

**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 Based on the provisions published in the June 24, 2002 Official Gazette, the Ministry of Finance amended, added and repealed various provisions thereof, especially aspects regarding the objectives, operations, administration, supervisions and authority of the Board of Directors of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.

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<u>Subsidiary</u>	<u>Ownership</u>	<u>Activity</u>
Desarrollo Inmobiliario Especializado, S. A. de C. V.	99.20% (Series "A")	- The acquisition, lease, administration, disposal and use of real estate.
	100.00% (Series "B")	- 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.

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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.

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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:

December 31	UDI	Inflation	
		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%

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(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.

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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.

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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.

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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.

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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.

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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.

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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.

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- 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.

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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.

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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:

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- 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.

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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
<i>Business or commercial activities</i>	Restructuring	5,294	8,260
<i>Financial entities</i>	Restructuring	2,103	4,251
Consumer Loans	Restructuring	2	3
Mortgage Loans		17	18
<i>Medium-sizes and residential</i>	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.

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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.

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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.

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- 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:

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- 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.

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(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:

$$R_i = P_{li} \times SP_i \times E_{li}$$

Where:

R_i	Amount of allowance for loan losses to be set up
P_{li}	Probability of default on the loan
SP_i	Severity of loss
E_{li}	Exposure to default on the loan

E_{li} must be calculated monthly and P_{li} and SP_i , at least quarterly

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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.

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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.

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(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.

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a) Collection rights or movable property

Time elapsed as of foreclosure in <u>Lieu payment (months)</u>	Reserve <u>percentage (%)</u>
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 <u>Lieu payment (months)</u>	Reserve <u>percentage (%)</u>
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).

(I) 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.

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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 lived-in 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.

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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.

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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.

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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.

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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.

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(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.

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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 owed 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.

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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	Exchange rate in Mexican pesos	Mexican pesos
	Currency source	Currency source	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	Exchange rate in Mexican pesos	Mexican pesos
	Currency source	Currency source	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	

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Deposits in foreign banks:

	2021		2020	
	Currency source thousand s	Mexican Pesos	Currency source thousand s	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 thousand s	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:

Instrument	2021				2020			
	Acquisition cost	Accrued interest	Increase (decrease) for valuation	Fair value	Acquisition cost	Accrued interest	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:

Instrument	2021				2020			
	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

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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.

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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	Thousands in currency source			Mexican pesos	
			Principal	Interest	Total	2021	2020
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	Thousands in currency source			Mexican pesos	
			Principal	Interest	Total	2021	2020
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

			Thousan ds	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".

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(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

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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.

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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.

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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
<i>Portfolio in foreign currency, valued in national currency:</i>						
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
<i>Portfolio in national currency:</i>						
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:

Sector per economic activity	2021		2020	
	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					
Type of portfolio:	Restructured and renewed loan				Modified
	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
					\$
	<u>\$ 1,541</u>	<u>\$ -</u>	<u>\$ 70,495</u>	<u>\$ -</u>	<u>12,491</u>
2020					
Type of portfolio:	Restructured and renewed loan				Modified
	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
					\$
	<u>\$ 496</u>	<u>\$ -</u>	<u>\$ 67,767</u>	<u>\$ 1,075</u>	<u>16,104</u>

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-

Type of loan	2021			2020		
	Interests accrued	Commissio ns accrued	Total	Interests accrued	Commission s 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	
		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.

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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.

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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.

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(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	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

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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	TIE 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 $\text{Libor}_{3m} + 233.45 \text{ bp.}$

USD 400 million to $\text{Libor}_{6m} + 221.00 \text{ bp.}$

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

Issuance date: 14/10/2015

Maturity date: 14/10/2025

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(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

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b. Guaranteed credit lines

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

e. Development banking

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

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

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e. Development banking

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

f. Federal Government Loans

2020								
Counterparty	Currency	Rate	Currency source Millions	Short-term		Long-term		Total
				Value in books	Average term (days)	Value in books	Average term (years)	
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

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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.

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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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	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)

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	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

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	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.

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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 Siefors 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.

Type of instrument	2021			2020		
	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	<u>3,667</u>	<u>6.70</u>	0.18%	<u>3,696</u>	<u>3.29</u>	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.

Type of instrument	2021			2020		
	Position LR %	Liquidity	LR %	Position	Liquidity	
	(a)	Risk (LR) (b)	(b/a)	(a)	Risk (LR) (b)	(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	<u>3,667</u>	<u>1.5</u>	0.04%	<u>3,696</u>	<u>3.4</u>	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 VaR*%	2021				2020			
	Position Limit	VaR	VaR*%	Limit	Position	VaR		
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	<u>3,667</u>	<u>0.0</u>	0.00%	0.70%	<u>3,696</u>	<u>0.0</u>	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			2020		
	Position	Credit Risk*	CR %	Position	Credit Risk*	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	<u>1,243</u>	<u>4.65</u>	0.37%	<u>1,337</u>	<u>0.65</u>	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.

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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.

	<u>2021</u>			<u>2020</u>		
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	<u>1,243</u>	<u>0.26</u>	0.02%	<u>1,337</u>	<u>0.64</u>	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.

	<u>2021</u>				<u>2020</u>			
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	<u>1,243</u>	<u>0.0</u>	0.0%	0.70%	<u>1,337</u>	<u>0.0</u>	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:	<u>2021</u>	<u>2020</u>
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)
<i>Increase (reduction) resulting from:</i>			
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

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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.

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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
<i>Increase (reduction) resulting from:</i>				
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

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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.

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(20) Subordinated debt issue-

In August 2016, the Institution issued subordinated debt in the international capital markets. The hybrid instrument was contemplated in calculating the supplementary portion of the Institution's capital, which made it possible to increase its net capital index. Additionally, since the Institution's capital is expressed in US Dollars, the issue in US dollars provided a natural hedge for the capital index against fluctuations in the peso/US Dollar exchange rate.

On August 11, 2021, the early settlement of this USD\$700 million subordinated bond was achieved, with a rate of 3.80% and maturity on August 11, 2026, at 100% of the principal amount plus accrued and unpaid US interest for USD \$13 million. The option of early payment by the issuer ("Call option"), was contemplated within the terms of the transaction, without penalty on 100% of the principal.

Similarly, on the same date, a new issuance of subordinated and sustainable bonds was carried out in the international market for USD\$ 500 million, with a term of 10 years, which also computes in the complementary part of the capital of the Institution.

Following are the features of the subordinated debt issued in 2021:

2021							
Number of securities	Nominal value	Rate	Currency	Currency source Millions	Valued Mexican pesos		
					Amount	Interest	Total
500,000	1,000 USD	2.72%	USD	500	10,254	108	10,362
Discount for securities amortization							-
Effect by valuation of covered position							-
					\$		10,362

Principal amount issued:	USD 500 million
Coupon rate:	2.72% half yearly fixed
Yield:	2.72%
Price:	100.00
Term:	10 years
Early payment option ("Call"):	As from fifth anniversary (11/08/2026)
Format:	144A and Regulation S
Date of issuance:	August 11, 2021
Date of maturity:	August 11, 2031
Payment of principal:	Amortization at maturity or at "call"
Demand:	2.2 times the amount issued

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The features of the subordinated debt issued in 2016 and in force as of December 31, 2020 are as follow:

2020							
					Valued Mexican pesos		
Number of securities	Nominal value	Rate	Currency	Currency source Millions	Amount	Interest	Total
700,000	1,000 USD	3.80%	USD	700	13,936	204	14,140
Discount for securities amortization							(73)
Effect by valuation of covered position							39
					\$		14,106

The rights and form of redemption is the payment of interest every 180 days and amortization of the principal on the due date. Likewise, the ratio of the authorized amount to the issued amount is 100%. The additional annual cost for issuance expenses is approximately 6.0 bp and the effective rate is 2.78%.

Principal amount issued:	USD 700 million
Coupon rate:	3.80% half yearly fixed
Yield:	4.032%
Price:	98.959
Term:	10 years
Early payment option ("Call")	At fifth anniversary (11/08/2021)
Format:	144A and Regulation S
Date of issuance:	August 11, 2016
Date of maturity:	August 11, 2026
Payment of principal:	Amortization at maturity or at "call"
Demand:	8 times the amount initially offered

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(21) Stockholders' Equity-

a. The stockholders' equity as of December 31, 2021 and 2020 is as follows:

		2021		
	Number of CAP*	Nominal Value	Restatement effects	Total
Subscribed:				
Series A	258,883,525	\$ 25,889	627	26,516
Series B	113,364,240	13,336	323	13,659
Subtotal	392,247,765	39,225	950	40,175
Contributions for future capital stock increases formalized by the Institution's Governing body		3,060	-	3,060
Share premium		71	10	81
Capital reserve		166	688	854
Prior years' income		(3,869)	(1,154)	(5,023)
Result from valuation of available for sale securities		16	-	16
Remeasurements of employee defined benefits		(1,234)	-	(1,234)
Result from holding non-monetary assets		-	(25)	(25)
Net income		(2,452)	(10)	(2,462)
Total	392,247,765	\$ 34,983	459	35,442

* Certificates of Capital Contribution (CAP's for its acronym in Spanish).

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	2020			
	Number of CAP*	Nominal Value	Restatement effects	Total
Subscribed:				
Series A	178,755,098	\$ 17,875	627	18,502
Series B	92,085,960	9,209	323	9,532
Subtotal	270,841,058	27,084	950	28,034
Contributions for future capital stock increases formalized by the Institution's Governing body		12,141	-	12,141
Share premium		71	10	81
Capital reserve		166	688	854
Prior years' income		(1,899)	(1,161)	(3,060)
Result from valuation of available for sale securities		11	-	11
Remeasurements of employee defined benefits		(1,855)	-	(1,855)
Result from holding non-monetary assets		-	(25)	(25)
Net income		(1,970)	7	(1,963)
Total	270,841,058	\$ 33,749	469	34,218

- b. The capital stock is represented by nominative Certificates of Capital Contribution (CAP); without coupons and is divided into the following series:

Series "A" comprising at all times 66% of the Institution's capital stock and it may only be subscribed by the Federal Government; a sole bond will be issued, which will be non-transferable and in no case may its nature or the rights that it confers to the Federal Government be changed.

Series "B" comprises 34% of the capital stock and it may be issued in one or several bonds of equal value. They may be subscribed by the Federal Government, the Governments of the different States and Municipalities or by Mexican individuals or business entities of the social and private sectors, preference given to parties associated to foreign trade activities. No individual or business entity may take control of the bonds for more than 5% of the capital paid to the Institution. In no case may foreign individuals or business entities hold interest in the capital stock, nor Mexican companies whose bylaws do not include a clause for direct and indirect exclusion of foreigners.

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On March 27, 2020, the agreement was published in the Official Gazette by which article 7, first paragraph of the Institution's Organic Regulations, is modified, which establishes the following: The authorized capital stock is \$45,000, which will be represented by 297,000,000 and 153,000,000 CAP Series "A" and "B", respectively, with a nominal value of 100 pesos per share.

On December 16, 2021, through ordinary session, the Board of Directors of the Institution agreed to propose to the Ministry of Finance to carry out the modification of the amount of the capital stock subscribed and paid to the amount of \$42,285, represented by 279,079,525 and 143,768,240 of CAPs Series "A" and "B", respectively, with a nominal value of \$100 pesos each, in order to formalize the contribution made by the Federal Government on November 29, 2021 for \$3,060. As of December 31, 2021, the respective CAPs are in the process of issuance.

On February 24, 2021, through ordinary session, the Board of Directors of the Institution agreed to propose to the Ministry of Finance to carry out the modification of the amount of the capital stock subscribed and paid to the amount of \$39,225, represented by 258,883,525 and 133,364,240 of CAPs Series "A" and "B", respectively, with a nominal value of \$100 pesos each, in order to formalize the contribution made by the Federal Government on December 31, 2020 for \$4,108. In July 2021, this contribution was formalized with the issuance of the respective CAPs.

In a meeting held on March 7, 2019, the Board of Directors of the Institution agreed to propose to the Ministry of Finance to carry out the modification of the amount of the capital stock subscribed and paid to the amount of \$30,470 for the contribution received on December 31, 2018 of \$ 3,386, which is represented by 201,102,698 certificates of equity contribution of Series "A" with a nominal value of \$ 100.00 pesos each and 103,598,360, certificates of equity contribution of Series "B" with nominal value of \$ 100.00 pesos each.

In an extraordinary session held on January 31, 2020, the Board of Directors of the Institution learned of the capital contribution made by the Federal Executive through the SHCP on December 31, 2019 for \$4,647 and instructed the Institution to carry out the procedures to formalize the contribution received within the paid capital and approved the issuance of the corresponding contribution certificates.

At the end of the first quarter of 2021 fiscal year, both the contribution received on December 31, 2018 for \$3,386, as well as the contribution received on December 31, 2019 for \$4,647, mentioned above were formalized with the issuance of the respective CAPs.

As of December 31, 2021 and 2020, the capital stock is represented by the Federal Government (99.9915% and 99.9877%), Banco de México (0.0050% and 0.0072%), Nacional Financiera, S. N. C. (0.0019% and 0.0028%) and Banco Nacional de Obras y Servicios, S. N. C. (0.0016% and 0.0023%).

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c. The distribution or reduction of stockholders' equity, after subtracting the restated capital stock contributed and restated tax profits, would be subject to 30% of Income Tax payable by the Institution. As of December 31, 2021 and 2020, the tax accounts related to the Institution's stockholders' equity known as Capital Contributions Account (CUCA for its acronym in Spanish) and Net Account of Tax Profit (CUFIN for its acronym in Spanish) are as follow:

	2021	2020
CUCA	\$ 87,411	\$ 78,366
CUFIN	\$ 12,558	\$ 12,630

The subsidiary DIESA has a CUCA of \$829 and \$748 and a negative CUFIN of \$364 and \$349 in 2021 and 2020, respectively.

d. On November 26, 2021, the Board of Directors approved the Institution's administration of the Institution to request from the Federal Executive, through the SHCP, a capital contribution of up to \$4,317 to support the fulfillment of its mandate as a Development and Banking Institution and permanently strengthen the capital base of the Institution, maintaining a prudential capitalization index that allows it to continue complying with its substantive programs, within which is the granting of credit and guarantees to the private sector. The contribution for \$3,060 was received on November 30, 2021.

On December 23, 2020, the Board of Directors approved the Institution's administration of the Institution to request from the Federal Executive, through the SHCP, a capital contribution of up to \$4,108 to support the fulfillment of its mandate as a Development and Banking Institution and permanently strengthen the capital base of the Institution and maintain a prudential capitalization index that allows it to continue complying with its substantive programs. The contribution was received on December 31, 2020.

e. 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.

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 that 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 December 31, 2021 and 2020 show: 1) the initial 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.

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f. In accordance with the Credit Institutions Law, Development Banks must maintain a minimum net capital of 8.0% with respect to their assets subject to risk. Additionally, they must maintain a capital supplement equivalent to 2.5% of those assets.

The capitalization index (unaudited) as of December 31, 2021 and 2020 is as follows:

	2021	2020
Basic	\$ 33,330	32,567
Supplementary	<u>10,233</u>	<u>13,936</u>
Net capital	<u>43,563</u>	<u>46,503</u>
Assets subject to risk of:		
Credit	197,457	207,860
Market	23,858	22,592
Operational	<u>14,096</u>	<u>14,380</u>
	<u>235,411</u>	<u>244,832</u>
Capitalization index ^{Basic} (%)	14.16	13.30
Capitalization index ^{Net} (%)	<u>18.51</u>	<u>18.99</u>

As of December 31, 2021 and 2020, the Institution complies with the above requirement by maintaining a capitalization index of 18.51% and 18.99% respectively, such index was calculated based on the rules for determining capitalization requirements published by the SHCP in the Official Gazette on December 28, 2005, with its respective amendments.

The capitalization index is reported monthly to the Comprehensive Risk Management Committee and quarterly to the Board of Directors, explaining the main differences in the items that comprise it.

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(22) Segment information-

The information as of the year ended on December 31, 2021, derived from the operation of each one of the main segments into which the Institution's operations are divided are as follow:

a) Assets and liabilities-

Business segment	Assets		Liabilities Capital		Income		Expenses	
	Amount	% Part.	Amount	% Part.	Amount	% Part.	Amount	% Part.
First tier loans	\$ 195,319	41.9	1,129	0.2	4,852	63.5	(3,723)	36.9
Second tier loans	28,344	6.1	392	0.1	777	10.2	(385)	3.8
Financial markets and deposit funding	225,480	48.4	418,186	89.7	1,702	22.3	(39)	0.4
Corporate	16,979	3.6	46,415	10.0	307	4.0	(5,953)	58.9
Total	\$ 466,122	100	466,122	100	7,638	100	(10,100)	100

b) Results by segment-

	First tier	Second tier	Financial markets and Treasury	Corporate	Total
Income:					
Financial income	\$ 4,852	777	1,702	307	7,638
Expenses:					
Operating expense	(436)	(187)	(206)	(1,455)	(2,284)
Credit allowance	(3,781)	(231)	-	(169)	(4,181)
Current and deferred income tax and Employees' profit sharing	494	33	167	(12)	682
Exploitation*	-	-	-	(4,317)	(4,317)
Total	\$ 1,129	392	1,663	(5,646)	(2,462)

* As indicated in note 25, the Federal Executive, through the Ministry of Finance in the exercise of the powers conferred on it by articles 10, sixth paragraph and 12 section III of the Revenue Law of the Federation for the 2021 fiscal year, through Official Letter 368.- 133/2021 dated November 12, 2021, instructed the payment of exploitation to the Institution of \$4,317, charged to the Profit before taxes generated by the Institution, which were paid to the Treasury of the Federation on November 18, 2021.

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First tier loan operations correspond to loans made directly to companies; second tier interbank loans channel resources through banking financial intermediaries and other non-banking intermediaries and financial markets, and deposit funding correspond to obtaining the necessary funds to meet the Annual Financial Program authorized by the Ministry of Finance, to cover the Institution's liquidity needs and assign transfer costs to the operating segments that require resources to carry out their operations.

c) Loan portfolio and deposit funding-

The loan balance as of December 31, 2021 amounted to \$266,797, of which \$9,138 (3.4%) correspond to the public sector operations and \$257,659 (96.6%) to private sector operations, of which \$208,279 are for first tier loans and guarantees.

The capital used to grant loans are mainly from loans from international credit institutions and from the issue of debt securities in Mexican pesos, which are included in a pool of resources to achieve interest rates that allows the Institution to offer competitive placement rates for its first tier and second tier loan operations.

As of December 31, 2021, the funding balance arising from the issue of promissory notes payable at maturity and debt securities in Mexican pesos comprised 69.1% of the internal debt; whereas, of the external debt, loans made through commercial credit lines comprised 49.2% and external securities outstanding comprised 42.2%.

As of the year ended on December 31, 2020, the information derived from the operation of each of the segments into which the Institution's operations are divided is as follows.

a. Assets and liabilities

Business segment	Assets		Liabilities and Capital		Income		Expenses	
	Amount	% Part.	Amount	% Part.	Amount	% Part.	Amount	% Part.
First tier loans	\$ 204,293	43.4	2,131	0.5	5,362	67.3	(3,231)	32.5
Second tier loans	31,449	6.7	859	0.2	956	12.0	(97)	1
Financial markets and deposit funding	220,621	46.9	416,685	88.5	1,175	14.7	6	(0.1)
Corporate	14,101	3.0	50,789	10.8	477	6.0	(6,611)	66.6
Total	\$ 470,464	100	470,464	100	7,970	100	(9,933)	100

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b. Results by segment

		First tier	Second tier	Financial markets and Treasury	Corporate	Total
Income:						
Financial income	\$	5,362	956	1,175	477	7,970
Expenses:						
Operating expense		(434)	(186)	(219)	(1,503)	(2,342)
Credit allowance		(3,957)	(91)	-	(125)	(4,173)
Deferred Income Tax and Employees' profit sharing		1,160	180	225	32	1,597
Exploitation *		-	-	-	(5,015)	(5,015)
Total	\$	2,131	859	1,181	(6,134)	(1,963)

* As indicated in note 25, the Federal Executive, through the Ministry of Finance in the exercise of the powers conferred on it by article 10 of the Revenue Law of the Federation 2020, through Official Letters 368.-046/2020 and 368.-142/2020 dated April 24, 2020 and December 17, 2020, respectively, instructed the payment of exploitation to the Institution of \$907 and \$4,108, charged to the Profit before taxes generated by the Institution, which were paid on April 27, 2020 and on December 18, 2020 to the Treasury of the Federation.

First tier loan operations correspond to loans made directly to companies; second tier interbank loans channel resources through banking financial intermediaries and other non-banking intermediaries and financial markets, and deposit funding correspond to obtaining the necessary funds to meet the Annual Financial Program authorized by the Ministry of Finance, to cover the Institution's liquidity needs and assign transfer costs to the operating segments that require resources to carry out their operations.

c. *Loan portfolio and deposit funding*

The loan balance as of December 31, 2020 amounted to \$277,782, of which \$6,580 (2.4%) correspond to the public sector operations and \$271,202 (97.6%) to private sector operations, of which \$218,448 are for first tier loans and guarantees.

The capital used to grant loans are mainly from loans from international credit institutions and from the issue of debt securities in Mexican pesos, which are included in a pool of resources to achieve interest rates that allows the Institution to offer competitive placement rates for its first tier and second tier loan operations.

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As of December 31, 2020, the funding balance arising from the issue of promissory notes payable at maturity and debt securities in Mexican pesos comprised 72.9% of the internal debt; whereas, of the external debt, loans made through commercial credit lines comprised 44.3% and external securities outstanding comprised 47.3%.

(23) Financial Margin and Commissions and Fees Income-

a) Financial Margin

The financial margin for the years ended on December 31, 2021 and 2020 is analyzed as follows:

The income and expenses as per interests in 2021 and 2020 are integrated as follow:

		2021	
	Mexican pesos	Foreign currency (valued at Mexican pesos)	Total
Financial income:			
Loan portfolio income (note 9)	\$ 6,459	5,089	11,548
Interests as per investments in securities and repurchase agreements (notes 6 and 7)	9,109	-	9,109
Interests from availabilities	16	30	46
Income as per collateral in operations with derivatives	260	-	260
Other concepts	-	76	76
	15,844	5,195	21,039
Less Financial expenses:			
Expenses for repurchase agreements (note 7)	7,236	-	7,236
Interests on time deposits	4,416	91	4,507
Interests on bonds	2,152	887	3,039
Interests on Due to bank and other institutions	9	681	690
Interests on subordinated debentures	-	436	436
Result of valuation of derivatives	(1,605)	-	(1,605)
Other concepts	25	96	121
	12,233	2,191	14,424
Financial margin	\$ 3,611	3,004	6,615

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		2020	
	Mexican pesos	Foreign currency (valued at Mexican pesos)	Total
Financial income:			
Loan portfolio income (note 9)	\$ 8,051	6,309	14,360
Interests as per investments in securities and repurchase agreements (notes 6 and 7)	10,031	1	10,032
Interests from availabilities	153	89	242
Income as per collateral in operations with derivatives	562	-	562
	18,797	6,399	25,196
Less Financial expenses:			
Expenses for repurchase agreements (note 7)	9,156	-	9,156
Interests on time deposits	6,953	250	7,203
Interests on bonds	1,498	940	2,438
Interests on Due to bank and other institutions	41	808	849
Interests on subordinated debentures	-	572	572
Result of valuation of derivatives	(1,853)	-	(1,853)
Other concepts	28	46	74
	15,823	2,616	18,439
Financial margin	\$ 2,974	3,783	6,757

b) Commissions and Fees Income

	2021	2020
Loan operations	\$ 291	372
Guarantees	256	250
Letters of credit	48	51
Trust	35	32
Appraisals	7	6
Other commissions and fees collected	4	1
	\$ 641	712

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(24) Financial intermediation income-

The financial intermediation income for the years ended on December 31, 2021 and 2020 is as follows:

	2021	2020
Result from purchase/sale of currencies	(27)	8
Result for valuation of bonds	\$ (13)	(89)
Result from purchase/sale of securities	2	51
Total	\$ (38)	(30)

(25) Other operating expenses, net-

Other operating expenses, net, for the years ended on December 31, 2021 and 2020 are analyzed as follow:

	2021	2020
Recoveries	63	69
Interests collected from loans made to employees	90	89
Gain on sale of properties, furniture and equipment	25	-
Cancellation of allowance for foreclosed assets	15	45
Risk management allowance (Operating and Legal)	(16)	395
Gain on sale of foreclosed assets	-	2
Write-off for cancellation of foreclosed assets (note 11)	(81)	(28)
Payment of public use taxes to the Federal Government ^{1/}	(4,317)	(5,015)
Other items	(13)	(121)
Total	\$ (4,234)	(4,564)

1/ The Federal Executive, through the SHCP in exercise of the powers conferred by article 10 of the Federal Income Law 2021, through Official Letter number 368.-133/2021 dated November 12, 2021, instructed the payment of use to the Institution for \$4,317, charged to the Profit before taxes generated by the Institution, which were paid on November 18, 2021 to the Treasury of the Federation. In 2020, through Official Letters with numbers 368.-046/2020 and 368.-142/2020 dated April 24, 2020 and December 17, 2020, respectively, it instructed the payment of use to the Institution for \$907 and \$4,108, with charge to the Profit before taxes generated by the Institution, which were paid on April 27, 2020 and December 18, 2020 to the Treasury of the Federation.

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(26) Going Concern-

The accompanying consolidated financial statements have been prepared under the assumption that the Institution will continue as a going concern because it maintains its ability to continue operating without interruption, even with the negative effects on the world economic situation generated by the health crisis.

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. Due to the pandemic, during the fiscal years that ended on December 31, 2021 and 2020, and on the date of issuance of these financial statements, the Government of Mexico declared a health emergency and established extraordinary actions in various public, private and social activities seeking to control the spread of the virus. The Institution took the corresponding measures in order to reduce the possible impact on its financial position and mitigate the effects of the pandemic, during the fiscal years that ended on December 31, 2021 and 2020, and to the issuance date of these financial statements. These actions are described below:

Business Continuity Plan.- The Infectious Diseases Scenario of the Business Continuity Plan Management System (SG-PCN in Spanish) was activated, thereby protecting vulnerable groups, promoting social distancing, operating with staggered schedules and the use of resources and applications for teleworking (home office) was implemented without interrupting any process and maintaining operational capacity, ensuring Business Continuity for a prolonged and intermittent period in protection of human capital and preventing contagion among staff, customers and suppliers, holding weekly coordination meetings in order to monitor and, where appropriate, adjust the Plan.

Loan portfolio.- Note 3 (h) details the measures that the Institution established in support of its borrowers during 2020 in order to mitigate the possible impacts on its economic activity, which mainly consisted of granting capital and interest rescheduling; additionally, requests for working capital were attended and programs were developed as a result of the Covid-19 situation.

As indicated in note 3 (h), the balance of the restructured loans as of December 31, 2021 and 2020 in accordance with Criterion B-6 amounts to \$20,848 and \$41,606, respectively; at those same dates, pursuant to Special Accounting Criteria, the balance of first and second tiers loans amounts to \$7,416 and \$12,532, respectively, and \$1,190 and \$3,124, respectively, in the guarantee program.

The balance of loans restructured with the Covid-19 Accounting Facilities is of \$2,395 and \$2,376 as of December 31, 2021 and 2020, respectively.

For the restructured credits, in 2020, the Institution created prudential reserves for \$244, of which \$70 corresponded to restructured credits based on special accounting criteria; 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 base points, and as of December 31, 2020, it is 2.87 base points, so the ICAP at both dates reasonably reflects its level of capitalization.

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Note 9 (a) shows, among the main movements of the past due portfolio in 2021: the restructuring of \$1,075 and transfers to past due portfolio for \$5,518, with which the past due portfolio increased from a balance of \$5,746 as of January 1, 2021 to \$8,499 as of December 31, 2021. The foregoing mainly affected the decrease of \$2,812 in income from credit interests, as well as the increase in the expected loss and credit reserves. The preventive estimates for credit risks during the year amounted to \$3,714 while in 2020 they were \$4,139.

In 2020, the restructurings were for \$1,050 and the transfers to past due portfolio for \$4,670, with which the past due portfolio increased from a balance of \$2,332 as of January 1, 2020 to \$5,746 as of December 31, 2020. The above mainly affected the decrease of \$2,532 in interest income on loan, as well as an increase in expected loss and credit reserves. Allowance for loan losses during the year amounted to \$4,139 while in 2019 they were \$1,806.

As of the date of issuance of these financial statements, the Institution continues to evaluate and supervise the recovery of borrowers very closely, mainly those affected by the contingency, in order to take timely actions in accordance with business plans and expectations of business recovery.

Financial margin. – During 2020, there was an Increase in funding costs, mainly due to the volatility in the exchange rate and in the funding rates of dollars and pesos (presented in the months of April-July), as well as in the cost of liquidity, mainly due to rescheduling of credits, which decreased the balance management margin by \$500, showing a recovery during 2021 since the decrease in the balance management in the last year was \$97, as a result mainly due to the decrease of the balances of the portfolio.

Markets. – In 2020, Lower income was obtained in the National Money Desk mainly due to the valuation of the securities derived from the volatility in the markets that generated an increase in surcharges, with which there was a net loss of \$111; although the foregoing occurred during the months of June and July, at the end of the year, revenues recovered closing the Desk with positive results, which increased \$577 during 2021.

Follow-up of CAIR. – Every month, financial indicators are presented to the CAIR in order to monitor the impacts described, concluding that the Financial Margin of 2021 and 2020 has been enough to absorb such impact, particularly, the allowances for loan losses.

During 2020, the Financial Margin decreased 6%, as an outcome of the reduction of 16% in interest income and 19% in Interest Expenses (derived from the decrease in the reference rates in pesos and dollars), with which such Financial Margin was sufficient to absorb the increase in the allowance for loan losses and losses in the position of securities of debt.

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In 2021, the Financial Margin decreased by 2%, with a reduction of 16% and 22% in Income and Interest Expenses, respectively, while the allowance for loan losses was lower by 10% compared to the previous year.

Although the Institution has presented a lower capital formation compared to the levels observed before the pandemic, it has maintained its tariff, profitability and capital management policies, reflecting its strength to absorb the impacts of the health contingency without compromise its financial viability and maintain sufficient levels of capitalization and liquidity to support the future growth of the portfolio.

It is expected that the support measures will continue favoring the recovery of the borrowers to the benefit of the institutional financial indicators; continuity will be given to the programs described and to the follow-up of the financial performance of the borrowers and the financial position of the Institution to take, where appropriate, the actions in order to continue safeguarding its operational and financial capacity.

(27) Guarantees issued-

As of December 31, 2021 and 2020, the following guarantees were granted.

Purpose	2021	2020
Guarantee or partially guarantee an issuance of Debt Certificates that amounted to \$ 1,430, guaranteeing up to 33% of the outstanding balance of the amount of this issue, for a maximum period of five years with payments of principal on a monthly basis, in order to improve the rating assigned to Debt Certificates by the rating agencies.	\$ -	152
Guarantees issued in Mexican pesos	\$ -	152

No losses were generated due to non-compliance with the guarantees in the years ended in December 2021 and 2020. The established allowances are detailed in Note 9 b).

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(28) Contingent assets and liabilities -

Contingent liabilities include guarantees issued by the Institution to financial intermediaries; contingencies arising from commercial, labor, civil and administrative suits that according to Note 31 "Comprehensive risk management" are recorded depending on their status; and invoices subtracted from hedged financial factoring operations.

Assets represent recovered casualties (paid guarantees), contributions not yet made to the Fund of Funds (capital at risk), and bonds and checks received as guarantees by service providers.

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

	2021	2020
Contingent liabilities:		
Responsibilities for guarantees granted	\$ 12,150	12,956
Legal risk management	288	361
International factoring (Invoices)	1,053	787
	\$ 13,491	14,104
Contingent assets:		
Responsibilities for future contributions	80	78
Casualties recovered (guarantees paid)	-	468
	80	546
	\$ 13,571	14,650

During 2021 and 2020, the item of other recording accounts include: counter-guarantee funds for \$3,069 and \$3,203 respectively, and the loans eliminated pursuant to criterion B-6 Loan Portfolio for \$12,321 and \$12,113, respectively.

The Institution is involved in several lawsuits and claims, derived from the normal course of its operations, where it is expected that it will not have an important effect on its financial position and future results. In memorandum accounts these contingencies are recorded.

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(29) Goods in trust or under mandate-

As of December 31, 2021 and 2020, the Institution's fiduciary division has the following trusts:

	2021	2020
Guarantee trusts	\$ 44,018	40,725
Administration trusts	41,364	34,395
Transfer of ownership trusts	192	202
	85,574	75,322
Mandates	-	3,743
Total	\$ 85,574	79,065

The amount as per income for administration trusts for the years ended on December 31, 2021 and 2020 is of \$35 and \$ 32, respectively.

Administration Trust balances include pension fund trust balances of the own Institution, whose balances as of December 31, 2021 and 2020 are as follow:

	2021	2020
Defined benefit	\$ 15,759	15,215
Defined contribution	245	234
Special savings loan and financial cost of loans	3,410	3,423
	\$ 19,414	18,872

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(30) Assets in trust or under administration-

As of December 31, 2021, the operations of custody and administration are integrated as follow:

	Valued currencies				Total
	USD	Euros	Francs	Mexican Pesos	
Operations carried out on behalf of third parties in repurchase agreements	\$ -	-	-	3,762	3,762
Operations carried out on behalf of third parties directly	\$ -	-	-	5,391	5,391
Other instruments under administration *	787,980	4,141	487	343,547	1,136,155
Other securities under administration	3	-	-	-	3
Special savings loan	-	-	-	910	910
	\$ 787,983	4,141	487	353,610	1,146,221

As of December 31, 2020, the operations of custody and administration are integrated as follow:

	Valued currencies				Total
	USD	Euros	Francs	Mexican Pesos	
Operations carried out on behalf of third parties in repurchase agreements	\$ -	-	-	2,316	2,316
Operations carried out on behalf of third parties directly	\$ -	-	-	3,129	3,129
Other instruments under administration *	710,552	4,319	488	311,585	1,026,944
Other securities under administration	3	-	-	-	3
Special savings loan	-	-	-	849	849
	\$ 710,555	4,319	488	317,879	1,033,241

* It corresponds to the recording of securities supporting the Institution's loan portfolio.

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(31) Comprehensive risk management (unaudited)-

a. General policies

The Institution's Comprehensive Risk Management is audited in accordance with Article 76 (Annual) and 77 (Biannual) of the CNBV Criteria, by an external firm according to the periodicity provided by the own criterion. The results are submitted to the Audit Committee, the Comprehensive Risk Management Committee and the Board of Directors and delivered to the CNBV.

The results of 2021 provide that the Institution reasonably complies with the current regulations and the best market practices.

The policies and practices for Comprehensive Risk Management (CRM) matters are primarily regulated by Chapter IV of the Second Title of the General Regulations Applicable to Financial Institutions (Regulations), regarding the CRM, published on December 2, 2005.

In accordance with the CNBV Regulations, the CRM function of the Institution is performed by an area independent from the business areas and includes the market, credit, liquidity, operating, technological, legal, strategic, business and reputation risks. The Institution has policies and procedures oriented to the risk identification, analysis and control, which are included in the CRM Manual.

In order that the risks assumed are within the levels that do not exceed the Institution's financial ability, the Committee for Comprehensive Risk Management (CCRM) proposes limits authorized by the Board of Directors, determined in accordance with a capital management model. Such model is in accordance with the regulatory capital and provides strategic limits considering a distributable capital assigned to the various businesses of the Institution: credit, market, operating and shareholding.

Moreover, strategic limits are assigned to the various portfolios that comprise each business. In case of market risk, the capital limits are translated into Value at Risk (VaR) limits for the various portfolios of the treasury.

The CCRM is constituted by the Director General, three independent risk experts, a member of the Board of Directors and the Head of the Unit for Comprehensive Risk Management (UCRM); in addition, the Assistant Director Generals of the business areas, the Directors of the Area and the responsible for the Internal Control Unit with the right to attend but not to vote the Committee's meetings are involved, in order to avoid potential conflicts of interest.

The CCRM meets at least once a month. Such Committee supervises the different types of risks, makes recommendations and is responsible for approving the methodologies, models, parameters and scenarios used in risk measurement, and reviewing the policies proposed for control thereof.

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b. Policies for control of the credit portfolio concentration

The Regulations, in Chapter III, regarding “Risk Diversification”, issued by the CNBV, provide limits to the credit risk concentration applicable to a person or group of people that constitutes common risks.

According to Article 57 of the Regulations, the limits applicable to the Institution in the fourth quarter of 2021 were determined considering the capitalization index of 13.20% and the core capital of \$30,754.85 of December 2019.

Article 54 of the Regulations provides a financing limit for private entities, based on the capitalization level and applying a predetermined factor on the Institution’s core capital. With a capitalization index higher than 12% and lower than 15%, the factor applicable in the fourth quarter of 2021 was 30% of the Institution’s core capital (\$9,226.45, equivalent to USD 449.9 million at the exchange rate of \$20.5075 pesos per US dollar on December 31, 2021).

As of December 31, 2021, financing granted to private entities, either individually or by economic group, is below the regulatory limit of 30% of the core capital and the responsibilities for the three major debtors, as a whole, amount to \$13,496.2, representing 43.9% of the regulatory limit (equivalent to USD 658.1 million at the exchange rate of \$20.5075 as of December 31, 2021).

Financing to the three major debtors as a whole:

	Millions of USD	
	December 2021	December 2020
Amount of responsibilities	658.1	645.80
Number of times the applicable core capital	0.44	0.41

Financing granted to entities and bodies of the public sector is below the regulatory limit of 100% of the core capital as of December 31, 2021.

Finally, in accordance with article 60 of the Regulations, it is disclosed that there are responsibilities by 32 economic groups of debtors (98 counterparties), whose individual financing is greater than 10% of the Institution’s core capital.

Debtor financing that is greater than 10% of the core capital:

	Millions of USD	
	December 2021	December 2020
Amount of responsibilities	8,735.3	7,672.2
Number of times the applicable core capital	5.50	4.66

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The number of responsibilities includes the lines authorized to national financial institutions for discount transactions, which have executed an agreement. In addition, it includes the lines authorized under the "General Banking Methodology for the Global Credit Line Establishment" of the Institution to enter into promotion, market and derivative transactions with national and foreign institutions that have a current position as of the date.

c. Market risk

Investment securities. Regarding the referenced account of the consolidated financial statements, the market risk arises from interest rate movements. In case of foreign currency instruments, it additionally depends on the exchange rate variations. This risk is measured using the VaR methodology, based on the historical method, taking 251 data, a one-day risk horizon and 97.5% reliable level, which only implies 2.5% of likelihood that these investments experience a shortfall greater than the one estimated for such period. These parameters were authorized by the CCRM in the meeting held in December 2021.

The policies and practices applied for control of market risk of investment securities include capital and VaR limits, as well as reporting of position market value and value of risk in regular conditions, under sensitivity scenarios and extreme conditions. On a daily basis, a report is prepared and delivered to the Top Management; on a monthly basis to the CCRM, and on a quarterly basis to the Board of Directors.

As of December 31, 2021, the securities position of the money desk securities in national currency was in governmental instruments at a fixed and reviewable rate. As of that date, these instruments' positions represented 0.04%, and 99.91%, respectively; and 0.05% corresponded to the corporate securities; the VaR of such money desk was \$10, a figure that represented 45.5% of the authorized limit of \$22. The annual value at risk average was \$8.3. The capital consumption of this portfolio was \$714, which represented 60% of the authorized limit.

As of December 31, 2021, the national currency investment portfolio consists of held to maturity securities in governmental instruments, at real rate, and floating-rate governmental instruments. As of that date, the position in held to maturity instruments represented 1.8% and governmental instruments represented 98.2%. As of the end of December, a VaR of \$1.6 was recorded for the total position, which represented 26.5% of the authorized limit of \$6. The annual value at risk average was \$1.6. The capital consumption of this portfolio was \$54, which represented 48% of the authorized limit.

As of December 31, 2021, the foreign currency investment portfolio presented a capital consumption of \$7, which represented 9% of the limit.

Derivatives- The referenced account of the financial statements is subject to market risk, arising from the interest rate and exchange rate variations, as well as to counterparty's credit risk.

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From the derivatives authorized, the VaR of currency and interest rate forwards, options and interest rate and currency swaps is measured. This VaR is measured using the historical method, taking 251 data, a one-day risk horizon and 97.5% reliance level, which only implies 2.5% of likelihood that these investments experience a shortfall greater than the one estimated for such period. These parameters were authorized by the CCRM in the meeting held in December 2021.

Regarding the credit risk (counterparty), the forwards, options and swaps are operated with national and international high quality financial institutions. The credit risk of forwards and options with customers is hedged by their lines of credit with the Institution, as well as control mechanisms that allow to monitor the positions to hold them within the authorized levels. As of December 31, 2021, the credit risk of derivative transactions is within the authorized limits.

The policies and practices for controlling the risk of derivatives are in accordance with Banxico's Regulations. A capital and VaR limit have been established by business line, and reports are prepared on the market value of the positions and their VaR in regular conditions, under scenarios of sensitivity and extreme conditions. On a daily basis, a report is prepared and delivered to the Top Management; on a monthly basis to the CCRM, and on a quarterly basis to the Board of Directors.

As of December 31, 2021, as for business derivatives, there are closed positions of interest rate options for currencies and a swap portfolio. The VaR amounted to \$1.4, equivalent to \$7.1% of the authorized limit of \$20; the annual VaR average of derivatives was \$1.8. The capital consumption of this portfolio was \$0.00, which represented 0.0% of the authorized limit.

As of December 31, 2021, the hedge position derivatives refer to interest rate and currency swaps, which are used as hedge mainly for a part of the credit portfolio, debt instruments, issuance of paper national currency and dollar deposits. The VaR of swaps amounted to \$658.8, which is on a referential basis, as these transactions are not associated to a VaR limit, because they are hedge derivatives.

As of December 31, 2021, there was a "flat" position in currencies. With the position presented, the VaR amounted to \$0.0, without the consumption of the authorized limit of \$11, as the annual VaR average was \$0.0. The capital consumption of this portfolio was \$0.0, which represented 0.0% of the authorized limit.

Credit risk

Regarding the referenced account of the financial statements, credit risk is measured by the expected losses arising from the potential impairment of the loan portfolio estimated from the calculation of annual and quarterly rating migration frequencies (transition matrices). Such matrices are constituted by impairment or improvement probabilities of the credit portfolio, which are obtained from historical information from companies authorized by the Institution.

Consequently, in assessing the credit risk, estimates are made about the noncompliance likelihoods, recoverability rates, transition matrices, credit VaR, expected losses and unexpected losses.

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A report of the Institution's credit operations and position is submitted monthly to the CCRM and quarterly to the Board of Directors including, among other matters, an analysis of the loan portfolio taxonomy, relevant information of the portfolio movements, global credit risk position and inclusion by portfolio, past due loan portfolio, risk concentrations, portfolio diversification and primary risk indicators, as well as allowances for loan VaR and expected and unexpected losses.

As of December 31, 2021, the descriptive statistic of the private portfolio credit risk shows the following distribution by number of borrowers, regarding the average risk level.

Distribution of Private Sector Portfolio in December 2021

Number of counterparties	Balance	Str. (%)	Accumulated balance	Str. (%)	Expected loss (EL)	EL / Balance (%)	Risk level (average)
1 - 5	\$ 19,501	10.77	18,911	10.44	\$68	0.00	R2
6 - 10	16,732	9.24	35,610	19.66	191	0.01	R3
11 - 15	13,819	7.63	49,828	27.51	240	0.02	R4
16 - 20	10,757	5.94	61,514	33.96	146	0.01	R3
21 - 25	10,071	5.56	71,786	39.63	160	0.02	R4
26 - 30	8,775	4.84	81,238	44.85	83	0.01	R2
31 - 355	101,476	56.02	200,030	110.43	2,733	0.03	R4
Total	\$181,131	100.0			\$ 3,621	0.03	R3

As of that date, the annual VaR (without considering the expected recovery from guarantees) of the private sector portfolio was \$8,119, a figure that represents the extreme value of the loss and gains distribution due to the potential impairment of the portfolio with 99% reliance level and an annual period horizon.

Regarding the basic capital as of December 31, 2021, which is \$33,330, the annual VaR represents 24.36%.

The allowance for expected loss due to the private sector portfolio impairment was \$3,621, using the portfolio risk levels in accordance with the Institution's risk indicator methodology.

Additionally, the referred report presents the structure of strategic capital limits, and the marginal behavior of the qualified portfolio, the credit concentration by economic sector, geographic area, recognized entities and levels of responsibilities.

The Board of Directors in its meeting in March 2020 ratified the capital limit at a strategic level for the loan portfolio for \$ 18,414.0 representing 84.03% of the distributable capital (\$ 21,914.0), while during 2021, it was updated the limit for an amount of \$ 19,815.0 representing 79.71% of distributable capital (\$24,860).

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Liquidity risk

The cash flow risk of credit transactions and their respective financing is measured by the risk factor: rate basis and overrate. The CCRM is reported, on a monthly basis, the structure of repricing and maturity gaps, with a sensitivity analysis that measures the effect of adverse movements in the interest rate on the financial margin; furthermore, the diversification level of the financing sources is estimated.

According to the structure of repricing and maturities of the productive assets and onerous liabilities of the current balance sheet as of December 2021, in foreign currency in one year, the sensitivity due to a decrease in the base rate of 50 basis points produces a decrease of 6.4 thousand dollars a day, equivalent to 1.8% of the daily financial margin, while in national currency using the same variables the decrease is 12.4 thousand dollars a day, equivalent to 3.5% of the daily margin.

Non-discretionary quantifiable risks

The management of non-discretionary risk aims to identify, measure, oversee, limit, control and inform of operational, technological and legal risks associated with the Institution's critical processes, which allow for pinpointing concentration levels in such processes, their operating efficiency as well as an estimate of the resulting economic impact.

With a view to identify quantifiable risks and determine their average exposure value by type of event and line of business, below are the results for the period from January 2008 to December 2021.

Type of event	No. of events	Frequency		Severity	
		% Total	Losses	% Total	Unit
Process execution, delivery and management	130	92	\$40	95	\$ 0.3
External events	3	2	1	2	0.3
Business incidences and system failures	6	4	1	2	0.2
Customers, products and business practices	1	1	-	-	-
External fraud	1	1	-	-	-
Internal fraud	-	-	-	-	-
Labor relations and workplace safety	-	-	-	-	-
Total	141	100.0	\$42	100	0.3

According to the matrix by type of event, execution, delivery and management concentrates 92% of frequency and 95% of severity.

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Line of business	No. of events	Frequency		Severity	
		% Total	Losses	% Total	Unit
Trading and sales	46	33	\$ 21	49	\$ 0.4
Commercial banking	62	44	19	46	0.3
Payment and settlement	31	22	2	5	0.1
Retail banking	2	1	-	-	-
Assets management	-	-	-	-	-
Corporate finance	-	-	-	-	-
Retail intermediation/retail brokerage transactions	-	-	-	-	-
Agency services	-	-	-	-	-
Total	141	100.0	\$ 42	100	0.3

As for the matrix by line of business, trading and sales concentrate 33% of the frequency and 49% of severity, while commercial banking accounts for 44% of frequency and 46% of severity.

The average exposure value of cumulative events as of December 31, 2021 is \$0.3.

Operational risk

Bancomext considers an organizational model that allows communication between the three lines of defense, in order to reasonably mitigate risks, through the implementation and operation of internal controls. Operational risk is analyzed qualitatively, quantitatively and in regulatory compliance:

Qualitative analysis – Made by applying self-assessments to selected critical processes and issuing an operational risk technical report. The Institutional Operational Risk is of Medium-High Risk level.

Quantitative analysis – Losses arise from the accounts defined for the recording of events by operational risk. The operational risk reserve authorized in 2021 is \$31, i.e., the tolerance level for controlling event exposure by operational risk. As of closing December 2021, the accumulated consumption was \$8.4 MXP, so the balance was \$22.6 MXP.

Regulatory compliance – The Institution uses the basic indicator method for estimating its operational risk capital requirements in accordance with capitalization rules for credit institutions; the operational risk capital requirements as per operational risk amounted to \$1,128 at the end of December 2021.

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Technological risk is measured and controlled by monitoring six critical indicators: 1) level of availability of critical services; 2) access security to the Institution's network; 3) detection, blocking and locks against viruses in the Institution's network; 4.a) detection and blocking of access to restricted websites; 4.b) detection and blocking of emails using AntiSPAM; 4.c) detection and blocking of SpyWare, and 5) testing of the Disaster Recovery Plan (DRP).

In a complementary way, through the Technology Risk Profile and Information Security Methodology, the risks and vulnerabilities of fourteen domains in terms of technology and information security are evaluated, based on the ISO 27001, 27002, 27005 and 31000 standards. Also, the Business Continuity Plans (BCP) are implemented for processes deemed critical under the Management System for the Business Continuity Plan (MS-BCP). As of December 31, 2021, the indicators show that in general terms the goals defined for each indicator were met.

Legal risk

Policies are implemented for identifying, measuring and recording provisions and/or contingencies for potential losses arising from unfavorable resolutions in a judicial process resulting from litigation where the Institution is either the plaintiff or the defendant, for the purpose of mitigating the impact on the Institution's net worth.

With the implementation of the method authorized by CCRM on September 10, 2019, the reserves created for legal risk as of December 2021 amounted to \$175, comprised as follows: \$61 for commercial lawsuits, \$59 for administrative lawsuits; \$29 for labor trials; \$17 for civil lawsuits; \$5 for costs and expenses, and the item of account of third parties for \$3.

Furthermore, according to such policies, memorandum accounts are used for recording contingencies resulting from commercial, labor, civil and administrative actions which, considering their procedural status, the Management expects to be resolved favorably for the Institution.

Non-quantifiable risks

Non-quantifiable risks are risks arising from unforeseen external claims or events that may not be associated with a likelihood of occurrence and that in addition, the resulting economic losses may be transferred to risk-taking external entities.

The result of the application to the second semester of 2021 of the Reputation Risk Management Method, kept "Strong" with respect to the 2020 financial year; therefore, the positioning and prestige of the Institution increased and it continues to be remarkably recognized.

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(32) Events subsequent to the date of the financial statements-

NEW ACCOUNTING REGULATIONS OF THE CNBV IN EFFECT AS OF JANUARY 1, 2022 (IFRS9 “FINANCIAL INSTRUMENTS”)

During the financial crisis that began in 2008, the countries identified the insufficient and late recognition of credit losses as one of the weaknesses in the existing accounting standards, so, as a result, in July 2014 the international financial reporting standard was issued IFRS9 “Financial Instruments”.

As a result of the issuance of IFRS 9, the Mexican Board of Financial Reporting Standards (CINIF for its acronym in Spanish), issued 10 new financial reporting standards which came into effect on January 1, 2018.

The 10 new financial reporting standards published on January 1, 2018 to converge with IFRS 9 were as follows:

- a) FRS B-17, Determination of fair value.
- b) FRS C-2, Investment in financial instruments.
- c) FRS C-3, Accounts receivable.
- d) FRS C-9, Provisions, contingencies and commitments.
- e) FRS C-10, Derived financial instruments and hedge relations.
- f) FRS C-16, Impairment of financial instruments receivable.
- g) FRS C-19, Financial instruments payable.
- h) FRS C-20, Financial instruments receivable, principal and interest.
- i) FRS D-1, Revenue from contracts with customers.
- j) FRS D-2, Costs from contracts with customers.

Based on these, the National Banking and Securities Commission (CNBV) began the process of adapting the International Financial Reporting Standard 9 “Financial Instruments” that replaces the IAS 39 standard, for which it was necessary to update the Accounting Criteria applicable to Credit Institutions (Accounting Criteria) to make them consistent with national and international financial reporting standards, which will allow for transparent and comparable financial information with other countries.

On March 13, 2020, the CNBV published in the Official Gazette, several modifications to the “General Provisions applicable to Credit Institutions”, including the accounting criteria, indicating that they would come into effect on January 1, 2021; considering the health contingency, on December 4, 2020, the extension to the entry into force of the modifications was published in the DOF, leaving January 1, 2022 as the date of entry into force for Commercial Banks and Development Banks in Mexico.

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The accounting criteria that are modified are:

- A-2 "Application of particular standards"
- A-3 "Application of general standards"
- B-1 "Cash and cash equivalents"
- B-3 "Resale agreements"
- B-4 "Securities lending"
- B-6 "Loan portfolio"
- B-7 "Foreclosed assets"
- B-8 "Guarantees"
- B-9 "Goods custody and administration"
- B-10 "Trust"
- C-2 "Securitization operations"
- D-1 "Statement of financial position"
- D-2 "Statement of comprehensive income"
- D-3 "Statement of changes in the stockholders' equity"
- D-4 "Statement of cash flows"

The accounting criteria that are repealed:

- B-2 "Securities investments"
- B-5 "Derivatives and hedge operations"
- B-11 "Collection rights"
- C-1 "Recognition and withdrawal of financial assets"
- C-3 "Related parties"
- C-4 "Segment information"

Financial Reporting Standards (FRSs) issued by the Mexican Board of Financial Reporting Standards and referred to in paragraph 3 of Criterion A-2 "Application of particular standards" of Appendix 33 of the CUB whose application begins on January 1, 2022:

- B-17 "Determination of fair value"
- C-2 "Investment in financial instruments"
- C-3 "Accounts receivable"
- C-9 "Provisions, contingencies and commitments"
- C-10, "Derived financial instruments and hedge relations"
- C-16 "Impairment of financial instruments receivable"
- C-19 "Financial instruments payable"
- C-20 "Financial instruments receivable, principal and interest"
- D-1 "Revenue from contracts with customers"
- D-2 "Costs as per contracts with customers" and
- D-5 "Leases"

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On December 30, 2021, the CNBV published in the DOF modifications to the resolution of March 13, 2020, where it replaces criteria A-2 "Application of particular standards", A-3 "Application of general standards", B - 1 "Cash and cash equivalents", B-6 "Loan Portfolio", B-7 "Foreclosed assets" and Series D "Criteria related to basic financial statements" of Appendix 33.

Within the changes determined by the CNBV in the aforementioned modifications, there are significant differences in recognition, measurement, presentation and disclosure with the Accounting Criteria applied until December 31, 2021. These differences could be important for the consolidated financial information of Banco Nacional de Comercio Exterior, S. N. C., Institución de Banca de Desarrollo (the Institution).

A descriptive summary of the differences that the Institution's Administration considers to be the most important for its consolidated financial information is presented below.

a) Criterion B-6 "Loan Portfolio"

Business Model

The business model refers to how the entity administers or manages the loan portfolio to generate cash flows. That is, the entity's business model determines whether the cash flows will come from obtaining contractual cash flows, from the sale of the loan portfolio, or from both.

The entity's business model to administer or manage the loan portfolio is a matter of facts and not of a mere intention or statement. It is generally observable through the activities carried out by the entity to achieve the objective of the business model.

The loan portfolio must be recognized in terms of this criterion, if the objective of the business model is to keep it to collect the contractual cash flows and the terms of the contract foresee cash flows on pre-established dates, which correspond only to payments of principal and interest on the amount of the principal pending payment, for which tests (SPPI) must be carried out since if the above is not fulfilled, it must be treated in accordance with the provisions of FRS C-2, "Investment in financial instruments".

On December 10, 2021, the Internal Credit Committee authorized the Business Model, Classification and Measurement of Financial Instruments to collect principal and interest (IFCPI) of the BANCOMEXT loan portfolio, where the model is to keep the portfolio until expiration. On December 23, 2021, the Report on the Business Model of the Bancomext Loan Portfolio and SPPI Tests was sent to the CNBV.

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Effective interest method

The effective interest method and the effective interest rate are established, in order to calculate the amortized cost of the loan portfolio, to distribute its income or expense for effective interest, in the corresponding periods of the life of the loan portfolio. The effective interest rate is the rate that exactly discounts the estimated future cash flows that will be collected over the expected life of a loan.

Unlike a nominal rate to recognize interest as it accrues, it considers a series of elements, such as the number of disbursements, the number of payments, the nominal interest, the commissions charged, the transaction costs, as well as any other contractual flow or charge that could exist, for which it affects the recognition of interests from a financial and non-contractual point of view.

Under current accounting criteria, the recognition of interest on the loan portfolio is through the contractual rate, but the accrual of interest in contractual terms does not coincide with the accrual of interest using the effective interest rate, since in the first case, income from fees and costs generated by granting the loan are recognized through deferred charges or credits that are amortized under the straight-line method over the life of the loan.

To determine the effective interest rate, the following steps must be followed:

1. Determine the amount of estimated future cash flows to be received. - Through the sum of the principal and interest that will be received in accordance with the credit payment scheme, during the contractual term, or in a shorter term if there is a probability of payment before the due date or another circumstance that justifies the use of a shorter term.
2. Determine the effective interest. – Deducting from the estimated future cash flows to be received.
3. Determine the effective interest rate. – Represents the relationship between the effective interest and the net amount financed.

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

The Commission granted the facility in the application of Criterion B-6- Loan Portfolio, which consists in the fact that during the 2022 fiscal year, in the determination of the amortized cost, it may continue to be used in the recognition of the accrued interest of the loan portfolio, the contractual interest rate, as well as the straight-line method for the recognition of commissions charged and transaction costs as indicated in the current criterion B-6 “Loan Portfolio”, in force until December 31, 2021 , and must disclose such circumstance in the quarterly and annual financial statements for that year. The Institution did not adhere to this facility.

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Allowance for loan losses

The amount of the allowance will be determined based on the different methodologies established by the CNBV for each type of loan and level of credit risk, as well as the additional estimates required in various regulations and those ordered and recognized by the CNBV, and must be recognized in the results of the corresponding period.

The CNBV carried out a new calibration of the methodologies for calculating reserves with an expected loss approach for the commercial portfolio. Along with IFRS 9, the concept of current portfolio and past-due portfolio was modified, by portfolio in stages 1, 2 or 3 to control credit risk and to establish, in a consistent manner for these risks, the allowance for loan losses.

The identification of the level of impairment of the loan portfolio must occur before the default, taking into consideration, among the main factors, the significant increases in credit risk indicators, the degradation in the external rating of the instrument or borrower, the significant increases in risk in other instruments of the same borrower, delinquency information, significant impairment in market indicators, significant changes in the value of the guarantees or in the operating results of the borrower, including those of the economic environment, also allowing the incorporation of models to qualify to such loan portfolio with the internal ones or those based on FRS C-16.

The allowance for loan losses must be made considering the 3 stages indicated, depending on the level of credit deterioration of the assets:

Stage 1, the one that incorporates financial instruments whose credit risk has not increased significantly since its initial recognition and the allowance must be established for a period of 12 months.

Stage 2, that incorporates the instruments in which there is a significant increase in credit risk since its initial recognition.

Stage 3, that encompasses the instruments in which there is objective evidence of impairment and that, in stage 2 and 3, it is established that credit institutions must establish preventive allowances for the remaining term of maturity.

The methodology to establish the amount of reserves must be disclosed.

b) Criterion B-1 “Cash and cash equivalents” (before availabilities)

The main changes refer to modifications on the treatment of the financial instruments mentioned in subparagraph c) below, establishing that only those that have high liquidity and whose disposition is expected within a maximum of 48 hours will be considered in this category.

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c) FRS C-2 “Investment in financial instruments” (FI)

Business model

The main change in this standard is the classification of the FIs in which it is invested. The concept of intention to acquire and use an investment in a FI to determine its classification is ruled out; instead, the business model concept of managing investments in FIs is adopted to obtain cash flows, which may be obtaining a contractual yield from a FI, for the collection of contractual yields and/or sale or to obtain profits for their purchase-sale, in order to classify the various FIs.

Likewise, the reclassification of investments in FIs between their categories (receivable, debt at fair value and negotiable) is not allowed, unless the business model changes, which is considered infrequent to occur.

The institution documented the Business Model for Financial Instruments Receivable (other than Loan Portfolio) with which the classification of the following portfolios was determined:

Financial Instrument to Collect Principal and Interest (IFCPI for its acronym in Spanish), whose objective is to collect the contractual cash flows; the terms of the contract foresee cash flows on pre-established dates that correspond only to payments of principal and interest on the amount of principal pending payment (contractual capital gain).

Financial Instrument to Collect or Sell (IFCV for its acronym in Spanish), whose objective is to collect the contractual cash flows by collection of principal and interest, or to obtain a profit on its sale, when it is convenient (liquidity).

Negotiable Financial Instrument (IFN for its acronym in Spanish), whose objective is to invest with the purpose of obtaining a profit between the purchase price and the sale price, that is, based on the management of the market risks of such instrument (money desk).

These FI are initially recorded at fair value adjusted for transaction costs (if any).

Subsequent recognition

IFCPIs are valued at amortized cost using the effective interest method (explained in the previous section), with effect on results; IFCVs are valued at their fair value with changes in other comprehensive income, previously affecting results for accrued interest, exchange rate fluctuation and impairment losses; NFIs are measured at fair value with effects in results.

d) FRS B-17 “Determination of fair value”

Exit price that would be received for selling an asset, or paid to transfer a liability, in an orderly transaction between market participants at the valuation date.

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To determine the fair value, it is necessary to consider: a) the particular asset or liability that is being valued; b) for a non-monetary asset, the greatest and best use of the asset, and whether the asset is used in combination with other assets or on an independent basis; c) the market in which an orderly transaction would take place for the asset or liability, and d) the appropriate valuation techniques to determine fair value.

e) FRS C-3 “Accounts receivable”

The main changes are that it establishes: a) accounts receivable based on a contract represent a financial instrument; b) the estimate for bad debts for commercial accounts is recognized based on the expected credit losses, when the income is accrued; c) the value of money must be considered in the time from the initial recognition, and d) present an analysis of the change between initial and final balances of the estimate for bad debts.

f) FRS C-9 “Provisions, contingencies and commitments”

The main change in this standard is that it was adjusted in the definition of liability, the term of probable eliminating that of virtually unavoidable.

g) FRS C-10 “Derived financial instruments and hedge relations”

The main changes refer to the following:

- ✓ Aligning hedge relations with the risk management strategy is required to qualify as hedge relations. Otherwise, they would not qualify as such and could not be recognized as hedge relations;
- ✓ Specific measures are eliminated (between 80% and 125% with respect to the variations of the hedged item) to determine if a hedge is effective and any ineffectiveness is immediately recognized in income;
- ✓ The restriction of being able to establish a hedge relation for assets and liabilities valued at fair value was eliminated;
- ✓ The hedge relation is only discontinued if the hedging instrument or hedged item ceases to exist or if the risk management strategy changes, which would be unusual and rare;
- ✓ It is required to rebalance the coverage ratio if there is ineffectiveness, either by increasing or decreasing the hedged item or the hedging instrument;
- ✓ It is not allowed to separate the implicit derivative financial instruments that exist when the host instrument is a financial asset; and
- ✓ It is allowed to designate a net income and expense position as a hedged item, as long as that designation reflects the risk management strategy of the entity.

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h) FRS C-16 “Impairment of financial instruments receivable”

It states that the expected losses due to deterioration of IFC must be recognized when the credit risk has increased, it is concluded that a part of the future cash flows of the IFC will not be recovered. This expected loss must be recognized based on the historical experience of credit losses, current conditions and reasonable and sustainable forecasts of the different quantifiable future events that could affect the amount of future cash flows to be recovered from the IFCs. For IFC that accrue interest, it must be determined how much and when it is estimated to recover, since the recoverable amount must be estimated at its present value.

i) FRS C-19 “Financial instruments payable”

It establishes: a) the possibility of valuing certain financial liabilities at their fair value; b) value long-term liabilities at their present value at initial recognition, considering their value at the time when their term is greater than one year or outside normal credit conditions, and c) when restructuring a liability, without substantially modifying future cash flows to settle it, the costs and commissions incurred in this process will affect the amount of the liability and will be amortized over a modified effective interest rate, instead of directly affecting the net profit or loss.

j) FRS C-20 “Financial instruments receivable, principal and interest”

It determines the classification of financial instruments based on the business model, as follows: a) if it is to generate a profit through contractual performance, they are recognized at amortized cost; b) if they are also used to generate a profit based on their purchase-sale, they are recognized at their fair value. Additionally, it indicates that the implicit derivative instrument that modifies the flows of principal and interest of the host instrument should not be separated, but that everything will be valued at its fair value, as if it were a negotiable financial instrument.

k) FRS D-1 “Revenue from contracts with customers”

It contains the rules for valuation, presentation and disclosure of the income that comes from contracts with clients, the recognition of income through the transfer of control, identification of obligations to fulfill a contract, allocation of the amount of the transaction and the recognition of the right of collection. It eliminates the supplementary nature of the International Accounting Standard 18 “Income from Ordinary Activities” and its interpretations.

l) FRS D-2 “Costs from contracts with customers”

It establishes the regulations related to the recognition of costs for contracts with customers and incorporates the accounting treatment of costs related to contracts for the construction and manufacture of capital goods, including costs related to client contracts. In conjunction with FRS D-1 “Revenue from contracts with customers”, FRS D-2 abrogates Bulletin D-7 “Construction and manufacturing contracts for certain capital goods” and the Interpretation of the FRS 14 “Contracts for construction, sale and provision of services related to real estate”.

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m) FRS D-5 “Leases”

The accounting recognition for the lessor has no changes, only disclosure requirements are added. For the lessee, it eliminates the classification of the leases as operating or capitalizable and must recognize an asset for the right to use the underlying leased asset and a lease liability that reflects the obligation of payments for leasing at present value, of leases greater than 12 months.

Therefore, with this FRS: a) it is necessary to evaluate, at the beginning of the contract, whether the right to control the use of an identified asset is obtained for a certain period of time; b) the operating lease expense is replaced by an expense for depreciation or amortization of the right of use assets and an interest expense on the lease liabilities; c) The presentation in the statement of cash flows is modified by decreasing the cash outflows from operating activities, and increasing the cash flow outflows from financing activities to reflect the payments of lease liabilities; d) modifies the recognition of profit or loss when a lessee transfers an asset to another entity and leases that asset by way of return.

n) Accounting Criteria of Series D “Criteria related to the basic financial statements”

In the Statement of Financial Position (previously Balance Sheet), the main changes refer to the presentation of Investments in financial instruments, which with the new standard are classified as Negotiable financial instruments, Financial instruments to collect or sell and Financial instruments receivable, principal and interest, as well as the presentation of the Loan Portfolio in Stages 1, 2 and 3 and its presentation at amortized cost through the integration of the item of Deferred Items.

In the Statement of Comprehensive Income (previously Income Statement), the main change is that in addition to the Net Income, the Comprehensive Income is presented, which corresponds to the net income increased or decreased by the Other Comprehensive Income (OCI) for the period, net of the effects of income taxes and related ESPS, as well as the participation in the OCI of other entities.

In the Statement of Changes in Stockholders’ Equity, retrospective adjustments for accounting changes and for corrections of errors are added for when the case arises, and the concepts related to Other Comprehensive Income are broken down.

In the Statement of Cash Flows, the Adjustments by items associated with investing activities and with financing activities are broken down.

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INITIAL EFFECT ON THE APPLICATION OF IFRS 9

The initial effect of the adoption of the new regulations on the financial information of the Institution as of January 1, 2022 is presented below:

Initial effect due to the application of the new standard as of January 1, 2022

	Regulation in force as of December 31, 2021		Regulation in force as of January 1, 2022	Initial effect
Assets		Assets		
Availabilities	\$ 24,184	Cash and cash equivalents	\$ 24,184	-
Investments securities:		Investments in financial instruments:		
Trading	198,294	Investments in trading securities	188,326	(9,968) (1)
Available for sale	55	Financial instruments to collect or sell	9,968	9,913 (1)
Held to maturity	186	Receivable financing instruments, principal and interest (net)	186	-
	198,535		198,480	(55)
Debtors on repurchase/resale agreements	910	Debtors on repurchase/resale agreements	4,360	3,450 (2)
Derivatives	1,851	Derivatives	1,851	-
Current loan portfolio	226,194	Loan portfolio with credit risk Stage 1	225,922	(272) (4)
		Loan portfolio with credit risk Stage 2	272	272 (4)
Business and commercial activities	8,499	Loan portfolio with credit risk Stage 3	8,499	-
	234,693	Total loan portfolio	234,693	-
		(+/-) Deferred items	(35)	(35) (4)
Less:		Less:		
Allowance for loan losses	10,917	Allowance for loan losses	10,918	1 (5)
Total loan portfolio, net	223,776	Total loan portfolio, net	223,740	(36)
Permanent investments	755	Permanent investments	810	55 (1)
Deferred income taxes and employees' statutory profit sharing, net	5,000	Assets as per deferred tax on profit, net	3,630	(1,370) (10)
Deferred charges, prepayments and intangible assets	239	Prepayments and other assets (net)	1,520	1,281 (6, (10)
Other assets accounts	10,872	Other assets accounts	10,872	-
Total assets	\$ 466,122	Total assets	469,447	3,325
Liabilities and stockholders' equity		Liabilities and stockholders' equity		
Deposits	169,534	Traditional deposits	169,484	(50) (6)
Due to banks and other	69,678	Interbank loans and loans from other organizations	69,678	-
Creditors from repurchase/resale agreements	168,915	Creditors from repurchase/resale agreements	168,915	-
		Collaterals sold or pledged	3,450	3,450 (2)
Derivatives	8,396	Derivatives	8,396	-
Other accounts payable/Income tax payable	1			(1) (7)
Other accounts payable/Settlement transactions	324	Other accounts payable/Creditors as per operations	324	-
		Other accounts payable/Taxes payable	14	14 (9)
Other accounts payable/Sundry creditors and other accounts payable	2,771	Other accounts payable/Sundry creditors and other accounts payable	1,523	(1,248) (8, (9)
		Income tax liability	1	1 (7)
Subordinated debt issue	10,362	Liabilities for employee benefits	1,234	1,234 (8)
Deferred credits and advance collections	699	Outstanding subordinated debentures	10,321	(41) (6)
Total liabilities	430,680	Deferred loans and advance payments	664	(35) (4)
Stockholders' equity		Total liabilities	434,004	3,324
Contributed capital	43,316	Stockholders' equity:		
Earned (lost) capital	(7,485)	Capital contributed	43,316	-
		Result from previous fiscal years	(7,524)	(39) (1, (3, (5, (10, (11)
Net income	-	Net result	(1)	(1) (5, (11)
Unrealized gain from valuation of available for sale securities	16	Other comprehensive income		
		Valuation of financial instruments to collect and sell	6	(10) (1, (10, (11)
Other capital accounts	(405)	Participation of other comprehensive income of other entities	51	51 (1)
Total stockholders' equity	35,442	Other capital accounts	(405)	-
Total liabilities and stockholders' equity	466,122	Total stockholders' equity	35,443	1
		Total liabilities and stockholders' equity	469,447	3,325

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1) Securities Investments

In accordance with the Business Model for Financial Instruments Receivable (other than Loan Portfolio) of the Institution, the following reclassifications were made:

- a) From negotiable financial instruments to financial instruments to collect and sell for the liquidity portfolio for \$9,968 and its capital gain of \$4 was reclassified from Results of previous years to the item of Other Comprehensive Income – Valuation of financial instruments to collect and sell.
- b) The shares that were classified as Available for Sale Securities for \$55, were reclassified to Permanent Investments; the loss of these investments for \$40 registered in the item of capital of Result for valuation of titles available for sale, was reclassified to Results of previous fiscal years.

Additionally, the impairment of the Financial Instruments to collect principal and interest and of the Financial Instruments to collect and sell for \$0.07 and \$5, respectively, was recognized with effect on the Results of previous years, subsequently recognizing the adjustment at fair value in the financial instruments to collect and sell for \$5 with a favorable effect in Other Comprehensive Income – Valuation of financial instruments to collect and sell.

The participation in the OCI of associated companies is reclassified to the item of participation in OCI of other entities for \$51.

The adjustment in deferred taxes derived from these movements represented a decrease of \$18 with a charge of \$10 to the Results of previous years and of \$8 to the item of Other Comprehensive Results - Valuation of financial instruments to collect and sell.

2) Repurchase Operations

The presentation rule in force as of January 31, 2021 of Criterion B-3 “Repurchase” was eliminated, which indicated that when the reporting company sold or pledged the collateral received, the account receivable would be offset against the account payable, presenting the debit or credit balance in the item of debtors on repurchase or collaterals sold or pledged as applicable.

In the regulation in force as of January 1, 2022, it is indicated that for purposes of compensation between financial assets and liabilities, acting the entity as repurchase, the provisions of FRS B-12 “Compensation of financial assets and financial liabilities” must be followed.

As the compensation rules of FRS B-12 are not complied with, \$3,450 is reclassified from Repurchase Debtors to Collaterals sold or pledged-Repurchase, for the collaterals given as collateral in repurchase operations.

3) Derivative financial instruments

The credit risk (Credit Value Adjustment, CVA) is recognized for \$0.04 of the derivative financial instruments with an effect on results from previous years.

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4) Loan Portfolio

The Loan Portfolio was classified in stages by level of credit risk as follows:

Loan portfolio with credit risk Stage 1. - Loans whose credit risk has not increased significantly from its initial recognition to the date of the financial statements and that are not in the assumptions to be considered stage 2 or 3 for \$225,922.

Loan portfolio with credit risk stage 2.- Loans in which there is objective evidence of impairment for \$272, which as of December 31, 2021 were recorded in the Current Portfolio item.

Loan portfolio with credit risk stage 3. - Loans with credit impairment caused by the occurrence of one or more events that have a negative impact on their future cash flows, for \$8,499.

Additionally, the Commissions collected for the initial granting of the loan for \$35 were reclassified from the item of Deferred loans and advance collections of the liability to the deferred items of the Loan Portfolio.

5) Allowance for loan losses

The amount of the allowance for loan losses was determined based on the different standard methodologies issued by the CNBV for each type of credit and level of credit risk established in the modifications as of March 13, 2020, resulting in a net effect of constitution of \$1 reserves as follows:

Rating	Regulation in force as of					
	December 31, 2021		January 1, 2022		Variation	
	Rating Portfolio	Allowance for loan losses	Rating Portfolio	Allowance for loan losses	Rating Portfolio	Allowance for loan losses
A-1 Minimum	\$ 164,838	810	175,908	910	11,070	100
A-1 Minimum	55,832	574	46,109	437	(9,723) -	137
B-1 Low	9,199	142	8,388	127	(811) -	15
B-2 Low	3,287	69	1,789	36	(1,498) -	33
B-3 Low	2,504	86	3,179	109	675	23
C-1 Medium	4,201	271	4,292	278	91	7
C-2 Medium	523	74	523	74	-	-
D High	5,400	1,485	5,595	1,540	195	55
E Irrecoverable	9,930	6,625	9,931	6,626	1	1
Subtotal	255,714	10,136	255,714	10,137	-	1
Former employees	113	8	113	8	-	-
Past due interest	273	273	273	273	-	-
Additional reserves	-	500	-	500	-	-
Total	\$ 256,100	10,917	256,100	10,918	-	1

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The constitution of reserves for \$1 was made with effect on the Net result, in accordance with the antepenultimate paragraph of the third transitory article of the Resolution that modifies the General Provisions applicable to credit institutions published in the DOF on March 13, 2020, and which was reformed by the Resolution published in the DOF on December 4, 2020, which states that when the amount of allowances to be constituted by the application of the methodology used as of January 1, 2022 is greater than the balance of the item of results from previous fiscal years, the difference that results will be recognized in the results of the corresponding fiscal year.

The movements in the allowance for loan losses generated a cancellation effect of the deferred tax estimates of \$20, which was recorded as income in the results of prior years.

6) Transactions costs of financial instruments payable

Transaction costs for \$91 were reclassified from the deferred Charges, prepayments and intangible assets item to traditional Deposits for \$50 and Outstanding Subordinated Obligations for \$41.

7) Income Tax Liability

The income tax payable of \$1 was reclassified from the Other accounts payable/Income tax payable item to the new Income tax liability item.

8) Liabilities for employee benefits

The Net Liability for Defined Benefits arising from the provisions of FRS D-3 "Employee benefits" of \$1,234, was reclassified from the Other accounts payable/Sundry creditors and other accounts payable item, to the new item of Liabilities for employee benefits.

9) Taxes payable

Contributions payable from the item of Other accounts payable/Sundry creditors and other accounts payable were reclassified to the new item of Other accounts payable/Taxes payable for \$14.

10) Deferred taxes

As detailed in items 1) and 5) above, the initial effect of the application of the new regulations in force as of January 1, 2022 represented a net increase in the deferred tax asset derived from: section 1) the decrease of \$18 with a charge of \$10 to Earnings from prior years and \$8 to Other Comprehensive Income – Valuation of financial instruments to collect and sell and section 5) the cancellation of deferred tax estimates of \$20, which was recorded as income in Results from previous years.

Deferred ESPS for \$1,372 is reclassified from the previous item of Deferred income tax and employee profit sharing, net, to the item of Prepaid payments and other assets (net).

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11) Stockholders' Equity

As described in sections 1), 3), 5) and 10), the initial effect of the application of the new standards in force as from January 1, 2022, represented a net increase of Stockholders' Equity of \$1, which is comprised as follows:

Stockholders' equity	Initial effect as of January 1, 2022
Result of previous fiscal years	
1) Securities investments	\$ (59)
3) Derived financial instruments 1/	(0)
5) Allowance for loan losses	20
	<u>(39)</u>
Net income	
5) Allowance for loan losses	(1)
Other comprehensive income - Valuation of financial instruments to collect and sell	
1) Securities investments	41
Total Stockholders' equity	\$ <u>1</u>

1/ Corresponds to \$0.04

(33) New accounting pronouncements

New accounting pronouncements for the year ended on December 31, 2021

CINIF has issued the following FRSs which may impact the Institution's financial statements as from January 1, 2021 and subsequent years:

Improvements to the 2021 FRSs:

- a. In force as from January 1, 2021, these are the changes on the improvements to the FRSs:

Improvements to the FRSs generating accounting changes:

- FRS B-1, Accounting changes and error correction.
- FRS C-2, Investment in financial instruments.
- FRS B-3, Statement of comprehensive income.
- FRS C-2, Investment in financial instruments.
- FRS C-19, Financial instruments payable.
- FRS C-20, Receivable financing instruments, principal and interest.
- FRS D-5, Leases.

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Improvements to the FRSs not generating accounting changes:

- FRS B-6, Statement of financial position.
- FRS C-4, Inventories.
- FRS C-7, Investments in associates, joint ventures and other permanent investments.
- FRS C-8, Intangible assets.

b. In force as from January 1, 2021, these are the following FRSs:

- FRS C-17, Investment properties.
- FRS C-22, Cryptocurrencies.

The Institution has evaluated the effects of these changes and has concluded that they have no impact on the financial statements.

New accounting pronouncements for 2022 and subsequent years

In addition to the accounting regulations that entered into force on January 1, 2022 (IFRS9) detailed in Note (32) Events subsequent to the date of the financial statements, the CINIF has promulgated the following FRSs that could have an impact on the financial statements of the Institution as from January 1, 2022 and subsequent years:

Improvements to the 2022 FRSs:

a. In force as from January 1, 2022, these are the changes on the improvements to the FRSs:

Improvements to the FRSs generating accounting changes

• **FRS B-7, Business acquisitions.-** The improvements established for this FRS include the analysis of the acquiring entity and the acquired entity, which, when fully identified, is carried out under the method known as the purchase method (recognizing the identifiable assets of the acquired business, the liabilities assumed and shareholding), but, when there are no combinations of entities under common control, it is not possible to use the aforementioned method, for which a method is established to recognize the acquisitions of entities under common control, recognizing this with the name of accounting value method (business valuation method based on financial statements).

FRS B-15, Foreign currency conversion.- In the improvements established for this FRS, the amending adjustment to the paragraph regarding entities subject to consolidation or valuation based on the equity method; thus, a practical solution is also generated when the recording and reporting currency are the same, even though the functional currency (currency with which an entity operates in its primary economic environment) is different and, consequently, if this proposed solution is used, it must disclose a note in its financial statements presenting and explaining the facts and the reasons for using it. What was established above results in the repeal of IFRS 15 (financial statements whose reporting currency is the same as the recording currency, but different from the functional currency).

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• **FRS D-3, Employee benefits.-** In the improvements established for this NIF for the determination of the Employees' Statutory Profit Sharing (ESPS) on a deferred basis, it establishes that it must be applied to temporary differences (transactions that affect accounting and tax results in different periods) determined in the assets and liabilities method, the rate in effect at the end of the fiscal year to which the financial statements refer, except if the Law enacted at the date of the financial statements is known and there is a modification, in the event that it is identified that the rate is lower than the current one, it will apply the temporary differences already established, it will also be able to project, based on financial and fiscal data, the ESPS rate to be applied in the following years and apply the temporary differences to the rate resulting from its projections. In the case of deferred ESPS, a disclosure note must be made identifying the variations, nature of the business and the procedure followed to determine it.

• **FRS B-1, Accounting changes and error corrections. -** In the improvements established for this FRS, reference is made to the change that occurs in the structure of an economic entity when resources are added or removed, as in the cases of acquisition or disposal of businesses. The improvement specifies that these changes must be recognized for accounting purposes at the time they occur, and the effect of the change on income must also be disclosed, as well as on net and comprehensive income or the net change in equity and, where appropriate, on the earnings per share of each of the periods when the comparisons with those of the year in which the change occurs are presented.

• **FRS B-10, Effects of inflation.-** In the improvements established for this FRS, reference is made to the fact that certain disclosures must be conditioned to situations of a greater nature, such as the case of a visualization of an increase in inflation that in itself may lead to a significant change in the environment. Therefore, the entity can disclose the facts that allow it to generate those assertions, even if it is considered under the provisions of this FRS as a non-inflationary environment.

• **FRS B-17, Determination of Fair Value. -** In the improvements established for this FRS, it is that when making the determinations of the fair value (exit price that would be received to sell an asset), recurring and non-recurring, classified within level 2 and level 3 of the fair value for a change in an accounting estimate derived from a change in valuation technique, the information disclosure note required by FRS B-1 in its paragraph 37 will not be required.

• **FRS C-6, Properties, plant and equipment. -** The improvements established for this FRS are based on the disclosure of the time in which it is planned to carry out the construction in process when there are approved plans on it, therefore, the amount of disbursements recognized in the period, the amount of the accumulated investment and the amount of the investment estimated for its completion, eliminating itself the variable time in which it was thought to carry out.

Improvements to the FRSs not generating accounting changes

• **FRS B-3, Statement of comprehensive income. -** The improvements established for this FRS are in relation to the accounting treatment of the Investment Units, taking as a reference notice number 44 issued in October 1995; within the Comprehensive Income, the financing establishes that items such as exchange fluctuations of the items denominated in foreign currency or some other unit of exchange such as the investment unit must be presented.

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• **FRS B-10, Effects of inflation.** - The improvements established for this FRS mention the monetary assets and liabilities denominated in foreign currency or in some exchange unit, such as the investment unit, must be included as part of the monetary position; for this purpose, the corresponding balances in national currency must be considered.

• **FRS B-15, Foreign currency conversion.** – The exception for conversion to the functional currency is included in the standard, which was previously contained in IFRS 15.

• **FRS B-6, Statement of financial position.** - The improvements established for this FRS is the inclusion of short-term assets (current), as appropriate, among others, the items, cost to fulfill a contract and cost to obtain a contract, both from FRS D-2 and accounts receivable conditional on FRS D-1; the inclusion in long-term assets to the assets for right of use of FRS D-5 and in short-term liabilities (current) to the contract liability of FRS D-1.

Particular identification of the FRS where fair value is treated, which are FRS B-11, Disposal of long-lived assets and discontinued operations when valuing an asset or classified group; FRS C-3 Accounts receivable when valuing accounts receivable from a business acquisition; FRS C-15 Impairment of long-lived assets when determining the fair value of an asset or a cash-generating unit and finally FRS C-22 Cryptocurrencies when valuing them at fair value, likewise, it includes the term risk of default, which is the effect that a liability at fair value should reflect when the entity defaults or does not meet an obligation, it is assumed that the risk of default is the same before and after the transfer of such liability.

• **FRS C-3, Accounts receivable.**

Improvements in the writing of paragraph 20.1

• **FRS C-16, Impairment of financial instruments receivable.**

Improvements in the writing of paragraph 42.6

• **FRS B-1, Cambios contables y correcciones de errores.**

Improvements in the writing of paragraphs 11 and 12

• **FRS B-17, Determination of fair value.**

CINIF considered it appropriate to update the list of particular FRSs, where fair value is treated.

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At the issuance date of these financial statements, the Institution is in the process of determining the effects of these new standards on its financial information.

S I G N A T U R E

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

S I G N A T U R E

Paulina Moreno García
Deputy General Director of
Administration and Finance

S I G N A T U R E

Julia Noemí Rodríguez Kú
Director of Accounting and Budget

S I G N A T U R E

Víctor Manuel Jiménez García
Director of Internal Audit