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Ciudad de México, México

**NACIONAL FINANCIERA,
S.N.C.,**

INSTITUCIÓN DE BANCA DE DESARROLLO
AND SUBSIDIARIES

**Consolidated financial
statements and independent
auditor's report**

December 31, 2024 and 2023

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

Consolidated financial statements and Independent auditor's report
December 31, 2024 and 2023 and for the years then ended

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Independent auditor's report

To the Board of Directors
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 statements of financial position as of December 31, 2024 and 2023, and the consolidated statements of comprehensive income, consolidated statements of changes in stockholders' equity and consolidated statements of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Institution, as described in the previous paragraph, have been prepared, in all material respects, in accordance with the Accounting Criteria applicable to credit 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 ethical requirements applicable to our audits of financial statements in Mexico and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we obtained provides a sufficient and appropriate basis for our opinion.

Key audit matters

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

Key audit matter	How matter was addressed in the audit
Valuation of loan portfolio - allowance for loan losses. See Note 9 to consolidated financial statements.	
<p>The allowance for loan losses on the commercial loan portfolio is determined in accordance with the portfolio classification and rating rules established by the Banking Commission. This methodology involves significant judgments in assessing the credit standing of the debtors, considering the standing qualitative and quantitative factors used in the loan portfolio rating process, as well as assessing the reliability of the documentation and updating of the information used to determine the allowance for losses on the loan portfolio.</p> <p>Therefore, we have determined the allowance for loan losses as a key audit matter.</p>	<p>With the participation of our specialists, we conducted a selective assessment of Management's correct determination of the allowance for loan losses and its effect on the results of the fiscal year. We evaluated the quantitative and qualitative factors used, as well as the calculation mechanics applied, and their adherence to the current methodologies established by the Banking Commission for each type of loan portfolio.</p> <p>We also verified compliance with the General Provisions Applicable to Credit Institutions (the Provisions or the CUB) issued by the Banking Commission, in the accounting recognition as of December 31, 2024, of the additional reserves made based on the methodology and its authorization by the Banking Commission.</p>

Key audit matter	How matter was addressed in the audit
Derivative financial instruments. See Note 8 to the financial statements.	
<p>The determination of the fair value of derivative financial instruments as of December 31, 2024, for hedging purposes is carried out using valuation techniques that involve significant management judgments, primarily when inputs obtained from various sources or unobservable market data and complex valuation models are required.</p> <p>Additionally, the requirements that must be met for accounting for instruments assigned for hedging purposes, as well as the documentation and monitoring required to prove their effectiveness, require a certain degree of specialization on the part of 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 entails a complex methodological analysis. Therefore, we have identified the designation, valuation, and presentation of derivatives as a key audit matter.</p>	<p>Our audit procedures included, among others, a review of the documentation for derivative financial instruments in compliance with the requirements established in the Accounting Criteria for the designation, recognition, and treatment of trading and hedging derivatives.</p> <p>We also engaged our specialists to assess the reasonableness of the valuation through selective testing to assist us in understanding and evaluating the assumptions, methodologies, and input data used by the Institution to determine the fair value of derivative financial instruments and hedging transactions, as well as their compliance with the applicable criteria and documentation, the effectiveness of the hedge, and the adequacy of their disclosure and presentation in the consolidated financial statements in accordance with Accounting Criteria.</p>

Responsibilities of management and those charged with governance for the Institution in connection with the consolidated financial statements.

Management is responsible for the preparation of the accompanying consolidated financial statements in accordance with the Accounting Criteria applicable to credit institutions, issued by the Banking Commission, and for such internal control as Management determines necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Institution's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless Management either intends to liquidate the Institution or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities in connection with 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 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 International Standards on Auditing 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 on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain 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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal controls.
- 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 material uncertainty exists, we are required to draw attention in our audit 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 evidence obtained up to the date of our audit report. However, future events or conditions may cause the Institution to cease to continue as going concern.
- Obtain sufficient and appropriate audit evidence related to the financial information of the subsidiaries to express an opinion on the consolidated financial statements.

We communicate with those charged with Governance of the Institution 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 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 such matters in our audit report.

Mazars Auditores, S. de R.L. de C.V.



C.P.C. Eco. Javier Quiroz Sandoval
Partner

Mexico City, Mexico
March 14, 2025

NACIONAL FINANCIERA, S.N.C.
INSTITUCIÓN DE BANCA DE DESARROLLO
Insurgentes Sur No. 1971, Ciudad de México
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2024 and 2023
(Millions of Mexican pesos)

	<u>2024</u>	<u>2023</u>
Interest income (Note 3x)	\$ 50,165	\$ 43,632
Interest expense	<u>(42,114)</u>	<u>(37,382)</u>
FINANACIAL MARGIN	\$ 8,051	\$ 6,250
Allowance for loan losses (Note 3k)	(2,889)	(4,435)
FINANCIAL MARGIN ADJUSTED FOR PREVENTIVE ALLOWANCE FOR CREDIT RISKS	5,162	1,815
Commissions and rates income (Note 24)	5,125	4,885
Commissions and rates expenses (Note 24)	(179)	(187)
Financial intermediation result (Note 24)	1,366	(534)
Other operating income (expenses) (Note 24)	(13,332)	(10,772)
Administration and promotional expenses (Note 24)	<u>4,098</u>	<u>(3,848)</u>
OPERATING RESULT	(5,956)	(8,641)
Equity method in net result of other entities	7	17
RESULT BEFORE INCOME TAXES	(5,949)	(8,624)
Income taxes (Note 20a)	<u>(479)</u>	<u>240</u>
RESULT FROM CONTINUOUS OPERATIONS	(6,428)	(8,384)
Discontinued operations	-	-
NET RESULT	<u>(6,428)</u>	<u>(8,384)</u>
Other comprehensive income		
Valuation of financial instruments for collecting or selling	(25)	(112)
Valuation of cash flow hedge derivatives	108	288
Remeasurement of defined employee benefits	2,622	636
Effects of valuation in associate and affiliate companies	<u>(59)</u>	<u>12</u>
COMPREHENSIVE RESULT	\$ <u>(3,782)</u>	\$ <u>(7,560)</u>
Net result attributable to:		
Controlling interest	\$ (6,537)	\$ (8,202)
Non-controlling interest	<u>109</u>	<u>(182)</u>
Comprehensive result attributable to:		
Controlling interest	(3,891)	(7,378)
Non-controlling interest	<u>109</u>	<u>(182)</u>
	\$ <u>(3,782)</u>	\$ <u>(7,560)</u>

The accompanying explanatory notes form an integral part of these consolidated financial statements.

These consolidated statements of comprehensive income were prepared in accordance with the Accounting Criteria for Credit Institutions issued by the National Banking and Securities Commission, pursuant to Articles 99, 101 and 102 of the Law of Credit Institutions, which are general and mandatory, and were consistently applied. These consolidated statements of comprehensive income reflect income and expenses arising from transactions recorded during the abovementioned period, which were carried out and valued in accordance with sound banking practices and the applicable legal and administrative provisions.

The above consolidated statement of comprehensive income as of December 31, 2024 shall be approved by the Board of Directors under the responsibility of the undersigned officers. The above consolidated statement of comprehensive income as of December 31, 2023, was approved by the Board of Directors under the responsibility of the undersigned officers.

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LUIS ANTONIO RAMÍREZ PINEDA
CHIEF EXECUTIVE OFFICER


RAÚL MARTÍNEZ MORÁN
ACCOUNTING AND BUDGET DIRECTOR


MARÍA FERNANDA RUIZ PADILLA
HEAD OF ADMINISTRATION AND FINANCE UNIT


MANUEL ANAYA VALCAYO
INTERNAL AUDIT DIRECTOR



nacional financiera
Banca de Desarrollo

NACIONAL FINANCIERA, S.N.C.
INSTITUCIÓN DE BANCA DE DESARROLLO
Insurgentes Sur No. 1971, Ciudad de México
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2024 and 2023
(Millions of Mexican pesos)

CONCEPTO	Paid in capital		Earned capital				Effects of evaluation in associated and affiliate companies	Controlling interest	Non-controlling interest	Total stockholders' equity	
	Capital stock	Contributions for future capital increase by the Board of Directors	Paid stock premium	Statutory reserves	Accumulated results	Valuation of instruments for collecting or selling					Valuation of cash flow hedge derivatives
Balance as of December 31, 2022	\$ 10,387	\$ 3,126	\$ 31,068	\$ 3,115	\$ 14,522	\$ 66	\$ 176	\$ 1,279	\$ 35,585	\$ 1,745	\$ 35,908
CHANGES RESULTING FROM STOCKHOLDERS' RESOLUTIONS:											
Capital contributions	-	8,800	-	-	-	-	-	-	8,800	-	8,800
Total	-	8,800	-	-	-	-	-	-	8,800	-	8,800
COMPREHENSIVE RESULT:											
Net result	-	-	-	-	(8,384)	-	-	-	(8,384)	-	(8,384)
Other comprehensive results	-	-	-	-	-	(112)	288	518	524	-	824
Valuation of financial instruments for collecting or selling	-	-	-	-	-	(112)	-	-	(112)	-	(112)
Valuation of cash flow hedge instruments	-	-	-	-	-	-	288	-	288	-	288
Remeasurement of defined employee benefits	-	-	-	-	-	-	-	636	636	-	836
Valuation effects on associated and affiliates	-	-	-	-	(8,384)	(112)	288	12	(7,560)	-	(7,560)
Total	-	-	-	-	182	-	-	608	182	-	4
Non-controlling interest	-	-	-	-	-	-	-	-	-	(178)	-
Balance as of December 31, 2023	\$ 10,387	\$ 12,128	\$ 31,858	\$ 3,115	\$ 22,524	\$ 468	\$ 484	\$ 1,894	\$ 34,950	\$ 1,565	\$ 36,515
CHANGES RESULTING FROM STOCKHOLDERS' RESOLUTIONS:											
Capital contributions	-	12,029	-	-	-	-	-	-	12,029	-	12,029
Capitalization of contributions for future capital increases	341	(3,326)	2,986	-	-	-	-	-	-	-	-
Total	341	8,703	2,986	-	-	-	-	-	12,029	-	12,029
COMPREHENSIVE RESULT:											
Net result	-	-	-	-	(8,428)	-	-	-	(8,428)	-	(8,428)
Other comprehensive results	-	-	-	-	-	(25)	108	2,622	2,646	-	2,848
Valuation of financial instruments for collecting or selling	-	-	-	-	-	(25)	-	-	(25)	-	(25)
Valuation of cash flow hedge instruments	-	-	-	-	-	-	108	-	108	-	108
Remeasurement of defined employee benefits	-	-	-	-	-	-	-	2,622	2,622	-	2,622
Valuation effects on associated and affiliates	-	-	-	-	(8,428)	(25)	108	(59)	(3,782)	-	(3,782)
Total	-	-	-	-	(189)	-	-	(189)	-	103	(6)
Non-controlling interest	-	-	-	-	-	-	-	-	-	(103)	-
Balance as of December 31, 2024	\$ 10,728	\$ 20,832	\$ 34,853	\$ 3,115	\$ 28,061	\$ (71)	\$ 572	\$ 1,232	\$ 43,128	\$ 1,868	\$ 44,736

The accompanying explanatory notes form an integral part of these consolidated financial statements.

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, pursuant to Articles 99, 101 and 102 of the Law of Credit Institutions, which are general and mandatory and were consistently applied. These consolidated statements of changes in stockholders' equity reflect all movements in stockholders' equity accounts arising from transactions conducted by the Institution during the abovementioned periods, which were carried out and valued in accordance with sound banking practices and the applicable legal and administrative provisions.

The above consolidated statement of changes in stockholders' equity as of December 31, 2024 shall be approved by the Board of Directors under the responsibility of the undersigned officers. The above consolidated statement of changes in stockholders' equity as of December 31, 2023 was approved by the Board of Directors under the responsibility of the undersigned officers.

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LUIS ANTONIO RAMIREZ PINEDA
CHIEF EXECUTIVE OFFICER

MARIA FERNANDA RUIZ PADILLA
HEAD OF ADMINISTRATION AND FINANCE UNIT

RAÚL MARTÍNEZ MORÁN
ACCOUNTING AND BUDGET DIRECTOR

MANUEL ANAYA VALLEJO
INTERNAL AUDIT DIRECTOR

NACIONAL FINANCIERA, S.N.C.
INSTITUCIÓN DE BANCA DE DESARROLLO
Insurgentes Sur No. 1971, Ciudad de México
CONSOLIDATED STATEMENTS OF CASH FLOWS'
YEARS ENDED DECEMBER 31, 2024 and 2023
(Millions of Mexican Pesos)

	<u>2024</u>		<u>2023</u>	
Operating activities				
Result before income taxes	\$	(5,949)	\$	(8,624)
Adjustments for items associated with investing activities:				
Depreciation of property, furniture and equipment	\$	46	\$	39
Equity method of unconsolidated subsidiaries and affiliates		(116)		165
Other adjustments for items associated with investment activities		(1,176)	(1,246)	1,066
				1,270
Adjustments for items associated with financing activities:				
Interest associated with interbank loans and loans from other entities		(173)	(173)	(2,702)
				(2,702)
Operating activities:				
Change in margin accounts (derivative financial instruments)		12		(46)
Change in investments in financial instruments (securities) (net)		(25,658)		9,536
Change in debtors and repurchase/resell agreements (net)		(61,353)		(47,088)
Change in derivative financial instruments (assets)		7,725		1,494
Change in loan portfolio (net)		(27,437)		(13,782)
Change in other accounts receivable (net)		(14,482)		2,478
Change in other operating assets (net)		(546)		1,303
Change in deposit funding		25,833		60,552
Change in interbank loans and loans from other entities		(16,087)		7,475
Change in creditors on repurchase/resell agreements		(23,385)		13,428
Change in collateral sold or pledged		58,820		47,266
Change in derivative financial instruments (liabilities)		(17,512)		(4,337)
Change in other operating liabilities		2,675		414
Change in assets/liabilities for employee benefits		(2,041)		(802)
Change in other accounts payable		7,466		7,315
Payments of income taxes		(67)		(23)
Net cash flows from operating activities		(93,405)		75,127
Investing activities				
Payments for acquisitions of property, furniture and equipment		(91)		(36)
Proceeds (payments) from disposal (purchase) of subsidiaries and associates, joint ventures and other permanent investments		(458)		178
Collection of cash dividends from permanent investments		-		-
Other collections for investment activities		43		51
Net cash flows from investing activities		(506)		193
Financing activities				
Contributions for future capital stock increases		12,029		8,803
Net cash flows from financing activities		12,029		8,803
Net increase in cash and cash equivalents		(81,882)		84,123
Effect of changes in value of cash and cash equivalents		32,723		(4,483)
Cash and cash equivalents at beginning of the year		139,860		60,220
Cash and cash equivalents at end of the year	\$	<u>90,701</u>	\$	<u>139,860</u>

The accompanying explanatory notes form an integral part of these consolidated financial statements.

These consolidated statements 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 of Credit Institutions which are of general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect all cash inflows and outflows arising from transactions conducted by the Institution during the abovementioned period, which were carried out and valued in accordance with sound banking practices and the applicable legal and administrative provisions.

The above consolidated statement of cash flows as of December 31, 2024 shall be approved by the Board of Directors under the responsibility of the undersigned officers. The above consolidated statement of cash flows as of December 31, 2023, was approved by the Board of Directors under the responsibility of the undersigned officers.

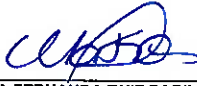
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INTERNAL AUDIT DIRECTOR

Notes to the Consolidated Financial Statements

Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries
December 31, 2024 and 2023
(figures in millions of Pesos)

1. THE INSTITUTION

- Nature of operations and main activities

Nacional Financiera, S.N.C., Institución de Banca de Desarrollo (the "Institution"), was incorporated on June 30, 1934, by decree of the Federal Government as an instrument for the implementation of significant socioeconomic transformations, with the purpose of promoting the securities market and fostering the mobilization of Mexico's financial resources.

The Institution is headquartered at Avenida Insurgentes Sur No. 1971, Colonia Guadalupe Inn, Alcaldía Álvaro Obregón, Zip Code 01020, Mexico City.

It operates as a development bank under the provisions of its Organic Law and Regulations, the Law of Credit Institutions (LIC, for its acronym in Spanish), and the General Provisions Applicable to Credit Institutions (the "Provisions" or "CUB", for its acronym in Spanish), issued by the National Banking and Securities Commission (the "Banking Commission"). Development banks are mandated to support the productive activities assigned to them by the Mexican Congress, as established in their respective organic laws.

In accordance with Article 2 of its Organic Law, the Institution's corporate purpose is to contribute to the development of enterprises by providing access to financing products, training, technical assistance, and information, in order to enhance competitiveness and productive investment; to promote the development of strategic and sustainable projects throughout Mexico in an orderly and targeted manner under schemes designed to address market failures in coordination with other development banks; to foster regional and sectoral development, particularly in less developed states, through a tailored offering of products based on each region's productive potential; to support the development of financial markets and the venture capital industry as sources of financing for entrepreneurs and small and medium-sized enterprises (SMEs); and to operate with effective management, supported by a consolidated corporate governance structure, ensuring continuous and transparent operations and the preservation of its equity in real terms, so as not to represent a financial burden on the Federal Government.

The Institution's operations are conducted in strict compliance with the applicable legal framework and sound banking practices to achieve the general objectives set forth in Article 4 of the LIC, which establishes that the State shall guide the Mexican banking system to support and promote the development of the country's productive forces and national economic growth. This is to be achieved under a sovereign economic policy that fosters savings across all sectors and regions in Mexico and ensures their proper allocation and broad regional coverage, encouraging the decentralization of the Mexican banking system, in adherence to sound banking practices and standards.

The Institution carries out its operations based on development banking financing principles, channeling its resources primarily through first-tier banks and non-bank financial intermediaries. Its main sources of funding come from loans granted by international development institutions such as the Inter-American Development Bank (IDB), the Andean Development Corporation (CAF), and the European Investment Bank (EIB). It also receives funding from the Bank of Mexico (Banxico), foreign banks, and the placement of debt securities in both domestic and international financial markets.

Notes to the Consolidated Financial Statements
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries
December 31, 2024 and 2023
(figures in millions of Pesos)

The consolidated financial statements as of and for the years ended December 31, 2024 and 2023 include those of the Institution and its directly controlled subsidiaries, as listed below:

Subsidiary	Participation	Purpose
<i>Operadora de Fondos Nafinsa, S.A. de C.V.</i>	100%	Promotes financial market development by facilitating access for small and medium-sized investors to the securities market.
<i>Corporación Mexicana de Inversiones de Capital, S.A. de C.V.</i>	83.30%	Engages in buying, selling, and investing in companies, entities, and private equity funds; promotes medium- and long-term productive investments in Mexico, supporting institutionalization, growth, and competitiveness of Small and Medium-sized Enterprises (SMEs).
<i>Fideicomiso 80595 Programa de venta de títulos en directo al público</i>	100%	Manages trust resources to develop and implement the Direct Public Securities Sales Program in accordance with the Operating Rules authorized by the Trust's Technical Committee.
<i>Fideicomiso 11480 Fondo para la participación de riesgos</i>	100%	Facilitates access to formal financing for domestic micro, small, and medium-sized enterprises through a guarantee program that shares credit risk with financial intermediaries, as determined by the Trust's Technical Committee.
<i>Fideicomiso 11490 Fondo para la participación de riesgos en fianzas</i>	100%	Shares default risk with domestic surety companies on administrative surety bonds related to procurement contracts for goods, services, or public works awarded to SMEs and individuals with business activity.
<i>Fideicomiso 80757 Defensa y asistencia legal</i>	100%	Manage assets and pays for legal defense and assistance services for employees involved in legal or administrative proceedings related to their professional duties.
<i>Plaza Insurgentes Sur, S.A. de C.V.</i>	100%	Provides comprehensive real estate services to the Institution, including office and furniture leasing, workspace adaptation, and infrastructure maintenance.
<i>Pissa Servicios Corporativos, S.A. de C.V. (en liquidación)</i>	100%	Provided support services for the management or execution of the corporate purpose of credit institutions in which it held an interest, as well as for related auxiliary companies and trusts.

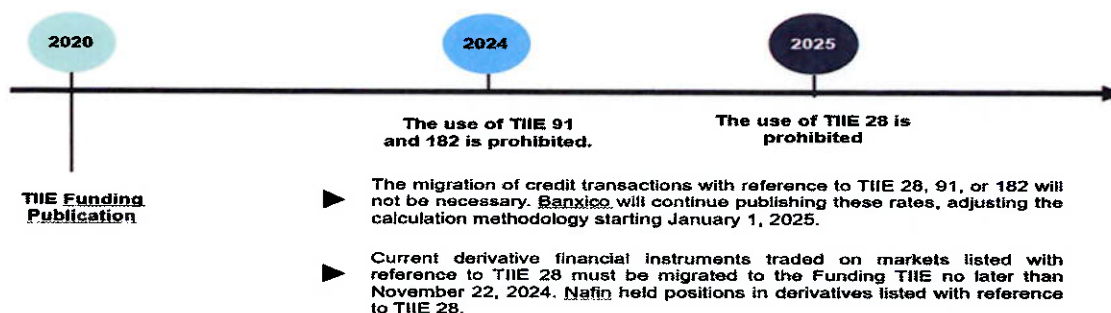
The Institution also operates a foreign branch located in London, England.

Relevant event (unaudited information)

Implementation of New Reference Interest Rates

Transition from TIIE terms longer than one day to Funding TIIE

In line with Banco de México's (Banxico) initiative to transition from the use of TIIE for terms longer than one day to the Funding TIIE, the central bank implemented a series of measures as follows:



Notes to the Consolidated Financial Statements

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

December 31, 2024 and 2023

(figures in millions of Pesos)

As of the dates previously mentioned, financial institutions must refrain from using TIIE for terms greater than one day in new transactions and must instead use Funding TIIE or another reference rate that complies with the applicable regulations issued by Banxico.

Given the needs of the credit market-particularly in SME lending-to know interest rates in advance for cash flow planning purposes, and in view of the regulatory requirement to use the Funding TIIE, Banxico introduced alternative term rates, resulting in the development of the Compounded in Advance Funding TIIE.

The rate that seeks to strike a balance between credit market needs and funding alignment is the **TERM TIIE**; however, Banxico has not yet identified sufficient market liquidity to proceed with its publication.

Nacional Financiera, S.N.C. strategy

In accordance with the previous process, the Institution, like other financial institutions, had to implement a transition process to comply with the regulations, in that regard, the following actions were carried out.

2022	<ul style="list-style-type: none">• Prioritize the use of TIIE 28 in active operations.• Issue securities based on the TIIE Funding.
2023	<ul style="list-style-type: none">• Strategic transition planning: evaluation and authorization of the transition process through COFISO, led by the Comprehensive Profitability Directorate, a cross-cutting and independent area for risk-taking.
2024	<ul style="list-style-type: none">• Suspend the use of TIIE 91 and 182 in active transactions.• Use of a fixed rate in Supply Chain transactions (short-term interest and principal payments at maturity).• Definition of the transition strategy for active, passive, and derivative transactions in the Banking and Trading Book, and its authorization by COFISO.• Adaptation of systems, processes, manuals, methodologies, models, policies, and guidelines for the operation of the Funding TIIE.• Migration of derivative positions traded in listed markets based on TIIE 28 (November 2024)
2025	<ul style="list-style-type: none">• In accordance with the actions mentioned above, it is expected that the Institution will comply in a timely manner with the regulation established by Banxico.• In addition, the transition strategy will be adapted according to the conditions presented by the market and the needs of the Institution's business.

General Transition Strategy at Nacional Financiera, S.N.C.

In 2024, the COFISO authorized the Institution's TIIE transition strategy for implementation in 2025, taking into account its technological, operational, and financial readiness.

The business units affected by the adoption of the new reference rate were:

<u>Business unit</u>	<u>Operations</u>
Credits and guarantees	First- and second-tier loans, and guarantee operations
Derivative Financial Instruments	Interest rate swaps and cross-currency swaps
Funding and treasury operations	Issued securities, investments, and deposits

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Banking Book		Trading Book		
	Previous 2025	Transition 2025	Previous 2025	Transition 2025
First floor	✓	▲ ○	Securities	✓ ▲
Second Floor Credit	✓	▲ ○	Derivatives	✓ ▲
Second floor Chains	◊	◊		
Guarantees	✓	○		
Titles and Issues	▲ ✓	▲		
Derivatives	✓	▲		

✓	TIE 28
▲	TIE Daily Funding
○	TIE Funding Composed in Advance 28d
◊	Fixed Rate: IRS (Short-term operations)

The approved strategy will allow Nafin to comply with the regulatory requirements set by Banxico in a timely and orderly manner, without adversely affecting the Institution's business operations.

The 28-day Compounded in Advance Funding TIE is used to calculate monthly interest payments. For interest periods longer than one month (e.g., 91 and 182 days), monthly compounding of the 28-day rate is applied.

As of December 31, 2024, the following balance sheet items have been impacted by the implementation of the new reference rate, with amounts corresponding to operations referenced to the Funding TIE:

Investments in financial instruments	\$	91,257
Derivative financial instruments		8,316
Total assets	\$	99,573
Time deposits and debit securities issued	\$	46,486
Derivative financial instruments		8,169
Total liabilities	\$	54,655

The Institution complied with the applicable regulations in a timely manner and continued to operate normally.

2. APPROVAL AND BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS.

Approval

On March 14, 2025, Luis Antonio Ramirez Pineda (Chief Executive Officer), María Fernanda Ruiz Padilla (Head of the Administration and Finance Unit), Manuel Anaya Vallejo (Internal Audit Director) and Raúl Martínez Morán (Accounting and Budget Director) approved the release of the accompanying consolidated financial statements and the related notes as of December 31, 2024, and for the year then ended, to be submitted for the approval of the Board of Directors of the Institution at its forthcoming meeting. Said Board and the Banking Commission have the power to modify the consolidated financial statements after their approval and release.

On March 13, 2024, Luis Antonio Ramirez Pineda (Chief Executive Officer), María Fernanda Ruiz Padilla (Head of the Administration and Finance Unit), Manuel Anaya Vallejo (Internal Audit Director) and Raúl Martínez Morán (Accounting and Budget Director) approved the release of the accompanying consolidated financial statements and their notes, as of December 31, 2023, which were approved by the Board of Directors of the Institution at the session held on February 27, 2024.

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The Institution is under the supervision and oversight of the Banking Commission and Banxico which is exercised through monitoring processes, on-site inspections, information and documentation requests, and the submission of regulatory reports.

Basis of presentation

a) Statement of compliance

The accompanying consolidated financial statements as of December 31, 2024 and 2023 and for the years then ended have been prepared in accordance with the Accounting Criteria provided by the Banking Commission (the Accounting Criteria) which are included in the General Provisions Applicable to Credit Institutions (the Provisions), as well as general and specific official communications issued by said Commission.

b) Financial information framework

The accompanying consolidated financial statements were prepared in accordance with banking legislation and in accordance with the Accounting Criteria for Credit Institutions in Mexico set out by the Banking Commission. Preparation of such consolidated financial statements required Management to make certain estimates and use certain assumptions for the valuation of some line items of the consolidated financial statements and make the necessary disclosures required to present therein. However, actual results may differ from such estimates. Management, applying its professional judgment, believes that the estimates and assumptions used were appropriate under the circumstances.

In accordance with Accounting Criteria A-1, *Structure of the financial information standards*, the accounting records of the Institution shall be adjusted to the basic structure of the Financial Reporting Standards (NIFs) as defined by the Mexican Financial Reporting Standards Board (CINIF for the acronym in Spanish), except when at the judgement of the Banking Commission it is necessary to apply a regulation or specific accounting criterion, taking into consideration that the entities perform specialized operations. This accounting regulation is at the level of standards for the recognition, valuation, presentation and disclosure, applicable to specific line items of the financial statements of the institutions, as well as those applicable for their preparation. It shall not proceed with the application of accounting criteria, nor the suppletory concept, in the case of operations which by express legislation are not allowed or are prohibited, or else, are not expressly authorized by the entities by the Banking Commission.

The accompanying consolidated financial statements have been prepared to comply with the regulatory requirements to which the Institution is subject, so they may not be suitable for other purposes.

c) Going concern

The consolidated financial statements were prepared based on the going concern accounting principle.

As a result of the annual charge for benefits made by the Ministry of Finance and Public Credit (SHCP for its acronym in Spanish) (see note 21) to the Institution for \$12,029 and \$11,004 in 2024 and 2023, the Institution recorded losses in the consolidated statements of comprehensive income as of December 31, 2024 and 2023 of \$6,537 and \$8,202, however, without considering such charge, the Institution's operations as a whole report

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d) Monetary unit

The accompanying consolidated financial statements and their notes are presented in Mexican pesos, currency corresponding to the registration and functional currencies. For purposes of disclosure in the notes to the consolidated financial statements when reference is made to millions of pesos or "\$", it refers to millions of Mexican pesos, and reference is made to dollars or "USD", it is referred to millions of United States dollars.

e) Assets and liabilities recognition and derecognition

In accordance with Accounting Criteria, recognition or derecognition of assets and liabilities in the consolidated financial statement of assets and liabilities, including those stemming from purchase and sale transactions of foreign currencies, financial instruments, repurchase agreement transactions, securities lending, derivative financial instruments, and securities issues, is made on the date in which the transaction was formalized, regardless of the date of settlement or the good delivery date.

f) Use of judgments and estimates

In the application of the accounting policies of the Institution, which are described in Note 3, Management must perform judgments, estimates and assumptions on the carrying amount of the assets and liabilities of the consolidated financial statements. The corresponding estimates and assumptions are based on experience and other factors considered pertinent. Actual results may differ from such estimates.

The estimates and assumptions are reviewed on a regular basis. Changes to accounting estimates are recognized in the period in which the modification takes place and future periods if the modification affects both the current as well as subsequent periods

f.1) Critical judgments when applying accounting policies

Management applies a set of critical judgments during the process of preparing the consolidated financial statements. These judgments, beyond the inherent estimates, significantly impact on the presentation of the financial information. The most relevant are detailed below:

Assessment of the Business Model

The classification and measurement of financial assets is dependent on the evaluation of payments of only principal and interest and the business model. The Institution defines the business model considering how the groups of financial assets are managed with a determined entrepreneurial objective. This analysis includes aspects such as the way in which the performance of the assets is measured, the risks affecting such performance, and the way in which administrators are managed and remunerated.

The constant monitoring of financial assets measured at amortized cost or fair value through comprehensive income are coherent with the initial objectives. Such monitoring is part of the continuous analysis of the business model for identifying possible changes and making prospective adjustments in the classification of the assets.

Valuation of fair value of financial instruments (Note 3 (z))

Fair value is defined as the price at which an asset can be exchanged, or a liability settled, between knowledgeable parties, willing to enter a transaction and in one operation under mutual Independence conditions. The Institution follows the Provisions ruling the valuation of securities and other financial instruments issued by the Banking Commission to determine fair value.

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To this end, two main methods are used: valuation using price vectors, consisting in multiplying the number of titles or contracts by the updated price provided by a price provider authorized by the Banking Commission, and the internal valuation methods, which consist of mathematical procedures to determine the updated value, based on algorithms, technical and statistical criterion.

The Commission demands that internal valuation models use interest rates, exchange rates and volatility provided by a price provider and authorized by the Banking Commission, when available.

The level of judgment required to determine fair value varies according to the financial instrument. It is minimum for those with prices quoted in active markets and an increase for instruments valued with specialized models or with non-observable inputs. As of December 31, 2024 and 2023, a reduction has not been observed in the availability of prices and inputs, thus, no recognition of impairment has been made in the value of financial instruments. The Institution maintains a constant monitoring of financial markets to identify possible impairments.

Measurements of fair value are classified in three levels, according to observability of input data:

- **Level 1:** Prices quoted in active markets for identical assets or liabilities.
- **Level 2:** Observable data, directly or indirectly, different from quoted prices included under Level 1.
- **Level 3:** Non-observable data.

Allowance for credit risk (Note9 (d))

The Institution determines the preventive allowances for credit risk following the methodologies set forth by the Banking Commission. These allowances consider factors such as changes in methodologies, judgments on assumptions and macroeconomic scenario, the weight of the scenarios, increase of credit risk, decrease of credit risk, decrease in payment ability of the customers, greater economic uncertainty and creation of additional allowances for certain risks.

Classification of the loan portfolio in stages 1, 2 and 3 is made in accordance with the rules and regulations of the Banking Commission incorporating the corresponding regulatory interpretations. The amount and the timing of the collection of estimated future cash flows may differ from actual ones, which could result in differences between the preventive allowance for credit risk and actual credit losses.

Use of estimates

Preparation of the consolidated financial statements requires Management to make judgments, estimates and assumptions affecting the application of accounting policies and amounts of assets, liabilities, income and expenses. Actual results may differ from such estimates.

The Institution creates provisions to cover possible loan losses in accordance with applicable rules and regulations. The estimate of such provisions is made considering factors such as changes in the nature and size of the loan portfolio, trends of the foreseen portfolio, credit quality and economic conditions. The increases to the provisions are presented as "Preventive allowance for credit risk" in that consolidated statement of financial position. loan write-offs are recorded as a decrease of the allowance for credit risk.

Recognition and valuation of assets for deferred taxes (Note 3 (q))

The assets and liabilities for deferred taxes stem from temporary differences between the accounting basis and the tax basis of assets and liabilities. As of December 31, 2024 and 2023, the Institution evaluated the probability of recovering the assets for deferred taxes, considering the existence of sufficient future tax profits or cumulative temporary differences which allow their recovery.

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Defined benefits of pension plan (Note 3 (u))

The Institution participates in a pension plan for defined benefits for employees, which grants employment-related benefits based on the final salary and years of service. Accounting for this plan involves the evaluation of present and future obligations, as well as the plan assets earmarked to cover such obligations.

The cost related to the plan, recognized in profit or loss for the year, includes:

- The cost of the current service, which corresponds to the increase in the present value of the obligation resulting from the work rendered by the employees during the period.
- The cost for net interests determines the deficit or surplus between those assets and the obligations of the plan at the beginning of the period, using the discount rate.

The actuarial calculations are made by independent specialists using the unitary projected credit method and are based on several key hypotheses, including:

- Discount rate: based on the yield of high-quality corporate bonds or government bonds, in the absence of an active market of corporate bonds.
- The salary increase rate considers expectations of salary increase resulting from historic trends, projected inflation and collective bargaining agreements.
- Life expectancy: based on mortality rate tables applicable in Mexico and the corresponding industry sector.
- Expected return of the assets plan, determined by the composition of the investments and market conditions.

The actuarial gains and losses, resulting from changes in the hypothesis and adjustments from experience, are recognized in other comprehensive income (OCI) and are not recycled to results.

The Institution periodically reviews the assumptions used to guarantee they reflect actual economic conditions and possible changes in demographic factors.

Recognition of provisions and contingencies

The provisions are recognized when a present obligation exists, it is probable the use of economic resources and the amount may be reasonably estimated.

The provisions are valued considering the best estimate of the required disbursement, using the present value of expected cash flow when the effect of the time value of money is significant.

On the other hand, the contingent obligations are not recognized in the balance sheet, but are disclosed in notes to the financial statements when:

1. A possible obligation exists resulting from past events, whose existence will depend on the occurrence or not of uncertain future events.
2. A present obligation exists but the probable disbursement cannot be reliably estimated, or it is not probable.

The contingencies include, for example, ongoing claims where the result is uncertain, and tax risks are subject to divergent interpretations on the part of the authorities.

The Institution periodically reviews the provisions and contingencies to adjust the amounts and classification in accordance with the new evidence or changes in the legal or economic circumstances.

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g) Comprehensive income

Comprehensive income comprises the net income (loss) for the year increased or decreased by Other Comprehensive income (OCI), net of the effects of tax on income and the participation of profits to the related personnel. OCI comprises income, costs, and expenses that have already been accrued but whose realization is pending and it is likely that their amount varies due to changes in the fair value of those assets or liabilities that gave them origin, reason for which they could not be realized in part or in full, in addition to the fact that realization is foreseen in the medium or long-term. When such results are realized, they are reclassified to profit or loss in the period they are realized. Others are comprised by valuation of financial instruments for collect or sell, valuation of financial instruments derived from hedging of cash flows, remeasurement of defined benefits to employees and the valuation effects in associated and affiliated companies.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies being used in preparation of the consolidated financial statements are described below, and were applied on a consistent basis:

a. Changes in accounting policies

- Improvements to NIFs generating accounting changes

NIF A-1, Conceptual Framework of Financial Reporting Standards – The Conceptual Framework of NIFs includes the definition of public interest entities and the basis of separation of standards for disclosure for public interest entities and those which are not of public interest. Consequently, disclosure requirements of NIFs are divided in i) disclosures applicable to all entities, and ii) mandatory additional disclosures applicable only to public interest entities.

NIF C-10, Derivative financial instruments and hedging relationship - Converges with the provisions of IFRS 9, *Financial Instruments*; therefore, in the case of a foreign currency risk hedging, a non-derivative financial instrument denominated in such foreign currency may be designated as a hedging instrument, provided it is not an equity instrument for which an entity has opted for presenting in fair value in OCI in accordance with NIF C-2.

NIF B-2, Statement of cash flows; NIF B-6, Consolidated statement of financial position; NIF B-17, Determination of fair value; NIF C-2, Investment in financial instruments; NIF C-16, Impairment of financial instruments to collect; NIF C-20, Financial instruments to collect principal and interests; INIF 24, Recognition of the effect of applying the new interest rates of reference –In terms of NIF C-2, an entity shall classify the financial assets on the basis of the business model, among other, as financial instruments to collect or sell (FICS). It is substituted the term “financial instruments to collect or sell” for the term “financial instruments to collect and sell” since the main objective of such financial instruments must be to obtain a profit for their sale, which shall take place when optimum market conditions exist and in the meantime, collect contractual cash flows, that is, they are held for collection and selling.

NIF D-4, Taxes on income - Increases disclosures when the entity used a tax rate applicable to benefits in rates but not on distribution of profits.

- Improvements to NIFs not generating accounting changes

NIF A-1, Conceptual Framework of Financial Reporting Standards – Adjustments were made to the definition of “Materiality” (also known as *materiality*) and the inconsistency is eliminated when on occasion, the term “significant” was used.

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NIF B-3, Consolidated statement of comprehensive result – It is amended to clarify that NIF B-3, allows a combined presentation that includes certain expenses classified by function and some others classified by nature, while NIC 1, does not foresee the issue.

Management considers that adoption of the changes and improvements in accounting policies did not have relevant effects on the financial information.

b. Consolidation of financial statements

The consolidated financial statements as of December 31 2024 and 2023 and for the years then ended include assets and liabilities and results of the Institution and its subsidiary companies, over which it exerts control through the power it has over them to direct their relevant activities, is exposed or has the right to variable returns stemming from such participation and has the ability to affect such returns through its power over such subsidiaries. All balances and material operations between the Institution and its subsidiaries have been eliminated in consolidation, including unrealized profits and losses. Consolidation was carried out based on the financial statements of subsidiary companies as of December 31, 2024, and 2023 and for the years then ended, the accounting basis of such financial statements are the Accounting Criteria provided by the Banking Commission and Financial Reporting Standards, as appropriate.

c. Effects of inflation

In the year ended December 31, 2024, the Institution operated under a non-inflationary environment (accumulated inflation for the three annual periods less than 26%), in accordance with the provisions of Accounting Criteria issued by the Banking Commission; consequently, the effects of inflation in the financial information included in the accompanying consolidated financial statements are not recognized. Such consolidated financial statements include recognition of inflation based on *Unidades de Inversión* (Investment Units or UDIs for the acronym in Spanish) up to December 31, 2007, in accordance with applicable Accounting Criteria.

The percentages of annual and cumulative inflation for the last three years and the factor used to determine inflation, are shown below:

December 31	UDI	Inflation	
		For the year	Cumulative
2024	8.340909	4.21%	16.90%
2023	7.981602	4.66%	21.14%
2022	7.646804	7.82%	19.39%

d. 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 for foreign currency purchase and sale transactions. It also includes restricted cash and cash equivalents comprised by bank borrowings with original terms of up to three days or less (“Call money”) and deposits in Banco de México (Central Bank or Banxico) which include the monetary regulation 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 interest at the average funding bank rate, recognized in the consolidated results as accrued. Note 6 includes the integration, in figures, of this line item.

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

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Cash equivalents are short-term securities, with high liquidity, readily convertible to cash, which are subject to insignificant risks of changes to their value and are held to meet short-term commitments rather than for investments purposes; they are denominated in local or foreign currency: for example, bank borrowing transactions agreed at term shorter or equal to 3 business days, the purchase of foreign currencies which are not considered derivative financial instruments according to the provisions of Banxico in the applicable regulation, as well as other cash equivalents such as correspondents, immediately redeemable notes, coined precious metals and highly liquid financial instruments.

Interbank loan transactions agreed at a term shorter than or equal to 3 business days, as well as deposits with Banxico which cannot be disposed of, are recognized as restricted cash equivalents.

Notes receivable will be recorded as other cash equivalents 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 notes are not collected within the established deadlines, the related amounts will be transferred to the originating item, either "Other accounts receivable" or "Loan portfolio".

Transactions transferred to sundry debtors under line item "Other accounts receivable", the provisions of NIF C-3 "Accounts receivable" or NIF C-20 "Financial instruments to collect principal and interest" must be followed, as appropriate.

Notes received subject to collection are recorded in memorandum accounts under line item "Other memorandum accounts".

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

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

Foreign exchange currencies acquired and agreed to be settled in 24, 48 and 72-hours purchase/sell transactions are recorded as restricted cash (foreign currency receivable), while currency sold is recorded as cash outflow (foreign currency deliverable).

The rights and obligations from 24, 48 and 72 hours sales and purchases of foreign exchange are recorded in clearing accounts under line item "Other accounts receivable" and "Creditors on settlement transactions", respectively.

If the balance resulting from offsetting the foreign currency receivable and the foreign currency deliverable or any concept making up the line item "Cash and cash equivalents" turned out to show a negative balance, said amount is presented under line item "Other accounts payable".

e. Margin accounts

Margin accounts granted in cash (and in other assets equivalent to cash) required to the Institution on occasion of the execution of operations with derivative financial instruments carried out in recognized markets of stock exchanges, are registered at nominal value.

Margin accounts are earmarked for fulfillment of the obligations corresponding to transactions with derivative financial instruments executed in recognized markets or stock exchanges and corresponding to the initial margin, contributions and subsequent withdrawals carried out during the term of the corresponding contracts.

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f. Investment in financial instruments

The Institution establishes the business model it uses to manage its investments in financial instruments for their proper classification.

The business model is based on how financial instruments are managed to generate cash flows upon carrying out the activities and it is not based on the intentions of the Management in relation to any instrument.

For the application of the business model, the Institution performs OPPI tests (Only payments of principal and interest) to the investments in financial instrument, consisting in testing if recuperation of cash flows is represented only for the concept of principal and interests.

Assets from financial instruments are classified as follows:

Trading financial instruments. - Trading financial instruments (IFN for the acronym in Spanish) are those securities in which the business model has the purpose of investing to obtain a gain between the buy and sell price, that is, depending on the differences in pricing resulting from the market transaction.

Financial instruments for collect or sell. - Financial instruments for collect or sell (IFCV for the acronym in Spanish) are those securities in which the business model has the purpose of collecting the contractual cash flows on principal and interest or otherwise, of obtaining a gain on its sale when advisable.

Financial instruments to collect principal and interest. - Financial instruments for collecting principal and interest (IFCPI for the acronym in Spanish) are those securities in which the business model has the purpose of collecting contractual cash flows on preestablished dates corresponding payments on principal and interest on the outstanding amount of principal and interest. Therefore, the IFCPI should have the features of financing and be managed based on their contractual yield.

- **Trading financial instruments (IFN)**

After their initial recognition, IFNs, are recognized at fair value, which is the price of the consideration agreed upon at the trade date; any transaction cost is recognized immediately in the consolidated statement of comprehensive income under line item "Financial intermediation result".

After their initial recognition, IFNs are valued at their fair value determined by the Price Vendor according to the provisions laid down by the Banking Commission. In the event of investments in non-listed IFNs, second and third level fair values are used.

The difference between the previous carrying amount and the current fair value of investments in IFNs is recognized in the consolidated statement of comprehensive income under line item "Financial intermediation result".

A dividend from an equity IFN is recognized in the year's results when the right to receive payment arises, it is likely the benefit will be received, and its amount can be determined.

Likewise, given that the fair value of an equity IFN can be reduced once the dividend is declared, simultaneously the account receivable from the dividend is recognized, as well as the change in the fair value of the equity IFN.

The exchange gain or loss from investments in IFNs denominated in foreign currency is recognized in the year's results under line item "Financial intermediation result".

This line item includes entries for transactions pending settlement corresponding to purchase/sale transactions of non-settled assigned securities, which are valued at and recorded as investments in IFNs recognizing in and out of securities subject matter of the transaction upon their entering into the corresponding debit or credit settlement account.

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When securities are alienated, the gain or loss on the purchase is determined by the difference between the selling price and the last recorded carrying amount (fair value), cancelling the result from valuation.

- **Financial instruments for collect or sell (IFCV)**

Upon initial recognition, investments in IFCVs are valued at their fair value, which is normally the price of the consideration agreed upon at the trade date. For the subsequent valuation, the Institution determines the increase or decrease on valuation of the IFCV at fair value, using updated prices provided by the Price Vendor in accordance with the provisions of the Banking Commission.

In the event of incurring in a transaction cost in the acquisition of an IFCV, this is recognized as an implicit part of the amortized cost of the IFCV and charged to the year's results during the expected life of the IFCV, based on its effective interest rate.

IFCVs denominated in foreign currencies or in other exchange units are recognized initially at the fair value applicable on the date of the transaction. Exchange differences stemming on date of the transactions and dates of collection or settlement, as well as those resulting from translation to Mexican pesos of balances in foreign currencies at the date of the financial statements are applied to results.

The unrealized gain or loss resulting from the valuation is recorded as "Other comprehensive income" (OCI) in stockholders' equity under line item "Valuation of financial instruments for collecting and selling", provided that such securities have not been defined as hedged in a fair value hedging relationship of a derivative financial instrument in which case its valuation is recognized in the year's result in relation to the hedged risk.

Before recognizing in Other comprehensive income, the effects of valuation in the IFCVs, the reductions in their fair value attributable to an impairment for expected credit losses are recognized in the year's results.

The effect from valuation is canceled to have it recognized in results upon sale under line item "Financial intermediation result".

Interest accrued is determined in accordance with the method of effective interest rate method and recognized in the year's results under line item "Interest income".

Dividends from equity instruments are recognized in the year's results, when the right to receive payment arises.

- **Financial instruments for collecting principal and interest (IFCPI)**

An IFCPI is recognized initially based on fair value, which corresponds to the transaction price, unless it is evident that it is significantly different from the quoted price in the IFCPI market or from other transactions observed in the market or based on valuation techniques which variables include only information observable from active markets; if such price is different, the IFCPI value is adjusted with effect on the year's results.

The IFCPI's fair value is added or subtracted by the transaction costs; the resulting amount is the gross value at which the IFCPI is initially recognized, which is the basis for applying the effective interest method with the effective interest rate. The gross value of the IFCPI reduced by the amount of expected credit losses of the IFCPI, represents the amortized cost if the IFCPI at its initial recognition. Any transaction cost incurred by the Institution in the acquisition of an IFCPI is recognized as an implicit part of the amortized cost if the IFCPI and charged to the year's results during the expected life of the IFCPI, based on its effective interest rate.

IFCPIs denominated in foreign currencies or in other exchange unit are registered at the exchange rate applicable at the date of the transaction. Exchange differences incurred between the date of execution of the transactions and dates of collection or settlement, as well as those derived from translation of balances to Mexican pesos denominated in foreign currencies are applied to results at the date of the financial statements.

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In some cases, an IFCPI is considered with credit impairment since its initial recognition either because the credit risk is high or since it was acquired with a very high discount. In such case, for its initial recognition, it is considered as a financial instrument in Stage 3 credit risk.

After their initial recognition, IFCPIs are valued at their amortized cost. The amortized cost includes increases in accrued effective interest, decreases in the amortization of transaction costs, and decreases in collections of principal and interest.

IFCPIs denominated in foreign currency, or any other exchange unit are registered at the applicable exchange rate at the date of execution. Exchange differences arising between the execution date of the transactions, and date of collecting or payment, as well as those derived from the translation to Mexican pesos of balances denominated in foreign currency as of the date of the financial statements, are applied to results.

- **Reclassifications**

The Institution reclassifies its investment in financial instruments only if its business model is modified. These changes are determined by the Highest Operating Decision-Making Authority of the Institution and are the result of external and internal changes that are significant for its operations and can be demonstrated to third parties.

- **Impairment of a financial instrument**

Where sufficient objective evidence exists that a financial instrument for collecting or selling, or for collecting principal and interest has been impaired because one or more events that occurred after the financial instrument initial recognition, the carrying amount of the financial instrument is modified and the impairment is recognized in the year's results under line item "Financial intermediation result".

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

g. Repurchase/resell agreement transactions

Repurchase/resell agreements are transactions in which the Buyer in a repurchase agreement (or buyer) pays a specific amount of cash to acquire securities, and simultaneously agrees to resell them to the original Seller in a repurchase agreement (or seller) at a future date, for the same price plus a premium. The premium is due to the Buyer in a repurchase agreement, unless otherwise stipulated in the agreement.

For legal purposes, repurchase/resell agreement transactions are considered a sale whereby there is a repurchase agreement for the transferred financial assets. Nonetheless, the economic substance of repurchase/resell agreement transactions is the one of a financing under collateral, whereby the Buyer in a repurchase agreement delivers cash as financing, in return for obtaining financial assets that serve as protection in the event of default.

A Buyer in a repurchase agreement is that entity that delivers cash, through a repurchase/resell agreement transaction, in which it receives financial assets as collateral, with the obligation of returning them to the Seller in a repurchase agreement at the end of the transaction, receiving the cash plus the agreed interest for the repurchase/resell agreement.

A Seller in a repurchase agreement is that entity that receives cash, through a repurchase/resell agreement transaction in which it transfers financial assets as collateral, with the obligation of returning to the Buyer in a repurchase agreement at the end of transaction, cash, and the agreed interest for the repurchase/resell agreement.

The accounting treatment of the "cash-oriented" or the "securities-oriented" repurchase/resell agreement transaction is the same.

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At the trade date of the repurchase/resell agreement transaction, the Institution acting as Seller in a repurchase agreement or seller recognizes either cash inflow or a debit clearing account, as well as an account payable, whereas when acting as Buyer in a repurchase agreement or buyer recognizes either 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 price, representing the obligation to repay or the right to recover the cash, respectively.

Throughout the term of the repurchase/resell agreement, the account receivable and the account payable are valued at amortized cost, recognizing the interest of the repurchase/resell agreement transaction in results of operations for the year as accrued, in accordance with the effective interest method. Interest is recognized under the financial statement line item "Interest income" or "Interest expense", as appropriate. The account receivable and the account payable, as well as the interest accrued are reported in the financial statements line item "Debtors on repurchase/resell agreements" and "Creditors on repurchase/resell agreements", respectively.

The Institution acts as Buyer in a repurchase agreement or buyer recognizes the received collateral in memorandum accounts under line item "Collateral received by the entity".

Financial assets granted as collateral when the Institution is acting as Seller in a repurchase agreement or seller, are reclassified in the consolidated statement of financial position under line item "Investments in financial instruments", reporting the instrument as a restricted asset.

Should the Institution, acting as Buyer in a repurchase agreement or buyer sell or pledge the collateral, the proceeds from the transaction are recognized and the account payable is recorded for the obligation to return the collateral to the Seller in a repurchase agreement or seller, which is valued, in the case of a sale at fair value or, if pledged in another repurchase/resell agreement, at amortized cost.

Additionally, the collateral received, delivered or sold is recognized in memorandum accounts under line item "Collateral received and sold or pledged as guarantee by the entity".

h. Derivative financial instruments

A derivative financial instrument (IFD for the acronym in Spanish) is an independent financial instrument which value changes in response to changes in the price of its underlying instrument; in general, it does not require an initial net investment and will not be liquidated on a future date.

The Institution carries out two types of transactions with derivative financial instruments:

- For hedging purposes: its purpose is to hedge risks using financial instruments which manage exposure of certain risks that could affect comprehensive income (Net result or Other comprehensive income).
- For trading purposes: its purpose is other than hedging risk open positions by assuming its positions as player in the derivatives market.

Derivatives, irrespective of their purpose, are recognized at fair value.

Financial assets or liabilities resulting from rights and obligations set forth in the IFDs are initially recognized at fair value. In general, the IFD value upon their contracting is zero (in the event of an interest rate swap (IRS), registered at notional value in Memorandum Accounts) and recognized at such value, which is later modified by changes in fair value. Fair value includes the effects of all risks affecting the IFDs, such as market, liquidity and credit risks. Any payment made or received to have an IFD at fair value is also included.

The best evidence of fair value on an IFD at its initial recognition is normally the transaction price, that is, the fair value of the consideration received or delivered. If it is determined the initial fair value differs from the transaction price, such financial instrument is recognized at the fair value evidenced by a quoted price in the active market, for an identical asset or liability, or at the one determined based on a valuation technique using only information of observable markets.

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The difference between the fair value and the transaction price is recorded in results for the year. In the event the IFD fair value is determined based on a valuation technique using non-observable information in the market, the difference is applied to the year's results during the life of the IFD.

After initial recognition, IFDs are valued at fair value by recognizing the difference between the previous carrying amount and the current fair value in the consolidated statement of comprehensive income under line item "Financial intermediation result", unless IFDs are used as hedging instruments. These changes in fair value will have an unrealized nature and shall not be subject to capitalization nor distribution among shareholders until they are realized in cash or cash equivalents.

Transaction costs directly attributable to the IFD purchase are directly recognized in the year's results as incurred.

IFDs are recognized, either as a financial asset or as a financial liability, depending on whether their fair value (as a result of the rights and/or obligations they establish) corresponds to a debit balance or credit balance, respectively. Such debit or credit balances may be offset, in some cases, provided that the rules for offsetting financial assets and financial liabilities are fulfilled.

If the offsetting results in a debit balance, the difference is shown in assets under line item "Derivative financial instruments" of the consolidated statement of financial position; in the event of a credit balance, it is shown in liabilities under line item "Derivative financial instruments" of the consolidated statement of financial position, segregating derivatives for trading purposes and derivatives for hedging purposes.

Derivative financial instruments for trading purposes

- Futures and forward contracts

Futures and forward contracts are those whereby an obligation to buy or sell a financial asset or the underlying item is established at some future date; the amount, quality and prices are pre-established in the trading agreement. The party agreeing to purchase assumes a long position in the agreement and the party agreeing to sell assumes a short position with respect to the same agreement.

Both futures and forwards are initially recognized as a financial asset or a financial liability at fair value, which presumably corresponds to the price agreed upon in the purchase agreement of the underlying asset, with the purpose of recognizing the right and the obligation of receiving and/or delivering the underlying asset, as well as the right and the obligation of receiving and /or delivering the cash equivalent to the underlying asset subject matter of the agreement.

Futures are recognized at market value by registering the difference between market value and the agreed upon price under line item "Financial intermediation result".

In the case of forwards, the difference between the price agreed upon in the contract and the forward price, as well as the changes in fair value, are recognized in the consolidated statement of comprehensive income under line item "Financial intermediation result".

- Swaps

Swaps are agreements between two parties whereby a bilateral obligation to exchange cash flows on future pre-established dates is laid down in relation to a face or reference value during a determined period.

The Institution recognizes initially in the consolidated statement of financial position, the assets and liabilities from the rights and obligations of the swaps at their fair value, which presumably corresponds to the agreed upon price, valuing at present value future cash flows to be received or to be delivered in accordance with the projection of future implicit rates to be applied, discounting them at the market interest rate on valuation date with the corresponding interest rate curves, considering for their presentation inputs provided by the Price Provider, as established by the Banking Commission.

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The settlement of a swap may be made in cash or in kind, according to the terms thereof.

- Derivative financial instruments for hedging purposes

Financial assets and liabilities that are designated and comply with the requirements to be designated as hedged items, as well as IFDs that are part of a hedging relationship are recognized according to the provisions regarding hedge accounting for recognition of the gain or loss of IFD hedging and the hedge item.

A hedging relationship qualifies for hedge accounting when the following conditions are met:

- Be aligned with the risk management strategy of the Institution;
- Covers only qualifying items and only uses qualifying hedging instruments;
- Be formally designated, identifying the items to be hedged and the hedging instruments;
- Complies with all the following effectiveness requirements:
 - There is an economic relationship between the hedged item and the hedging instrument;
 - The effect of the credit risk does not rule over changes in the value of such economic relationship;
 - The counterparties have the economic and operating capacity to comply with the agree upon commitments;
 - The hedge ratio reflects a balance that is consistent with the purpose of the hedging relationships;
 - It is formally documented since its designation as a hedging relationship.

Derivative financial instruments with hedging purposes are valued at market value and the effect of such valuation is recognized depending on the type of accounting hedge, according to the following:

- Fair value hedges

Represent a hedge for the exposure to changes in fair value of a recognized asset or liability, or of an unrecognized firm commitment, or of a component of any of the previous items, or an aggregate exposure which is attributable to one or more risks.

The hedged item is valued according to the hedge risk by adjusting its carrying amount and the hedging IFD is valued at fair value; both effects are recognized in results for the year under line item "Financial intermediation result". If the hedged item is an IFCV, the effect of the hedging gain or loss from the hedged risk of the hedged item is recognized in results for the year.

The result from valuation of the IFD that is part of a hedging relationship is shown under the same line item in the consolidated statement of comprehensive income where the result from valuation of the hedged item attributable to the hedged risk is shown.

- Cash flow hedges

Represents a hedge for exposure to variability in cash flows attributable to a risk associated with a recognized asset or liability, a portfolio or a component thereof, or one or several transactions forecasted as highly probable or parts thereof, or an aggregate exposure.

The hedging instrument is measured at fair value. The effective portion of changes in fair value is recognized in other comprehensive income (OCI), within equity under line item "Valuation of cash flow hedge instruments", and the ineffective part of the gain or loss of the hedging IFD is recognized in the consolidated statement of comprehensive income under line item "Financial intermediation result".

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The effective component of the hedging recognized in stockholders' equity associated with the hedged item is adjusted to be equal to the lesser amount (in absolute terms) between the cumulative gain or loss of the hedging IFD since inception thereof, and the cumulative change of the present value of hedged expected cash flows of the hedged item, since the inception of the hedge.

The gains or losses accumulated in Other Comprehensive Income are subsequently recognized as follows:

- If the forecasted hedged transaction results in the recognition of a non-financial asset or a non-financial liability (or if the forecasted hedge transaction of a non-financial asset or a non-financial liability becomes a firm commitment at which a fair value hedge accounting is applicable), the cumulative amount in Other Comprehensive Income is included directly as adjustment in the initial recognition of the non-financial asset or non-financial liability.
- For cash flow hedges other than the ones addressed above, the cumulative amount in Other Comprehensive Income should be recycled to the line item of the year's result affected by the hedged item, in the same period or periods in which the future hedged cash flows affect the year's result; and if an amount recognized in other comprehensive income there is an unexpected loss to be recovered in the future, the corresponding amount is recycled immediately to the result of the year.

The Institution discontinues a hedging relationship only when it has stopped complying with the requirements to be recognized as such; this includes when the hedging IFD expires, is sold, terminated, or exercised, after considering any rebalance made to the hedging relationship. Discontinuation of the hedging relationship is applied prospectively as from the date on which the qualifying criteria thereof stop being met. Discontinuation of hedging accounting may affect, whereas the hedge relationship in its entirety or only a portion thereof, in which case the hedging accounting continues for the remaining of the hedging relationship.

If upon discontinuation of the fair value of a hedging relationship the hedged item still exists, it will be treated as from the discontinuation date, according to the related NIF. If the hedging IFD keeps on existing, this is considered as a trading IFD.

When the hedging relationship is discontinued for a hedged item which is a financial asset or liability valued at amortized cost, of which the fixed interest rate is hedged to transform it into a floating rate, the adjustment added to or subtracted from the value of the hedged item is amortized in results for the year.

Upon suspending the cash flow hedging accounting, the cumulative gain or loss corresponding to the effective portion of the hedging derivative instrument recognized in stockholders' equity as part of Other Comprehensive Income during the period of time when such hedge was effective, remains in stockholders' equity until such time as the effects of the forecasted affect the year's results.

In the event the forecasted transaction is no longer likely to occur, the gain or loss recognized in Other Comprehensive Income in stockholders' equity as part of other comprehensive income is immediately applied to results of the year.

When the cash flow hedge accounting is discontinued, the Institution recognizes the amount accumulated in Other Comprehensive Income as follows:

- If it is yet expected that hedged cash flows will occur, such amount remains in Other Comprehensive Income until they occur;
- If the accumulated amount is a non-recoverable loss, it is applied immediately to results of the year; or
- If it is no longer likely that hedged cash flows occur, the amount accumulated in Other Comprehensive Income is recycled to the year's results.

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The result of offsetting the asset and liability position, either debit or credit, is shown separately from the primary position under line item "Derivative financial instruments" of the consolidated statement of financial position and accrued interest is recorded in the consolidated statement of comprehensive income under line item "Interest income" or "Interest expense".

The valuation effect of trading derivatives is shown in the consolidated statement of financial position and in the consolidated statement of comprehensive income under line items "Derivative financial instruments", in assets or liabilities, as applicable, and "Financial intermediation result", respectively.

The effective portion of valuation result of designated cash flow hedges is recognized in stockholders' equity under line item "Valuation of cash flow hedge instruments", while the ineffective portion of the change in fair value is immediately recognized in results under line item "Financial intermediation result", and the counter-account with such effect is shown in the consolidated statement of financial position under line item "Derivative financial instruments". The gain or loss associated with the hedge of the forecasted transaction which has been recognized in stockholders' equity is reclassified to the consolidated statement of comprehensive income under the same line item where the result from valuation of the hedged item attributable to the hedged risk, during which the forecasted hedge cash flows affect results for the year.

If the cash flow hedging derivative expires, is exercised, terminated or the hedge does not comply with the requirements to be considered as such, the hedging designation is revoked, while the valuation of the cash flow hedging derivative in stockholders' equity remains under such line item, and when the forecasted transaction occurs, it is recognized in results under the same line item where the result from valuation attributable to the hedged risk is shown.

The gain or loss resulting from valuing the fair value of a hedging derivative is recognized in the consolidated statement financial of position under line item "Valuation adjustment from hedging of financial assets" and in the consolidated statement of comprehensive income under line items "Interest income" and "Financial intermediation result", given they correspond to hedging of interest rates of loan portfolio and investments in financial instruments for collecting or selling, respectively. The result from valuation of the item attributable to the hedged risk is recognized in the consolidated statement of financial position under line item "Valuation adjustment from hedging of financial assets" and recognized in results for the year under "Interest income", in the case of loan portfolio, while for investments in financial instruments for collecting or selling are recognized under line item "Financial intermediation result".

Collateral pledged and received in derivative transactions carried out over-the-counter

Collateral serves as a guarantee to ensure the fulfillment of obligations under derivative financial instrument contracts executed in over-the-counter (OTC) markets, i.e., those not carried out on recognized exchanges.

Cash collateral pledged in OTC derivative transactions is recognized as an account receivable under "Other accounts receivable", while cash collateral received is recognized as an account payable under "Other accounts payable".

Securities pledged as collateral are recorded as restricted securities, while securities received as collateral are recognized in off-balance sheet accounts under memorandum accounts.

i. Offsetting clearing accounts

Amounts receivable or payable on investments in financial instruments repurchase/resell agreements, and/or transactions with derivatives which have expired but have not been settled at the date of the consolidated financial statements, including amounts receivable or payable for purchase or sale of foreign currencies which are not for immediate settlement or those with the same value date, are recorded in clearing accounts.

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The balances of debit and credit clearing accounts are offset provided 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, simultaneously, the liability.

Clearing accounts are shown under line item "Other account receivables, net" or "Creditors on settlement transactions", as appropriate.

j. Loan portfolio

- Business model

The business model refers to the way the Institution administers or manages the loan portfolio to generate cash flows. That is, the business model determines whether cash flows will come from obtaining contractual cash flows, to the sale of the loan portfolio, or both. The Institution's Internal Credit Committee approved the "Business Model, Classification and Measuring of Financial Assets Receivable of the Institution's Loan Portfolio". The approved model was to hold the portfolio up to maturity.

To determine whether the contractual cash flows of the loan portfolio are to be realized through their collection, the frequency, value and timeliness of loan portfolio sales in prior periods, the reasons of such sales and the expectations about the activity of future sales are factors to be entertained.

Stand-alone sales do not determine the business model; instead, information on past sales and expectations about future sales provide evidence related to the form in which the Institution's purpose to administer or manage the loan portfolio and, specifically, how cash flows are realized. The Institution considers information on past sales within the context of the reasons of such sales and conditions that existed at that time in comparison to current conditions.

The business model can be to hold the loan portfolio to collect its cash flows, even if the Institution sells the portfolio when there is an increase in its credit risk. Regardless of its frequency and value, sales stemming from an increase in the credit risk of the loan portfolio are not incongruent with a business model which purpose is to hold it to collect contractual cash flows, since the credit risk quality is relevant as to the capacity of the Institution to collect contractual cash flows. Credit risks management activities that intend to minimize potential credit risks due to credit impairment as an integral part of the business model.

The portfolios and products comprising the loan portfolio are assessed by the Institution to define its business model and determine whether they comply with the assumption that the contract's cash flows correspond solely to principal and interest payments, or otherwise, should be valued at fair value based on their characteristics. The loans or credit portfolios previously assessed, which contractual terms are modified, as well as the new products, are subject to the business model tests.

The Institution evaluates periodically the characteristics of its business model to classify the loan portfolio based on the purpose thereof.

To confirm the above, the Institution performed an analysis of the cash flows received through a "SPPI test" (Single Payments of Principal and Interest), which is performed to determine whether a credit or loan portfolio, complies with the assumption that contractual cash flows correspond solely to payments of principal and interest and should be valued at amortized cost, or otherwise, given their characteristics should be valued at fair value. Upon conclusion of said analysis it was determined that Nafin's loan portfolio has a business model focused in holding the portfolio up to maturity, and contractual cash flows correspond to the payment of principal and interest, thus, they shall be valued accounting-wise, at amortized cost.

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- Classification of loan portfolio

The Institution classifies its loan portfolio under the following line items:

- Commercial loans: granted to business entities and intended for their commercial or financial activity including those granted to financial institutions other than interbank loans with maturities of less than 3 business days, loans for financial factoring transactions, discount and assignment of credit rights, loans granted to trustees acting under trusts. Likewise, these include credits granted to the Federal Government, states, municipalities and their decentralized bodies, and loans to productive state entities, together with those having an express guarantee of the Federation, registered with the Ministry of Finance and Public Credit (SHCP for the acronym in Spanish) and Banxico, as well as those expressly guaranteed by states, municipalities and their decentralized bodies, duly registered before the Registro Público Único (sole public registry) referred to by the Law of Financial Discipline of States and Municipalities.

Represents the balance of the total or partial withdrawal of credit facilities granted to borrowers, plus accrued and un-collected interest, less any interest collected in advance. The preventive allowance for credit risks is presented deducting the balances of the loan portfolio. Unused lines of credit are accounted for in memorandum accounts, under line item "Loan commitments". The amount that is withdrawn by the borrower is considered in the loan portfolio in accordance with the corresponding portfolio category.

- Housing and consumer loans. - These are secured liquidity loans for housing and consumption (personal loans) granted to former employees in local currency, as well as interest earned and having a remaining balance to be settled at market term and rate.

Initial recognition

The Institution quantifies the transaction price corresponding to the net financial amount, which results from adding or subtracting to the original loan amount, the financed insurance, transaction costs, fees, interest and other items collected in advance. Such transactions price corresponds to the fair value of the loan portfolio at initial recognition and is the basis for applying the effective interest method with the effective interest rate, which is the basis for calculation of the amortized cost of the loan portfolio for its subsequent recognition.

The balance of the loan portfolio by the amount granted to the debtor and it is recorded no considering the costs of the transaction, likewise the amount collected in advance, indicated in the paragraph above, which are recognized as a deferred debit or credit, as applicable and are amortized in the result of the period in the term of the credit, in accordance with the amortized cost.

Transaction costs include among other, fees and commissions paid to agents, advisors and intermediaries, appraisals, research expenses, as well as debtor's credit assessment, assessment and recognition of guarantees, negotiations of the credit terms, preparation and process of the credit documentation and transaction closing or cancellation. On the other hand, transaction costs do not include premiums or discounts, which are part of the fair value of the loan portfolio at the time of the transaction.

The amount of the transaction costs and revenue associated with the credit granting which are part of the effective interest is shown net in the consolidated statement of financial position under a separate line item, affecting the total loan portfolio.

Any other expense not related to the credit granting, such as those related to promotion, advertising, potential customers, management of existing credits (follow-up, control, recoveries, etc.) and other auxiliary activities related to the establishment and monitoring of credit policies, are recognized directly in results for the year on an accrual basis under the line item corresponding to the nature of the expense.

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Collected commissions and transaction costs originated from a credit facility are recognized at that time as a credit or deferred charge, which is amortized against results for the year for the period corresponding to the term granted in the credit facility. In the event the credit facility is canceled, the outstanding balance is recognized directly in results for the year under the line item corresponding to the date of cancellation of the credit facility.

- **Subsequent recognition**

At subsequent recognition, the loan portfolio is valued at amortized cost, which includes increases due to accrued interest, reductions for amortizations of transaction costs and items collected in advance, as well as reductions and for principal and interest collections and for the preventive allowance for credit risks.

In the event of credit facilities granted by the Institution, in which only part of the authorized amount has been exercised, the unused portion thereof remains recognized in memorandum accounts.

Commissions that are recognized after the granting of the credit are those generated as part of maintenance of such credits, as well as those charges for credits that have not been placed, are recorded in results of the year upon their accrual.

- **Reclassifications**

The Institution reclassifies the loan portfolio only if its business model is modified. These changes are the result of external and internal changes that are significant for its operations and may be proved before third parties.

Reclassifications are communicated in writing to the Banking Commission within 10 business days following the determination, exposing in detail the change to the business model that explains them. Reclassification is made prospectively and does not modify the previously recognized profits and losses.

In the years ended December 31, 2024 and 2023, there were no changes or modifications to the loan portfolio business model.

Categorization of the loan portfolio by credit risk level

Portfolio with credit risk Stage 1

The following loans are considered portfolio with credit risk Stage 1:

- Commercial loans: with 30 or less days past-due.
- Consumer loans: when the number of days past-due, calculated as the total past due billings to rating date, is less or equal to 1.
- Housing loans: when the number of days past-due, calculated as the total past-due billings to the rating date, is less than or equal to 1.

Loan portfolio with credit risk Stage 2

The following loans are considered portfolio with credit risk Stage 2:

- Commercial loans: with more than 30 days and less than 90 days past-due.
- Consumer loans: when the number of days past-due, calculated as the total of past-due billings to the rating date, are greater than 1 but less than or equal to 3.
- Housing loans: when the number of days past-due, calculated as the total of past-due billings to the rating date, is greater than 3.

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Loan portfolio with credit risk Stage 3

- Commercial loans: with 90 or more days past-due.
- Consumer loan: when the number of days past-due, calculated as the total past-due billings to the rating date is greater than 3.
- Housing loans: when the number of days past-due, calculated as the total past-due billings to the rating date, is greater than 3.

The outstanding balance according to the payment terms set forth in the loan agreement should be recognized as loan portfolio with credit risk Stage 3 when:

1. It is known that borrowers have filed for bankruptcy under the Bankruptcy Law. Loans under bankruptcy proceedings that continue making payments in terms of the Bankruptcy Law are classified as portfolio with a credit risk in Stage 3, if assumptions provided for in the following numeral 2 are met. Notwithstanding the provisions in this item, loans that continue receiving payments pursuant to Section VIII of Article 3 of the Bankruptcy Law, as well as loans granted under Article 75, in relation to Sections II and III of Article 224 of the referenced law, will be transferred to the loan portfolio with credit risk Stage 3, if assumptions provided or in the following numeral 2 are met.
2. Amortizations of consumer loans and housing loans, referred to in Exhibit 16-A, "Procedure to calculate the number of past-due billings in rating non-revolving consumer and housing loan portfolios" as stated in the General Rules Applicable to Credit Institutions (Withdrawals), have been partially paid, provided such debts correspond to:
 - a) Loans with a single payment of principal and interest at maturity, which are more than 30 calendar days past-due for principal and interest;
 - b) Loans where principal is repaid in a lump sum at maturity (Bullet loans) and periodic interest payments, which are 90 or more calendar days past-due for their respective interest payment, or otherwise 30 or more calendar days past-due on the principal amount.
 - c) Loans with periodic partial payments of principal and interest, which are 90 or more calendar days past-due for principal and interest.

For purposes of the provision in this numeral, the payment made in each billing period will be used to settle first the oldest overdue billing, and then the one following, if any, and so forth until the most recent billing.

Loans with credit risk Stages 2 and 3 which are fully settled or comply with the Re-established payment behavior, are taken back to the portfolio with credit risk Stage 1; situation evidenced by the payment of total due amount for principal and interest with no delays in 3 consecutive amortizations (amortizations lower than or equal to 60 days), the payment of 2 amortizations (periods between 61 and 90 calendar days) and in amortizations greater than 90 days, the payment of one amortization. In loans with a single payment of principal at maturity, the Re-established payment behavior is evidenced by covering at least 20% of the loan original amount upon the restructuring or renewal in a term of 90 days and when such term has elapsed.

3. Loan amortizations not considered in the previous numeral, which amortizations have not been fully settled in the terms originally agree upon, provided debts correspond to:
 - a) Loans with a single payment of principal and interest at maturity which are 30 or more natural days past-due for principal and interest;
 - b) Loans with a single payment at maturity, and periodic interest payments, which are 90 days or more calendar days past-due for their respective interest payment, or otherwise 30 or more calendar days past-due on the principal;

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- c) Loans with periodic partial payments of principal and interest, which are 90 or more days past-due for principal and interest.
4. Immediately redeemable notes will be reported as portfolio with credit risk Stage 3 at the time they have not been collected.

Loan portfolio should be recognized with credit risk Stage 3, when the entities have any element to determine they should be migrated from Stage 1 or Stage 2.

In relation to maturity terms referred to in numerals 2 and 3, monthly periods may be used, regardless of the number of days in each calendar month, according to the following equivalents: one calendar month, 30 days; three calendar months, 90 days.

Likewise, if the set term expires on a nonbusiness day, said terms will be understood ended on the following business day.

In the case of acquisitions of loan portfolios, for the purpose of determining days past-due and the respective transfer to a portfolio with credit risk Stage 3, consideration must be given to all instances of noncompliance by the borrower since loan origination.

Loans with credit risk Stage 3 or Stage 2 for which outstanding balances are fully settled (principal and interest, among others) or which, in the case of restructured loans, comply with the sustained loan payment, shall be transferred back to the portfolio with credit risk Stage 1.

- **Restructuring and renegotiations**

For restructurings made by the Institution of loans with credit risks Stages 1 and 2, or which through a renewal are partially settled, the gain or loss on the renegotiation is determined through the difference between the carrying amount and the discounted cash flows at the original effective interest rate; the result is recorded in the consolidated statement of comprehensive income as a deferred charge or credit against the gain or loss on the loan portfolio renegotiation.

The amount partially restructured or renewed is the basis to apply the original effective interest rate, which is only adjusted, if applicable, to include the transaction costs, fees, and other items collected in advance pending amortization, as well as the those originated in the renegotiation are amortized during the new loan term based on the effective interest rate.

If the Institution renews a loan, it is considered there is a new loan, therefore, the previous loan, in the event of total renewal, is written off.

Loans with credit risk Stage 2 or Stage 3 which are restructured or renewed are not classified to a Stage with lower risk because of such restructuring or renewal until there is evidence of Re-established payment behavior.

Bullet loans which are restructured during their term or renewed at any time, shall be reclassified to the next higher risk stage until they show Re-established payment behavior. Withdrawn credit facilities, which are restructured or renewed at any time, also shall be reclassified to the next higher risk stage, except when there are elements that justify the debtor's repayment capability, have repaid in full interest and payments due on the restructuring or renewal date.

If withdrawals made under the credit facility, when they are restructured or renewed regardless of the corresponding credit facility, represent 25% of the total withdrawn balance of the credit facility to the restructuring or renewal date, the total withdrawn balance, as well as the subsequent withdrawals, are transferred to a classification with greater risk. The total balance withdrawn from a credit facility is transferred to a classification with lower credit risk if there is evidence of the Re-established payment behavior of the withdrawals that originated such transfer, and there has been compliance with all obligations due to the total credit facility on the assessment date.

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Loans with credit risk Stages 1 and 2, other than the ones mentioned above, which are restructured or renewed without having at least 80% of the original loan term elapsed, will remain in the same category, only if total accrued interest and the original principal loan amount which should have been covered are paid.

Loans with credit risk Stages 1 and 2 other than the above mentioned which are restructured or renewed during the course of the final 20% of the original term of the loan shall be reclassified to the next higher risk stage, except if the borrower has fully paid the total interest accrued on the restructuring or renewal date, covered the total original amount of the loan which at the date of renewal or restructuring should have been paid and paid 60% of the original loan amount.

Loans with credit risk Stages 1 and 2 which are restructured or renewed more than once, are transferred to a portfolio with credit risk Stage 3, except when, in addition to the conditions set out in the previous paragraphs, the Institution has elements that evidence the debtor's repayment capability.

The Institution recognizes the outstanding balance pending amortization corresponding to the gain or loss on renegotiation in results for the year when the loan is transferred to a portfolio with a credit risk Stage 3.

If in a restructure or renewal several loans granted to the same borrower are consolidated, and it is concluded that one or more of such loans should be transferred to a portfolio with a greater credit risk as a result of such restructuring or renewal the total balance of the consolidated loan is transferred to the category corresponding to the loan subject to consolidation with a greater credit risk.

Loans classified in Stage 2 due to a restructuring or renewal are evaluated periodically to determine whether there is an increase in their risk originating a transfer to Stage 3.

Restructurings which to the transaction date show compliance with the payment in the total amount due for principal and interest are not transferred to a category with greater credit risk when they only modify one of the following conditions: extension or replacement of guarantees for others of better quality; improvement to the interest rate; new currency or unit of account; the change in the payment date does not involve exceeding or modifying its periodicity.

- **Loan Re-established payment behavior**

A loan Re-established payment behavior is evidenced when the borrower makes the payment of the total due amount of principal and interest without delay, for at least three consecutive amortizations of the loan payment scheme, for amortizations that cover periods shorter than or equal to 60 days, or the payment of two amortizations in the event of loans with periods between 61 and 90 calendar days, and in the event of loans with amortizations covering periods longer than 90 calendar days, the payment of one amortization.

When the amortization periods agreed in the restructuring or renewal are not homogeneous, for purposes of evidencing the Re-established payment behavior, it is required to consider the number of periods representing the longest term.

For restructurings modifying the periodicity of payment to shorter periods, it is required to consider the number of amortizations of the original loan scheme.

In the case of consolidated loans, if two or more loans originated the transfer to a portfolio with credit risk Stage 2 or Stage 3, for the purpose of determining the required amortizations, the original repayment scheme should be considered, where such amortizations should be equal to the longest term.

In any case, to evidence there is a Re-established payment behavior, the entity should make available to the Banking Commission evidence that the borrower has repayment capability upon carrying out the restructuring or renewal to face the new loan conditions.

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The minimum elements to be considered for the purpose of the previous paragraph are as follows: the intrinsic borrower's probability of default, the guarantees granted to the restructured or renewed loan, the order of preference for payment before other creditors and the borrower's liquidity in the face of the new financing structure.

For Bullet loans, whether the interest payment is periodic or upon maturity, it is considered there is Re-established payment behavior of the loan upon occurrence of the following assumptions:

- a) the borrower has covered at least 20% of the original loan amount upon restructuring or renewal, or otherwise,
- b) the amount of accrued interests according to the repayment scheme for restructuring or renewal corresponding to a term of 90 days has been covered and at least such term has elapsed.

Loans which are restructured or renewed more than once, which have been agreed with a sole payment of principal at maturity, regardless of whether interest payment is periodic or at maturity, will evidence loan Re-established payment behavior when:

- a) the borrower covers at least 20% of the outstanding principal to the date of the new restructuring or renewal;
- b) the amount of accrued interests according to the new repayment scheme for restructuring or renewal corresponding to a term of 90 days has been covered and at least such term has elapsed, and
- c) the entity has elements to prove the debtor's repayment capability. For commercial loans, such elements should be duly documented and integrated into the loan's file.

Prepayment of amortizations of the restructured or renewed loans, other than those with single payment of principal at maturity, regardless of whether interest payment is periodic or at maturity, will not be considered Re-established payment behavior. That is the case of amortizations of restructured or renewed loans which are paid without having the calendar days equivalent to the required period elapsed.

In any case, loans transferred to a category of greater credit risk as a result of a restructuring or renewal, should remain a minimum of three months in such stage to evidence Re-established payment behavior and, thus, shall be reclassified to the next lower risk stage, except for restructured or renewed loans granted for a term shorter than or equal to 6 months and which are not restructured or renewed consecutively for the same term. The foregoing shall not be applicable to loans with payment of principal at maturity, regardless of whether interest payment is periodic or at maturity.

- **Discontinuation of interest accrual**

Interest accrued on loan transactions should be discontinued when the outstanding balance of the loan is considered to be with credit risk Stage 3. Likewise, it is required to consider the balance pending amortization of the transaction costs, as well as of the items collected in advance and, if any, the effect of the profit or loss on the renegotiation pending amortization against the year's results.

For loans contractually capitalizing interest to the debt amount, the discontinuation of interest accrual established in the paragraph above will be applied.

During the period loans are held in a portfolio with credit risk Stage 3, interest earned will be recorded in memorandum accounts. If such interest or financial income is collected, it will be directly recognized in profit or loss under the line item "Interest income", cancelling, in the case of a financial lease, financial factoring transactions, discount or assignment of credit rights, the corresponding financial income to be earned.

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In the event interest recorded in memorandum accounts pursuant to the previous paragraph are written off or charged off, these should be canceled in the memorandum accounts without affecting the preventive allowance for credit risks.

“Special accounting criteria provided by the Banking Commission applicable to loan institutions, for those accredited with domicile or source of payment situated in zones declared in emergency status” affected by Hurricane Otis.

Based on Article 175 first paragraph of “General Rules Applicable to Loan Institutions” and as a consequence of the damages caused by hydro-meteorological phenomena severely affecting the State of Guerrero as a result of which the Secretary of Security and Public Safety issued on October 26, 2023, the “Accord through which it is Established an Emergency Situation”, being Acapulco de Juárez the municipality with initial attention, the Banking Commission determined to temporarily release special accounting criteria through Official Letter P-307/203 dated October 2023.

The Banking Commission released special accounting criteria in respect to consumption, housing and commercial loans for borrowers having their domicile or the loans which source of payment is situated in affected zones and that were accounting wise classified as portfolio with credit risk Stage 1 or Stage 2 on October 2023, for the purpose of being renewed or restructured remaining in the same credit risk category and not to be considered a restructured loans, in accordance with Criteria B-6, “Loan Portfolio”.

The benefit stated above, among other aspects, allows that the new maturity term which, as the case may be, is granted to the borrower, does not exceed more than 6 months the original maturity date of the transactions and the corresponding processes of such restructuring or renewal conclude no later than April 30, 2024.

To this effect, the Institution implemented the “Emergent Support Scheme for Companies affected by Hurricane Otis in the State of Guerrero (Rescheduling)” (the Scheme), for the purpose that the Institution borrowers subject to this benefit may access a rescheduling scheme of amortizations, as a result of the impact caused by Hurricane Otis in the State of Guerrero, and through this scheme such companies are able to maintain jobs and carry out the most essential expenses to continue with their operations.

The Scheme was issued considering the possibility to apply the “General Rules Applicable to Loan Institutions (Single Banks Circular Letter)”, Schedule 33, Criteria B-6, *Loan Portfolio*, as well as special accounting criteria issued by the Banking Commission, having as instrumentation deadline April 30, 2024.

As of December 31, 2024, the Institution has granted guarantees of \$469 to 203 borrowers, as indicated in the following table:

Financial Intermediary	Number of Credits	Guaranteed Balance
BANCA AFIRME	2	\$ 2
BANORTE	8	24
BBVA	160	359
CITIBANAMEX	24	59
MIFEL	1	3
SANTANDER	8	22
Total	203	\$ 469

k. Preventive allowance for credit risks

The preventive allowance for credit risks is recorded, which, based on Management’s best estimate, is sufficient to cover any loss which could arise both from loans included in its loan portfolio, and from other credit risks of guarantees issued and irrevocable loan commitments.

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The amount of the preventive allowance for credit risks is determined based on the different methodologies set out by the Banking Commission 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 Banking Commission and should be recognized in results of the corresponding period.

Loan portfolio rating is based on an expected loss model which considers in its evaluation, the loan stage (1, 2 or 3), the economic sector to which it belongs, the probability of default, the loss given default and the exposure at default, while for the consumer and housing portfolio, rating was made according to the methodology for rating consumer and housing loan portfolios, referred to in Subsection A of the First and Second Sections of Chapter V, Second Title, of the General Provisions Applicable to Credit Institutions published through a modifying resolution on October 25, 2010 and its subsequent amendments.

Identification of the loan portfolio impairment level should take place before the default, considering, among other factors, significant increases in credit risk indicators, deterioration in the external rating of an instrument or borrower, significant risk increases in other instruments of the same borrower, delinquency information, significant deterioration in market indicators, significant changes in the value of guarantees or in the operating results of the borrower, even those of the economic environment.

An estimate of expected losses should be made by considering the 3 mentioned stages, depending on the level of credit impairment of assets, as follows:

- **Stage 1**, is the stage that incorporates financial instruments whose credit risk has not increased significantly since their initial recognition, and the estimate should be created for a 12-month period for loans which credit risk has not increased significantly since their initial recognition until the date of the financial statements and which do not meet the assumptions to be considered in Stages 2 or 3.
- **Stage 2**, which incorporates the instruments in which a significant risk is presented in the credit risk since their initial recognition, for loans which have shown a significant increase in the credit risk since their initial recognition until the date of the financial statements, according to the provisions of the models to calculate the preventive allowance for credit risks.
- **Stage 3**, which encompasses instruments in which there is objective evidence of impairment and for which, both in Stage 2 and in Stage 3, it is established that the Credit Institutions are required to create allowances for loan losses for the remaining term to maturity for loans with credit impairment originated for occurrence of one or more events that have a negatively impact on the future cash flows of such loans.

The amount of the allowances for loan losses on each loan shall be the result of applying the following formula:

$$R_i = P_{li} \times S_{pi} \times E_{li}$$

Where:

R _i	Amount of the allowance to be recognized for the i-th loan
P _{li}	Probability of default of the i-th credit
S _{pi}	Severity of loss of the i-th credit
E _{li}	Exposure to default on the i-th credit

E_{li} should be calculated monthly and in the case of P_{li} and S_{pi}, at least quarterly

Commercial loans. - The allowances for the commercial loan are based on individual assessments of the credit risk of borrowers and their classification in accordance with the General Provisions applicable to the rating methodology of the Credit Institutions loan portfolio provided by the Banking Commission. Commercial loans shall be subject to a credit rating without including those loans with guarantee from Entities of the Federal Public Administration under direct budgetary control, productive State companies or those indicated in section VI of Article 112 of the Provisions, in which the allowance percentage shall be equal to 0.5%.

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Preventive allowances for credit risk for commercial portfolio are classified based on the risk grades and the percentages on the following table:

<u>Risk grade</u>	<u>Percentage range for allowances</u>	
A1	0.000%	0.90%
A2	0.901%	1.5%
B1	1.501%	2.0%
B2	2.001%	2.50%
B3	2.501%	5.0%
C1	5.001%	10.0%
C2	10.001%	15.5%
D	15.501%	45.0%
E	Higher than 45.00%	

- Methodology for the rating of commercial portfolio

The commercial portfolio rating exercise based on the expected loss model considered the following:

1. The commercial portfolio was classified according to the Provisions, as applicable to the Institution, in accordance with the following:
 - i. States and municipalities (not applicable to the Institution).
 - ii. Projects with own source of payment (Exhibit 19).
 - iii. Trustees who act on behalf of trusts, not included in the previous subsection, as well as credit schemes commonly known as "structured" (not applicable to the Institution).
 - iv. Financial entities (Exhibit 20).
 - v. Business entities not included in the previous subsections and individuals with business activities:
 - Annual net revenues or net sales < 14 million UDIs (Exhibit 21).
 - "Non overdue borrowers" in the last 12 months.
 - "Overdue borrowers" at least with one day overdue in the last 12 months.
 - Annual net revenues or net sales ≥ 14 million UDIs (Exhibit 22).
 - Small companies: 14 million UDIs ≥ Annual net sales < 54 million UDIs.
 - Companies: 54 million UDIs ≥ Annual net sales < 216 million UDIs.
 - Large companies: Annual net sales ≥ 216 million UDIs.

Likewise, the commercial portfolio is classified in stages according to the following:

- Stage 1. For loans with 30 or less days past due.
- Stage 2. For loans with more than 30 days past-due and less than 90 days past-due, o which comply with any of the criteria described in Stages 1 or 3.
- Stage 3. For loans with 90 or more days past-due o when the loan is in Stage 3, according to the terms set out in the Accounting Criterion B-6, *Loan portfolio*.
- Methodology for the rating of the consumer and housing portfolios

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Rating of the consumer and housing portfolios is determined based on the result determined by the impact of the probability of default in the loss given default associated to the value and nature of the loan guarantees. The origin of these portfolios arises from loans granted to employees, once their labor relationship with the Institution is terminated, and which according to the internal regulations of the Banking Commission are part of the loan portfolio.

- Additional reserves

They are established for those credits which, in Management's opinion, may become impaired in the future due to the customer's situation, the industry sector or the economy. Additionally include estimates for items such as ordinary accrued and uncollected interests and other items whose realization is estimated could result in a loss for the Institution, as well as reserves held for guarantees granted.

To determine additional reserves reported to the Banking Commission which the Institution had to set up in years 2024 and 2023, where the methodology consists of estimating the amount of the additional reserves depending on the expected threshold of Stage 3 of overdue portfolio for years 2024 and 2023. The threshold would be determined by the portfolio's behavior. Likewise, a comparison was prepared between the Institution's overdue portfolio in Stage 3 and the Commercial Bank's average overdue portfolio in Stage 3, with the assumption that the Institution's overdue portfolio in Stage 3, would tend to the bank average and will reach a percentage similar to that of the Commercial Banks in the short term.

- Accounting records

In light of the above, the Institution calculates the amount of the preventive allowance for credit risks, which is recorded in the corresponding year's results; any surplus in the preventive allowance for credit risks is reversed against profit or loss, affecting the same item that gave it origin, that is, the one of the preventive allowance for credit risks.

- Impaired loan portfolio

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 discount was authorized at the end of the agreed-upon term.

I. Other accounts receivable

Other accounts receivable are initially recognized when a right generated from a transaction arises, that is, when they become due and collectible at the amount for which there is a collection right, which in general is their nominal value. Subsequently, they are valued based on the amount for which there is a collection right, which in general is their nominal value pending collection.

Loans to officers and employees and the accounts receivable related to accounts receivable whose original maturity exceeds 90 calendar days are assessed by 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 year's results 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 recoverable balances related to creditable value-added tax.

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

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m. Foreclosed assets or assets received in lieu of payment

Foreclosed assets are recorded on the date of the admission order of the judicial sale by which the foreclosure was decreed and became final and enforceable.

Assets received in lieu of payment are recorded on the date the deed of payment is formalized, or the date on which the asset's ownership transfer is formalized.

The value recognition of foreclosed assets shall be:

- a) the lower of the gross carrying amount of the asset originating the foreclosure, without deducting the allowance for credit risks recognized up to that date, and the net realization value of assets received when the intention of the Institution is to sell such assets to recuperate the amount receivable; or
- b) the lower between the gross carrying amount of the asset originating the foreclosure or the fair value of the received asset when the intention of the Institution is to use the foreclosed asset for its operations.

When the net value of the assets originating the foreclosure exceeds the value of the foreclosed asset, the loss is recognized in profit or loss under the line item "Other operating income (expenses)"; otherwise, the value of the foreclosed asset is adjusted to the net value of the asset.

At the time of recognizing a foreclosed asset, the allowance created as of that date, are accounting wise derecognized, affecting the credit allowance in the statement of comprehensive income.

Foreclosed assets are valued according to the type of assets they represent, recording said valuation against results of the year under line item "Other operating income (expenses)". The Institution's policy referred to foreclosed assets is to recognize accounting wise an estimate (loss) for the full amount of the foreclosed value.

Foreclosed assets pledged for sale are recognized as restricted at the carrying amount; collections received on account of the asset are recorded as a liability under "Other accounts payable", until the sale is completed. On the date of the sale a gain or loss is recognized in results under line item "Other operating income (expenses)".

n. Property, furniture and equipment

Property, furniture and equipment are recorded at acquisition cost. Balances of acquisitions made before December 31, 2007 were adjusted using inflation-indexed factors based on the UDI value from the date of acquisition through that date.

Depreciation is calculated using the straight-line method, based on the useful lives of the corresponding assets estimated by the Management. The amount subject to depreciation is determined by subtracting the residual value and, if any, the cumulative impairment losses from the acquisition cost. The Institution evaluates periodically the residual values of property, furniture, and equipment to determine amounts to be depreciated.

The Institution evaluates periodically the net carrying amount of property, furniture, and equipment, to determine whether there is an indication that these values exceed their recoverable amount. The recoverable amount is the greater of fair value less costs to sell and value in use. If it is determined that the net carrying amounts exceed their recoverable amount, the Institution recognizes the impairment by subtracting it from the year's results.

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o. Permanent investments

Permanent investments are initially recognized based on the amount invested, contributed, or the acquisition cost. Subsequently, said investments are valued by the equity method, which consists of adjusting the value of the investment, contribution or of acquisition of shares, by the proportionate share of comprehensive income, distributions of earnings, or capital reimbursements subsequent to date of acquisition. Losses in associated companies, not resulting from reductions in the equity percentage but as a consequence of movements of other owners, are recognized in proportion in the carrying amount of the investment, against profit or loss for the period in the year of occurrence.

The Institution's participation in the result of associated companies is shown separately in the consolidated statement of comprehensive income.

The other permanent investments where there is no control, joint control, or significant influence are classified as other investments, which are initially recognized and are valued at their acquisition cost. If there are dividends from such investments, these are recognized in results under the line item "Other operating income (expenses)", except if they come from profits earned prior to the acquisition date, in which case, these are subtracted from the permanent investment.

p. Advance payments

Advance payments represent those disbursements made by the Institution, in which the benefits and risks inherent of the goods to be acquired or services to be received have not yet been transferred. Advance payments are recorded at their cost and are shown in the consolidated statement of financial position under the line item "Advance payments and other assets". Once the goods and/or services have been received, these are recognized as an asset or expense in the consolidated statement of comprehensive income for the period, according to their respective nature.

This line item includes mainly prepaid expenses and commissions, as well as security deposits, which are recognized as an asset for the amount paid when they are made, provided there is an estimate of the future economic benefits for the Institution. In the presence of any sign of impairment of the asset value, the potential impairment loss is determined and, if the recoverable amount is lower than the net carrying amount, the asset value is reduced, and the impairment loss is recognized in profit or loss.

The other assets include the assets for employee benefits and deferred employee profit-sharing.

q. Income tax

Income taxes payable for the year are determined according to the tax provisions in effect in accordance with current tax legislation.

Deferred income taxes are accounted for under the asset-liability method, which compares book and tax values. Deferred income taxes (assets and liabilities) are recognized for future tax effects of temporary differences between the values set forth in the financial statement for the existing assets and liabilities and their respective tax bases, and in the case of income tax, for operating loss carry forwards. Deferred income tax assets and liabilities are calculated based on the statutory rates set forth by the relevant law, which are to be applied to the taxable income in the years for which it is estimated that the temporary differences will be reversed. The effect of changes in the tax rates applicable to deferred income taxes are shown in results for the year in which such changes are approved.

Management recognizes a deferred tax asset only to the extent that it is probable and reasonably certain that it will be recovered, based on the Institution's financial and tax projections. The deferred tax is registered using as the counter account results or stockholders' equity, depending on the registration of the item that gave origin to the advanced tax (deferred).

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Income taxes are presented and classified in results for the year, except for those arising from a transaction recognized in Other Comprehensive Income or directly in equity.

r. Traditional deposit funding

Traditional deposit funding is presented broken down in the following concepts:

- time deposits; and
- debt securities issued.

Time deposits include, among others, certificates of deposit withdrawable on predetermined dates and promissory notes with return payable at maturity. Debt securities issued include, among others, bank bonds and Debt Certificates.

Liabilities from deposit funding are initially recognized by applying the following steps:

- i. at the transaction price is adjusted by adding or subtracting transaction costs, as well as other items paid in advance, such as commissions and interest;
- ii. the present value of the estimated contractual cash flows for principal and interest is determined during the remaining term of the liability or for a shorter term, if there is a probability of prepayment or other circumstance that would require using a shorter term;
- iii. the effective interest rate of the liability is calculated; it is determined considering the relationship between the amount determined in the two previous subsections.
- iv. the amount determined in subsection (i) is the fair value of the liability at which it is initially recognized; this amount is the basis for applying the effective interest method with the effective interest rate resulting from step (iii); that is, it is the basis for calculation of the liability amortized cost at the subsequent recognition.

Upon calculating the effective interest rate, the Institution estimates the expected cash flows considering all contractual terms of the liability (such as prepayment, extension, early repayment and other similar options). The calculation includes all commissions and other charges paid or received among the parties of the agreement which are part of the effective interest rate, such as interest, commissions and other items paid in advance, as well as the transaction costs and all other premiums or discounts.

Transaction costs include, among others, fees and commissions paid to agents, advisors and intermediaries, duties paid to regulatory authorities and security markets, bonds or collateral payments, as well as transfer taxes of the financial instrument. These do not include premiums or discounts, which are part of the fair value of the financial instrument at the time of the transaction.

Those liabilities from deposit funding denominated in foreign currencies are recognized in the corresponding currency and translated with the exchange rate at date of transaction. At the closing of the year, these liabilities are translated at the exchange rate in force at the date of the statement of financial position. Changes in exchange rates are recognized in results of the year when they occur.

After initial recognition, liabilities from deposit funding are valued at their amortized cost, which includes, among others, the increase due to accrued effective interest and reductions due to principal and interest payments and, if any, the effect of any forgiveness granted in relation to the amount to be paid. The effective interest is recognized as an "Interest expense" in the year's on an accrual basis.

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The Institution derecognizes a liability from deposit funding (or part thereof) from the consolidated statement of financial position only when it is extinguished, as the obligation has been complied with, that is, when it is transferred, settled or expired.

Interest is charged to expense on an accrual basis under "Interest expense". For instruments sold at a value different from their nominal value, the difference between the instrument's nominal value and the amount effectively received therefrom is recognized as a deferred charge or credit and amortized on an amortized on a straight-line basis, unless the effective interest method is required.

When a financial instrument payable bears an interest rate periodically modified, the effective interest rate is determined for each period. In such event, it would be necessary to determine the effective interest rate for the remaining life of the loan, considering the unamortized transaction costs. If there are periodic payments of principal amount, an amortization of transaction costs in straight-line is not appropriate. However, if changes in rates are not relevant, it will not be necessary to change the effective interest rate.

s. Provisions

The Institution recognizes provisions for present obligations when, based on Management's estimates, the outflow of resources embodying economic benefits is probable and the obligation arises from past events.

t. Interbank loans from other agencies

This line item comprises immediate demand loans, as well as short- and long-term loans, from domestic and foreign banks from domestic and foreign banks, which are recorded based on the contractual value of the obligation. Interest is charged to expense on an accrual basis under "Interest expense".

Those interbank loans received by the Institution and agreed for a term shorter than or equal to 3 business days are presented as demand loans, while those for terms longer than 3 business days are grouped as short and/or long-term in the consolidated statement of financial position.

Those interbank loans denominated in foreign currencies are recognized in the corresponding currency and translated using the exchange rate in effect on the loan origination date. At the closing of the year, those liabilities are translated at the exchange rate of the statement of financial position. Changes in rates of exchange are recognized in results in the year in which they occur.

After initial recognition, interbank loans are valued at their amortized cost, which includes, among others, the increase due to accrued effective interest and reductions due to principal and interest payments and, if any, the effect of any forgiveness granted in relation to the amount to be paid. The effective interest is recognized as an "Interest expense" in results on an accrual basis.

u. Employee benefits

Employee benefits granted by the Institution include all types of compensation accrued in favor of employees and/or their beneficiaries in exchange for services rendered or upon termination of employment. Such benefits are described below:

- **short-term employee benefits**

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

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- **Long-term direct benefits**

The Institution's net obligation related to direct long-term benefits (excluding deferred employee statutory profit-sharing), which are expected to be paid more than twelve months after the reporting date, represents the amount of future benefits earned by employees in exchange for services rendered in the current and prior periods.

- **Termination benefits**

A liability and related expense for termination benefits is recognized when the Institution has no realistic alternative but to make such payments, cannot withdraw the offer of those benefits, or meets the criteria to recognize restructuring costs, whichever comes first.

- **Defined benefit plan**

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 post-retirement medical benefit plans and retiree life insurance.

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

The calculation of liabilities for defined benefit plans is made annually by actuaries using the projected unit credit method. When the calculation results in a possible asset to the Institution, the 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. In determining the present value of economic benefits, any minimum funding requirements must be considered.

The current service cost, representing the increase in the defined benefit obligation due to employee service in the current year, is recognized within administrative expenses. The Institution calculates the net interest expense (or income) by applying the discount rate to the net defined benefit liability (or asset) at the beginning of the reporting period, adjusted for changes during the year resulting from contributions and benefit payments.

The amendments to the plans that affect the cost for services provided are recognized immediately in profit or loss in the year in which the amendment occurs. Furthermore, the effects of any 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 the other comprehensive income within stockholders' equity and are subsequently reclassified to profit or loss over the average remaining working life of the employees.

According to the resolution published on December 31, 2015 by the Banking Commission, the Institution will recognize the modifications to the plans and remeasurements accumulated up to December 31, 2015,

gradually by year 2021 and during the next four years, recognizing 20% starting in the initial year of application and an additional 20% in each of the subsequent four years.

Employee Statutory Profit-Sharing incurred and deferred

Employee Statutory Profit-Sharing (PTU for the acronym in Spanish) incurred in the year is determined in accordance with what is required under Mexican law.

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Employee Profit-Sharing is accounted for in accordance with the assets and liabilities method, which compares accounting and tax values thereof. Deferred PTU (assets and liabilities) is recognized for future tax consequences attributable to the temporary differences between the accounting value of existing assets and liabilities and their tax basis. Deferred PTU is determined using rates provided by the corresponding law and shall be applied to taxable income in those years in which it is estimated temporary differences will reverse. The effect of changes in tax rates over the deferred Employee Statutory Profit-Sharing is recognized in the results of the period in which such changes are approved.

Deferred Employee Statutory Profit-Sharing is presented and classified in results for the period, except for those stemming from a transaction recognized in other comprehensive income or directly under line-item stockholders' equity. Deferred Employee Statutory Profit-Sharing is presented under line item "Administrative and promotion expenses", in the consolidated statement of comprehensive income.

v. Stockholders' equity

Stockholders' equity and other accounts included under equity (reserves, accumulated results, etc.), are presented as follows: i) movements carried out starting January 1, 2008, at historical value, and ii) movements carried out up to December 31, 2007, at updated values as explained in Note 3 (b).

w. Segments

Financial information by segment is prepared based on the provisions in paragraph 6 of criterion A-2, *Application of Specific Standards*, issued by the Banking Commission through Exhibit 33 of the Provisions to allow the user of the financial information of the Institution the analysis of the entity, from the same perspective as that of management.

The Institution segregates its activities according to the seven operating segments, as described below:

- **Markets and Treasury operation:** Through these activities, it is involved in the venture capital of public and private companies with focus on consolidating the financial structure thereof, including investment transactions made by the Institution on its own, such as investments in financial instruments, repurchase/resell agreements, securities lending and derivative financial instruments.
- **First Tier credit operation:** This corresponds to loans placed directly with companies of the public and private sector.
- **Second Tier credit operation:** This corresponds to channeling resources through banking and non-banking financial intermediaries.
- **Loan guarantees:** Program whereby loan granting to MyPimes is encouraged through Nafin's involvement in the risk over financing granting by financial intermediaries.
- **Financial agent:** Loan transactions with resources from international financial bodies and those performed under an agency, where the Institution acts on behalf and by mandate of the Federal Government, under the terms and conditions established by the SHCP, as well as pursuant to the applicable regulations according to the funds source.
- **Trustee:** Financial vehicle for management of properties and rights, through a trust or agency for a specific purpose.
- **Other businesses (capital investment, subsidiaries, among others):** Capital contributions through private capital funds to strengthen small and medium-sized companies. In addition to revenues from equity of the Institution in related companies.

x. Revenue recognition

Interest in loans granted including the interbank loans agreed for a term shorter than or equal to three business days, is recognized in profit or loss as it accrues. Interest in past-due loan portfolio is recognized in income upon effective collection.

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

Commissions from assets in custody or under management are recognized in income when the services are rendered, under the line item "Commission and rates income".

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

Fees for restructured or renewed loans are recorded as deferred loans 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 statement of comprehensive income, on an accrual basis, under the line item "Commission and rates income".

y. Foreign currency transactions

Foreign currency transactions are accounted for at the exchange rate in force on the date entered into. at the closing date of the consolidated financial statements, monetary assets and liabilities, denominated in foreign currency, are translated at the rate of closing exchange published by the Mexican Central Bank. Foreign exchange differences generated on the date transactions took place and those of their collection or payments, as well as those from translation to Mexican pesos of balances denominated in foreign currency at the date of the consolidated financial statements, are applied to results of the year in which they originate.

In the case of the London branch, foreign currencies different from the dollar, are first converted to dollars and subsequently to Mexican pesos in accordance with the previous paragraph.

z. Fair value

Fair value is the exit price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the valuation date.

To determine fair value, the following should be considered:

- a) the specific asset or liability subject to valuation;
- b) for a nonmonetary asset, the greatest and best use of the asset, and if the asset is used in combination with other assets or on an independent basis;
- c) the market in which an orderly transaction would take place for the asset or the liability; and
- d) the valuation technique or techniques appropriate to determine the fair value.

Fair value hierarchy

To increase coherence and comparability in the determinations of the fair value and the related information to be disclosed, the Accounting Criteria establishes a fair value hierarchy which classifies in three levels the inputs used to determine the fair value. The availability of relevant inputs and their relative subjectivity may affect the selection of the appropriate valuation techniques. However, the fair value hierarchy prioritizes the inputs rather than the valuation techniques used to determine the fair value.

The fair value hierarchy gives the highest priority to quoted (unadjusted) prices in active markets for identical assets and liabilities (Level 1 inputs) and the lowest priority to unobservable market inputs (Level 3 inputs).

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The Institution classifies its assets and liabilities valued at fair value according to the following:

Level 1: When evidence of inputs is available in the main market of the asset and/or liability, and when the Institution may carry out a transaction for that asset and/or liability at the market price on the valuation date.

According to the Accounting Criteria, the Institution does not classify as Level 1 the prices derived from internal valuation models.

Assets and liabilities at fair value presented in Level 1 should be transferred to the next level when:

- i). similar assets and liabilities valued at fair value have a quoted price in an active market, but it is not observable;
- ii). a price in an active market does not represent the fair value on the valuation date; or
- iii). the fair value of a liability or an equity instrument is determined using a quoted price in an active market and such price requires adjustments for specific factors.

Level 2: When:

- a) inputs are different from the ones available in the market but are observable substantially over the term of the asset and/or liability life.
- b) quoted prices are identical or similar in markets with not very frequent transactions and of sufficient volumes.
- c) inputs used are other than quoted prices but are observable; and
- d) inputs may be corroborated by the market.

Assets and liabilities at fair value presented in Level 2 are transferred to Level 3, when the adjustments made to non-observable inputs are relevant and significant for the whole valuation.

Level 3: There is a minimum market activity as of the valuation date of the asset and/or liability and, therefore, inputs are not observable for the valuation.

aa. Memorandum accounts

Memorandum accounts correspond 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 amount for which the Institution may be held liable to its customers.

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

bb. Contingencies

Contingencies represent assets and liabilities arising from past events, which existence should be confirmed only by the occurrence, or if applicable, by the lack of occurrence of one or more uncertain events in the future, which are not entirely under the control of the Institution.

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. In the absence of these reasonable elements, disclosure is included on a qualitative basis in the notes to the consolidated financial statements. Contingent revenues, profits or assets are not recognized until their realization is virtually certain.

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4. FOREIGN CURRENCY POSITION

Central Bank regulations require that banks maintain balanced positions in foreign currencies within certain limits. The short or long position allowed by the Mexican Central Bank is limited to a maximum of 15% of the core capital calculated as of the immediately preceding quarter.

As of December 31, 2024 and 2023, the Institution's position is within the authorized limits.

The foreign currency position of the Institution, on a non-consolidated basis:

The consolidated foreign currency position is the following:

	Position in foreign currency (USD)		Translated amount into local currency	
	2024	2023	2024	2023
Assets	\$ 6,095	\$ 5,454	\$ 127,289	\$ 92,540
Liabilities	(6,095)	(5,574)	(127,292)	(94,570)
Long (short) position	\$ -	\$ (120)	\$ (3)	\$ (2,030)

As of December 31, 2024 and 2023, the assets and liabilities in foreign currency, expressed in millions of units of the original foreign currency, is shown below:

	2024			2023		
	Assets	Liabilities	Net position	Assets	Liabilities	Net position
US dollars	\$ 6,087	\$ (6,091)	\$ (4)	\$ 5,426	\$ (5,549)	\$ (123)
Japanese Yen	9	-	9	9	-	9
Euros	6	(4)	2	19	(17)	2
Canadian dollars	1	-	1	-	-	-
Pound sterling	1	-	1	6	(5)	1

As of December 31, 2024 and 2023, the Institution's individual foreign currency-denominated assets and liabilities translated into Mexican pesos are as follows:

	2024			2023		
	Assets	Liabilities	Net position	Assets	Liabilities	Net position
US dollars	\$ 127,122	\$ (127,207)	\$ (85)	\$ 92,061	\$ (94,145)	\$ (2,084)
Japanese Yen	1	-	1	1	-	1
Euros	135	(81)	54	352	(316)	36
Pound sterling	19	(4)	15	126	(109)	17
Canadian dollars	11	-	11	-	-	-
Swiss franc	1	-	1	-	-	-
	\$ 127,289	\$ (127,292)	\$ (3)	\$ 92,540	\$ (94,570)	\$ (2,030)

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For the purposes of valuing foreign currency transactions into local currency, the accounting criteria "A-1 Basic outline of the set of accounting criteria applicable to Credit Institutions" and "A-2 Application of specific standards" are applied, both in Annex 33 of the General Provisions Applicable to Credit Institutions; as well as the provisions of Financial Reporting Standard "B-15 Translation of Foreign Currencies".

The following shows the effects on results of the valuation of foreign currency transactions on a monthly basis for 2024 and 2023:

Period	Fiscal year 2024		Fiscal year 2023	
	Monthly Result	Accumulated Result	Monthly Result	Accumulated Result
January	10	10	(11)	(11)
February	(5)	5	10	(1)
March	(10)	(5)	(22)	(23)
April	(42)	(47)	(7)	(31)
May	(43)	(90)	(85)	(115)
June	(50)	(140)	84	(31)
July	(13)	(153)	(179)	(210)
August	(25)	(178)	148	(62)
September	(52)	(230)	(11)	(73)
October	(51)	(281)	(11)	(84)
November	(253)	(534)	(5)	(89)
December	60	(474)	(10)	(99)

Assets and liabilities denominated in US dollars as of December 31, 2024 and 2023, were translated to Mexican pesos at the exchange rate published by the Bank of Mexico, which was \$20.8829 and \$16.9666 per US dollar, respectively.

5. CASH AND CASH EQUIVALENTS

As of December 31, 2024 and 2023, cash and cash equivalents are comprised as follows:

	2024	2023
Domestic and foreign banks (a)	\$ 77,003	\$ 98,780
Restricted funds:		
Bank loans with maturities of less than or equal to 4 days (c)	5,198	5,846
Time deposits (b)	3,912	30,647
Deposits with the Bank of Mexico (d)	4,588	4,587
	<u>\$ 90,701</u>	<u>\$ 139,860</u>

(a) In November 2024, funding was obtained for credit transactions approved by the Institution's Governance Bodies, which were rescheduled, were rescheduled for the first quarter of 2025, thus resources were temporarily invested in demand deposits under market conditions.

In December 2023, funding was obtained for credit transactions approved by the Institution's Governance Bodies, which were rescheduled, were rescheduled for the first quarter of 2024, thus resources were temporarily invested demand deposits under market conditions.

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(b) As of December 31, 2024 and 2023, details of time deposits are presented below:

2024	Amount	Annual rate	Maturity
Bancomext	\$ 2,113	5.14%	88 days
Mizuho International PLC	1,799	4.32%	21 days
	<u>\$ 3,912</u>		
2023	Amount	Annual rate	Maturity
Bancomext	\$ 1,719	5.98%	90 days
Bancomext	1,719	5.94%	90 days
Bancomext	1,719	5.95%	90 days
Bancomext	854	5.93%	87 days
Bancomext	853	5.94%	90 days
Bancomext	852	5.93%	90 days
Bancomext	511	5.93%	88 days
Bancomext	2,553	5.93%	90 days
Bancomext	850	5.92%	87 days
Bancomext	1,615	5.92%	90 days
Bancomext	2,887	5.90%	90 days
Bancomext	2,207	5.88%	90 days
Bancomext	1,697	5.88%	90 days
Standard Chartered	1,700	5.33%	21 days
Standard Chartered	1,700	5.48%	32 days
Sumimoto Mitsui B	1,700	5.41%	30 days
Sumimoto Mitsui B	2,380	5.58%	63 days
Mizuho International PLC	7	4.20%	21 days
Mizuho International PLC	1,432	5.39%	21 days
Mizuho International PLC	1,692	5.42%	31 days
	<u>\$ 30,647</u>		

(c) As of December 31, 2024 and 2023, bank loans, maturity of less or equal to four days, were the following:

2024	Amount	Annual rate	Maturity
Credit Agricole CIB	\$ 3,655	4.33%	3 days
Scotiabank	940	4.30%	2 days
Sociedad Hipotecaria Federal	603	4.38%	3 days
	<u>\$ 5,198</u>		
2023	Amount	Annual rate	Maturity
Banobras	\$ 119	5.38%	3 days
Scotiabank Inverlat	4,922	5.50%	3 days
Sociedad Hipotecaria Federal	805	5.31%	3 days
	<u>\$ 5,846</u>		

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- (d) As of December 31, 2024 and 2023, deposits with the Central Bank correspond to deposits pursuant to monetary regulation which have no maturity. Interest generated by the deposits with the Central Bank for years ending December 31, 2024 and 2023, were \$507 and \$518, respectively. According to applicable provisions issued by Banxico for monetary regulation deposits state that such deposits may be comprised of cash, securities or both.

As of December 31, 2024, cash and cash equivalents in foreign currency were comprised as follows:

	Amounts in millions of the original foreign currency	Exchange rate	Term	Equivalent amount in Mexican pesos
US dollars	961	20.8829	Less than 90 days	\$ 20,059
Euros	1	21.6232	Less than 90 days	22
Pound sterling	1	26.1558	Less than 90 days	26
				<u>\$ 20,107</u>

As of December 31, 2023, cash and cash equivalents in foreign currency were comprised as follows:

	Amount in millions of the original foreign currency	Exchange rate	Term	Equivalent amount in Mexican pesos
US dollars	2,418	16.9666	Less than 90 days	\$ 41,025
Euros	11	18.7455	Less than 90 days	206
Pound sterling	1	21.6214	Less than 90 days	22
				<u>\$ 41,253</u>

6. INVESTMENTS IN FINANCIAL INSTRUMENTS

As of December 31, 2024, investments in trading financial instruments and for collect or sell are comprised as follows:

	Main	Interests	Changes in fair value	Total
Trading Financial Instruments				
Debt instruments				
Government instruments	\$ 35,292	\$ 116	\$ 67	\$ 35,475
Other instruments	3	-	-	3
Subsidiaries	25	-	-	25
Capital instruments				
Financial equity instruments	66	-	(40)	26
Subsidiaries	9,666	-	-	9,666
Total trading financial instruments	<u>\$ 45,052</u>	<u>\$ 116</u>	<u>\$ 27</u>	<u>\$ 45,195</u>
Trading financial instruments restricted or pledged as collateral				
Debt instruments				
Government instruments	\$ 151,397	\$ 1	\$ 208	\$ 151,606
Banking instruments	-	-	-	-
Other instruments	6,886	-	1	6,887
Capital Instruments				
Financial equity instruments	-	-	-	-
Total restricted financial instruments to trade	<u>158,283</u>	<u>1</u>	<u>209</u>	<u>158,493</u>
Total trading instruments	<u>\$ 203,335</u>	<u>\$ 117</u>	<u>\$ 236</u>	<u>\$ 203,688</u>

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	<u>Main</u>	<u>Interests</u>	<u>Changes in fair value</u>	<u>Total</u>
Financial Instruments to Collect or Sell				
Debt instruments				
Government instruments	\$ 5,761	\$ 124	\$ 25	\$ 5,910
Banking instruments	1,500	113	5	1,618
Other instruments	37,102	165	(397)	36,870
Subsidiaries	11	-	-	11
Capital Instruments				
Financial equity instruments	-	-	-	-
Total Financial Instruments to Collect or Sell	\$ 44,374	\$ 402	\$ (367)	\$ 44,409
Financial Instruments to Collect or Sell restricted or granted as collateral				
Debt instruments				
Government instruments	\$ 4,073	\$ 46	\$ (241)	\$ 3,878
Banking instruments	359	3	(6)	356
Other instruments	-	-	-	-
Capital instruments				
Financial instruments of capital	-	-	-	-
Total Financial Instruments to Collect or Sell Restricted	4,432	49	(247)	4,234
Total Financial Instruments to Collect and Sell	\$ 48,806	\$ 451	\$ (614)	\$ 48,643

As of December 31, 2023, investments in trading financial instruments and for collect and sell are comprised as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Changes in fair value</u>	<u>Total</u>
Trading Financial Instruments				
Debt instruments				
Government instruments	\$ 12,701	\$ 6	\$ 6	\$ 12,713
Bank instruments	-	-	-	-
Other instruments	5	-	-	5
Subsidiaries	16	1	-	17
Equity financial instruments				
Equity financial instruments	88	-	(45)	43
Subsidiaries	8,688	-	-	8,688
Total Trading Financial Instruments	\$ 21,498	\$ 7	\$ (39)	\$ 21,466
Trading Financial Instruments restricted or Granted as Collateral				
Debt instruments				
Government instruments	\$ 176,737	\$ 115	\$ 68	\$ 176,920
Bank instruments	-	-	-	-
Other instruments	6,759	4	(5)	6,758
Equity financial instruments				
Equity financial instruments	-	-	-	-
Total Restricted Trading Financial Instruments	183,496	119	63	183,678
Total Trading Instruments	\$ 204,994	\$ 126	\$ 24	\$ 205,144

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	Principal	Interest	Changes in fair value	Total
Financial Instruments for Collect or Sell				
Debt instruments				
Government instruments	\$ 7,943	\$ 111	\$ 23	\$ 8,077
Bank instruments	119	1	(2)	118
Other instruments	9,945	139	(486)	9,598
Subsidiaries	20	-	-	20
Equity instruments				
Equity financial instruments	-	-	-	-
<i>Total Financial Instruments for Collect or Sell</i>	<u>\$ 18,027</u>	<u>251</u>	<u>\$ (465)</u>	<u>\$ 17,813</u>
	Principal	Interest	Changes in fair value	Total
Financial Instruments for Collect or Sell Restricted or pledged as collateral				
Debt instruments				
Government instruments	\$ 2,629	\$ 30	\$ (69)	\$ 2,590
Bank instruments	256	2	(6)	252
Other instruments	-	-	-	-
Equity instruments				
Equity financial instruments	-	-	-	-
<i>Total Restricted Financial Instruments for Collect or Sell</i>	<u>2,885</u>	<u>32</u>	<u>(75)</u>	<u>2,842</u>
Total Financial Instruments for Collect or Sell	<u>\$ 20,912</u>	<u>\$ 283</u>	<u>\$ (540)</u>	<u>\$ 20,655</u>

As of December 31, 2024, investments in financial instruments to collect principal and interest are comprised as follows:

Financial instruments to collect principal and interest	Items pending amortization	Accrued and uncollected interest	Expected credit loss	Amortized cost
Debt instruments				
Government instruments	\$ 540	\$ 540	\$ (1)	\$ 1,079
Bank instruments	-	-	-	-
Other instruments	514	110	(25)	599
Total financial instruments receivable principal and Interests	<u>\$ 1,054</u>	<u>\$ 650</u>	<u>\$ (26)</u>	<u>\$ 1,678</u>
Financial instruments to collect principal and restricted or secured interest collateral				
Debt instruments				
Government instruments	\$ 5,055	\$ 5,077	\$ (9)	\$ 10,123
Bank instruments	-	-	-	-
Other instruments	-	-	-	-
Total financial instruments receivable Main and restricted interests	<u>\$ 5,055</u>	<u>\$ 5,077</u>	<u>\$ (9)</u>	<u>\$ 10,123</u>
Total financial instruments receivable Main and Interests	<u>\$ 6,109</u>	<u>\$ 5,727</u>	<u>\$ (35)</u>	<u>\$ 11,801</u>

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As of December 31, 2023, investments in financial instruments to collect principal and interest are comprised as follows:

Financial instruments to collect principal and interest	Items pending amortization	Accrued and uncollected interest	Expected credit loss	Amortized cost
Debt instrument				
Government instruments	\$ 647	\$ 591	\$ (1)	1,237
Bank instruments	-	-	-	-
Other instruments	436	99	(27)	508
Total financial instruments for collecting principal and interest	\$ 1,083	\$ 690	\$ (28)	1,745
Financial instruments to collect principal and interest restricted or pledged as collateral				
Financial instruments				
Government instruments	\$ 5,056	\$ 4,635	\$ (9)	9,682
Bank instruments	-	-	-	-
Other instruments	-	-	-	-
Total restricted financial instruments to collect principal and interest	\$ 5,056	\$ 4,635	\$ (9)	9,682
Total financial instruments to collect principal and interest	\$ 6,139	\$ 5,325	\$ (37)	11,427

Financial instruments to collect principal and interest as of December 31, 2024 and 2023, respectively, are denominated in the following currencies:

	2024		
	Local Currency	Euros	US Dollars
Unrestricted			
Debt Certificates	\$ 199	\$ -	\$ -
Udibonos	98	-	-
Non-strippable Debt Certificates	982	-	-
Debt Certificates Federal Government Entities	-	22	377
Restricted			
Non-strippable Debt Certificates	10,123	-	-
Total	\$ 11,402	\$ 22	\$ 377
	2023		
	Local Currency	Euros	US Dollars
Unrestricted			
Debt Certificates	\$ 190	\$ -	\$ -
Udibonos	94	-	-
Non-strippable Debt Certificates	1,142	-	-
Debt Certificates Federal Government Entities	-	19	300
Restricted			
Non-strippable Debt Certificates	9,682	-	-
Total	\$ 11,108	\$ 19	\$ 300

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Investments in financial instruments as of December 31, 2024 and 2023, have the following maturity terms:

Trading Financial Instruments.

Unrestricted Trading Financial Instruments (Principal).

	2024				Total
	Up to 1 year	1-3 years	3 to 5 years	More than 5 years	
Bondes	\$ 197	\$ 1,000	\$ -	\$ 99	\$ 1,296
M Bonds	31	406	138	(39)	536
Debt Certificates Federal Government Entities	-	3	-	-	3
Treasury Certificates	1,148	2	-	-	1,150
Ipabonos	11,089	13,312	4,386	3,618	32,405
Udibonos	-	-	-	(95)	(95)
Total individual	\$ 12,465	\$ 14,723	\$ 4,524	\$ 3,583	\$ 35,295
Equity Financial Instruments Subsidiaries					66
					9,691
Total consolidated					\$ 45,052

	2023				Total
	Up to 1 year	1-3 years	3 to 5 years	More than 5 years	
Bondes	\$ 6	\$ 6,112	\$ 3,912	\$ -	\$ 10,030
M Bonds	4	114	290	27	435
Debt Certificates Federal Government Entities	5	-	-	-	5
Treasury Certificates	-	337	-	-	337
Ipabonos	1,909	-	-	-	1,909
Udibonos	-	-	-	(10)	(10)
Total individual	\$ 1,924	\$ 6,563	\$ 4,202	\$ 17	\$ 12,706
Equity Financial Instruments Subsidiaries					88
					8,704
Total consolidated					\$ 21,498

Restricted Financial Instruments (Principal).

	2024				Total
	Up to 1 year	1-3 years	3 to 5 years	More than 5 years	
Bondes	\$ 286	\$ 57,834	\$ 26,937	\$ 1,049	\$ 86,106
M Bonds	-	15	1	307	323
Debt Certificates	4,280	1,502	-	-	5,782
Debt Certificates federal government entities	1,104	-	-	-	1,104
Treasury Certificates	6,042	374	-	-	6,416
Ipabonos	8,498	22,187	18,452	9,292	58,429
Udibonos	-	7	2	114	123
Total consolidated	\$ 20,210	\$ 81,919	\$ 45,392	\$ 10,762	\$ 158,283

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	2023				Total
	Up to 1 year	1-3 years	3 to 5 years	More than 5 years	
Bondes	\$ 20,379	\$ 46,785	\$ 27,595	\$ 1,492	\$ 96,251
M Bonds	-	10	-	298	308
Debt Certificates	602	-	-	-	602
Debt Certificates federal government entities	6,157	-	-	-	6,157
Treasury Certificates	1,046	1,909	-	-	2,955
Ipabonos	17,108	27,273	22,901	9,808	77,090
Udibonos	-	52	3	78	133
Total consolidated	\$ 45,292	\$ 76,029	\$ 50,499	\$ 11,676	\$ 183,496

Unrestricted Trading Financial Instruments (Principal).

Row tags	2024				Overall total
	1 to 3 years	3 to 5 years	More than 5 years	Less than 1 year	
Bondes	\$ 993	\$ -	\$ -	\$ -	\$ 993
Debt Certificates	1,550	27,871	-	1,519	30,940
Debt Certificates federal government entities	807	2,305	1,501	3,049	7,662
Ipabonos	500	866	-	3,321	4,687
Sovereign debt	-	-	81	-	81
Subsidiaries	-	-	-	11	11
Total General	\$ 3,850	\$ 31,042	\$ 1,582	\$ 7,900	\$ 44,374

	2023				Overall total
	1 to 3 years	3 to 5 years	More than 5 years	Less than 1 year	
Bondes	\$ 3,657	\$ 993	\$ -	\$ -	\$ 4,650
Debt Certificates	-	684	250	248	1,182
Debt Certificates federal government entities	1,992	3,158	1,412	2,320	8,882
Ipabonos	-	-	-	3,166	3,166
Sovereign debt	-	-	126	-	126
Subsidiaries	11	-	-	10	21
Total General	\$ 5,660	\$ 4,835	\$ 1,788	\$ 5,744	\$ 18,027

Restricted financial instruments for collect and sell (Principal).

	2024				Total
	Up to 1 year	1-3 years	3-5 years	Over 5 years	
Sovereign debt	\$ -	\$ -	\$ 1,485	\$ 2,588	\$ 4,073
Debt Certificates	-	359	-	-	359
Total General	\$ -	\$ 359	\$ 1,485	\$ 2,588	\$ 4,432

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	2023				
	Up to 1 year	1-3 years	3-5 years	Over 5 years	Total
Sovereign Debt	\$ -	\$ -	\$ 1,072	\$ 1,557	\$ 2,629
Debt Certificates	-	256	-	-	256
Total General	\$ -	\$ 256	\$ 1,072	\$ 1,557	\$ 2,885

Financial instruments to collect principal and interest directly (outstanding amounts to be amortized).

	2024				
	Up to 1 year	1 - 3 years	3 - 5 years	Over 5 years	Total
Debt Certificates	\$ -	\$ 100	\$ -	\$ -	\$ 100
Udibonos	-	-	-	50	50
Non-strippable debt certificates	-	-	-	490	490
Debt Certificates Federal Government Entities	-	414	-	-	414
Total General	\$ -	\$ 514	\$ -	\$ 540	\$ 1,054

	2023				
	Up to 1 year	1 - 3 years	3 - 5 years	Over 5 years	Total
Debt Certificates	\$ -	\$ 99	\$ -	\$ -	\$ 99
Udibonos	-	-	-	50	50
Non-strippable debt certificates	-	-	-	597	597
Debt Certificates Federal Government Entities	-	19	318	-	337
Total General	\$ -	\$ 118	\$ 318	\$ 647	\$ 1,083

Restricted financial instruments collecting and selling (Items pending amortization).

	2024	
	Greater than 5 years	Total general
Sovereign debt	\$ 5,055	\$ 5,055

	2023	
	Greater than 5 years	Total general
Sovereign debt	\$ 5,056	\$ 5,410

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The hierarchy of fair value of the financial instruments of the Institution as of December 31, 2024 and 2023, is analyzed below:

Financial instruments	2024			
	Level 1	Level 2	Level 3	Total
Unrestricted trading financial instruments				
-Government securities	\$ 35,475	\$ -	\$ -	\$ 35,475
-Bank securities	-	-	-	-
-Other instruments	3	-	-	3
-Bank securities (Subsidiaries)	25	-	-	25
-Equity Financial Instruments	26	-	-	26
-Equity Financial Instruments (Subsidiaries)	21	111	9,534	9,666
Restricted Financial Instruments (repurchase/resell agreement)				
-Government securities	151,606	-	-	151,606
-Bank securities	-	-	-	-
-Other instruments	6,887	-	-	6,887
-Equity financial instruments	-	-	-	-
Total trading financial instruments	194,043	111	9,534	203,688
Unrestricted financial instruments to collect or sell				
-Government securities	5,910	-	-	5,910
-Bank securities	1,618	-	-	1,618
-Other instruments	36,870	-	-	36,870
-Other instruments (Subsidiaries)	11	-	-	11
-Equity financial instruments	-	-	-	-
Restricted financial instruments to collect or sell (repurchase/resell agreement)				
-Government securities	3,878	-	-	3,878
-Bank securities	356	-	-	356
-Other instruments	-	-	-	-
-Equity financial instruments	-	-	-	-
Total financial instruments to collect or sell	\$ 48,643	\$ -	\$ -	\$ 48,643
Financial instruments	2023			
	Level 1	Level 2	Level 3	Total
Unrestricted trading financial instruments				
-Government securities	\$ 12,713	\$ -	\$ -	\$ 12,713
-Bank securities	-	-	-	-
-Other instruments	5	-	-	5
-Bank securities (Subsidiaries)	17	-	-	17
-Equity Financial Instruments	43	-	-	43
-Equity Financial Instruments (Subsidiaries)	-	166	8,522	8,688
Restricted Financial Instruments (repurchase/resell agreement)				
-Government securities	176,920	-	-	176,920
-Bank securities	-	-	-	-
-Other instruments	6,758	-	-	6,758
-Equity Financial Instruments	-	-	-	-
Total trading financial instruments	196,456	166	8,522	205,144

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	2023			Total
	Level 1	Level 2	Level 3	
Unrestricted financial instruments to collect and sell				
-Government securities	8,077	-	-	8,077
-Bank securities	118	-	-	118
-Other instruments	9,598	-	-	9,598
-Bank securities (Subsidiaries)	10	-	-	10
-Other instruments (Subsidiaries)	10	-	-	10
-Equity Financial Instruments	-	-	-	-
Restricted financial instruments to collect and sell (repurchase/resell agreement)				
-Government securities	2,590	-	-	2,590
-Bank securities	252	-	-	252
-Other instruments	-	-	-	-
-Equity Financial Instruments	-	-	-	-
Total financial instruments to collect and sell	\$ 20,655	\$ -	\$ -	\$ 20,655

Movements of the preventive allowance for credit risks for investments in financial instruments are shown below:

Financial Instruments to collect or sell	2024	Movement	2023
Debt instruments			
Government instruments	\$ (2)	\$ (24)	\$ 22
Bank instruments	(8)	1	(9)
Other instruments	(172)	17	(189)
<i>Total Financial Instruments to collect or sell</i>	<i>\$ (182)</i>	<i>\$ (6)</i>	<i>\$ (176)</i>

Financial Instruments to Collect Principal and Interest

Debt instruments			
Government instruments	\$ (1)	\$ -	\$ (1)
Bank instruments	-	-	-
Other instruments	(24)	3	(27)
Loans granted by the Entity	-	-	-
Loans	-	-	-
<i>Total Financial Instruments to Collect Principal and Interest</i>	<i>\$ (25)</i>	<i>\$ 3</i>	<i>\$ (28)</i>

Financial Instruments to Collect Principal and Interest Restricted or pledged as collateral

Debt instruments			
Government instruments	\$ 9	\$ -	\$ (9)
Bank instruments	-	-	-
Other instruments	-	-	-
<i>Total Restricted Financial Instruments to Collect Principal and Interest</i>	<i>\$ (9)</i>	<i>\$ -</i>	<i>\$ (9)</i>

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7. REPURCHASE/RESELL AGREEMENT

As of December 31, 2024 and 2023, the "Debtors on repurchase/resell agreements" and "Creditors on repurchase/resell agreements" balances of current transactions in which the Institution acts as buyer or as seller, are analyzed as follows:

Purchase / Sale of Financial Instruments in Repurchase / Resell Agreements	Debtors on Repurchase / Resell Agreements	Creditors on Repurchase / Resell Agreements
	2024	2024
Debt instruments		
Government instruments	\$ 106,086	\$ (164,744)
Bank instruments	-	(306)
Other instruments	2,500	(6,886)
Subsidiaries	87	-
	<u>\$ 108,673</u>	<u>\$ (171,936)</u>

Collateral sold or pledged

	2024
Debt instruments	
Government instruments	\$ (106,086)
Bank instruments	-
Other instruments	-
	<u>\$ (106,086)</u>

Purchase / Sale of Financial Instruments in Repurchase / Resell Agreements	Debtors on Repurchase / Resell Agreements	Creditors on Repurchase / Resell Agreements
	2023	2023
Debt instruments		
Government instruments	\$ 47,266	\$ (186,990)
Bank instruments	-	(217)
Other instruments	-	(6,763)
Subsidiaries	54	-
	<u>\$ 47,320</u>	<u>\$ (193,970)</u>

Collateral sold or pledged

	2023
Debt instruments	
Government instruments	\$ (47,266)
Bank instruments	-
Other instruments	-
	<u>\$ (47,266)</u>

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Collateral Received from Repurchase / Resell Agreements	2024	2023
Debt instruments		
Government instruments	\$ 106,170	\$ 47,217
Bank instruments	-	-
Other instruments	2,533	-
Subsidiaries	87	-
	<u>\$ 108,790</u>	<u>\$ 47,217</u>
Collateral Received from Repurchase / Resell Agreements		
Debt instruments		
Government instruments	\$ 106,170	\$ 47,217
Bank instruments	-	-
Other instruments	-	-
	<u>\$ 106,170</u>	<u>\$ 47,217</u>
Collateral Pledged as Surety Guarantee		
Debt instruments		
Government instruments	-	-
Bank instruments	-	-
Other instruments	-	-
	<u>-</u>	<u>-</u>

Interest collected in purchase transactions of repurchase/resell agreements in 2024 and 2023 amounted to \$26,788 and \$24,986, respectively.

Interest paid in transactions of sale of resell agreements and sale of collateral received and sold in 2024 and 2023 amounted to \$24,983 and \$21,375, respectively.

The average maturity for selling repurchase agreements is 4 days, with an average rate of 11.35%. The average maturity for buying a repurchase agreement is 4 days, with an average rate of 11.52%. The average maturity for repurchase agreements for collateral received is 4 days, with an average rate of 11.38%.

8. DERIVATIVES

As of December 31, 2024 and 2023, the fair value of derivative financial instruments for trading and hedging purposes, recognized under the line item "Derivatives", is analyzed as follows:

	2024 Position		2023 Position	
	Asset	Liability	Asset	Liability
For trading purposes:				
Swaps	\$ 1,510	\$ (1,488)	\$ 9,654	\$ (9,656)
For hedging purposes:				
Swaps	\$ 1,989	\$ (10,541)	\$ 2,857	\$ (4,171)

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

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

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

The Institution through the Integral Risk Management Committee (CAIR for the acronym in Spanish) performs various analyses on underlying markets for derivative instruments that are traded for purposes of identifying and assess the inherent risks. Transactions with futures and forward contracts involve recovery risks in the event of contractual fluctuations. To reduce the risks in the operation of these instruments, the Institution maintains matched positions.

		<u>2024</u>	<u>2023</u>
Futures and forward contracts			
<u>Purchases</u>			
Contract value	\$	-	\$ -
Valuation	\$	-	\$ -
<u>Sales</u>			
Contract value	\$	-	\$ (2)
Valuation	\$	-	\$ -

Swaps for trading purposes:

	<u>2024</u>			<u>2023</u>		
	<u>Contract value</u>	<u>Receivable</u>	<u>Payable</u>	<u>Contract value</u>	<u>Receivable</u>	<u>Payable</u>
Interest rate	\$ 255,842	\$ 1,510	\$ (1,488)	\$ 530,970	\$ 9,654	\$ (9,656)

Swaps for hedging purposes:

	<u>2024</u>			<u>2023</u>		
	<u>Contract value</u>	<u>Receivable</u>	<u>Payable</u>	<u>Contract value</u>	<u>Receivable</u>	<u>Payable</u>
Interest rate	\$ 107,823	\$ 1,989	\$ (10,541)	\$ 91,237	\$ 2,857	\$ (4,171)

As of December 31, 2024 and 2023, recorded effectiveness / ineffectiveness derived from the application of the Accounting Criterion C-10, *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 hedging swaps (affecting profit or loss) is as follows:

		<u>2024</u>	<u>2023</u>
Ineffectiveness for:			
Investment hedging	\$	61	\$ 93
Deposit funding hedging		(11)	5
Loan portfolio hedging		(8)	-
Total	\$	42	\$ 98

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As of December 31, 2024 and 2023, the net effect of valuation of the position hedged and swaps for hedging of cash flow (affecting equity), is shown below:

	<u>2024</u>	<u>2023</u>
Hedging		
Cash flows (investment)	\$ 954	\$ 773

As of December 31, 2024 and 2023, the Institution has only contracted swaps as fair value hedging instruments and cash flows.

Swaps for trading purposes (affecting profit or loss)

As of December 31, 2024 and 2023, respectively, the effect on results by swaps contracted for trading purposes is the following:

	<u>2024</u>	<u>2023</u>
Interest rate	\$ 17	\$ 42

The adjustments to the carrying amount arising from interest rate hedging derivative transactions on financial assets and liabilities, due to the application of the Accounting Criterion C-10, *Derivatives and hedging transactions* of the Banking Commission, as of December 31, 2024 and 2023, are detailed below:

	<u>2024</u>		<u>2023</u>	
	<u>Asset</u>	<u>Liability</u>	<u>Asset</u>	<u>Liability</u>
Investment hedging	\$ 463	\$ (1,031)	\$ 537	\$ (927)
Deposit funding hedging	3,555	-	2,976	-
Loan portfolio hedging	-	(996)	-	(738)
Total	<u>\$ 4,018</u>	<u>\$ (2,027)</u>	<u>\$ 3,513</u>	<u>\$ (1,665)</u>

The net gain, included in results for the year ended December 31, 2024 and 2023 resulting from the valuation of instruments used for fair value hedging purposes, amounted to \$(177) and \$1,231, respectively. The effect on equity of the effective portion of cash flow hedges for the years ended December 31, 2024 and 2023 amounted to \$122 and \$(1,203), respectively.

The Institution classifies its derivative financial instruments at fair value in accordance with the following:

	<u>2024</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Derivative financial instruments:				
Fair value hedging				
SWAPS				
To hedge portfolio				
Asset	\$ -	\$ 1,142	\$ -	\$ 1,142
To hedge liabilities				
Asset	-	76	-	76
To hedge investments				
Asset	-	771	-	771
Trading				

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	2024			
	Level 1	Level 2	Level 3	Total
Derivative financial instruments:				
SWAPS				
Asset	-	1,510	-	1,510
FUTURES				
Asset	-	-	-	-
Total assets	\$ -	\$ 3,499	\$ -	\$ 3,499
Derivative financial instruments:				
Fair value hedging				
SWAPS				
To hedge portfolio				
Liability	\$ -	\$ 100	\$ -	\$ 100
To hedge liabilities				
Liability	-	10,381	-	10,381
To hedge investments				
Liability	-	60	-	60
Trading				
SWAPS				
Liability	-	1,488	-	1,488
FUTURES				
Liability	-	-	-	-
Total liabilities	\$ -	\$ 12,029	\$ -	\$ 12,029
2023				
	Level 1	Level 2	Level 3	Total
Derivative financial instruments:				
Fair value hedging				
SWAPS				
To hedge portfolio				
Asset	\$ -	\$ 880	\$ -	\$ 880
To hedge liabilities				
Asset	-	1,349	-	1,349
To hedge investments				
Asset	-	629	-	629
Trading				
SWAPS				
Asset	-	9,653	-	9,653
FUTURES				
Asset	-	-	-	-
Total assets	\$ -	\$ 12,511	\$ -	\$ 12,511

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	2024			Total
	Level 1	Level 2	Level 3	
Derivative financial instruments:				
Fair value hedging SWAPS				
To hedge portfolio Liability	\$ -	\$ 68	\$ -	\$ 68
To hedge liabilities Liability	-	4,092	-	4,092
To hedge investments Liability	-	11	-	11
Trading SWAPS				
Liability	-	9,656	-	9,656
FUTURES				
Liability	-	-	-	-
Total liabilities	\$ -	\$ 13,827	\$ -	\$ 13,827

Use of derivative financial instruments policy management

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

The establishment 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, IPC 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 stock markets (clearing house) and over-the-counter markets (OTC). Eligible counterparties are domestic and foreign bank.

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 (CAIR for the acronym in Spanish)), whose duties include approval of:

- a. The specific limits for discretionary risks, when it has been empowered by the Board of Directors therefore, as well as the levels of tolerance in the case of non-discretionary risks.
- b. 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.
- c. The models, parameters and scenarios that must be used to value, measure, and control the risks proposed by the Unit for Integral Risk Management must concur with the Institution's technology.

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- d. The methodologies for identifying, valuing, measuring and controlling the risks of the new transactions, products, and services that the Institution plans to offer to the market.
- e. The corrective actions proposed by the Chief Executive Officer through the Unit for Integral Risk Management.
- f. The assessment of aspects of Integral Risk Management referred to in Article 77 of the General Provisions Applicable to Credit Institutions, the Single Banking Circular (the Provisions) for its presentation to the Board of Directors and the Banking Commission.
- g. 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.

The Committee, in accordance with the powers granted by the Board of Directors, approves all new products or services traded in relation to any line of business.

Independent reviews

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

General description of valuation techniques

Derivative financial instruments are valued in accordance with accounting regulation reflected in the bulletins: C-2 and C-10 NIF, according to the provisions in Criterion A-2, *Application of particular standards of the Provisions*.

Current regulation is founded on the concept of the business model of management of investments in financial instruments, based on the form of obtaining cash flows. The valuation of investments in financial instruments will depend on the business model and each model will have a different line item in the statement of comprehensive income.

Derivative Financial Instruments may be used either for trading purposes or for hedging purposes. When these are contracted with trading purposes, they are held with the intention of obtaining gains based on the financial margin, as well as on the changes in their fair value. When it is intended to use them with hedging purposes, these have the purpose of compensating or transforming the profile of one or several of the risks generated by a hedged item.

This latter case requires the alignment of the hedging relationships with the risk management strategy that the entity has established and disclosed, which is documented in operating and regulatory manuals setting out the used valuation methodologies.

Valuation methodology

1. For derivatives with trading and hedging purposes - There is a structure of operating and regulatory manuals that set forth the used valuation methodologies.
2. Reference inputs - The parameters used in the valuation process are those used by convention in the market practices (rates, exchange rates, prices, volatilities, etc.).
3. The frequency of valuation of derivative financial instruments for trading purposes is daily, through the transactional system.

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Management 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 back testing are performed on a regular basis to estimate the impact on derivative 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 CAIR.

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

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

Back testing 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%
- The portfolio valuation with the new risk factors at day t+ 1.

During 2024, the number of derivative financial instruments traded was the following:

Instrument	Number of Operations		Notional (millions of pesos)	
	Trading	Hedging	Trading	Hedging
Futures	(1)	4	-	31
Forwards (arbitrage)	(2)	17	-	(900)
Swaps	(3)	1,121	102	230,244
				74,410

(1) The number of transactions is equal to purchase transactions minus sales. Notional refers to the number of contracts: 805 of purchase and (801) of sales.

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

(3) Notional amount traded during the year.

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During 2023, the number of derivative financial instruments traded was the following:

Instrument		Number of Operations		Notional (millions of pesos)	
		Trading	Hedging	Trading	Hedging
Futures	(1)	19	-	94	-
Forwards (arbitrage)	(2)	56	-	(150)	-
Swaps	(3)	1,073	164	275,255	97,630

(1) The number of transactions is equal to purchase transactions minus sales. Notional refers to number of contracts: 1,277 of purchase and (1,296) of sales.

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

(3) Notional amount traded during the year.

Counterparty credit risk exposure and related losses recognized during the year on derivative financial instruments are shown below:

Type of derivative financial instruments	2024			2023		
	CVA	DVA	BVA	CVA	DVA	BVA
Derivative Financial Instruments						
For trading purposes						
Forwards contracts	-	-	-	-	-	-
Swaps	9	12	-	31	37	-
For hedging purposes						
Swaps	63	523	-	95	101	-

Hedge documentation

For purposes of compliance with the applicable regulations with respect to derivatives and hedging transactions Criterion C-10 released by the Mexican Financial Reporting Standards Board (CINIF), the Institution has a hedge file that includes the information shown as follows:

1. File cover letter.
2. Authorization of the hedge.
3. Diagram of the strategy.
4. Evidence of prospective tests of hedge effectiveness.
5. Evidence of execution of the derivative.
6. Details of the primary position being hedged.
7. Derivative confirmation.
8. Form in which the effectiveness of the hedging relationship is evaluated.

Adjustment for valuation of financial assets/liabilities hedging

Fair value hedging for interest rate risk of a portion of a portfolio comprises by financial assets/liabilities may generate an adjustment to the carrying amount of the hedged item, for the gain or loss, that is recognized in results for the period and presented under line item "Valuation adjustments for hedging of financial assets/liabilities".

As of December 31, 2024 and 2023, the valuation adjustment for hedges presented under "Valuation adjustments for hedges of financial assets" in the consolidated statement of financial position amounts to \$2,110 and \$854, respectively. The "Valuation adjustments for hedges of financial liabilities" amounts to \$119 and \$994, respectively.

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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:
 1. Macauly 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.
 2. Modified Duration: It is the percentage variation experienced by the price of an instrument in light of small variations in the market interest rate.
2. Convexity. – It is the variation experienced by the slope of the with respect to a dependent variable, i.e., it measures the variation experienced, by the duration when rates change.
3. Beta. – It is the measurement of the systematic risk of a share.

This analysis is communicated to the instances that define the strategy of operation of the derivatives in the financial markets and to the operators in the same, with the objective that the criteria applied in the consideration of risk with these instruments be in compliance with the rules.

9. LOAN PORTFOLIO

The financing provided by the Institution is structured around three financial programs:

- Under the First-Tier Credit Program, the Institution supports eligible entities in the public and private sectors by providing resources for operations for which it directly assumes the credit risk. The goal is to promote, manage, and implement projects that address the needs of the country's industrial, commercial, and service sectors, or that foster the optimal use of regional resources. This also includes operations with the Federal Government, para-governmental entities, state entities, and municipalities. This is implemented through three lending products:
 - Traditional: The Institution directly supports private sector companies and public sector entities by providing loans or participating in co-financing with Development Banks (IFB) or other organizations.
 - Investment Projects: The Institution provides resources directly to companies, Special Purpose Vehicles, and national and international financial intermediaries, both from the private and public sectors, that promote projects aimed at ecological, economic, and social development, based on better utilization and management of natural resources.
 - Prime Certification: The Institution supports Mexican companies by providing direct loans to cover working capital needs, investment in fixed assets, and/or debt restructuring, together with the formalization of their corporate governance bodies, operational processes, and IT systems that generate high-quality financial and accounting information, among others, to meet the standards of the Mexican Stock Exchange (BMV Spanish acronym), the Institutional Stock Exchange (BIVA Spanish acronym), or any stock exchange in Mexico for debt issuance, as a medium- and long-term financing alternative.

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- The Second-Tier Credit Program involves channeling resources to companies through a network of Financial Intermediaries. The credit risk of the companies is assumed by the Financial Intermediaries, while the credit risk of the intermediaries is assumed by the Institution.

The credit origination strategy of the PROCRESE is determined leveraging its second-tier distribution channels, in order to fulfill its mission of supporting individuals or entities engaged in business activities in the industrial, commercial, or service sectors, with an emphasis on small and medium-sized enterprises (SMEs).

- Through the Guarantee Program, the Institution aims to provide a greater number of companies with access to formal financing by sharing the risk that credit institutions assign to different business sectors. The goal is to secure better financing conditions, lower information and collateral requirements, and offer a wide range of SME products. This function is carried out through its network of financial intermediaries, under the following schemes:
 - Automatic Guarantee: This is provided to back portfolios made up of individual loans, approved under similar credit processes and characteristics. The automatic nature means that the Institution's case-by-case authorization is not required to guarantee transactions, and it follows a non-discretionary principle in the portfolio's composition.

Authorization is based on the Institution's review and validation of the credit process applied by the intermediary.
 - Guarantee on Sureties: The Institution shares the risk of sureties granted by surety companies to businesses, with the aim of expanding their bonding capacity as suppliers to Federal, State, and Private Institutions of the Federal Government.
 - Selective Guarantee: The Institution shares the credit risk of loans granted by financial intermediaries to small, medium, and large enterprises in the industrial, commercial, and service sectors, as well as public and private entities requiring financing amounts higher than those set for the Automatic Guarantee Scheme.
 - Securities Guarantee: This is granted to secure the issuance of securities by eligible support subjects, with the purpose of obtaining financing from the investing public for their investment projects and/or improving the terms and conditions of their financial liabilities. The recipients of the guarantee are the holders of the issued securities.

The Guarantee Portfolio collects the contractual cash flows as stipulated in the Contracts and Operational Regulations, on the pre-established dates for the collection of commissions on the guaranteed balance. These commissions are recognized as a service fee, not as a loan.

The business model refers to how the Institution manages the loan portfolio to generate cash flows. In other words, the business model determines whether the cash flows will come from the collection of contractual cash flows, the sale of the credit portfolio, or both.

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(a) Classification of the portfolio by currency

As of December 31, 2024 and 2023, the classification of the loan portfolio in Stage 1, Stage 2 and Stage 3 by type of currency (valued in local currency), is analyzed as follows:

Portfolio in Stage 1	2024			2023		
	Local	Foreign	Total	Local	Foreign	Total
Business or commercial activity loans	\$ 24,305	\$ 50,647	\$ 74,952	\$ 13,819	\$ 34,669	\$ 48,488
Loans to financial institutions	145,585	15,529	161,114	150,345	5,166	155,511
Loans to government entities	14,415	1,572	15,987	16,858	1,282	18,140
Consumer loans	10	-	10	13	-	13
Housing loans	51	-	51	61	-	61
Total portfolio in Stage 1	\$ 184,366	\$ 67,748	\$ 252,114	\$ 181,096	\$ 41,117	\$ 222,213

Portfolio in Stage 2	2024			2023		
	Local	Foreign	Total	Local	Foreign	Total
Business or commercial activity loans	\$ 168	\$ 3,007	\$ 3,175	\$ 192	\$ 2,583	\$ 2,775
Loans to financial institutions	-	-	-	-	-	-
Loans to government entities	-	-	-	-	-	-
Consumer loans	1	-	1	1	-	1
Housing loans	2	-	2	1	-	1
Total portfolio in Stage 2	\$ 171	\$ 3,007	\$ 3,178	\$ 194	\$ 2,583	\$ 2,777

Portfolio in Stage 3	2024			2023		
	Local	Foreign	Total	Local	Foreign	Total
Business or commercial activity loans	\$ 474	\$ -	\$ 474	\$ 423	\$ -	\$ 423
Loans to financial institutions	3,542	884	4,426	2,945	718	3,663
Loans to government entities	-	-	-	-	-	-
Consumer loans	4	-	4	4	-	4
Housing loans	4	-	4	6	-	6
Total portfolio in Stage 3	\$ 4,024	\$ 884	\$ 4,908	\$ 3,378	\$ 718	\$ 4,096

Loans to financial entities are granted to banking and non-banking institutions through the discounting of documents payable by legal entities and individuals engaged in business activities.

(b) Classification of loan portfolio by economic sector

Credit risk by stages, classified by economic sector and the percentage of concentration are analyzed as follows:

Stage 1	2024		2023	
	Amount	%	Amount	%
Federal Government	\$ -	-	\$ -	-
Decentralized agencies and state-owned companies	15,986	6%	18,140	8%
State productive companies	-	-	-	-
Full-service banking	64,055	25%	70,507	32%
Other public financing intermediaries	-	-	-	-
Other private financial intermediaries	97,060	39%	85,004	38%
Companies	74,951	30%	48,488	22%
Private parties	62	-	74	-
Total	\$ 252,114	100%	\$ 222,213	100%

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Stage 2	2024		2023	
	Amount	%	Amount	%
Federal Government	\$ -	-	\$ -	-
Decentralized agencies and state-owned companies	-	-	-	-
State productive companies	-	-	-	-
Full-service banking	-	-	-	-
Other public financial intermediaries	-	-	-	-
Other private financial intermediaries	-	-	-	-
Companies	3,175	100%	2,775	100%
Private parties	3	-	2	-
Total	\$ 3,178	100%	\$ 2,777	100%

Stage 3	2024		2023	
	Amount	%	Amount	%
Federal Government	\$ -	-	\$ -	-
Decentralized agencies and state-owned companies	-	-	-	-
State productive companies	-	-	-	-
Full-service banking	-	-	-	-
Other public financial intermediaries	-	-	-	-
Other private financial intermediaries	4,426	90%	3,663	90%
Companies	474	10%	423	10%
Private parties	8	-	10	-
Total	\$ 4,908	100%	\$ 4,096	100%

(c) Additional information on the loan Portfolio

Annual weighted average lending rates.

The annual weighed average lending rates for 2024 and 2023 were as follows:

	2024		2023	
	Currency		Currency	
	Local	Foreign	Local	Foreign
Commercial portfolio*	10.82%	11.03%	11.57%	7.91%
Consumer	6.99%	n.a.	6.70%	n.a.
Housing	7.10%	n.a.	6.98%	n.a.
Excluded	7.02%	n.a.	6.91%	n.a.

* Includes loans to commercial entities, financial institutions, and government entities.

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Restructured and renewed loans

As of December 31, 2024 and 2023, restructured loans were as follows:

	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Business or Commercial activity	\$ 16,541	\$ -	\$ -	\$ 16,541	\$ 10,954	\$ -	\$ -	\$ 10,954
Government	1,566	-	-	1,566	1,272	-	-	1,272
Consumer	1	1	-	2	2	-	-	2
Housing	3	2	-	5	6	-	-	6
Total	\$ 18,111	\$ 3	\$ -	\$ 18,114	\$ 12,234	\$ -	\$ -	\$ 12,234

For years ended December 31, 2024 and 2023, accrued interest on restructured loans amounted to \$1,229 and \$824, respectively.

As of December 31, 2024 and 2023, the Institution had no loan renewals.

Portfolio in Stage 3

Below is an analysis of the portfolio with credit risk Stage 3 at December 31, 2024 and 2023, according to the term as from it was so considered:

2024	1 to 180 days	181 to 365 days	Over than 365 days	Not collectible	Total
Commercial *	\$ -	\$ -	\$ -	\$ 474	\$ 474
Other private FI	-	-	3,829	597	4,426
Consumer	1	-	-	3	4
Housing	-	-	-	4	4
Total	\$ 1	\$ -	\$ 3,829	\$ 1,078	\$ 4,908

2023	1 to 180 days	181 to 365 days	Over than 365 days	Not collectible	Total
Commercial *	\$ -	\$ -	\$ 18	\$ 406	\$ 424
Other private financial institutions	-	-	-	3,662	3,662
Consumer	-	-	-	4	4
Housing	-	-	-	6	6
Total	\$ -	\$ -	\$ 18	\$ 4,078	\$ 4,096

* Includes commercial, financial entities and government loans.

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Below is an analysis of the portfolio with credit risk Stage 3 movements for years ended December 31, 2024 and 2023:

Movements	2024	2023
Balance at beginning of year	\$ 4,096	\$ 5,876
Settlements	(929)	(8,125)
Write-offs	-	-
Transfers from Stage 1 to Stage 3 credit risk portfolio	1,575	6,453
Foreign exchange fluctuation	166	(108)
Balance at end of year	\$ 4,908	\$ 4,096

As of December 31, 2024 and 2023, settlements were concentrated in financial entities amounting to 875 and 6,875, commercial companies for 43 and 1,243, and former employees for 11 and 7. Transfers of credit portfolio from Stage 1 to Stage 3 risk were concentrated in financial entities for 1,473 and 5,204, commercial companies for 93 and 1,240, and former employees for 9 and 9.

As of December 31, 2024 and 2023, the balance of the credit portfolio with Stage 3 credit risk consisted of 19 and 18 former employees, 1 and 1 commercial companies, and 2 and 1 financial entities.

As of December 31, 2024 and 2023, the interests from overdue portfolios not recognized in results amounted to \$116 and \$114, respectively. These interests are recorded in off-balance-sheet accounts.

Impaired loan portfolio

As of December 31, 2024 and 2023, impaired commercial portfolio is analyzed below:

		2024			
		Risk level			Allowance
		D	E	Total	established
Stage 1	\$	1,157	-	1,157	\$ 360
Stage 3		-	474	474	474
Total	\$	1,157	474	1,631	\$ 834
		2023			
		Risk level			Allowance
		D	E	Total	Established
Stage 1	\$	977	-	977	\$ 285
Stage 3		-	423	423	423
Total	\$	977	423	1,400	\$ 708

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During the year, transfers between the stages of portfolios with credit risk are shown below:

	2024		
	From Stage 1	From Stage 2	From Stage 3
Consumer loans	\$ 1	\$ 1	\$ 1
Housing loans	2	2	1
Total	\$ 3	\$ 3	\$ 2

	2023		
	From Stage 1	From Stage 2	From Stage 3
Consumer loans	\$ 1	\$ -	\$ -
Housing loans	1	4	5
Total	\$ 2	\$ 4	\$ 5

Portfolio in off-balance-sheet accounts:

The balances of the portfolio written off from the balance sheet in local currency, which are managed in off-balance-sheet accounts while collection efforts continue, are shown below.

	2024	2023
	Local currency	
Principal		
Companies	\$ -	\$ -
Former employees	1	1
Total principal	\$ 1	\$ 1
Interest		
Companies	\$ -	\$ -
Former employees	1	1
Total interest	\$ 1	\$ 1

For the years ended December 31, 2024 and 2023, the amount of recoveries from the loan portfolio written off from assets was \$0 in both years, recorded in the allowance for loan losses in the Statement of comprehensive income.

As of December 31, 2024 and 2023, the amount of recoveries from the previously written-off or eliminated portfolio, recorded in memorandum accounts, amounted to \$0 in both years.

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The amount of collateral received for loan operations as of December 31, 2024 and 2023, recorded in memorandum accounts, is shown below:

	2024				2023			
	MN	USD	EUR	Total	MN	USD	EUR	Total
Mortgage collateral	\$ 547	\$ -	\$ -	\$ 547	\$ 2,926	\$ -	\$ -	\$ 2,926
Pledge guarantee	20,506	-	-	20,506	20,282	-	-	20,282
Collateral held in trust	30,058	-	-	30,058	28,957	-	-	28,957
Collection and fiduciary rights	855	-	-	855	855	-	-	855
Joint and several obligors	55,853	36	91	55,980	54,875	29	79	54,983
Other	10,662	-	-	10,662	10,678	-	-	10,678
Total	\$ 118,481	\$ 36	\$ 91	\$ 118,608	\$ 118,573	\$ 29	\$ 79	\$ 118,681

Interest and commissions

The breakdown of interest and fees by type of loan as of December 31, 2024 and 2023, recorded in results, is shown below:

	2024			2023		
	Interest	Commission	Total	Interest	Commission	Total
Commercial loans	\$ 5,574	\$ 241	\$ 5,815	\$ 4,302	\$ 6	\$ 4,308
Loans to financial institutions	17,103	42	17,145	15,710	39	15,749
Loans to government entities	1,959	629	2,588	1,601	588	2,189
Consumer loans	1	-	1	1	-	1
Housing loans	5	-	5	5	-	5
Total	\$ 24,642	\$ 912	\$ 25,554	\$ 21,619	\$ 633	\$ 22,252

Credit Commitments

The amounts of credit commitments recorded in off-balance-sheet accounts as of December 31, 2024, and 2023, are shown below:

	2024			2023		
	Local currency	Foreign currency	Total	Local currency	Foreign currency	Total
Revocable credit openings	\$ 707,935	\$ -	\$ 707,935	\$ 362,197	\$ -	\$ 362,197
Irrevocable credit openings	-	2,186	2,186	-	312	312
Total	\$ 707,935	\$ 2,186	\$ 710,121	\$ 362,197	\$ 312	\$ 362,509

(d) Preventive allowance for credit risks

As of December 31, 2024 and 2023, as a result of the application of the rating methodology, the probability of default and loss severity of each group, obtained as weighted average of the exposure at default, are as follows:

Type of portfolio	2024			2023		
	Probability of default	Loss given default (LGD)s	Exposure at default	Probability of default	Loss given default (LGD)	Exposure at default
Commercial	1.72%	44.88%	\$ 373,768	1.70%	44.88%	\$ 229,001
Housing	33.74%	84.23%	58	10.41%	17.67%	68
Consumer	9.36%	15.26%	15	27.04%	82.93%	17
Excluded	-	-	-	-	-	-

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The parameters are weighed on the loans of each of the portfolios. Exposure at default shown for credit risk includes loan commitments.

In accordance with the Rules for the Qualification of Credit Portfolios for Development Banking Institutions, the credit portfolio held by the Federal Government and those discounted to development banks are not subject to the establishment of preventive provisions, as these entities assume the credit risk. The balances of the credit portfolio and contingent operations subject to qualification are monitored in off-balance-sheet accounts and are assessed based on the methodologies established by the Banking Commission.

As of December 31, 2024 and 2023, the qualifications of the evaluated portfolio and its preventive provision for credit risks are analyzed as follows:

Credit rated loan portfolio 2024

Risk Level	Business or Commercial	Financial Institutions	Government Entities	Consumer	Housing	Total
A-1	\$ 69,123	\$ 152,608	\$ 19,161	1	\$ 47	240,940
A-2	2,120	5,067	-	5	3	7,195
B-1	1,622	1,200	-	1	-	2,823
B-2	-	-	-	1	-	1
B-3	28	-	-	1	-	29
C-1	-	-	-	-	2	2
C-2	-	-	-	-	-	-
D	1,156	-	-	1	-	1,157
E	-	-	-	-	-	-
Stage 1	\$ 74,049	\$ 158,875	\$ 19,161	10	\$ 52	252,147
A1	3,175	-	-	-	-	3,175
C-1	-	-	-	-	-	-
C-2	-	-	-	-	2	2
E	-	-	-	1	-	1
Stage 2	\$ 3,175	\$ -	\$ -	1	\$ 2	3,178
C-2	\$ -	\$ -	\$ -	\$ -	\$ 3	3
D	-	-	-	-	1	1
E	474	4,426	-	4	-	4,904
Stage 3	\$ 474	\$ 4,426	\$ -	4	\$ 4	4,908
Subtotal	\$ 77,698	\$ 163,301	\$ 19,161	15	\$ 58	260,233
Uncollected accrued interest						(33)
Total					\$	260,200
Exempt portfolio						-
Federal Government						-
Contingent guarantee portfolio						113,608
Total portfolio					\$	373,808

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Preventive allowance for credit risks of the rated loan portfolio in 2023

Risk level	Business or commercial	Financial institutions	Government entities	Consumer	Housing	Total
A-1	\$ 44,643	\$ 145,299	\$ 18,990	\$ 1	\$ 56	208,989
A-2	1,530	6,462	-	5	3	8,000
B-1	-	2,698	-	1	-	2,699
B-2	265	969	-	1	-	1,235
B-3	340	-	-	-	-	340
C-1	-	-	-	2	2	4
C-2	-	-	-	2	-	2
D	977	-	-	-	-	977
Stage 1	\$ 47,755	\$ 155,428	\$ 18,990	\$ 12	\$ 61	222,246
A1	2,775	-	-	-	-	2,775
C-1	-	-	-	-	-	-
C-2	-	-	-	-	1	1
E	-	-	-	1	-	1
Stage 2	\$ 2,775	\$ -	\$ -	\$ 1	\$ 1	2,777
C-3	\$ -	\$ -	\$ -	- 4	3 \$	3
D	-	-	-	-	3	3
E	423	3,663	-	4	-	4,090
Stage 3	\$ 423	\$ 3,663	\$ -	\$ 4	\$ 6	4,096
Subtotal	\$ 50,954	\$ 159,091	\$ 18,990	\$ 17	\$ 68	229,119
Uncollected accrued interest						(33)
Total					\$	229,086
Exempted portfolio						-
Federal Government						-
Contingent collateral portfolio						97,333
Total portfolio					\$	326,419

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Preventive estimate for credit risks of the evaluated portfolio 2024

2024						
Risk Level	Business or Commercial	Financial Institutions	Government Entities	Consumer	Housing	Total
A-1	\$ 380	\$ 468	\$ 96	\$ -	\$ -	944
A-2	24	64	-	-	-	88
B-1	27	22	-	-	-	49
B-2	-	-	-	-	-	-
B3	1	-	-	-	-	1
C1	-	-	-	-	-	-
C2	-	-	-	-	-	-
D	360	-	-	-	-	360
Stage 1	\$ 792	\$ 554	\$ 96	\$ -	\$ -	1,442
A1	\$ 22	\$ -	\$ -	\$ -	\$ -	22
C-1	-	-	-	-	-	-
C-2	-	-	-	-	-	-
E	-	-	-	1	-	1
Stage 2	\$ 22	\$ -	\$ -	\$ 1	\$ -	23
C2	\$ -	\$ -	\$ -	\$ -	\$ -	-
D	-	-	-	-	-	-
E	474	4,157	-	4	-	4,635
Stage 3	\$ 474	\$ 4,157	\$ -	\$ 4	\$ -	4,635
Total	\$ 1,288	\$ 4,711	\$ 96	\$ 5	\$ -	6,100
Additional estimate recognized by the Banking Commission						5,312
Estimate for allocation of guarantee lines						11,486
Total estimate						\$ 22,898

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2023						
Risk Level	Business or Commercial	Financial Institutions	Government Entities	Consumer	Housing	Total
A-1	\$ 239	\$ 481	\$ 95	\$ -	\$ -	815
A-2	21	84	-	-	-	105
B-1	-	42	-	-	-	42
B-2	6	20	-	-	-	26
B3	12	-	-	-	-	12
C1	-	-	-	-	-	-
C2	-	-	-	-	-	-
D	285	-	-	-	-	285
Stage 1	\$ 563	\$ 627	\$ 95	\$ -	\$ -	1,285
A1	\$ 19	\$ -	\$ -	\$ -	\$ -	19
C-1	-	-	-	-	-	-
C-2	-	-	-	-	-	-
E	-	-	-	-	-	-
Stage 2	\$ 19	\$ -	\$ -	\$ -	\$ -	19
C2	\$ -	\$ -	\$ -	\$ -	\$ -	-
D	-	-	-	-	1	1
E	423	3,663	-	3	-	4,089
Stage 3	\$ 423	\$ 3,663	\$ -	\$ 3	\$ 1	4,090
Total	\$ 1,005	\$ 4,290	\$ 95	\$ 3	\$ 1	5,394
Additional estimate recognized by the Banking Commission						3,913
Estimate for allocation of guarantee lines						9,926
Total estimate					\$	19,233

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Below is an analysis of the movements of the preventive allowance for credit risks as of December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Balance at beginning of year	\$ 19,233	\$ 15,298
Provisions charged to the results of the year	4,057	9,365
Uses, write-offs and others	-	(668)
Allowance cancellations	(1,168)	(4,618)
Foreign exchange fluctuation	776	(144)
Balance at end of year	\$ 22,898	\$ 19,233

The main reasons for the cancellation of reserves are related to the decrease in the balance due to amortization payments, settlement of outstanding balances, and exchange rate fluctuations.

The increases/releases by type and stage of credit for 2024 are presented below:

Rating	Business or commercial	Financial entities	Government entities	Consumer	Housing	Additional	Other	Guarantees	Total
Stage 1	\$ 199	\$ (65)	\$ (12)	\$ -	\$ -	\$ 857	\$ (20)		\$ 959
Stage 2	(1)	-	-	-	-	-	-		(1)
Stage 3	50	328	-	-	(1)	-	-		377
n.a.	-	-	-	-	-	-	-	1,554	1,554
Total	\$ 248	\$ 263	\$ (12)	\$ -	\$ (1)	\$ 857	\$ (20)	\$ 1,554	\$ 2,889
								Uses, write-offs and other	-
								Foreign exchange fluctuation	776
								Total	\$ 3,665

Increases / (releases) by loan type and stage for 2023 are shown below:

Rating	Business or commercial	Financial entities	Government entities	Consumer	Housing	Additional	Other	Guarantees	Total
Stage 1	\$ 250	\$ 136	\$ (1)	\$ -	\$ -	\$ 3,177	\$ (18)	\$ -	\$ 3,544
Stage 2	(1)	(8)	-	-	-	-	-	-	(9)
Stage 3	3	(229)	-	1	-	-	-	-	(225)
n.a.	-	-	-	-	-	-	-	1,437	1,437
Total	\$ 252	\$ (101)	\$ (1)	\$ 1	\$ -	\$ 3,177	\$ (18)	\$ 1,437	\$ 4,747
								Uses, write-offs and other	(668)
								Foreign exchange fluctuation	(144)
								Total	\$ 3,935

The allowance for interest on Stage 3 loan portfolios amounts to \$68 and \$17 for the fiscal years ending December 31, 2024, and 2023, respectively.

As of December 31, 2024, and 2023, loan reserves represent 8.8% and 8.4%, respectively, of the total portfolio and cover the Stage 3 loan portfolio 4.7 times as much in both years.

In 2024 and 2023, the Institution applied the balance of 0 and 7 borrowers, respectively, against the allowance for loan losses, in the amounts of \$0 and \$668, respectively.

In 2024 and 2023, the allowance for undrawn lines amounted to \$113,451 and \$96,685, respectively.

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Factoring to Maturity

In 2021, Nafin and financial intermediaries were invited to participate in the Production Chain in the modality of Factoring to Maturity for an amount required of lines of up to \$20,000.

Nafin participation is of up to \$5,000 million pesos and applicable interest rates are the following:

- Nafin Funding Rate = Cetes 182 days of the transaction date plus (+) 0.50%.
- Spread rate: 1.60%.

This pricing scheme applies exclusively to the Productive Chain program and is not of general application, which allows customer supplier to collect 100% of its billings through a Nafin platform.

Collection of commissions for the Productive Chain at maturity is made with 180-day periodicity.

Income received by the Institution is through commission in accordance with the product structure, which is recognized as deferred revenue and is deferred during the life of the transaction.

As of December 31, 2024 and 2023, the balance of the portfolio for factoring transactions, is the following:

	<u>2024</u>	<u>2023</u>
Factoring line without recourse	\$ -	\$ 5,715
Commissions collected in advance	\$ -	\$ 10
Commissions accrued in results	\$ 194	\$ 133

10. OTHER ACCOUNTS RECEIVABLE, NET

As of December 31, 2024 and 2023, other accounts receivable are shown below:

	<u>2024</u>	<u>2023</u>
Employee loans	\$ 2,383	\$ 2,340
Debtors for settlement of transactions	13,614	2,058
Other debtors	8,392	6,990
Debtors for commissions on current transactions	68	65
Receivables from cash collateral pledged	7,225	4,554
Taxes to be recovered	203	-
	<u>31,885</u>	<u>16,007</u>
Allowance for write-offs of other accounts receivable	<u>(8,223)</u>	<u>(6,827)</u>
Total	<u>\$ 23,662</u>	<u>\$ 9,180</u>

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As of December 31, 2024 and 2023, the allowance for write-offs of other accounts receivable is shown below:

	<u>2024</u>	<u>2023</u>
Balance at beginning of year	\$ (6,827)	\$ (5,942)
Increases	(4)	(28)
Applications	12	5
Recoveries	9	7
Foreign currency exchange adjustment	(6)	3
Increase in allowance for subsidiaries	<u>(1,407)</u>	<u>(872)</u>
Balance at end of year	<u>\$ (8,223)</u>	<u>\$ (6,827)</u>

As of December 31, 2024, the balance of receivables from settlement of transactions and receivables from collateral granted in cash was concentrated at 20% with Barclays and 10% with JP Morgan.

As of December 31, 2023, the balance of receivables from settlement of transactions and receivables from collateral granted in cash was concentrated at 22% with Banorte and 18% with HSBC Mexico.

11. FORECLOSED ASSETS

As of December 31, 2024 and 2023, foreclosed assets are analyzed as follows:

	<u>2024</u>	<u>2023</u>
Property	\$ 825	\$ 825
Furniture, securities and foreclosed rights	<u>32</u>	<u>25</u>
	857	850
Valuation allowances	<u>(857)</u>	<u>(850)</u>
	<u>\$ -</u>	<u>\$ -</u>

The following is an analysis of the impairment allowance movements as of December 31, 2024, and 2023:

	<u>2024</u>	<u>2023</u>
Balance at beginning of year	\$ (850)	\$ (709)
Increase to allowances of foreclosed assets	<u>(7)</u>	<u>(141)</u>
Balance at end of year	<u>\$ (857)</u>	<u>\$ (850)</u>

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12. PROPERTY, FURNITURE AND EQUIPMENT, NET

As of December 31, 2024 and 2023, property, furniture and equipment is summarized as follows:

	<u>2024</u>	<u>2023</u>
Land	\$ 53	\$ 53
Buildings	2,222	2,256
Furniture and equipment	293	243
Construction in progress	45	-
Computer equipment	63	63
Other assets	<u>32</u>	<u>32</u>
	2,708	2,647
Less – Accumulated depreciation	<u>(1,259)</u>	<u>(1,243)</u>
	<u>\$ 1,449</u>	<u>\$ 1,404</u>

The estimated useful lives of the main asset categories are as follows:

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

Depreciation charged to results for years ended December 31, 2024 and 2023, amounted to \$46 and \$39, respectively.

As of December 31, 2024 and 2023, No impairment losses were recognized on buildings, leasehold improvements, or adaptations.

As of December 31, 2024 and 2023, the percentages of depreciation applied by the main subsidiary, Plaza Insurgentes Sur, S.A. de C.V., which provides the Institution with furniture and real property lease services, are as follows:

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

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13. PERMANENT INVESTMENTS

As of December 31, 2024 and 2023, permanent investments are comprised as follows:

	<u>2024</u>	<u>2023</u>
Corporación Andina de Fomento	\$ 2,724	\$ 2,255
Shares of other entities	412	372
Investment in subsidiary companies	39	39
Fideicomiso Capital Emprendedor	4	3
	<u>\$ 3,179</u>	<u>\$ 2,669</u>

(a) General Information on the Andean Development Corporation

The main associates are the Andean Development Corporation, Development Bank of Latin America and the Caribbean (CAF), in which the Institution subscribed to Series C shares in the equity and guarantees capital of the Corporation. Additionally, it was agreed that the country's participation would not be limited to equity subscription but would also involve economic and financial cooperation toward the Andean countries on a bilateral basis.

CAF is a development bank established in 1970 that provides advisory and financial support to the public and private sectors in Latin America and the Caribbean.

The Institution's participation in CAF amounts to 1.3%, and no dividends received from the CAF have been reported.

As of September 30, 2024, CAF reported revenues of USD 2,840, equity was USD 15,812, and net income reported for this period was USD 628.

The Institution's participation in CAF's equity and results for the period ending in September is presented below (thousands of dollars).

Shareholders' Equity	Institution's Percentage of Shareholders' Equity	Institution's Share of Shareholders' Equity	Earnings for the Year	Institution's Share of Earnings
15,812	1.30%	206	628	8

As of December 31, 2024 and 2023, the movement of permanent investments is shown below:

	<u>2024</u>	<u>2023</u>
Balance at beginning of year	\$ 2,669	\$ 2,997
Equity method in results of unconsolidated subsidiaries	7	17
Exchange translation	562	(364)
Investment acquisition	7	5
Investment disposal	-	-
Applications	(66)	14
	<u>\$ 3,179</u>	<u>\$ 2,669</u>

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14. DEPOSIT FUNDING

As of December 31, 2024 and 2023, the deposit funding line item is analyzed as follows:

	2024			2023		
	Currency		Total	Currency		Total
	Local	Foreign		Local	Foreign	
Term deposits:						
Money market deposits	\$ 189,634	\$ 18,567	\$ 208,205	\$ 174,448	\$ 14,592	\$ 189,040
Debt securities issued:						
Debt Certificates	107,447	-	107,447	96,736	-	96,736
Bank bonds	-	26,373	26,373	-	25,415	25,415
	107,447	26,373	133,820	96,736	25,415	122,151
Total deposit funding	\$ 297,085	\$ 44,940	\$ 342,025	\$ 271,184	\$ 40,007	\$ 311,191

As of December 31, 2024 and 2023, time deposits from money market deposits according to maturity are comprised as follows:

	2024	2023
Less than one year	\$ 207,414	\$ 188,191
One and five years	-	-
More than five years	374	374
	207,788	188,565
Accrued interest payable	417	475
Total	\$ 208,205	\$ 189,040

As of December 31, 2024 and 2023, the average weighted interest rates and the average terms in days on Time deposits from money market are as follows:

Time deposits from money market

Instrument	2024		
	Average rate	Average term in days	Amount
Promissory notes with yield at maturity	9.89	9.68	\$ 177,246
Time deposits	-	84.50	12,000
Time deposits in euros	4.01	8.79	17,811
Certificates of deposit in foreign currency (valued)	-	211.67	731
Accrued interest payable	-	-	417
Total			\$ 208,205
Instrument	2023		
	Average rate	Average term in days	Amount
Promissory notes with yield at maturity	11.13	11.36	\$ 149,988
Time deposits	-	112.00	24,000
Time deposits in euros	3	14.00	189
Certificates of deposit in foreign currency (valued)	4.78	13.36	14,388
Accrued interest payable	-	-	475
Total			\$ 189,040

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15. DEBT SECURITIES ISSUED IN THE COUNTRY

As of December 31, 2024 and 2023, the Institution has issued Debt Certificates with par value of one hundred pesos each, under the financial program authorized by the Ministry of Finance and Public Credit, as shown below:

Beginning	Maturities	Securities (millions)	Par Value (Pesos) % Rate	% Rate	2024	2023
Cebures settled through Indeval						
22/11/2013	08/03/2024	30.00	100	6.55	\$ -	\$ 3,000
14/03/2014	08/03/2024	4.75	100	6.55	-	475
14/03/2014	08/03/2024	42.75	100	6.55	-	4,275
06/06/2014	08/03/2024	40.00	100	6.55	-	4,000
26/09/2014	08/03/2024	32.50	100	6.55	-	3,250
02/07/2021	28/06/2024	13.85	100	11.42	-	1,385
22/11/2021	19/11/2024	22.00	100	11.43	-	2,200
17/04/2015	07/03/2025	60.00	100	6.15	6,000	6,000
24/08/2015	07/03/2025	40.00	100	6.15	4,000	4,000
12/04/2017	25/09/2026	12.50	100	6.2	1,250	1,250
02/05/2018	25/09/2026	25.00	100	6.2	2,500	2,500
26/07/2019	13/07/2029	27.20	100	7.92	2,720	2,720
02/07/2021	26/06/2026	11.15	100	11.48	1,115	1,115
02/07/2021	20/06/2026	75.00	100	7.35	7,500	7,500
22/11/2021	17/11/2026	13.00	100	11.45	1,300	1,300
22/11/2021	10/11/2031	65.00	100	7.79	6,500	6,500
19/08/2022	15/08/2025	50.23	100	11.5	5,023	5,023
19/08/2022	13/08/2027	10.07	100	11.51	1,007	1,007
19/08/2022	06/08/2032	32.74	100	9.04	3,274	3,274
15/05/2023	06/05/2030	19.57	100	9.08	1,957	1,957
15/05/2023	06/05/2023	35.10	100	9.08	3,510	3,510
15/05/2023	11/05/2026	45.33	100	11.55	4,533	4,533
04/08/2023	21/11/2025	45.00	100	11.53	4,500	4,500
04/08/2023	12/02/2027	30.00	100	11.56	3,000	3,000
08/08/2023	21/11/2025	15.23	100	11.53	1,523	1,523
01/12/2023	12/02/2027	67.60	100	11.56	6,760	6,760
13/02/2024	04/05/2027	42.71	100	10.49	4,271	-
01/11/2024	04/05/2027	50.00	100	10.49	5,000	-
06/09/2024	18/02/2028	47.79	100	10.53	4,779	-
13/02/2024	31/01/2034	81.22	100	9.6	8,122	-
06/09/2024	23/02/2035	68.12	100	9.99	6,813	-
					<u>96,957</u>	<u>86,557</u>
Premium or discount on placement					<u>(147)</u>	<u>(193)</u>
Accrued interest payable					<u>1,286</u>	<u>1,025</u>
					<u>\$ 98,096</u>	<u>\$ 87,389</u>
Securities redeemable in Euroclear and Clearstream						
27/04/2016	25/09/2026	50	100	6.2	\$ 5,000	\$ 5,000
25/10/2016	25/09/2026	42	100	6.2	4,200	4,200
Premium or discount on placement					-	-
Accrued interest payable					<u>151</u>	<u>147</u>
Subtotal					<u>9,351</u>	<u>9,347</u>
Total					<u>\$ 107,447</u>	<u>\$ 96,736</u>

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16. DEBT SECURITIES ISSUED ABROAD

Bank bonds

As of December 31, 2024, and 2023, the bank bond balance amounts to \$26,373 and \$25,415, respectively. This item includes the outstanding balances of the Institution's securities placements abroad, as shown below:

2024						
<u>Currency</u>	<u>Securities</u>	<u>Balance in original currency in millions</u>	<u>Interest</u>	<u>% average rate</u>	<u>Balance in local currency</u>	<u>Term</u>
US dollars	89	1,248	15	4.7080	\$ 26,373	Less than one year
					<u>\$ 26,373</u>	
2023						
<u>Currency</u>	<u>Securities</u>	<u>Balance in original currency in millions</u>	<u>Interest</u>	<u>% average rate</u>	<u>Balance in local currency</u>	<u>Term</u>
US dollars	110	1,475	23	5.3665	\$ 25,415	Less than one year
					<u>\$ 25,415</u>	

17. INTERBANK LOANS AND LOANS FROM OTHER AGENCIES

As of December 31, 2024 and 2023, interbank loans and loans from other entities are mainly made up of loans from financial institutions abroad at current market rates, as follows:

	<u>2024</u>	<u>2023</u>
Multinational and government bodies		
Banxico	\$ -	\$ 11,318
Banco Interamericano de Desarrollo	7,434	4,462
Corporación Andina de Fomento	6,265	3,055
Banco Europeo de Inversiones	2,685	2,545
	<u>16,384</u>	<u>21,380</u>
Banking institutions	5,277	7,310
Unpaid accrued interest	173	2,701
Other loans	21,706	18,808
	<u>27,156</u>	<u>28,819</u>
	<u>\$ 43,540</u>	<u>\$ 50,199</u>

As of December 31, 2024 and 2023, maturity terms of less than one year amount to \$29,358 and \$39,264, respectively.

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As of December 31, 2024, interbank loans and loans from other entities, in accordance with their enforceability, are comprised as follows:

Financial entity	Average rate	Average term to maturity	Millions in the original currency	Local currency
Immediately due				
Local currency	9.90%	2 days	12,344	\$ 12,344
Foreign currency	4.22%	2 days	488	9,362
Total				21,706
Short-term maturity				
US dollars:				
Commercial banking				
Kreditanstalt Fur Wiederaufbau (kfw) (c)	4.13%	365 days	25	517
Corporación Andina de Fomento (CAF) (b)	4.60%	169 days	300	6,265
NF CTF IBRD 98062 Program for Substitution of Electrical Appliances	0.75%	365 days	5	104
2631 TC ME Program for Renewable Energy Financing	0.75%	365 days	7	146
European Investment Bank	5.34%	365 days	22	447
Accrued interest payable				173
Total				7,652
Long-term maturity				
US dollars:				
Commercial banking				
Kreditanstalt fur wiederaufbau (kfw) (c)	4.13%	1,570 days	198	4,134
NF CTF IBRD 98062 Appliance Replacement Program	0.75%	2,085 days	25	522
2631 TC ME Program for Financing of Renewable Energies	0.75%	2,741 days	49	1,023
5434 OC-ME Global Credit Program for Defense of the Productive Framework (a)	6.61%	8,294 days	200	4,177
5843 OC-ME Program to Support the Development of Rural Projects (a)	6.54%	1,536 days	100	2,088
European Investment Bank	5.34%	2,146 days	107	2,238
Total				14,182
Total loans				\$ 43,540

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As of December 31, 2023, interbank loans and from other entities, in accordance with their enforceability, are comprised as follows:

Financial entity	Average rate	Average term to maturity	Millions in the original currency	Local currency
Immediately due				
Local currency	11.15%	3 days	14,757	\$ 14,757
Foreign currency	11.15%	3 days	239	4,051
Total				18,808
Short-term maturity				
Pesos				
Banxico	7.75%	29 days	11,318	11,318
US dollars:				
Commercial banking				
Kreditanstalt für Wiederaufbau (kfw) (c)	3.04%	365 days	20	347
Corporación Andina de Fomento (CAF) (b)	5.63%	166 days	180	3,054
The Bank of Nova Scotia	5.90%	365 days	146	2,468
NF CTF IBRD 98062 Program for Substitution of Electrical Appliances	0.75%	365 days	5	85
2631 TC ME Program for Renewable Energy Financing	0.75%	365 days	7	119
European Investment Bank	6.32%	365 days	21	364
Accrued interest payable				2,701
Total				20,456
Long-term maturity				
US dollars:				
Commercial banking				
Kreditanstalt für Wiederaufbau (kfw) (c)	3.04%	1,935 days	230	3,901
NF CTF IBRD 98062 Program for Substitution of Electrical Appliances	0.75%	2,450 days	30	509
2631 TC ME Program for Financing of Renewable Energies	0.75%	3,106 days	56	950
5434 OC-ME Global Credit Program for Defense of the Productive Framework (a)	6.32%	8,659 days	200	3,393
European Investment Bank	6.32%	2,511 days	129	2,182
Total				10,935
Accrued interest payable				-
Total				10,935
Total loans				\$ 50,199

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(a) The Institution has entered into loan agreements with the Inter-American Development Bank, which detail the following:

1. On September 19, 2022, the Institution entered into an agreement with the Inter-American Development Bank to finance the implementation of the Global Credit Program for the Defense of the Productive Network and the Economic Recovery, the following key points are highlighted:

- The Inter-American Development Bank grants Nacional Financiera a loan in the amount of up to two hundred million dollars (US\$200).
- The Original Disbursement Term shall be two years from the effective date upon execution of the agreement. The final amortization date is the date corresponding to twenty-five years as from the effective date upon execution of the agreement.
- As of December 31, 2023, the full credit line was drawn down and used in full within the term stated in the contract (2 years).

2. On March 15, 2024, a new contract was signed for the "Rural Project Development Support Program," highlighting the following:

- The Inter-American Development Bank granted Nacional Financiera a loan for an amount of up to USD 100.
- The final amortization date is five years from the effective date of the contract signature.
- As of December 31, 2024, the credit line was fully drawn within the term stipulated in the contract.

(b) Two short-term loans were entered into with the Andean Development Corporation during 2024:

1. The first loan was signed on October 30, 2024, with a start date of November 1, 2024, and payable by April 30, 2025, for an amount of USD 180.

2. The second loan was signed on December 18, 2024, with a start date of December 20, 2024, and payable by June 18, 2025, for an amount of USD 120.

(c) During 2024, loans were entered into with the Kreditanstalt Fur Wiederaufbau (KfW) bank, which are identified by projects as shown below:

Foreign Banks								Balance in Domestic Currency
Project	Signature Date	Amortization start date	Maturity date	Balance in Original Currency	Rate	Currency	Exchange Rate	
27583/Program for energy efficiency for small and medium size companies	02/12/2015	30/12/2020	30/12/2025	9	1.880000	USD	20.8829	\$ 202
28987/Program for energy efficiency	18/12/2018	15/05/2024	15/05/2029	37	4.641690	USD	20.8829	775
29176/Program for Promotion of Renewable Energies	18/12/2018	15/05/2024	15/05/2034	62	4.821690	USD	20.8829	1,286
28989/Program for Forestly Investment Proinfor	18/12/2018	15/05/2024	15/05/2029	2	4.121690	USD	20.8829	34
30503/Program for Micro, Small and Medium Size Companies	18/12/2018	15/05/2027	15/05/2032	113	5.171690	USD	20.8829	2,354
			TOTAL	223				\$ 4,651

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Account 'Credits obtained pending drawdown' represent lines of credit granted to the Institution unused at the closing of the year, as detailed as follows:

	<u>2024</u>		<u>2023</u>
Kreditanstalt Fur Wiederaufbau Frankfurt	\$ 1,243	\$	1,097
Mexican Central Bank	223		181
Inter-American Development Bank	<u>5,100</u>		<u>2,447</u>
	<u>\$ 6,567</u>	\$	<u>3,725</u>

The loan agreements establish various obligations to be fulfilled and prohibitions for the execution of the projects to be financed, including the following: maintaining acceptable and reliable financial management systems; implementing internal controls to ensure that project resources are used for the purposes outlined in the contract; keeping project documents and records for a specified period; reporting on the progress of the projects as well as any occurrences of non-compliance with the commitments set forth in the contract; and allowing inspections of the project, facilities, equipment and systems, records, and documents deemed relevant at any time.

18. OTHER ACCOUNTS PAYABLE

As of December 31, 2024 and 2023, this line item is comprised as shown below:

	<u>2024</u>		<u>2023</u>
Creditors for collateral received in cash	\$ 7	\$	2,210
Contributions payable	232		168
Sundry creditors	10,578		2,372
Clearing accounts	5,835		4,421
Provisions for other items	292		364
Security deposits	<u>3</u>		<u>3</u>
Total	<u>\$ 16,947</u>	\$	<u>9,538</u>

19. EMPLOYEE BENEFITS

a) Defined contribution for retirement plan

Starting in 2006, the Institution modified the General Work Conditions (CGT) based on trends and best practices in the management and operation of retirement and pension schemes, to include new employees as well as those who chose to migrate from a defined benefit scheme to a defined contribution scheme.

This scheme allows for greater control over the plan's costs and liabilities, ensures an appropriate cost-benefit ratio for both the Institution and the employees, and establishes clear rules for contributions and withdrawals.

The plan consists of contributions made by the Institution to individual accounts opened in the name of each employee, which are divided into two sub-accounts, labeled "A" and "B," respectively. It also includes contributions made by the employee to the "B" sub-account, as well as the earnings generated by both sub-accounts, which are collectively identified as the employee's individual account.

The amount of contributions for the years ended December 31, 2024 and 2023, amounted to \$50 and \$43, respectively.

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As of December 31, 2024 and 2023, the Defined Contribution Plan assets amount to \$360 and \$316, and are invested in an irrevocable trust set up in the Institution.

b) Defined benefit retirement plan

The General Work Conditions specify that employees who reach 65 years of age and 30 years of service will be entitled to a lifetime pension upon retirement. Additionally, upon reaching 65 years of age with 5 years of service, they will be entitled to a monthly lifetime pension, the amount of which will be equal to the result of multiplying the average monthly net salary earned by the employee during the last year of service by the number of years of service, multiplied by the factor of 0.0385. The Institution reserves the right to grant retirement pensions to employees who have reached 60 years of age or 26 years of service.

Furthermore, the transitional articles of the General Work Conditions dated August 12, 1994, establish that employees who joined the Institution before the indicated date and meet the following conditions: 55 years of age with 30 years of service, 60 years of age with 26 years of service, or 60 years of age with 5 years of service, will be entitled to a retirement pension in accordance with the terms outlined in the aforementioned Conditions.

In the case of unjustified termination or termination of the employment relationship, if the employee is 50 years of age and has at least 16 years of service, they may choose either severance compensation or a lifetime pension, calculated based on the provisions in the first paragraph of the main characteristics of the retirement plan.

Article Five, Transitional Section a) of the CGT revised in 2006, establishes that individuals who have received a pension for disability, incapacity, or retirement prior to this revision, as well as those employees who joined the Institution before the effective date of the mentioned revision and are subject to the defined benefit retirement plan, will continue to enjoy the right to receive from the Institution the following additional benefits upon retirement:

Short-term loans, medium-term loans, and a special savings loan, which will be paid from the "Administrative and Promotion Expenses" category, with a guaranteed net return of 18%. The maximum investable amount will be calculated as 41.66% of the net monthly pension, multiplied by 72 months, as well as the available capacity, which will be 50% of the net pension less the monthly discounts for short-term and medium-term loans, including principal and interest, multiplied by 72 months, with a cap of 41.66% of the net monthly pension. The special savings loan will incur interest at an annual rate of 1% on its amount, which will be withheld by the Institution.

The net cost for the period affecting the consolidated results as of December 31, 2024 and 2023, was \$764 and \$929, respectively, including the effect of other post-retirement benefits. The estimated net cost for the period in 2025 will be \$59.

As of December 31, 2024 and 2023, the assets of the labor obligations fund plan amount to \$7,410 and \$7,263, respectively, and the fund is invested in an irrevocable trust established within the Institution. The net cost for the period recorded in the Institution's individual results for retirement plans and seniority bonuses amounted to \$86 and \$72, respectively.

As of December 31, 2024 and 2023, plan assets related to "Other post-retirement benefits" amount to \$18,149 and \$17,014, respectively. The net period cost recognized in the consolidated statements of comprehensive income of the Institution amounted to \$678 and \$856, respectively.

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As of December 31, 2024 and 2023, the plan assets of the fund for labor obligations are invested in the following securities:

<u>Types of investments in the fund and concentration</u>	<u>2024</u>	<u>2023</u>
Government securities	43.68%	36.27%
Bank securities	-	0.23%
Other debt securities	56.32%	63.50%
Total	100%	100.00%

As of December 31, 2024 and 2023, of the total assets of the plan, 14.80% and 20.64%, respectively, are invested in Federal Government Development Bonds; 0.00% and 1.22%, respectively, in Treasury Certificates of the Federation; 28.88% and 14.41%, respectively, in Bonds of the Institute for the Protection of Bank Savings; 0.00% and 0.23%, respectively, in time deposits with interest payable at maturity and investment companies of securities issued by credit institutions; and 56.32% and 63.50%, respectively, in Debt Securities and Investment Companies of securities issued by credit institutions and private sector companies with high credit ratings.

As of December 31, 2024 and 2023, the liability for employee benefits, is comprised as follows:

<u>Employee benefits:</u>	<u>2024</u>	<u>2023</u>
Institution	\$ -	\$ 2,055
CMIC	15	2
Operadora de Fondos	18	18
Plaza Insurgentes	2	1
Total	\$ 35	\$ 2,076

The summary of actuarial calculations of the Institution without subsidiaries as of December 31, 2024, is the following:

<u>Concept</u>	<u>2024</u>			
	<u>Pension</u>	<u>Seniority Premium</u>	<u>Other retirement benefits</u>	<u>Financial cost of credits</u>
Accounting policy for recognition of losses and gains				
	<u>Deferred amortization</u>			
General benefits description	<u>According to general labor conditions</u>			
Obligation for acquired benefits	\$ 6,855	\$ 5	\$ 12,044	\$ 3,312

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Reconciliation between the value of Defined Benefit Obligations (DFO) and Fair Value of Plan Assets (FVPA) with the Net Liability for Defined Benefits (NLDB) or Net Assets for Defined Benefits (NADF)

Concept	2024			
	Retirement	Seniority Premium	Other retirement benefits	Financial Cost of Credits
Net by Defined Benefit (ANDB)				
Defined Benefit Obligation (OBD)	\$ (6,966)	\$ (58)	\$ (13,903)	\$ (3,464)
Fair Value of Plan Assets (VRAP)	7,006	33	14,198	3,517
Concept	2024			
	Retirement	Seniority Premium	Other retirement benefits	Financial Cost of Credits
(Liabilities) Net Defined Benefit Assets (PNDB)/ANDB	40	(25)	295	53
Transfer to restricted investments	371	-	-	435
Remeasurements pending recognition	-	-	9	-
Net Defined Benefit Assets (Liabilities)	411	(25)	304	488
Adjustment	21	-	74	-
Total Net Defined Benefit Assets (Liabilities)	\$ 432	\$ (25)	\$ 378	\$ 488
Defined Benefit Asset (Liability) at the beginning of the period	\$ 406	\$ 13	\$ 1,573	\$ 352
Net Cost of the Period (CNP)	81	5	605	73
Contributions made to the fund	(81)	(5)	(605)	(73)
Liability (asset) remeasurements recognized in ORI	(817)	12	(1,877)	(840)
(Liabilities) / Net Defined Benefit Assets (PNBD) / ANBD	(411)	25	(304)	(488)
Adjustment	(21)	-	(74)	-
Total Net Defined Benefit Assets (Liabilities)	\$ (432)	\$ 25	\$ (378)	\$ (488)
Net cost of the period				
Labor cost	\$ 7	\$ 3	\$ 310	\$ 10
Financial cost	681	4	1,368	377
Return on Assets	(646)	(3)	(1,227)	(348)
Remeasurement recycling	39	1	154	34
Net cost of the period	\$ 81	\$ 5	\$ 605	\$ 73
Liability (Asset) Remeasurements by Net Defined Profits				
Defined Benefit Obligations	\$ 6,966	\$ 58	\$ 13,903	\$ 3,464
Estimated defined benefit obligations	(7,660)	(44)	(15,873)	(4,236)
(Actuarial gains)/losses in Obligations (GPAO)	\$ (694)	\$ 14	\$ (1,970)	\$ (772)
Fair value of plan assets	\$ (7,006)	\$ (33)	\$ (14,198)	\$ (3,517)
Estimated value of plan assets	6,923	32	14,205	3,484
(Gains)/losses on return on plan assets (GPRA)	(83)	(1)	7	(33)
Remeasurement of the period to be recognized in ORI	\$ (777)	\$ 13	\$ (1,963)	\$ (805)
Average Remaining Work Life (VLRP)	10.33	11.01	10.33	10.33

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The summary of actuarial calculations of the Institution without subsidiaries as of December 31, 2023, is the following:

Concept	2023			
	Retirement	Seniority Premium	Other retirement benefits	Financial Cost of Credits
Accounting Policy for Recognition of Losses and earnings	Deferred amortization			
General description of benefits	In accordance with general working conditions			
Vested Benefit Obligation (OBA)	\$ 7,509	\$ 4	\$ 12,034	\$ 4,032

Reconciliation between the value of the Defined Benefit Obligation (OBD) and the Fair Value of Plan Assets (VRAP) against the Net Defined Benefit Liability (PNBD) or Net Defined Benefit Asset (ANBD).

Concept	2023			
	Pension	Seniority Premium	Other retirement benefits	Financial cost of credits
Net assets for defined benefits				
Obligation for defined benefits	\$ (7,639)	\$ (43)	\$ (14,972)	\$ (4,215)
Fair value of plan assets	7,233	30	13,151	3,863
Financial situation of the obligation	(406)	(13)	(1,821)	(352)
Remeasurements pending recognition	114	1	248	79
Net asset (liability) for defined benefits	(292)	(12)	(1,573)	(273)
Amortization	21	-	74	-
Total net asset (liability) for defined benefits	\$ (271)	\$ (12)	\$ (1,499)	\$ (273)
(Liability) assets for defined benefits				
Net at beginning of period	\$ 341	\$ 14	\$ 2,898	\$ 681
Net cost for the period	67	5	725	131
Contributions made	(67)	(5)	(725)	(131)
Remeasurements of liability (asset) recognized in OCI	(49)	(2)	(1,325)	(408)
Net (liability) asset for defined benefits (NLDF) / (NADF)	292	12	1,573	273
Restatement	(21)	-	(74)	-
Total net assets (liabilities) for defined benefits	\$ 271	\$ 12	\$ 1,499	\$ 273
Net cost for the period				
Labor cost	\$ 7	\$ 3	\$ 222	\$ 9
Financial cost	661	3	1,316	386
Return on assets	(633)	(2)	(1,082)	(329)
Recycling of remeasurements	32	1	269	65
Net cost for the period	\$ 67	\$ 5	\$ 725	\$ 131

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Concept	2023			
	Pension	Seniority Premium	Other retirement benefits	Financial cost of credits
Remeasurements of liabilities (assets) for Net Defined Benefits				
Defined benefits obligations	\$ 7,639	\$ 42	\$ 14,972	\$ 4,215
Estimated obligations for defined benefits	<u>(7,503)</u>	<u>(42)</u>	<u>(15,707)</u>	<u>(4,407)</u>
Actuarial (gains) losses on obligations (AGLO)				
Defined benefits obligations	\$ 136	\$ -	\$ (735)	\$ (192)
Fair value of plan assets	\$ (7,233)	\$ (30)	\$ (13,151)	\$ (3,863)
Estimated value of plan assets	7,194	29	13,078	3,791
(Gains) losses on return of plan assets (GLRPA)	<u>(39)</u>	<u>(1)</u>	<u>(73)</u>	<u>(72)</u>
Remeasurement for the period to be recognized in OCI	\$ <u>97</u>	\$ <u>(1)</u>	\$ <u>(808)</u>	\$ <u>(264)</u>
Average remaining labor life (ARLL)	<u>10.33</u>	<u>11.01</u>	<u>10.33</u>	<u>10.33</u>

Main hypotheses used

	2024	2023
Discount rate	11.33%	9.32%
Rate of wage increases	4.75%	4.75%
Minimum wage increase rate	11.00%	3.75%
Medical Service Rate of Increase	12.50%	12.00%
Long-term inflation rate	3.75%	3.75%

Financial position

As of December 31, 2024 and 2023, the financial position is as follows:

2024	Retirement pension plan	Seniority bonus	Medical service savings fund, insurance, sports	Other retirement benefits (PEA) and financial cost of credits
Obligation for defined benefits	\$ (6,966)	\$ (58)	\$ (13,903)	\$ (3,464)
Fair value of plan assets	<u>7,006</u>	<u>33</u>	<u>14,198</u>	<u>3,517</u>
Financial position of obligation	40	(25)	295	53
Transfer to restricted investments	371			435
Remeasurements pending recognition	<u>-</u>	<u>-</u>	<u>9</u>	<u>-</u>
Net Defined Benefit Assets/Liabilities	<u>411</u>	<u>(25)</u>	<u>304</u>	<u>488</u>
Restatement	<u>21</u>	<u>-</u>	<u>74</u>	<u>-</u>
Total net asset (liability) for defined benefits	\$ <u>432</u>	\$ <u>(25)</u>	\$ <u>378</u>	\$ <u>488</u>

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2023	Retirement pension plan	Seniority Premium	Medical service, savings fund insurance, sports	Other retirement benefits (SLS) and financial cost of credits
Obligation for defined benefits	\$ (7,639)	\$ (43)	\$ (14,972)	\$ (4,215)
Fair value of plan assets	7,233	30	13,151	3,863
Financial position of obligation	(406)	(13)	(1,821)	(352)
Remeasurements pending recognition	114	1	248	79
Net asset (liability) for defined benefits	(292)	(12)	(1,573)	(273)
Restatement	21	-	74	-
Total net asset (liability) for defined benefits	\$ (271)	\$ (12)	\$ (1,499)	\$ (273)

Reconciliation of the reserve and Other Comprehensive Income (OCI)

2024	Retirement pension plan	Seniority bonus	Medical service savings fund, insurance, sports	Other retirement benefits (PEA) and financial cost of credits
Reserve balance at the beginning of the financial year	\$ 406	\$ 13	\$ 1,573	\$ 352
Net cost of the period	81	5	605	73
Contribution to the fund	(81)	(5)	(605)	(73)
Remeasurements of liabilities (assets) recognized in OCI	(817)	12	(1,877)	(840)
Balance at the end of the year	(411)	25	(304)	(488)
Adjustment	(21)	-	(74)	-
Total Net Assets (Liabilities) by defined benefit	\$ (432)	\$ 25	\$ (378)	\$ (488)
Other Comprehensive Income cumulative (OCI)				
Balance at the beginning of the year pending recognize in OCI	\$ 114	\$ 1	\$ 249	\$ 79
Recycling of remeasurements	(114)	(1)	(240)	(79)
Outstanding year-ending balance of recognize in OCI	\$ -	\$ -	\$ 9	\$ -
Balance at the beginning of the year recognized in OCI	\$ 291	\$ 12	\$ 1,573	\$ 272
Recycling of remeasurements	75	-	86	45
(Actuarial gains)/losses on obligations	(694)	14	(1,970)	(772)
(Gains)/losses on return on plan assets	(83)	(1)	7	(33)
Ending balance for the year recognized in OCI	(411)	25	(304)	(488)
Net defined benefit liability (asset) at year-end	(411)	25	(304)	(488)
Adjustment	(21)	-	(74)	-
Total (Liabilities) net assets from profits defined	\$ (432)	\$ 25	\$ (378)	\$ (488)

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2023	Retirement pension plan	Seniority bonus	Medical service savings fund, insurance, sports	Other retirement benefits (PEA) and financial cost of credits
Reserve balance at the beginning of the financial year	\$ 341	\$ 14	\$ 2,898	\$ 681
Net cost of the period	67	5	725	131
Contribution to the fund	(67)	(5)	(725)	(131)
Remeasurements of liabilities (assets) recognized in OCI	(49)	(2)	(1,325)	(408)
Balance at the end of the year	292	12	1,573	273
Adjustment	(21)	-	(74)	-
Total Net Assets (Liabilities) by defined benefit	\$ 271	\$ 12	\$ 1,499	\$ 273
Cumulative status of the OCI				
Balance at the beginning of the year pending recognize in OCI	\$ 256	\$ 1	\$ 542	\$ 178
Recycling of remeasurements	(142)	-	(294)	(99)
Outstanding year-ending balance of recognize in OCI	\$ 114	\$ 1	\$ 248	\$ 79
Balance at the beginning of the year recognized in OCI	\$ 85	\$ 13	\$ 2,357	\$ 503
Recycling of remeasurements	110	-	24	34
(Actuarial gains)/losses in obligations	136	-	(735)	(192)
(Profit)/loss on return on Plan Assets	(39)	(1)	(73)	(72)
Ending balance for the year recognized in OCI	292	12	1,573	273
Net defined benefit liability (asset) at year-end	292	12	1,573	273
Adjustment	(21)	-	(74)	-
Total (Liabilities) net assets from defined benefit	\$ 271	\$ 12	\$ 1,499	\$ 273

Employee Statutory Profit Sharing

As of December 31, 2024 and 2023, the accrued and deferred employee statutory profit sharing is detailed below:

	2024	2023
Profit sharing caused:		
Institution	\$ -	\$ -
Consolidable trusts	-	-
CMIC	(1)	-
Fund Operator	(8)	(6)
Real estate	(2)	(1)
Caused profit sharing	\$ (11)	\$ (7)
Deferred profit Sharing		
Institution	\$ (59)	\$ (60)
Consolidable trusts	-	-
CMIC	-	-
Fund Operator	-	-
Real estate	-	-
Deferred profit sharing	\$ (59)	\$ (60)
Total	\$ (70)	\$ (67)

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Employee Profit Sharing, caused and deferred

Below is the calculation of the Employee Profit Sharing, caused and deferred as of December 31, 2024 and 2023.

2024	Basis	Profit sharing 10%
Profit before income tax	\$ (10,275)	\$ 1,028
Allocation to the tax caused:		
Inflationary adjustment	(1,788)	179
Valuation of financial instruments	(138)	14
Non-deductible expenses	72	(7)
Allowance for credit and other risks	1,343	(134)
Trust without business activity	7,550	(755)
Derivative financial transactions	1,356	(136)
Non-deductible employee benefit	558	(56)
Other, net	265	(27)
Profit sharing caused	<u>\$ (1,057)</u>	<u>\$ -</u>
Profit sharing in Subsidiary Results		<u>(11)</u>
Profit sharing in consolidated results		<u>\$ (11)</u>
Affectation of the deferred profit sharing (10% Profit sharing):		
Valuation of financial instruments	\$ 138	\$ (14)
Miscellaneous provisions	95	(10)
Preventive allowance for credit risks	(2,118)	212
Estimation of awarded assets	-	-
Interest on derivative financial instruments (Swaps)	(737)	74
Other	(25)	3
Deferred profit sharing	<u>(2,647)</u>	<u>265</u>
Estimation for deferred profit-sharing assets Non-recoverable	<u>3,240</u>	<u>(324)</u>
EPS deferred institution	<u>\$ 593</u>	<u>\$ (59)</u>
Subsidiary deferred Profit sharing		<u>-</u>
Consolidated deferred Profit sharing		<u>\$ (59)</u>
2023	Basis	EPS 10%
Profit before income tax	\$ (11,191)	\$ 1,119
Allocation to the tax caused:		
Inflationary adjustment	(1,994)	199
Valuation of financial instruments	(557)	56
Non-deductible expenses	31	(3)
Allowance for credit and other risks	3,154	(315)
Trust without business activity	7,154	(715)
Derivative financial transactions	477	(48)
Non-deductible employee benefit	310	(31)
Other, net	(783)	78
Profit sharing caused	<u>\$ (3,399)</u>	<u>\$ -</u>
Profit sharing in Subsidiary results		<u>(7)</u>
Profit sharing in consolidated results		<u>\$ (7)</u>

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	<u>Base</u>	<u>PTU al 10%</u>
Affection of the deferred profit sharing (10% EPS):		
Valuation of financial instruments	\$ 557	\$ (56)
Miscellaneous provisions	-	-
Preventive allowance for credit risks	(2,494)	250
Estimation of awarded assets	(313)	31
Interest in derivative financial instruments (Swaps)	(597)	60
Other	239	(24)
Deferred profit sharing	<u>(2,608)</u>	<u>261</u>
Estimation for deferred profit-sharing assets Non-recoverable	<u>3,206</u>	<u>(321)</u>
Deferred profit-sharing institution	\$ <u>598</u>	\$ <u>(60)</u>
Subsidiary deferred profit sharing		-
Consolidated deferred profit sharing		\$ <u>(60)</u>

As of December 31, 2024 and 2023, deferred employee profit sharing asset, is comprised as follows:

	<u>2024</u>	<u>2023</u>
Deferred asset (liability):		
Institution	\$ 481	\$ 729
Corporación Mexicana de Inversiones de Capital, S.A. de C.V.	-	-
Operadora de Fondos Nafinsa, S.A. de C.V.	2	3
Plaza Insurgentes Sur, S.A. de C.V.	-	-
Deferred income tax and deferred EPS	<u>\$ 483</u>	<u>\$ 732</u>

The effects of Employee Profit Sharing for temporary differences which originate significant portions of deferred Employee Profit Sharing, as of December 31, 2024 and 2023, are analyzed as follows:

	<u>2024</u>	<u>2023</u>
Deferred asset (liability)		
Valuation of financial instruments	\$ (98)	\$ (71)
Provisions and other	18	28
Preventive allowance for credit risks	1,627	1,415
Allowance for foreclosed assets	81	81
Interest in derivative financial instruments (Swaps)	140	66
Remeasurements for defined benefits	(62)	114
Other	13	11
Deferred Profit Sharing	\$ <u>1,719</u>	\$ <u>1,644</u>
Allowance for deferred tax assets not recoverable	<u>(1,238)</u>	<u>(915)</u>
Deferred Profit-Sharing institution	\$ <u>481</u>	\$ <u>729</u>
Income tax and Profit-Sharing deferred Subsidiaries	<u>2</u>	<u>3</u>
Deferred Profit Sharing consolidated	<u>\$ 483</u>	<u>\$ 732</u>

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20. INCOME TAX

a) Income tax in results

The Income Tax Law (LISR) effective as of January 1, 2014, establishes a 30% Income Tax (ISR) rate for 2014 and subsequent years.

The Institution, in its capacity as trustee and in accordance with Article 13 of the LISR, when conducting business activities through a trust, shall determine the fiscal result or fiscal loss of such activities for each fiscal year in accordance with Title II of this Law, and shall fulfill on behalf of the group of beneficiaries the obligations set forth in this Law, including making provisional payments.

For the years ending at December 31, 2024 and 2023, the income tax expense, incurred and deferred, charged to results, is comprised as follows:

	<u>2024</u>	<u>2023</u>
ISR incurred:		
Institution	\$ -	\$ -
Consolidating trusts	(2)	(1)
CMIC	(2)	-
Operadora de Fondos	(35)	(22)
Real estate company	(35)	(40)
ISR incurred	\$ (74)	\$ (63)
ISR deferred:		
Institution	\$ (177)	\$ (180)
Consolidating trusts	-	-
CMIC	(220)	464
Operadora de Fondos	-	6
Real estate company	(8)	13
ISR deferred	\$ (405)	\$ 303
Total	\$ (479)	\$ 240

b) Deferred income tax

For the purpose of income tax, temporary differences originating significant portions of income tax assets of the institution, as of December 31, 2024 and 2023, are presented below:

	<u>2023</u>	<u>2022</u>
Deferred asset (liability):		
Valuation of financial instruments	\$ (294)	\$ (214)
Provisions and other	55	83
Preventive allowance for credit risks	4,880	4,245
Allowance for foreclosed assets	244	244
Interest from derivative financial instruments (Swaps)	419	198
Tax loss	3,103	2,642
Remeasurements for defined benefits	(187)	342
Other	40	32
Deferred income tax	8,260	7,572
Allowance for non-recoverable income tax asset (1)	(6,818)	(5,386)
Deferred income tax, Institution	\$ 1,442	\$ 2,186
Deferred income tax, subsidiaries	(445)	(227)
Deferred income tax, consolidated	\$ 997	\$ 1,959

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- (1) The deferred tax asset estimation as of December 31, 2024, comprises the following: unamortized tax losses for which recovery is uncertain amounting to \$3,103, the portion of the preventive estimation for credit risks that is expected to be non-deductible in the future as these items will not materialize amounting to \$3,368, and the estimation for the probability of not recovering the deferred tax amounting to \$347.

The deferred tax asset estimation as of December 31, 2023, comprises the following: unamortized tax losses for which recovery is uncertain amounting to \$2,642, and the portion of the preventive estimation for credit risks that is expected to be non-deductible in the future as these items will not materialize amounting to \$2,744.

The Institution estimates that the net asset is recoverable; however, as indicated in Note 2c, the federal government's decisions regarding the usage charges described in Note 22 may affect the viability of this recovery.

c) Reconciliation of the effective rate of income tax

Below, the analysis of the effective rate of income tax for years ended December 31, 2024 and 2023:

2024	Basis	ISR at 30%	Effective rate
Loss before income tax	\$ (10,275)	\$ 3,082	(30%)
Allocation to incurred tax:			
Inflationary adjustment	(1,788)	536	(5%)
Valuation of financial instruments	(138)	41	(1%)
Non-deductible expenses	70	(21)	-
Preventive allowance for credit risks and other risks	1,343	(403)	4%
EPS deferred	59	(18)	-
Trust with no business activity	7,550	(2,265)	22%
Derivative financial transactions	1,356	(407)	4%
Non-deductible employee benefit	558	(167)	2%
Other, net	211	(63)	1%
Incurring tax (tax loss)	(1,054)	-	(3%)
Tax effect of consolidating trusts	12	-	-
Income tax (tax loss)	\$ (1,042)	\$ -	-
Income tax in results of subsidiaries		(74)	
Income tax in consolidated results		\$ (74)	
Allocation to deferred tax (tax at 30%):			
Valuation of financial instruments	\$ 138	\$ (41)	-%
Miscellaneous provisions	95	(29)	-
Preventive allowance for credit risks	(2,118)	635	(6%)
Preventive allowance for credit risks and other interest on derivative financial instruments (Swaps)	-	-	(-%)
Tax loss	(737)	221	(2%)
Other	(1,536)	461	(4%)
Other	(25)	8	-%
Deferred income tax	(4,183)	1,255	(12%)
Allowance for unrecoverable deferred income tax asset	4,773	(1,432)	-
Income tax, institution	\$ 590	\$ (177)	-
Income tax, subsidiaries		(228)	
Income tax, consolidated		\$ (405)	

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2023	Basis	ISR at 30%	Effective rate
Loss before income tax	\$ (11,191)	\$ 3,357	(30%)
Allocation to incurred tax:			
Inflationary adjustment	(1,994)	598	(5%)
Valuation of financial instruments	(557)	167	(1%)
Non-deductible expenses	19	(6)	-
Preventive allowance for credit risk and other risks	3,154	(946)	8%
PTU deferred	60	(18)	-
Trust with no business activity	7,154	(2,146)	19%
Derivative financial transactions	477	(143)	1%
Non-deductible employee benefit	310	(93)	1%
Other, net	(821)	246	(2%)
Incurring tax (tax loss)	(3,389)	-	(9%)
Tax effect of consolidating trusts	2	-	-
Income tax (tax loss)	\$ (3,387)	\$ -	-
Income tax in results of subsidiaries		(63)	
Income tax in consolidated results		\$ (63)	
Allocation to deferred tax (tax at 30%):			
Valuation of financial instruments	\$ 557	\$ (167)	2%
Miscellaneous provisions	-	-	-
Preventive allowance for credit risks	(2,494)	748	(7%)
Preventive allowance for credit risks and other interest on derivative financial instruments	(313)	94	(1%)
(Swaps)	(597)	179	(2%)
Tax loss	(3,266)	980	(9%)
Other	239	(72)	1%
Deferred income tax	(5,874)	1,762	(16%)
Allowance for unrecoverable deferred income tax asset	6,472	(1,942)	-
Income tax, institution	\$ 598	\$ (180)	-
Income tax, subsidiaries		483	
Income tax, consolidated		\$ 303	

d) Other considerations

In accordance with current tax legislation, tax authorities are entitled to audit the five fiscal years prior to the latest income tax return filed.

According to the Income Tax Law (LISR), companies that conduct transactions with related parties, whether residents in the country or abroad, are subject to limitations and requirements concerning transfer pricing, as transactions must be conducted at arm's length.

The taxable income for ISR purposes differs from the base used for employee profit sharing (EPS) due to EPS payments and certain non-deductible employee benefits.

e) Tax loss carryforwards

Tax loss carryforwards can be realized in the ten following fiscal years against taxable income. Such carryforwards must be restated using the National Consumer Price Index (NCPI).

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As of December 31, 2023, tax loss carryforwards, restated at that date, are summarized as follows:

<u>Year incurred</u>	<u>Historical amount</u>	<u>Restatement</u>	<u>Restated amount</u>	<u>Year of expiration</u>
2019	\$ 1,556	\$ 463	\$ 2,019	2029
2020	1,426	360	1,786	2030
2021	684	126	810	2031
2022	981	93	1,074	2032
2023	3,459	153	3,612	2033
2024	1,042	-	1,042	2034
	<u>\$ 9,148</u>	<u>\$ 1,195</u>	<u>\$ 10,343</u>	

21. STOCKHOLDERS' EQUITY

Capital stock

As of December 31, 2023, capital stock of the Institution is comprised as follows:

	<u>Capital contribution certificate</u>		<u>Par value (pesos)</u>	<u>Amount</u>		<u>Total</u>
	<u>"A" Series</u>	<u>"B" Series</u>		<u>"A" Series</u>	<u>"B" Series</u>	
Subscribed capital	\$ 59,400,000	\$ 30,600,000	\$ 50	\$ 2,970	\$ 1,530	4,500
Unissued capital	(10,335,592)	(5,324,397)	50	(517)	(266)	(783)
Subscribed and paid capital	<u>\$ 49,064,408</u>	<u>\$ 25,275,603</u>	<u>\$ 50</u>	<u>\$ 2,453</u>	<u>\$ 1,264</u>	<u>3,717</u>
Restatement increase						<u>7,011</u>
Total capital stock						<u>\$ 10,728</u>

The Institution's capital stock will be represented by 66% of Series "A" and 34% by Series "B." Series "A" may only be subscribed by the Federal Government, and Series "B" may only be subscribed by the Federal Government and by Mexican individuals or legal entities. As of December 31, 2024 and 2023, the Federal Government holds 99.97% of the capital.

On May 13, 2024, the Ministry of Finance and Public Credit issued official letter no. 368.-VI.-A.-099/2024 addressed to the Institution, where a simple copy of the delivery-receipt record of the CAPs titles that represent the investments of the Federal Government to TESOFE was delivered for its custody and receipt of the CAPs of the "A" and "B" series, issued on May 9, 2024. Likewise, a simple copy of the CAPs of the "A" and "B" series subscribed to May 6, 2024 was delivered. Which represent the increase in the paid-in share capital derived from the contribution to the capital made by the Ministry of Finance and Public Credit on December 19, 2022 for an amount of \$3,326, applied to the paid-in share capital an amount of \$341 and to the CAP subscription premiums of \$2,985.

Contributions for future capital stock increases

As of December 31, 2024 and 2023, its value amounts to \$20,832 and \$12,129, respectively.

On December 30, 2024, and December 29, 2023, the Ministry of Finance and Public Credit (SHCP) made capital contributions of \$12,029 and \$8,803, respectively. The Institution's Administration is taking the necessary steps to authorize the capital contribution to support the volume of development and investment banking operations, including venture capital investments, and to maintain a prudent level of capitalization.

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Premium on sale of shares

The premium on sale of Certificates of Equity Contribution (CAPs, per its acronym in Spanish) represents the excess difference between the payment for subscribed CAPs and their par value. The balance of premiums on sale of CAPs as of December 31, 2024 and 2023, amounts to \$34,853 and \$31,868, respectively.

Capital reserve

Net income for the year, when generated, is subject to the legal provision that requires that 5% thereof is transferred to the legal reserve, until it is equal to 20% of capital stock, except in the case of having accumulated losses, which should be first fully amortized before allocating it to the legal reserve.

The nominal value of the capital reserves as of December 31, 2024 and 2023, amount to \$1,699, and its restated value as of year-end amounts to \$3,115.

Dividends declared

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

For years ended December 31, 2024 and 2023, there were no dividends declared.

Comprehensive income

As of December 31, 2024 and 2023, comprehensive income reported in the consolidated statements of changes in stockholders' equity, represents the total performance for the year and includes net income, the effects of valuation of investments in financial instruments for collecting or selling in the amount of \$(25) and \$(112), respectively, as well as the valuation of cash flow hedging derivative financial instruments for \$108 and \$288, respectively, remeasurement of defined employee benefits for \$2,622 and \$636, respectively, and valuation effects of associated and affiliated companies for \$(59) and \$12, respectively.

Restrictions on stockholders' equity

Financial Institutions Law requires the Institution to set aside 10% of its earnings, on an annual basis, to set up capital reserves, up to the amount of the paid-in capital stock.

In case of equity reimbursements or retained earnings distributions to stockholders, income tax is due on the portion of the reimbursement or distributions exceeding the taxable basis. As of December 31, 2024 and 2023, the capital contribution account (CUCA, per its acronym in Spanish) of the Institution amounts to \$112,784 and \$105,281, respectively, and the after-tax earnings account (CUFIN, per its acronym in Spanish), amounted to \$18,367 and \$18,722, respectively.

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

Capitalization (unaudited information)

As of December 31, 2023, the preliminary calculation of the capitalization ratio was at 20.94% which is comprised of net capital amounting to \$37,523 and total risk-weighted assets amounting to \$179,217.

a. Basic and supplementary capital

The Institution's net capital consists of \$36,133 of basic capital. Pursuant to the application of the portfolio rating methodology, supplementary capital is equal to \$1,390 which implies that net capital is equal to \$37,523. The basic capital, in this case, is equal to the fundamental capital.

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b. Assets adjusted for market risks

Assets adjusted for market risks amount to \$45,040 and are equivalent to a capital requirement of \$3,603, integrated as follows:

Positions exposed to market risk by risk factors		
Concept	Amount of equivalent positions	Capital requirement
Transactions in local currency at nominal rate	\$ 17,241	\$ 1,379
Transactions with debt securities in local currency with spread and adjustable rate	6,675	534
Transactions in local currency with actual rates or denominated in UDIs	1,633	131
Position in UDIs or with returns indexed to NCPi	7	1
Transactions in foreign currency at nominal rate	2,768	221
Positions in foreign currency or returns indexed to exchange rate	130	10
Positions in gold	-	-
Positions in shares or with return indexed to the price of a single share or group of shares	16,587	1,327
	<u>\$ 45,041</u>	<u>\$ 3,603</u>

c. Assets adjusted for credit risks

Assets adjusted for credit risk amount to \$125,560 and are equivalent to a capital requirement of \$10,045. Therefrom, assets adjusted for risk related to borrowers and deposits amount to \$108,026, equivalent to a capital requirement of \$8,642, and are comprised as follows:

Weighted assets subject to credit risks by risk group		
Concept	Risk-weighted assets	Capital requirement
Group III (20% weighted)	\$ 15,106	\$ 1,208
Group III (50% weighted)	1,761	141
Group IV (weight at 20%)	6,352	508
Grupo VI (weighted at 100%)	495	40
Group VII (weighted 20%)	16,561	1,325
Group VII (50% weighted)	5,437	435
Group VII (100% weighted)	26,368	2,109
Group VII (120% weighted)	20	2
Group VII-B (50% weighted)	104	8
Group VII-B (100% weighted)	28,641	2,291
Group VIII (weighted to 115% Group VIIA%)	309	25
Group IX (100% weighted)	6,872	550
	<u>\$ 108,026</u>	<u>\$ 8,642</u>

d. Assets adjusted for operational risk

Assets adjusted for operational risk amount to \$8,617 and are equivalent to a capital requirement of \$689.

Used method	Weighted assets subject to operational risk	
	Assets weighted by risk	Capital requirements
Basic benchmark	\$ 8,617	\$ 689

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The detail of subcomponents of required capital calculation by operational risk using the business benchmark at the closing of December 2024, is the following:

Business Indicator Subcomponents	Acum Flows Q1 dic 23-nov 24	Acum Flows Q2 dic 22-nov 23	Acum Flows Q3 dic 21-nov 22
Interest, Lease and Dividend Components (CIAD)	3,153		
Interest Income from all financial assets and other Interest Income	50,263	42,477	26,920
Interest Expense on Financial Liabilities and Other Interest Expense	45,879	39,522	24,806
Annual Net Income	4,385	2,954	2,114
Productive Assets (average 36 months)	507,985		
Dividend income	1	4	1
Services Component (CS)	1,980		
Other Operating Income	-1,157	2,198	137
Other operating expenses	13,272	451	7,722
Exploitation	11,004	0	6,824
Other operating expenses without Utilization	2,268	451	898
Commission and fee income	724	503	1,095
Commission and fee expenses	136	128	136
Financial Component (CF)	612		
Net profit/loss on assets and liabilities of Investment portfolio, hedging accounts and exchange difference	589	801	445
Business Indicator (IN)	5,745		
Business Indicator (CIN) component	689		
Internal Loss Multiplier (MPI)	1		
Capital Requirement for Operational Risk	689		

No information regarding the Historical Loss Base, since the Internal Loss Multiplier benchmark is "1", thus when using such benchmark, the historical information on Annual Losses for Operational Risk is not considered, when using the required capital calculation through the Business Benchmark.

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Appendix 1-O of the Dispositions establishes the requirements for the disclosure of information related 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 disclosure format contained in the document "Format of capital disclosure without considering transitory application of regulatory adjustments".

Ref.	Common Tier 1 (CET1): Instruments and reserves		Amount
1	Common stock that qualifies for Tier 1 common stock plus its corresponding premium	\$	66,413
2	Profit from previous years		(22,524)
3	Other elements of integral utility (and other reservations)		(1,993)
6	Tier 1 common capital before regulatory adjustments	\$	41,896
	Tier 1 Common Capital: Regulatory Adjustments		
9	Other intangibles other than mortgage service fees (net of their corresponding deferred income taxes charged)		104
11	Valuation profit or loss on cash flow hedging instruments		572
15	Defined Benefit Pension Plan	\$	21,666
21	Deferred income taxes in favor of temporary differences (amount exceeding the 10% threshold, net of deferred taxes charged)		481
D	of which: Investments in multilateral organizations		681
F	of which: Venture Capital Investments		4,364
G	of which: Investments in investment companies		134
28	Total regulatory adjustments to Tier 1 common capital		5,763
29	Common Tier 1 (CET1) capital	\$	36,133
	Additional Tier 1 Capital: Regulatory Adjustments		
45	Tier 1 capital (T1 = CET1 + AT1)		36,133
	Tier 2 capital: instruments and reserves		
50	Reserves		1,390
51	Tier 2 capital before regulatory adjustments		1,390
	Tier 2 Capital: Regulatory Adjustments		
58	Tier 2 Capital (T2)	\$	1,390
59	Capital total (TC = T1 + T2)	\$	37,523
60	Total risk-weighted assets	\$	179,217
	Capital ratios and supplements		
61	Tier 1 Common Capital (as a percentage of total risk-weighted assets)		20.16%
62	Tier 1 Capital (as a percentage of total risk-weighted assets)		20.16%
63	Capital Total (as a percentage of total risk-weighted assets)		20.94%
64	Specific institutional supplement (at least it should consist of: the Common Tier 1 capital requirement plus the capital conservation buffer, plus the countercyclical buffer, plus the G-SIB buffer; expressed as a percentage of total risk-weighted assets)		22.66%
65	of which: Capital Conservation Supplement		2.50%
68	Tier 1 common capital available to cover supplements (as a percentage of total risk-weighted assets)		13.16%

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2. Ratio of net capital with balance sheet.

Balance sheet items reference	Balance sheet items (unconsolidated)	December 2024
	<u>Assets</u>	
BG1	Cash and cash equivalents	90,243
BG2	Margin accounts	78
BG3	Investments in financial instruments	254,430
BG4	Debtors on repurchase/resell agreements	108,586
BG5	Securities loan	-
BG6	Derivative financial instruments	3,499
BG7	Valuation adjustments for hedging of financial assets	2,110
BG8	Total loan portfolio (net)	248,758
BG9	Benefits receivable in securitization transactions	-
BG10	Other accounts receivable (net)	23,301
	Advance payments and other assets (net)	1,769
BG11	Foreclosed assets (net)	-
BG12	Property, furniture and equipment (net)	4
BG13	Permanent investments (*)	37,871
BG14	Long-lived assets available for sale	-
BG15	Deferred income tax assets (net)	1,442
BG16	Other assets	-
	<u>Liabilities</u>	
BG17	Deposit funding	376,917
BG18	Interbank loans and loans from other entities	43,540
BG19	Creditors on repurchase/resell agreements	171,936
BG20	Securities lending	-
BG21	Collateral sold or pledged	106,086
BG22	Derivative financial instruments	12,029
BG23	Valuation adjustments from hedging of financial liabilities	119
BG24	Obligations on securitization transactions	-
BG25	Other accounts payable	18,314
	Employee benefits liabilities	-
BG26	Outstanding subordinated obligations for income taxes	2
BG28	Deferred credits and advance collections	20
	<u>Stockholders' equity</u>	
BG29	Paid-in equity	66,413
BG30	Earned equity	(23,285)
	<u>Memorandum accounts</u>	
BG31	Guarantees granted	-
BG32	Contingent assets and liabilities	114,260
BG33	Loan commitments	176,088
BG34	Assets in trust or mandate	2,499,817
BG35	Federal Government financial agent	291,663
BG36	Assets in custody or under administration	902,352
BG37	Collateral received by the entity	108,703
BG38	Collateral received and sold or pledged by the entity	106,170
BG39	Investment banking transactions on behalf of third parties (net)	-
BG40	Uncollected accrued interest from past-due loan portfolio	116
BG41	Other memorandum accounts	937,950
	(*) Includes other investments	

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Regulatory concepts considered for the calculation of net capital components.

Identifier	Regulatory concepts considered for the calculation of the components of Net Capital	Reference to the capital integration disclosure format in section I of this Annex	Amount in accordance with the notes to the table Regulatory concepts considered for the calculation of the components of Net Capital	Reference(s) of the balance sheet item and amount related to the regulatory concept considered for the calculation of the Net Capital from the aforementioned reference.
Active				
Goodwill	8	-	-	-
Other Intangibles	9	104.00	-	-
Deferred Profit Tax (in Favor) from Tax Losses and Credits	10	480.53	-	-
Reserves recognized as complementary capital	50	1,389.79	-	-
Investments in subordinated debt	26 - B	-	-	-
Investments in multilateral organizations	26 - D	680.98	-	-
Investments in related companies	26 - E	-	-	-
Venture Capital Investments	26 - F	4,363.77	-	-
Investments in investment companies	26 - G	133.96	-	-
Defined Benefit Pension Plan Investments	26 - N	21,666.35	Information data, no computation	-
Stockholders equity				
Contributed capital that complies with Schedule 1-Q	1	66,413.06	-	-
Profit from previous years	2	22,524.25	-	-
Other items of earned capital other than those above	3	1,992.86	-	-
Cumulative effect per conversion	3, 26 - A	Not applicable	-	-
Profit or loss on holdings of non-cash assets	3, 26 - A	Not applicable	-	-
Profit or increase in the value of assets due to the acquisition of securitization positions (Originator Institutions)	26 - C	Not applicable	-	-
Transactions that contravene the Dispositions	26 - I	Not applicable	-	-
Transactions with Relevant Related Persons	26 - M	Not applicable	-	-
Adjustment for capital recognition	26 - O, 41, 56	Not applicable	-	-

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3. Main characteristics of securities that are part of net capital ("A" Series).

Ref.	Characteristics	Options
1	Issuer	Nacional Financiera, Sociedad Nacional de Crédito
2	Identifier ISIN, CUSIP or Bloomberg	
3	Legal framework	In accordance with Art. 30 of Law of Credit Institutions, the Institution, is governed by its Organizational Law, holders of equity contribution certificates "A" Series, shall have, as appropriate, rights provided under Art. 35 of Law of Credit Institutions and Art. 121 of the Institution's Organizational Law.
	Regulatory treatment	
4	Capital level with transitory status	
5	Capital level without transitory status	Basic 1
6	Instrument level	Lending institution, un-consolidated subsidiaries
7	Type of instrument	"A" Series certificate of capital contribution
8	Amount recognized in regulatory capital	66% in accordance with (3)
9	Nominal value of the instrument	50 Mexican pesos
9A	Instrument currency	
10	Accounting classification	Equity
11	Issue date	
12	Instrument term	Perpetuity
13	Maturity date	No maturity
14	Early payment clause	NO
15	First date for early payment	
15A	Regulatory or tax events	
15B	Settlement prices or early payment clause	
16	Subsequent dates for early payment	
	Yield / dividends	
17	Type of yield/dividend	Variable
18	Interest/dividend	Variable
19	Dividend cancellation clause	No
20	Discretionary nature of payment	Fully discretionary
21	Interest rate increase clause	No
22	Yield /dividend	Non-cumulative
23	Instrument convertibility	Non-cumulative
24	Convertibility conditions	
25	Convertibility degree	
26	Conversion rate	
27	Type of instrument convertibility	
28	Type of financial instrument convertibility	
29	Instrument issuer	
30	Impairment clause (write-down)	
31	Impairment conditions	
32	Impairment degree	
33	Impairment temporary status	
34	Impairment temporary status	
35	Subordinated position in the event of settlement	
36	Default characteristics	
37	Description of default characteristics	

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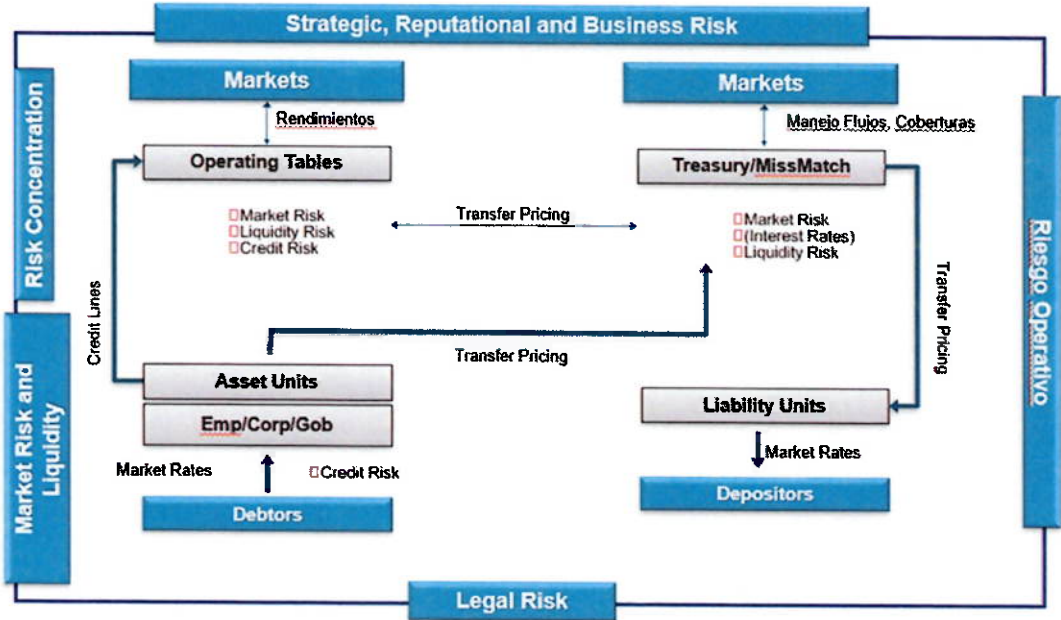
4. Capital management.

The methodological framework for risk management must facilitate and support the measurement and monitoring of quantifiable risks, ensuring robust 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 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 starting point 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 controlling the balance sheet risks. This unit incurs market, credit and liquidity risks, and in the case of Nacional Financiera, it is also responsible for the deposit-funding unit.
- Trading desks: their main function is to generate revenues through trading 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.



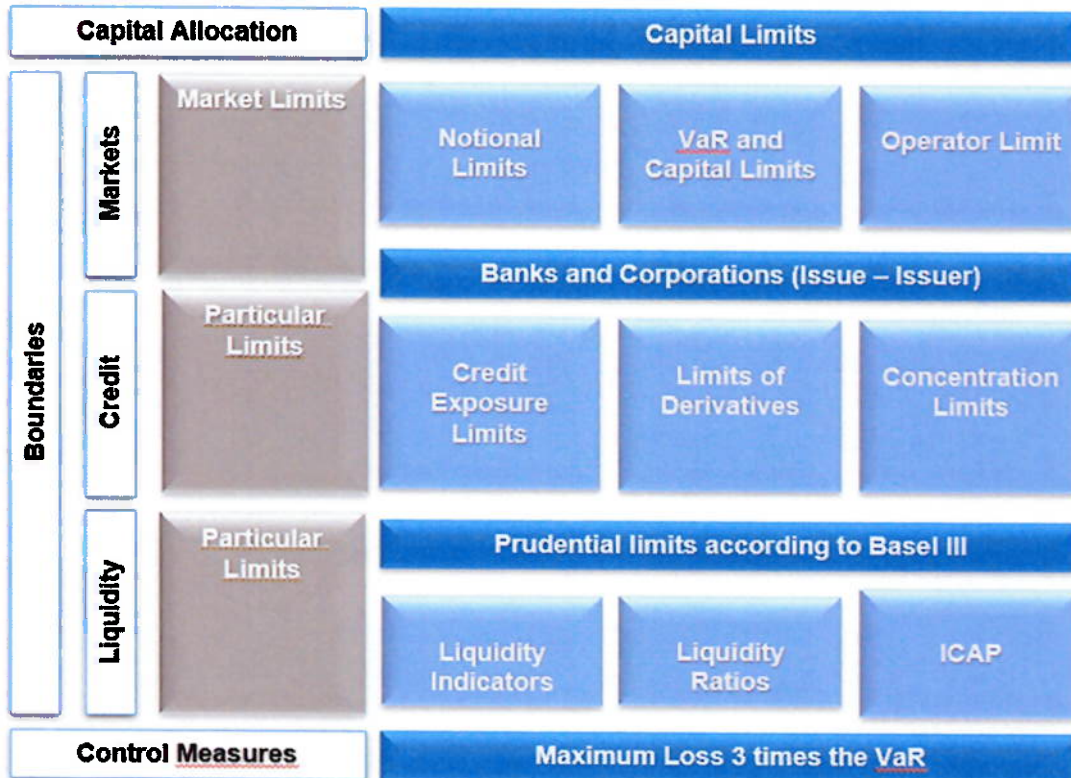
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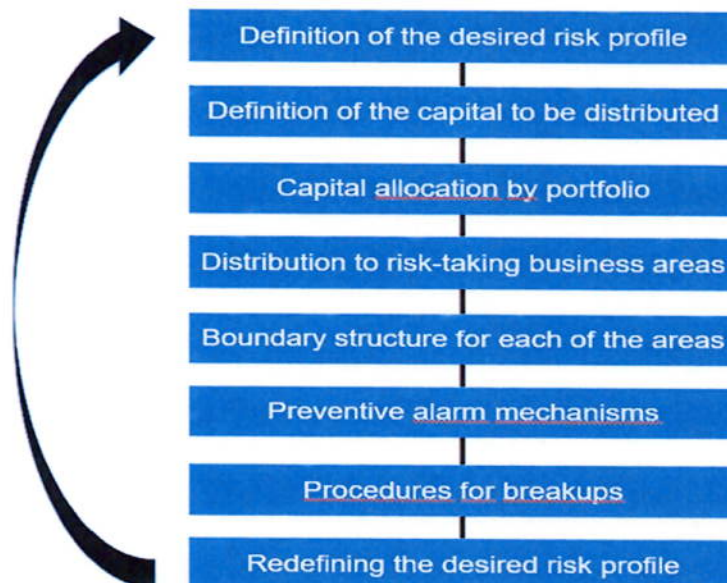
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Based on the foregoing, the Institution has a solid structure of global and specific limits for exposure to different types of risk considering the consolidated risk, broken down by business unit, risk factor and cause, as shown in the following diagram:



In the above diagram, the capital limits have a strong relevance, for which the following process is followed:



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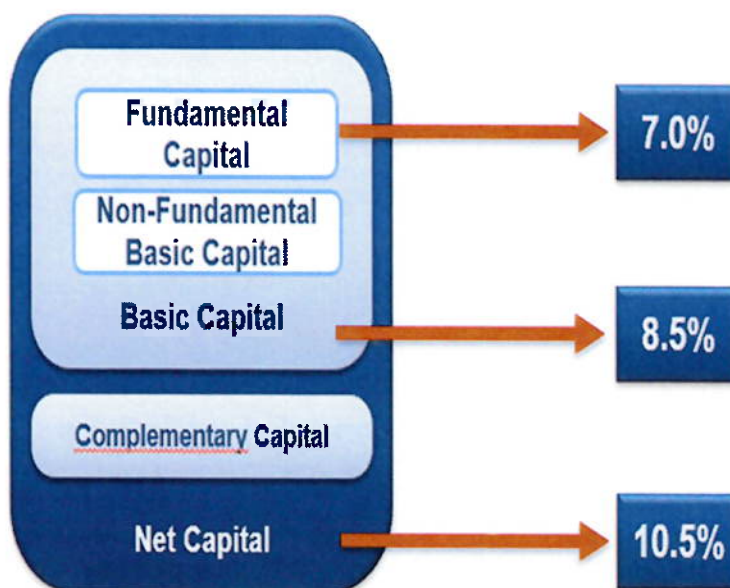
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The capital allocation process arises from the regulatory capital, which is regulated based on the capitalization rules set forth in the Dispositions. Based on these concepts, distributable capital is determined, which is the capital that the Institution has to cope with the risks assumed by its transactions.

Basel III establishes that the Institution has three indicators of solvency, where ICAP is the most restrictive given the fact that the requirement changed from 8.0% to 10.5%. It is precisely this restriction which establishes the appetite for risk through the limits of capital, that is, it should be guaranteed that taking limits to 100%, and in the face of stress situations, the capitalization level shall not fall below 10.5% under any circumstance.



This increase of 250 basis points in the ICAP is a strong buffer which replaces the previously held capital volatility buffer, desired risk profile, and operational risk.

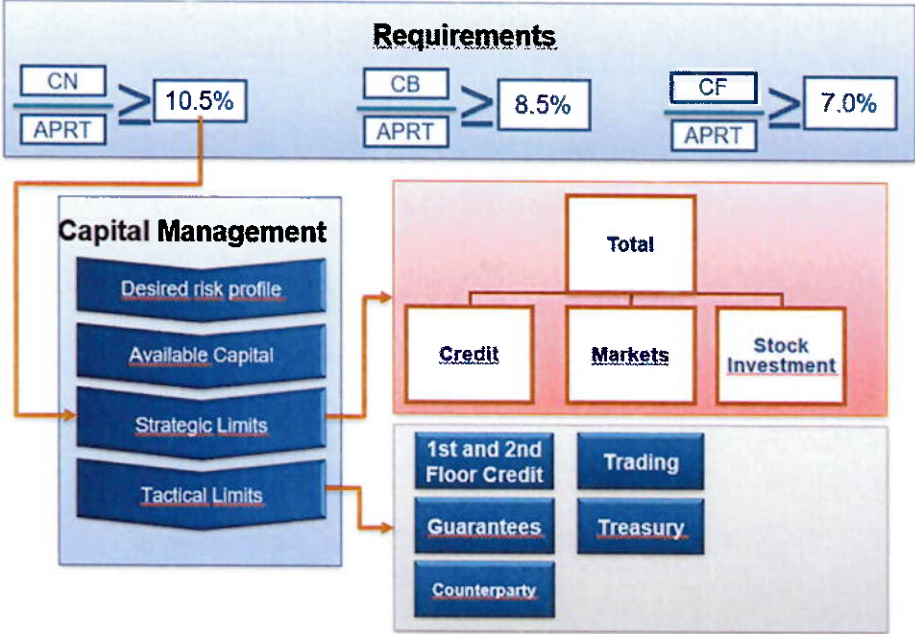
Capital limit structure

The Institution's capital management considers a limit structure with two allocation levels:

- a) A Strategic Level authorized by the Board of Directors.
- b) A Tactical Level that is regulated by the CAIR, through reallocations or excess of limits, as well as the business areas management. Additionally, Unit Heads involved in the business areas can also propose reallocations of the limits, with the approval of the Risk Director, who subsequently informs the CAIR.

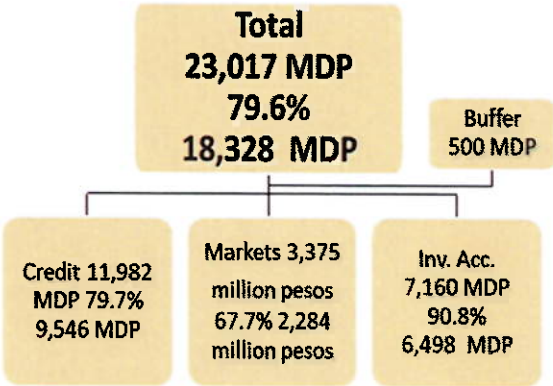
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In summary, the Institution has the following requirements:



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 assumption, i.e., that it is implicit in the operation of the Institution itself. Due to the above, there is a buffer for operational risk that does not compute for the capital limits, but that is considered in the calculation of the capitalization level. Nonetheless, in terms of the 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 2024, the preliminary capitalization ratio was 20.94% and the total capital limit recorded a global consumption of 79.6%.



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There are three basic scenarios:

1. If capital limits were utilized at 100%, the capitalization level would remain above the 10.5% required.
2. If, under the current structure, there was 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, for the purpose of having the capacity to obtain resources and continue operating under a stress scenario, in which the Institution's capital sufficiency is compromised without noncompliance of the minimum levels set out by the authorities, the Treasury Department will obtain in the markets, the necessary resources under the best cost and maturity conditions, based on the guidelines established by the Institution's Management.

In order to manage liquidity risks, the Treasury Department will oversee operational execution in accordance with strategies that will be aligned with the Institution's management objectives and will be responsible for triggering the contingent procedures for liquidity management, and in some cases, the procedures established in the "Contingency Financing Plan". The Treasury Department will inform the Risk Management Office on any liquidity contingency situation.

22. MEMORANDUM ACCOUNTS

Contingent assets and liabilities

As of December 31, 2024 and 2023, this line item amounts to \$96,158 and \$84,169, respectively, comprised as follows:

	2024	2023
Contingent liabilities		
Guarantees granted (1)	\$ 111,422	\$ 97,020
Guarantees paid pending reimbursement by counter guarantors (2)	9,943	10,456
Debtors on claims	237	225
Commitments undertaken	1,759	1,435
Contingency for portfolio without recourse of Fiso 80139 (6)	\$ 43	\$ 62
Subtotal	123,404	109,198
Contingent assets:		
Counter-guarantee received from the Corporate Financing Trust (3)	9,153	7,818
Recoverable paid guarantees covered by counter guarantors (4)	9,943	10,456
Paid guarantees pending recovery without counter-guarantee (5)	8,150	6,755
Subtotal	27,246	25,029
Total	\$ 96,158	\$ 84,169

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- (1) Under line item "Guarantees granted", the Institution has mainly guarantees granted through trusts Fondo para Participación de Riesgos and Fondo para la Participación de Riesgos en Fianzas, which as of December 31, 2024 and 2023, both present an amount of guarantees granted for \$111,265 and \$96,655, respectively. The spread as of December 31, 2024 and 2023, for \$157 and \$365, respectively, correspond to selective guarantees granted directly by the Institution. These guarantees represent the amount of the responsibilities assumed by the Institution to guarantee the recovery of financial intermediaries' loan portfolio.
- (2) Under this line item, the Institution recognizes the contingent obligation to reimburse, mainly to the counter guarantee Trust for Corporate Financing, the amount of the guarantees paid, which had a counter guarantee and which are in the process of recovery by banking and non-banking financial intermediaries.
- (3) Trust Fondo para la Participación de Riesgos (the Fund) reduces the Institution's contingency through the counter guarantee received the counter guarantee Trust for Corporate Financing, a promoter of loan granting for specific purposes, which has allocated resources for these purposes for \$9,153 and \$7,818, as of December 31, 2024 and 2023, respectively. These funds ensure the recovery up to these amounts of guarantees carried out by the financial intermediaries, who assume the commitment of negotiating, judicially and out-of- court, the recovery of loans from their final borrowers.

In addition to such counter guarantee, the Fund has created a preventive allowance for credit risks for \$11,474 and \$9,921, as of December 31, 2024 and 2023, respectively, in accordance with the provisions of the Banking Commission.

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

- (4) Under this line item, there is recognition of the contingent right of the Institution to recover the amount of the guarantees paid that had a counter guarantee and were covered by the counter guarantee Trust of Corporate Financing, and which are in the process of recovery by banking and non-banking financial intermediaries.
- (5) Under the line item of paid guarantees pending recovery without counter guarantee, there is a recognition of 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 the counter guarantee Trust for Corporate Financing.
- (6) The line item "Contingency for portfolio without recourse" corresponds to counter-guarantees not exercised by the financial intermediary.

Loan commitments

As of December 31, 2024 and 2023, the Institution has credit facilities and lines of guarantees granted to financial intermediaries that have not been withdrawn in an amount of \$710,121 and \$362,509, respectively.

As of December 31, 2024, \$113,711 correspond \$176,088 to credit facilities and \$248,798 to lines of guarantee granted, while as of December 31, 2023, credit facilities amount to \$113,711 and to lines of credit, \$248,798.

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Assets in trust or under mandates, and financial agent of the Federal Government

The Institution's trust activity recorded in memorandum accounts as of December 31, 2024 and 2023, as well as the transactions in its capacity of financial agent for the Federal Government are integrated as shown below:

	<u>2024</u>	<u>2023</u>
Investment trusts	\$ 21,804	\$ 20,851
Management trusts	2,323,846	2,107,339
Guarantee trusts	<u>34,959</u>	<u>50,515</u>
	2,380,609	2,178,705
Mandates	<u>119,208</u>	<u>106,273</u>
	2,499,817	2,284,978
Financial agent for the Federal Government	<u>291,663</u>	<u>271,781</u>
Total	<u>\$ 2,791,480</u>	<u>\$ 2,556,759</u>

Investment and administration trusts refer to entities with their own legal capacity, independent from the Institution.

These balances represent the valuation of trust assets which, overall, represent assets valued using different accounting practices, and which essentially represent neither the rights of the entity, nor the contingency to which the Institution is subject in the event of nonperformance of 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 Credit Institutions by the trustors thereof.

The Institution only performs fiduciary function in such entities.

The Institution's revenues from its trustee activities as of December 31, 2024, and 2023, amounted to \$486 and \$440, respectively.

As of December 31, 2024 and 2023, the trust accounts include a balance of \$652 and \$680, respectively, which correspond to the assets of Fideicomiso de Recuperación de Cartera (FIDERCA). This trust manages doubtful accounts that originally belonged to the Institution and that in year 1996 were transferred to the Federal Government. The Institution currently holds the respective trustee rights.

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

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Assets in custody or under administration

As of December 31, 2024 and 2023, this line item includes assets, values of others, trading and credit transactions, as well as securities issued by the Institution and managed on behalf of customers, as shown below:

	<u>2024</u>	<u>2023</u>
Assets in custody		
Financial instruments issued by the Institution	\$ 290,996	\$ 271,485
Financial Instruments (1)	283,196	192,446
Other (2)	<u>229,136</u>	<u>189,087</u>
	<u>803,328</u>	<u>653,018</u>
	<u>2024</u>	<u>2023</u>
Investment Banking		
Investment banking operations on behalf of third parties (3)	\$ <u>421,469</u>	\$ <u>320,316</u>
	<u>421,469</u>	<u>320,316</u>
Total	\$ <u>1,224,797</u>	\$ <u>973,334</u>

- (1) As of December 31, 2024 and 2023, in the concept of Financial Instruments, \$37,255 and \$27,046, respectively, have been recognized, which correspond to the subsidiary Operadora de Fondos. The differential as of December 31, 2024 and 2023, for \$253,741 and \$244,439, respectively, corresponds to the Institution.
- (2) As of December 31, 2024 and 2023, in the concept of Others, \$17,804 and \$14,316, respectively, have been recognized, which correspond to the subsidiary Fund for Risk Participation. The differential as of December 31, 2024 and 2023, for \$211,332 and \$174,771, respectively, corresponds to the Institution.
- (3) As of December 31, 2024 and 2023, in the concept of Investment banking operations on behalf of third parties, \$267,386 and \$191,284, respectively, have been recognized, which correspond, mainly, to the subsidiary Program for the sale of securities live to the public and Fund Operator. The differential as of December 31, 2024 and 2023, for \$154,083 and \$129,032, respectively, corresponds to the Institution.

Fees collected by the Institution for this type of activities as of December 31, 2024 and 2023, amounted to \$13 and \$9, respectively.

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Other memorandum accounts

As of December 31, 2024 and 2023, balances of other memorandum accounts are made up of as follows:

	<u>2024</u>	<u>2023</u>
Guaranteed paid reported by intermediaries as uncollectible with no counter guarantee ^(a)	\$ 208	\$ 165
Classification of loan portfolio by risk degree	373,841	326,452
Loans obtained pending withdrawal	6,567	2,028
Other memorandum accounts ^(b)	<u>573,587</u>	<u>803,668</u>
Total	<u>\$ 954,203</u>	<u>\$ 1,132,313</u>

- (a) These guarantees correspond to the amounts of unrecovered guarantees on which collection procedures have been exhausted by the intermediaries and which did not have a counter guarantee.
- (b) Other memorandum accounts are included for control of renewed and restructured loans, uncollectible loans, uncollectible loans applied against the provision, certificates and coupons to be incinerated, VAT recorded by states, portfolio recovery, control of interests of London branch, issuance of provisional certificates, foreclosed assets or asset received in payment in kind, control of amounts contracted in repurchase/resell agreements and investments, commitments, preventive allowance for credit risks from financial intermediaries, uncollectible guarantees reported by intermediaries, cancellation of external guarantee and sundry non specified concepts, as well as other memorandum accounts.

23. INFORMATION BY SEGMENTS AND OPERATIONS

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 periodically to the Board of Directors of the Institution.

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

The **first-tier credit segment** considers the loan portfolio placed directly with the public and private sector, 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-banking financial intermediaries are included in the credit guarantees segment. The balances of this segment are shown in memorandum accounts and as of December 31, 2024 and 2023, amount to \$96,158 and \$84,169, 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 bodies, and as of December 31, 2024 and 2023, amounted to \$291,663 and \$271,781, which are recorded in memorandum accounts.

The **trustee segment** includes administrative services for own and external trusts, which as of December 31, 2024 and 2023, amount to \$2,499,817 and \$2,284,978, respectively, and are presented in memorandum accounts.

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Investment banking, balances of subsidiaries and other net income (expense) are included in the **"Other areas" segment**. Commissions for structuring of credits, stock market guarantees, as well as the equity in venture capital for public and private companies are included in investment banking.

As of December 31, 2024, the Institution's operation is focused on the Headquarters office in Mexico City, while the operation of the branch located in London, England, is minimal.

As of December 31, 2024 and 2023, the assets, liabilities and net income of the main operations by business segments of the Institution is summarized as follows:

2024 Business segments	Assets		Liabilities and equity		Net income (expense)	
	Amount	%	Amount	%	Amount	%
Markets and treasury	\$ 469,193	63.6	\$ 469,193	63.6	\$ 2,170	(33.2)
First tier credit	88,518	12.0	88,518	12.0	449	(6.9)
Second tier credit	171,682	23.3	171,682	23.3	981	(15.0)
Loan guarantees					2,836	(43.4)
Financial agent					(102)	1.6
Trustee					(144)	2.2
Other business areas	8,205	1.1	8,205	1.1	618	(9.5)
Benefits, labor obligation and contribution to Fiso 8013-9					(13,345)	204.2
Total	\$ 737,598	100.0	\$ 737,598	100.0	\$ (6,537)	100.0

2023 Business segments	Assets		Liabilities and equity		Net income (expense)	
	Amount	%	Amount	%	Amount	%
Markets and treasury	\$ 437,861	66.0	\$ 437,861	66.0	\$ 2,239	(27.3)
First tier credit	63,467	9.6	63,467	9.6	(2,199)	26.8
Second tier credit	165,619	25.0	165,619	25.0	1,002	(12.2)
Loan guarantees	-	-	-	-	3,418	(41.7)
Financial agent	-	-	-	-	(88)	1.1
Trustee	-	-	-	-	(76)	0.9
Other business areas	(3,222)	(0.6)	(3,222)	(0.6)	(108)	1.3
Benefits, labor obligation and contribution to Fiso 80139	-	-	-	-	(12,390)	151.1
Total	\$ 663,725	100.0	\$ 663,725	100.0	\$ (8,202)	100.0

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The statement of comprehensive income by segments for years ended December 31, 2024 and 2023, is shown below:

2024	Market and treasury	First tier credit	Second tier credit	Loan guarantee	Financial agent	Trustee	Other areas ^(a)	Benefits and retirement expenses	Total
Income:									
Net financial income	\$ 2,694	\$ 1,564	\$ 2,135	\$ 7,541	\$ 93	\$ 212	\$ 695	\$ -	\$ 14,934
Expenses:									
Operating expenses	(468)	(138)	(758)	(445)	(153)	(355)	(53)	-	(2,370)
Operating profit	2,226	1,426	1,377	7,096	(60)	(143)	642	-	12,564
Allowances for loan losses and write-down	3	(968)	(360)	(4,172)	-	-	(22)	-	(5,519)
Pensioners expenses								(816)	(816)
Other expenses and taxes (b)	(59)	(9)	(36)	(88)	(42)	(1)	(2)	(12,029)	(12,266)
Transfers to Fiso 80139	-	-	-	-	-	-	-	(500)	(500)
Net result	\$ 2,170	\$ 449	\$ 981	\$ 2,836	\$ (102)	\$ (144)	\$ 618	\$ (13,345)	\$ (6,537)
2023	Market and treasury	First tier credit	Second tier credit	Loan guarantee	Financial agent	Trustee	Other areas ^(a)	Benefits and retirement expenses	Total
Income:									
Net financial income	\$ 2,625	\$ 856	\$ 1,780	\$ 7,148	\$ 83	\$ 195	\$ 445	\$ -	\$ 13,132
Expenses:									
Operating expenses	(415)	(129)	(677)	(434)	(167)	(258)	(45)	-	(2,125)
Operating profit	2,210	727	1,103	6,714	(84)	(63)	400	-	11,007
Allowances for loan losses and write-downs	116	(2,924)	(85)	(3,173)	(2)	(4)	(507)	-	(6,579)
Pensioners expenses	-	-	-	-	-	-	-	(1,001)	(1,001)
Other expenses and taxes (c)	(87)	(2)	(16)	(123)	(2)	(9)	(1)	(11,004)	(11,244)
Transfers to Fiso 80139	-	-	-	-	-	-	-	(385)	(385)
Net result	\$ 2,239	\$ (2,199)	\$ 1,002	\$ 3,418	\$ (88)	\$ (76)	\$ (108)	\$ (12,390)	\$ (8,202)

(a) Includes: investment banking, subsidiaries, and other net income (expenses).

(b) Includes taxes for \$237.

(c) Includes taxes for \$240.

The total amount of cash flows from operating, investing and financing activities for 2024 and 2023 is (68,878) and 79,666 in markets and treasury; (8,885) and (6,017) in first-tier credit; (17,122) and (8,962) on the second-tier; 2,836 and 3,418 in credit guarantees; 3,510 and 11,609 in financial agents; (144) and (76) in trustee; 20,147 and 16,879 in other areas and (13,345) and (12,390) in use, pensioners, and Fiso 80139 contributions.

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24. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The net result generated by the Institution for the periods from January 1 to December 31, 2024 and 2023, amounted to \$(6,428) and \$(8,384), respectively.

These results reflect the net income generated by the Institution's main business lines of the Institution for \$50,165 and \$43,632, at the closing of 2024 and 2023, respectively, mainly from loan portfolio and repurchase/resell transactions, increase in income for interests from one year to the next corresponding to an increase in the volume of the foregoing transactions.

Interest expense amounted to \$42,114 and \$37,382 at the closing of 2024 and 2023, respectively, mainly originating from interest and yields payable on repurchase/resell agreements as well as interests for time deposits.

The preventive allowance for credit risks, at the end of fiscal years 2024 and 2023 was \$2,889 and \$4,435, respectively, the variation is mainly due to a decrease in the Institution's additional reserve of the Institution, as well as a creation in the additional reserves of Trust 11480.

As of the closing of years 2024 and 2023, fees and rates collected and paid for an amount of \$4,946 and \$4,698, respectively, were recognized, highlighting for their importance fees collected for the operation of guarantees granted.

Other income (expenses) of the 2024 operation amounts to \$(13,332), while in 2023 the total was \$(10,772). The main concept comprising this line item in 2024 and 2023 correspond to the utilization of the sovereign guarantee of the Federal Government for which the Institution paid to the Ministry of Finance and Public Credit the amounts of \$12,029 and \$11,004, respectively.

The other comprehensive income for fiscal year 2024 amount to \$2,646, consisting of valuation of financial instruments receivable and sell of (\$25), valuation of cash flow hedging instruments for \$108, remeasurement of defined employee benefits for \$2,622 and valuation effect of equity-accounted investees for \$(59), while the other comprehensive income for fiscal year 2023 amount to \$824, composed of valuation of financial instruments to be receivable and sold of \$112, valuation of cash flow hedging instruments for \$288, remeasurement of defined benefits to employees for \$636 and valuation effect on associates for \$12.

Financial margin

For years ended December 31, 2024 and 2023, the financial margin of the consolidated statement of comprehensive income is analyzed as follows:

2024	Total	Local currency	Foreign currency
Interest income:			
Cash interests and cash equivalents:			
Banks	\$ 1,900	\$ 1,628	\$ 272
Restricted or pledged	2,700	1,993	707
	\$ 4,600	\$ 3,621	\$ 979
Interest from loan portfolio with credit risk Stage 1:			
Commercial loans	5,574	1,842	3,732
Loans to financial institutions	\$ 17,103	16,666	437
Loans to government entities	1,959	1,818	141
Consumer loans	1	1	-
Housing loans	4	4	-
	\$ 24,641	\$ 20,331	\$ 4,310

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	<u>Total</u>	<u>Local currency</u>	<u>Foreign currency</u>
Interest from loan portfolio with credit risk Stage 3:			
Commercial loans	\$ -	\$ -	-
Loans to financial institutions	-	-	-
Loans to government entities	-	-	-
Consumer loans	-	-	-
Housing loans	1	1	-
	<u>\$ 1</u>	<u>\$ 1</u>	<u>-</u>
Interest and returns receivable in repurchase/resell transactions:	26,788	26,643	145
	<u>\$ 26,788</u>	<u>\$ 26,643</u>	<u>\$ 145</u>
Fees receivable from loan transactions (adjustment to return):			
Commercial loans			
Interest and returns from margin accounts	\$ 912	\$ 912	-
Interest and returns receivable from collateral transactions OTC	20	20	-
Interest and returns from financial instruments	\$ 3,640	\$ 3,384	256
Income from hedging operations	(10,874)	(8,184)	(2,690)
Premium on debt placement	4	4	-
Dividends from financial instruments qualifying as equity financial instruments	44	44	-
Gain on valuation	390	58	332
	<u>(5,865)</u>	<u>(3,763)</u>	<u>(2,102)</u>
Total income from interests	<u>50,165</u>	<u>46,833</u>	<u>3,332</u>
Interest expense:			
Interest from time deposits	\$ 16,040	\$ 15,244	796
Interest expense from interbank loans and other entities	2,461	1,101	1,360
Interest and returns payable from repurchase/resell transactions	24,983	24,828	155
Expense from hedging transactions	(11,800)	(7,923)	(3,877)
Interest, from transaction costs and discounts payable for issue of financial instruments qualifying as liabilities	10,430	9,112	1,318
Loss on valuation	-	-	-
	<u>42,114</u>	<u>42,362</u>	<u>(248)</u>
Total interest expense	<u>42,114</u>	<u>42,362</u>	<u>(248)</u>
Financial Margin	<u>\$ 8,051</u>	<u>\$ 4,471</u>	<u>\$ 3,580</u>

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2023	Total	Local currency	Foreign currency
Interest income:			
Cash interests and cash equivalents:			
Banks	\$ 1,214	\$ 745	\$ 469
Restricted or pledged	2,958	2,220	738
	<u>\$ 4,172</u>	<u>\$ 2,965</u>	<u>\$ 1,207</u>
Interest from loan portfolio with credit risk Stage 1:			
Commercial loans	4,290	1,573	2,717
Loans to financial institutions	\$ 15,677	\$ 15,468	\$ 209
Loans to government entities	1,601	1,492	109
Consumer loans	1	1	-
Housing loans	4	4	-
	<u>\$ 21,573</u>	<u>\$ 18,538</u>	<u>\$ 3,035</u>
Interest from loan portfolio with credit risk Stage 3:			
Commercial loans	12	-	12
Loans to financial institutions	33	33	-
Loans to government entities	\$ -	\$ -	-
Consumer loans	-	-	-
Housing loans	1	1	-
	<u>\$ 46</u>	<u>\$ 34</u>	<u>\$ 12</u>
Interest and returns receivable in repurchase/resell transactions:			
	24,986	24,986	-
	<u>\$ 24,986</u>	<u>\$ 24,986</u>	<u>\$ -</u>
Fees receivable from loan transactions (adjustment to return):			
Commercial loans	633	633	-
Interest and returns from margin accounts			
	25	25	-
Interest and returns receivable from collateral transactions			
OTC	\$ -	\$ -	-
Interest and returns from financial instruments	3,584	3,194	390
Income from hedging operations	\$ (11,450)	\$ (9,144)	\$ (2,306)
Premium on debt placement	12	12	-
Dividends from financial instruments qualifying as equity financial instruments	51	51	-
Gain on valuation	-	-	-
	<u>(7,145)</u>	<u>(5,229)</u>	<u>(1,916)</u>
Total income from interests	<u>43,632</u>	<u>41,294</u>	<u>2,338</u>
2023	Total	Local currency	Foreign currency
Interest expense:			
Interest from time deposits	\$ 15,987	\$ 15,328	\$ 659
Interest expense from interbank loans and other entities	3,138	2,173	965
Interest and returns payable from repurchase/resell transactions	21,375	21,261	114
Expense from hedging transactions	(11,801)	(8,602)	(3,199)
Interest, from transaction costs and discounts payable for issue of financial instruments qualifying as liabilities	8,507	7,071	1,436
Loss on valuation	176	39	137
	<u>37,382</u>	<u>37,270</u>	<u>112</u>
Total interest expense	<u>37,382</u>	<u>37,270</u>	<u>112</u>
Financial Margin	<u>\$ 6,250</u>	<u>\$ 4,024</u>	<u>\$ 2,226</u>

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Commissions and fees collected and paid

For years ended December 31, 2024 and 2023, commissions and fees collected and paid, are analyzed as follows:

<u>2024</u>	<u>Total</u>	<u>Local currency</u>	<u>Foreign currency</u>
Commissions and fees collected:			
Loan transactions	\$ 275	\$ 275	\$ -
Trust activities	486	486	-
Assets under custody or administration	13	13	-
Other (a)	4,351	4,345	6
	<u>5,125</u>	<u>\$ 5,119</u>	<u>\$ 6</u>
Commissions and fees paid:			
Loans obtained	\$ 12	\$ -	\$ 12
Debt placement	1	1	-
Other (services)	166	165	1
	<u>\$ 179</u>	<u>\$ 166</u>	<u>\$ 13</u>

(a) As of December 31, 2024, the Other concept mainly includes the income from commissions of the subsidiaries for \$4,344, of which; \$4,064 correspond to the Risk Participation Fund, \$211 to the Fund Operator and \$69 to the Mexican Capital Investment Corporation.

<u>2023</u>	<u>Total</u>	<u>Local currency</u>	<u>Foreign currency</u>
Commissions and fees collected:			
Loan transactions	\$ -	\$ 84	\$ -
Trust activities	49	49	-
Assets under custody or administration	10	10	-
Other (b)	440	440	-
	<u>4,386</u>	<u>4,372</u>	<u>14</u>
	<u>4,885</u>	<u>4,871</u>	<u>14</u>

<u>2023</u>	<u>Total</u>	<u>Local currency</u>	<u>Foreign currency</u>
Commissions and fees paid:			
Loans obtained	22	-	22
Debt placement	1	1	-
Other (services)	165	162	3
	<u>\$ 188</u>	<u>\$ 163</u>	<u>\$ 25</u>

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- (b) As of December 31, 2023, the Other concept mainly includes the income from commissions of the subsidiaries for \$4,372, of which; \$4,147 correspond to the Risk Participation Fund, \$171 to the Fund Operator and \$54 to the Mexican Capital Investment Corporation.

Financial intermediation result

For years ended December 31, 2024 and 2023, Financial intermediation result is comprised as follows:

<u>2024</u>	<u>Total</u>	<u>Local currency</u>	<u>Foreign currency</u>
Financial intermediation result:			
Result from valuation of financial instruments at fair value:			
Negotiable financial instruments	\$ 1,207	\$ 1,207	\$ -
Derivative financial instruments for trading purposes	17	17	-
Derivative financial instruments for hedging purposes	(55)	732	(787)
Allowance for expected losses on financial instruments	3	3	-
	<u>1,172</u>	<u>1,959</u>	<u>(787)</u>
Gain (loss) on trading and disposal of financial instruments and derivatives			
Trading financial instruments	(33)	(33)	-
Financial instruments for collecting and selling	72	72	-
Financial instruments for collecting principal and interest (securities)	20	20	-
Derivative financial instruments for trading purposes	(7)	(7)	-
	<u>52</u>	<u>52</u>	<u>-</u>
Gain (loss) from purchase/sale of foreign currencies	142	-	142
Intermediation result	\$ <u>1,366</u>	\$ <u>2,011</u>	\$ <u>(645)</u>

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2023	Total	Local currency	Foreign currency
Financial intermediation result:			
Result from valuation of financial instruments at fair value:			
Trading financial instruments	\$ (1,103)	\$ (1,103)	\$ -
Derivative financial instruments for trading purposes	42	42	-
Derivative financial instruments for hedging purposes	31	1,490	(1,459)
Allowance for expected losses on financial instruments	120	120	-
	<u>(910)</u>	<u>549</u>	<u>(1,459)</u>
Gain (loss) on trading and disposal of financial instruments and derivatives			
Trading financial instruments	63	63	-
Financial instruments for collecting and selling	(39)	1	(40)
Financial instruments for collecting principal and interest (securities)	9	9	-
Derivative financial instruments for trading purposes	107	107	-
	<u>140</u>	<u>180</u>	<u>(40)</u>
Gain (loss) from purchase/sale of foreign currencies	236	-	236
Intermediation result	\$ <u>(534)</u>	\$ <u>729</u>	\$ <u>(1,263)</u>

Other operating income (expenses)

For years ended December 31, 2024 and 2023, line item other operating income (expenses) are analyzed as follows:

2024	Total	Local currency	Foreign currency
Other operating income (expenses):			
Other recoveries	\$ 61	\$ 61	\$ -
Impact on allowance for expected credit risks	(2,611)	(2,611)	-
Income from personal loans	36	36	-
Lease income	33	33	-
Other items of operating income	1,430	1,424	6
Other items of operating expenses (a)	(12,281)	(12,281)	-
	\$ <u>(13,332)</u>	\$ <u>(13,338)</u>	\$ <u>6</u>

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2023	Total	Local currency	Foreign currency
Other operating income (expenses):			
Other recoveries	\$ 96	\$ 96	-
Impact on allowance for expected credit risks	(1,761)	(1,761)	-
Result on sale of foreclosed assets	1	1	-
Allowance on impairment of foreclosed assets	(144)	(144)	-
Income from personal loans	35	35	-
Lease income	33	33	-
Other items of operating income	2,628	2,627	1
Other items of operating expenses (b)	(11,660)	(11,660)	-
	<u>\$ (10,772)</u>	<u>\$ (10,773)</u>	<u>\$ 1</u>

- a) On December 13, 2024, the Institution made the full payment of \$12,029, in accordance with the provisions of official letter number 368.-128/2024 dated December 11, 2024, issued by the Undersecretariat of Finance and Public Credit, through which the Federal Government instructs the Institution to make said entire under the legal nature of use for the granting of the sovereign guarantee of the Federal Government.
- b) On December 15, 2023, the Institution made the entire amount of \$11,004, in accordance with the provisions of official letter number 368.-C.-032/2023 dated December 11, 2023, issued by the Undersecretariat of Finance and Public Credit, through which the Federal Government instructs the Institution to make said entire under the legal nature of use for the granting of the sovereign guarantee of the Federal Government.

Administration and promotional expenses

For years ended December 31, 2024 and 2023, administration and promotional expenses, is comprised as follows:

2024	Total	Local currency	Foreign currency
Administrative and promotional expenses	\$ 4,098	\$ 4,098	-
Unidentified deposits	-	-	-
	<u>\$ 4,098</u>	<u>\$ 4,098</u>	<u>\$ -</u>
2023	Total	Local currency	Foreign currency
Administrative and promotional expenses	\$ 3,848	\$ 3,848	-
Unidentified deposits	-	-	-
	<u>\$ 3,848</u>	<u>\$ 3,848</u>	<u>\$ -</u>

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Financial ratios (unaudited)

The main quarterly financial ratios of the Institution for years ended December 31, 2024 and 2023, are as follows:

2024	First	Second	Third	Fourth
Delinquency rate	1.82	1.72	2.01	1.89
Past-due loan portfolio coverage ratio	483.73	489.00	442.72	466.59
Operating efficiency (administrative and promotional total average)	0.69	0.67	0.68	0.65
ROE (annualized quarterly net income/average stockholders' equity)	(21.76)	(18.05)	(14.16)	(16.26)
ROA (annualized quarterly net income/average total assets)	(1.39)	(1.14)	(0.89)	(1.02)
Net capital/assets subject to credit risk	28.52	28.62	28.97	29.88
Net capital/assets subject to credit, market and operational risk	20.05	20.00	20.44	20.94
Liquidity (liquid assets/liquid liabilities)	4.92	2.36	4.72	3.09
Financial margin for the year adjusted for credit risks	1.19	1.30	1.35	1.31
Average productive assets	1.06	1.07	1.07	1.06

- (a) The indicator for the fourth quarter is preliminary.
(b) The indicator for the fourth quarter is preliminary.

2023	First	Second	Third	Fourth
Delinquency rate	2.82	2.38	2.00	1.79
Past-due loan portfolio coverage ratio	278.27	351.61	430.85	469.51
Operating efficiency (administrative and promotional total average)	0.76	0.77	0.78	0.60
ROE (annualized quarterly net income/average stockholders' equity)	13.98	2.17	6.21	(109.42)
ROA (annualized quarterly net income/average total assets)	0.95	0.15	0.42	(7.17)
Net capital/assets subject to credit risk	24.87	27.25	27.20	26.21
Net capital/assets subject to credit, market and operational risk	16.57	17.84	19.49	18.37
Liquidity (liquid assets/liquid liabilities)	204.86	209.33	188.39	356.44
Financial margin for the year adjusted for credit risks/average productive assets	6.37	1.75	1.42	4.03

25. COMMITMENTS AND CONTINGENCIES

Lease

Leases provide periodic rental adjustments, based on changes in various economic factors. The Institution has commitments for non-cancellable leases. Total rental expense for years ended December 31, 2024 and 2023, amounted to \$4 and \$4, respectively.

Lawsuits and litigation

In the normal course of operations, the Institution has been subject to some lawsuits and claims, which are not expected to have a material adverse effect on the financial position and results of its future operations. In such cases that represent a probable loss or where a cash outflow is estimated, the necessary provisions have been set aside. It is worth mentioning that to date there are no litigations on tax matters.

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As of December 31, 2024 and 2023, amounts claimed in lawsuits for recovery of loan portfolio amounts to \$5,278 and \$5,093, respectively, whereas lawsuits and claims brought against the Institution related to banking and/or trust transactions, for the same periods, amount to \$479 and \$457, respectively. Likewise, as of December 31, 2024 and 2023, there are labor lawsuits for \$ 120 and \$123, respectively.

According to the current procedural status of such lawsuits, Management considers that final resolution of the claims and lawsuits previously described will not have a significant effect on the financial position of the Institution.

26. RISK MANAGEMENT (unaudited information)

Local 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 Credit Institutions, as well as the obligation to issue internal guidelines to establish controls in order to prevent or mitigate potential economic losses resulting from the materialization of risks, whether discretionary, non-discretionary or even non-quantifiable.

To keep up with the implementation of the requirements from the various provisions of a prudential nature in matters of risk management, credit and internal control, applicable to Credit Institutions, as well as with what is indicated by regulatory bodies in Mexico for the prevention of money laundering, the Institution has sought to implement international standards from a systematic and comprehensive 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 financial instruments for collecting and selling portfolios. In general, the methodology being applied is the historical simulation.

The VaR analysis has the purpose of estimating potential losses arising from changes to the risk factors that influence the valuation or the expected results of active transactions, such as interest rates, exchange rates, price indexes.

From the aforementioned methodology, 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.
- A year of historical information on the risk factors is considered.

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

In addition to the VaR information, sensitivity measures are calculated, and stress tests are carried out.

Backtesting is performed monthly to statistically validate that the market risk measurement model provides reliable results within the parameters chosen by the Institution.

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Currently, the following limits are monitored on a daily basis:

- **Value at risk:** based on the capital allocated to market risks.
- **Regulatory capital:** based on the rules for the capitalization requirements of the full-service banking, the domestic Credit Institutions, and the development banking institutions.
- **Notional values:** in reference 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 period between January to December 2023 is of 49.72, representing 0.13% of net capital at the end of December 2023.

Markets	
VaR amount \$49.72	
Trading	Treasury
VaR \$12.18	Var \$37.54

- Regarding the sensitivity analysis, the results of considering the variation of 1 bp and 25 bp in the risk factors for each of the portfolios is summarized as follows.

Portfolio	Market Value	Market Value PV01	Value Market PV25
Money	307,543	307,502	306,526
Trading	Derivatives	54	54
	Changes	86	108
	Capital	0	0
Treasury	57,257	57,254	57,185

2. Assets and liability management

Asset and liability management refers to the handling of risks that affect the Institution's balance sheet. It involves the management techniques and tools necessary to identify, measure, monitor, control and manage financial risks (liquidity and interest-rate) to which such balance sheet is exposed and is intended to maximize its risk-adjusted performance and thus optimize the use of the Institution's capital.

3. Liquidity risk

The liquidity risk that affects a banking institution is classified, in general, into three categories:

- **Market liquidity risk:** It is the possibility of economic loss due to the difficulty in disposing or covering 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.

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- **Funding liquidity risk:** It represents the difficulty of an institution obtaining the necessary results to settle its liabilities, through revenue from its assets or through acquisition of new liabilities. This kind of crisis is usually caused by a sudden and drastic deterioration in the quality of assets that causes an extreme 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 structure of the balance sheet of the Institution because of the time difference between assets and liabilities.

The Institution, in compliance with the Provisions for Comprehensive Risk Management, developed a Contingency Financing Plan and stress liquidity scenarios, which set forth various measures to monitor, quantify and follow up the risks listed above, as well as an action plan at the institutional level, in case of potential liquidity problems.

4. Maturity profile in local and foreign currency

In order to manage liquidity risk, currently, Nafin uses the *maturity gap model*, which measures the gap between assets value and liabilities value with common maturity for a given time period. Such model considers the following methodology:

- **Transactions at fixed and floating rate:** The number of days between the analysis date and the maturity date is considered. If there are partial repayments of the principal, each one of them will be located in the corresponding band, according to its payment date.
- Interest will be in the band corresponding to the term in which it is expected to be collected or paid, and only the next known coupon will be considered.
- Once the classification of items in the statement of financial position and the establishment of bands (time periods) have been carried out, cash flows are generated by band.

Such model is run both for the Institution's assets and liabilities denominated in local currency, as well as for those in foreign currencies.

5. Estimated gain or loss from advanced sale

To comply with the Provisions of Article 81 of Section I, subparagraph (b) of the Provisions, below, is the estimate of the gain or loss from advance sales of assets under normal and extreme scenarios.

At the end of December 2024, considering the crisis scenarios in the portfolio of corporate trading and investment to maturity, if a situation similar to that of November 9, 2016 were to occur, it would lead to a loss of \$373.18, equivalent to 2.53% of the position value.

Portfolio local currency	Position	Advance d sale	Crisis scenarios (millions of pesos)							
			Dec-21-94	Aug-25-98	Sep-11-01	Sep-19-02	Apr-28-04	Oct-16-08	Nov-09-16	Mar-11-20
Corporate	5,989.41	(79.95)	53.65	(96.41)	(97.19)	(41.67)	(36.11)	(23.70)	(79.95)	(73.09)
Investment to maturity	8,735.62	(293.23)	(68.88)	(87.12)	1.25	(39.14)	(115.69)	(65.26)	(293.23)	(153.80)

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At the end of December 2024, considering the abovementioned crisis scenarios in the London portfolio of investment to maturity, the greatest loss would be observed in the event of a situation like that in November 2016, generating a loss of \$339.3, equivalent to 4.09% of the position value.

Portfolio FC	Position	Advance Sale	Crisis scenarios							
			Sep-11-2001	Sep-19-2001	Apr-28-2004	Dec-21-1994	Aug-25-1998	Oct-16-2008	Nov-11-2016	Mar-11-2020
Financial instruments to collect or sell	(7,882.94))	(309.28)	(31.59)	(189.58)	(220.45)	(89.24)	(75.70)	(66.36)	(309.28)	(139.07)
Financial instruments to collect principal and interest	(413.62)	(30.06)	(9.81)	(3.61)	(0.14)	(94.08)	(9.86)	(12.28)	(30.06)	(.26)

6. Credit risk

Credit risk is defined as the possibility that a counterparty or borrower fails to comply in time and form with its credit obligations; it also refers to the impairment of an investment determined by the change in the credit quality of some counterparty or borrower, without necessarily resulting in nonpayment.

Expected Loss

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

Based on the reserve obtained under this methodology, the following assumptions are established:

- The portfolio of former employees is excluded, to directly measure the effect of expected losses on the portfolio with private and public sector risk.
- Counterparties that have contingent lines are considered.
- The position corresponding to the Guarantee Program is not considered, as the management of this risk is carried out separately, for example, through FISO 1148-0.
- The reserves constituted by the contingent lines are considered
- Additional bookings are not included.
- It is not considered the financial agent portfolio as it is a risk-free portfolio.
- The portfolio is considered **stage 3**, since, according to the expected loss-based portfolio rating methodology, the materialization of a default event does not imply that the expected loss is reserved at 100%.

Under these assumptions, at the end of December 2024, the rated portfolio stands at 260,161, while the expected loss of the credit portfolio amounts to 6,106, equivalent to 2.4% of the rated portfolio or total portfolio.

Estimating Expected Losses			
Portfolio	Portfolio balance	Expected Loss	% Expected Loss
Excepted			
A	251,255	1,065	0.4%
B	2,850	50	1.8%
C	-	-	0%
D	1,157	360	31.1%
E	4,899	4,631	94.5%
Qualified	260,161	6,106	2.4%
Total	260,161	6,106	2.4%

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7. Unexpected loss

The unexpected loss represents the impact that the Institution's capital could have derived from unusual losses in the credit portfolio; The level of coverage of this loss, either by the capital and reserves of an institution, is an indicator of its risk-adjusted solvency.

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

In November 2007, CAIR concluded that, of the methodologies proposed for estimating the unexpected loss of the loan portfolio, the methodology with an economic focus is the one that best aligns with the basic Basel II method based on internal ratings, based on:

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

Likewise, 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 additional information in the event of future changes in the banking standard in which the market valuation of the portfolio is requested. These methodologies are applied over a one-year horizon and with a confidence level of 95%.

At the end of December 2024, the estimate of unexpected loss under the economic approach amounts to 23,021; on the other hand and represents 96% of the risk-weighted portfolio.

8. Counterparty risk and diversification

The Institution exercises comprehensive risk control by counterparty, applying the established credit exposure limits; These limits consider operations along the entire balance sheet, i.e. both in the financial markets and in the credit portfolio. The methodology used is consistent with the General Rules for Risk Diversification in the Execution of Active and Passive Operations Applicable to Credit Institutions.

At the end of December 2024, all economic groups concentrated credit risk in accordance with the maximum financing limits established in Article 54 of the Dispositions. Likewise, the Commission is authorized to apply a time limit under Article 59 for an amount of 39,338, for a period of up to 4 years, during which particular control measures will be followed focused on the identification, measurement, monitoring and mitigation of the risk of the corresponding Common Risk group.

The regulations define Large Exposures as the sum of the values of the exposures that the Institution maintains with a person or a group of persons representing Common Risk, when such sum is equal to or greater than 10% of the applicable Basic Capital (September 2024). At the end of December 2024, there are a total of 26 counterparties.

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At the end of December, 26 large exposures were registered, exceeding 10% of core capital:

No. Major Exhibitions	Total Amount	Percentage of Equity
26	448,893	1397.8%

The amount of financing held with the four largest exposures based on Article 54 of the Provisions amounts to 18,743. Market positions with the Federal Government stand out, which, according to Article 56, will not be obliged to be subject to the established limits.

9. Operational risk and non-quantifiable risks

The risks to which a financial institution is exposed are classified into two broad categories: quantifiable and non-quantifiable. Non-quantifiable risks are in turn divided into three types.

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

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

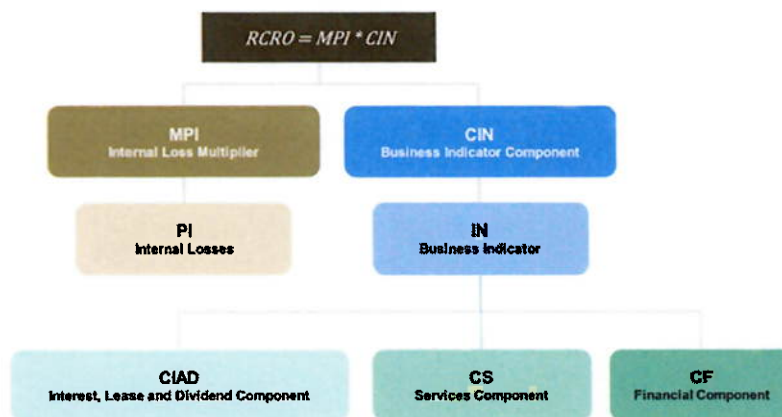
Non-quantifiable risks are unforeseen events for which no statistical basis can be formed to measure potential losses, among which are the following:

- Strategic risk: potential losses due to failures or 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.
- Reputational risk: potential losses in the carrying out the activity of the Institution caused by the impairment in perception that the different parties have, both internal and external, on its solvency and feasibility.

The purpose of operational risk and non-quantifiable risks management is to formally establish the rules and policies necessary to systematically and efficiently perform the identification, measurement, monitoring, limitation, control, information and disclosure of non-discretionary and non-quantifiable risks. Another purpose is to ensure the timely identification of the capital and resources requirements arising from such risks.

Methodologies, limits and tolerance levels

Method to determine the capital requirement for operational risk



The Institution, for the purpose obtaining the Capital Requirement for Operational Risk applies the Business Indicator Method provided by the Banking Commission under the General Provisions Applicable to Credit Institutions, performs the calculation taking into account the following formula:

Non-discretionary risks: Operational Risk

The qualitative analysis for the identification of operational risk concentrations is part of the management of processes under the ISO 9001-2015 Standard for the Quality Management System implemented in the Institution.

One of the methodologies used for operational risk management (qualitative) consists of the Institutional Methodology of Operational Risk, based on a self-assessment or scorecard that considers six risk factors: regulatory framework, transaction, person, technological, relationship (between customers and suppliers) and information security.

Additionally, potential risks of each process are identified, classified and rated based on the methodology defined by the Banking Commission and the result is forwarded in a regulatory annual report called “Estimating Operational Risk Levels”. For residual risks located in quadrant nine actions and/or controls for their management are defined with those responsible for the process to which they belong. And tolerance levels are set down for operational risks identified in the processes.

Through the application of methodologies, the business areas and those responsible for the processes identify and assess operational risks associated with their processes, obtaining the following ratings:

- Inherent risk rating. Corresponds to the risk involved in the process before applying controls.
- Residual risk rating. Corresponds to the remaining risk once controls are applied over the process.
- Nature risk index. This is a rating inherent for own activities and before applying controls over the process.
- Operating efficiency risk index. This is the rating once controls are applied over the process.

The quantitative analysis is performed for economic loss events due to operational risk occurring within 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 Banking Commission.

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Non-discretionary risks: Technological Risk

The technological risk methodology for identifying, quantifying, and managing this risk is carried out through computer processes and it is based on five indicators:

1. % Security level for access to Nafin network.
2. % Detection and blocking of viruses to Nafin network.
3. % Level of availability for critical application services.
4. % Level of availability for non-critical application services.
5. % Recovery of critical services under disaster contingency drill (drill DRP action plan).

For indicators 1, 2, 3 and 4 their periodicity is monthly and for 5 it is annual; the monitoring of these is carried out by comparing the results obtained for each indicator and the fulfillment of the established goal, and based on the results obtained, and in case of not meeting the established goal, areas of opportunity are identified that allow the Institution to take action on the findings.

Legal risk

There is an internal methodology for estimating the recording of potential losses in terms of legal risk, based on success or failure expectations and on the procedural stage in which lawsuit is found in five bands:

- Insufficient information
- 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, the CAIR is informed at least quarterly.

As a monitoring control of risks and the result of potential losses, the CAIR is informed at least quarterly by type of lawsuit:

- Labor nature
- Litigation portfolio
- Trust
- Commercial
- Treasury and stock exchange transactions

Risks on the assets of the Institution:

Are those resulting from claims or unforeseen external events that cannot be associated with a probability of occurrence and economic losses may be transferred to external risk-taking entities.

Type of Risk	Definition	Example
Claim	Risk of loss for catastrophic natural events that may interrupt the operation or affect the property assets of the Institution.	Fire, volcanic eruption, earthquake, hurricane, among other.
External	Risk of loss caused by external entities to the Institution.	Vandalism protesters' sit-ins, etc.

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For this type of risk, follow-up is carried out considering the following criteria:

Type of Asset	Definition	Example
Property Assets	Institutional Program for Property Assets Insurance	Payment of premiums
Foreclosed Assets		Deductible in the event of materialization

Unquantifiable risks

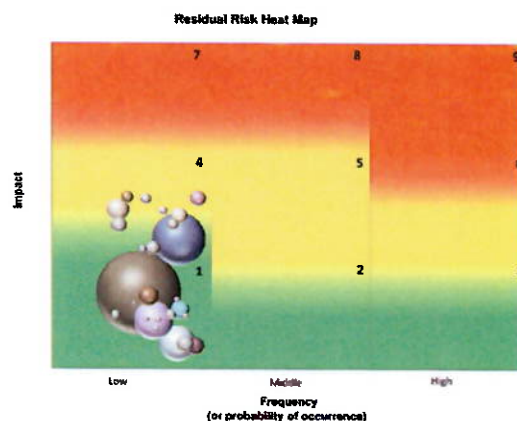
The methodologies implemented are in accordance with the Provisions. A brief description is provided below:

- **Strategic risk:** At the Institution, the Risk Management Office manages the Institution's strategic risk through the Desired Risk Profile by measuring, monitoring and controlling the different types of risk to which it is exposed securing robust risk measures which allow to define the Institution's risk appetite, aligned with the Institutional Strategic Plan.
- **Business risk:** in the Institution, monitoring is carried out in a comprehensive manner, through the analysis of variations and trends in the different aspects that contribute to the performance of the Institution's business, in line with the Institutional Strategic Plan, as well as the fulfillment of its mandate.
- **Reputational risk:** for the management of this risk, an Institutional Communication Plan (Plan) was defined. This Plan considers the attention to the minimum requirements issued by the Commission in the Provisions on reputational risk. The Directorate of Institutional Communication follows up on events that could affect the perception of the Institution internally, and the Directorate of Marketing and Institutional Business Positioning follows up on events that could affect the perception of the Institution externally. To control this risk, the CAIR is informed at least quarterly of the monitoring findings.

Assessments of Operational Risk

As of the closing of year 2024, the operational risk ratings at the Institution based on the Standard Operational Risk Methodology of the Banking Commission (R28), are the following:

Type of Operational Risk	Risk Interest	Residual Risk	# Risks	%
Errors in receiving, executing, and maintaining operations	5	1	572	43.2%
Losses arising from non-compliance	5	4	227	17.1%
Errors in tracking, reporting, or reporting	2	1	105	7.9%
System failures (Software)	5	1	120	9.1%
Deficiencies in the process of accepting customers, documentation and contracting	4	1	32	2.4%
Deficiencies in the management of industrial relations	5	4	41	3.1%
System failures (interruption or incidents in supply)	4	1	28	2.1%
Errors in customer account management	4	4	12	0.9%
Failures of counterparties other than customers	5	1	25	1.9%
Theft and internal fraud	5	4	22	1.7%
Systems Security Events (External Fraud)	8	4	20	1.5%
Other	-	-	120	9.1%
			1324	100.0%



* The diameter of the spheres on the map, as well as the % of the table, is determined by the recurrence of the type of operational risk between the different processes.

According to the CNBV's methodology, at the end of the year, there was no residual operational risk in the red zone, i.e. quadrant nine (high frequency and impact), so the risks are within the established tolerance levels.

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At the end of the fiscal year, the continuous procedure for updating and, where appropriate, identifying operational risks in the Institution's processes is ongoing, which is carried out through the updating of operational risk analyses in accordance with the institutional criteria for risk management established in the comprehensive framework of risk management in the Institution.

Operational Risk Economic Loss Events

During year 2024, economic losses were reported with a total economic impact of \$7.14 *.

Type of Risk	Type of economic loss	# Incidents	Amount of economic loss	Notes
Operational Risk *	Expected	18	7.14	Accumulated economic losses with consumption of the Operational Risk Reserve of operational incidents recorded in 2024, as well as in previous years.
	Unexpected	0	0	During the 2024 financial year, there have been no unexpected losses.
		18	7.14	

*Preliminary information with figures in millions of pesos, some amounts in \$0.00 may represent figures divided into one million become very small, reason for which they are not visible in the table.

During 2024, 18 events were recorded in the institutional accounts with a cumulative impact of 7.14, which represents an increase in the number of events and a decrease in the accumulated amount of economic losses due to operational risk in the Institution compared to the 2023 fiscal year

Indicators of Technological Risk

During year 2024, all technological risk indicators complied with the goal set.

Periodicity	Description of Indicator T.R.	Goal
Monthly	% Security level for access to Nafin network	100 %
	% Detection and blocking of viruses to Nafin network	100 %
	% Level of availability for critical application services	95 %
	% Level of availability for non-critical application services	95 %
Annual	% Recovery of critical services under disaster contingency drill (drill DRP action plan)	85 %

Source: Office of Information Technology

Result of Legal Risk

At the closing of December 2024, the status of the recording of potential legal risk losses in the Institution's accounting records is as follows:

Recording Potential Legal Risk Losses			
Type of Trial	Contingency	Provision	Results
Labor Character	68.20	28.79	11.46
Contentious Portfolio	11.07	9.84	0.07
Trusts	207.99	74.30	0.00
Treasury and Stock Market Operations	0.00	0.00	0.00
Total	287.26	112.94	11.52

* Figures in millions of pesos, valued at an exchange rate for USD of: 20.8829

Source: SIF-Data Warehouse

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The status as of the end of the year is as follows:

- A contingency for 287.26, which presents an increase of 3.46% (9.61) with respect to the previous year.
- A provision for 112.94, which presents an increase of 6.89% (-8.35) with respect to the previous year.
- An effect on results for 11.52 million pesos, which presents an increase of 75.39% (-35.3) with respect to the previous year.

The movement in the contingency, provision and results arises mainly from the updating in the success expectations of some lawsuits and, in some cases, of the amounts claimed according to the law, mainly in labor lawsuits, and the fluctuation in the exchange rate with respect to the previous year, as well as the status of each lawsuit.

Unquantifiable Risks

Result of the impact to property assets of the Institution

In year 2024, there were no claims affecting the property assets of the Institution.

Strategic Risk

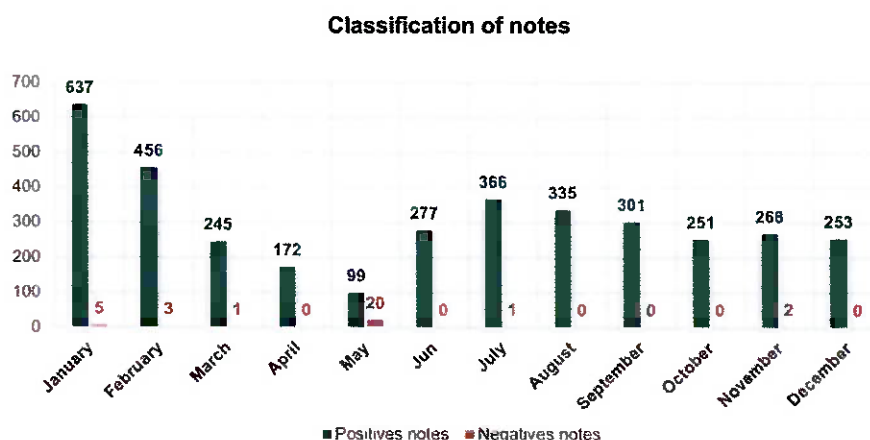
During fiscal year 2024, the Institution's Strategic Risk was managed through the Desired Risk Profile, by measuring, monitoring and controlling the different types of risk to which it is exposed, ensuring solid risk measures that allow limiting the Institution's risk appetite aligned with the Institutional Strategic Plan.

Business Risk

During the 2024 fiscal year, monitoring was carried out in a comprehensive manner, through the analysis of variations and trends in the different aspects that contribute to the performance of the Institution's business, in line with the Institutional Strategic Plan, as well as the fulfillment of its mandate.

Reputation Risk

During the fiscal year 2024, the Marketing and Business Positioning Department monitored events that could affect the perception of the Institution both internally and externally on a monthly basis, analyzing positive and negative notes through printed communication channels, electronic media, internet portals, and state information. The results obtained from this monitoring is summarized as follows:



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During the exercise, it is observed that in all months the number of positive notes exceeded the number of negative ones, even not observing negative notes during the months of April, June, August, September, October and December, highlighting that in the 2024 financial year it was observed that 99% of the notes were positive.

Leverage ratio

The information regarding leverage is disclosed with figures as of December 2024, in compliance with the General Provisions applicable to credit institutions, Article 2 Bis 120, Articles 180, 181 and Annex 1-O Bis:

TABLE I.1
STANDARDIZED DISCLOSURE FORMAT FOR LEVERAGE RATIO

REFERENCE	ITEM	MATTER
On-balance sheet exposures		
1	Balance sheet items (excluding derivative financial instruments and repo and securities lending (SFT) transactions, but including collateral received as collateral and recorded on the balance sheet)	657,896
2	(Amounts of assets deducted to determine Basel III Tier 1 capital)	- 5,179
3	On-balance sheet exposures (Net) (excluding derivative financial instruments and SFTs, sum of lines 1 and 2)	652,717
Exposures to derivative financial instruments		
4	Present replacement cost associated with all transactions in derivative financial instruments (net of the variation margin in eligible cash)	-
5	Amounts of additional factors for potential future exposure, associated with all transactions in derivative financial instruments	1,465
6	Increase for Collateral contributed in transactions with derivative financial instruments when such collateral is derecognized from the balance sheet in accordance with the operational accounting framework	N.A.
7	(Deductions from accounts receivable for margin of change in cash contributed in transactions with derivative financial instruments)	-
8	(Exposure for transactions in derivative financial instruments on behalf of clients, in which the settlement partner does not provide its guarantee in the event of non-compliance with the obligations of the Central Counterparty)	N.A.
9	Adjusted effective notional amount of the credit derivative financial instruments subscribed	N.A.
10	(Offsets made to the adjusted effective notional of the credit derivative financial instruments subscribed and deductions of the additional factors for the credit derivative financial instruments subscribed)	N.A.
11	Total exposures to derivative financial instruments (sum of lines 4 to 10)	1,465
Securities financing exposures		
12	Gross SFT assets (without clearing recognition), after accounting transaction adjustments for sales	108,586
13	(SFT Accounts Payable and Receivable Cleared)	-
14	SFT Counterparty Risk Exposure	396
15	Exposures by SFT acting on behalf of third parties	-
16	Total exposures from securities financing transactions (sum of lines 12 to 15)	108,983
Other off-balance sheet exposures		
17	Off-balance sheet exposure (gross notional)	290,348
18	(Adjustments for conversion to credit equivalents)	- 261,313
19	Off-balance sheet items (sum of lines 17 and 18)	29,035
Total Capital and Exposures		
20	Tier 1 Capital	36,133
21	Total exposures (sum of lines 3, 11, 16 and 19)	792,200
Leverage ratio		
22	Basel III leverage ratio	4.56%

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TABLE II.1
COMPARISON OF TOTAL ASSETS AND ADJUSTED ASSETS

REFERENCE	DESCRIPTION	MATTER
1	Total assets	772,091
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	- 5,179
3	Adjustment for trust assets recognized on the balance sheet in accordance with the accounting framework, but excluded from the leverage ratio exposure measure	N.A.
4	Adjustment for derivative financial instruments	- 4,144
5	Adjustment for repo and securities lending transactions	396
6	Adjustment for Recognized Line Items in Memorandum Accounts	29,035
7	Other settings	-
8	Exposure of the leverage ratio	792,200

TABLE III.1
RECONCILIATION BETWEEN TOTAL ASSETS AND ON-BALANCE SHEET EXPOSURE

REFERENCE	CONCEPT	MATTER
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27. RECENT PRONOUNCEMENTS ISSUED BY THE MEXICAN FINANCIAL REPORTING STANDARDS BOARD (CINIF)

New accounting pronouncements for 2025 and subsequent years that take effect on the dates mentioned below:

Improvements that generate accounting changes

NIF A-1, *Conceptual Framework of Financial Reporting Standards* – Important Accounting Policies – Disclosure Standards. The standard requires the disclosure of significant accounting policies in order for institutions to make more effective disclosure of them.

The disclosure of important accounting policies is necessary so that users can understand information about transactions and other events recognized or disclosed in the financial statements, considering not only the size of the transaction but also its nature.

Disclosure of accounting policies is most useful to the user when it includes entity-specific information rather than just standardized information or information that duplicates or summarizes the content of the requirements of particular IFRS.

NIF B-2, *Statement of Cash Flows* – Financing Agreements for Payment to Suppliers. NIF B-2 requires the entity to disclose information that helps to understand its financial situation and liquidity in different situations; however, users of the financial statements have highlighted the need for additional information on financing agreements for payment to suppliers (agreements), also known as *reverse factoring*.

As a result of the above, general disclosure standards were added to NIF B-2, i.e., applicable to Public Interest Entities (EIPs) and Non-Public Interest Entities (ENIPs); to provide information on supplier financing agreements to help users of the financial statements understand the nature and effects of these arrangements on the financial statements.

NIF B-15, *Foreign Currency Conversion* – Currency Interchangeability. NIF B-15 does not establish what an entity must do when on the date of conversion of foreign currencies it is determined that a certain currency is not interchangeable, therefore, applicable guidance is included to converge with the recent amendments made to IAS 21, *Effects of Changes in Foreign Currency Exchange Rates*.

The amendment includes disclosure requirements which correspond to general disclosures, i.e., applicable to both Public Interest Entities (EIPs) and Non-Public Interest Entities (NPEs).

NIF C-6, *Property, plant and equipment* – Depreciation methods. NIF C-6 mentions that there are various methods of depreciation of fixed assets, including the special depreciation method; however, currently, after several years of having issued this NIF, it was concluded that this method should not be considered as a depreciation method but only a practical way of applying any other of the methods mentioned in the NIF, so it was eliminated; However, considering that this methodology is based on using average rates of depreciation on a group of minor assets, an entity may continue to apply these weighted average rates, provided that the concept of materiality is taken into account. In addition, the description of each of the depreciation methods is included in the NIF.

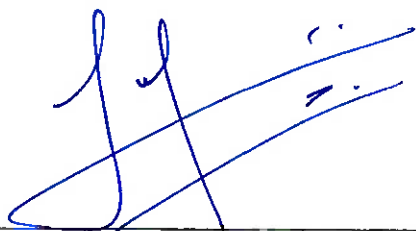
The modifications to these improvements to the NIF come into force for financial years beginning on or after 1 January 2025, and their early application is allowed.

NIF C-19, *Financial instruments payable* – Cancellation of financial liabilities. In convergence with the modifications made to International Financial Reporting Standard (IFRS) 9, *Financial Instruments*, certain requirements are added to derecognize a financial liability when the liability is settled in cash through an electronic payment system.

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The modifications to this improvement come into force for financial years beginning on or after 1 January 2026, and their early application is allowed.

The Institution considers that the adoption of the improvements, mentioned above, taking into account the current financial structure and the operations it carries out, could cause certain changes in terms of the valuation, classification and/or presentation of its financial statements and the disclosures in its notes. The administration is in the process of analyzing them to determine, if any, the effects that they will have on its financial information at the time of its adoption.




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CHIEF EXECUTIVE OFFICER



MARÍA FERNANDA RUIZ PADILLA
HEAD OF ADMINISTRATION AND
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RAÚL MARTÍNEZ MORÁN
ACCOUNTING AND BUDGET DIRECTOR



MANUEL ANAYA VALLEJO
INTERNAL AUDIT DIRECTOR