicios.

**Business risk**

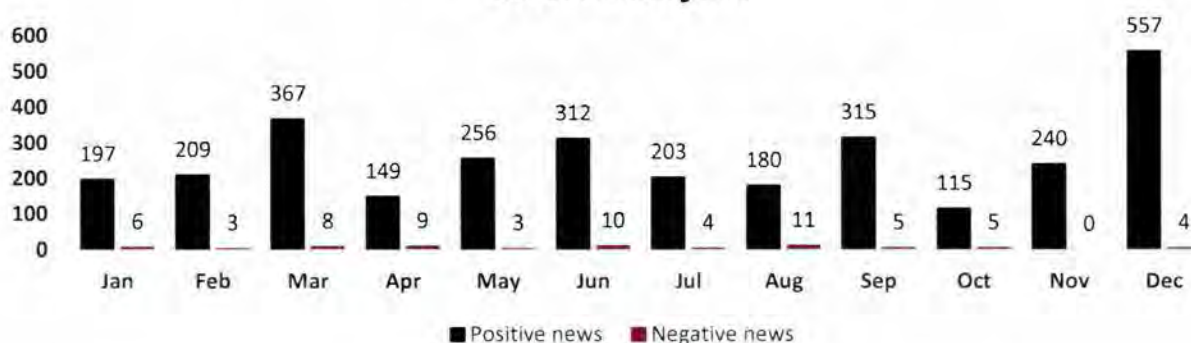
During the year 2021, the indicators defined by management for this risk were monitored, through market risk reports, stressing that there are no variances out of the established limit:



**Reputation risk**

During the year 2021, the Social Communication Management – Marketing and Business Positioning Directorate met the minimum requirements in terms of reputation risk issued by the Banking Commission in the Provisions, additionally they monitored events that affect the negative perception that is held both internally and externally on a monthly basis, analyzing the positive and negative notes via printed, electronic communication channels, internet portals and state information, the results obtained for that monitoring are shown below:

### Media Analysis



It is important to highlight that positive notes exceed negative notes for all months, and no negative notes were observed in November.

### Ratio leverage

The information related to leverage is disclosed with figures as of December 2021, in compliance with the Resolution that modifies the general Provisions applicable to lending institutions, published by Diario Oficial de la Federación (Official Gazette) on June 22, 2016, article 2 Bis 120, articles 180, 181 and Appendix 1 - O Bis:

**TABLE I.1**  
**STANDARDIZED DISCLOSURE FORMAT FOR THE LEVERAGE RATIO**

REFERENCE	CATEGORY	AMOUNT
<b>Exposures in the balance</b>		
1	Items on the balance sheet (excluding derivative financial instruments and repurchase and securities lending operations -SFT by its acronym in English- but including the collateral received as guarantee and recorded in the balance sheet	490,493
2	(Amounts of assets deducted to determine the level 1 of Basel III capital)	(5,451)
3	<b>Exposures within the balance sheet (net) (excluded derivative financial instruments and SFT, sum of lines 1 and 2)</b>	485,042
<b>Exposure to derivative financial instruments</b>		
4	Current replacement cost associated with all operations with derivative financial instruments (net of the margin of variation in admissible cash)	-
5	Amounts of additional factors due to future potential exposure, associated with all operations with derivative financial instruments	1,970
6	Increase in collateral contributed in operations with derivative financial instruments when said collaterals are derecognized from the balance sheet in accordance with the operating accounting framework	N.A.
7	(Deductions to accounts receivable for variation margin in cash contributed in operations with derivative financial instruments)	-

8	(Exposure due to transactions in derivative financial instruments on behalf of customers, in which the settlement partner does not grant its guarantee in case of breach of the obligations of the Central Counterparty)	N.A.
9	Adjusted notional cash amount of the credit derivative financial instruments subscribed	N.A.
10	(Offsetting made to the adjusted notional cash of the credit derivative financial instruments subscribed and deductions of the additional factors by the credit derivative financial instruments subscribed)	N.A.
11	Total exposure to derivative financial instruments (sum of lines 4 and 10)	1,970
<b>Exposures for financing transactions with securities</b>		
12	Gross SFT assets (without recognition offsetting), after adjustments for accounting transactions for sales	17,788
13	(Accounts payable and receivable from SFT compensated)	(17,788)
14	Counterparty Risk Exposure by SFT	213
15	Exposures by SFT acting on behalf of third parties	-
16	<b>Total exposures from securities financing transactions (sum of lines 12 to 15)</b>	<b>213</b>
<b>Other off-balance sheet exposures</b>		
17	Off balance sheet exposures (gross notional amount)	269,266
18	(Adjustments for conversion to credit equivalents)	(242,339)
19	<b>Items out of balance (sum of lines 17 and 18)</b>	<b>26,927</b>
<b>Capital and total exposures</b>		
20	Tier 1 capital	31,033
21	Total exposures (sum of lines 3, 11, 16 and 19)	514,151
<b>Leverage ratio</b>		
22	Basel III leverage ratio	6.04%

**TABLE II.1**  
**ADJUSTED ASSETS AND TOTAL ASSETS COMPARATIVE**

REFERENCE	DESCRIPTION	AMOUNT
1	Total assets	\$ 517,712
2	Adjustment for investments in the capital of banking, financial, insurance or commercial entities that are consolidated for accounting purposes, but are outside the scope of regulatory consolidation	(5,451)
3	Adjustment related to trust assets recognized in the balance sheet in accordance with the accounting framework, but excluded from the exposure measure of the leverage ratio	N.A.
4	Derivative financial instruments adjustment	(7,461)
5	Repurchase/resell agreements and securities lending transactions adjustment	(17,575)
6	Adjustment for items recognized in the balance sheet	26,927

7	Other adjustments	-
8	<b>Exposure of the leverage ratio</b>	<b>\$ 514,152</b>

**TABLE III.1**  
**RECONCILIATION OF TOTAL ASSETS AND EXPOSURE WITHIN THE BALANCE**

REFERENCE	CONCEPT	AMOUNT
1	Totales assets	\$ 517,712
2	Derivative financial instruments transactions	(9,431)
3	Repurchase/resell and securities lending transactions	(17,788)
4	Trust assets recognized in the balance sheet in accordance with the accounting framework, but excluded from the exposure measure of the leverage ratio	N.A.
5	<b>Exposures in the Balance</b>	<b>\$ 490,493</b>

**TABLE IV.1**  
**MAIN CAUSES OF THE MAJOR VARIATIONS OF THE ELEMENTS**  
**(NUMERATOR AND DENOMINATOR) OF LEVERAGE RATIO**

CONCEPT/QUARTER	SEP 21	DEC 21	VARIATION (%)
Basic capital	\$ 34,321	\$ 31,033	(9.6)%
Adjusted assets	523,670	514,151	(1.8)%
<b>Leverage ratio</b>	<b>6.55%</b>	<b>6.04%</b>	<b>(7.9)%</b>

## 27. SUBSEQUENT EVENT TO THE REPORTING DATE

The agreement modifying the rules of internal procedure of Nacional Financiera was published in the Official Daily Gazette on March 3, 2022, whereby Article 7 includes the new authorized maximum amount of the Institution's capital stock in the amount of \$4,500, supported by 59,400,000 Series "A" certificates of capital contribution, as well as 30,600,000 Series "B" certificates of capital contribution, with a par value of each one of the certificates of \$50.00 (fifty pesos and 00/100).

Series "A" will represent 66% of the Institution's capital stock, whereas Series "B" will represent 34% thereof. Series "A" may only be subscribed by the Federal Government, and Series "B" by the Federal Government and by Mexican individuals and legal entities.

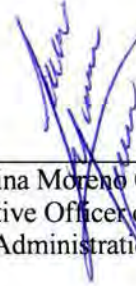
**28. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS**

On March 15, 2022, the officers who signed the consolidated financial statements, authorized the issuance of the accompanying consolidated financial statements and related notes. These accompanying notes are part of the consolidated financial statements as of December 31, 2021 and 2020.



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Luis Antonio Ramírez Pineda  
Chief Executive Officer



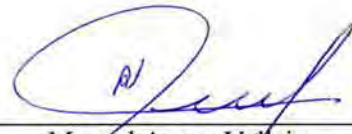
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Paulina Moreno García  
Chief Executive Officer of Finance and  
Administration



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Raúl Martínez Morán  
Director of Accounting and Budget Department



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Manuel Anaya Vallejo  
Director of Internal Audit Department