Banco Nacional de Comercio Exterior, S.N.C., Institución de Banca de Desarrollo and Subsidiary

Consolidated Financial Statements as of December 31, 2021 and 2020 and the Independent Auditor's Report

(Translation from Spanish Language Original)

Banco Nacional de Comercio Exterior, S.N.C., Institución de Banca de Desarrollo and Subsidiary

CONTENIDO

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The Independent Auditors´ Report

(Translation from Spanish Language Original)

To the Ministry of Public Administration and
Board of Directors of
Banco Nacional de Comercio Exterior, S.N.C.,
Institución de Banca de Desarrollo

(Millions of pesos)

Opinion.

We have audited the accompanying consolidated financial statements of **Banco Nacional de Comercio Exterior, S.N.C., Institución de Banca de Desarrollo and Subsidiary** (the Institution) which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of income, changes in stockholders´ equity and cash flows, corresponding for the years then ended, as the explanatory notes to the consolidated financial statements, including a summary of the significant accounting policies.

In our opinion, the accompanying consolidated financial statements of **the Institution**, have been prepared, in all the significant respects, in conformity with the Accounting Criteria for Credit Institutions in Mexico (Accounting Criteria), issued by the National Banking and Securities Commission (CNBV for its acronym in Spanish).

Basis of the opinion.

We have carried out our audit in conformity with the International Standards on Auditing (ISAs). Our responsibility under those standards is further described in the section "Auditor's responsibilities for the audit of the consolidated financial statements" of our report. We are independent of the Institution in accordance with the Code of Professional Ethics of the Mexican Institute of Public Accountants (Code of Professional Ethics), along with the ethics requirements relevant for our audit to the consolidated financial statements in Mexico, and we have complied with our other ethical responsibilities pursuant to requirements and with the Code of Professional Ethics. We believe that the audit evidence we have obtained provides enough and appropriate basis for our opinion.

Key audit matters.

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters have been addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not express a separate opinion on these matters. We have determined that the matters described below are the key audit matters to be communicated in our report.

- **Allowance for loan losses.**

The methodology to calculate the allowance for loan losses requires that the expected loss for the following twelve months be evaluated in accordance with the Accounting Criteria issued by the Commission, which is based on an expected loss model that considers 3 factors in its evaluation of credit risk that are (i) the probability of default, (ii) severity of loss and (iii) the exposure to default.

It has been considered a key audit matter due to the relative importance of the completeness and accuracy of the source information used to determine and update each of the aforementioned credit risk factors in the calculation of such estimate.

Our audit procedures to cover this key audit matter included:

1. In order to identify the controls established by the Management for the adequate integration of the information of the credit files during the credit registration processes and their administration, we carried out an internal control tour to test the design and implementation of those controls, as well as the review of their operational effectiveness.

2. On a sample of files, we checked that the load of the inputs used in the calculation system of the preventive estimate for credit risks was complete and exact.

3. We tested the design, implementation and operational effectiveness of the relevant review-type controls implemented by Management on the reasonableness of the results of the calculation of the preventive estimate for credit risks.

4. In order to verify the adequate calculation of the preventive estimate for credit risks, we evaluated the reasonableness of the reserve models to review the application of the model and the parameters established by the Commission.

5. We reviewed the integrity of the information verifying that the total of the credit portfolio was subject to the calculation of the preventive estimate for credit risks.

6. As of December 31, 2021, as a substantive analytical test, we carried out a sample of the balance of the preventive estimate for credit risks as of that date, based on the behavior of the credit portfolio.

Basis of the Paragraph of Emphasis.

Due to the health contingency caused by the COVID-19 pandemic, the Institution evaluated the qualitative and quantitative impacts on its financial information, which are described in detail in Notes (3) h) and (26) to the accompanying financial statements. Our opinion is not modified by this issue.

Responsibilities of the Management and of the persons in charge of the Governance of the Institution on the consolidated financial statements.

The Institution´s Management is responsible for the preparation and filing of the consolidated financial statements, in conformity with the Accounting Criteria for Credit Institutions in Mexico issued by the CNBV, and the internal control that the Management considered necessary in order to allow the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those responsible for the Institution´s Governance are responsible for the supervision of the process of the Institution´s financial information.

Auditors´ responsibilities on the audit of the consolidated financial statements.

Our objectives are to obtain reasonable assurance that the consolidated financial statements as a whole are free of material misstatement, due to fraud or error, and issue an audit report with our opinion. Reasonable assurance is a high degree of security, but it does not guarantee that an audit performed in accordance with the ISAs always detect a material misstatement when there is one. The misstatements may be due to fraud or error and they are considered material if, either individually or in group, they might be reasonably foreseen to influence the economic decisions the users make based on the consolidated financial statements.

As part of an audit in accordance with the ISAs, we apply our professional judgment and we keep an attitude of professional skepticism through the entire audit.

We also:

- We identify and value the risks of material misstatement in the consolidated financial statements, due to fraud or error, we design and apply audit procedures in order to respond to such risks, and we obtain enough and proper evidence of audit to provide a basis for our opinion. The risk of not detecting a material misstatement due to fraud is higher than in the case of a material misstatement due to error, since the fraud may imply collusion, forgery, deliberate omissions, statements intentionally wrong or the avoidance of internal control.

- We get to know the internal control relevant for the audit, with the objective of designing proper audit procedures regarding the circumstances and not with the objective of expressing an opinion on the effectiveness of the internal control.

- We evaluate the adequacy of the applied accounting policies and the reasonableness of the accounting estimates and the corresponding information disclosed by the Management.

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- We conclude on the adequacy of the use, by the Management, of the accounting principle of going concern and, based on the evidence of audit obtained, we conclude whether there is or not a material uncertainty related to facts or conditions that may arise significant questions on the ability to continue as going concern. If we conclude that there is a material uncertainty, it is necessary to draw the attention to our audit report about the corresponding information disclosed in the consolidated financial statements or, if such disclosures are not proper, to express a modified opinion. Our conclusions are based on the evidence of audit obtained as of the date of our audit report. However, future facts or conditions may be the cause to stop being a going concern.

- We evaluate the global presentation, the structure and content of the consolidated financial statements, including the disclosed information, and whether the consolidated financial statements represent the underlying transactions and facts in a way that they get the fair presentation.

We discuss with those responsible for the Institution´s Governance, among other matters, the scope and the time to perform the planned audit and the significant audit findings, as well as any other significant deficiency of internal control which we identify through our audit.

We also provide those charged with governance of the Institution with a statement that we have complied with the applicable ethical requirements in relation to independence and that we have communicated to them all relationships and other matters that can reasonably be expected to affect our independence and, where appropriate, the corresponding safeguards.

Among the issues that have been the subject of communication with those responsible for the entity´s governance, we determine those that have been of the greatest relevance in the audit of the consolidated financial statements of the current period and that are, consequently, the key audit matters. We describe such matters in our audit report unless law or regulation prohibit public disclosure of the matter or, in extremely rare circumstances, we determine that a matter must not be disclosed in our report because the adverse consequences of doing so would reasonably be expected to outweigh its public interest benefits.

RSM México Bogarín, S.C.

C.P.C. Alberto Álvarez del Campo
Managing Partner

Mexico City, February 22, 2022.

Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary
Periférico Sur 4333, Mexico City
Consolidated Balance Sheets

December 31, 2021 and 2020

(Millions of Mexican pesos)

Assets	2021	2020
Availabilities (note 5)	$ 24,184	30,424
Investments securities (note 6):		
Trading	198,294	183,817
Available for sale	55	51
Held to maturity	186	175
	198,535	184,043
Debtors on repurchase/resale agreements (note 7)	910	349
Derivatives (note 8):		
Trading	541	1,041
Hedging	1,310	4,764
	1,851	5,805
Current loan portfolio (note 9):		
Commercial loans:		
Business or commercial activities	188,311	199,047
Financial entities	28,637	31,796
Government entities	9,138	6,580
	226,086	237,423
Consumer loans	26	26
Mortgage loans:		
Medium-size and residential	82	94
Total current loan portfolio	226,194	237,543
Past-due loan portfolio (note 9):		
Commercial loans:		
Business and commercial activities	8,494	5,741
Consumer loans	3	3
Mortgage loans:		
Medium-size and residential	2	2
Total past-due loan portfolio	8,499	5,746
Total loan portfolio	234,693	243,289
Less:		
Allowance for loan losses (note 9b)	10,917	7,422
Total loan portfolio, net	223,776	235,867
Other accounts receivable, net (note 10)	10,392	8,207
Foreclosed assets, net (note 11)	1	1
Property, furniture and equipment, net (note 12)	479	474
Permanent investments (note 13)	755	659
Deferred income taxes and employees´ statutory profit sharing, net (note 19)	5,000	4,313
Other assets:		
Deferred charges, prepayments and intangible assets	239	322
Other current and long-term assets (note 18)	-	-
Total assets	$ 466,122	470,464

Liabilities and stockholders´ equity	2021	2020
Deposits:		
Time deposits (note 14):		
Money market	$ 103,421	121,660
Debt instruments issued (note 15)	66,113	53,142
	169,534	174,802
Due to banks and other institutions (note 16):		
Payable on demand	2,774	4,070
Short-term	35,425	34,399
Long-term	31,479	29,527
	69,678	67,996
Creditors from repurchase/resale agreements (note 7)	168,915	164,039
Derivatives (note 8):		
Trading	436	921
Hedging	7,960	7,746
	8,396	8,667
Other accounts payable:		
Income tax payable (note 19)	1	-
Employee statutory profit sharing payable	-	-
Settlement transactions	324	1,273
Collateral received in cash (note 8)	-	865
Sundry creditors and other accounts payable (note 17 and 18)	2,771	3,721
	3,096	5,859
Subordinated debt issue (note 20)	10,362	14,106
Deferred credits and advance collections	699	777
Total liabilities	430,680	436,246
Stockholders´ equity (note 21):		
Contributed capital:		
Capital stock	40,175	28,034
Contributions for future capital stock increases formalized by the Institution´s Governing Body	3,060	12,141
Share premium	81	81
	43,316	40,256
Earned (lost) capital:		
Capital reserves (note 2d)	854	854
Cumulative results	(5,023)	(3,060)
Unrealized gain from valuation of available for sale securities	16	11
Remeasurement employee benefits adjustments	(1,234)	(1,855)
Result from holding of non-monetary assets	(25)	(25)
Net income	(2,462)	(1,963)
Non-controlling interest	-	-
	(7,874)	(6,038)
Total stockholders´ equity	35,442	34,218
Total liabilities and stockholders´ equity	$ 466,122	470,464

Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary
Periférico Sur 4333, Mexico City
Consolidated Balance Sheets (continued)

December 31, 2021 and 2020

(Millions of Mexican pesos)

Memorandum accounts:

	2021	2020
Guarantees issued (note 27)	$ -	152
Contingent assets and liabilities (note 28)	13,571	14,650
Loan commitments	104,268	98,365
Goods in trust or under mandate (note 29):		
Trusts	85,574	75,322
Mandates	-	3,743
Assets in trust or under administration (note 30)	1,146,221	1,033,241
Collaterals received by the entity (note 7)	4,580	6,012
Collaterals received and sold or pledged by the entity (note 7)	3,451	5,500
Uncollected interests earned on past-due loan portfolio	1,043	789
Loan portfolio rated	256,113	263,661
Other memorandum accounts	227,628	224,125

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

The historical capital stock as of the dates of these consolidated financial statements amounts to $39,225 and $27,084, respectively.

These consolidated balance sheets 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 for Credit Institutions, which are general and mandatory, and were consistently applied. These balance sheets reflect the Institution's transactions carried out by the Institution as of the dates mentioned above, which were carried out and valued in accordance with sound banking practices and the applicable legal and administrative provisions.

These consolidated balance sheets will be approved by the Board of Directors under the responsibility of the undersigned officers.

The Capitalization ratio for assets subject to credit risk is 22.06% and for assets subject to total risks is 18.51% at December 2021 (22.37% and 18.99%, respectively, in 2020) which is the latest information validated by the Central Bank.

The web site of the global network called Internet of Banco Nacional de Comercio Exterior, S.N.C., where the information regarding these statements is located is http://www.bancomext.com/conoce-bancomext/bancomext-en-cifras/estados-e-indicadores-financieros. The web site of the National Banking and Securities Commission where you can consult the financial information of Bancomext is http://www.cnbv.gob.mx/SECTORES-SUPERVISADOS/BANCA-DE-DESARROLLO/Informacion-Estadistica/Paginas/Banca-de-Desarrollo.aspx.

Luis Antonio Ramírez Pineda Chief Executive Officer As of January 1, 2022	Paulina Moreno García Deputy General Director of Administration and Finance	Julia Noemí Rodríguez Kú Director of Accounting and Budget	Víctor Manuel Jiménez García Director of Internal Audit

Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary
Periférico Sur 4333, Mexico City
Consolidated Income Statements

For the years ended December 31, 2021 and 2020

(Millions of Mexican pesos)

	2021	2020
Interest income (notes 6, 7, 9 and 23a)	$ 21,039	25,196
Interest expenses (note 23a)	(14,424)	(18,439)
Financial margin (note 23a)	6,615	6,757
Allowance for loan losses (note 9b)	(3,714)	(4,139)
Financial margin adjusted for loan losses	2,901	2,618
Commissions and fees income (note 23b)	641	712
Commissions and fees expenses	(37)	(85)
Financial intermediation income (note 24)	(38)	(30)
Other operating expenses (note 25)	(4,234)	(4,564)
Administrative and promotional expenses	(2,235)	(1,858)
	(5,903)	(5,825)
Operating loss	(3,002)	(3,207)
Equity in earnings of non-consolidated subsidiaries and associates (note 13)	96	28
Loss before income taxes	(2,906)	(3,179)
Current income taxes (note 19)	(6)	(7)
Deferred income taxes (note 19)	450	1,223
	444	1,216
Net controlling interest	(2,462)	(1,963)
Non-controlling interest	-	-
Net income	$ (2,462)	(1,963)

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

These consolidated income statements 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 for Credit Institutions, which are general and mandatory, and were consistently applied. These consolidated income statements reflect the Institution´s income and expenses arising from operations recorded during the above mentioned years, which were carried out and valued in accordance with sound banking practices and the applicable legal and administrative provisions.

These consolidated income statements will be approved by the Board of Directors under the responsibility of the undersigned officers.

The web site of the global network called Internet of Banco Nacional de Comercio Exterior, S.N.C., where the information regarding these statements is located is http://www.bancomext.com/conoce-bancomext/bancomext-en-cifras/estados-e-indicadores-financieros. The web site of the National Banking and Securities Commission where you can consult the financial information of Bancomext is http://www.cnbv.gob.mx/SECTORES-SUPERVISADOS/BANCA-DE-DESARROLLO/Informacion-Estadistica/Paginas/Banca-de-Desarrollo.aspx.

Luis Antonio Ramírez Pineda
Chief Executive Officer
As of January 1, 2022

Paulina Moreno García
Deputy General Director of Administration and Finance

Julia Noemí Rodríguez Kú
Director of Accounting and Budget

Víctor Manuel Jiménez García
Director of Internal Audit

Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary
Periférico Sur 4333, Mexico City
Consolidated Statements of Changes in Stockholders´ Equity

Years ended December 31, 2021 and 2020

(Millions of Mexican pesos)

	Contributed Capital			Earned (lost) Capital						
	Capital stock	Contributions for future capital stock increases formalized by the Institution´s Governing Body	Share premium	Capital reserves	Cumulative results	Unrealized gain (loss) from valuation of available for sale securities	Remeasurement employee benefits adjustments	Result from holding of non-monetary assets	Net income	Non-controlling interests	Total stockholders´ equity
Balance at December 31, 2019, previously reported	$ 28,034	8,033	81	141	(1,216)	8	(2,101)	(25)	(1,131)	-	31,824
Retrospective reclassification (note 2d)	-	-	-	713	(713)	-	-	-	-	-	-
Balance at December 31, 2019, reclassified	28,034	8,033	81	854	(1,929)	8	(2,101)	(25)	(1,131)	-	31,824
Movements inherent to owners´ decisions:											
Contributions for future capital increases (note 21d)	-	4,108	-	-	-	-	-	-	-	-	4,108
Transfer of net income to prior years´ income	-	-	-	-	(1,131)	-	-	-	1,131	-	-
	-	4,108	-	-	(1,131)	-	-	-	1,131	-	4,108
Movements inherent to recognition of comprehensive income:											
Net income	-	-	-	-	-	-	-	-	(1,963)	-	(1,963)
Result from valuation of available for sale securities	-	-	-	-	-	3	-	-	-	-	3
Remeasurement of employee defined benefits	-	-	-	-	-	-	246	-	-	-	246
	-	-	-	-	-	3	246	-	(1,963)	-	(1,714)
Balance at December 31, 2020	28,034	12,141	81	854	(3,060)	11	(1,855)	(25)	(1,963)	-	34,218
Movements inherent to owners´ decisions:											
Contributions for future capital increases (note 21d)	-	3,060	-	-	-	-	-	-	-	-	3,060
Transfer of net income to prior years´ income	-	-	-	-	(1,963)	-	-	-	1,963	-	-
Capitalization of contributions for future capital increases	12,141	(12,141)	-	-	-	-	-	-	-	-	-
	12,141	(9,081)	-	-	(1,963)	-	-	-	1,963	-	3,060
Movements inherent to recognition of comprehensive income:											
Net income	-	-	-	-	-	-	-	-	(2,462)	-	(2,462)
Result from valuation of available for sale securities	-	-	-	-	-	5	-	-	-	-	5
Remeasurement of employee defined benefits	-	-	-	-	-	-	621	-	-	-	621
	-	-	-	-	-	5	621	-	(2,462)	-	(1,836)
Balance at December 31, 2021	$ 40,175	3,060	81	854	(5,023)	16	(1,234)	(25)	(2,462)	-	35,442

The accompanying notes are 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 for Credit Institutions, which are general and mandatory, and were consistently applied. These consolidated statements of stockholders' equity reflect all movements in stockholders' equity accounts arising from operations conducted by the Institution during the above mentioned periods, which were carried out and valued in accordance with sound banking practices and the applicable legal and administrative provisions.

These consolidated statements of changes in stockholders´ equity will be approved by the Board of Directors under the responsibility of the undersigned officers.

The web site of the global network called Internet of Banco Nacional de Comercio Exterior, S.N.C., where the information regarding these statements is located is http://www.bancomext.com/conoce-bancomext/bancomext-en-cifras/estados-e-indicadores-financieros. The web site of the National Banking and Securities Commission where you can consult the financial information of Bancomext is http://www.cnbv.gob.mx/SECTORES-SUPERVISADOS/BANCA-DE-DESARROLLO/Información-Estadistica/Paginas/Banca-de-Desarrollo.aspx.

Luis Antonio Ramírez Pineda
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Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary
Periférico Sur 4333, Mexico City
Consolidated Statements of Cash Flows

Years ended December 31, 2021 and 2020

(Millions of Mexican pesos)

	2021	2020
Net income	$ (2,462)	(1,963)
Adjustments for non-cash items:		
Depreciation	15	15
Provisions	(188)	(506)
Current and deferred income taxes	(444)	(1,216)
Equity in earnings of non-consolidated subsidiaries and associates	(96)	(28)
Others	(852)	(1,302)
	(1,565)	(3,037)
	(4,027)	(5,000)
Operating activities		
Change in investment securities	(14,489)	(39,837)
Change in debtors under resale/repurchase agreements	(561)	422
Change in derivatives (assets)	500	(616)
Change in loan portfolio (net)	9,960	(8,901)
Change in foreclosed assets (net)	8	40
Change in other operating assets (net)	(2,102)	(1,166)
Change in deposits	368	1,396
Change in due to banks and other institutions	1,732	14,486
Change in creditors on resale/repurchase agreements	4,876	34,341
Change in collaterals sold or pledged	(864)	593
Change in derivatives (liabilities)	(485)	568
Change in subordinated debit issue	(3,630)	736
Change in other operating liabilities	(1,431)	(3,161)
Income taxes paid	(5)	(141)
	(6,123)	(1,240)
Net cash provieded by operating activities	(10,150)	(6,240)
Investing activities		
Payments for acquisition of property, furniture and equipment	(2)	(3)
Net cash flows of investment activities	(2)	(3)
Financing activities		
Contributions for future capital increases	3,060	4,108
Net cash flows of financing activities	3,060	4,108
Net cash decrease and cash equivalents	(7,092)	(2,135)
Effects by changes in cash value and cash equivalents (note 2d)	852	1,302
Cash and cash equivalents at the beginning of year	30,424	31,257
Cash and cash equivalents at the end of year	$ 24,184	30,424

The accompanying notes are 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, pursuant to Articles 99, 101 and 102 of the Law for Credit Institutions, which are general and mandatory, and were consistently applied. These consolidated statements of cash flow reflect the Institution's cash inflow and outflow arising from operations recorded during the above mentioned years, which were carried out and valued in accordance with sound banking practices and the applicable legal and administrative provisions.

These consolidated statements of cash flows will be approved by the Board of Directors under the responsibility of the undersigned officers.

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As of January 1, 2022

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Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2021 and 2020

(Millions of Mexican pesos)

These consolidated financial statements have been translated from the Spanish language original solely for the convenience of foreign/English-speaking readers.

(1) Description of business-

Incorporation-

Banco Nacional de Comercio Exterior, S. N. C., Institución de Banca de Desarrollo (the Institution), is an entity of the Federal Public Administration with an independent legal status and own capital, incorporated as a National Credit Corporation under the Credit Institutions Law and its own Integral Law.

On June 8, 1937, was founded Banco Nacional de Comercio Exterior, S. A. On July 12, 1985, following the Mexican nationalization of banks, the Institution became Banco Nacional de Comercio Exterior, S.N.C., Institución de Banca de Desarrollo. On January 20, 1986, Congress issued the "Integral Law of Banco Nacional de Comercio Exterior". Based on the provisions published in the June 24, 2002 Official Gazette, the Ministry of Finance amended, added and repealed various provisions thereof, especially aspects regarding the objectives, operations, administration, supervisions and authority of the Board of Directors of the Institution, and the powers of the Institution's General Director. On April 2, 1991, the Ministry of Finance (SHCP for its acronym in Spanish) issued the Integral Regulations of the Institution, amended on March 14, 1996, and September 10, 2009. On January 10, 2014, in the Official Gazette was published the Decree by which various provisions of the Organic Law were amended, added and abrogated and the Law to Regulate Financial Groups is issued, through which various provisions of the Organic Law were modified; as a result of the aforementioned reforms, on August 25, 2015, the Agreement was published in the Official Gazette by which the Organic Regulation was fully modified. On September 25, 2017, and March 27, 2020, modifications to the aforementioned Regulations were published in the Official Gazette.

Activity-

Under the Integral Law in effect for the Institution, as a development bank, the Institution provides public banking and credit services in accordance with the objectives and priorities of the National Development Plan, and in particular the National Program for Development Financing, to encourage and finance the activities and sectors that are governed by the Integral Law.

As a Development Banking Institution, the Institution's purpose is to finance Mexico's foreign trading and to participate in promoting such activity.

The Institution's main operations are regulated by the Law to Credit Institutions and by the Law of Banco de Mexico ("Banxico" or "Mexican Central Bank"). Those regulations include different restrictions that specify the maximum level of leveraging allowed, as well as the capitalization requirements that limit the Institution's investments and transactions and are supervised by the National Banking and Securities Commission (CNBV for its acronym in Spanish).

The accompanying consolidated financial statements at December 31, 2021 and 2020, and for the years then ended, include those of the Institution and its subsidiary Desarrollo Inmobiliario Especializado, S. A. de C. V. (DIESA). The description of the corporate purpose of the subsidiary and its participation in equity are described below.

(Millions of Mexican pesos)

Subsidiary	Ownership	Activity
Desarrollo Inmobiliario Especializado, S. A. de C. V.	99.20% (Series "A") 100.00% (Series "B")	- The acquisition, lease, administration, disposal and use of real estate. - Execution of adaptation, conservation, construction, demolition, maintenance and modification works on properties where the Institution has or going to have offices.

Its total assets comprise 0.12% and 0.11% of the Institution´s total assets as of December 31, 2021 and 2020, respectively.

(2) Financial Statements authorization and presentation-

Authorization-

The accompanying consolidated financial statements and their notes as of December 31, 2021 and for the year then ended, were authorized by the executives that subscribe them: Luis Antonio Ramírez Pineda (Chief Executive Officer, as of January 1, 2022), Paulina Moreno García (Deputy General Director of Administration and Finance), Julia Noemí Rodríguez Kú (Director of Accounting and Budget) and Víctor Manuel Jiménez García (Director of Internal Audit) on February 22, 2022, for approval by the Board of Directors at a later date.

In accordance with the General Corporations Law and the Institution's bylaws, and the general criteria applicable to Credit Institutions in Mexico, issued by the CNBV, the Board of Directors and the CNBV are empowered to modify the accompanying consolidated financial statements for 2021, after issuance.

Basis of preparation-

a) Statement of Compliance

The accompanying consolidated financial statements have been prepared in accordance with the banking legislation, and in accordance with the accounting criteria for credit institutions in Mexico (the Accounting Criteria) issued by the CNBV, which is responsible for the inspection and supervision of credit institutions and for reviewing their financial information.

The accounting criteria indicate that the CNBV will issue specific standards for specialized transactions and in the absence of an explicit accounting criteria by the CNBV for credit institutions and in a wider framework of the Mexican Financial Reporting Standards (FRS) issued by the Mexican Board of Financial Reporting Standards (CINIF per its Spanish acronym) calls for the process which provides for the supplementary use of FRS A-8 and, only where International Financial Reporting Standards (IFRS) to which FRS A-8 refers do not provide a solution to the accounting recognition, may a supplementary standard belonging to any other regulatory framework be used, provided that the totality of requirements set forth in such FRS are met. Supplementary use of standards is as follows: Generally Accepted Accounting Principles in the United States of America (US GAAP) and any other accounting standard that is part of a formal and recognized set of standards that does not contravene the requirements of Criteria A-4, "Supplementary use of the accounting criteria" of the CNBV.

b) Use of estimates and judgments

The preparation of consolidated financial statements requires Management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Assumptions and estimation uncertainties

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

- Note 3d and 6 – Investments securities;
- Note 3e and 7 – Repurchase/resale agreements;
- Note 3f and 8 – Derivatives;
- Note 3i and 9b – Allowance for loan losses;
- Note 3s and 18 – Employee Benefits;
- Note 3t and 19 – Income Tax (IT) and Employee Statutory Profit Sharing (ESPS).

c) Functional and reporting currency

The consolidated financial statements are presented in Mexican pesos, which is the local currency and the functional currency.

For purposes of disclosure in the Notes to Consolidated Financial Statements, when referred to pesos, MXP or "$", it means millions of Mexican pesos, except when it is mentioned different, and USD or Dollars, it means U.S. Dollars.

d) Retrospective reclassification

In its session held on September 8, 2021, the Board of Directors approved the reclassification of the results of previous fiscal years for $713 for the constitution of the Capital Reserve Fund, corresponding to 10% of the net profits of each fiscal year from the 2009 period to 2018, in order to solve the observation of the CNBV according to its official letter No. 122-2/3025704/2021 dated August 4, 2021.

(Millions of Mexican pesos)

The reclassification was registered in September 2021 and based on FRS B-1 Accounting Changes and Error Corrections, it was considered impractical to apply the reclassification retrospectively because its retrospective application in the period from 2009 to 2018 requires making assumptions about which would have been the intention of the administration that was in office in such period in the face of facts that are now known and originate the retrospective application, applying the partial retrospective reclassification, for which the financial statements that are presented include the reclassification in the initial balances of the oldest period and the Consolidated Statements of Changes in Stockholders´ Equity for the years ended on December 31, 2021 and 2020 show: 1) the opening balances as of December 31, 2019 previously reported, 2) the effects of the retrospective application increasing the Reserves of Capital and reducing the Result of Previous Years, both movements amount to $713, and 3) the initial balances as of December 31, 2019 retrospectively reclassified.

On the other hand, the Consolidated Cash Flow Statements for the years ended on December 31, 2021 and 2020 present the Effects of changes in the value of cash and cash equivalents for $852 and $1,302, respectively, through the partial retrospective reclassification of the item of Adjustments for items that do not imply cash flow, since based on FRS B-1 Accounting Changes and Error Corrections, the partial retrospective reclassification was applied since it was considered impractical to apply the reclassification retrospectively, since it is required to assume assumptions about what would have been the intention of the administration that was in office in that period in the face of facts that are now known and originate the retrospective application.

(3) *Summary of significant accounting policies-*

The accounting policies set out below have been consistently applied in the preparation of these consolidated financial statements, for the years presented.

(a) Recognition of the effects of inflation-

The accompanying consolidated financial statements include the recognition of the effects of inflation on the financial information through December 31, 2007, the date on which it is considered an inflationary economic environment ended (cumulative inflation greater than 26% in the last three-year period) and a noninflationary economic environment began by factors derived from the value of the Investment Unit (UDI for its acronym in Spanish) that is a unit of measurement, whose value is determined by the Mexican Central Bank based on the rate of inflation. Annual and cumulative inflation rates of the last three years and the value of UDI used to determine inflation, are as follows:

		Inflation	
December 31	**UDI**	**Of the year**	**Accumulated**
2021	7.108233	7.61%	14.16%
2020	6.605597	3.23%	11.31%
2019	6.399018	2.77%	15.03%

(b) Principles of consolidation-

The consolidated financial statements include those of the Institution and those of its subsidiary over which it has control, Desarrollo Inmobiliario Especializado, S. A. de C. V. (DIESA). The transactions, balances and profits and losses unrealized as a result of the transactions between the Institution and DIESA have been eliminated in preparing the consolidated financial statements. The consolidation was based on the financial statements of DIESA, as of December 31, 2021, and 2020 and for the years then ended, which have been prepared in accordance with the Accounting Criteria for credit institutions in Mexico.

(c) Availabilities-

This comprises cash, 24, 48 and 72-hour purchase and sale transactions of currencies, interbank loans with equal maturities or less than three days (Call Money transactions) deposits in national and foreign institutions, deposits in the Treasury of the Federation and Central Bank, which include the monetary regulatory deposits that the Institution is required to maintain in accordance with the provisions issued by the Central Bank for such purpose. Such deposits do not have a term and bear interest at a bank funding rate and are recognized as restricted funds.

Availabilities are recorded and carried at nominal value.

Availabilities in foreign currency and purchase and sale commitments of currencies are valued at the exchange rate published by Mexican Central Bank as of the date of preparation of these consolidated financial statements.

This item also includes foreign currency acquired, whose settlement is agreed on a date subsequent to the date of agreement, recognizing in both cases, as restricted availability.

Interest earned on investments in bank promissory notes, call money transactions, auctions of deposits and deposits in the Mexican Central Bank, are recognized as earning, as accrued, under the item "Interest income".

(d) Investments in securities-

Investments in securities include debt and equity securities, which are classified on the basis of the intended use assigned by Institution's Management at the time they are acquired as "for trading", "available for sale" or "held to maturity".

They are initially recorded at fair value, which includes any discount or surcharge. The costs of transactions involving the acquisition of trading securities are recognized in the statement of income for the period, and those related to securities available-for-sale or held-to-maturity are recognized as part of the investment.

Trading securities-

It Includes those securities that the Institution´s Management holds in its own position with the intention of operating as a market participant and are initially and subsequently recorded at their fair value applying market values determined by an authorized market maker and the valuation effects are recognized in the result for the year as part of the valuation result within the item "Financial Intermediation Income" and when they are sold, the valuation result that has been previously recognized in the statement of income for the year is reclassified as part of the result from purchase/sale within such item.

Available for sale securities-

This category includes debt securities and shares acquired for a purpose other than securities held for trading or held to maturity and are recognized upon acquisition at their fair value. Those securities are subsequently valued at the fair value provided by market makers authorized by the CNBV, and any valuation adjustments are recognized in stockholders' equity under the item "Result from valuation of available for sale securities". The result for valuation that has been previously recognized in stockholders´ equity is reclassified upon sale to be recognized in the consolidated statement of income.

Equity securities are valued at fair value using prices supplied by authorized market makers, and if it is not possible to obtain those values, they are valued using the equity method as established in FRS C-7 "Investments in associated companies and other permanent investments".

Held to maturity securities-

These are debt securities, which have fixed or defined payments and maturities that the Institution has the intent and capacity to hold until maturity. These securities are initially recognized at fair value and are valued at amortized cost; the fair value affected by interest accrued, including amortization of the premium or discount and any transaction costs that may have been recorded. At the date of sale of those securities, the difference between the net realizable value and the carrying value is recorded in the consolidated statement of income under the caption "Financial intermediation income".

Impairment of a security-

The Institution evaluated whether or not there was objective evidence that a security had been impaired by considering the following matters, among others: significant financial difficulties of the issuer of the security; the likelihood of the issuer filing for bankruptcy or undergoing another type of financial reorganization; breach of the contractual clauses; the disappearance of an active market for that specific security due to financial difficulties, or the existence of a measurable decrease in estimated future cash flows. Based on the aforementioned evaluation, the Institution did not observe objective evidence of impairment of the securities as of December 31, 2021 and 2020.

When there is objective evidence indicating a security available for sale or held to maturity has been impaired, the carrying amount value of the security is modified, and the amount of the loss is recognized in the results of the fiscal year in the item "Financial intermediation income". If in subsequent periods the fair value of the impaired security increases or the amount of the impairment loss decreases, the impairment loss previously recognized is reversed in the results of the fiscal year. No impairment loss is reversed in net equity instrument classified as available for sale.

Value date transactions-

For transactions agreed to be settled immediately or with a value date on the same day, on the transaction date, the Institution records in clearing accounts the right and/or obligation under the items of "Other accounts receivable, net" and "Other accounts payable", creditors as per "settlement transactions", respectively, as long as their settlement is not carried out.

Transfer between categories-

Transfers can be made from the category "Held to maturity securities" to "Available for sale securities", provided that it is not intended to or able to hold them to maturity. Any type of category may be reclassified to "Held to maturity securities" and from "Trading instruments" to "Available for sale securities" under extraordinary circumstances upon explicit authorization from the CNBV. Furthermore, the sale of "Held to maturity securities" must be reported to the CNBV. For the years ended on December 31, 2021 and 2020, the Institution did not enter into any transfers between categories, or sales of held to maturity securities.

(e) Repurchase/resale agreements-

The repurchase/resale agreements that do not comply with the terms of criterion C-1 "Recognition and withdrawals of financial assets", are treated as collateralized financing transactions, which reflects the economic substance of those transactions. In "cash oriented" transactions, the intention as seller is to obtain cash financing and the intention as buyer is to invest its excess of cash, and in the "securities-oriented transactions", the buyer is intended to have access to certain particular securities and the seller is intended to increase the yields of the investment securities.

Acting as a seller on resale agreements-

On the contract date of the repurchase agreements, either cash is received or a debit clearing account is created as well as a payable account valued at the price agreed at origination, which is presented as "Creditors from repurchase/resale agreements" and represents the obligation to repay the cash to the seller at a future date. Throughout the term of the repurchase agreements, the payable accounts are valued at amortized cost and the corresponding accrued interest is recorded in the results for the year, in accordance with the effective interest rate method, under the item "Interest expense". Financial assets transferred to the seller are reclassified in the balance sheet, and presented as restricted securities, which continue to be valued in accordance with the accounting policy of the corresponding asset classification.

Acting as a buyer on repurchase agreements-

On the contract date of the repurchase agreements, either a cash or cash equivalent payment are made, or a clearing account is recognized, as a receivable account valued at the origination price is under the caption "Debtors on repurchase/resale agreements" and represents the right to receive the cash at a future date. Throughout the term of the repurchase agreements, the receivable accounts are valued at amortized cost and the corresponding accrued interest is recognized in the results for the year, in accordance with the effective interest rate method, under the item "Interest income".

The Institution, acting as buyer, recognized the collateral received in memorandum accounts following, and for valuation purposes the provisions under the criteria B-9 "Asset in trust or under administration".

In case that the Institution, acting as buyer, sells the collateral or pledges it as a guarantee, the inflow of resources obtained as a result of the transaction is recognized, with an account payable for the obligation to repay the collateral to the seller this is carried at its fair value in the case of sale or, if it pledged as a guarantee in the other repurchase transaction, is measured at its amortized cost. Such account payable is offset with the accounts receivable that is recognized when the Institution acts as seller and, the debt or credit balance is recorded in the caption "Debtors on repurchase /resale Agreements" or in "Collaterals sold or pledged", as applicable.

(f) Derivative financial instruments-

The Institution carries out operations with derivative financial instruments held for trading, in order to compensate market risks, coming from the variations in exchange and interest rates, as well as from counterparty risk and trading purposes, aiming at obtaining profit in accordance with the policies and limits established by the Comprehensive Risk Management Committee (CAIR for its acronym in Spanish), and with the accounting criteria B-5 "Derivative instruments and hedge operations" issued by the CNBV, the hedge operations carried out by the Institution were classified as fair value.

All derivative financial instruments for trading or hedging are recognized in the balance sheet as assets and liabilities, depending on the rights or obligations specified in the confirmation of the terms agreed between the parties involved.

Futures and forward contracts

As a participant in the futures market, the Institution hedges its risk positions regarding the relation between assets and liabilities in US Dollars, and for purchase/sale of Mexican pesos against US dollars, or of the US dollar against other foreign currencies.

Operations carried out in futures markets for trading purposes are settled in Mexican pesos against the US dollar and they are offered to borrowers as part of credit support for financing programs foreign trade operations.

Operations carried out in the futures market are performed with banking institutions that have investment grade credit ratings issued by authorized risk rating agencies, which considerably mitigates the related credit and legal risks.

Operations carried out by the Institution in futures markets that are for trading purposes. The fair value of rights and obligations of those operations is the theoretical price determined as per formal valuation techniques. That balance represents the difference between the fair value of the operation and the stipulated forward price. The results of those instruments are shown as financial intermediation income.

As of December 31, 2021 and 2020, there are no current operations in future markets or forward contracts.

Swap Operations

Operations contracted by the Institution with this type of instrument are considered fair value hedges, since their purpose is to hedge open risk positions of interest rates and currencies.

Swap operations are carried out to hedge interest rate or exchange rate risk, depending on the condition of the funding received and the placement of loans with borrowers. The foregoing makes it possible to exchange similar flows of fixed interest rates for variable interest rates, or otherwise flows of different currencies against the US dollar, while mitigating factors that give rise to an open risk position.

Swap operations are contracted with financial entities that have been issued investment grade credit ratings by an authorized risk rating agency, which limits the credit and legal risks inherent in this type of operations.

In addition to the hedge swap operations, the Institution has a portfolio of business swaps, which are agreed with Institutional borrowers in order to hedge the exchange and interest rates in which they incur when having a credit operation with the Institution. Although the operation is agreed with a borrower, the Institution contracts the economic coverage with a Financial Institution in order to mitigate the Institution's exposure to interest rate and/or exchange rate risk.

Options contracts

Options are agreements establishing the right, not yet the obligation for the buyer to purchase or sell a financial or underlying asset at a determined price called an exercise price on a settled date or at a determined period. Option agreements involve two parties where the buyer of the option pays a premium on the acquisition thereof, obtains a right, yet not an obligation and the party issuing or selling the option receives a premium and in turn acquires an obligation, yet not a right.

The Institution´s portfolio of options is made up of the sale thereof to institutional clients in order to cover their exposure to interest rate and exchange rate risk, as well as by acquiring the economic coverage of those sales with the same conditions. The contracting of the economic hedge is carried out in order to mitigate the exposure to the rate and/or exchange risk of the Institution.

Trading derivatives

The valuation effect of trading derivatives is recognized in the consolidated balance sheet and the consolidated statement of income under the item "Derivatives" and within the valuation result in the item "Financial intermediation income", respectively.

Hedging derivatives

The profit or loss that results from valuating a hedge instrument at fair value is recognized in the statement of income and the valuation result of the hedged transaction is recognized in the balance sheet as an adjustment to the book value of the item and is recognized in the statement income, including when the hedged item is an investment classified as available for sale securities.

The Institution's risk management area developed the "Effectiveness model", which allows measuring changes in the fair value or cash flows of hedge instruments based on a hedge factor or ratio that fluctuates between 80% and 125% of the inverse correlation.

(g) Offsetting clearing accounts-

Amounts receivable or payable for investment securities, repurchase/resale agreements, securities loans and/or derivative financial instruments which have expired but have not been settled are recorded in clearing accounts under the items "Other accounts receivable, net" and "Sundry creditors and other accounts payable", as well as the amounts receivable or payable for the purchase or sale of foreign currencies, which are not for immediate settlement or those with a same day value date.

The debit or credit balances of the clearing accounts resulting from purchase/sale transactions of currencies, investment securities, repurchase agreements and derivatives are offset, provided that it is set forth by contractual right to offset the amounts recorded and at the same time, it is intended to settle them on a net basis or realize the asset and settle the liability simultaneously. Assets and liabilities in transactions of the same nature or arising from the same contract are also offset, provided that they have the same maturity term and are simultaneously settled.

(h) Loan portfolio-

Loans granted are recognized as an asset as from the date of disbursement of the respective funds. The amount given to borrowers is supplemented with the accrued interest based on the loan payment arrangement.

Interest accrued on current loan operations is recognized and applied to income as it is incurred.

Interest collected in advance is recognized as advance collections under deferred loans and are amortized over the life of the loan by the straight-line method against income for the period.

Commissions collected upon initial credit lines, includes commissions for loans restructured are recorded as a deferred credit which are amortized against income for the year using the straight-line method over the life of the loan. Commissions accrued after the loan is granted are recorded on the date they are generated against income for the period.

The undrawn lines of credit are recorded in memorandum accounts, under the item "Credit Commitments". The operations of guarantees and letters of credit are recorded in memorandum accounts and when they are exercised, they are transferred to the loan portfolio.

The loan portfolio is considered restricted when it cannot be disposed of or used.

The following items are considered to qualify as past due loan portfolio:

a) *Loans payable in a single amortization of capital and interest at maturity* - that are not covered in a period of 30 or more calendar days past due.

b) *Loans payable in a single amortization of capital at maturity and periodic interest payments* - when interest is 90 or more calendar days past due or capital is 30 or more days past due.

c) *Loans payable in installments towards capital and interest* - after 90 calendar days past due.

d) *Revolving loans* - when invoices are behind two periods or 60 or more calendar days past due.

e) The borrower is in bankruptcy in accordance with the Bankruptcy Law (LCM for its acronym in Spanish) and such borrower continues making payments in the terms of the LCM. That borrower is transferred to the past due loan portfolio if the originally agreed terms have not been settled in fully.

Interest accrued in the period in which the loan is considered to be overdue is recorded in the memorandum accounts as income when collected and interest accrued at the date on which it is no longer accumulated is fully reserved.

Restructured and renewed loans

Restructured loans remain in the past-due loan portfolio until there is evidence of sustained payment.

Renewed loans where the borrower does not pay interest accrued and 25% of the principal amount of the loan on a timely basis are considered past due until there is evidence of timely payment.

The renewed or restructured current loans differing from those described in the preceding paragraph continue to be performing loans in the following terms:

a) If the restructuring or renewal is carried out before at least 80% of the original term of the loan has elapsed, and if all accrued interest has been paid, along with the principal of the original loan that should have been covered at the date of the reorganization or renewal.

b) If the restructuring or renewal is carried out in the last 20% of the original term of the loan and if all accrued interest has been paid, along with the principal of the original amount of the loan that should have been covered at the date of the reorganization or renewal, and 60% of the original amount of the loan.

Restructuring of a loan is not considered to occur when the total amount of principal and interest payable have been covered at the realization date and said payment modifies one or several of the following original loan conditions:

i. Guarantees: only when they imply the extension or replacement of guarantees for others of a better quality;

ii. Interest rate: when the agreed interest rate is improved;

iii. Currency: provided the rate of the new currency is applied and;

iv. Payment date: only when the change does not result in exceeding or modifying the frequency of the payments. In no case may the change in payment date allow the forgiveness of payment due in any period.

Troubled debt portfolio

Commercial loans are considered to be current and past due loans with regard to which it is determined, based on current information and facts and on a review process, that they will most likely not be recovered in full, either the principal or the interest, in the originally agreed terms and conditions.

Suspension of interest accrual-

Interest incurred on loans stops being accrued when the unpaid principal of the loan is considered to be overdue.

As long as a loan is classified as part of the past due portfolio, control over interest accrued is kept in memorandum accounts. If past due interest is collected, it is recognized directly in income for the year.

Loans are transferred to the current loan portfolio when past due balances are settled in full (principal and interest, among others) or, in the case of restructured or renewed loans, when there is evidence of sustained payment on the loan, as per the Accounting Criteria.

On March 11, 2020, the World Health Organization declared the outbreak of a new coronavirus SAR-CoV2 (COVID-19) as a pandemic, leading to uncertainty in the global economy. The Government of Mexico declared a health emergency, for which the Institution took the corresponding measures in support of its borrowers in order to mitigate the possible impacts on its economic activity, which are described below:

SPECIAL ACCOUNTING CRITERIA OF THE CNBV IN THE FACE OF CONTINGENCY CAUSED BY THE SARS-CoV2 (COVID-19) VIRUS, APPLICABLE TO CREDIT INSTITUTIONS.

a) Based on article 175 of the "General provisions applicable to credit institutions" and in response to the "Agreement by which the General Health Council recognizes the SAR-CoV2 virus (COVID-19) epidemic in Mexico, as a serious disease of priority attention, as well as the preparation and response activities in the face of such pandemic ", published in the Official Gazette of the Federation on March 23, 2020, and the negative impact that it is generating in various activities of the economy, the CNBV temporarily issued special accounting criteria through Official Letters P285/2020, P293/2020 and P325/2020 of March 26, April 15 and June 23, 2020, respectively.

   The CNBV issued special accounting criteria in order to protect the economy of individuals and companies, which due to the economic impact of the pandemic could have problems to cover their loans and strengthen the liquidity of families and companies, enabling borrowers to recover before reactivating their payments.

Due to this, the restructuring or renewal of consumer, housing and commercial loans in force as of March 31, 2020 (until June 23, 2020, the established date was February 28, 2020, with the exception of microcredits), without affecting their credit history or the accumulation of delinquent interest, granting credit institutions the facility of not registering restructured or renewed credits as past due portfolio, which led to not increasing reserves during the moratorium on payments. The deadline to carry out the restructuring or renewal procedures was in force until July 31, 2020 (until June 23, 2020, the established date was June 26, 2020).

In this regard, the Internal Credit Committee of BANCOMEXT authorized on March 31, 2020, the "Guidelines for the rescheduling of repayments that borrowers maintain with BANCOMEXT in light of the situation caused by the SARS-CoV2 virus (COVID-19)" (the Guidelines), with the objective that borrowers can access a repayment rescheduling scheme, due to the pandemic caused by the COVID-19 virus, as well as supporting companies through the granting of financing for their capital needs of work, so that they can maintain jobs and make the most essential expenses to continue with their operation.

The Guidelines were issued in compliance with Criterion B-6 "Loan Portfolio", and additionally included the application of the special accounting criteria issued by the CNBV. As of March 31, 2020, the special accounting criteria described above had not been applied, starting their application in restructured loans from the second quarter of the year and until the date established by the Authority.

b) The special accounting criteria applied as from April 2020 to July 31, 2020, and the standards that should have been applied in accordance with the current accounting criteria, are detailed below:

   i. **Credits with a single payment of principal at maturity and periodic interest payments, as well as credits with a single payment of principal and interest at maturity.-** Credits that were restructured with a maturity term of no more than 6 months from the date on which have expired, registered as a portfolio in force on February 28, 2020 and finalizing the restructuring procedures no later than 120 calendar days after that date, they were considered as a current portfolio as they did not apply, in accordance with the special accounting criteria, the provisions of paragraph 79 of Criterion B-6, which states that when these loans are renewed at any time, they will be considered past due portfolio as long as there is no evidence of sustained payment.

   ii. **Loans with periodic payments of principal and interest.-** Loans that were restructured with a maturity period of no more than 6 months from the date on which they have expired, registered as a portfolio in force as of February 28, 2020 and completing the procedures for restructuring no later than 120 calendar days after the aforementioned date, were considered in force at not applying, according to the accounting criteria, the requirements established in paragraphs 82 and 84 of Criterion B-6, which indicate for this type of credits the following:

- Without at least 80% of the original term of the loan having elapsed, it will be considered that they continue to be valid only when the borrower has covered all the accrued interest and the principal of the original amount of the loan, which on the renewal date or restructuring should have been covered (Paragraph 82).

- During the final 20% of the original term of the loan, they will be considered valid only when the borrower has paid all the accrued interest and the principal of the original amount of the loan that should have been covered on the renewal or restructuring date, as well as having covered 60% of the original amount of the credit (Paragraph 84).

These two types of credit were not considered as restructured credits in accordance with the provisions of paragraph 40 of Criterion B-6, nor were they reported as past due credits before the credit information companies.

It is important to note that the Institution with respect to the cases in which the accounting criteria were applied, did not carry out modifications to the original credit conditions that did not imply a total or partial deferral of the principal and/or interests and that were different from those established in paragraphs 40 and 89 of Criterion B-6.

With Official Letter P325/2020 as of June 23, 2020, the CNBV allowed the restructuring or renewal of consumer, housing and commercial loans in force as of March 31, 2020, and extended the deadline to carry out the procedures to July 31, 2020.

c) In BANCOMEXT, the "Guidelines for rescheduling repayments that borrowers maintain with BANCOMEXT in the event of the situation caused by the SARS-CoV2 virus (COVID-19)" authorized by the Internal Credit Committee, were issued in compliance with Criterion B-6, so the main rescheduling carried out adhered to the current accounting standard.

As of December 31, 2021, the balance of loans restructured according to Criterion B-6 for the period from April 2020 to December 2021 amounts to $61,071, of which $20,848 correspond to restructured loans based on the Guidelines. As of December 31, 2020, the balance of restructured loans according to Criterion B-6 amounts to $41,606.

Additionally, the Guidelines considered the application of the special accounting criteria issued by the CNBV, which allowed, mainly, to defer the payment of accrued interest on the restructuring date.

(Millions of Mexican pesos)

The balance of these loans restructured pursuant to the application of the special accounting criteria amounts to $7,416 and $12,532 as of December 31, 2021 and 2020, respectively.

In the case of guarantees: (i) BANCOMEXT authorized the financial intermediaries to extend up to 6 months the original maturity date of the guaranteed loans, derived from the partial or total deferral of the payment of capital or capital and interest granted to its borrowers, (ii) to defer the collection of commissions from Financial Intermediaries for up to 6 months, exclusively when they grant their borrowers the benefit of deferring the payment of principal and interest and only for the proportional part of each portfolio that corresponds to the credits receiving such benefit and (iii) to extend the maximum term of the guarantee granted to revolving loans up to 6 months in those loans that receive the benefit of deferred payments. The balance as of December 31, 2021 and 2020, of the guarantees to which the rescheduling was applied in the same terms and conditions as the Financial Intermediary is $1,190 and $3,124, respectively.

In the first quarter of the year, the special accounting criteria had not been applied in the rescheduling of loans; as of the second quarter of the year, the rescheduling of loans under the special accounting criteria were reported to the CNBV in compliance with Official Letters 122-2/4950/2020 of March 24, 2020, through biweekly reports; 122-2/4975/2020 with monthly reports and 122-2/5020/2020 with weekly reports. These loans are detailed below:

RESCHEDULING OF LOANS UNDER THE SPECIAL ACCOUNTING CRITERIA AS OF DECEMBER 31, 2021 AND 2020

TYPE OF LOAN	TYPE OF OPERATION	BALANCES AS OF 31/DEC/2021	BALANCES AS OF 31/DEC/2020
CURRENT LOAN PORTFOLIO			
Commercial Loans		**$ 7,397**	**$ 12,511**
Business or commercial activities	Restructuring	5,294	8,260
Financial entities	Restructuring	2,103	4,251
Consumer Loans	Restructuring	**2**	**3**
Mortgage Loans		**17**	**18**
Medium-sizes and residential	Restructuring	17	18
Total		**$ 7,416**	**$ 12,532**

It is important to note that the rescheduling of these borrowers was carried out in support of the liquidity of those that required it, so if the special accounting criteria had not existed, the payment of interest accrued on the date of the restructuring would probably have been required in compliance with Criterion B-6, maintaining in the same way the portfolio in force.

Therefore, if the special accounting criteria had not been applied, the portfolio would not have been migrated to past due portfolio, so the Balance Sheet would not have been affected by this concept.

However, even when the special accounting criteria allows not to increase the reserves during the payment moratorium, in a prudent manner, in 2020, the Institution determined to increase the level of reserves of the borrowers who had requested a rescheduling of their payments, including those related to the selective guarantees granted through financial intermediaries.

The foregoing represented the additional creation of reserves for $244 in 2020, of which $70 corresponded to restructured borrowings based on special accounting criteria; the effects of these amounts are already impacted in the Income Statement as of December 31, 2020. In 2021, no additional reserves were generated by this concept.

The effect of these prudential credit reserves on the ICAP as of December 31, 2021, whose amount corresponds to $64 derived from the exchange revaluation is 2.67 basis points, and as of December 31, 2020, is 2.87 basis points, so the ICAP to those dates reasonably reflects its level of capitalization.

COVID ACCOUNTING FACILITIES OF THE CNBV IN THE FACE OF THE CONTINGENCY CAUSED BY THE SARS-CoV2 (COVID-19) VIRUS, APPLICABLE TO CREDIT INSTITUTIONS.

a) Based on article 175 of the "General provisions applicable to credit institutions" and in response to the "Agreement by which the General Health Council recognizes the SAR-CoV2 virus (COVID-19) epidemic in Mexico, as a serious disease of priority attention, as well as the preparation and response activities in the face of such pandemic ", published in the Official Gazette of the Federation on March 23, 2020, and the negative impact that it is generating on various activities of the economy, on September 24, 2020, the Ministry of Finance, through the CNBV, issued a new package of measures for credit restructuring through temporary regulatory facilities in accounting matters (the "Covid Accounting Facilities"), as well as the temporary authorization in matters of additional estimates and capital, through the Official Letters P417/2020, and P418/2020 and their complement through Official Letters P/429 and P/430 of October 8, 2020 and P/450 of November 6, 2020.

   The Covid Accounting Facilities allow the restructuring of credits with lower interest rates, extension of the payment term and lower installments, and include regulatory measures to carry out loan restructuring, release of specific reserves and encourage the creation of additional reserves that can be recognized in the net capital.

   Those facilities may be applicable to the balances drawn down as of April 15, 2020 of loans that meet all of the following conditions: (i) that have been granted no later than March 31, 2020, (ii) that are recorded as effective as of March 31, 2020, (iii) that are not in the assumptions of articles 73, 73 Bis and 73 Bis 1 of the Credit Institutions Law, (iv) whose payment, no later than January 31, 2021, has been affected by the epidemic, (v) whose renewals, restructures or removals are duly formalized within a period that will expire on January 31, 2021.

In this regard, the Board of Directors of the Institution approved in its ordinary session of December 1, 2020, the support scheme called "Covid Regulatory Facilities", for the borrowers of the Institution of credits and guarantees, as well as for the portfolio of former employees, which were affected by the pandemic in accordance with what was issued in the aforementioned official letters, so that they can access restructuring or renewal of their credits or guarantees, in order to continue their operations, keep their jobs and make the most essential expenses to face the economic impact caused by the pandemic, especially in the short and medium term.

These measures were applied by the Institution as of December 1, 2020, with a temporary validity. The deadline established to formalize restructurings is January 31, 2021.

Under the Covid Regulatory Facilities, a second or subsequent renewal or restructuring may not be carried out, or a settlement of a loan that has already been renewed or restructured under the Facilities, even when the formalization period mentioned in the previous paragraph has not expired.

The Covid Regulatory Facilities considered the possibility of carrying out renovations or restructuring, whose registration considered some flexibilities to the provisions of Criterion B-6 "Loan Portfolio" contained in annex 33 of the Sole Banking Notice, reflecting an economic benefit for the borrowers and that increases the probability of payment, also being able to consider a decrease in the interest rate or a scheme of deductions, waivers, bonuses and discounts, for which the schemes should have been subject to the following:

- i) To reduce the nominal amount of periodic payments.
- ii) If applicable, the original term of the loan may be extended.
- iii) The nominal amount of the new amortization table must be subject to the limits established by the CNBV.

For second floor operations, the support will apply when the financial intermediary has granted the benefit to the final borrower and the credits have been originally funded with BANCOMEXT resources as of April 15, 2020.

On November 9, 2020, the CNBV issued the official letter P477/2020 regarding regulatory facilities for credit institutions that implement Institutional Restructuring Programs (PIR for its acronym in Spanish). The Institution did not implement Institutional Restructuring Programs.

b) The Covid Accounting Facilities applied as from December 1, 2020 to January 31, 2021 and the standards that should have been applied in accordance with current accounting criteria, are detailed below:

The standards that should have been applied for the renovations or restructurings carried out under the Covid Accounting Facilities are those set forth in Criterion B-6 "Loan Portfolio", contained in Annex 33 of the Provisions of the Sole Banking Notice.

i. In the case of loans with a single payment of principal at maturity, regardless of whether the interests are paid periodically or at maturity, which are restructured during their term or are renewed, they will be considered as a current portfolio as long as there is evidence of sustained payment and any of the following assumptions occurs:

- That the borrower pays at least 10% of the original amount of the loan at the time of restructuring or renewal,

- That the borrower pays the amount equivalent to 90 days of accrued interest in accordance with the new payment scheme established as a result of the renewal or restructuring.

Those credits were considered current since the requirements established in paragraph 79 of Criterion B-6 were not applied, in accordance with the Covid Accounting Facilities, which state that these restructurings or renewals should be considered as past due portfolio as long as there is no evidence of sustained payments and occurs any of the assumptions established in paragraph 38 of the aforementioned Criterion:

- That the borrower pays at least 20% of the original amount of the loan at the time of restructuring or renewal,

- That the borrower pays the amount equivalent to 90 days of accrued interest in accordance with the new payment scheme established as a result of the renewal or restructuring.

ii. Credits with characteristics other than those indicated in the previous paragraph that are restructured or renewed, that are recorded in the accounting as current and that have amounts of principal or interest due pending payment on the date of the restructuring or renewal, may be kept as a current portfolio even when the borrower does not settle all the payments to which he is obliged in terms of the contract on the date of restructuring or renewal, as long as the amount of such unpaid amounts due is integrated into the balance of the amount of the restructuring or renewal or, if appropriate, that the amount is removed or canceled.

Such loans were considered in force since the requirements established in paragraphs 82 and 84 of Criterion B-6 were not applied, in accordance with the Covid Accounting Facilities, which indicate the following for this type of loans:

- Without at least 80% of the original term of the loan having elapsed, it will be considered that they continue to be valid only when the borrower has covered all the accrued interest and the principal of the original amount of the loan, which on the renewal date or restructuring should have been covered (Paragraph 82).

- During the final 20% of the original term of the loan, they will be considered valid only when the borrower has paid all the accrued interest and the principal of the original amount of the loan that should have been covered on the renewal or restructuring date, as well as having covered 60% of the original amount of the credit (Paragraph 84).

iii. Overdue loans that are restructured or renewed will remain in the past due portfolio as long as there is no evidence of sustained payment. Sustained payment of the credit is considered to be the payment of the borrower, within a period of no more than 5 business days following the contractually established date, for the total amount of principal and interest due, at least two consecutive repayments of the payment scheme of the credit, or in the case of credits with amortizations that cover periods greater than 60 calendar days, the payment of an exhibition.

    Such loans were considered current as the requirements established in paragraph 78 of criterion B-6 were not applied, in accordance with the Covid Accounting Facilities, which states that these restructurings or renewals should be considered past due portfolio as long as there is no evidence of sustained payments.

In the event that the restructurings or renovations include write-offs, forgiveness, bonuses or discounts on the principal of the loan, which result in lower payments for borrowers, the establishment of preventive estimates for credit risks may be deferred. When the amount of the deductions, forgiveness, bonuses and discounts exceeds the balance of the estimate: Estimates must be made up to the amount of the difference, on the date of the deduction, forgiveness, bonus or discount or in a straight-line, in a period that does not exceed 12 months, as long as they are loans registered as a portfolio in force as of July 31, 2020. It should be noted that the Institution did not grant deductions, forgiveness or discounts under the Covid Accounting Facilities.

As from December 1, 2020, the Covid Accounting Facilities were applied in loan restructurings, with a balance of $2,395 and $2,376 as of December 31, 2021 and 2020, respectively. It is important to note that the restructuring of these borrowers was carried out in support of their liquidity, therefore, if the facility had not existed, the payment of interest accrued on the restructuring date would probably have been required in compliance with Criterion B-6, keeping the portfolio in force in the same way.

It should be noted that, at the time, these borrowers were also supported with the Special Accounting Criteria, so the effect on the Income Statement and ICAP as of December 31, 2021 and 2020 derived from the creation of prudential reserves is already impacted as stated in the previous section.

The Institution did not apply the regulatory facilities regarding reserves and capital.

(i) Allowance for loan losses-

The commercial loan portfolio was rated on December 31, 2021 and 2020 in adherence to loan portfolio provisions issued by the CNBV on June 24, 2013 and its subsequent amendments, which is based on an expected loss model that considers the likelihood of default, the severity of the loss and the exposure to default, while the consumer loan and mortgage portfolio was rated as per the methodology for rating non-revolving consumer loan and mortgage portfolios referred to in point A of Sections One and Two of Chapter V, Title Two, of the General Provisions applicable to Credit Institutions published in the amending resolution of October 25, 2010 and subsequent amendments.

Each of these methodologies are explained as follow:

General Methodology based on expected Credit Loss Model for Credit Risk

The amount of the preventive reserve for each loan is the result of applying the following formula:

$$Ri = PIi \times SPi \times EIi$$

Where:

R_i	Amount of allowance for loan losses to be set up
PI_i	Probability of default on the loan
SP_i	Severity of loss
EI_i	Exposure to default on the loan

EI_i must be calculated monthly and PI_i and SP_i, at least quarterly

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Notes to Consolidated Financial Statements

(Millions of Mexican pesos, unless specified otherwise)

The preventive estimates for the commercial loan portfolio are classified according to the degrees of risk and the percentages as follows:

Risk levels	Range Commercial Percentage
A-1	0 to 0.9
A-2	0.901 to 1.5
B-1	1.501 to 2.0
B-2	2.001 to 2.50
B-3	2.501 to 5.0
C-1	5.001 to 10.0
C-2	10.001 to 15.5
D	15.501 to 45.0
E	Above 45.0

In rating the commercial loan portfolio based on the expected loss model, the following was taken into consideration:

1. The commercial loan portfolio was classified in accordance with the Accounting Criteria applicable to the Institution, based on the following:

I. Federal and municipal entities (Not applicable to the Institution).

II. Projects with own source of payment (Appendix 19).

III. Trustees acting under a trust, not included in the above section, and loan arrangements commonly referred to as "structured" (Not applicable to the Institution).

IV. Financial Entities (Appendix 20).

V. Business entities not included in the above sections and individuals engaged in business operations:

- Net income or net annual sales < 14 million UDI's (Appendix 21).
  - ✓ "Borrowers with no late payments" in the last 12 months.
  - ✓ "Borrowers with late payments" or at least one day in the last 12 months.

- Net income or net annual sales ≥ 14 million UDI's (Appendix 22).

  - ✓ Small corporations: 14 million UDI's ≥ Annual net sales < 54 million UDI's.
  - ✓ Corporations: 54 million UDI's ≥ Annual net sales < 216 million UDI's.
  - ✓ Large corporations: Annual net sales ≥ 216 million UDI's.

Methodology for rating consumer and mortgage loan portfolios–

Rating of the non-revolving consumer loan and mortgage loan portfolios is determined based on the estimated result of the effects of the probability of default, or the severity of the loss associated to the value and nature of loan guarantees. Those portfolios originate from loans made to employees, who after concluding their employment relationship with the Institution, form part of the loan portfolio in accordance with the regulations established by the CNBV.

Therefore, the Institution calculates the allowance for loan losses based on the foregoing, which is then recorded in income for the period in question, and it periodically evaluates whether a past due loan must remain on the balance sheet, or instead be written-off, which is done by canceling the unpaid balance of the loan against the allowance for loan losses.

The additional reserves recognized by the Institution are those set up to cover risks that are not considered in the different methodologies for rating loan portfolios, and whose origin, methodology for determination thereof, amount and term were all reported to the CNBV prior to their creation. As of December 31, 2021 and 2020, there are additional allowances for $500 and $400, respectively.

In order to determine the additional estimates reported to the CNBV that the Institution will need to establish in the 2021 fiscal year, the term of the financing and the concentration in the average balance per loan were considered, which reflects a greater exposure with respect to Commercial Banking, both in term, concentration, amount, destination and currency. Similarly, a comparison was made between the Institution's current past-due portfolio and the average of the Commercial Banking past-due portfolio, with the assumption that the Institution´s past-due portfolio would tend to the banking average and reach a percentage similar to that of the Commercial Banking in the short term, in addition to the above, the foreign exchange impact derived from the pandemic scenario presented worldwide by the so-called COVID-19 was considered.

Recovery of loans previously written-off is recognized in income for the period.

The surplus in the allowance for loan losses is canceled against income for the period, affecting the items from which it originated i.e., the allowance for loan losses.

The Institution periodically evaluates whether a past due loan must remain on the balance sheet or instead be written-off. If applicable, the balance is written off by canceling the unpaid balance of the loan against the allowance for loan losses. If the balance of the loan that is to be written-off exceeds the amount of the related reserve, the allowance is increased up to the amount of the difference.

Write-off, quit claims, rebates and discounts, whether partial or total, are recorded with a charge to the allowance for loan losses. If the amount exceeds the balance of the reserve associated to the loan, estimates are first created up to the amount of the difference.

(j) Other accounts receivable, net-

Accounts receivable other than the Institution's loan portfolio and collection rights comprise, among others, loans made to officers and employees, favorable tax balances, transaction settlement accounts, collateral given in cash for derivative financial instrument operations and items directly related to the loan portfolio.

Loans made to officers and employees are collected through the payroll.

Accounts receivable from identified debtors whose maturity is agreed from the start at a term of more than 90 calendar days requires setting up a reserve that reflects the extent of their non-recoverability (60 days if the balances are not identified).

No such allowances are set up for favorable tax balances and transaction settlement accounts.

(k) Foreclosed assets or assets received in lieu payment-

These items are recognized at the lower of cost or fair value, less costs and expenses strictly indispensable incurred in the respective distribution.

If the carrying value of the asset giving rise to the distribution of the goods or the payment in kind is lower than the value of the foreclosed item, the value of the item is adjusted to the carrying value of the asset.

Assets acquired as a result of a foreclosure are recognized on the date on which the court sentence approving the foreclosure becomes final and conclusive. Assets received as payment in kind are recorded on the date on which the payment is signed, or the asset ownership transfer is formalized.

On the basis of the Second Title "Prudential Provisions", Chapter V "Portfolio rating", Section VI, "Reserves for holding Foreclosed assets or assets received in lieu payment" of the accounting criteria for Financial Institutions in Mexico issued by the CNBV, the Institution creates additional provisions for potential loss in the value of items foreclosed judicially or extra-judicially, as well as collection rights and investments in securities.

The Institution prudentially adopted the policy of reserving 100% of foreclosed items or items received as payment in kind, in order to recognize recovery of the respective loan when the related items are sold.

In the case of items held for sale, the base distribution value used to determine the reserve is the carrying amount value less collections received. Such value is applied to reserve percentages in accordance with the tables shown in Section E of the Provisions.

(Millions of Mexican pesos)

a) Collection rights or movable property

Time elapsed as of foreclosure in Lieu payment (months)	Reserve percentage (%)
Up to 6	0
More than 6 and up to 12	10
More than 12 and up to 18	20
More than 18 and up to 24	45
More than 24 and up to 30	60
More than 30	100

b) Real property

Time elapsed as of foreclosure in Lieu payment (months)	Reserve percentage (%)
Hasta 12	0
More than 12 and up to 24	10
More than 24 and up to 30	15
More than 30 and up to 36	25
More than 36 and up to 42	30
More than 42 and up to 48	35
More than 48 and up to 54	40
More than 54 and up to 60	50
More than 60	100

At the time of sale, the difference between the selling price and the book value of the foreclosed goods is applied to income for the period under the item Other operating income (expenses).

(l) Property, furniture and equipment, net-

This item is as follows: i) acquisitions from January 1, 2008, valued at acquisition cost and ii) acquisitions until December 31, 2007, applying Investment Unit (UDI) factors up to December 31, 2007, to their acquisition costs. Until December 31, 1996, real property was valued at its net replacement cost based on appraisals performed by independent experts and quarterly factors communicated by the CNBV.

Depreciation of property is calculated in a straight-line method based on the remaining useful lives of assets determined by independent experts.

Depreciation of furniture and equipment is calculated by life expectancy method considering their acquisition cost less their residual value (straight-line method) over restated values.

Property, furniture and equipment are subject to annual impairment testing, only when signs of impairment are identified. Consequently, they are expressed at modified historical cost, less accumulated depreciation and, when applicable, impairment loss.

As of December 31, 2021 and 2020, there were no signs of impairment in dined-life long-lived assets, due to which annual impairment testing of their recoverable values was not required.

(m) Permanent investments in associates-

They are initially recorded based on the amounts invested, contributed or the acquisition value, and are subsequently valued by the equity method, which consists of adjusting the value of the investment, contribution or the acquisition value of the shares, by the proportional amount of comprehensive income or losses and the distribution of profit or capital reimbursements subsequent to the acquisition date. Losses in associated companies not arising from reductions in the percentage of equity are recognized proportionally in permanent investments.

The Institution's equity in the results of associates is shown separately in the consolidated statement of income.

Other permanent investments over which there is no significant influence for decision making purposes are valued at acquisition cost. Dividends arising from such investments are recognized in the income statement, for the period in which they are received, except when they are related to prior years' profit to the acquisition of the investment, in which case they are deducted from permanent investments.

(n) Other assets, deferred charges, prepayments and intangibles-

Prepayments comprise expenses incurred by the Institution where the risks and benefits inherent in the goods to be acquired and services to be received have not been transferred yet. Prepayments are recorded at cost and are shown in the balance sheet under deferred charges, prepayments and intangible assets. Once the goods and/or services for which prepayments made are received, they are recognized as an asset or an expense in the income statement of the period, respectively.

Expenses incurred for issuing liabilities are amortized by the straight-line method considering the term of the security from which they arose.

(o) Deposits founding-

Liabilities incurred for fund attraction through certificates of deposit, fixed term deposits, banker's acceptances and promissory notes with yields payable at maturity are recorded based on the contractual value of the liability. Interest accrued is recognized in income of the period as an interest expense.

When securities are placed at a price other than their nominal value, in addition to the matter mentioned in the paragraph above, a deferred charge or credit is recorded, as applicable, on the difference between the nominal value of the securities and the cash received therefrom. That deferred credit or debit is amortized by the straight-line method against income for the period during the term of the securities from which it arises.

Securities placed at a discount that do not bear interest are initially recorded based on the cash received.

(p) Due to banks and other institutions-

Liabilities arising from interbank loans are recorded based on the contractual value of the obligation; interest accrued is recognized directly in the Institution´s income as an interest expense. Commissions paid are recorded on the date they are generated in the results of the year, in the item of commissions and fees paid.

(q) Provisions-

The Institution, based on the administration´s best knowledge of current events, makes liability provisions for those present obligations in which the transfer of assets or the provision of services is virtually inescapable and arises as a result of past events.

Additionally, the Institution sets up reserves for contingent liabilities resulting from lawsuits, according to the legal risk policies and procedures authorized by the Risk Management Committee (CAIR for its acronym in Spanish), which allows to identify and classify the judgments based on the progress in the procedural stages and the resolution of the legal instances.

(r) Sundry creditors and other accounts payable-

This item includes transaction settlement accounts, accounts receivable from margin accounts, receivables from collateral guarantees received in cash, sundry creditors and other accounts payable, which includes the negative balance of Cash and cash equivalents in accordance with the criterion B-1 “Availabilities” must be shown as a liability.

(s) Employee benefits-

The Federal Labor Law establishes the obligation to make certain payments to employees who cease to work under certain conditions or who comply with certain requirements, as well as to pay the obligations established in the respective labor agreements.

New FRS D-3 "Employee benefits" came into force as of January 1, 2016, which establishes the concept of remeasurement of assets or liabilities from defined benefits and eliminates the possibility of deferring recognition of actuarial profits and losses directly in income, based on accrual. Therefore, said actuarial profits and losses must be immediately recorded in Other Comprehensive Income (OCI), and must be subsequently recycled to net profit or loss.

Based on the provisions of the Third Transitory Article of the Modifications to the General Provisions Applicable to Credit Institutions published in the Official Gazette of the Federation on December 31, 2015, the Institution opted to recognize 20% of remeasured accumulated actuarial gains or losses as from 2021, in a maximum period of 5 years. Those balances must be recognized at the end of each period, after providing timely notice of that option to the CNBV.

The Institution has plans in place for payment of pensions, seniority premiums and retirement benefits to its personnel in addition to those established in the Law.

Retirement benefit obligations are quantified under the projected unit-credit method, determined by an actuarial calculation performed by independent experts as of December 31, 2021 and 2020.

Employee benefits offered by the Institution to its employees, including defined benefit plans or defined contributions, are as follows:

Direct benefits (salaries, overtime, vacations, holidays and paid absences, etc.) are recognized in income as they accrue and the respective liabilities are expressed at nominal value given their short-term nature. Absences paid in conformity with legal or contractual provisions are non-cumulative.

Retirement benefits (pensions, seniority premiums, indemnities, etc.) are recorded based on actuarial studies performed by independent experts by the projected unit-credit method.

The net cost for the period based on actuarial calculations over projected salaries is recognized as an expense of the period. Indemnities and direct labor costs are charged to the income statement in the year in which they are paid.

In 2021 and 2020, the net cost for the period includes recycling of remeasured accumulated actuarial losses at December 31, 2015, as well as the profits and losses recorded in the OCI in accordance with the average remaining labor life.

The Institution has a defined contribution plan in place for newly hired personnel who upon reaching 60 years of age and 30 years of service are entitled to a retirement pension for life that is equivalent to the total fund accumulated in their individual account.

(t) Income Tax (IT) and Employee Statutory Profit Sharing (ESPS)-

IT and ESPS payable for the year are determined in conformity with the current legal and tax regulations.

Deferred IT and ESPS are recorded for under the asset and liability method, which compares the carrying amounts and the respective tax bases. Deferred IT and ESPS (assets and liabilities) are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities and ESPS of a change in tax rates is recognized on the statement of income in the period that includes the enactment date.

When evaluating the recovery of deferred taxes, the Institution considers the probability that part or all of them will not be recovered, recognizing an estimate for the non-recoverable deferred tax.

The estimate for deferred taxes is related to the Allowance for Loan Losses coming from 1) borrowers qualified in risk levels from A-1 to C-2, 2) additional reserves and 3) credits eliminated from assets according to criterion B-6 that have had some restructuring and have complied with the payments, since it is considered that the deferred taxes will not be recoverable in the short and medium term since there is a low probability, determined based on transition matrices, that the borrowers qualified in these risk levels, or that the additional reserves or the restructured credits eliminated in compliance with payments, generate a deductible penalty for the Institution in the short and medium term, in addition to the fact that, if the credit quality of a borrower classified in these levels deteriorate passing to risks D and E or the additional reserves become specific reserves, the rating of the portfolio would include the effect of the new classification on a higher degree of risk, thus generating the respective deferred tax without estimates.

Additionally, in a prudential manner and in order to mitigate the effect of recording income and expenses for deferred taxes derived from tax losses, their materialization and subsequent reversal according to the behavior observed in the last three years, Bancomext determined to generate the estimate of the tax deferred from tax losses from previous years.

It is important to point out that the final realization of the deferred taxes depends on the generation of the taxable income; according to the historical behavior, the trend of the projections and the planning strategies, the Institution considers that it will obtain tax profits against which the deferred taxes will materialize in the future.

Payable and deferred IT and ESPS are presented and classified in the income statement of the year, except for those resulting from a transaction recognized in the comprehensive income or directly in a stockholders´ equity item.

(u) Stockholders´ equity-

The capital stock, premium on sale of shares, legal reserve, additional paid-in capital and retained earnings are expressed as follows: i) movements made as from January 1, 2008 at historical cost, and ii) movements made before January 1, 2008 at restated values determined by applying UDI factors until December 31, 2007 to their historical values. Consequently, the different equity items are expressed at their modified cost.

The net premium on sale of Capital Contribution Certificates (CAPs for its acronym in Spanish) represents the surplus between the payment of subscribed CAPs and the nominal value thereof.

The Institution´s contributions for future capital increases are recognized in an item separate from contributed capital when certain requirements are met, which include the existence of a formal agreement in place to the effect that shares have no fixed yield until they are capitalized and that they are not reimbursable. Future capital increase contributions that fail to meet the aforementioned requirements are recorded as liabilities.

The amount of comprehensive income shown in the consolidated statement of changes in stockholders´ equity is the result of the Institution´s performance in the period and it is comprised by the net income plus items in accordance with specific provisions were directly recorded in stockholders´ equity and do not constitute capital contributions, reductions or distributions. The amounts of comprehensive income for 2021 and 2020 are expressed in historical millions of pesos.

Also presented is the increase or decrease in equity resulting from two types of movements: inherent to owner decisions and those resulting from recognition of comprehensive income.

(v) Trust operations-

The Institution records the equity of the trusts that manages in the memorandum accounts caption, in light of the responsibility involved in realizing or complying with the business purpose of those trusts. In some cases, the above responsibility is limited to accounting for the trust's assets, while in other cases it includes recording assets and liabilities generated from the respective operations.

The trust's equity recognized in memorandum accounts is valued in accordance with the Accounting Criteria.

Income from trusts management is recorded in the income of the period as it accrues.

(w) Custody and administration operations-

Administration operations include those conducted by the Institution on behalf of third parties, such as the purchase and sale of securities and derivative financial institutions, repurchase agreements and securities lending.

Since goods are not owned by the Institution, they do not form part of the consolidated balance sheet. However, the estimated amount for which the Institution would be liable in the event of a future contingency is recorded in memorandum accounts, with the exception of cash received for payment of services on behalf of third parties.

The estimated amount of goods in custody or under administration is determined on the basis of the related operation.

In case the Institution is liable to the depositing party for damages or loss of the goods in custody or under administration, the respective liability is applied to income of the period. It is recorded when the liability becomes known, irrespective of any legal action taken by the depositing party towards repairing the loss or damage.

Income from custody or administration services is applied to the income statement of the period as it is earned.

In the event the goods in custody are also held under administration, they are controlled separately.

(x) Income recognition-

The yields generated by cash and cash equivalents, investments in securities and repurchase agreements are applied to the income statement as they arise.

Interest on the loan portfolio is recognized as it accrues, except for interest on the past due loan portfolio, which is recorded when the respective amounts are actually collected. Commissions collected on initial credit lines are recorded as deferred credit, which is amortized against income of the year by the straight-line method over the loan´s life.

(y) Foreign currency operations-

Foreign currency transactions are recognized at the exchange rate on the date of their execution. At the closing date of the Consolidated Financial Statements, monetary assets and liabilities in foreign currency are translated at the FIX exchange rate determined by the Central Bank on that date until December 14, 2021, and after that date, at the exchange rate at the end of the day published by Banco de México on its website, based on the Resolution that modifies the General Provisions that establish the accounting criteria to which the derivative contract market participants will be subject, published in the Official Gazette of the Federation on December 15, 2021.

Exchange gains or losses arising from the conversion of foreign currency are recognized in income for the year.

The Institution complies with the following standards and limits for foreign currency operations, which are established by Banxico´s regulations:

a. The position, either long or short, in dollars must be equivalent to a maximum of 15% of the Institution´s core capital.

b. The foreign currency position must not exceed 2% of net capital, except as concerns the dollar or currencies referred to the USD, which can reach up to 15%.

c. Liabilities assumed in a foreign currency must not exceed 183% of the Institution´s core capital.

d. The investment regime for foreign currency operations requires maintaining a minimum level of liquid assets, as per the calculation procedure established by the Central Bank, according to the term to maturity of foreign currency operations.

(z) Contingencies-

Liabilities for loss contingencies are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. When a reasonable estimation cannot be made, qualitative disclosure is provided in the Notes to Consolidated Financial Statements. Contingent revenues, earnings or assets are recognized until their realization is virtually assured.

(aa) Information by segments-

First-tier loan operations refer to loans made directly to companies; second-tier interbank loans channel resources through banking financial intermediaries and other non-bank intermediaries and financial markets, and fund attraction relates to obtaining the necessary funds to meet the National Program for Development authorized by the Ministry of Finance (SHCP for its acronym in Spanish), cover the Institution´s liquidity needs and assign transfer costs to the operating segments that require resources to carry out their operations.

(bb) Related parties-

The Institution conducts transactions with related parties during the regular course of operations. Operations with related parties are understood to be those in which the Institution is owned money in connection with deposits or other cash and cash equivalent operations and loans, credits or discounts, revocable or irrevocable, documented by means of credit memoranda or agreements, as well as loan restructuring, renewal or modification operations, including net positions favoring the Institution arising from derivative operations and investments in securities other than shares.

Related parties are defined as either individuals or corporations holding direct or indirect control of 2% or more of the shares representing the Institution´s capital, as well as the members of the Institution´s Board of Directors.

Also considered as related parties are business entities, as well as the advisors and officers thereof, in which the Institution has direct or indirect control over 10% or more of their capital.

The total sum of operations with related parties does not exceed 50% of the basic portion of the Institution´s net capital, as set forth in Article 50 of the Law.

(4) Foreign currency operations-

As of December 31, 2021 and 2020, foreign currency operations carried out in the currencies used by the Institution and the position of currencies are as follows:

2021
(In thousands)

Currencies	Assets	Liabilities	Net Position in Currency source	Exchange rate in Mexican pesos		Mexican pesos
	Currency source					
USD	8,334,359	8,339,395	$(5,036)	20.50750	$	(103)
Pound Sterling	465	-	465	27.78048		13
Canadian Dollar	496	-	496	16.23169		8
Euro	709	660	49	23.32215		1
					$	**(81)**

2020
(In thousands)

Currencies	Assets	Liabilities	Net Position in Currency source	Exchange rate in Mexican pesos		Mexican pesos
	Currency source					
USD	9,151,191	9,148,787	$2,404	19.90870	$	48
Pound Sterling	186	-	186	27.20325		5
Euro	8,915	9,595	(680)	24.35630		(17)
					$	**36**

The exchange risk position (not covered), as a whole and by currency does not exceed 15% of the Institution's core capital, which totals USD 248,567 thousand and USD 217,538 thousand as of December 31, 2021 and 2020, respectively.

The exchange risk position (not covered) as of December 31, 2021 and 2020, is integrated as shown on the next page.

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		Currencies valued to USD (thousands)	
		2021	**2020**
USD	$	5,177	6,901
Pound Sterling		631	254
Canadian Dollar		393	-
Euro		99	(772)
Total	**$**	**6,300**	**6,383**

In determining the exchange risk position, the following exchange rates were used (Currency: US Dollar):

		Exchange rates	
Currency		**2021**	**2020**
USD	$	1.000000	1.000000
Pound Sterling		0.738198	0.731850
Canadian Dollar		1.263424	n/a
Euro		0.879314	0.817394

As of December 31, 2021 and 2020, the exchange rates used to convert figures to Mexican pesos are as follow:

		Exchange rates	
Currency		**2021**	**2020**
USD	$	20.507500	19.908700
Pound Sterling		27.780483	27.203250
Canadian Dollar		16.231686	n/a
Euro		23.322150	24.356300

As of December 31, 2021, the closing exchange rate published by Banco de México on its website was used, based on the Resolution that modifies the General Provisions that establish the accounting criteria to which the market participants of derivative contracts will be subject published in the Official Gazette of the Federation on December 15, 2021. As of December 31, 2020, the FIX exchange rate determined by Banco de México on that date was used.

As of February 22, 2022, issuance date of the financial statements for the year ended on December 31, 2021, the exchange rates used to convert figures to Mexican pesos are as follow:

Currency		**Exchange rates**
USD	$	20.2972
Pound Sterling		27.5078
Canadian Dollar		15.9456
Euro		23.0312

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(5) Availabilities-

As of December 31, 2021 and 2020, this item is integrated as follows:

		2021	2020
Cash, bills and coins		6	6
Demand deposits	$	13,330	19,550
Time deposits		8,409	4,780
Deposits in domestic Banks		184	152
Deposits in foreign Banks		2,077	3,716
Interbank loans (Call Money)		176	2,220
Purchase-sale of currencies spot		2	-
	$	**24,184**	**30,424**

Demand deposits:

2021					2020				
Currency source	**Average rate**	**Term days**	**Currency source thousands**	**Mexican Pesos**	**Average rate**	**Term days**	**Currency source thousands**		**Mexican Pesos**
USD	0.06%	3	650,000	13,330	0.07%	4	982,000	$	19,550

Time deposits:

2021					2020				
Currency source	**Average rate**	**Average term (days)**	**Currency source thousands**	**Mexican Pesos**	**Average rate**	**Average term (days)**	**Currency source thousands**		**Mexican Pesos**
USD	0.16%	54	410,052	8,409	0.20%	40	240,026	$	4,780

Deposits in domestic banks:

	2021			2020		
	Currency source thousands (USD)		**Mexican Pesos**	**Currency source thousands (USD)**		**Mexican Pesos**
Banco de México Foreign Currency (F.C.)	28	$	1	105	$	2
Banco de México MXP.	-		-	-		2
Other Banks F.C.	6,857		141	5,747		114
Other Banks MXP.	-		42	-		34
		$	**184**		$	**152**

(Millions of Mexican pesos, unless specified otherwise)

Deposits in foreign banks:

	2021			2020		
	Currency source thousands		Mexican Pesos	Currency source thousands		Mexican Pesos
Mexican Pesos	-	$	-	135	$	-
USD	99,751		2,046	185,818		3,699
Canadian Dollar	496		9	-		-
Pound	465		13	186		5
Euros	404		9	480		12
		$	2,077		$	3,716

Call Money:

	2021					2020				
Currency source	Rate	Term days	Currency source thousands		Mexican Pesos	Average rate	Term days	Currency source thousands		Mexican Pesos
Domestic banks:										
MXP.	5.50%	3	176,397	$	176	4.25%	4	2,020,932	$	2,021
F.C.	-	-	-		-	0.16%	5	10,000		199
				$	176				$	2,220

Loans with a maturity of less than three days (Call money) are documented with a "Framework contract for the execution of interbank lending operations, "Call money"".

Currency Purchase - Sale (Spot):

According to the current regulation for Credit Institutions, the item of Availabilities states that if any concept is with a negative balance, it should be reclassified as a liability in the item of Other Accounts Payable. As of December 31, 2021, there are no concepts with a negative balance. As of December 31, 2020, the net balance of currencies to be received and delivered was reclassified for $16.

(6) Investments securities-

These investments are subject to different market risk, the interest rates associated with the tenor, the exchange rates and the inherent credit and market liquidity risks.

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Risk management policies, and the analysis of risk to which the Institution is exposed, are described in Note 31.

As of December 31, 2021 and 2020, the investments securities were comprised as follow:

a. Trading securities:

		2021	2020
Repurchase agreements (note 7)	$	169,559	164,835
Unrestricted government bonds		28,735	18,982
	$	**198,294**	**183,817**

- Repurchase agreements

Repurchase operations as of December 31, 2021 and 2020 are comprised as follow:

	2021				2020			
Instrument	**Acquisition cost**	**Accrued interests**	**Increase (decrease) for valuation**	**Fair value**	**Acquisition cost**	**Accrued interests**	**Increase (decrease) for valuation**	**Fair value**
BONDES D	93,136	165	(22)	$ 93,279	123,210	167	(125)	$123,252
BONDES F	2,575	1	-	2,576	-	-	-	-
BONOS	8	(1)	(1)	6	250	1	2	253
BPAG182	17,616	299	76	17,991	17,367	264	149	17,780
BPAG28	19,025	44	(3)	19,066	5,485	11	(2)	5,494
BPAG91	33,066	263	(9)	33,320	16,323	109	20	16,452
UNSECURED DEBT CERTIFICATES	100	-	-	100	100	-	-	100
STATES AND MUNICIPALITIES SHORT-TERM DEBT CERTIFICATES	1,001	1	-	1,002	1,000	3	-	1,003
DEBT CERTIFICATES OF FEDERAL GOVERNMENT INSTITUTIONS	2,200	6	13	2,219	500	1	-	501
	168,727	**778**	**54**	**$169,559**	**164,235**	**556**	**44**	**$164,835**

As of December 31, 2021, it is included the purchase date value of BONOS DE PROTECCIÓN AL AHORRO (BPAs), BONOS which are considered restricted and Certificates of the Treasury of the Federation, as well as the sale date value of BPAs, with a net book value of $136. In 2020, the purchase value date of BONOS DE PROTECCIÓN AL AHORRO (BPAs) and BONOS which are considered restricted, as well as the sale value date of BPAs, both with a fair value of $238.

As of December 31, 2021 and 2020, there are BONDES D as a guarantee for an amount of 57 and 71, respectively with Banco de México for liquidity auctions and BONDES D as per collateralized repurchase for an amount of 10 and 5, respectively.

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Held to maturity securities:

2021					
Instrument	**Under 1 year**	**From 1 to 3 years**	**From 3 to 5 years**	**Greater than 5**	**Acquisition cost**
BONDES D	22,031	58,840	12,266	-	93,137
BONDES F	-	2,575	-	-	2,575
BONOS	-	(50)	28	30	8
BPAG182	-	468	11,241	5,908	17,617
BPAG28	2,998	16,027	-	-	19,025
BPAG91	-	10,525	22,540	-	33,065
UNSECURED DEBT CERTIFICATES	100	-	-	-	100
STATES AND MUNICIPALITIES SHORT-TERM DEBT CERTIFICATES	1,000	-	-	-	1,000
DEBT CERTIFICATES OF FEDERAL GOVERNMENT INSTITUTIONS	-	-	2,200	-	2,200
	26,129	**88,385**	**48,275**	**5,938**	**$ 168,727**

2020					
Instrument	**Under 1 year**	**From 1 to 3 years**	**From 3 to 5 years**	**Greater than 5**	**Acquisition cost**
BONDES D	3,672	56,881	62,657	-	123,210
BONOS	-	-	-	250	250
BPAG182	-	542	4,246	12,579	17,367
BPAG28	-	5,485	-	-	5,485
BPAG91	-	2,460	13,863	-	16,323
UNSECURED DEBT CERTIFICATES	-	100	-	-	100
STATES AND MUNICIPALITIES SHORT-TERM DEBT CERTIFICATES	1,000	-	-	-	1,000
DEBT CERTIFICATES OF FEDERAL GOVERNMENT INSTITUTIONS	-	-	500	-	500
	4,672	**65,468**	**81,266**	**12,829**	**$ 164,235**

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- Unrestricted government bonds

As of December 31, 2021 and 2020, the unrestricted government bonds are comprised as follow:

	2021				2020			
Instrument	**Acquisition cost**	**Accrued interests**	**Increase (decrease) for valuation**	**Fair value**	**Acquisition cost**	**Accrued interests**	**Increase (decrease) for valuation**	**Fair value**
BONDES D	28,051	54	4	$ 28,109	16,922	20	(12)	$16,930
BPAG182	-	-	-	-	1,613	26	16	1,655
DEBT CERTIFICATES OF FEDERAL GOVERNMENT INSTITUTIONS	100	1	-	101	-	-	-	-
BONOS	70	-	-	70	-	-	-	-
BPAG91	453	2	-	455	396	1	-	397
	28,674	**57**	**4**	**$28,735**	**18,931**	**47**	**4**	**$18,982**

Maturity terms:

Instrument	**Under 1 year**	**From 1 to 3 years**	**From 3 to 5 years**	**Greater than 5**	**Total 2021**
BONDES D	6,381	17,380	4,290	-	28,051
DEBT CERTIFICATES OF FEDERAL GOVERNMENT INSTITUTIONS	50	-	50	-	100
BONOS	-	-	-	70	70
BPAG91	-	-	453	-	453
	6,431	**17,380**	**4,793**	**70**	**$ 28,674**

Instrument	**Under 1 year**	**From 1 to 3 years**	**From 3 to 5 years**	**Greater than 5**	**Total 2020**
BONDES D	6,346	10,576	-	-	16,922
BPAG182	-		1,613	-	1,613
BPAG91	-	396	-	-	396
	6,346	**10,972**	**1,613**	**-**	**$ 18,931**

(Millions of Mexican pesos)

b. Available for sale securities:

		2021	2020
Shares MXP	$	41	38
Shares USD		14	13
	$	**55**	**51**

- Shares in Mexican pesos

Shares in Mexican pesos as of December 31, 2021 and 2020 are comprised as follow:

		2021			2020		
		Acquisition cost	**Fair value**	**Unrealized loss**	**Acquisition cost**	**Fair value**	**Unrealized loss**
Unlisted	$	97	41	(56)	97	38	(59)

- Shares in foreign currency – valued at Mexican pesos

Shares in foreign currency as of December 31, 2021 and 2020 are comprised as follow:

		2021			2020		
		Acquisition cost	**Fair value**	**Unrealized gain**	**Acquisition cost**	**Fair value**	**Unrealized gain**
Unlisted in USD	$	8	14	6	8	13	5

The dividends collected from shares available for sale in 2021 and 2020 amount to $1 in both years. The valuation recognized in the other items of the comprehensive income within the stockholders' equity for the years ended on December 31, 2021 and 2020 was $ 1 and $ (6), respectively.

(Millions of Mexican pesos)

c. Held to maturity securities:

		2021	2020
Government securities	$	186	175

The government securities as of December 31, 2021 and 2020 are comprised as follow:

		2021			2020		
		Cost	Provision interests	Total	Cost	Provision interests	Total
Government securities (*)	$	184	2	186	173	2	175

* Held to maturity securities have a term greater than 5 years.

d. Interest income, results of valuation and results of purchase and sale of securities in for the years ended on December 31, 2021 and 2020:

		2021	2020
Interest income	$	8,967	9,817
Valuation result		8	(139)
Result from purchase and sale of securities		4	32
	$	**8,979**	**9,710**

Issuers with more than 5% of the net capital-

As of December 31, 2021, investments in non-governmental debt securities of the same issuer and greater than 5% of the Institution´s net capital are shown below:

Maturity terms:

2021					
Issuer	**Series**	**Number of Securities**	**Annual average rate**	**Average Term**	**Amount**
FEFA	Several	32,000,000	6.03%	1,077	3,221

In 2020 fiscal year, there were no non-governmental debt securities of the same issuer and greater than 5% of the Institution´s net capital.

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(7) Repurchase/resale agreements-

Repurchase/resale agreements carried out as of December 31, 2021 and 2020 were mainly Savings Protection Bonds, Development Bonds, Fixed Rate Bonds, Government Bonds (Cetes), Udibonds and Stock Exchange Certificates. Repurchase operation terms were of 2 days in both years.

a. Seller

- Debtors on repurchase/resale agreements

		2021	2020
Government bonds	$	3,450	5,500
Business repurchase agreements		910	349
Total		4,360	5,849
Securities received as collateral for repurchase agreements:			
Government bonds		(3,450)	(5,500)
Total debtors for repurchase/resale agreements	**$**	**910**	**349**

- Collateral received by the entity (Memorandum accounts)

		2021	2020
Government bonds	$	3,451	5,500
Business repurchase agreements		1,129	512
Total	**$**	**4,580**	**6,012**

- Collateral received and sold or pledged as guarantee by the Institution (Memorandum accounts)

		2021	2020
Government bonds	$	3,451	5,500

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b. Buyer

- Creditors for repurchase/resale agreements

		2021	2020
Securities owned by the Institution [1]:			
Government bonds	$	**168,915**	**164,039**

[1] Repurchased securities are recognized as securities held for trading.

In 2021 and 2020, the interests obtained from repurchase/resale agreements amount to $142 and $215, respectively, and the interests paid for repurchase agreements amount to $7,236 and $9,157, respectively.

(8) Derivatives-

As of December 31, 2021 and 2020, derivatives are made up of rate options (CAPs for its acronym in Spanish) held for trading and fair value and hedging swaps as shown below:

		2021		2020	
		Assets	Liabilities	Assets	Liabilities
For trading:					
SWAPS	$	541	436	1,041	921
Options		-	-	-	-
	$	541	436	1,041	921
For hedging:					
SWAPS		1,310	7,960	4,764	7,746
	$	**1,851**	**8,396**	**5,805**	**8,667**
Net position of liabilities	$		**6,545**		**2,862**

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As of December 31, 2021 and 2020, the Institution has contracted swaps for an equivalent of 5,806 and 7,555 millions of USD, respectively, and purchase-sale options for trading of 8.82 and 14.19 millions of USD, respectively as shown below:

		2021		**2020**	
		Purchase	**Sale**	**Purchase**	**Sale**
Hedge Swaps:					
To hedge the loan portfolio	$	39,885	40,436	51,216	53,898
To hedge securities or security liabilities		58,803	64,902	87,473	87,773
		98,688	105,338	138,689	141,671
Swaps for trading		20,037	19,932	18,090	17,970
Options		-	-	-	-
	$	**118,725**	**125,270**	**156,779**	**159,641**
Net position of liabilities	**$**	**6,545**		**2,862**	

To hedge the loan portfolio:

				Thousands in currency source			**Mexican pesos**	
	Type of swap	**Currency Source**		**Principal**	**Interest**	**Total**	**2021**	**2020**
Purchase	Rate	USD	$	1,040,241	26	1,040,267	$21,333	$24,077
Purchase	Rate	MXP	$	18,487,899	63,583	18,551,482	18,552	26,960
Purchase	Currency	MXP	$	-	-	-	-	179
							$39,885	**$51,216**

				Thousands in currency source				**Mexican pesos**	
	Type of swap	**Currency Source**		**Principal**	**Interest**	**Total**		**2021**	**2020**
Sale	Rate	USD	$	1,040,241	1,527	1,041,768	$	21,364	24,110
Sale	Rate	MXP	$	18,487,899	38,160	18,526,059		18,526	26,957
Sale	Currency	EUR	$	-	-	-		-	195
							$	39,890	51,262
Valuation	Rate	USD				36,088	$	740	1,979
Valuation	Rate	MXP				(193,689)		(194)	656
Valuation	Currency	MXP				-			1
							$	**40,436**	**53,898**

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To hedge securities or security liabilities:

			Thousands in currency source				Mexican pesos	
	Type of swap	Currency source	Principal	Interest	Total		2021	2020
Purchase	Currency	MXP	34,160,065	308,143	34,468,208	$	34,468	45,148
Valuation	Currency	MXP			(771,571)		(772)	838
						$	33,696	45,986
Purchase	Currency	USD	-	-	-	$	-	8,835
Valuation	Currency	USD			-		-	1
						$	-	8,836
Purchase	Rate	USD	1,047,238	7,285	1,054,523	$	21,626	28,154
Valuation	Rate	USD			169,732		3,481	4,497
						$	25,107	32,651
						$	**58,803**	**87,473**

			Thousands in currency source				Mexican pesos	
	Type of swap	Currency source	Principal	Interest	Total		2021	2020
Sale	Currency	USD	1,950,815	1,883	1,952,698	$	40,045	47,429
Valuation	Currency	USD			22,984		471	678
						$	40,516	48,107
Sale	Currency	MXP	-	-	-	$	-	8,856
Valuation	Currency	MXP			-		-	(1)
						$	-	8,855
Sale	Rate	USD	1,047,238	3,569	1,050,807	$	21,550	28,008
Valuation	Rate	USD			138,287		2,836	2,803
						$	24,386	30,811
						$	**64,902**	**87,773**

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For trading:

	Type of swap	Currency source	Principal	Interest	Total		2021	2020
			Thousands in currency source				**Mexican pesos**	
Purchase	Rate	MXP	2,385,246	764	2,386,010	$	2,386	1,600
Valuation	Rate	MXP			269,456		269	237
						$	2,655	1,837
Purchase	Rate	USD	749,479	807	750,286	$	15,386	14,351
Valuation	Rate	USD			97,333		1,996	1,902
						$	17,382	16,253
						$	**20,037**	**18,090**

	Type of swap	Currency source	Principal	Interest	Total		2021	2020
			Thousands in currency source				**Mexican pesos**	
Sale	Rate	MXP	2,385,246	710	2,385,956	$	2,386	1,600
Valuation	Rate	MXP			265,977		266	233
						$	2,652	1,833
Sale	Rate	USD	749,479	737	750,216	$	15,385	14,350
Valuation	Rate	USD			92,415		1,895	1,787
						$	17,280	16,137
						$	**19,932**	**17,970**

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As of December 31, 2021 and 2020, the results of valuation of fair value hedge securities are as follows:

		2021		2020	
		Derivative	Primary position	Derivative	Primary position
Swaps	$	(807)	803	1,022	(1,033)

Options for trading purposes

			Thousands		Amount Mexican pesos	
	Underlying	Currency source	Currency source		2021	2020
Purchase	Rate	MXP	7,780	$	8	8
Purchase	Rate	USD	279		5	10
Valuation	Rate				(13)	(18)
				$	-	-
Sale	Rate	MXP	(9,153)	$	(9)	(9)
Sale	Rate	USD	(309)		(6)	(12)
Valuation	Rate				15	21
				$	-	-

As of December 31, 2021 and 2020, the Institution did not have loans with protected rates.

Guarantees granted and received in operations in unrecognized markets:

As of December 31, 2021 and 2020, the guarantees granted for operations carried out in unrecognized derivatives markets are presented under the item of "Other accounts receivable, net" for $7,240 and $4,633, respectively.

Additionally, as of December 31, 2021, no cash guarantees have been received. As of December 31, 2020, cash guarantees for $865 were received, which are recorded under the item of "Other accounts payable / Collateral creditors received in cash".

(9) Loan portfolio-

Policies and procedures established for the granting, control, recovery of credits, as well as those related to the evaluation and follow-up of the credit risk.

Bancomext´s financing activities are regulated by its Organic Law and its Regulations, as well as by the different legal regulations in force regarding banking and credit, which are the Law for Credit Institutions, General Law of Securities and Credit Operations, Provisions various issued by the Ministry of Finance, National Banking and Securities Commission, Banco de México or any other competent authority.

The loans manual contains the guidelines of the Credit Process (PDC for its acronym in Spanish), which starts with the definition of the target market and finishes with the recovery of the loan.

Specific policies for each phase of the PDC process mentioned below are established in the operating manuals and are an integral part of the Institution's credit policy framework.

Business Development

1. Development and/or Updating of Programs / Products
2. Promotion management – 1st Tier
3. Promotion management – 2nd Tier
   Addendum No. 1 (August 31, 2021)
4. First tier credit files management
5. Second tier credit files management

Analysis and Decision
1. Borrower Evaluation. Credit Analysis – 1st Tier
   Addendum No. 1 (November 03, 2020)
   - Financial Program matrices 1st Tier
2. Borrower Evaluation. Credit Analysis – 2nd Tier
   Addendum No. 1 (July 19, 2021)
   - Financial Program matrices 2nd Tier
3. Borrower Evaluation. Preparation of Legal Report and/or Personality Report
4. Authorization

Instrumentation and disbursement
1. Contracting – 1st Tier
2. Contracting – 2nd Tier
3. Registration and release of credit lines, authorization of disposal and letters of credit – 1st Tier
4. Registration and release of credit lines, authorization of disposal and letters of credit – 2nd Tier
5. Safeguarding of securities documentation – 1st Tier
   Addendum No. 1
6. Safeguarding of securities documentation – 2nd Tier

Follow-up

1. Portfolio management and control – 1st Tier
2. Portfolio management and control – 2nd Tier
   Addendum No. 1 (February 25, 2020)
3. Supervision and Monitoring of Accredited and Intermediaries
4. Addendum No. 1 (December 22, 2021)
5. Portfolio rating

Recovery

1. Specialized Collections Function (FEC in Spanish)
2. Collections management – 1st Tier
3. Collections management – 2nd Tier
4. Application of allowance for loan losses and loan penalty

Support Processes

1. Credit regulation
2. Borrower investigation
3. Preparation of General Reports of the Credit Process
4. Receipt, management, promotion and sale of property and received in dation in payment.
5. Prices and rates system
6. Management System for Environmental and Social Risks (SARAS for its acronym in Spanish)
7. Registration, Modification or Cancellation of Users to the Electronic Banking Service

Other Loan Programs

1. Former employee portfolio management
2. Financing of foreign trade inventories
   Addendum No. 1 (March 12, 2018)
   Addendum No. 2 (March 29, 2019)

The granting of credit is made based on the analysis of the borrower's financial situation, the economic viability of the investment projects including their guarantees, the risk limits, the applicant's credit investigation, the legal opinion or personality report and the other general characteristics established by law, manuals and internal policies of the Institution.

In accordance with the powers established in the Credit Manual, the decision instances in this matter are the Board of Directors, the Executive Committee, the Internal Credit Committee and the Credit Committee.

The hiring is formalized and implemented based on the models of contracts previously approved by the Legal Department.

For the control of the disposition of the resources, the registration and release of credit lines is carried out through the Control Board, verifying compliance with the prerequisites established in the authorization.

The internal control in the administration and control of the portfolio established in the manuals is carried out through the operational activities for the exercise and recovery of the credit until its accounting record, where the maturities, rediscounts and transfers are supervised.

Permanent supervision and monitoring of the fulfillment of contractual obligations, comprehensive review of the performance of the financial support granted throughout the term of the credits, as well as of the investment projects, is carried out through the review and visit programs, which allows to generate early alerts that lead to prevent the deterioration of the portfolio.

There is a Special Collection Function (FEC for its acronym in Spanish), for the allocation of the portfolio in default of payment.

The deadlines established to carry out collection actions after the creditor did not make the payment of the credit in time are classified in the following stages:

- Preventive collection will include a period from day 1 to day 4 (natural) counted from non-payment.
- The administrative collection will include a period from day 5 and up to day 30 (natural) counted from non-payment.
- Extrajudicial collection will include a period from the 31st and up to the 90th day (natural) counting from the date of non-payment.
- The judicial collection, if after a period of 90 days after its expiration, no positive results were obtained in the collection management, or earlier if the insolvency of the accredited or intermediary is detected or presumed, or of any situation that impedes its recovery, it is the turn to recover by court.

In the cases in which any payment proposal other than its original payment scheme is managed with the accredited ones, these are analyzed and in case of being legally and financially viable they are submitted to the corresponding authorized body for authorization.

The portfolio risk determination and preventive estimates for credit risks are carried out as described in Note 3 (i). The policies and procedures established by the Administration to determine risk concentrations are described below:

According to Article 80 of the General Provisions applicable to the Credit Institutions of the CNBV, in section II subsection a) related to the risk of the specific loan portfolio, the Institution measures, evaluates and monitors its concentration by type of financing, qualification, economic sector, geographical area and accredited. The concentrations are reported monthly to the CAIR through the Credit Portfolio Risk Report.

The Institution's Risk Management department issues Risk Regulation Circulars that contain an internal policy to determine the maximum financing amounts allowed for Common Risks per type of borrower, which are below the regulatory risks established by the CNBV, in order to control concentration per borrower or group of borrowers that represent Common Risks.

Concentration risk

Following are management's policies and procedures for determining risk concentrations.

Per borrower:

For the purpose of carrying out Asset Operations, article 54 of the General Provisions Applicable to Credit Institutions of the CNBV establishes that banks must establish maximum financing limits for a single person or groups of persons who, given the Common Risk, are considered to qualify as one person.

In accordance with article 57 of those Provisions, the regulatory limits applicable to the Institution in the fourth quarter of 2021, were determined considering the 13.20% capital ratio and core capital of $30,754.8 MXP as of December 2020. Regulatory limits are 30% of the core capital ($9,226.4, equivalent to $449.9 millions of US Dollars at the exchange rate of $20.5075 MXP/USD as of December 31, 2021) per private sector borrower and 100% of the core capital ($30,754.8, equivalent to $1,366.4 millions of US Dollars) for other types of borrowers.

The Comprehensive Management Regulations Manual establishes that the prudential measure of observing 80% ratio of the regulatory limits to avoid breakage in the event of high depreciation at the peso/dollar exchange rate and/or in case of reductions in the core capital.

Prudential limits applicable to the Institution in the quarter in question are $7,688.7 (equivalent to $374.9 millions of USD) per borrower of the private sector and $26,603.8 (equivalent to $1,199.7 millions of US Dollars) for other types of borrowers at the exchange rate of $20.5075 pesos/dollar as of December 31, 2021.

However, the Institution determines financing amounts below the prudential limits as part of its internal measures to prevent concentrations and supervening facts to the granting of loans. The internal financing policy established by management per borrower or group of borrowers of the private sector when represent Common Risks is of $5,175 (equivalent to $252.3 millions of USD at the exchange rate of $20.5075 pesos/dollar as of December 31, 2021), which represents 15.5% of capital core as of December 2021.

Per economic sector:

In order to manage the soundness of the main loan portfolios during economic crisis, there is a maximum prudential limit of 30% of the balance of each portfolio per geographic area or city, economic sector and loan beneficiary, in order to avoid concentration and shorten and diversify risk.

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(a) Loan portfolio-

As of December 31, 2021 and 2020, the current and past due loan portfolio, and the credit commitments are as follow:

		2021			**2020**	
	Current	**Past due**	**Total**	**Current**	**Past due**	**Total**
Portfolio in foreign currency, valued in national currency:						
Commercial loans $	125,526	632	126,158	121,992	1,787	123,779
Loans to financial entities	3,724	-	3,724	4,201	-	4,201
Restricted loans to financial entities	103	-	103	-	-	-
Loans to government entities	7,270	-	7,270	6,580	-	6,580
Subtotal	136,623	632	137,255	132,773	1,787	134,560
Portfolio in national currency:						
Commercial loans	62,785	7,862	70,647	77,055	3,954	81,009
Loans to financial entities	24,587	-	24,587	27,595	-	27,595
Restricted loans to financial entities	223	-	223	-	-	-
Loans to government entities	1,868	-	1,868	-	-	-
Consumer loans	26	3	29	26	3	29
Mortgage loans	82	2	84	94	2	96
Subtotal	89,571	7,867	97,438	104,770	3,959	108,729
Total	**226,194**	**8,499**	**234,693**	**237,543**	**5,746**	**243,289**

Restricted loans to financial entities are granted as collateral for the loan received from Banco de México in terms of its Official Letter 25/2020, regarding the "Rules Applicable to Financing from Banco de México Guaranteed with Qualified Credit Assets of the Bank, for its Channeling to Micro, Small and Medium Enterprises" (Facility 8).

They are considered restricted since they are held in trust in an Irrevocable Guarantee Trust, for which they cannot be disposed of or used, in accordance with the accounting policies established in accordance with Criterion B-6 Loan Portfolio. They are not derecognized from the asset whenever the requirements established in Criterion C-11 Recognition and derecognition of financial assets are not met to derecognize the loans, because the risks and benefits of ownership of the assets are substantially retained, since the loan rights, but not the obligations, of the loan portfolio were assigned to the trust.

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Breakdown of the portfolio per economic sector as of December 31, 2021 and 2020:

		2021		2020	
Sector per economic activity		**Amount**	**%**	**Amount**	**%**
Tourism	$	42,063	17.92	38,927	16.00
Real property and lease services		27,230	11.60	25,600	10.52
Electricity, gas and water		25,742	10.97	28,925	11.89
Steel products, machinery and equipment		24,954	10.63	25,316	10.41
Transportation and communication		21,186	9.03	22,980	9.45
Food, beverages and tobacco		10,330	4.40	10,754	4.42
Commerce		8,106	3.45	13,124	5.39
Chemical substances and plastic or rubber items		7,123	3.04	8,356	3.43
Oil and natural gas extraction		6,515	2.78	4,170	1.71
Professional, personal and technical services		5,399	2.30	5,770	2.37
Unclassified services		5,375	2.29	597	0.25
Steel industry		4,265	1.82	4,470	1.84
Construction industry		3,420	1.46	3,736	1.54
Paper, print shops and publishing houses		1,527	0.65	2,401	0.99
Non-metal mineral products		1,406	0.60	5,019	2.06
Textiles, clothing and leather industry		791	0.34	1,094	0.45
Lumber and Wood products industry		692	0.29	702	0.29
Individuals		113	0.05	125	0.05
Educational, medical and Social Assistance services		-	-	183	0.08
Mining		-	-	154	0.06
Adjustment to the book value of the hedged item		681	0.29	2,510	1.03
Private sector	$	196,918	83.91	204,913	84.23
Government sector		9,138	3.89	6,580	2.70
Financial sector		28,637	12.20	31,796	13.07
Total	$	**234,693**	**100.00**	**243,289**	**100.00**

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Past due portfolio as of December 31, 2021 and 2020:

	Days old as of December 31, 2021				
Type of portfolio:	**1 to 180 days**	**181 to 365 days**	**1 to 2 years**	**Over 2 years**	**Total**
Commercial loans	$ 4,254	424	3,816	-	$ 8,494
Loans to financial entities	-	-	-	-	-
Consumer loans	-	-	-	3	3
Mortgage loans	-	-	-	2	2
	$ 4,254	424	3,816	5	$ 8,499

	Days old as of December 31, 2020				
Type of portfolio:	**1 to 180 days**	**181 to 365 days**	**1 to 2 years**	**Over 2 years**	**Total**
Commercial loans	$ 4,134	1,607	-	-	$ 5,741
Loans to financial entities	-	-	-	-	-
Consumer loans	-	-	2	1	3
Mortgage loans	-	-	1	1	2
	$ 4,134	1,607	3	2	$ 5,746

Main movements of the past due portfolio for the years ended on December 31, 2021 and 2020:

		2021	**2020**
Opening balance of past due portfolio	$	5,746	2,332
Difference per exchange rate from opening balance		54	147
Payments		(466)	(77)
Write-offs and penalties		(387)	(1,527)
Transfers to current portfolio		(2,325)	(882)
Cancellations due to restructurings		(692)	(2)
Loan openings due to restructurings		1,075	1,050
Transfers to past due portfolio		5,518	4,670
Capitalization		(24)	35
Balance of past due portfolio	**$**	**8,499**	**5,746**

As of December 31, 2021 and 2020, the past due portfolio balance is comprised of thirteen and ten companies, respectively, as well as of thirteen and eleven former employees, respectively; thirteen companies (eight in 2020) are involved in a judicial or extrajudicial collection process and two under sustained payment in 2020.

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Restructured and renewed loans -

	2021				
	Restructured and renewed loan				Modified
Type of portfolio:	Past due restructured [1]	Allocated to past due [2]	Kept current [3]	Consolidated to past due [4]	Not considered restructuring [5]
Commercial loans	$ 1,537	$ -	$ 68,367	$ -	$ 12,465
Loans to financial entities	-	-	2,103	-	-
Consumer loans	1	-	6	-	2
Mortgage loans	3	-	19	-	24
	$ 1,541	$ -	$ 70,495	$ -	$ 12,491

	2020				
	Restructured and renewed loan				Modified
Type of portfolio:	Past due restructured [1]	Allocated to past due [2]	Kept current [3]	Consolidated to past due [4]	Not considered restructuring [5]
Commercial loans	$ 492	$ -	$ 63,490	$ 1,075	$ 16,076
Loans to financial entities	-	-	4,251	-	-
Consumer loans	1	-	7	-	2
Mortgage loans	3	-	19	-	26
	$ 496	$ -	$ 67,767	$ 1,075	$ 16,104

1. Past due loans that were restructured or renewed.
2. Restructuring or renewal of loans with a single payment of principal at maturity and periodic payments of interest and credits with a single payment of principal and interest at maturity, which were transferred to past due portfolio for having restructured or renewed.
3. Restructured or renewed loans that were kept in current portfolio in accordance with paragraphs 80 to 87 of criterion B-6 "Loan portfolio" of Appendix 33 of the Provisions.
4. Consolidated loans that, as a result of a restructuring or renewal, were transferred to past due loans, in accordance with paragraph 88 of criterion B-6 "Loan portfolio" of Appendix 33 of the Provisions.
5. Restructured loans to which the criteria relating to the transfer to past due portfolio in accordance with paragraph 89 of criterion B-6 "Credit portfolio" of Appendix 33 of the Provisions.

On October 31, 2013, a debt recognition, interest capitalization and reorganization agreement were formalized with a foreign financial entity, whereby it was agreed to recover a total of USD 146.3 million and which is recognized in memorandum accounts. According to such agreement, the amount mentioned will be recovered in a term of 15 years through quarterly payments. On August 5, 2019, it fell into default, the recovery of debts is being negotiated. As of December 31, 2021 and 2020, the equity balance amounts to USD 88 million, for both fiscal years.

Additional guarantees and concessions issued for restructured loans -

During the 2021 and 2020 fiscal years, no additional guarantees or concession were granted to the restructured loans.

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Interests and commissions-

		2021			2020		
Type of loan		**Interests accrued**	**Commissions accrued**	**Total**	**Interests accrued**	**Commissions accrued**	**Total**
Commercial loans	$	9,500	200	9,700	12,012	173	12,185
Loans to financial entities		1,600	-	1,600	1,914	1	1,915
Loans to government entities		243	-	243	253	-	253
Consumer loans		1	-	1	2	-	2
Mortgage loans		4	-	4	5	-	5
Total	**$**	**11,348**	**200**	**11,548**	**14,186**	**174**	**14,360**

Commissions on initial granting of loans-

Commissions collected upon initial granting of loans not yet deferred as of December 31, 2021 and 2020 amounted to $681 and $758, respectively, which are amortized against income for the year as interest income by the straight-line method over the life of the loan. The weighted term for amortizing commissions as of December 31, 2021 and 2020 is of 4.69 and 4.94 years, respectively.

Rediscounts-

The amount of rediscounts as of December 31, 2021 and 2020 was for $28,776 and $31,393, respectively.

Breakdown of troubled debt portfolio and non-troubled debt portfolio-

Following is the breakdown of total loans, classified as troubled and non-troubled, current and past due:

			2021	
		Current	**Past due**	**Total**
Non-troubled portfolio	$	240,384	-	240,384
Troubled portfolio		7,109	8,221	15,330
Past due interests		-	273	273
Total rated portfolio	**$**	**247,493**	**8,494**	**255,987**

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		2020		
			Past	
		Current	due	Total
Non-troubled portfolio	$	254,208	-	254,208
Troubled portfolio		3,563	5,526	9,089
Past due interests		-	215	215
Total rated portfolio	**$**	**257,771**	**5,741**	**263,512**

A) Valued at the exchange rates as of December 31, 2021 and 2020.
B) Rated portfolio.
C) It includes of the commercial portfolio, government entities, financial intermediaries and irrevocable guarantees, and letters of credit and international factoring.
D) Does not include the consumer loan and mortgage portfolio.
E) Past due interest is included for information purposes, as established in the provisions for rating portfolios and reserved as incurred.

* As of December 31, 2021, it includes guarantees and credit letters granted in the amount of $21,607 and factoring for $1,053. As of December 31, 2020, it includes guarantees and credit letters granted in the amount of $ 22,875, guarantees for $152 and factoring for $ 787.

(b) Allowance for loan losses -

As explained in Note 3 (i), the Institution classifies its portfolio and settled an allowance to hedge the credit risks associated with the recovery of its loan portfolio.

Total of rated portfolio as per type of loan as of December 31, 2021-

Rating		Commercial loans	Government entities	Financial intermediaries	Guarantees, endorsements and factoring	Mortgage loans	Consumer loans	Total
A-1 Minimum	$	116,585	9,125	17,519	21,609	67	-	164,905
A-2 Minimum		47,786	-	7,368	677	5	-	55,836
B-1 Low		7,435	-	1,478	286	-	-	9,199
B-2 Low		1,184	-	2,104	-	-	20	3,308
B-3 Low		2,099	-	391	14	4	3	2,511
C-1 Medium		4,164	-	-	38	-	-	4,202
C-2 Medium		487	-	-	36	2	1	526
D High		5,399	-	-	-	6	-	5,405
E Irrecoverable		9,930	-	-	-	-	5	9,935
Subtotal		195,069	9,125	28,860	22,660	84	29	255,827
Past due interests		273	-	-	-	-	-	273
Total	**$**	**195,342**	**9,125**	**28,860**	**22,660**	**84**	**29**	**256,100**

Does not include the rating exempt portfolio of $13.

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Allowance required per risk group as of December 31, 2021-

Rating		Commercial loans	Government entities	Financial intermediaries	Guarantees, endorsements and factoring	Mortgage loans	Consumer loans	Total
A-1 Minimum	$	564	46	104	96	-	-	810
A-2 Minimum		470	-	96	8	-	-	574
B-1 Low		112	-	25	4	-	-	141
B-2 Low		24	-	45	-	-	1	70
B-3 Low		72	-	13	-	-	-	85
C-1 Medium		270	-	-	2	-	-	272
C-2 Medium		71	-	-	4	-	-	75
D High		1,485	-	-	-	3	-	1,488
E Irrecoverable		6,625	-	-	-	-	4	6,629
Subtotal		9,693	46	283	114	3	5	10,144
Past due interests		273	-	-	-	-	-	273
Additional reserves		-	-	-	-	-	-	500
Total	**$**	**9,966**	**46**	**283**	**114**	**3**	**5**	**10,917**

Total of rated portfolio as per type of loan as of December 31, 2020-

Rating		Commercial loans	Government entities	Financial intermediaries	Guarantees, endorsements and factoring	Mortgage loans	Consumer loans	Total
A-1 Minimum	$	125,649	6,556	9,987	22,522	68	-	164,782
A-2 Minimum		50,143	-	17,354	1,049	8	-	68,554
B-1 Low		5,567	-	1,723	26	6	-	7,322
B-2 Low		3,238	-	974	54	-	22	4,288
B-3 Low		5,842	-	1,208	-	-	2	7,052
C-1 Medium		1,265	-	195	109	6	1	1,576
C-2 Medium		693	-	-	54	2	1	750
D High		2,702	-	-	-	6	-	2,708
E Irrecoverable		6,387	-	-	-	-	3	6,390
Subtotal		201,486	6,556	31,441	23,814	96	29	263,422
Past due interests		215	-	-	-	-	-	215
Total	**$**	**201,701**	**6,556**	**31,441**	**23,814**	**96**	**29**	**263,637**

Does not include the rating exempt portfolio of $24.

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Allowance required per risk group as of December 31, 2020-

Rating		Commercial loans	Government entities	Financial intermediaries	Guarantees, endorsements and factoring	Mortgage loans	Consumer loans	Total
A-1 Minimum	$	626	33	45	96	-	-	800
A-2 Minimum		484	-	194	13	-	-	691
B-1 Low		91	-	30	-	-	-	121
B-2 Low		65	-	20	1	-	1	87
B-3 Low		202	-	40	-	-	-	242
C-1 Medium		65	-	11	6	-	-	82
C-2 Medium		89	-	-	7	-	-	96
D High		1,046	-	-	-	2	-	1,048
E Irrecoverable		3,637	-	-	-	-	3	3,640
Subtotal		6,305	33	340	123	2	4	6,807
Past due interests		215	-	-	-	-	-	215
Additional reserves		-	-	-	-	-	-	400
Total	**$**	**6,520**	**33**	**340**	**123**	**2**	**4**	**7,422**

This is an analysis of the movements of the allowance for the years ended on December 31, 2021 and 2020.

	2021	2020
Balances at the beginning of the year	7,422	4,593
Increases / (release), net	3,828	4,369
Applications	(386)	(1,604)
Exchange effect	53	64
Final balances	**10,917**	**7,422**

For the years ended December 31, 2021 and 2020, the allowance for loan losses constituted by the Institution includes charges of $3,814 and $4,146 recognized in results of the year, respectively. As of December 31, 2021 and 2020, $15 and $223 were received from a counter-guarantee fund to constitute the reserve, respectively.

The allowance from past due portfolio was of $273 and $215, for the years ended as of December 31, 2021 and 2020, respectively.

In rating the loan portfolio as of December 31, 2021 and 2020, the Institution applied the methodologies set forth in the General Provisions Applicable to Credit Institutions for each year.

In 2021, loan reserves comprised 4.7% of the total portfolio and covered 1.28 times the past-due loan portfolio; in 2020, those factors were 3.1%, and 1.29 times, respectively.

Criterion B-6 "Loan portfolio" of Appendix 33 of the general Dispositions applicable to the Credit Institutions in Mexico establishes that the Institution may opt to eliminate from its assets any past due loans that have been reserved 100%. In 2021, the Institution applied the balance of 4 loans against the allowance for loan losses for a total for an amount of $386. In 2020, the Institution applied the balance of 6 loans against the loan loss reserve for an amount of $1,604.

The financing granted of a trust related to the aeronautical sector, eliminated from assets in 2011, is in its final stage of recovery, and is duly guaranteed.

The portfolio balances removed from the asset, both in thousands of dollars and in Mexican pesos that are managed in memorandum accounts, are as follow:

	2021			2020		
	Thousand USD	Thousand Euros	Mexican pesos	Thousand USD	Thousand Euros	Mexican pesos
Past due capital						
Companies	477	42	$ 1,381	475	42	$ 1,472
Former employees	-	-	16	-	-	16
Total capital	**477**	**42**	**$ 1,397**	**475**	**42**	**$ 1,488**
Past due interest						
Companies	5	1	$ 43	4	1	$ 44
Total interests	**5**	**1**	**$ 43**	**4**	**1**	**$ 44**

For the years ended on December 31, 2020 and 2019, the amount of the recoveries of this loan portfolio eliminated from the assets was $100 and $7, respectively, and were recorded in the preventive estimate for loan risks of the income statement.

The balance of the rating-exempt portfolio (Federal Government and Development Banking) amounts to $13 and $24 in 2021 and 2020, respectively.

Interest income recognized in loans at capitalization time-

Interest income recognized in the moment of capitalization in 2021 and 2020 amounts to $569 and $590, respectively.

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Credit lines-

The amount of opening credit lines recognized in memorandum accounts as of December 31, 2021 and 2020 are as follow:

Year	Mexican pesos	Million USD	Million Euros
2021	22,827	3,478	29
2020	18,158	3,477	44

(10) Other accounts receivable, net-

As of December 31, 2021 and 2020, the other accounts receivable are as follows:

	2021	2020
Debtors for collateral given in cash in derivative operations (Note 8)	$ 7,240	$ 4,633
Loans granted to Institution´s personnel	2,081	2,045
Debtors for settlement of investment operations in securities	458	507
Taxes recoverable	445	307
Counter guarantee Program	84	53
Guarantee deposits	66	68
Sundry debtors	40	41
Debtors for commissions on current operations	13	13
Value Added Tax	7	16
Debtors for settlement of repurchase agreements	1	1
Debtors for settlement of currency purchase and sale operations	-	546
Assigned accounts receivable	-	1
	10,435	8,231
Write-off allowance	(43)	(24)
	$ 10,392	**$ 8,207**

As of December 31, 2021 and 2020, the Institution has accounts receivable in foreign currency valued at Mexican pesos for $114 and $86, respectively.

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(11) Foreclosed assets-

The integration of these assets as of December 31, 2021 and 2020 is as follows:

Concept		Mexican pesos	Millions of USD	Valued foreign currency	2021	2020
Movable property	$	99	-	$ -	99	72
Securities		-	48	989	989	960
Collection rights		-	35	718	718	687
Subtotal	$	99	83	$ 1,707	1,806	1,719
Real property:						
Farm land	$	96	-	-	96	98
Urban land		148	-	-	148	148
Single family homes		67	-	-	67	72
Apartments		8	-	-	8	11
Industrial Parks		352	-	-	352	334
Commercial establishments		123	-	-	123	123
Other		74	-	-	74	73
Subtotal		868	-	-	868	859
Properties held for sale:						
Properties		33	-	-	33	37
Subtotal		33	-	-	33	37
		1,000	83	1,707	2,707	2,615
Less:						
Allowances		999	83	1,707	2,706	2,614
Total	**$**	**1**	**-**	**-**	**1***	**1**

* Relates to the balance as of December 31, 2021, of properties held for sale, with a value of $33 and reserve of $32.

(Millions of Mexican pesos)

Allowance for foreclosed assets-

The amount of allowance of foreclosed assets as of December 31, 2021 and 2020 was as follows:

		2021	2020
Movable Property	$	100	72
Securities		989	960
Collection rights		718	686
Real Property		868	859
Properties held for sale		31	37
Total reserve		**2,706**	**2,614**

The charge to income statements for the allowance was $62 and $24 as of December 31, 2021 and 2020, respectively.

(12) Property, furniture and equipment, net-

As of December 31, 2021 and 2020, the balances of properties, furniture and equipment are as follow:

	Useful life		2021	2020
Building	90 years	$	563	573
Furniture and equipment	10 years		388	461
Computing equipment	3.3 years		37	135
Transport equipment	4 years		2	3
			991	1,172
Less accumulated depreciation			(607)	(779)
Total investments subject to depreciation			384	393
Construction in progress			-	-
Land			96	81
Total investments do not subject to depreciation			96	81
Total		**$**	**479**	**474**

For the years ended on December 31, 2021 and 2020, the amount for depreciation amounted to $1.

(Millions of Mexican pesos)

(13) Permanent investments-

a. The main companies for which the equity method was used, as well as the Institution´s shareholding in those companies, as of December 31, 2021 and 2020 are as follow:

Participation (%)

Company	2021	2020	Activity
Cesce México, S. A. de C. V. (CESCEMEX)	48.99	48.99	Insurance
Corporación Mexicana de Inversiones de Capital, S. A. de C. V. (CMIC)	5.12	5.20	Investment fund

b. The amounts used to recognize the equity method as of December 31, 2021 and 2020 are as follow:

Company		Capital stock	(Accumulated losses) retained earnings	(Loss) Profit of the period	Total 2021	Total 2020
CESCEMEX	$	100	(17)	-	83	82
CMIC		373	98	68	539	471
Others		-	-	-	133	106
Total	**$**				**755**	**659**

The net effect of the valuation of the permanent investments as of December 31, 2021 and 2020 is of $96 and $29, respectively. The effect on results is of $96 and $28 for the years ended on December 31, 2021 and 2020, respectively. As of December 31, 2021 and 2020, the valuation result in permanent investments that went to the stockholders' equity is of $1 for both fiscal years. Also, during the 2021 and 2020 fiscal years, no investments were made.

c. As of December 31, 2021 and 2020, the assets, liabilities and main items of the statement of income of the main associated companies are as follow:

		2021			
		Total			
		Assets	Liabilities	Income	Expenses
CESCEMEX	$	442	273	147	137
CMIC		11,484	949	2,371	119

(Millions of Mexican pesos)

		2020			
		Total			
		Assets	Liabilities	Income	Expenses
CESCEMEX	$	390	226	109	105
CMIC		9,749	672	679	99

d. Investments in shares of associated companies located in Mexico in which there is no control or significant influence are showed valued by the acquisition cost method. The acquisition cost of other permanent investments in shares amounts to $133 and $106 as of December 31, 2021 and 2020.

(14) Time deposits-

Time deposits as of December 31, 2021 and 2020 are as follow:

		2021	2020
Notes with interest payable at maturity	$	76,526	102,718
Fixed term deposits in foreign currency		21,640	16,607
Certificates of bank deposits (CEDES)		3,857	1,003
Deposits for special savings loan		911	849
Fixed term MXP deposits		500	470
Net hedging swaps valuation, net		(13)	13
Total	**$**	**103,421**	**121,660**

Following are the features with interest payable at maturity as of December 31, 2021 and 2020:

Issuance	Term	Average rate		2021	2020
Note	1 to 29 days	5.50%	$	56,114	70,922
Note	30 to 179 days	5.39%		20,412	15,078
Note	180 to 360 days	-		-	16,718
Total			**$**	**76,526**	**102,718**

Following are the features of fixed term deposits in foreign currency as of December 31, 2021 and 2020.

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Term	Rate	Initial amount	Accrued interests	2021	2020
1 to 29 days	From 0.01 to 0.35%	$ 21,346	2	21,348	15,571
30 to 179 days	From 0.06 to 0.19%	292	-	292	773
180 to 360 days	-	-	-	-	-
Over 360 days	-	-	-	-	263
		$ 21,638	**2**	**21,640**	**16,607**

The characteristics of the certificates of bank deposits as of December 31, 2021 and 2020 are as follow:

Issuance	Term	Rate	2021	2020
CEDES	83 to 201 days	TIIE 0.10	$ 3,857	1,003

The characteristics of the fixed term deposits in Mexican pesos as of December 31, 2021 and 2020 are as follow:

Issuance	Term	Rate	2021	2020
Deposit at sight	3 days	From 5.25 to 5.45%	$ 500	470

As of December 31, 2021 and 2020, there are term deposits in favor of related parties for $77 and $95 and interests were paid for $6, in both periods.

(15) Debt instruments issued-

As of December 31, 2021 and 2020, the balance of this item is as follows:

	2021	2020
Debt Certificates	46,152	31,137
Bank bonds	20,678	20,068
Net hedging swaps valuation	(717)	1,937
	$ 66,113	**53,142**

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The characteristics of the Debt Certificates (CEBURES) are as follow:

2021								
Issuance date	**Maturity date**	**Rate**	**Effective rate**	**Term days**	**Number of CEBURES**	**Nominal value**	**Interest**	**Total**
16/07/2012	04/07/2022	5.75%	5.76%	185	15,000,000	$ 1,500	43	1,543
23/11/2012	11/11/2022	5.93%	5.95%	315	20,000,000	2,000	16	2,016
01/03/2013	17/02/2023	5.60%	5.62%	413	30,000,000	3,000	62	3,062
16/12/2014	03/12/2024	6.54%	6.55%	1,068	35,000,000	3,500	15	3,515
27/06/2017	18/06/2024	7.68%	7.70%	900	30,000,000	3,000	11	3,011
29/05/2018	18/06/2024	7.68%	7.70%	900	21,400,000	2,140	-	2,140
02/05/2018	23/05/2023	TIIE-0.01	7.87%	508	7,400,000	740	2	742
18/12/2020	15/12/2023	TIIE-0.03	4.49%	714	30,000,000	3,000	6	3,006
18/12/2020	10/12/2027	5.68%	5.69%	2,170	70,000,000	7,000	15	7,015
17/05/2021	18/03/2024	4.22%	4.25%	808	27,490,000	2,749	2	2,751
17/05/2021	11/05/2026	4.26%	4.28%	1,592	27,150,000	2,715	2	2,717
29/10/2021	23/10/2026	4.95%	4.98%	1,757	10,000,000	1,000	1	1,001
17/05/2021	05/05/2031	7.25%	7.26%	3,412	45,360,000	4,536	42	4,578
29/10/2021	17/10/2031	7.79%	7.81%	3,577	60,000,000	6,000	82	6,082
29/10/2021	25/10/2024	4.93%	4.96%	1,029	30,000,000	3,000	3	3,003
	Allocation discount							(30)
						$		46,152

2020								
Issuance date	**Maturity date**	**Rate**	**Effective rate**	**Term days**	**Number of CEBURES**	**Nominal value**	**Interest**	**Total**
16/07/2012	04/07/2022	5.75%	5.76%	550	15,000,000	$ 1,500	43	1,543
23/11/2012	11/11/2022	5.94%	5.95%	680	20,000,000	2,000	16	2,016
01/03/2013	17/02/2023	5.61%	5.62%	778	30,000,000	3,000	62	3,062
16/12/2014	03/12/2024	6.54%	6.55%	1,433	35,000,000	3,500	15	3,515
27/06/2017	18/06/2024	7.42%	7.70%	1,265	30,000,000	3,000	9	3,009
29/05/2018	18/06/2024	7.42%	7.70%	1,265	21,400,000	2,140	-	2,140
29/05/2018	25/05/2021	TIIE-0.05	7.85%	145	51,200,000	5,120	14	5,134
29/05/2018	23/05/2023	TIIE-0.01	7.87%	873	7,400,000	740	2	742
18/12/2020	15/12/2023	TIIE-0.03	4.49%	1,079	30,000,000	3,000	5	3,005
18/12/2020	10/12/2027	5.68	5.69%	2,535	70,000,000	7,000	14	7,014
	Allocation discount							(43)
						$		31,137

As of December 31, 2021 and 2020, the Institution has issuance of Debt Certificates, each issue is under the protection of a Registration, which is deposited in the S.D. Indeval Institución para el Depósito de Valores, S.A. de C.V.

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The nominal value of each Debt Certificate is \$.0001, the rights and form of redemption is the payment of interest and amortization of the principal on the maturity date. Similarly, the ratio of the authorized amount to the issued amount is 100%.

The features of bank bonds are as follow:

2021						
				Valued in Mexican pesos		
Currency	**Number of bonds**	**Rate**	**Currency source Millions**	**Amount**	**Interest**	**Total**
USD	1 Macrotitle	4.38%	1,000	20,508	189	20,697
Discount as per securities amortization						(19)
					\$	**20,678**

2020						
				Valued in Mexican pesos		
Currency	**Number of bonds**	**Rate**	**Currency source Millions**	**Amount**	**Interest**	**Total**
USD	1 Macrotitle	4.375%	1,000	19,909	183	20,092
Discount as per securities amortization						(24)
					\$	**20,068**

As of December 31, 2021 and 2020, the Institution has placed a Macro Title in the International Market, which is deposited in the Depository Trust Company with a nominal value of 1,000 million US dollars, the rights and form of redemption is the payment of interest and amortization of principal on the maturity date. Likewise, the proportion between the authorized amount and the one issued is 100% and the effective rate is 4.53%.

The total amount of the bonds issued was applied to a floating rate at the date of issue through swaps operations carried out on the following terms:

USD 600 million to $Libor_{3m}$ + 233.45 bp.
USD 400 million to $Libor_{6m}$ + 221.00 bp.

The additional annual cost for the concept of issuance expenses is approximately 4.9bp.

Issuance date:	14/10/2015
Maturity date:	14/10/2025

(Millions of Mexican pesos, unless specified otherwise)

(16) Due to bank and other institutions-

The balances of this item as of December 31, 2021 and 2020 are as follow:

		2021	2020
Immediate enforceability:			
Operations of call money	$	**2,774**	**4,070**
Short-term:			
Guaranteed credit lines		1,269	1,392
Commercial credit lines		13,228	6,968
Implementing agent		218	12
Development banking		20,623	25,874
Federal government loans		-	60
Interest provision		87	93
		35,425	**34,399**
Long-term			
Guaranteed credit lines		25,488	23,499
Implementing agent		5,991	6,028
		31,479	**29,527**
Total	$	**69,678**	**67,996**

As of December 31, 2021, the concepts of the loans are integrated as follow:

a. Immediate enforceability deposits (Call money)

2021					
Counterparty	**Currency**	**Rate**	**Currency source Millions**	**Value in books**	**Average term (days)**
Domestic banks	USD	From 0.08% to 0.08%	135	$ 2,774	3

(Millions of Mexican pesos, unless specified otherwise)

b. Guaranteed credit lines

2021								
				Short-term		Long-term		
Counterparty	Currency	Rate	Currency source Millions	Value in books	Average term (days)	Value in books	Average term (years)	Total
Foreign banks	USD	From 0.05 to 5.50%	1,299	1,269	115	25,373	5	$ 26,642
Domestic banks	MXP	From 4%	115	-	-	115	2	115
				1,269		**25,488**		**$ 26,757**

c. Commercial credit lines

2021								
				Short-term		Long-term		
Counterparty	Currency	Rate	Currency source Millions	Value in books	Average term (days)	Value in books	Average term (years)	Total
Domestic banks	MXP	5.64%	4,000	4,000	-	-	-	$ 4,000
Foreign banks	USD	From 0.25 to 0.57%	450	9,228	87	-	-	9,228
				13,228				**$ 13,228**

d. Implementing agent

2021								
				Short-term		Long-term		
Counterparty	Currency	Rate	Currency source Millions	Value in books	Average term (days)	Value in books	Average term (years)	Total
International bodies	USD	From 1.25 to 1.26%	303	218	121	5,991	13	$ 6,209

e. Development banking

2021								
				Short-term		Long-term		
Counterparty	Currency	Rate	Currency source Millions	Value in books	Average term (days)	Value in books	Average term (years)	Total
Domestic banks	USD	From 0.09 to 0.35%	1,006	20,623	43	-	-	$ 20,623

(Millions of Mexican pesos, unless specified otherwise)

As of December 31, 2020, they are as follow:

a. Deposits of Immediate demand (Call money)

2020					
Counterparty	**Currency**	**Rate**	**Currency source Millions**	**Value in books**	**Average term (days)**
Domestic banks	USD	From 0.08% to 0.10%	204	$ 4,070	4

b. Guaranteed credit lines

2020								
				Short-term		**Long-term**		
Counterparty	**Currency**	**Rate**	**Currency source Millions**	**Value in books**	**Average term (days)**	**Value in books**	**Average term (years)**	**Total**
Foreign banks	USD	From 0.07 to 3.90%	1,246	1,392	84	23,499	6	$ 24,891
				1,392		**23,499**		**$ 24,891**

c. Commercial credit lines

2020								
				Short-term		**Long-term**		
Counterparty	**Currency**	**Rate**	**Currency source Millions**	**Value in books**	**Average term (days)**	**Value in books**	**Average term (years)**	**Total**
Domestic banks	USD	0.12%	10	199	31	-	-	$ 199
Foreign banks	USD	From 0.46 to 0.56%	340	6,769	215	-	-	6,769
				6,968				**$ 6,968**

d. Implementing agent

2020								
				Short-term		**Long-term**		
Counterparty	**Currency**	**Rate**	**Currency source Millions**	**Value in books**	**Average term (days)**	**Value in books**	**Average term (years)**	**Total**
International bodies	USD	From 1.56 to 2.96%	303	12	128	6,028	14	$ 6,040

(Millions of Mexican pesos, unless specified otherwise)

e. Development banking

2020								
				Short-term		Long-term		
Counterparty	**Currency**	**Rate**	**Currency source Millions**	**Value in books**	**Average term (days)**	**Value in books**	**Average term (years)**	**Total**
Domestic banks	USD	From 0.10 to 0.84%	1,300	25,874	99	-	-	$ 25,874

f. Federal Government Loans

2020								
				Short-term		Long-term		
Counterparty	**Currency**	**Rate**	**Currency source Millions**	**Value in books**	**Average term (days)**	**Value in books**	**Average term (years)**	**Total**
Domestic banks	USD	1.95%	3	60	91	-	-	$ 60

Those loans are contracted with domestic and foreign credit institutions without significant concentration on any of them.

The undrawn balances of the committed lines of due to bank and other entities as of December 31, 2021 and 2020, amount to 1,940 and 5,334, respectively.

(17) Sundry creditors and other accounts payable-

As of December 31, 2021 and 2020, the balance of this item is as follows:

		2021	**2020**
Liabilities arising from bank services provided	$	948	1,260
Provisions for exposure to legal and operating risk		197	166
Provisions for sundry obligations		128	213
Other sundry creditors		147	211
Employee benefits		1,351	1,855
Balance of currencies		-	16
Total	**$**	**2,771**	**3,721**

(Millions of Mexican pesos)

This is the analysis of movements of provisions due to exposure to legal and operating risk for the years ended on December 31, 2021 and 2020.

		2021	2020
Balances at beginning of year	$	166	887
Increases /1		53	91
Cancellations		(22)	(1,025)
Exchange effects		-	213
Final balances	**$**	**197**	**166**

(18) Employee benefits-

a. Defined benefit pension plans

The Institution has a defined benefit pension plan that covers all employees who meet the requirements established in the general work conditions, which consists of giving them a pension calculated on the basis of the average salary earned in the last year of services, plus a year-end bonus and vacation premium, to which a percentage based on age and years of service is applied.

The pension plan also covers seniority premiums, which consist of a sole payment equivalent to 12 salary days per year worked based on the most recent salary (which is limited to twice the minimum bank salary in effect at the date of retirement), as well as payment of other retirement benefits, such as, medical expenses, medicines, hospital fees and sports fees.

The "Special savings loan Program (PEA for its acronym in Spanish)" consists of a loan offered by the Institution to its retired and active personnel that can only be used as an investment (time deposit) in the Institution, thus guaranteeing a minimum yield with a difference payable by the Institution against the funding rate.

The respective liability and the annual cost of post-retirement benefits are calculated by an independent actuary using the bases of the plans, the Provisions of the CNBV and FRS D-3 Employee benefits.

In 2021 and 2020, the investment of the funds covers the reserves for labor obligations, without surplus in the Defined Benefit Pension Fund.

Due to the fact that interest rates showed an upward trend during 2021, in the actuarial valuation the increase in the discount rate was made, going from 7.15% as of December 31, 2020 to 8.23% as of December 31, 2021. As a result, the net cost of the period decreased by $77 and actuarial earnings were recognized in other comprehensive income, within the stockholders' equity, for $139. As of December 31, 2020, an additional contribution for $28 was determined and actuarial losses were recognized in other comprehensive income for $123.

In 2021 and 2020, Contributions to the Defined Benefit Pension Fund were of $ 817 and $939, respectively. $131 and $130 were contributed to the PEA fund in 2021 and 2020, respectively.

(Millions of Mexican pesos)

Those contributions include recycling remeasurements of the accumulated balance of plan losses not yet recognized (corridor approach) in the average remaining labor life.

b. Defined contribution pension plan

As from January 1, 2007, the Institution modified the general labor conditions based on the trends and best practices for managing and operating retirement and pension schemes, in order to incorporate the new employees and the employees who decided to migrate from the Defined Benefit System to the Defined Contribution System. This arrangement provides for better control over plan costs and liabilities and makes it possible to maintain a proper cost-benefit ratio for the Institution and its employees, and establishes clear contribution or retirement rules.

This plan integrates the contributions that the Institution makes to the individual accounts opened in the name of each worker, which are divided into two sub-accounts called "A" and "B", respectively. It is also integrated with the voluntary contributions made by the worker to the "B" sub-account and by the returns generated by both sub-accounts, which are jointly identified as the individual account of the worker. The contributions amount to 26 and 24 as of December 31, 2021 and 2020. As of December 31, 2021 and 2020, the Defined Contribution Trust amounts to $245 and $234, respectively.

As of December 31, 2021, the balances shown below are the result of the actuarial valuation carried out by an independent expert:

December 31, 2021

Net cost of the period		**Retirement pensions**	**Seniority premiums**	**Other post-employment benefits**	**PEA and financial cost of loans**	**Total**
Service cost	$	57	2	60	32	151
Net interests		89	1	52	19	161
Remeasurement recycling		353	2	201	80	636
	$	**499**	**5**	**313**	**131**	**948**

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Financial position

		Retirement pensions	Seniority premiums	Other post-employment benefits	PEA and financial cost of loans	Total
Defined benefit obligation (DBO)		(9,924)	(35)	(7,498)	(3,578)	(21,035)
Fair value of plan assets		9,022	17	6,720	3,410	19,169
Net (liability) assets as per defined Benefit (NLDB)/NADB)		**(902)**	**(18)**	**(778)**	**(168)**	**(1,866)**
Accumulated actuarial losses pending to be recognized in Other Comprehensive Income (OCI) (stockholders´ equity)		337	2	219	78	636
(Earnings) / Losses recognized in OCI (Stockholders´ equity) pending to be recycled in income of the year		565	16	562	90	1,233
Accumulated actuarial losses pending to be recognized in OCI and in the statement of income	**$**	**902**	**18**	**781**	**168**	**1,869**
Reserve balance at the beginning of the year	$	-	-	(3)	-	(3)
Net cost of the period		499	5	313	131	948
Contributions to the fund		(499)	(5)	(313)	(131)	(948)
Reserve balance at the end of the year		**-**	**-**	**(3)**	**-**	**(3)**

(Millions of Mexican pesos)

		Retirement pensions	Seniority premiums	Other post-employment benefits	PEA and financial cost of loans	Total
Net liabilities (assets) as per defined benefits at the beginning of the period	$	1,645	10	948	327	2,930
Net cost of the period		499	5	313	131	948
Contributions made		(499)	(5)	(313)	(131)	(948)
Payments charged to the reserve		-	-	-	-	-
Remeasurement recycling pending to be recognized in OCI		(121)	-	(77)	(28)	(226)
Remeasurement recycling recognized in OCI		(232)	(2)	(124)	(52)	(410)
Net liabilities (assets) remeasurements for defined benefits recognized in OCI		(390)	10	31	(79)	(428)
Net liability (assets) for defined benefits NLDB/(NADB)		**902**	**18**	**778**	**168**	**1,866**

Based on the Resolution that amends the general Provisions applicable to lending institutions published on December 31, 2015, the Institution opted to start the recognition of remeasurements of the accumulated balance of actuarial losses of the accumulated plan up to 2015 as from 2021, by recognizing 20% of those balances as of the initial application and an additional 20% in each subsequent year, which must be recognized at the end of each period.

The Institution provided timely notice to the CNBV of its decision to apply the option specified in the Transitory Article Three of the General Provisions Applicable to Credit Lending Institutions.

As of December 31, 2021, the remeasurements of liabilities (assets) from Defined Benefits, net, determined during the actuarial valuation are as follow.

Reconciliation of the gains and losses of the plan as of December 31, 2021

		Retirement pensions	Seniority premiums	Other post-employment benefits	PEA and financial cost of loans	Total
Remeasurement pending to be recognized in OCI Actuarial (earnings)/losses in obligations at the beginning of the year	$	428	1	136	92	657
Recycling		(90)	-	(29)	(19)	(138)
Recognition of the 20%		(86)		(27)	(18)	(131)
(Actuarial (earnings)/losses in obligations at the end of the year		252	1	80	55	388
(Earnings)/losses in the return of plan assets at the beginning of the fiscal year		145	2	233	41	421
Recycling		(31)	-	(48)	(9)	(88)
Recognition of the 20%		(29)	-	(47)	(8)	(84)
(Earnings)/losses in the return of plan assets at the end of the fiscal year		85	2	138	24	249
Total remeasurements pending to be recognized in the OCI	$	337	3	218	79	637

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		Retirement pensions	Seniority premiums	Other post-employment benefits	PEA and financial cost of loans	Total
Remeasurements recognized in OCI						
Actuarial (earnings)/losses in obligations at the beginning of the year	$	1,386	6	809	280	2,481
Recycling		(268)	(2)	(157)	(53)	(480)
Recognition of the 20%		86	-	27	18	131
Actuarial (earnings)/losses in obligations of the year		(730)	11	(160)	(276)	(1,155)
Actuarial (earnings)/losses in obligations at the end of the year		474	15	519	(31)	977
(Earnings)/losses in the return of plan assets at the beginning of the year		(314)	1	(227)	(86)	(626)
Recycling		36	-	33	1	70
Recognition of the 20%		29	-	47	8	84
(Earnings)/losses in the return of plan assets of the year		340	(1)	191	197	727
(Earnings)/losses in the return of plan assets at the end of the year		91	-	44	120	255
Remeasurements recognized in another comprehensive result		565	15	563	89	1,232
Total remeasurements						
Actuarial (earnings)/losses in obligations at the end of the year		726	16	599	24	1,365
(Earnings)/losses in the return of plan assets at the end of the year		176	2	182	144	504
Total remeasurements	**$**	**902**	**18**	**781**	**168**	**1,869**

The Institution has accumulated actuarial losses pending to be recognized as of December 31, 2021, in the OCI for $637, in compliance with the option exercised of deferring such recognition according to the resolution that modifies the general regulations applicable to Financial Institutions, as published in the Federal Official Gazette on December 31, 2015.

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As of December 31, 2021, the results of the actuarial valuation estimate a net cost of the period of $716 for 2022.

	Retirement pensions	Seniority premiums	Other post-employment benefits	PEA and financial cost of loans
Average remaining working life (ARWL)	4.02 years	4.98 years 21.00 years	4.03 years 25.17 years	4.02 years
Actuarial assumptions:				
Estimated discount rate	8.23%	8.23%	8.23%	8.23%
Increase rate of Officer wages	3.50%	3.50%	3.50%	3.50%
Increase rate of Employee wages	4.00%	4.00%	4.00%	4.00%
Increase rate of medical expenses	N/A	N/A	7.60%	N/A
Estimated yield rate	8.23%	8.23%	8.23%	8.23%

December 31, 2020

Net cost of the period		Retirement pensions	Seniority premiums	Other post-employment benefits	PEA and financial cost of loans	Total
Service cost	$	59	2	57	34	152
Net interests		88	1	98	20	207
Remeasurement recycling		312	1	321	76	710
	$	**459**	**4**	**476**	**130**	**1,069**

Financial position

		Retirement pensions	Seniority premiums	Other post-employment benefits	PEA and financial cost of loans	Total
Defined benefit obligation (DBO)		(10,496)	(25)	(7,297)	(3,750)	(21,568)
Fair value of plan assets		8,851	15	6,349	3,423	18,638
Net (liability) assets as per defined Benefits NLDB/(NADB)		**(1,645)**	**(10)**	**(948)**	**(327)**	**(2,930)**
Accumulated actuarial losses pending to be recognized in OCI (Stockholders´ equity)		573	3	369	133	1,078
(Earnings) / Losses recognized in OCI (Stockholders´ equity) pending to be recycled in results of the year		1,072	7	582	194	1,855
Accumulated actuarial losses pending to be recognized in the OCI and in the statement of income	$	**1,645**	**10**	**951**	**327**	**2,933**

(Millions of Mexican pesos)

		Retirement pensions	Seniority premiums	Other post-employment benefits	PEA and financial cost of loans	Total
Reserve balance at beginning of the year	$	-	-	(3)	-	(3)
Net cost of the period		459	4	476	130	1,069
Contributions to the fund		(459)	(4)	(476)	(130)	(1,069)
Reserve balance at the end of the year	**$**	-	-	(3)	-	(3)

Financial position

		Retirement pensions	Seniority premiums	Other post-employment benefits	PEA and financial cost of loans	Total
Net liability (assets) as per defined benefits at the beginning of the period	$	1,299	7	1,783	358	3,447
Net cost of the period		459	4	476	130	1,069
Contributions made		(459)	(4)	(476)	(130)	(1,069)
Payments charged to the reserve		-	-	-	-	-
Remeasurement recycling pending to be recognized in the OCI		(145)	-	(92)	(34)	(271)
Recognized remeasurement recycling in the OCI		(167)	(1)	(228)	(42)	(438)
Net remeasurements of liability (assets) as per defined benefits in the OCI		658	4	(515)	45	192
Net liability (assets) as per defined benefits NLDB/(NADB)		**1,645**	**10**	**948**	**327**	**2,930**

Based on the Resolution that amends the general Provisions applicable to lending institutions published on December 31, 2015, the Institution opted to start the recognition of remeasurements of the accumulated balance of actuarial losses of the accumulated plan up to 2015 as from 2021, by recognizing 20% of those balances as of the initial application and an additional 20% in each subsequent year, which must be recognized at the end of each period.

The Institution provided timely notice to the CNBV of its decision to apply the option specified in the Transitory Article Three of the General Provisions Applicable to Credit Lending Institutions.

As of December 31, 2020, the liability (assets) remeasurements as per Defined Benefits in the actuarial valuation are detailed as follow.

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Reconciliation of the gains and losses of the plan as of December 31, 2020

		Retirement pensions	Seniority premiums	Other post-employment benefits	PEA and financial cost of loans	Total
Remeasurements pending to be recognized in the OCI (earnings)/actuarial losses at the beginning of the year	$	537	1	170	115	823
Recycling		(109)	-	(34)	(23)	(166)
Actuarial (earnings)/losses in obligations at the end of the year		428	1	136	92	657
(Earnings)/losses in the return of the plan assets at the beginning of the year		182	2	292	51	527
Recycling		(37)	-	(59)	(10)	(106)
(Earnings)/losses in the return of the plan assets at the end of the year		145	2	233	41	421
Total remeasurements pending to be recognized in the OCI	$	573	3	369	133	1,078
Remeasurements recognized in the OCI						
(Earnings)/losses in obligations at the beginning of the year	$	559	3	1,347	179	2,088
Recycling		(188)	(1)	(251)	(49)	(489)
Actuarial (earnings)/losses in obligations of the year		1,015	4	(287)	150	882
Actuarial (earnings)/losses in obligations at the end of the year		1,386	6	809	280	2,481
(Earnings)/losses in the return of the plan assets at the beginning of the year		22	1	(22)	12	13
Recycling		21	-	23	7	51
(Earnings)/losses in the return of the plan assets of the year		(357)	-	(228)	(105)	(690)
(Earnings)/losses in the return of the plan assets at the end of the year		(314)	1	(227)	(86)	(626)
Remeasurements recognized in other comprehensive income		1,072	7	582	194	1,855
Total remeasurements						
Actuarial (earnings)/losses in obligations at the end of the year		1,814	7	945	372	3,138
(Earnings)/losses in the return of the plan assets at the end of the year		(169)	3	6	(45)	(205)
Total remeasurements	**$**	**1,645**	**10**	**951**	**327**	**2,933**

The Institution has accumulated actuarial losses pending to be recognized as of December 31, 2020, in the OCI for $1,078, which will be recognized as from 2021, in compliance with the option exercised, of deferring such recognition according to the resolution that modifies the general regulations applicable to Financial Institutions, as published in the Federal Official Gazette on December 31, 2015.

(Millions of Mexican pesos)

As of December 31, 2020, the results of the actuarial valuation estimate a net cost of the period of $1,025 for 2021.

	Retirement pensions	Seniority premiums	Other post-employment benefits	PEA and financial cost of loans
Average remaining working life (ARWL)	4.20 years	5.10 years 21.18 years	4.20 years 25.44 years	4.20 years
Actuarial assumptions:				
Estimated discount rate	7.15%	7.15%	7.15%	7.15%
Increase rate of Officer wages	3.50%	3.50%	3.50%	3.50%
Increase rate of Employee wages	4.00%	4.00%	4.00%	4.00%
Increase rate of medical expenses	N/A	N/A	7.35%	N/A
Estimated yield rate	7.15%	7.15%	7.15%	7.15%

c. Defined benefit pension plans

The risk indicators are presented at the sessions of the Technical Committees of the Trusts of the Defined Benefit Pension Fund and PEA Fund, which is the highest authority in the decision making of the Trusts and has the responsibility of authorizing the investment regime and monitor compliance with the risk management policies of the Trusts.

The risk indicators and control levels of the Siefores are taken as a reference, in accordance with what is authorized by the Technical Committees.

The risks to which the plan assets are exposed are the following:

Credit risk- Credit risk represents the potential loss that a financial instrument issuer may cause to the counterparty, by failing to meet its obligations, and originates mainly from accounts receivable and investments in debt instruments.

Liquidity Risk- Liquidity risk is the risk that the Trust has difficulties in complying with its obligations associated with its financial liabilities that are settled through the delivery of cash or other financial assets. The Trust's approach to manage liquidity is to ensure, to the greatest extent possible, that it will always have sufficient liquidity to meet its obligations when they expire, both under normal and tense conditions, without incurring unacceptable losses or risking the reputation of the Trust.

Market Risk- Market risk is the risk that changes in market prices, for example, in exchange rates, interest rates or share prices, affect the income of the Trust or the value of the financial instruments that it maintains. The objective of market risk management is to manage and control exposures to this risk within reasonable parameters and at the same time to optimize profitability.

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The Fund Assets of Defined Benefit Pensions are integrated by the years ended on December 31, 2021 and 2020 as follows:

		2021	2020
Cash and cash equivalents	$	1,442	1,333
Government bonds		8,061	8,542
Quoted bank securities		2,454	1,975
Quoted corporate debt securities		1,974	1,753
Quoted shares		815	790
National variable income		657	580
International variable income		356	242
	$	**15,759**	**15,215**

Credit risk: The possible loss caused by default of counterparties represents 0.19% and 0.08%, with respect to the total financial instruments held as of December 31, 2021 and 2020, respectively.

	2021			2020		
Type of instrument	**Position**	**Credit Risk***	**CR %**	**Position**	**Credit Risk***	**CR %**
Variable Income	1,825	0.00	0.00%	1,611	0.00	0.00%
Fixed Rate	4,273	11.61	0.27%	3,756	12.28	0.33%
Actual Rate	5,994	11.30	0.19%	6,152	4.7	0.08%
Reviewable Rate	3,667	6.70	0.18%	3,696	3.29	0.09%
Total	**15,759**	**29.61**	**0.19%**	**15,215**	**20.27**	**0.13%**

* It is not applicable to securities issued by the Federal Government (Cetes), debt vehicles (Bondes, Udibonos, etc.) and counterparties in purchase/sale operations.

Liquidity Risk: It can be seen that liquidity risk is controlled by virtue of representing 0.73% and 0.73% of the total financial instruments as of the end of December 2021 and 2020.

	2021			2020		
Type of instrument	**Position (a)**	**Liquidity Risk (LR) (b)**	**LR % (b/a)**	**Position (a)**	**Liquidity Risk (LR) (b)**	**LR % (b/a)**
Variable Income	1,825	6.0	0.33%	1,611	8.7	0.54%
Fixed Rate	4,273	33.9	0.79%	3,756	25.1	0.67%
Actual Rate	5,994	73.1	1.22%	6,152	73.3	1.19%
Reviewable Rate	3,667	1.5	0.04%	3,696	3.4	0.09%
Total	**15,759**	**114.5**	**0.73%**	**15,215**	**110.5**	**0.73%**

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Market Risk: The Value at Risk (VaR) corresponds to 0.26% and 0.17%, with respect to the total financial instruments held as of December 31, 2021 and 2020, respectively, percentages that fall within the authorized limit of 1.40%.

Type of instrument	2021 Position	2021 VaR	2021 VaR*%	2021 Limit	2020 Position	2020 VaR	2020 VaR*%	2020 Limit
Variable Income	1,825	5.0	0.27%	0.70%	1,611	1.3	0.08%	0.70%
Fixed Rate	4,273	19.2	0.45%	0.70%	3,756	7.7	0.20%	0.70%
Actual Rate	5,994	16.1	0.27%	0.70%	6,152	17.6	0.29%	0.70%
Reviewable Rate	3,667	0.0	0.00%	0.70%	3,696	0.0	0.00%	0.70%
Total	**15,759**	**40.3**	**0.26%**	**0.70%**	**15,215**	**26.6**	**0.17%**	**0.70%**

* One day VaR consumption with a confidence level of 95%

The PEA Fund Assets are integrated by the years ended on December 31, 2021 and 2020 as follow:

		2021	2020
Cash and cash equivalents	$	723	826
Government bonds		2,485	2,399
Quoted corporate debt securities		202	198
	$	**3,410**	**3,423**

Credit Risk: The possible loss caused by counterparty default recorded 0.14% and 0.02% at the end of December 2021 and 2020, respectively.

Type of instrument	2021 Position	2021 Credit Risk*	2021 CR %	2020 Position	2020 Credit Risk*	2020 CR %
Fixed Rate	1,110	0.09	0.01%	1,027	0.09	0.01%
Actual Rate	1,057	0.00	0.00%	1,059	0.00	0.00%
Reviewable Rate	1,243	4.65	0.37%	1,337	0.65	0.05%
Total	**3,410**	**4.74**	**0.14%**	**3,423**	**0.75**	**0.02%**

* It is not applicable to securities issued by the Federal Government (Cetes), debt vehicles (Bondes, Udibonos, etc.) and counterparties in purchase/sale operations.

(Millions of Mexican pesos)

Liquidity Risk: It is controlled by virtue of representing 0.69% and 0.56% of the portfolio position at the end of December 2021 and 2020, respectively.

	2021			2020		
Type of instrument	**Position (a)**	**Liquidity Risk (LR) (b)**	**LR % (b/a)**	**Position (a)**	**Liquidity Risk (LR) (b)**	**LR % (b/a)**
Fixed Rate	1,110	6.05	0.54%	1,027	4.17	0.41%
Actual Rate	1,057	17.32	1.64%	1,059	14.28	1.35%
Reviewable Rate	1,243	0.26	0.02%	1,337	0.64	0.05%
Total	**3,410**	**23.63**	**0.69%**	**3,423**	**19.08**	**0.56%**

Market Risk: VaR* consumption in general and by type of instrument is within the authorized limit.

	2021				2020			
Type of instrument	**Position**	**VaR**	**VaR*%**	**Limit**	**Position**	**VaR**	**VaR*%**	**Limit**
Fixed Rate	1,110	3.6	0.3%	0.70%	1,027	1.7	0.16%	0.70%
Actual Rate	1,057	6.7	0.6%	0.70%	1,059	5.2	0.50%	0.70%
Reviewable Rate	1,243	0.0	0.0%	0.70%	1,337	0.0	0.00%	0.70%
Total	**3,410**	**10.2**	**0.3%**	**0.70%**	**3,423**	**6.9**	**0.20%**	**0.70%**

* One day VaR with a trust level of 95%
** Basic Pension Group Limit (least of 3)

(19) Income Tax (IT) and Employee Statutory Profit Sharing (ESPS)-

The Income Tax Law in effect from January 1, 2014 provides a rate of 30% for 2014 and thereafter.

In the income of the period (expense) income:		**2021**	**2020**
Current IT	$	(6)	(7)
Deferred IT		450	1,223
Total IT in the statement of income	**$**	**444**	**1,216**

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Reconciliation of the effective rate of tax on profit with the rate of the tax incurred

The net benefit of taxes of $444 and $1,216 attributable to the loss before taxes on profit of $3,002 and $3,179 in 2021 and 2020, respectively, was different from the one resulting of applying the rate of 30% of Income Tax to such loss, as a result of the following items:

		2021	2020
Expected expense (30% of the loss before taxes on profit)	$	(900)	(954)
Increase (reduction) resulting from:			
Tax effect of inflation, net		(616)	(218)
Non-deductible expenses		11	12
Contributions to Fidapex		100	-
Exchange fluctuation of allowance for loan losses		16	(316)
Non-deductible employee benefits		129	142
Change in the reserve of assets valuation as per deferred taxes		789	(254)
Others, net		27	372
Income tax (benefit) expense	$	**(444)**	**(1,216)**

Deferred tax assets and liabilities are determined using the tax rates that are expected to apply in the period in which the asset is realized or the liability is cancelled, the current Income Tax Law establishes a 30% rate and modifications are not expected in later years, so the 30% rate is used to determine deferred taxes.

The income tax effects of temporary differences that originate significant portions of assets and liabilities of deferred tax on profit, as of December 31, 2021 and 2020 are as follow:

		2021	2020
Deferred assets			
Allowance for loan losses	$	4,968	3,769
Collected fees		207	230
Estimation of foreclosed assets and others		17	12
Tax losses pending to be amortized		330	190
		5,522	4,201
Deferred liabilities			
Legal and deferred ESPS	$	(503)	(340)
Investment valuation in securities and derivatives		(135)	(221)
Paid fees		(4)	(4)
Payments in advance		(27)	(16)
Properties, furniture and equipment		(74)	(80)
		(743)	(661)
Valuation reserve of deferred assets		(1,152)	(363)
Deferred assets, net	$	**3,627**	**3,177**

Estimate for deferred Income Tax

The estimate or valuation reserve of deferred assets as of January 1, 2021 and 2020 was $363 and $617, respectively. The net change in the valuation reserve, for the years ended December 31, 2021 and 2020, was $789 and $(254) respectively.

As indicated in Note (3) Summary of the main accounting policies, subsection (t) Income tax (ISR) and employees´ statutory profit sharing (ESPS), when evaluating the recovery of deferred taxes, the Institution considers the probability that part or all of them will not be recovered, recognizing an estimate for non-recoverable deferred tax.

Until December 31, 2020, the estimate for deferred taxes was related to the Allowance for Loan Losses from borrowers qualified in risk levels of A-1 and additional reserves; in 2021, the accounting policy for the registration of deferred taxes derived from credit reserves was re-evaluated, in alignment with the applicable accounting regulations and within the framework of the financial position of the Institution.

As of December 31, 2021, the estimate for deferred taxes is related to the Allowance for Loan Losses coming from 1) borrowers qualified in risk levels from A-1 to C-2, 2) additional reserves and 3) credits eliminated from the assets according to criterion B-6 that have undergone some restructuring and have complied with the payments, since it is considered that the deferred taxes will not be recoverable in the short and medium term since there is a low probability, determined based on matrixes of transition, that the borrowers rated at these risk levels, or that the additional reserves or the credits eliminated restructured in compliance with payments, generate a deductible penalty for the Institution in the short and medium term, in addition to the fact that, if the credit quality of a borrower classified in these levels deteriorates passing to D and E risks or the additional reserves become specific reserves, in the rating of the portfolio would reflect the effect of the new classification in a higher degree of risk, thus generating the respective deferred tax without estimates.

Additionally, in a prudential manner and in order to mitigate the effect of recording income and expenses for deferred taxes derived from tax losses, their materialization and subsequent reversal according to the behavior observed in the last three years, Bancomext determined to generate the estimate of the tax deferred from tax losses from previous years.

In terms of FRS B-1 "Accounting Changes and Error Corrections", the change in the accounting estimate of deferred taxes was recognized through its prospective application. The effect of the change in the deferred tax estimate as of December 31, 2021 represented a reduction in deferred tax assets and income in favor of deferred tax assets (expense), by 878 in deferred Income Tax and 203 in deferred ESPS.

It is important to point out that the final realization of the deferred taxes depends on the generation of the taxable income; according to the historical behavior, the trend of the projections and the planning strategies, the Institution considers that it will obtain tax profits against which the deferred taxes will materialize in the future.

(Millions of Mexican pesos)

The accounting – tax reconciliation for the Institution and its subsidiary DIESA for the years ended on December 31, 2021 and 2020 is as follows:

		2021		**2020**	
		Institution	Subsidiary Diesa	Institution	Subsidiary Diesa
Income before taxes on profit	$	(3,021)	18	(3,183)	23
Increase (reduction) resulting from:					
Tax effect of inflation, net		(2,055)	-	(727)	-
Non-deductible expenses		37	1	39	2
Contributions to Fidapex		335	-	-	-
Non-deductible employee benefits		432	-	476	-
Allowance for loan losses, net of write-offs		3,809	-	4,146	-
Valuation of investment securities and derivatives		281	-	(15)	-
Prepaid collections, net		(78)	-	(93)	-
Legal and deferred ESPS, net of ESPS paid in the fiscal year		(236)	-	(378)	-
Others, net		31		(405)	-
IT base	$	(465)	19	(140)	25
IT rate		30%	30%	30%	30%
Current income tax		-	**6**	-	**7**

For the year ended on December 31, 2021 and 2020, a tax loss of $465 and $140 was determined, respectively, which may be reduced from the tax profit of the following ten years until it is finished and will be updated in accordance with the provisions of the Income Tax Law.

Tax Losses

These are the tax losses pending to be amortized as of December 31, 2021:

Year	Amount	Expiration Period
2019	493	2029
2020	140	2030
2021	465	2031

(Millions of Mexican pesos)

Legal and deferred ESPS

The (benefit) expense for the legal and deferred ESPS is as follows:

		2021	2020
Income of the period:			
Legal ESPS	$	-	-
Deferred ESPS		(236)	(381)
	$	**(236)**	**(381)**

The ESPS effects of temporary differences originating significant portions of the assets and liabilities of deferred ESPS, as of December 31, 2021 and 2020 are as follow:

		2021	2020
Deferred assets			
Allowance for loan losses	$	1,656	1,256
Collected fees		69	77
Estimation of foreclosed assets and others		6	4
Others		1	1
		1,732	1,338
Deferred liabilities			
Valuation of investment securities and derivatives	$	(45)	(74)
Paid fees		(1)	(1)
Properties, furniture and equipment		-	(1)
Payments in advance		(9)	(5)
		(55)	(81)
Valuation reserve of deferred assets		(304)	(121)
Deferred assets, net	**$**	**1,373**	**1,136**

Estimate for deferred ESPS

The valuation reserve for deferred assets as of January 1, 2021 and 2020 was $121 and $206, respectively. The net change in the valuation reserve, for the years ended December 31, 2021 and 2020, was $183 and $(85), respectively.

The origin of this item is described in the paragraphs corresponding to the Estimate for deferred income tax.