

**Banco Nacional de Comercio Exterior, S. N. C.,
Institución de Banca de Desarrollo and Subsidiaries**
Notes to consolidated financial statements
December 31, 2022
(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 Based on the provisions published in the June 24, 2002 Official Gazette, the Ministry of Finance amended, added and repealed various provisions thereof, especially aspects regarding the objectives, operations, administration, supervisions and authority of the Board of Directors of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-

In terms with the Institution’s Organic Law, as a Development Bank, it renders public banking and lending services subject to the objectives and priorities of the National Development Plan, particularly, the National Development Financing Program to promote and finance activities and sectors as entrusted thereto in such law.

As a Development Banking Institution, its purpose is to finance the nation’s foreign trade and participate in the promotion of such activity.

The Institution’s main operations are regulated by the Credit Institutions Law and by the Banco de Mexico (“Banxico” or “Mexican Central Bank”) Law. Such ordinances include a number of limits indicating the maximum leverage level and capitalization requirements limiting Institution’s investments and operations, and is under the supervision of the National Banking and Securities Commission (CNBV for its acronym in Spanish).

Attached consolidated financial statements as of December 31 2022, and for the year ending on such date, include Institution’s financial statements, as well as those of its subsidiaries, Desarrollo Inmobiliario Especializado, S. A. de C. V. (DIESA) and Administradora de Centros Comerciales Napoles, S.A. de C.V. (ACCN).

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Below is a description of such subsidiaries purpose and their share in the stockholders equity:

<u>Subsidiary</u>	<u>Holding</u>	<u>Purpose</u>
Desarrollo Inmobiliario Especializado, S. A. de C. V.	99.20% ("A" Series)	- The acquisition, leasing, administration, benefiting, exploitation, disposal and use of real estate.
	100.00% ("B" Series)	- Execution of adaptation, conservation, construction, demolition, maintenance and modification works thereto, provided property where Institution's office are or are to be.
Administradora de Centros Comerciales Napoles, S.A. de C.V.	100%* (Fixed)	- Acquire, purchase, sell, mortgage, lease, build and exploit any kind of movable and real property or rights in rem.
	100%* (Variable)	- Rendering of any kind of professional services.

* The Shareholders' Meeting authorized, as gratuitous donation in favor of Institution, 50,015 shares then held by Martha Martinez Quiroz, holder by Institution's mandate, which donation occurred on June 29, 2022. As of December 31, 2022, the Shareholders' Meeting authorizing dissolution and liquidation of the company is yet to be held.

As of December 31, 2022, DIESA and ACCN total assets represent 0.129% and 0.001%, respectively, of the Institution's total assets.

(2) Financial Statements authorization and bases of preparation

Authorization-

The attached consolidated financial statements and notes as of December 31, 2022 for the year ending on such date were authorized for issuance by the subscribing members of the executive board: Luis Antonio Ramirez Pineda (Chief Executive Officer), Paulina Moreno Garcia (the Head of the Administration and Finance Unit), Julia Noemi Rodriguez Ku (Accounting and Budget Director) and Victor Manuel Jimenez Garcia (Internal Audit Director) on February 21, 2023, for approval by the Board of Directors on a subsequent date.

In accordance with the General Business Corporations Law, the Institution's bylaws and the General Provisions Applicable to Mexican Credit Entities, issued by CNBV, the Board of Directors and the CNBV are vested with capacity to modify the attached 2022 consolidated financial statements, following issuance thereof.

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Bases of preparation-

a) Statement of compliance-

The attached consolidated financial statements have been prepared on the grounds of banking laws in accordance with Accounting Criteria Applicable to Mexican Credit Entities ("Accounting Criteria"), established by the CNBV, the entity in charge of inspection and oversight of credit entities, and for the review of their financial information.

The Accounting Criteria provide that CNBV is to issue specific rules for specialized operations, CNBV's A-4 criterion "Supplementary application of Accounting Criteria" establishes that, in the absence of an express CNBV accounting criterion applicable to credit entities, and within the broadest context of the Mexican Financial Reporting Standards (FRS) issued by the Mexican Board of Financial Reporting Standards (CINIF per its Spanish acronym), the supplementary process established under FRS A-8 Supplementary Process, and only when International Financial Reporting Standards (IFRS) fail to resolve the accounting recognition a supplementary standard belonging to any other regulating process may be observed, provided in satisfaction with all requirements identified in referred to FRS, but such supplementary process is to be applied as follows: US Generally Accepted Accounting Principles (US GAAP) and any accounting standard part of the set of formal and well-known standards, provided in satisfaction with A-4 criterion's requirements.

b) Accounting ordinances in force as from January 1, 2022-

During the financial crisis that started on 2008, the different countries identified insufficient and delayed recognition of credit losses as a weakness in current accounting standards, therefore, as a result thereof, the international financial reporting standard IFRS 9 "Financial Instruments" was issued on July 2014.

As a result of IFRS 9's issue, the Mexican Board of Financial Reporting Standards (CINIF per its Spanish acronym), published 10 new financial reporting standards that entered into effect on January 1, 2018.

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

- a) FRS B-17, Fair value determination.
- 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, Derivative Financial Instruments and hedging ratios.
- f) FRS C-16, Impairment of Financial Instruments Receivable.
- g) FRS C-19, Financial instruments payable.
- h) FRS C-20, Financial Instruments for Collection of Principal and Interests.
- i) FRS D-1, Revenue from customer contracts.
- j) FRS D-2, Customer contract costs.

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On the grounds thereof, CNBV initiated a process to adopt International Financial Reporting Standard 9 “Financial Instruments” (IFRS 9) substituting IAS 39 standard, to which effect it was required to update Accounting Criteria applicable to Credit Entities (Accounting Criteria) to make them congruent with domestic and international financial reporting standards, to allow the availability of transparent financial information comparable with that of other countries.

On March 13, 2020, the CNBV published in the Official Gazette of the Federation (DOF) a Resolution amending General Provisions Applicable to Credit Entities, incorporating new information standards issued by the Mexican Board of Financial Reporting Standards, enforceable as from January 1, 2022, in accordance to amending Resolution published in the DOF on December 4, 2020.

Such Resolution’s FIFTH TRANSITORY ARTICLE reads that the annual consolidated basic financial statements requested to institutions in terms with above identified Provisions, for the period ending on December 31, 2022 are not to include comparative figures of 2021 and for the period ending on December 31, 2021.

The above by reason of changes on accounting ordinances covered in the Resolution better known as IFRS 9, and deriving from the fact that in the application of this new standard the CNBV established as a practical solution the capacity of institutions to recognize, on the date of first application, the accrued effect of accounting changes, therefore, prior period financial statements would not be restated.

Derived from the fact that application of the new accounting ordinances is necessarily reflected in financial information as from January 1, 2022, and taking into account the provisions of TRANSITORY ARTICLE FIVE above referred to, these financial statements consolidated with subsidiaries and notes, are not presented with comparative figures of the 2021 year.

Main changes in accounting ordinances, mechanics for adoption and adjustments implemented to determine initial effects due from application of changes.

Changes in accounting ordinances

Accounting criteria that were modified:

- A-2 “Application of specific standards”
- A-3 “Application of general standards”
- B-1 “Cash and cash equivalents”
- B-3 “Repurchase”
- B-4 “Lending of securities”
- B-6 “Loan portfolio”
- B-7 “Awarded property”
- B-8 “Guarantors”
- B-9 “Custody and administration of property”
- B-10 “Trusts”
- C-2 “Securitization transactions”
- D-1 “Statement of financial position”
- D-2 “Comprehensive income statement”
- D-3 “Statement of changes in stockholders’ equity”
- D-4 “Cash flow statement”

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Accounting criteria that were derogated:

- B-2 "Investment in securities"
- B-5 "Derivatives and hedging transactions"
- B-11 "Collection rights"
- C-1 "Recognition and release of financial assets"
- C-3 "Related parties"
- C-4 "Segmented information"

Mexican Financial Reporting Standards (FRS) issued by the Mexican Board of Financial Reporting Standards and referred to in paragraph 3 of Criterion A-2 "Application of specific standards" under Exhibit 33 of CUB, the application of which initiated on January 1, 2022 were:

- B-17 "Fair value determination"
- C-2 "Investment in financial instruments, (FI)"
- C-3 "Accounts receivable"
- C-9 "Provisions, contingencies and commitments"
- C-10 "Derivative Financial Instruments and hedging ratios"
- C-16 "Impairment of Financial Instruments Receivable"
- C-19 "Financial instruments payable"
- C-20 "Financial Instruments for Collection of Principal and Interests"
- D-1 "Revenue from customer contracts"
- D-2 "Customer contract costs" and
- D-5 "Leases"

On December 30, 2021, the CNBV published in the DOF amendments to the resolution dated March 13, 2020, substituting criteria A-2 "Application of specific standards", A-3 "Application of general standards", B-1 "Cash and cash equivalents", B-6 "Loan Portfolio", B-7 "Awarded property" and D Series "Criteria related to basic financial statements".

Included in changes stated by CNBV in above identified amendments, there are significant recognition, measuring, presentation and disclosure differences with Accounting Criteria applied up to December 31, 2021. Such differences are importance for to Institution's consolidated financial information.

A descriptive summary of the differences that the Institution's Management believes the most important for its consolidated financial information is presented below.

1) Criterion B-6 "Loan Portfolio"

Business model

The business model refers to how the Institution proceeds to administer or manage its loan portfolio for cash flow generation. That is, the Institution's business model determines whether cash flows will inflow from contractual cash from the sale of loan portfolio or both. The Institution's business model to administer or manage the loan portfolio is a matter of facts and not a mere intent or affirmation. Observable through activities carried out by the Institution to achieve the business model's purpose.

In terms with this criterion, the loan portfolio is recognized when the purpose of the business model is to preserve it to collect contractual cash flows and the terms of the contract provide cash flows on predefined dates, corresponding to solely payments of principal and interest (SPPI) on the outstanding principal amount,

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to which end tests are applied otherwise, treatment will be in accordance to 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.

Effective interest method

The effective interest method and the effective interest rate established to allow calculation of the loan portfolio's amortized cost to distribute its effective interest income or expense, in the pertinent periods during the loan portfolio's life. The effective interest rate is the rate accurately discounting estimated future cash flows to be collected during the expected life of a loan.

Unlike a nominal rate recognizing interests as they accrue, it considers a series of elements, such as, the number of disbursements, number of payments, nominal interest, commissions charged, transaction costs, as well as any other contract flow or charge that may exist, therefore affecting the recognition of interest in books from the financial but not the contract point of view.

Under accounting criteria in force up to December 31, 2021, the recognition of loan portfolio interests was at the contract rate, but the accrual of interests in contract terms did not match the accrual of interests upon applying the effective interest rate, because in the first scenario, income from commissions and costs resulting from the granting of the loan are recognized through deferred charges or loans amortized under the straight-line method during the life of the loan.

In order to determine the effective interest rate, the following steps must be taken:

1. To determine the amount of estimated future cash flows receivable. - By obtaining the total sum of principal and interests to be received in line with the loan's payment plan, during the contractual term, or a shorter term when there is a possibility of payments prior the date of maturity or any other circumstance justifying the existence of a shorter term.
2. To determine the effective interest. - Deducting from estimated future cash flows receivable.
3. To determine the effective interest rate. - Represents the ratio between effective interest and the net financed amount.

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In the subsequent recognition, the loan portfolio is to be valued at its amortized cost, to include increases resulting from accrued effective interests, reductions resulting from amortization of transaction costs and items charged in advance, as well as reductions resulting from collection of principal and interests and the credit risk allowance.

The CNBV allowed a facility in application of criterion B-6- Loan Portfolio consisting in that during the 2022 year, when determining the amortized cost, the contract interest rate and the straight-line method in the recognition of commissions charged and transaction costs could continue being used for the recognition of interests accrued by the loan portfolio as indicated in current criterion B-6 "Loan Portfolio", in force up to December 31, 2021, obliged to disclose in quarterly and annual financial statements of such year, such circumstance. The Institution did not follow such facility.

Allowance for loan losses

The allowance amount will be determined based on different methodologies established by CNBV per type of loan and credit risk level, and any further allowances required in other ordinances and those dictated and acknowledged by CNBV, that must be recognized in the profit and loss for the applicable period.

The CNBV implemented a new calibration to allowance calculation methodologies focusing on commercial portfolio expected loss. Simultaneously with IFRS 9, the current portfolio and past due portfolio concepts were modified to portfolio in stages 1, 2 or 3 to control credit risk and to establish, in a manner congruent to such risks, the credit risk allowances.

The loan portfolio impairment level identification must occur prior a failure to perform, taking into consideration amongst the main factors, significant increases in credit risk indicators, degradation of the instrument or borrower's external rate, significant risk increases in other instruments of same borrower, default information, significant impairment in market indicators, significant changes in value of collateral or borrower's operation profit and loss, even those changes in the economic environment, also allowing incorporation of models to rate such loan portfolio with own models or those based on FRS C-16.

Expected loss estimate must be calculated taking into consideration the above 3 stages, depending on the asset credit impairment level, being:

Stage 1 incorporates financial instruments with a credit risk that has not significantly increased from initial recognition with an allowance established for a 12-month period.

Stage 2 incorporates instruments with a significant credit risk increase as from initial recognition.

Stage 3, comprising instruments with objective evidence of impairment and that, in stage 2 and 3, it is established that credit entities are to establish allowances for the remaining term up to maturity.

The methodology to establish the amount of the allowances is disclosed.

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2) Criterion B-1 “Cash and cash equivalents” (formerly liquid assets)

Main changes refer to modifications to treatment of financial instruments referred in paragraph number 4) that follows, establishing that only those with high liquidity the disposal of which is foreseen within up to 48 hours will be taken into account under this item.

3) Repurchase

The rule of presentation in force up to January 31, 2021 of Criterion B-3 “Repurchase”, providing that any time a repurchaser sold or granted the collateral available thereto as guarantee, the account receivable would be setoff against the account payable and the debtor or creditor balance would be entered under the repurchase debtor or collateral sold or granted as guarantee item, as applicable, was eliminated.

The standard in force as from January 1, 2022, indicates that, for the purposes of financial asset and liability set-off when the entity as a repurchaser, the provisions of FRS B-12 “Financial asset and financial liability set-off” is followed.

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

Business model

The main change in this standard is FI classification as an investment. The intent of acquisition and use of FI as investment to determine classification thereof is discarded; instead, the business model of investment in FIs management to obtain cash is adopted, which cash flow may be obtained as a FI contract yield, from collection of contract yield and/or sale or gaining profit following sale, in order to classify the different IF.

Reclassification of investments in FIs as to the different categories (receivable, debt at fair value and negotiable) is not permitted, unless the business model changes, which scenario is deemed as occurring infrequently.

The Financial Instruments Receivable (other than the Loan Portfolio) Business Model was documented by Institution determining classification of the following portfolios:

Negotiable Financial Instrument (NFI), to the end of investing in order to making profit from the difference between the purchase price and the sale price, that is, in function of such instrument’s market risk administration (money desk).

Financial Instrument to Collect or Sell (FICS), in order to collect contractual cash flows resulting from collection of principal and interests, or else, the gaining of profit from sale thereof, when convenient (liquidity).

Financial Instruments for Collection of Principal and Interests (FICPI), to collect contractual cash flows; the terms of contract provide cash flows on predefined dates corresponding only to payments of principal and interests on the unpaid principal amount (contractual superavit).

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

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Subsequent recognition

FICPI are assessed at amortized cost applying the effective interest rate, with effects in profit and loss; FICSS are assessed at fair value with changes in other comprehensive income, previously affecting the profit and loss due to interests accrued, any exchange rate fluctuation and impairment losses; NFIs are measured at fair value with effects in profit and loss.

5) FRS B-17 “Fair value determination”

Fair value is the exit price received upon selling an asset, or paid upon transferring a liability, in an orderly transaction amongst market participants on the date of valuation.

In order to determine the fair value, it is required to take into consideration: a) the specific asset or liability being valued; b) as to a non-monetary asset, the longer and better use of the asset and if the asset is used in combination with other assets or independently; c) the market where an ordered transaction would occur for the asset or liability, and d) the appropriate valuation technique or techniques to determine the fair value.

6) FRS C-3 “Accounts receivable”

The main changes established are: a) a financial instrument is represented by accounts receivable based on a contract; b) commercial accounts uncollectability estimate is acknowledged based on expected credit losses upon accrual of income; c) the value of money in time must be taken into consideration as from the initial recognition, and d) present an analysis of changes existing between opening and closing balances of the uncollectability allowance.

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

The main change in this standard is the adjustment into the definition of a liability of the term “possible” eliminating the term “virtually unavoidable”.

8) FRS C-10 “Derivative Financial Instruments and hedging ratios”

The main changes refer to the following:

- ✓ Hedging ratios must be aligned with risk administration strategy to qualify as hedging ratios. Otherwise, they would not qualify as such and they may not be recognized as hedging ratios;
- ✓ Specific measures are eliminated (between 80% and 125% in respect to hedged item variations) to determine whether its hedging is effective and any ineffectiveness is immediately acknowledged in profit and loss;
- ✓ The restriction to be able to establish a hedging ratio on assets and liabilities valued at fair value was eliminated;
- ✓ The hedging ratio is discontinued only if the hedging instrument or the hedged item cease to exist, or if there is a change in the risk administration strategy, which would be unusual and rare;
- ✓ The hedging ratio must be rebalanced if ineffective, by increasing or reducing the hedged item or the hedging instrument;
- ✓ Implied derivative financial instruments existing when hosting instrument is a financial asset may not be segregated; and
- ✓ An item hedged at a net income and expense position may be designated as hedged item, when such designation reflects the entity's risk administration strategy.

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9) FRS C-16 “Impairment of Financial Instruments Receivable” (FIR)

Establishes that FIR expected losses due to impairment must be acknowledged upon increase of the credit risk, it is concluded that a portion of future FIR cash flows will not be recovered. Such expected loss is recognized based on the historic credit loss experience, current conditions and reasonable and sustainable forecasts of the different future quantifiable events that could affect the amount of future cash flows recoverable from IFCs. As to interest accruing IFCs, it must be defined how and when recovery is estimated, as the recoverable amount must be estimated at current value.

10) FRS C-19 “Financial Instruments payable”

Establishes: a) the possibility of valuing specific financial liabilities at fair value; b) valuing long-term liabilities at current value in the initial recognition, taking into consideration their value in time if for a term exceeding a year or off standard credit conditions, and c) upon restructuring a liability without substantially modifying future cash flows for their settlement, the costs and commissions disbursed in this process affect the liability amount and will be amortized at a modified effective interest rate, instead of directly affecting the net profit or loss.

The provisions in paragraph 41.1.1 number 4 of the FRS C-19, regarding the use of a market rate as the effective interest rate when assessing a financial instrument payable will not apply when both rates were substantially different.

The exception to irrevocably designate, at initial recognition, a financial instrument payable to be subsequently valued at fair value with effects on net income as referred to under section 42.2 of FRS C-19 will not apply to entities.

11) FRS C-20 “Financial Instruments to collect principal and interest”

Determines classification of financial instruments based on the business model as follows: a) if they are used to generate profit through a contract yield, they are acknowledged at their amortized cost; b) if they are also used to produce earnings based on their sale, they are acknowledged at fair value. Additionally, the standard provides that the host instrument’s implicit derivative instrument modifying principal and interest flows will not be segregated, but everything is to be valued at fair value, as if a negotiable financial instrument.

12) FRS D-1 “Revenue from customer contracts”

Comprises assessment, presentation and disclosure standards applicable to income from contracts with customers, the recognition of income from a control transfer, the identification of obligations performed under a contract, the assignment of a transaction amount and the recognition of a collection right. Eliminates supplementary character of International Accounting Standard 18 “Income from Day-to-Day Activities” and interpretations thereof.

13) FRS D-2 “Customer contract costs”

Contains ordinances regarding acknowledgment of customer contract costs and incorporates accounting treatment of costs related with construction and manufacture of capital asset contracts, including costs related with customer contracts. Jointly with FRS D-1 “Revenue from customer contracts”, FRS D-2 derogates Bulletin D-7 “Construction and manufacture of specific capital asset contracts” and interpretation to Financial Reporting Standard 14 “Real-property-related construction, sale and service rendering contracts”.

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14) FRS D-5 “Leases”

As to lessor there are no changes in the recognition in books, disclosure requirements are added, exclusively. As to lessee, the classification of leases as operation or financial is eliminated, recognizing an asset based on right to use the leased underlying asset and a leasing liability reflecting an obligation to make leasing payments at current value, when the leases exceed 12 months.

Due to the above, this FRS: a) requires evaluating, at the inception of the contract, whether a right to control the use of an identified asset for a specific time period is obtained; b) operation lease expenses is replaced by a expense for depreciation or amortization of assets with right of use and an interest expense on leasing liabilities; c) the presentation in cash flow statement is modified by reducing cash outflows from operation activities, and increasing cash outflows from financing activities to reflect leasing liability payments; d) the recognition of income or loss is modified upon lessee transferring an asset to another entity, leases back such asset.

15) D Series Accounting Criteria “Criteria related to basic financial statements”

The main changes in the Statement of Financial Position (formerly, the Balance Sheet), refer to presentation of Investments in financial instruments, classified under the new standard as negotiable Financial Instruments, Financial Instruments to Collect or Sell and Financial Instruments for Collection of Principal and Interests, the presentation of the Loan Portfolio in Stages 1, 2 and 3 and presentation there of at amortized cost by integrating the Deferred Items.

The main change in the Comprehensive Income Statement (formerly, the Income Statement), is that the Comprehensive Income is presented in addition to the Net income, corresponding to the net income increased or reduced by Other Comprehensive Income (OCI) during the period, net of effects or related profit taxes and Employee Profit Sharing, as well as interests in OCI of other entities.

Retrospective Adjustments due to Accounting Changes and error corrections are added, upon occurrence, to the Statement of Changes in the Stockholders’ Equity, itemizing concepts related to Other Comprehensive Income.

Adjustments due to items associated with investment activities and financing activities are itemized in the Cash Flow Statement.

Initial effect of applying standards effective as from January 1, 2022

TRANSITORY ARTICLE FIVE of the Resolution amending General Provisions Applicable to Credit Entities dated March 13, 2020 and its Amending Resolution dated December 4, 2020, provides that institutions may apply partial retrospective recognition by allowing recognition, as of the date of opening application of new standard (IFRS 9), the accrued effect of accounting changes. FRS B-1 “Accounting changes and error correction”, provides in its paragraph 21 that any time the initial effect proves impossible to determine, the prospective application of the accounting change must be implemented.

Paragraph 24 of FRS B-1 provides that retrospective application is deemed impractical when, among other, the effect of retrospective application cannot be determined, notwithstanding the entity management’s reasonable justifiable efforts.

Bancomext deemed impractical to determine the initial accrued effect of applying the effective interest rate to the loan portfolio because, in order to determine the effective interest rate at the inception of each transaction, transactions from the universe of loans granted as of December 31, 2021, must be reconstructed, a functionality in the credit system must be developed for a single processing and due to

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unfeasibility of objective quantification of the amortized cost for the remaining trench and term of each identified loan, the initial upload of loans at amortized cost could not be performed, therefore, the effort to produce such information would represent very high costs in time and monetary, and technological and staff resources.

Similarly and notwithstanding the existence of information to retrospectively apply the standard on financial liabilities, the loan portfolio data is unavailable, therefore, Institution deemed it incorrect to retrospectively apply the effective interest method to financial liabilities, but not in case of financial assets, in line to the basic postulate of congruency establishing that an entity is to follow a single accounting treatment regarding similar transactions.

By virtue of the above, the effective interest rate method for financial assets and liabilities was prospective comprehensively performed.

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

	<u>Standard in force up to December 31, 2021</u>		<u>Standard in force as of January 1, 2022</u>	<u>Opening effect</u>
Assets		Assets		
Availabilities	\$ 24,184	Cash and cash equivalents	\$ 24,184	-
Investment securities:		Investments in financial instruments:		
Trading	198,294	Trading financial instruments	188,326	(9,968) (1)
Available for sale	55	Financial instruments to collect or sell	9,968	9,913 (1)
Held to maturity	186	Financial instruments to collect principal and interest (securities) (net)	186	(0) (1)
	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	(0) (3)
Current loan portfolio	226,194	Loan portfolio with stage 1 credit risk	225,922	(272) (4)
		Loan portfolio with stage 2 credit risk	272	272 (4)
Business and commercial activities	8,499	Loan portfolio with stage 3 credit risk	8,499	-
	234,693	Loan portfolio	234,693	-
Less:		(+ -) Deferred items	(35)	(35) (4)
Allowance for loan losses	10,917	Less:		
Total loan portfolio, net	223,776	Allowance for loan losses	10,918	1 (5)
Permanent investments	755	Total loan portfolio, (net)	223,740	(36)
Deferred income taxes and employee's statutory profit sharing, net	5,000	Permanent investments	810	55 (1)
Deferred charges, prepayments and intangible assets	239	Deferred income tax asset (net)	3,630	(1,370) (10)
Other asset accounts	10,872	Prepayments and other assets (net)	1,520	1,281 (6, (10)
Total assets	\$ 466,122	Other accounts receivable (net)	10,872	-
Liabilities and stockholders' equity		Total assets	\$ 469,447	3,325
Deposits	169,534	Liabilities and stockholders' equity		
Due to bank and other	69,678	Deposits	169,484	(50) (6)
Creditors from repurchase/resale agreements	168,915	Due to banks and other institutions	69,678	-
		Creditors from repurchase/resale agreements	168,915	-
Derivatives	8,396	Collateral sold or pledged as guarantee		
Other accounts payable/Income tax payable	1	Repurchases/resale	3,450	3,450 (2)
Other accounts payable/Settlement transaction	324	Derivatives	8,396	-
				(1) (7)
Other accounts payable/Sundry creditors and other accounts payable	2,771	Other accounts payable/Settlement transaction	324	-
		Other accounts payable/Contributions payable	14	14 (9)
Subordinated debt issue	10,362	Other accounts payable/Sundry creditors and other accounts payable	1,523	(1,248) (8, (9)
Deferred credits and advance collections	699	Income tax liability	1	1 (7)
Total liabilities	430,680	Liability for employee benefits	1,234	1,234 (8)
Stockholders' equity:		Subordinated debt issue	10,321	(41) (6)
Contributed capital	43,316	Deferred credits and advanced collections	664	(35) (4)
Earned (lost) capital	(7,485)	Total liabilities	434,004	3,324
Net income	-	Stockholders' equity:		
		Contributed capital	43,316	-
Unrealized gain from valuation of available for sale securities	16	Income from prior years	(7,524)	(39) (1, (3, (5, (10, (11)
		Net income	(1)	(1) (5, (11)
Other capital accounts	(405)	Other Comprehensive Income		
Total stockholders' equity	35,442	Valuation of financial instruments to collect or sell	6	(10) (1, (10, (11)
Total liabilities and stockholders' equity	\$ 466,122	Share in other entities' OCI	51	51 (1)
		Other stockholders' equity accounts	(405)	-
		Total stockholders' equity	35,443	1
		Total liabilities and stockholders' equity	\$ 469,447	3,325

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1) Investment in securities

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 Transactions

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.

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.

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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.

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:

Regulation in force as of						
Rating	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

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.

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6) Transaction 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) Employee Benefit Liability

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).

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
	(39)
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	\$ 1

1/ Corresponds to \$0.04

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c) Use of criteria and estimation of uncertainties-

The preparation of consolidated financial statements requires the Management to apply criteria, estimates and assumptions regarding the book value of assets and liabilities and disclosure of contingent assets and liabilities as of the date of financial statements and amounts entered into income and expenses during the year. Actual results may differ from such estimates and assumptions.

Assumptions and uncertainty in estimates

Information on assumptions and estimate uncertainty having a significant risk of resulting in a material adjustment to book amounts of assets and liabilities is included in the following notes:

- Note 3f and 6 – Investment in securities;
- Note 3g and 7 – Repurchase transactions;
- Note 3h and 8 – Derivative financial instruments;
- Note 3k and 9b – Credit risk allowance;
- Note 3t and 19 – Employee benefits;
- Note 3u and 20 – Income Tax and Employee Profit Sharing.

d) Functional and reporting currencies-

Consolidated financial statements are presented in the reporting currency, Mexican pesos, same as the book currency and functional currency.

For the purposes of disclosure made in the notes to consolidated financial statements, any time a reference is made to pesos or “\$”, is a reference to million Mexican pesos, except when otherwise indicated, and when a reference is made to USD or dollars, is a reference to dollars of the United States of America.

e) Comparative information-

In accordance to TRANSITORY article FIVE of the Resolution amending General Provisions Applicable to Credit Entities dated March 13, 2020 and its amending Resolution dated December 4, 2020, these consolidated financial statements including subsidiaries and notes are not presented in a comparative manner for the 2021 year.

(3) Summary of main accounting policy-

Accounting policy described below have been uniformly applied in preparing consolidated financial statements for the reporting year.

(a) Bases for consolidation-

Consolidated financial statements include those of the Institution and those of its subsidiaries under its control, Desarrollo Inmobiliario Especializado, S. A. de C. V. (DIESA) and Administradora de Centros Comerciales Napoles, S.A. de C.V. (ACCN). Transactions, balances and unrealized profits or losses resulting from transactions between Institution and its subsidiaries, have been eliminated in preparation of these consolidated financial statements. Consolidation was effected based on DIESA and ACCN financial statements on and for the year ending on December 31, 2022, which were prepared in adherence to Accounting Criteria Applicable to Mexican Credit Entities.

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(b) Recognition of the effects of inflation-

Attached consolidated financial statements include acknowledgement of inflation effects in financial information up to December 31, 2007, date when an inflationary economic environment (accrued inflation in excess of 26% in the last three-year period) is deemed terminated and a non-inflationary economic environment initiated, measured by Investment Unit (–UDI for its acronym in Spanish) value deriving factors, UDI be a unit the value of which 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
2022	7.646804	7.58%	19.50%
2021	7.108233	7.61%	14.16%
2020	6.605597	3.23%	11.31%

(c) Fair Value-

The fair value of a financial asset or liability is the exchange outflow price, based on the price that would be received upon sale of an asset or would be paid to transfer a liability, in an arm's length transaction as of the date of valuation.

The transaction price, that is, the price paid for the asset or that assumed for the liability is an inflow price. To the contrary, the fair value is an outflow price, as it is the price that would received for selling the asset or transferring a liability.

The fair value is determined based on market information; in a few cases, information is available (observable data) and in other, it is not (non-observable data). For the purposes of financial information, fair value measurements are classified based degree at which the measurement entry data are observable and its importance in determining fair value in its entirety, in three levels:

- Level 1, the highest level comprises observable exchange prices in an active market that the entity may obtain as of date of valuation;
- Level 2, prices obtained from observable entry data other than Level 1 exchange prices, whether directly or indirectly,
- Level 3, the lowest level, takes into account non-observable entry data.

The Institution applies direct to vector valuation using the Updated Price from its Price Provider (Valuacion Operativa y Referencias de Mercado S.A. de C.V.) of the following instruments:

I. Securities entered in the Registry or authorized, entered or regulated in markets recognized by CNBV by means of general character provisions.

II. Derivative Financial Instruments that are traded in domestic derivative markets or belonging to markets recognized by Mexican Central Bank.

III. Underlying assets and all other financial instruments part of Structured Transactions or Derivative Packages, when about Securities or financial instruments foreseen under fractions I and II above.

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Therefore, the level of fair value of these instruments is at Level 1.

Derivative Financial Instruments traded by Bancomext are in the OTC market and internal valuation models used to determine their fair value are standard in the market, were introduced and authorized by CRAC and are duly documented in the Risk Regulation Manuals. As to Swaps and Forwards, future flows (whether fixed or variable) with simple interest are discounted, and in the event of options the Black Scholes model is used. Supplies used in determination (yield curves, interest rates, volatility, exchange rate) are made available by the institutional price provider, therefore, the fair value hierarchy of these instruments is at Level 2.

As of December 31, 2022, the Institution uses no prices classified at Level 3, no transference in hierarchy classification of the updated price for valuation were made, and there were no adjustments to valuation models or updated price for valuation within the period.

The following table shows financial assets and liabilities valued at fair value:

	2022			Total
	Level 1	Level 2	Level 3	
Financial Instruments				
Negotiable Financial Instruments				
Securities in Repurchase Transactions	174,190	-	-	\$ 174,190
No Restriction Government Securities	15,900	-	-	15,900
Financial Instruments to Collect or Sell				
No Restriction Government Securities	9,896	-	-	9,896
Financial Instruments for Collection of Principal and Interests				
No Restriction Government Securities	198	-	-	198
Derivative financial instruments				
Fair Value Hedging				
SWAPS				
For Portfolio Hedging				
Assets	-	44,744	-	44,744
For Liability Hedging				
Assets	-	57,304	-	57,304
Negotiations				
SWAPS				
Assets	-	17,053	-	17,053
Options				
Purchases	-	241	-	241
Total Assets	200,184	119,342	-	\$ 319,526

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	2022			
	Level 1	Level 2	Level 3	Total
Derivative Financial Instruments				
Fair Value Hedging				
SWAPS				
For Portfolio Hedging				
Liabilities	-	43,371	-	\$ 43,371
For Liability Hedging				
Liabilities	-	62,943	-	62,943
Negotiation				
SWAPS				
Liabilities	-	16,974	-	16,974
Options				
Sales	-	241	-	241
Total liabilities	-	123,529	-	\$ 123,529

(d) Impairment of Financial Instruments Receivable-

Institution acknowledges an estimate of Expected Credit Loss (ECL) due to impairment in Financial Instruments Receivable (FIR), taking into consideration the credit risk where all possible nonperformance events are taken into consideration, to which the Institution completes an evaluation as from initial recognition of expected losses due to impairment in FIRs, taking into consideration the credit loss historic experience, current conditions and fair sustainable forecast of the different quantifiable future events that could affect the amount of future cash flows recoverable in FIRs.

The ECL model for Financial Instruments for Collection of Principal and Interests (FICPI) requires the establishment of the credit risk stage applies to an instrument, as follows:

Stage 1.- Low credit risk. Instruments with a credit risk not having significantly increased from initial recognition up to the date of the financial statements.

Stage 2.- Instruments with significant credit risk increase from initial recognition up to the date of financial statements.

Stage 3.- High credit risk. Are those with credit impairment due to one or more events with a detrimental impact in the instrument's future cash flows has occurred.

Based on the stage classification, the severity of loss (SL) and possibility of nonperformance (PNP), is that a recoverable amount is determined and the difference between the latter and the instrument value is the amount of accrued ECL.

The ECL is applied to the following concepts:

- Investment in financial instruments
- Loan portfolio including factoring
- Guarantee and avail contracts
- Other accounts receivable
- Derivative financial instruments

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The methodology used in order to determine ECL is described in the policy related to these concepts.

ECL is recognized as an expense in the comprehensive income statement for the period of its determination independently of the time the loss is verified, under the item.

When there are favorable changes in the credit quality of FIRs, the ECL estimate excess is reverted during the period such changes occur, against the same net profit or loss items that were affected upon creation, in accordance to the originating item. Should an amount previously written-off is recovered, the same net profit or loss item affected upon acknowledging the loss is affected.

(e) Cash and cash equivalents-

This item comprises cash in treasury, deposits made with Central Bank, in the Treasury of the Federation (–TESOFE for its acronym in Spanish), in domestic or foreign financial entities that are available for Institution’s operation, and cash equivalents, such as, short-term, high liquidity securities, easily convertible into cash and subject to trivial risks in change of value, maintained to perform with short-term commitments more than for investment purposes, such as, inter-banking lending transactions agreed within a term not exceeding 3 business days, purchase of currency and highly liquid financial instruments.

Central Bank deposits comprise monetary regulation deposits that the Institution is obliged to maintain in accordance to provisions issued to such effect by the Central Bank; such deposits are not subject to any term and their accrual of interests is at a bank funding rate recognized as restricted cash equivalents.

Cash and cash equivalents initially recognized at fair value, which in the case of cash is the face value. The cash is maintained valued at face value and cash equivalents at their fair value.

Cash and cash equivalents in foreign currency are valued at the exchange rate in force at the end of the business day published by Central Bank on the date of consolidated financial statements are drafted.

This item includes acquired currency, the settlement of which is agreed on a date following the trading date, and are recognized as restricted cash equivalent; should the set-off balance of purchases and sales turns out negative, this is presented in other accounts payable.

The yield generated by cash and cash equivalents is recognized in profit and loss as accrued under the “Interest Income”, while currency valuation and purchase and sale profits and losses are grouped under the “Intermediation Income”.

(f) Investment in financial instruments-

These comprise debt and capital securities, classified based on the management Business Model for these investments, in order to obtain cash flows and attain business purposes.

As a result of such evaluation, investments in financial instruments are classified as Financial Instruments for Collection of Principal and Interests (FICPI), Financial Instruments to Collect or Sell (FICS) and Negotiable Financial Instruments (NFI).

Business Model Evaluation

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The Institution implements an evaluation to objectives of the Business Models for the different financial instruments at portfolio level, taking into consideration relevant evidence related to:

- a) How performance of assets is determined and reported to the highest operation decision-making authority (MATDO for its acronym in Spanish);
- b) What risks affect the business model and applicable financial instrument performance and how such risks are administered; and
- c) Policy and goals per portfolio, that may be achieving contract yield of a financial instrument, collection of contract yield and/or sale, or obtaining profit from their purchase and sale.

Based on the above, investment in financial instruments portfolios are classified as follows:

Domestic Money Desk

The goal of the Domestic Money Desk is the generation of profit by trading debt instruments, providing resources to Institution by funding Treasury and funding positions of the Desk through repurchase transactions.

Based on the above, the Money Desk portfolio Business Model is the Negotiable Financial Instruments (NFI), its objective being to invest in order to obtain profit from the difference between the purchase price and the sale price, in function of such instrument's market risk administration. With this, they are administered in order to gain maximum yield based in fair value to assess investment performance, therefore, the market risk is the one mainly affecting the portfolio.

Treasury

Liquidity

The purpose of this portfolio is the purchase of instruments that may serve as liquidity source for the treasury. Notwithstanding, interest collection is not the main purpose upon acquisition of these instruments, they may be sold when deemed necessary for the purposes of preserving the portfolio value or its increase.

Derived from the above, the Business Models applicable to the Treasury Liquidity portfolio is the Financial Instruments to Collect or Sale (FICS). Securities are maintained in position collecting contract cash flows as principal and interests, and also obtaining a profit from their sale, when convenient, generating flows under both concepts: administering liquidity levels and maintaining performance level.

The risks that affect the portfolio performance are credit and market risks, and the evaluation of their results is based on the daily fair value of securities and the potential impairment due to the issuer's expected credit loss.

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Contract superavit

The purpose of this portfolio is based on collection of the principal amount and interests upon maturity and benefiting from such superavit upon maturity of the instrument.

Derived from the above, the Business Models applicable to the contract Superavit portfolio of the Treasury is Financial Instruments for Collection of Principal and Interests (FICPI). Securities are used to generate profit through reception of contract yield flows foreseen on preset dates of principal and interests.

An evaluation to portfolio's profit and loss is made based on contract yield and credit risk that may affect its performance.

The characteristics of such investment categories are summarized below:

Negotiable Financial Instruments

Is integrated by those debt or capital securities maintained in own position by Institution's management, having as purpose to obtain profits between the purchase and sale prices in function of market risk administration; they are recorded at inception and posterior at fair value applying market values determined by an authorized price provider and the effects of valuation are acknowledged in the profit and loss of the year as part of the valuation profit and loss under the "Intermediation Income" and when dispose of the valuation profit and loss previously recognized in the profit and loss statement for the year is reclassified as part of the purchase and sale profit and loss Transaction costs are acknowledged in profit and loss, therefore, the contract interest is recorded under "Interest income" in the consolidated comprehensive income statement.

Financial Instruments to Collect or Sell

Debt securities have as purpose to collect contractual cash flows as principal and interest collections, or else, obtain a profit from sale thereof, when deemed convenient, are managed in this portfolio.

They are recorded both at inception and later on at fair value applying market values determined by an authorized price provider and their valuation effects are acknowledged in other comprehensive profit items as part of the stockholders' equity under the "Valuation of Financial Instruments to Collect or Sell". The valuation profit and loss previously recognized in stockholders' equity upon sale is cancelled to be recognized in consolidated comprehensive profit and loss for the year. Interest is recorded at effective rate under the "Interest Income" in the consolidated comprehensive income statement.

Financial Instruments for Collection of Principal and Interests

These are debt securities having as purpose the collection of contractual cash flows; the terms of the contract foresee cash flows in preset dates, that only correspond to payments of principal and interests on the outstanding principal amount. These securities are characterized as loans and are administered based on their contract yield.

Securities included under this category are initially valued at fair value, which corresponds to the transaction price, adjusted for transaction costs directly attributable to certificate acquisition and, thereafter, are valued at amortized cost.

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Interests accrued by these securities as from their initial recognition, calculated by applying the effective interest rate are recorded under the "Interest Income" in the consolidated comprehensive income statement.

Risk Administration for Investment in Financial Instruments (NFI, FICS and FICPI)

Bancomext's main purpose, as Development Bank, is the financing of Foreign Trade-related currency generator companies, in this sense, most of its Capital is assigned to Credit and Market Risk sourcing from such credit activity and funding thereof, more than 85%.

Bancomext holds two portfolios supplementing the credit activity operating with debt securities, under a Conservative Profile for all associated Risks (Market, Credit, Issuer) in order to optimize the assigned Capital.

Money Desk

Main Market Business Portfolio, comprising securities classified as negotiable securities (NFI) comprising floating rate instruments, 98.2% of which are issued by the Federal Government.

Investments in this portfolio are subject to the investment regime authorized by the Board of Directors , maintaining a Conservative Profile in line with the Institutional Strategic Plan.

Risks to which the Portfolio is exposed

Market Risk.- Being a portfolio for negotiation purposes, the Market Risk is associated to the potential loss in the price of instruments due to changes in risk factors (rate and surcharge), however, it maintains a conservative profile by establishing that at least 70% of the portfolio must be invested in floating rate instruments rapidly adjusting to market conditions, mitigating their risk. Such risk is measured using the VaR methodology based on the historic method taking 251 data, a one-day risk horizon and a 97.5% trust level implying that there is only 2.5% possibility that such investments suffers a deficit exceeding the estimate for such period. Also, sensitivity and stress scenarios are available, including metrics, such as Conditional VaR.

At the end of December 2022, the portfolio's VaR amounted to \$13.5 representing 61.5% of the assigned limit. The Capital Requirement amounted to \$714 representing 60% of the assigned limit.

Credit/Counterparty Risk.- 92% of the portfolio is invested in repurchase transactions, the Counterparty Risk exposure is administered under a regulating model taking into consideration the net amount of cash delivered and the collateral certificate. The exposure being marginal by operating with high quality counterparties and through the Indeval system.

Issuer Risk.- More than 98% of the portfolio is invested in government securities, with a marginal Issuer Risk exposure, being managed under the regulating model for Capital Requirement.

Liquidity Risk.- The methodology applied to measure the portfolio's Liquidity Risk is below volatility existing in the purchase and sale prices of instruments, being marginal due to being government instruments of high demand in the domestic market, which at the end of December, represents 0.08% of the portfolio.

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Concentration Risk.- In order to optimize the use of Capital assigned, practically the entire portfolio is issued by the Federal Government, subject to the least risk in the domestic market. It should be pointed out that there is a diversification indicator by series and type of instrument, that has been maintained within established thresholds.

Certificate impairment

Being a portfolio entirely comprised by Financial Instruments for Trade, no additional impairment is calculated as its recognition in books is at market value, which takes into consideration impact from market, liquidity and counterparty risks.

Treasury

Portfolio that is 98% comprised by government floating rate securities classified as securities to collect and for sale (FICS) and a 2% of government real rate securities classified as securities to collect principal and interests (FICPI).

Risk to which Portfolio is exposed

Market Risk.- The portfolio's Market Risk is measured under the VaR methodology based on the historic method taking 251 data, a one-day risk horizon and a 97.5% trust level, implying the existence of only 2.5% of possibility of these investments suffering a deficit greater than estimated during this period. Notwithstanding, the VaR model used has a few limits, such as, not taking into consideration worst case scenarios or not taking into consideration events not within the temporary horizon, Bancomext applies supplementary analysis, such as sensitivity analysis or Conditional VaR. At the end of December of 2022, the portfolio's VaR grew to \$1.9 representing 31.3% of the assigned threshold consumption.

Issuer Risk.- 100% of the portfolio is invested in government securities, with an Issuer Risk exposure practically equal to zero.

Concentration Risk- To optimize the use of assigned Capital, the entire portfolio is issued by the Federal Government with the least risk in the domestic market in order to attain Risk Administration goals in line with the Institutional Strategic Planning.

Certificate impairment

Being Federal Government-issued securities, these are classified under the stage risk 1 and show no significant impairment changes. The risk stage is determined based on issuer rating. It should be pointed out that due to the Investment Profile and institutional strategic goals, the FICS and FICPI stage is conditioned to being 1.

The general methodology to determine impairment of debt securities is made available by an Institutional price provider and is based on the historic nonperformance matrix of the Mexican market, observing its severity and exposure in accordance with the certificate market.

Impairment is acknowledged as an expense in the comprehensive income statement for the period upon its determination, independently of when the loss is verified, for the amount of expected credit loss during the

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life of the instrument; for stage risk 1 instruments, the credit loss is estimated for the entire life of the instrument, resulting in nonperformance events estimated to occur within next 12 months.

As to FICS, the effect of the impairment is recognized in the net profit or loss, affecting the FICS value before recognizing the effect on OCI through valuation at fair value.

At the end of December of 2022, the FICS portfolio impairment was \$5 and FICPI's was \$0.1.

No transfers between certificate categories were identified during the year neither was any change in perception of certificate risk as to the position; no instruments were written-off due to non-recoverability.

Value date transactions

As to transactions with no agreed immediate settlement or same day value date, the right and/or obligation is recorded under settlement accounts on the date of trade, under "Other Accounts Receivable, (Net)" and "Other Accounts Payable, Creditors Due to Transaction Settlement", respectively, while their settlement is not effected.

Investment reclassification

Only when there is a change in the Business Model to manage investments in financial instruments, the Institution proceeds to the reclassification of such investments, informing the CNBV in writing as to such fact within 10 business days following authorization issued to such effect by the Comprehensive Risk Administration Committee, providing a detailed business model change with justification. No Investment in financial instrumentss reclassification occurred during 2022.

(g) Repurchase/resale agreements-

Repurchase transactions failing to satisfy terms provided for under FRS C-14 "Financial Asset Transfer and Release", are financially treated as collateral, in virtue of the economic substance of such transactions and independently if "cash-oriented" or "security-oriented" repurchase transactions. The intent of reseller in a "cash-oriented" transactions is to obtain financing in cash and the intent of the repurchaser is to invest its excess cash; in a "security-oriented" transaction a repurchaser's purpose is to access to specific securities and the intent of the reseller is to increase yield of its investment in securities.

The accounting treatment to "cash-oriented" or "security-oriented" transactions is the same.

Acting as reseller

On the date of repurchase transaction contracting, the entry of cash and cash equivalents or a debtor settling account is acknowledged, including an account payable measured at the inception at the price agreed, under the "Repurchase creditors", representing an obligation to repay such cash to repurchaser. Throughout the repurchase term, the account payable is the value at amortized cost by acknowledging repurchase interest in profit and loss for the year as accrued, in accordance to the cash interest method, under the "Interest expense". Financial assets transferred to repurchaser are reclassified in the consolidated statement of financial position, presenting them as restricted assets, and continue being valued in accordance to the accounting criterion applicable to the asset.

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Acting as repurchaser

On the date of repurchase transaction contracting, the outflow of cash and cash equivalents or a creditor settling account is recognized, recording an account receivable at agreed price entered under the "Debtors due to Repurchase", representing the right to recover the delivered cash. Throughout the term of the repurchase, the account receivable is valued at its amortized cost, by recognizing repurchase interests in the profit and loss for the year as accrued, in accordance with the effective interest method under the "Interest Income".

The Institution, acting as a repurchaser, recognizes the collateral received in off-balance-sheet accounts in adherence to, for valuation purposes, guidelines of criterion B-9 "Asset Custody and Administration".

Should the repurchaser Institution sell the collateral or grants it as guarantee, it acknowledges the funds from transaction, and an account payable for the obligation to restore the collateral to reseller under the "Collateral Sold or Granted As Guarantee", which is valued, in case of sale at fair value or, if granted as guarantee in a different repurchase transaction, at its amortized cost. For the purposes of set-off of financial assets and liabilities when the entity acts as a repurchaser, the provisions of FRS B-12 "Set-off of financial assets and financial liabilities" should be followed.

Repurchase interests accrual is entered under the interest income or expense of the consolidated comprehensive income statement, as applicable.

(h) Derivatives-

The Institution completes derivative financial instruments (IFD) transactions following policy and limits dictated by the Comprehensive Risk Administration Committee (CRAC), based on the following:

Derivative Financial Instruments Business Model

Mexican Central Bank authorized BANCOMEXT as of December 5, 2013, and indefinitely, conduct transactions with Forwards, Swaps and Options, on currencies and interest rates, also, on July 7, 2021 it granted its authorization to close Forward Starting Swap transactions.

The main objectives of Derivative Financial Instrument transactions are:

- To hedge any currency and interest rate risks as required by the Institution's balance sheet.
- To collaborate with the Treasury in its short- and mid-term funding strategy (dollar/peso), obtaining more competitive market levels through CCS.
- To take advantage of market conditions to complete arbitration and negotiation transactions.
- To hedge transactions agreed with customers, neutralizing market risk of each transaction (negotiation transactions).
- Sell derivative products to prospects and customers, in addition to the placement of loans at a protected rate.

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By virtue of the above, DFIs are classified as follows:

- for hedging purposes, with the specific purpose of setting-off any market risks sourcing from interest rate and exchange rate variations, same which in terms with FRS C-10 Derivative Financial Instruments and Hedging Ratios, are classified at fair value and the hedging ratio is documented as from designation.
- for negotiation purposes, that are sold to its customers with an intent to hedge interest rate and exchange rate risks, completing financial hedging of such DFIs through contracting of mirroring transactions with counterparties.

All derivative financial instruments in place are realized in the over the counter (OTC) market and are recognized in the consolidated balance sheet as assets or liabilities, based on the rights and/or obligations specified in a confirmation as agreed between involved parties.

Futures and forwards

The Institution, as a futures market participant, has as its own primary policy to hedge risk positions as to the ratio between dollar assets and liabilities, and Mexican peso-dollar purchase and sale transactions, or else, in the latter currency with other currency.

In case of futures market transactions, the participation is with banking institutions with an investment grade issued by risk rating agencies, sensibly mitigating credit and legal risks.

Transactions in futures markets for negotiation purposes are referred to Mexican peso against dollar and are offered to borrowers as part of financing support to foreign trade transaction financing programs.

In such transactions, the fair value of rights and obligations is the teorethical price established by applying formal valuation techniques. Their balance represents the difference between the fair value of the transaction and the forward price therein established. The profit and loss of these instruments are presented as intermediation income.

As of December 31, 2022 there are no current futures market or forward transactions.

Swap transactions

The transactions contracted by the Institution under such instruments are deemed as fair value hedges, as their purpose is to hedge open risk positions, both of interest rate as well as exchange rate.

The closing of swap transactions is in order to hedge an interest rate or an exchange rate risk in function of conditions of funding amounts and placement of funds amongst borrowers. The above in order to exchange similar flows of fixed interest rates by variable rates, or else, different currencies against dollar, under conditions contrary to those originating the open risk position.

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Swap transactions are contracted with financial institutions with an investment grade rating issued by well-known risk rating agencies, limiting credit and legal risk inherent to this type of transactions.

In addition to swap hedging transactions, the Institution has a business swaps portfolio, which are agreed with Institutional borrowers, in order to hedge interest rate and exchange rate risks incurred upon initiating a credit transaction with the Institution. Notwithstanding the transaction is agreed with a borrower, the Institution contracts economic hedging with a Financial Institution in order to mitigate the Institution's exposure to interest rate and/or exchange rate risks.

Option contracts

Options are contracts granting an acquirer a right, but not an obligation, to purchase or sell a financial or underlying asset at a set price known as strike price, for a set date or period. Two parties intervene in these contracts, the party buying the option who pays a premium for acquisition thereof, simultaneously gaining a right, but not an obligation, and the party issuing or selling the option, who receives a premium therefor, acquiring in turn an obligation but not a right.

The Institution's option portfolio is made up by sale thereof to institutional customers, in order to hedge their interest rate and exchange rate risk exposure, and the acquisition of the economic hedging over such sales under same conditions. Contracting of economic hedging is in order to mitigate rate and/or exchange rate risk exposure of the Institution.

Presentation

DFIs are presented in the consolidated statement of financial position as assets or liabilities under the "Derivative Financial Instruments". If a single contract incorporates rights and obligations, the contract's financial assets and liabilities are set-off, presenting the debtor or creditor balance in assets or liabilities, respectively, in accordance with FRS B-12 "Set-off of Financial Assets and Financial Liabilities".

In fair value hedgings, the hedged item is presented adjusted by the effect of valuation at fair value attributable to the hedged risk.

The effect of change in fair value of financial instruments for negotiation purposes is acknowledged in the comprehensive income statement under the "Intermediation Income"; for derivative financial instruments for hedging purposes, the effect of valuation is presented under the same heading where hedged item valuation is affected.

Collateral

Collateral are delivered and received in cash, and are presented under the Other Accounts Receivable and Other Accounts Payable, respectively.

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Derivative Financial Instruments Risk Administration

Bancomext, as Development Bank, has as its main purpose the granting of loans and fostering of companies engaged in foreign trade that are currency generators, in this sense, the Institution Intended Risk Profile submitted to consideration to the Comprehensive Risk Administration Committee and authorized by the Board of Directors, it is directed to the attainment of such purpose.

The Institution's foundation for Risk Administration is the distribution of Capital for Risk assumption; the Board of Directors authorizes Capital Thresholds levels at Strategic Level and the Comprehensive Risk Administration Committee authorizes Thresholds at Tactical Level.

In order to attain Institutional objectives, a purpose of the Risk Management is that at least 80% of Distributable (distribuible) Capital is assigned to Credit Risk. Deriving from the above, the Market Risk must maintain a conservative profile and be oriented to optimizing the use of its assigned Capital, maintaining low-exposure conservative strategies.

Hedging strategies

Market Risk.- In order to mitigate Interest Rate Risk exposure and maintain a leveled exchange rate position, as well as to optimize the use of Capital assigned to Market Risk, Bancomext contracts Derivative Financial Instruments for hedging purposes, specifically interest rate and exchange rate swaps. Thus, the entire Institutional Balance has been practically maintained at a variable rate and a marginal exchange rate position.

It should be pointed out that above strategies maintain a 100% efficiency, therefore, without affecting the Institutional Income Statement.

Counterparty Risk.- Hedging derivatives are contracted with first level Financial Institutions, with the criteria of their selection being duly documented in the Regulating Risk Manual, contemplating their credit quality, capitalization level and indicators assuring financial feasibility for the long-term.

In addition, IFD transactions agreed with Financial Entities are protected in terms with the Credit Support Annex, establishing a daily margin call mechanism with a zero threshold, thus mitigating Counterparty Risk, consequently, CVA for such counterparties is zero. Notwithstanding, given that there is a marginal exposure due to an operating matter deriving from a one-day overlap between calculation of Portfolio Value and the time margin calls are made, the potential exposure is measured with each counterparty's portfolio VaR.

Liquidity Risk.- IFD Liquidity Risk is associated with the Institution's capacity to face daily margin calls with the financial counterparties. Such amounts will be settled in pesos.

Bancomext, as Development Bank, is backed up by the sovereign guarantee, having, therefore, a huge refunding capacity in the domestic market; to cover daily margin call amount, it issues short-term PRLV, which are of high demand even in astringent periods due to have the support of the Federal Government.

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In this sense, IFD Liquidity Risk is deemed under control, notwithstanding, there are regulating and economic indicators measuring the consolidated Liquidity Risk of the Institutional Balance.

Business or implied derivatives

Market Risk.- In addition to the hedging portfolio, Bancomext has a business portfolio comprised by interest rate swaps and rate and currency options, such instruments are sold to Institutional customers to hedge Balance risks. Simultaneously, Bancomext purchases the contrary derivative in order to mitigate its own Market Risk exposure.

Counterparty risk.- In the case of IFD transactions with Customers, the following criteria are taken into account:

1. They are operated with Institution customers with an internal rating above IRB2.
2. A derivative transaction facility must be previously authorized, which facility is calculated following the procedure listed under the Credit Risk Regulating Manual. Exhibit 3.1 Plan of Methodological character for calculation of exposure threshold regarding derivatives with companies. Such facility is under same conditions that the credit facility previously acquired, including guarantees.
3. An additional Credit Risk (CVA) spread is charged, in accordance to the company's rating.

In accordance to the above, the Counterparty Risk is partially mitigated by derivative facility guarantees, residual risk of which is measured with CVA and the portfolio's VaR.

Liquidity Risk.- Just like the hedging portfolio, the liquidity risk is associated to margin calls that must be hedged with Financial Entities.

Exposure as of December 2022

Market Risk.- The trading portfolio VaR amounted to \$1,021.3 representing 5.1% of the established threshold. As to the hedging portfolio, the VaR is an indicator, as it is entirely set-off by the primary position hedged thereby.

Counterparty Risk.- Current and potential exposure with counterparties due to derivative instruments:

Counterparty	Threshold	Current Exposure	Potential Exposure	Collateral	Net Exposure	Consumption (%)
Counterparty 1	2,301	-	435	-	435	18.9
Counterparty 2	1,456	-	69	-	69	4.7
Counterparty 3	2,301	-	160	-	160	6.9
Counterparty 4	2,301	-	583	-	583	25.4
Counterparty 5	-	-	-	-	-	0
Counterparty 6	2,301	-	-	-	-	0
Counterparty 7	2,301	-	175	-	175	7.6
Counterparty 8	2,301	-	583	-	583	25.3
Counterparty 9	-	-	-	-	-	0
Counterparty 10	-	-	-	-	-	0
Counterparty 11	-	-	-	-	-	0

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Counterparty	Threshold	Current Exposure	Potential Exposure	Collateral	Net Exposure	Consumption (%)
Counterparty 12	-	-	-	-	-	0
Counterparty 13	2,301	-	202	-	202	8.8
Counterparty 14	2,301	-	202	-	202	8.8
Counterparty 15	-	-	-	-	-	0
Counterparty 16	-	-	-	-	-	0
Counterparty 17	2,301	-	141	-	141	6.1
Counterparty 18	-	-	-	-	-	0
Counterparty 19	2,301	-	103	-	103	4.5
Counterparty 20	2,301	-	-	-	-	0
Counterparty 21	2,301	-	-	-	-	0
Counterparty 22	2,301	-	-	-	-	0
Counterparty 23	2,301	-	-	-	-	0
Counterparty 24	2,301	-	44	-	44	1.9
Counterparty 25	3,203	-	2	-	2	0

Collateral received or delivered under an IFD transaction.- Bancomext only operates guarantees in local currency and in cash for transactions with derivative instruments. The amount for the guarantees received and granted during the period is shown below:

As of December 31, 2022, the balance of guarantees granted is presented under the “Other Accounts Receivable, Net” amounting to \$3,635 and guarantees received in the amount of \$842, under the “Other Accounts Payable/Creditors due to Collateral Received in Cash”.

Control to guarantee access.- In adherence to guarantees specified under Pledge Agreements regarding derivative financial instruments, valuation of each portfolio is known on a daily basis and the sufficiency of guarantees to hedge the risk resulting from the position of such transactions is determined through the net risk exposure.

The figure receivable or deliverable is determined and the pertinent margin call is confirmed by e-mail to each counterparty, to subsequently generate a dispersion or recovery form, as applicable.

The Institution maintains guarantees received available to hedge respective derivative transactions, its balance then corresponding to margin calls required on such date. Guarantees granted are only withdrawn in the event of reduction of requirement, in accordance to calculation methodology, prior agreement with the counterparty.

Bancomext does not have credit derivative transactions and as of December 31, 2022, the Institution has no protected rate loans.

Analysis of DFIs' cash flow maturities

Both, the hedging, as well as the business portfolios, have tying flows, whether with primary position covered thereby or the initial derivative sold to the customer and subsequently hedged with a Financial Institution, in this sense, the liquidity risk associated to flows is linked to counterparty nonperformance, which is being managed with the measurements and mechanisms above described.

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(i) Offsetting clearing accounts -

The amounts receivable or payable originating from investments in securities, repurchases, lending of securities and/or transactions with derivative financial instruments maintained till maturity that have not been settled as of such date, are entered in settlement accounts under the "Other Accounts Receivable, Net" and "Other Accounts Payable, Creditors due to Transaction Settlement", as well as amounts receivable or payable resulting from currency purchase and sale transactions with no immediate settlement agreed.

The debit or credit balances of the clearing accounts resulting from currency purchase and sale transactions, investment in securities, repurchases and derivatives are set-off, provided in adherence to FRS B-12 "Set-Off of Financial Assets and Financial Liabilities".

(j) Loan portfolio-

Business Model (background)

Bancomext is a solid financial Institution with the purpose of contributing to domestic economic growth fostering trade companies, activities and sectors and/or generators of foreign currency in the country, through a broad offer of financial products.

The 2020-2024 Bancomext Institutional Plan establishes priority objectives the most important being, among other:

- Contribute to economic development by financing currency generator companies in order to potentiate their productive and export capacity.
- Foster an increase in domestic content of production through financial support to companies, mainly Micro, Small and Medium Enterprises, to allow them to insert themselves in global value chains.
- Foster diversification of Mexican company exports through supplementary financing to foreign trade.

Financing is channeled through the following financial plans:

- Tier 1, contemplates credit support directly offered by BANCOMEXT both to the exporter sector community, as well as to entities and instrumentalities of the Federal Government and State and Municipal Governments, as a result, Tier 1 program financing plans are:
 - o Public Sector.
 - o Private Sector.
 - Enterprises.
 - Tourism.
 - Syndicates.
 - Corporate.
 - Project Finance.
 - Credit with guarantor.
 - Derivatives.
- Tier 2 comprises support designed by Institution to support, through Financial Intermediaries (FIs), companies participating in foreign trade, as well as importers of goods and services of Mexican origin.

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- International Factoring, contemplates support to foreign trade through the financing mechanism to accounts receivable or payable abroad of Mexican companies.
- Financing of Foreign Trade Inventory, the repurchase mechanism helps to support companies related to foreign trade regarding their strategic inventories deposited in Bonded Warehouses.
- Guarantee Program, as an alternate mechanism to foster financial intermediaries support to the exporter community, by granting guarantees against loans granted by the former to such sector.

For the last 15 years, notwithstanding BANCOMEXT has previously carried out a portfolio sale, which has been an isolated case and related to troubled past due portfolio, under long-term out-of-court or court recovery processes, as to which the cost-benefit of recovery was compared vs. maintaining the portfolio up to completion of respective collection processes, such the reason why it is impossible to make a future estimate of portfolio sales; also, the Institution seeks recovery by exit plan management or through pertinent court proceedings, worthwhile mentioning that isolated sales do not determine the Institution's business model.

As to non-troubled portfolio, Bancomext expects recovery in contract terms.

Business Model (conclusion)

The loan portfolio Business Model is to generate profit through reception of yield from their contract flows (principal and interests).

In order to confirm the above, an analysis to cash flows received through a "SPPI Test" (Payment of Principal and Interests Only) was performed, which document shows evidence documenting tests applied to establish, whether a loan or loan portfolio is in line with the assumption that contract cash flows with only source from principal and interest payments to be valued at amortized cost, or else, that given their characteristics they are to be valued at fair value, in both cases, valuation is to be in terms with the provisions of CUB's Criterion B-6.

Concept	Definition
Payments	Interests paid and principal paid is evident from every payment received by the instrument.
Interest Rate	The use of general fixed rates, which may vary in function of amounts and credit terms.
Contingencies	Are those cash flows established by the Financial Asset not linked or not dependent on the occurrence or non-occurrence of events as to which the bank has no control or participation.
Prepayments/term extension	Any time the asset includes advances or term extensions, these are applied in such manner that payments maintain the distinction between principal and interest.
Reliance on other instruments	Collection of Financial Asset's cash flows are not linked nor dependent of another Financial Asset.

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Upon completion of the above referred to analysis, it was concluded that Bancomext loan portfolio Business Model in relation to referred to financial programs satisfies the criterion that the instrument only originates principal and interest payments, denominated as Financial Instruments for Collection of Principal and Interests (FICPI) and is concluded that they should be entered at Amortized Cost.

On December 10, 2021, the Internal Credit Committee authorized the Business model, Classification and Measuring of Financial Instruments for Collection of Principal and Interests (FICPI) of the loan portfolio and on December 23, 2021 the Report regarding the SPPI loan Portfolio Business Model and SPPI tests was filed with the CNBV. The Institution periodically assesses, in accordance with its policy established to such effects, the characteristics of its business model to classify the loan portfolio and the portfolio is only reclassified any time the model is prospectively modified.

Loan Portfolio at Amortized Cost

Credits classified under the described business model are acknowledged at transaction price (net financed amount) corresponding to the amount effectively delivered to borrowers, adding or subtracting to the original loan amount, the financed insurance, transaction costs, commissions, interests and other items charged in advance. The transaction price corresponds to the fair value used as basis to apply the effective interest method with the effective interest rate; that is, the base for calculation of amortized cost of the loan portfolio for subsequent recognition.

The transaction price is entered independently of transaction costs and items charged in advance, which are amortized against profit and loss at the effective interest rate during the life of the loan and are presented under the loan portfolio item of the statement of financial position. Expenses not associated to the initial granting of the loan are entered in profit and loss as accrued. Commissions charged originated by credit facilities are amortized in profit and loss during the term of the facility.

Subsequently, the loan portfolio is valued at its amortized cost, including increases due to effective interest accrued, reductions due to amortization of transaction costs and items charged in advance, as well as deductions due to collection of principal and interests and the credit risk allowance.

The effective interest method is used when calculating the amortized cost to distribute effective interests earned and paid during the life of the loan portfolio. The effective interest rate is an interest exactly discounting estimated future cash flows collected under the portfolio, taking into consideration contract cash flows, transaction costs and items charged in advance.

In case the contractual interest rate was periodically modified, the effective interest rate calculated at the inception of period is used during the life of the loan; in those cases when it proves impossible to reliably estimate cash flows or the life of the loan, contractual cash flows are used.

Any available credit facilities are recorded in off-balance-sheet accounts, under the "Credit Commitments". Transaction with guarantors, guarantees and credit letters are recorded in off-balance-sheet accounts and they are transferred to the balance sheet when exercised.

Classification of loan portfolio based on credit risk level

Loan portfolio with stage 1 credit risk are the following:

- Commercial loans with less than and up to 30 days of delay.
- Revolving consumer loans, when the number of days of delay of past due billing is less than or equal to 1.
- Housing loans, when the number of days of delay in past due billing is less than or equal to 1.

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Loan portfolio with stage 2 credit risk are the following:

- Commercial loans with more than 30 days but less than 90 days of delay.
- Revolving consumer loans, when the number of days of delay of past due billing is more than but not exceeding or equal to 3.
- Housing Loans when the number of days of delay in past due billing is more than 1 but not exceeding or equal to 3.

Loan portfolio with stage 3 credit risk are the following:

- Commercial loans with more than or equal to 90 days delay.
- Revolving consumer loans, when the number of days of delay of past due billing is more than 3.
- Housing Loans when the number of days of delay in past due billing is more than 3.

The unpaid balance in accordance to payment conditions established under the loan agreement is acknowledged in the loan portfolio as Stage 3 credit risk when:

1. There is knowledge that the borrower has been declared in bankruptcy, in terms with the Bankruptcy Law (LCM for its acronym in Spanish).

The Loans in a Bankruptcy that continue being paid in terms of the LCM are classified as Stage 3 credit risk portfolio if under the assumptions foreseen under paragraph number 2 below.

2. Revolving consumer loan amortizations and housing loans partially paid not have been fully settled under terms originally agreed, taking into consideration the following:
 - o If amounts owed are loans with a single payment of principal and interests being 30 calendar days or more past due;
 - o If amounts owed refer to loans with the single payment of principal upon maturity and periodic interest payments and the respective payment of interests is at least 90 calendar days past due, or else, the principal payment is 30 calendar days past due or more;
 - o If amounts owed comprise loans with periodic partial payments of principal and interests, and the principal and interest is at least 90 calendar days past due;

Loans with Stages 2 and 3 credit risk are returned to Stage 1 credit risk portfolio upon full settlement of payable balances or in performance with sustained payment, same that is credited to the payment of total payable amount of principal and interest without delay for 3 consecutive payments (payments up to 60 days), payment of 2 amortizations (periods of between 61 and 90 calendar days) and larger amortizations at 90 days, the payment of a single amortization. As to loans with a single principal payment upon maturity, the sustained payment is credited upon paying at least 20% of the loan's original amount upon restructuring or renewal or if interests in accordance with the restructure o renewal payment plan were paid within 90 days and such term has transpired.

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Loan portfolio renegotiation

As to restructuring by Institution regarding Stages 1 and 2 credit risk loans or that have been partially settled due to a renewal, the renegotiation's profit or loss is determined as the difference between the book value and the cash flows discounted at the original effective interest rate; the result is entered as a deferred charge or credit against profit or loss due to loan portfolio renegotiation in the comprehensive income statement.

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

Should the Institution renew a loan, a new loan is deemed to exist, therefore, the former loan is written-off in the event of a full renewal.

Stage 2 or Stage 3 credit risk loans that may be restructured or renewed are not classified under a Stage with a lesser credit risk due to the effect of such restructure or renewal, pending evidence of sustained payment.

Loans with a single payment of principal upon maturity, that may be restructured during their term or that may be renewed at any time, are transferred into the immediately following category with higher credit risk until sustained payment. Credit facilities that have been used, that may be restructured or renewed at any time, are transferred to the immediately following category with higher credit risk, except when there are elements justifying debtor's payment capacity, the entirety of interests and payments payable as of the date of restructure or renewal have been settled.

Any withdrawals under the credit facility upon their restructuring or renewal independently of the credit facility covering them, at least representing 25% of the entire balance drawn from the credit facility as of the date of restructure or renewal, have their total drawn balance and subsequent withdrawals transferred to the immediately following category with higher credit risk. The credit facility's total balance drawn is transferred to a classification with lower credit risk, when there is evidence of sustained payment of withdrawals originating such transfer and all demandable obligations of the entire credit facility as of the date of evaluation are satisfied.

Stages 1 and 2 credit risk loans, other than the above described, that may be restructured or renewed without transpiring at least 80% of the loan's original term, will remain in the same category, only when all accrued interests and the principal of the original loan amount that should have been paid, have been covered.

Stages 1 and 2 loans, other than the above, that may be restructured or renewed any time within the last 20% of the original loan term, are transferred to the immediately following category with higher credit risk, except when the borrower: has settled all interests accrued as of the date of renewal or restructure, has paid the principal of the loan's original amount that should have been paid, and has paid 60% of the loan's original amount.

Stages 1 and 2 credit risk loans, that are restructured or renewed more than once, are transferred to Stage 3 credit risk portfolio, except when, in addition to conditions established on the above paragraphs, the Institution has available elements justifying debtor's payment capacity.

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The Institution acknowledges the balance pending amortization corresponding to profit or loss due to the effect of renegotiation in the profit and loss for the year any time the loan has been transferred to a loan portfolio with Stage 3 credit risk.

If at the time of restructure or renewal, several loans granted to a single borrower are consolidated, and if this concluded that one or more loans are to be transferred to a portfolio having higher credit risk due to the effect of such restructure or renewal, the total balance of the consolidated loan is transferred to the category corresponding to the loan subject matter of consolidation having higher credit risk.

Loans classified under Stage 2 due to the effect of a restructure or renewal are periodically evaluated, in order to establish whether there is an increasing risk originating their transfer into Stage 3.

Restructures that as of the date of transaction show payment performance for the total amount of principal and interests payable, are not transferred to a category with a higher credit risk when only one or several of the following conditions are modified: extension or replacement of guarantees for other of better quality; improvement of interest rate; new currency or account unit; due date change without implying exceeding or modifying frequency.

Interruption of interest accrual

Upon unpaid balance of any loan being deemed as Stage 3 credit risk, the accrual of interests earned is interrupted, even as to those loans capitalizing interests to the amount owed under contract, recognizing the balance pending amortization of transaction costs, items collected or charged in advance and the effect of profit or loss in renegotiation pending amortization against the profit and loss for the year.

While the loan is maintained as Stage 3 credit risk, the control of interests is maintained in off-balance-sheet accounts, in the event such interests are collected, they are directly recognized in profit and loss for the year, and in the event they are waived or written-off, they are cancelled in off-balance-sheet accounts without affecting the of credit risk allowance.

Policies and procedures established for the granting, control, recovery of loans, and those regarding credit risk evaluation and follow-up

Bancomext financing activities are regulated by its Organic Law and its Regulations, as well as by the different legal ordinances in force on banking and financing, such as the Credit Institutions Law, the General Negotiable Instruments and Credit Transactions Law, several Provisions issued by the Ministry of Finance and Public Credit, the National Banking and Securities Commission, Mexican Central Bank or any other pertinent authority.

The Credit Manual contains regulating guidelines corresponding to the Credit Process (CP), comprising from definition of the target market up to loan recovery.

The policy for each stage integrating the CP are identified below, defined in operating manuals and are integral part of the Institution's credit regulating program.

Business Development

1. Development and/or Update of Programs / Products
 2. Promotion Management – 1st Tier
- Addendum No. 1 (October 03, 2022)

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3. Promotion Management – 2nd Tier
Addendum No. 1 (August 31, 2021)
Addendum No. 2 (December 15, 2022)
4. Credit Files Administration 1st Tier
Addendum No. 1 (September 15, 2022)
5. Credit Files Administration 2nd Tier
Addendum No. 1 (October 12, 2022)

Analysis and Decision-Making

1. Borrower Evaluation. Credit Analysis 1st Tier
Addendum No. 1 (October 26, 2022)
 - Financing Program Matrixes 1st Tier
2. Borrower Evaluation. Credit Analysis 2nd Tier
Addendum No. 1 (July 19, 2021)
 - Financing Program Matrixes 2nd Tier
3. Borrower Evaluation. Preparation of Legal Report and/or Capacity Report
4. Authorization

Implementation and Disbursement

1. Contracting - 1st Tier
2. Contracting - 2nd Tier
3. Entry and release of facilities, withdrawal authorization and Credit Letters - 1st Tier
Addendum No. 1 (December 16, 2022)
4. Entry and release of facilities, withdrawal authorization and Credit Letters - 2nd Tier
Addendum No. 1 (December 05, 2022)
5. Keeping and Custody of Value Documents - 1st Tier
6. Keeping and Custody of Value Documents - 2nd Tier

Follow-up

1. Portfolio Administration and Control 1st Tier
Addendum No. 1 (September 30, 2022)
2. Portfolio Administration and Control 2nd Tier
Addendum No. 1 (February 25, 2020)
3. Borrower and Broker Supervision and Follow-up
Addendum No. 1 (December 22, 2021)
Addendum No. 2 (November 07, 2022)
4. Portfolio Rating
Addendum No. 1 (October 26, 2022)

Recovery

1. Specialized Collection Function (FEC, for its acronym in Spanish)
2. Collection Management 1st Tier
3. Collection Management 2nd Tier
4. Application of Allowances and Loan Writing-off

Support processes

1. Credit Ordinances and Guarantee Ordinances
2. Investigation to Applicant

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3. Drafting of Managerial Reports of the Credit Process (CP)
4. Reception, Administration, Promotion and Commercial of Real and Movable Property Awarded and Received as Deed-in-Lieu
5. Pricing and Rate System
6. Environmental and Social Risk Management System (SARAS for its acronym in Spanish)
7. Entry, Modification or Discharge of Electronic Banking Service Users

Other Credit Programs

1. Ex-Employee Portfolio Administration
Addendum No. 1 (August 17, 2022)
2. Foreign Trade Inventory Financing

The granting of a loan is based on an analysis of borrower's financial position, economic feasibility of investment projects, including guarantees, risk limits, applicant's credit investigation, the legal report or capacity report and all other general characteristics established under law, and Institution's internal manuals and policies.

In accordance to authority established under the Credit Manual, resolving areas on this matter are under the charge of the Board of Directors, the Executive Committee, the Internal Credit Committee and the Credit Committee.

Contracting is formalized and implemented based on contract models previously approved by the Legal area.

The nature, terms and conditions of the guarantees is established in the credit manual. These are authorized by area with authority and are pledged always in first place and degree. The value of real and movable property is determined by bank appraisal not older than 6 months, except financial products for industrial infrastructure and traveling development, which may be prepared by a specialized firm well-known by the sector.

Guarantee hedging is covered at the time of contracting, except regarding development, construction and equipping loans, where these are slowly integrated. In revolving loans, hedging satisfaction is annually revised. Regarding restructures, any further guarantees may be pledged at a place subsequent to first, provided so justifies the case, at the discretion of the authorized area. Regarding cofinancing, guarantees are shared in first place and degree of priority with Financial Broker in the pertinent ratio, with same priority and degree.

To control fund disposal, the approval and release of credit facilities is through the Control Table, verifying satisfaction with requirements prior to withdrawal as established in the authorization.

Internal control over administration and control of portfolio as provided for under the manuals, occurs during operation activities for the year and credit recovery up to entry into books, where due dates, rediscounts and transfers are supervised.

Permanent supervision and follow-up to performance with contract obligations, comprehensive review of performance of financial support granted throughout the life of the loans, and investment projects through review and visits to programs, allowing generation of early alerts that lead to prevention of portfolio impairment.

There is a Specialized Collection Function, for the assignment of payment noncompliance portfolio.

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Terms established to carry out collection actions following borrower's failure to make punctual payment of a loan are classified under the following stages:

- Preventive collection will comprise a period as from day 1 up to day 4 (calendar days) as from the date of payment nonperformance.
- Administrative collection will comprise a period running from day 5 up to day 30 (calendar days) as from the date of payment nonperformance.
- Out-of-court collection will comprise a period from day 31 up to day 90 (calendar days) as from the date of payment nonperformance.
- Cour collection, if following a 90-day term following due date, not positive results were obtained from collection process, or earlier upon detection or assumption of borrower or broker's insolvency, or any scenario preventing recovery, proceeds its turn for recovery through judicial means.

In cases where any payment proposal other than the original payment plan is processed, these are analyzed if legally and financially feasible they are submitted to the pertinent authorized instance for authorization.

The loan portfolio is deemed as restricted when loans may not be withdrawn or may use mainly when granted as guarantee for loans received. As of December 31, 2022, there are no restricted loans.

Portfolio risk and credit risk allowance determination is in accordance with description under Note 3(k).

Policies and procedures to determine risk concentration

In accordance to Article 80 of CNBV's General Character Provisions applicable to Credit Entities, its fraction II paragraph a) specifically regarding loan portfolio risk, the Institution measures, evaluates and follows up concentration thereof, per type of financing, rating, economic sector, geographic area and borrower. Concentrations are monthly reported to CRAC through the Loan Portfolio Risk Report.

The Risk Management Direction issues Risk Regulating Circulars establishing internal policy to determine maximum financing amounts per Common Risk per type of borrower, which are lower than regulating limits established by CNBV, in order to control concentration per borrower or group of borrowers representing a Common Risk.

Concentration risk.- Policies and procedures established for risk administration are described below.

Per borrower:

In realization of Loan Operations, article 54 of the CNBV's General Character Provisions applicable to Credit Entities provides that Bank Institutions must define maximum financing thresholds for a single individual or group of individuals deemed as a single individual due to representing a Common Risk.

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In accordance to article 57 of such Provisions, regulating limits applicable to Institution during the fourth quarter of 2022 were determined taking into consideration a 14.20% capitalization index and \$33,546.8 basic capital on September 2022. Regulatory limits are 30% of basic capital (\$10,064.1 equivalent to USD 515.9 millions at the exchange rate of \$19.5089 pesos/dollar on December 31, 2022) per borrower of private sector and 100% of basic capital (equivalent to USD 1,719.6 millions) for any other kind of debtors.

In accordance to the Manual Regulating Comprehensive Risk Administration, 80% of regulatory limits is established as prudential measure to avoid breakage in case of high depreciation to the peso/dollar exchange rate and/or in case of any basic capital reductions.

Therefore, prudential limits applicable to Institution during the referred to quarter are \$5,175 per borrower of private sector and \$24,750 for any other kind of debtors.

Per economic sector:

In order to manage the health of the main loan portfolio in face of any crises, there is a maximum prudential level of 30% of each portfolio's balance as to a geographic area or city, economic sector and loan beneficiary, in order to avoid concentrations as well as diversify risk.

CNBV special accounting criteria applicable to credit entities, in face of contingency caused by SARS-CoV2 (Covid-19) virus

On March 11, 2020, the World Health Organization declared the outbreak of a new coronavirus SAR-CoV2 (COVID-19) as pandemics, leading to uncertainty in global economy. The United Mexican State's Government declared a sanitary emergency, therefore, Institution adopted pertinent measures to support its borrowers in order to mitigate potential impacts on their economic activity, as summarized below:

CNBV issued, temporary character, Special Accounting Criteria (CCE) under Official Instruments P285/2020, P293/2020 and P325/2020 dated March 26, April 15 and June 23, 2020, respectively.

BANCOMEXT Internal Credit Committee authorized on March 31, 2020, "Guidelines to rescheduling of amortizations maintained by borrowers with BANCOMEXT in face of the issue caused by SARS-CoV2 (COVID-19) virus" (Guidelines), including CCEs.

As of December 31, 2022, the balance of restructured loans under the Criterion B-6 for the period from April 2020 to December 2022 amounts to \$51,853, \$13,432 of which are represented by restructured loans based on the Guidelines.

The balance of restructured loans in accordance to application of special accounting criteria amounts to \$5,679 as of December 31, 2022 and that of guarantees that was subjected to rescheduling is \$478.

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Loan rescheduling under special accounting criteria is detailed below:

**RESCHEDULING OF LOANS UNDER THE
SPECIAL ACCOUNTING CRITERIA AS OF DECEMBER 31, 2022**

TYPE OF LOAN	TYPE OF OPERATION	STAGE 1	STAGE 2	TOTALS
LOAN PORTFOLIO				
Commercial Loans		\$ 5,663	\$ -	\$ 5,663
<i>Business or commercial activities</i>	Restructuring	4,372	-	4,372
<i>Financial entities</i>	Restructuring	1,291	-	1,291
Consumer Loans	Restructuring	1	-	1
Mortgage Loans		10	5	15
<i>Medium-sizes and residential</i>	Restructuring	10	5	15
Total		\$ 5,674	\$ 5	\$ 5,679

It's important to point out that rescheduling of these borrowers was in order to support the liquidity of those requiring it, therefore, should the special accounting criterion had not existed payment of interest accrued as of the date of restructure in compliance with Criterion B-6 would have been required, also maintaining a current portfolio.

Additionally, on September 24, 2020, the SHCP, through the CNBV, issued temporary regulatory facilities on accounting matters ("Covid Accounting Facilities"), by means of official instruments P417/2020 and P418/2020 and the scope thereof by means of official instruments P/429 and P/430 dated October 8, 2020 and P/450 dated November 6, 2020.

The Institution's Board of Directors at its ordinary meeting held on December 1, 2020, approved a support plan denominated "Covid Regulatory Facilities", regarding loans and guarantees of Institution's borrowers, as well as the former employee portfolio.

Balance as of December 31, 2022 of loan restructures in adherence with Covid Accounting Facilities amounts to \$1,541.

Further information to reflect financial impact of Covid-19 and measures adopted to its containment

The Institution continues to tightly evaluating and supervising borrower recovery, in order to adopt prompt measures in accordance to companies' business plans and recovery expectations.

Financial indicators are submitted for consideration of the Comprehensive Risk Administration Committee (CRAC) monthly, in order to follow up Institution results, being important to point out that the Institution has maintained its rating, profitability and capital management policy, reflecting its strength to absorb impacts caused by the sanitary contingency without impairing its financial feasibility, maintaining sufficient capitalization and liquidity levels to support portfolio growth.

Follow-up to financial performance of borrowers and financial position of the Institution will continue in order to, if required, adopt measures, to maintain its operating and financial capacity safe.

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(k) Allowance for loan losses-

Loan portfolio rating as of December 31, 2022 was obtained in adherence to Provisions for the commercial portfolio, issued by CNBV on June 24, 2013 and subsequent amendments, most important being that published on March 13, 2020, based on an expected loss model, taking into consideration, at the time of evaluation, the loan stage (1, 2 or 3), the Economic sector applicable thereto, possibility of nonperformance, severity of loss and exposure to nonperformance; however, as to consumer and mortgage portfolio, the rating was in accordance to that established by the rating methodology for non-revolving and mortgage loan portfolio rating, referred to under Sections A of Section One and Two of Chapter V, Title Two of the General Character Provisions applicable to Credit Entities published in amending resolution dated October 25, 2010 and subsequent amendments.

Below is an explanation of each of such methodologies:

General methodology based on an expected loss model per credit risk

The amount of allowances of each loan will be the result of applying the following expression:

$$R_i = P_i \times S_i \times E_i$$

Where:

R_i	The amount of allowances to be established as to the i^{th} loan
P_i	Possibility of nonperformance of the i^{th} loan
S_i	Severity of loss of the i^{th} loan
E_i	Exposure to nonperformance of the i^{th} loan

E_i must be calculated monthly and at least quarterly as to P_i and S_i

Commercial loan portfolio allowances are classified, based on the level of risk and percentages listed below:

Level of risk	Reserve percentage ranges	
A-1	0	0.90
A-2	0.901	1.50
B-1	1.501	2.00
B-2	2.001	2.50
B-3	2.501	5.00
C-1	5.001	10.00
C-2	10.001	15.50
D	15.501	45.00
E	Above 45.00	

In order to apply commercial loan portfolio rating based on the expected loss model, the following was taking into consideration:

1. The commercial loan portfolio was classified in accordance with the Provisions applicable to Institution, in terms of the following:

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- I. Federal and municipal entities (not applicable to Institution).
- II. Projects with own source of payment (Exhibit 19).
- III. Trustees acting under trusts excluded from the above fraction, and credit plans commonly known as “structured” (not applicable to Institution).
- IV. Financial entities (Exhibit 20).
- V. Legal entities not included in the above fractions and individuals with entrepreneurial activity:
 - Annual net income or net sales < 14 million UDIs (Exhibit 21).
 - ✓ “Borrowers with no-delay” in the last 12 months.
 - ✓ “Borrowers behind” at least one day behind in the last 12 months.
 - Annual net income or net sales ≥ 14 million UDIs (Exhibit 22).
 - ✓ Small corporations: 14 million UDIs ≥ Annual net sales < 54 million UDIs.
 - ✓ Corporations: 54 million UDIs ≥ Annual net sales < 216 million UDIs.
 - ✓ Large corporations: Annual net sales ≥ 216 million UDIs.

Also, the commercial portfolio was classified in stages in accordance with the following:

- Stage 1. For loans with less than or equal to 30 days late.
- Stage 2. For loans with more than 30 days and less than 90 days late, or not in satisfaction with any of the criteria described for stage 1 or 3.
- Stage 3. Loans with more than or equal to 90 days late or if a loan is at stage 3, in adherence to terms established under Accounting Criterion B-6 “Loan Portfolio”.

As to committed credit facilities, Institution establishes allowances by migration of borrower’s levels of risk, based on Bancomext risk indicator and its expert revision, allowing mitigation of allowance increase due to potential withdrawal of available balance of committed facilities. As of December 31, 2022, no additional allowances under this concept were generated to those indicated in the years being rated.

Methodology for rating consumer and mortgage loan portfolio—

Non-revolving consumer and housing mortgage loan portfolios’ ratings are determined in function of result determined by the possibility of nonperformance’s effect on the severity of loss associated to the value and nature of credit guarantees. The origin of these portfolios derives from loans granted to employees, which after the end of their labor relationship with the Institution, in accordance with CNBV ordinances, become part of the loan portfolio.

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Additional reserves

In order to determine additional allowances reported to CNBV that the Institution was required to establish during 2022, the financing term and concentration in the average balance per loan were taken into consideration, reflecting higher exposure in comparison with the Commercial Banking, both in term, concentration, amount, destination and currency. Also, a comparative table between the Institution's current past due portfolio and the average of the Commercial Banking past due portfolio was made, under the assumption that the Institution's past due portfolio trended toward the banking median to reach a percentage similar to that of the Commercial Banking in the short-term, also considering the exchange rate effect deriving from the pandemic scenario occurring worldwide known as COVID-19.

Entry in books

In terms with the above, the Institution calculates the amount of credit risk allowance, same that is entered in the profit and loss of the pertinent year; any excesses in credit risk allowance are cancelled against the profit and loss for the year, affecting the same originating, that is, the allowance itself.

Write-off, elimination and recovery of loan portfolio

The Institution periodically evaluates whether a stage 3 loan should remain in the statement of financial position, or else, be written-off or eliminated in adherence to the credit manual policy, which occurs by cancelling the outstanding balance of the loan against the credit risk allowance. In the event, the loan balance to write-off is in excess of the amount corresponding to its associated allowance, such allowance is increased for up to the amount of the difference prior the write-off.

Recovery deriving from loans previously written-off or eliminated is acknowledged in the profit and loss for the year; in any in-kind recoveries the provisions for Awarded Assets are followed.

Discounts, waivers, bonuses and reductions, whether partial or total, are entered charged against the credit risk allowance. In the event that the amount exceeds the balance of the allowance associated with the loan, allowances are previously recorder up to the amount of the difference.

(I) Other accounts receivable, net-

Accounts receivable other than the Institution's loan portfolio and collection rights represent, among other, loans to employees and retirees, tax balances receivable, debtor settling accounts, collateral granted in cash in transactions with derivative financial instruments and items directly related to the loan portfolio.

Regarding loans to employees and retirees, their collection is through payroll. Interests are included in "Other income (disbursement) of the operation" in the consolidated comprehensive income statement.

The non-recoverability allowance is determined as follows:

- As to items directly related with the loan portfolio, the same risk percentage assigned for the associated loan is applied.
- As to accounts receivable regarding non-identified debtors, an allowance is created following 60 calendar days of first entry thereof.
- As to accounts receivable regarding identified debtors, an allowance is created on the 90 calendar days of first entry thereof.

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- As to accounts receivable with a due date agreed at time of origin, at a term exceeding 90 calendar days, such as, guarantee deposits or reserve funds, an evaluation as to its effectiveness is made and whether they may be reimbursed, otherwise, the 90-day rule is applied.
- No allowance is established on tax balances receivable and creditable value added tax.

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

Foreclosed assets by court resolution are recorded on the date the foreclosure sale approval resolution in terms of which awarding was granted becomes final and unappealable. Assets received as deed in lieu are recorded, on the other hand, on the date the deed in lieu is signed or the transfer of the asset's title is formalized. The book value of loans originating these assets is generally zero, as these are loans that have been eliminated from the assets or at Stage 3 with 100% reserves.

The lesser amount between the gross book value of the asset originating the awarding, that is, without deducting the credit risk allowance recognized up to the date of awarding, and the net value of received asset realization is recorded, as the Institution's intends to sell them.

The Institution prudently establishes 100% of estimates regarding assets awarded or received as deed in lieu, in order to recognize the loan recovery upon the disposal of assets.

In case of assets in a promissory sale, the base awarding value to determine the estimate is the book value reduced by collections received in the asset's account. Such value is applied the pertinent estimate percentages in accordance to tables listed under Section E, Title Two "Prudential provisions", Chapter V "Loan portfolio rating", Section VI, "About reserves for holding assets that have been awarded or received as deed in lieu" of the General Provisions Applicable to Mexican Credit entities, shown below:

a) Collection rights or movable assets

<u>Time transpired as from awarding or deed in lieu (months)</u>	<u>Estimate 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

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b) Real assets

Time transpired as from awarding or deed in lieu (months)	Estimate percentage (%)
Up to 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

Upon sale, the difference between the sale price and the book value of the awarded asset in question is acknowledged in the profit and loss for the year under the Other operating income (expense).

(n) Prepayments and other assets, net-

Advanced payments represent disbursements made by Institution when the benefits and risks inherent to the assets to be acquired or services to be rendered thereto have not been transferred. Advances are recorded at cost and are presented in the statement of consolidated financial position under the heading advances and other assets. Following reception of assets and/or provision of services that relate to the advances, these are acknowledged as an asset or as an expense in the period's consolidated income statement, according to their respective nature.

Other short- and long-term assets include the asset due to employee benefits that arises in accordance with FRS D-3 "Employee benefits" and Deferred ESPS (Notes 19 and 20).

(o) Property, furniture and equipment, net-

Property, furniture and equipment are expressed as follows: i) acquisitions as from January 1, 2008, at cost of acquisition, and ii) acquisitions up to December 31, 2007, at their updated values determined by applying the factors deriving from investment units ((UDI for its acronym in Spanish) up to December 31, 2007 to the costs of acquisition. Up to December 31, 1996 the real property were restated at net replacement value based on appraisals by independent experts and quarterly factors disclosed by the CNBV.

The depreciation of real property is calculated by applying the straight-line method, in accordance to the remaining useful life as determined by independent experts. The depreciation of furniture and equipment is calculated by applying the probable life method, taking into consideration the cost of acquisition minus residual value (straight line method) on the restated value.

Property, furniture and equipment are submitted to annual impairment tests upon identification of impairment signs. Consequently, these are expressed at modified historic cost minus accrued depreciation and, if applicable, impairment losses.

As of December 31, 2022 the definitive long-life assets show no impairment signs, there being no requirements to apply annual tests to their recoverable values.

(p) Assets due to rights of use-

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The Institution acknowledges effects of FRS D-5 Leases, considering the economic benefits deriving from leasing and subleasing contracts, same that in any cases transfer to Institution the right to use an underlying asset leased for a term exceeding a year, in exchange for a consideration.

The Asset due to a right of use is acknowledged following subtraction of its accrued depreciation and the pertinent lease Liability on the date of inception at a value following the discount future payments committed under the contract (current value); in order to discount such flows, the incremental financial interest rate obtained from a market sample is used.

Interest is recorded under the "Interest expense" in the consolidated comprehensive income statement.

(q) *Permanent investments in associates-*

These are initially recognized based on the invested, contributed or acquisition amount, thereafter, such investments are valued by applying the interest method, consisting in adjusting the investment, contribution or acquisition value of stock, by applying the share in comprehensive profits or losses and distribution of profits or capital reimbursements subsequent to the date of acquisition. Associated losses, that are not the result of reduction in interest percentage, but as consequence of other owners' movements, are acknowledged in the share corresponding to permanent investment against profit and loss of the period they occur.

Institution's interest in the profit and loss of associates is presented separately in the consolidated income statement.

The other permanent investments without significant influence as to decision-making, are valued at cost of acquisition. Dividends from these investments are acknowledged in the consolidated comprehensive income statement for the period they are received, except for profits for periods prior to the purchase of investment, in which event, these are subtracted from permanent investments.

(r) *Traditional fund-raising and inter-banking and other entity loans-*

Traditional fund-raising includes deposit securities, term deposits, bank acceptances and notes with liquidable yield upon maturity, as well as stock securities and banking bonds. Inter-banking and other entity loans are itemized as call money, short-term and long-term, the last two are based on the term, less than or more than a year, respectively, of the amount of amortizations to become due.

They are initially acknowledged at transaction price net of transaction costs incurred, commissions and interests paid in advance, and their valuation is then on carried out at amortized cost, including increases due to accrued effective interest, reductions due to payments of principal and interest and, if applicable, the effect of any waiver granted on the amount due.

As to securities listed at a price other than face value, in addition to that in the above paragraph, the deferred charge or credit, as applicable, is recorded for the difference between the face value of securities and the cash amount received therefor, which is presented in the statement of financial position along with the originating liability that is part of amortized cost, therefore, they are amortized at effective rate against the profit and loss for the year during the term of originating securities.

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Those securities that are placed at a discount and no interest accrual, are initially recorded based on the amount of received cash.

The traditional fund-raising and inter-banking and other entities loans interests at the effective rate are recorded under the "Interest expense" in the consolidated comprehensive income statement.

In accordance to Criterion A-2 "Application of specific standards", no valuation at fair value of these instruments nor the use of the market rate as the effective rate apply when they are both substantially different.

(s) Sundry creditors and other accounts payable-

This item includes the liability for the rendering of banking services such as Credit Letters, provisions, accounts payable to service providers, overdrafts in checking accounts and negative balance of the cash and cash equivalents item that in accordance to the provisions of criterion B-1 "Cash and cash equivalents" must be presented as a liability.

Provisions represent current obligations with a possibility of Institution having to lose economic funds, therefore, its balance represents the disbursement required to settle such obligation.

Amongst provisions are found those deriving from litigations and those related with operation risk, in accordance with legal risk policy and procedures authorized by the Comprehensive Risk Administration Committee (CRAC).

(t) Employee benefits-

Direct short- and long-term benefits

Direct benefits (salaries, overtime, vacation days, holidays, days-off with pay, etc.) are acknowledged in the profit and loss as accrued, and their payment occurs within the same period. In case of absences remunerated in accordance to legal or contract provisions, these are not accumulative.

Termination benefits

These represent remuneration due upon termination of a labor relationship, if it occurs before employee reaches retirement, and there are no preexisting conditions for their payment that makes them accumulative. As of December 31, 2022 there are no liabilities under this concept.

Post-employment benefits

The Federal Labor Law establishes an obligation to make specific payments to employees that no longer work, under particular circumstances or satisfaction of specific requirements, as well as payment of obligations established in labor contracts.

As from January 1, 2016, the new FRS D-3 "Employee benefits" entered into effect, establishing the remeasurements of assets or liabilities due to the defined benefits concept and eliminating the possibility of differing recognition of actuarial earnings or losses as they accrue. Therefore, such actuarial earnings or

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losses are to be acknowledged immediately in Other Comprehensive Income (OCI), requiring recycling subsequent to net profit or loss.

Based on the provisions of Transitory Article Three of the Amendments to General Provisions Applicable to Credit Entities published in the Official Gazette of the Federation on December 31, 2015, the Institution elected to recognize 20% of remeasurements of accrued actuarial earnings or losses for a maximum term of 5 years as from 2021, which are to be acknowledged at the end of each period, having promptly informed the CNBV as to such election.

The Institution has established plans for the payment of pensions, seniority premiums and benefits following retirement for its personnel, in addition to that established under law.

Quantification of obligations due to benefits upon retirement is by following the projected unitary credit method, determined by actuarial calculation prepared by independent experts as of December 31, 2022.

The net cost for the period based on actuarial calculation on projected salaries is acknowledged as an expense in the profit and loss for the year. Indemnity and direct labor costs are charged to the profit and loss for the year they are paid.

During 2022, the net cost for the period includes recycling of remediation due to accrued actuarial losses as of December 31, 2015, as well as earnings or losses recorded under OCI in accordance with the average remaining labor life.

The Institution has in place a defined-contribution plan for newly contracted workers whom, upon reaching 60-years old and 30 years of service will be entitled to a life-long retirement pension, corresponding to the total funds accrued in their individual account.

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

IT and ESPS accrued during the year are calculated in accordance to current legal and tax provisions.

Deferred ISR and PTU are recorded, in accordance to the asset and liability method, comparing their book and tax values. Deferred ISR and PTU (assets and liabilities) are recognized due to future tax consequences attributable to temporary differences between values reflected in the consolidated financial statements of existing assets and liabilities and their relative tax basis. Deferred ISR and PTU assets and liabilities are calculated by applying the rates established in the pertinent law to the taxable profit for the years when temporary differences are believed to revert. The effect of changes in tax rates on deferred ISR and PTU is acknowledged in the profit and loss for the period when such changes are approved.

Evaluating recovery of deferred taxes, the Institution considers the possibility that a portion or the entirety be not recovered, acknowledging an estimate for non-recoverable deferred tax. Making such evaluation, the Management takes into account the expected reversion of deferred liabilities, projected taxable profits and planning strategies. Estimates are cancelled at the time the recovery of a deferred asset becomes a possibility.

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Estimate due to deferred taxes relates to the Credit Risk Allowance from: borrowers rated at levels of risk A-1 to C-2, additional reserves and loans eliminated from assets in accordance to criterion B-6 restructured, in accordance to their characteristics and/or proven performance level.

The above, as it is already taken into account that deferred taxes will not be recoverable in the short- and mid-terms due there being a low possibility, determined based on transition matrixes, that borrowers rated at these levels of risk, or else, that additional reserves or loans eliminated from restructured assets, result in a write-off deductible for Institution in the short- and mid-term, in addition to the fact that, if the credit quality of a borrower classified at these levels worsens becoming risks D and E or the additional reserves turn to be specific reserves, the portfolio rating would suffer the effect of new classification then generating applicable deferred tax without estimates.

Furthermore, prudentially and in order to mitigate the effect of recording income and expense due to deferred taxes deriving from tax losses, their realization and subsequent reversion in accordance to the behavior observed in the last three years, the Institution generates a deferred tax estimate when from tax losses of prior years.

The final realization of deferred taxes depends on the generation of taxable profit; in accordance to historic behavior, projection trends and planning strategies, the Institution believes that it will obtain tax profits against which deferred taxes will be realized in the future.

(v) Stockholders' equity-

The capital stock, the premium upon sale of stock, the legal reserve, contributions for future capital increases and accrued profit and loss are expressed as follows: i) movements occurring as from January 1, 2008, at their historic cost, and ii) movements prior January 1, 2008, at restated values determined by applying factors deriving from UDIs to their historic values, up to December 31, 2007. Consequently, the different stockholders' equity concepts are expressed at modified cost.

The premium upon sale of Patrimonial Contribution Securities (CCC) represents the excess difference between payment for subscribed CCCs and their face value.

Institution's contributions for future capital increases are acknowledged under independent contributed capital, upon satisfaction of specific requirements, including, among other, the existence of a formal commitment with no fixed yield pending capitalization, and of no reimbursable nature. Contributions for future capital increases not in satisfaction with above requirements are recognized as liabilities.

Comprehensive Profit and Loss presented in the consolidated statement of variations in stockholders' equity, is integrated by the Net Income resulting of Institution total acting during the period, and by those items that due to a specific provision were directly taken to stockholders' equity and do not constitute contributions, reductions and capital distributions. The 2022 comprehensive profit amounts are expressed in millions of historic pesos.

It also shows the increase or decrease in patrimony resulting from two type of movements: those inherent to owner resolutions and the recognition of comprehensive profit.

Capital Reserves are established by assignment of accrued profits for a specific purpose, including the creation of the legal reserve.

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(w) *Third-party guarantees granted*

Payment commitment in the event of borrower nonperformance is entered in off-balance-sheet accounts. The purpose of such plan is to partially guarantee emissions of exchange notes or exchange financing instruments of companies related to foreign trade, in order to give them access to financing under better rating conditions.

The estimate is established based on methodologies described under Note 3(k) and its balance is included under Note 9b). As of December 31, 2022 there are no balances of third-party guarantees granted. During 2022, no recoveries nor losses resulting from secured borrowers noncompliance were generated.

(x) *Trust operations-*

The Institution enters into off-balance-sheet accounts, the trust or mandate's assets under its management, by virtue of the obligation implied by realization or performance with the purpose of such trusts, when agreed to. In a few cases, such obligation is limited to recording of trust or mandate assets, while in others, it includes the recording of assets and liabilities that may result during such trust's operation.

The valuation of the trust or mandate assets acknowledged in off-balance-sheet accounts is in accordance to the Accounting Criteria.

The recording of income due to trust management is based on the provisions of FRS D-1 "Revenue from customer contracts" and are presented in the comprehensive income statement under the commissions and rates charged.

(y) *Custody and administration operations-*

Administration operations include those by Institution in name of third parties, such as, the purchase and sale of securities and derivative financial instruments and repurchase transactions.

Since referred to assets are not owned by the Institution, they are not part of the consolidated statement of financial position. However, the estimated amount for which Institution would be obliged before its customers due to any future event is recorded in off-balance-sheet accounts, except for the cash received as payment for services in the name of third parties.

Determination of estimated amount valuation for assets under custody or administration is in function of the effected transaction.

In the event of an obligation before depositor due to loss or damage suffered by asset under custody or administration, the pertinent liability is recorded against the profit and loss for the year. It realizes upon becoming known, independently of any legal action by depositor claiming the repair of loss or damage.

The recording of income deriving from custody or administration services is acknowledged in the profit and loss for the year in accordance to the provisions of FRS D-1 "Revenue from customer contracts".

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The recording of income from custody and administration transactions is based on the provisions of FRS D-1 "Revenue from customer contracts" and is presented in the comprehensive income statement under the commissions and rates charged.

In the event that assets under custody are also under administration, these are independently controlled.

(z) Income recognition-

Income is acknowledged upon accrual, independently of their date of realization. Interests from the stage 3 portfolio are acknowledged until they are effectively charged.

(aa) Foreign currency operations-

Foreign currency transactions are recognized at the exchange rate in force on the date of signing. As of the date of closing of these Consolidated Financial Statements, monetary assets and liabilities in foreign currency were converted by applying the exchange rate in force at the end of the business as published by Mexican Central Bank in its webpage, based on the Resolution amending General Provisions establishing Accounting Criteria applicable to derivative contract market participants published in Official Gazette of the Federation on December 15, 2021.

Earnings or losses in changes originated during conversion from foreign currency are recognized in profit and loss for the year.

The Institution adheres to the following standards and thresholds for purposes of transactions in foreign currency, which are established by Banxico's regulations:

- a. The dollar short or long position must be equivalent to up to 15% of the Institution's basic capital.
- b. The position per currency is not to exceed 2% of the net capital, except for the dollar or currency referred to the former, in which case it may be up to 15%.
- c. The admission of liabilities in foreign currency is not exceed 183% of the Institution's basic capital.
- d. The investment regime of transactions in foreign currency demands maintaining a minimum level of liquid assets, in accordance with the calculation mechanism established by Banxico, in function of the term till maturity of transactions in foreign currency.

(bb) Contingencies-

Major obligations or losses related with contingencies are recognized when there is a possibility of their effects to realize and there are reasonable elements for quantification. In the absence of such reasonable elements, disclosure is included in a qualitative fashion in the notes to consolidated financial statements. The income, profit or contingent assets are recognized until there is certainty of realization.

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(cc) Information by segments-

Tier 1 lending operation correspond to loans directly placed with companies; the Tier 2 lending operation corresponds to channeling of funds through banking financial intermediaries and other non-banking intermediaries and financial markets and the fund-gathering corresponds to obtaining funds required to satisfy the Annual Financial Program authorized by SHCP to hedge Institution's liquidity needs and the assignment of transfer cost to operating segments requiring funds to perform their transactions.

(dd) Related parties-

Related parties are, among other, individuals or legal entities directly or indirectly controlling, exercise significant influence or joint control on Institution and the members of the Board of Directors.

Also considered as related parties are legal entities and members of the boards and officers as to which Institution, directly or indirectly holds control of at least 10% of securities representing its capital stock.

During ordinary course of operations, the Institution completes transactions with related parties, such as, deposit, cash equivalent or lending financing or discount operations granted revocable or irrevocably and documented under negotiable instruments or under agreements, restructuring, renewal or amendments and net positions are included in favor of Institution due to derivative transactions and investment in securities other than stock.

The total amount of benefits granted to relevant management personnel during 2022, is \$19.

(4) Foreign currency operations-

As of December 31, 2022 the amount of transactions denominated in foreign currency of the currencies used by the Institution, as well as the foreign currency position is detailed below:

2022					
(In thousands)					
Currencies	Assets	Liabilities	Net position in	Exchange rate in	Local currency
	Currency of origin		currency of origin	pesos	
US dollar	8,306,287	8,302,253	4,034	19.508900	\$ 79
Pound sterling	538	-	538	23.463355	13
Canadian dollar	495	-	495	14.391716	7
Euro	4,281	4,356	(75)	20.809169	(2)
					<u>\$ 97</u>

The exchange rate risk position (unhedged), both as a whole, as well as per currency, does not exceed a threshold equivalent to 15% of the Institution's basic capital, being USD 250,443 thousand as of December 31, 2022.

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The exchange rate risk position (unhedged) as of December 31, 2022, is integrated as shown below:

		Currency valued in thousands of dollars
		2022
US dollar	\$	(1,816)
Pound sterling		365
Canadian dollar		647
Euro		(79)
Total	\$	(883)

In order to determine the exchange rate risk position, the following exchange rates were used (Currency: US dollar):

		Exchange rate
Currency		2022
US dollar		1.000000
Pound sterling		0.831463
Canadian dollar		1.355565
Euro		0.937515

As of December 31, 2022, the exchange rates used for conversion into local currency are shown below:

		Exchange rate
Currency		2022
US dollar	\$	19.508900
Pound sterling		23.463355
Canadian dollar		14.391716
Euro		20.809169

As of December 31, 2022 the exchange rate used was that as of the closing of business, published by Mexican Central Bank in its website, based on the Resolution amending General Provisions establishing Accounting Criteria to be followed by derivative contract market participants published in the Official Gazette of the Federation on December 15, 2021.

As of February 21, 2023, the date of issuance of the financial statements as of and for the year ending on December 31, 2022, the exchange rates used for conversion into local currency are:

		Exchange rate
Currency		2022
US dollar	\$	18.4538
Pound sterling		22.3808
Canadian dollar		13.7132
Euro		19.6791

The position in currency of Institution is leveled, therefore, variations in the exchange rate have no major effects in exchange rate revaluation of the consolidated comprehensive income statement.

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(5) Cash and cash equivalents-

As of December 31, 2022, the item cash and cash equivalents is integrated as follows:

	2022
Treasury	\$ 6
On-sight deposits	12,453
Deposits at term	6,441
Deposits with Mexican Central Bank	1
Deposits with domestic banks	217
Deposits with foreign banks	1,914
Inter-banking loans (Call Money)	272
	\$ 21,304

On-sight deposits:

2022					
Currency of origin	Average rate	Term days	Currency of origin thousands	Exchange rate	Local currency
Dollar	4.44%	4	638,330	19.5089	\$ 12,453

Term deposits:

2022					
Currency of origin	Average rate	Term days	Currency of origin thousands	Exchange rate	Local currency
Dollar	4.19%	6.50	330,144	19.5089	\$ 6,441

Deposits with Mexican Central Bank:

2022			
	Currency of origin thousands (USD)	Exchange rate	Local currency
Sole Account	53	19.5089	\$ 1

Deposits with domestic banks:

2022			
	Currency of origin thousands (USD)	Exchange rate	Local currency
Other banks, foreign currency	8,696	19.5089	\$ 169
Other banks, local currency	-		48
			\$ 217

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Deposits with foreign banks:

	2022		
	Currency of origin thousands	Exchange rate	Local currency
US dollar	92,893	19.5089	\$ 1,812
Canadian dollar	495	14.3917	7
Pound	538	23.4634	13
Euro	3,945	20.8092	82
			\$ 1,914

Inter-banking loans (Call Money):

			2022	
Currency of origin	Rate	Term days	Currency of origin thousands	Local currency
Domestic banks:				
Mexican currency	10.48%	3	271,576	\$ 272
				\$ 272

Loans maturing within three business days (Call money), are documented with a "Framework contract to execute inter-banking lending transactions, "Call money".

Purchase – Sale of currency (Spot):

Criterion B-1 "Cash and cash equivalents", establishes that in the event of any concept with a negative balance, this is to be reclassified into liabilities under the Other accounts payable. As of December 31, 2022, the net balance of currency receivable and deliverable in the amount of \$63, was reclassified.

(6) Investment in financial instruments-

These investments are subject to several types of risks, which may be associated with the market where they are operated, the interest rates associated to term, exchange rates and inherent risks, such as, credit and market liquidity.

Risk administration policy and the analysis to risks to which Institution is exposed, are described under Notes 30 and 3(f).

As of December 31, 2022, the investments in financial instruments are integrated as follows:

a. Trading financial instruments:

	2022
Certificates in repurchase transactions	\$ 174,190
No restriction government certificates	15,900
	\$ 190,090

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- Certificates in repurchase transactions

Certificates in repurchase transactions as of December 31, 2022, are integrated as follows:

Instrument	2022			
	Cost of acquisition	Accrued interests	Increase (reduction) due to valuation	Fair value
BONDES D	46,227	152	(4)	\$ 46,375
BONDES F	37,117	207	2	37,326
BPAG182	20,066	624	(146)	20,544
BPAG28	17,543	80	(29)	17,594
BPAG91	48,136	674	(205)	48,605
FEDERAL GOVERNMENT ENTITIES AND INSTITUTIONS STOCK CERTIFICATES	3,114	15	9	3,138
BANKING STOCK CERTIFICATES	107	-	-	107
DEVELOPMENT BANKING STOCK CERTIFICATES	200	1	-	201
MULTILATERAL ENTITIES DEBT	300	-	-	300
	172,810	1,753	(373)	\$174,190

Maturity terms:

Instrument	2022				
	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5	Cost of acquisition
BONDES D	14,919	31,304	4	-	\$ 46,227
BONDES F	998	24,918	11,201	-	37,117
BPAG182	-	791	15,719	3,556	20,066
BPAG28	3,072	14,471	-	-	17,543
BPAG91	2,486	19,911	25,739	-	48,136
FEDERAL GOVERNMENT ENTITIES AND INSTITUTIONS STOCK CERTIFICATES	163	957	1,994	-	3,114
BANKING STOCK CERTIFICATES	-	-	107	-	107
DEVELOPMENT BANKING STOCK CERTIFICATES	-	50	150	-	200
MULTILATERAL ENTITIES DEBT	-	300	-	-	300
	21,638	92,702	54,914	3,556	\$ 172,810

As of December 31, 2022, an amount of \$101 BONDES D have been granted as guarantee to Mexican Central Bank for liquidity auctions and BONDES D due to collateralized repurchases in the amount of \$32.

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- No restriction government certificates

No restriction government certificates as of December 31, 2022, are integrated as follows:

2022				
Instrument	Cost of acquisition	Accrued interests	Increase (reduction) due to valuation	Fair value
BONDES D	13,596	61	(2)	\$13,655
BONDES F	2,193	1	-	2,194
FEDERAL GOVERNMENT ENTITIES AND INSTITUTIONS STOCK CERTIFICATES	50	1	-	51
	\$15,839	63	(2)	\$15,900

Term to maturity:

Instrument	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5	Total 2022
BONDES D	2,199	11,397	-	-	\$13,596
BONDES F	-	2,193	-	-	2,193
FEDERAL GOVERNMENT ENTITIES AND INSTITUTIONS STOCK CERTIFICATES	-	50	-	-	50
	2,199	13,640	-	-	\$15,839

b. Financial Instruments to Collect or Sell:

Financial Instruments to Collect or Sell without restriction as of December 31, 2022, are integrated as follows:

2022				
No restriction government certificates			\$	9,896
			\$	9,896

2022					
Instrument	Cost of acquisition	Accrued interests	Stage 1 impairment	Increase (reduction) due to valuation	Fair value
BONDES D	9,449	41	(5)	10	\$ 9,495
BPAG91	400	3	-	(2)	401
	9,849	44	(5)	8	\$ 9,896

Terms till maturity:

Instrument	Less than 1 year	From 1 to 3 years	From 3 to 5 years	More than 5	Total 2022
BONDES D	2,001	7,448	-	-	\$ 9,449
BPAG91	-	400	-	-	400
	2,001	7,848	-	-	\$ 9,849

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Movements within period in Other Comprehensive Income (OCI) due to valuation of Financial Instruments to Collect or Sell (net of deferred taxes) are shown below:

	OCI 2022
Opening balance (includes retrospective adjustment due to accounting changes as of January 1, 2022)	\$ 5
Release of certificates	(1)
Valuation for the period	1
Closing balance	\$ 5

c. Financial Instruments to Collect Principal and Interests (securities) (net):

	2022
No restriction government certificates	\$ 198

Government certificates as of December 31, 2022, are integrated as follows:

	2022				
Instrument	Cost of acquisition	Rate	Accrued interests	Stage 1 impairment	Amortized Cost
CEBIC	118	3.3520%	3	-	\$ 121
UDIBONOS	77	3.5686%	-	-	77
	195		3	-	\$ 198

Financial Instruments for Collection of Principal and Interests have a term exceeding 5 years.

d. The conciliation of changes in the opening balance as of the closing of impairment of FICSs and FICPIs is shown below:

	Thousands of Mexican pesos	
	FICS¹	IFCPI²
Opening balance (includes retrospective adjustment due to accounting changes as of January 1, 2022)	\$ 4,693	\$ 70
Increase charged to profit and loss	96	33
Closing balance	\$ 4,789	\$ 103

1) Impairment increase was due to portfolio recomposition and the change of value due to market conditions.

2) Impairment increase resulted in portfolio change of value due to market conditions.

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- e. Interest income, income from security purchase and sale and profit and loss due to valuation for the year ending on December 31, 2022:

	NFI	FICS	FICPI	2022
Interest income	15,592	745	21	\$ 16,358
Profit and loss due to valuation	(430)	-	-	(430)
Profit and loss due to purchase and sale of securities	(61)	-	-	(61)
	15,101	745	21	\$ 15,867

(7) Repurchase/resale agreements -

Financial repurchase transactions as of December 31, 2022, were mainly Savings Protection Bonds, Development Bonds, Fixed Rate Bonds and Stock Certificates with an average term of 3 days. Commercial repurchase of deposit certificates (metals) have a 45-day term.

a. Reseller

- Debtors due to Repurchase

	2022
Government certificates	\$ 2,501
Commercial repurchases	747
Total	\$ 3,248

- Collateral sold or granted as guarantee

	2022
Government certificates	\$ 2,501

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- Collateral received by the entity (Off-balance-sheet accounts)

		2022
Government certificates	\$	2,500
Commercial repurchases		993
Total	\$	3,493

- Collateral received and sold or granted as guarantee by Institution (Off-balance-sheet accounts)

		2022
Government certificates	\$	2,500

b. Repurchaser

- Repurchase creditors

		2022
Certificate held by Institution ¹ :		
Government certificates	\$	173,795

¹ Certificates repurchased are registered as Restricted negotiable financial instruments.

In 2022, the interests obtained due to repurchase amount to \$209, and interests paid due to repurchase are \$13,090.

As of December 31, 2022 the average rate agreed under financial repurchase transactions, in which Institution acts as the repurchaser is 10.63% and when acting as reseller is 10.48%; in commercial repurchase transactions, the agreed average rate for pesos is 11.53% and for dollars is 5.55%.

(8) Derivatives -

As of December 31, 2022, the derivative financial instruments is integrated by rate options (CAPs) and currency options for negotiation purposes and negotiation fair value hedging swap transactions as mentioned below:

Presentation in the consolidated statement of financial position (fair value)

		2022	
	Assets		Liabilities
For trading:			
SWAPS	\$	615	536
Options		241	241
	\$	856	777
For hedging:			
SWAPS		2,377	6,643
	\$	3,233	7,420
Net passive position	\$		4,187

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Assets and liabilities due to derivative financial instruments

	2022	
	Assets	Liabilities
Hedging swaps:		
To hedge the loan portfolio	\$ 44,744	43,371
To hedge the liabilities	57,304	62,943
	102,048	106,314
Swaps for trading	17,053	16,974
Options	241	241
	\$ 119,342	123,529
Net position of liabilities	\$	4,187

To hedge the loan portfolio:

Thousands currency of origin							Local currency
	Type of swap	Currency of origin	Par	Principal	Interest	Total	2022
Asset	Rate	USD	916,251	886,602	1,659	888,261	\$17,329
Asset	Rate	M.N.	32,783,678	27,121,261	294,007	27,415,268	27,415
							\$44,744

Thousands currency of origin							Local currency
	Type of swap	Currency of origin	Par	Principal	Interest	Total	2022
Liability	Rate	USD	916,251	886,602	518	887,120	\$17,307
Liability	Rate	M.N.	32,783,678	27,121,261	110,478	27,231,739	27,232
							\$ 44,539
Valuation	Rate	USD				(62,073)	(1,211)
Valuation	Rate	M.N.				43,231	43
							\$43,371

To hedge the liabilities:

Thousands currency of origin							Local currency
	Type of swap	Currency of origin	Par	Principal	Interest	Total	2022
Asset	Currency	M.N.	35,966,585	35,966,585	489,391	36,455,976	\$36,456
Valuation	Currency	M.N.				(1,888,502)	(1,889)
							\$34,567
Asset	Rate	USD	1,062,000	1,041,333	5,615	1,046,948	\$20,425
Valuation	Rate	USD				118,483	2,312
							\$22,737
							\$57,304

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Thousands currency of origin							Local currency
	Type of swap	Currency of origin	Par	Principal	Interest	Total	2022
Liability	Currency	USD	1,934,216	1,934,216	8,877	1,943,093	\$37,908
Valuation	Currency	USD				48,724	951
							\$38,859
Liability	Rate	USD	1,062,000	1,041,333	11,066	1,052,399	\$20,530
Valuation	Rate	USD				182,193	3,554
							\$24,084
							\$62,943

For trading:

Thousands currency of origin							Local currency
	Type of swap	Currency of origin	Par	Principal	Interest	Total	2022
Asset	Rate	M.N.	586,200	345,708	156	345,864	\$ 346
Valuation	Rate	M.N.				75,895	76
							\$422
Asset	Rate	USD	628,437	730,155	853	731,008	\$14,261
Valuation	Rate	USD				121,495	2,370
							\$16,631
							\$17,053

Thousands currency of origin							Local currency
	Type of swap	Currency of origin	Par	Principal	Interest	Total	2022
Liability	Rate	M.N.	586,200	345,708	133	345,841	\$ 346
Valuation	Rate	M.N.				74,843	75
							\$ 421
Liability	Rate	USD	628,437	730,155	647	730,802	\$14,257
Valuation	Rate	USD				117,663	2,296
							\$16,553
							\$16,974

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As of December 31, 2022, the amount of hedged item recognized in the consolidated statement of financial position is shown below:

2022		
Item	Hedged risk	Amount
Loan portfolio	Rate	\$ (1,774)
Term deposits	Rate	(9)
Term deposits	Currency	(3)
Banking loans	Rate	(46)
Credit securities issued	Rate	(1,795)
Credit securities issued	Currency	(2,836)

Options for trading purposes

Thousands currency of origin				Local currency	
	Underlying	Currency of origin	Par	Fair value	2022
Purchase call	Rate	M.N.	234,850	7,780 \$	8
Purchase put	Currency	USD	200,000	(9,302)	(182)
Valuation					(67)
				\$	(241)
Sale call	Rate	M.N.	234,850	\$ (9,153)	(9)
Sale put	Currency	USD	200,000	10,974	214
Valuation					36
				\$	241

As of December 31, 2022, the result due to valuation of hedging instruments at fair value and primary position, as well as negotiation instruments recognized in the consolidated comprehensive income statement, is integrated as follows:

2022		
	Derivatives	Primary position
Hedging Business	\$ (1,779) (24)	\$ 1,779 Not applicable

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Conciliation of changes in opening balance at the end of impairment of Derivative financial instruments (CVA), was reduced due to the increase in interest rates and a shorter term, reducing exposure to credit risk, as shown below:

	Thousands of pesos
	CVA
Opening balance (includes retrospective adjustment due to accounting changes as of January 1 2022)	\$ 39
Reduction with effect on profit and loss	-
	39
Closing balance	\$ -

(9) Loan portfolio-

(a) Loan portfolio per stages-

As of December 31, 2022, the loan portfolio with credit risk at Stages 1, 2 and 3, is shown below:

	2022			
	Stage 1	Stage 2	Stage 3	Total
<i>Portfolio in foreign currency, valued in local currency:</i>				
Commercial loans				
Entrepreneurial or commercial activity	118,173	113	2,369	\$ 120,655
Financial entities	4,459	-	294	4,753
Government entities	6,614	-	-	6,614
Subtotal	129,246	113	2,663	\$ 132,022
<i>Portfolio in local currency:</i>				
Commercial loans				
Entrepreneurial or commercial activity	55,877	556	1,511	\$ 57,944
Financial entities	25,150	-	1,086	26,236
Government entities	2,804	-	-	2,804
Consumer loans	20	1	4	25
Housing loans				
Mid-level and residential	67	7	3	77
Subtotal	83,918	564	2,604	\$ 87,086
Total	213,164	677	5,267	\$ 219,108

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Integration of loan portfolio per economic sector as of December 31, 2022:

Sector per economic activity	2022	
	Amount	%
Travel	\$ 38,499	17.57
Real estate and rental services	27,099	12.37
Metal products, machinery and equipment	25,352	11.57
Power, gas and water	23,259	10.62
Transportation and communications	21,631	9.87
Commerce	11,380	5.19
Chemical substances and plastic or rubber items	6,781	3.09
Professional services, individuals and legal entities	6,097	2.78
Extraction of oil and natural gas	4,800	2.19
Food, beverages and tobacco	4,357	1.99
Construction industry	3,451	1.57
Steel industry	2,557	1.17
Textiles, garments and hide industry	2,062	0.94
Unclassified services	1,217	0.56
Wood industry and wood products	611	0.28
Mineral non-metallic products	604	0.28
Paper, print and publishing houses	200	0.09
Individuals	102	0.05
Adjustment to book value of hedged item	(1,358)	(0.62)
Private sector	\$ 178,701	81.56
Financial sector	30,989	14.14
Government sector	9,418	4.30
Total	\$ 219,108	100.00

As of December 31, 2022 the loan portfolio at Stage 3, as from the date of its classification into this stage, is shown below:

Type of portfolio:	Days of delay				Total
	1 to 180 days	181 to 365 days	1 to 2 years	More than 2 years	
Commercial loans					
Entrepreneurial or commercial activity	2,458	768	654	-	\$ 3,880
Financial entities	1,380	-	-	-	1,380
Consumer loans	1	-	1	2	4
Housing loans					
Mid and residential	-	-	1	2	3
	3,839	768	656	4	\$ 5,267

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Below is an analysis of Stage 3 loan portfolio movements for the year ending as of December 31, 2022:

	2022
Balance at the inception of year	\$ 8,499
Minus:	
Variation in the opening balance due to exchange rate	31
Payments	105
Deed in lieu, waiver, discounts and write-offs	4,894
Capitalization	206
Cancellation due to restructures	3,676
Transfer to Stages 1 and 2 portfolio	4,296
Other	4,340
Plus	
Opening due to restructures	5,877
Transfer from Stage 1	394
Transfer from Stage 2	3,719
Other	4,326
Balance of Stage 3 Portfolio as of December 31, 2022	\$ 5,267

As of December 31, 2022 the Stage 3 credit risk loan portfolio balance is integrated by seventeen companies, currently under court or out-of-court collection proceedings and seventeen former employees.

Restructured and renewed loans

	2022				
	Entrepreneurial or commercial activity	Financial entities	Government entities	Consumer loans	Housing loans
Balance accrued at the inception of the year					
Stage 1	\$ 52,300	1,291	-	6	\$ 35
Stage 2	499	-	-	-	5
Stage 3	912	-	-	2	1
Plus those originated during the 2022 year:					
i. Stages 2 and 3 Loans that were restructured or renewed	4,368	-	-	-	-
ii. Restrictions or renewals to Stage 3	-	-	-	-	-
iii. Maintained in Stage 1 and 2	8,584	-	-	-	-
iv. Consolidated loans transferred to Stage 3	1,572	-	-	-	-
v. Not under any criteria applicable, based on paragraph 112	3,149	-	-	-	-
Total restructures/renewals as of December 31, 2022	\$ 71,384	1,291	-	8	\$ 41

i. Stages 2 and 3 credit risk loans that were restructured or renewed.

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- ii. Restructures or renewals transferred to stage 3 credit risk portfolio due to there having been restructured or renewed, in adherence to paragraph 99 of criterion B-6 "Loan portfolio", exhibit 33 of the Provisions.
- iii. Restructured or renewed loans that were maintained in stage 1 and stage 2 credit risk portfolio, in accordance to paragraphs 100 to 108 of criterion B-6 "Loan portfolio", exhibit 33 of the Provisions.
- iv. Consolidated loans that as a product of a restructure or renewal were transferred to stage 3 credit risk portfolio, in accordance to paragraph 110 of criterion B-6 "Loan portfolio", exhibit 33 of the Provisions.
- v. Restructured loans not subject to criteria about transfer to stage 3 credit risk portfolio based on paragraph 112 of criterion B-6 "Loan portfolio", exhibit 33 of the Provisions.

On October 31, 2013 , Capitalization of Interest and Restructure Acknowledgement Agreement with a Foreign Financial Entity was formalized, agreeing to recover an amount of USD 146.3 million, currently recorded in off-balance-sheet accounts. In accordance with the agreement, such amount would be recoverable within 15 years, by means of quarterly payments; on August 5, 2019 it fall into payment nonperformance, therefore, currently under debt recovery negotiation. As of December 31, 2022, the principal balance amounts to USD 88 million.

Amount and nature of guarantees received

The amount of guarantees received as of December 31, 2022, is shown below:

Type of Guarantee	MXP	USD	Local currency
Financial guarantees	5,600	91	\$ 7,370
Non-financial guarantees and similar instruments:			
Real and movable property	57,526	3,706	129,828
Trust guarantee	13,406	2,339	59,038
Collection and trust rights	4,885	190	8,591
Other	-	85	1,656
Total			\$ 206,483

Additional guarantees and concessions granted under restructured loans-

As to Tier 1 portfolio that was restructured during 2022, 5 restructures with additional guarantees made up by Joint Obligations of Legal Entities and Assignment of Collection Rights with recognized value of \$ 0 for hedging purposes were reported, and the Reserve Fund, same that as of the closing of 2022 was being funded. No concessions were granted.

Interests and commissions-

2022			
Type of loan	Interests	Commissions	Total
Commercial loans	\$ 11,793	13	\$ 11,806
Loans to financial entities	2,108	-	2,108
Loans to government entities	577	1	578
Consumer loans	1	-	1
Housing loans	5	-	5
Total	\$ 14,484	14	\$ 14,498

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Commission for the initial granting of the loan

Commissions for the initial granting of the loan pending deferral as of December 31, 2022 amount to \$63, same that are amortized against profit and loss for the year like interest income, making-up the effective rate with an average term of 3.18 years and presented as part of loan portfolio amortized cost under the "Deferred items".

Re-discounts-

The amount of re-discounts up to December 31, 2022 is \$31,396.

Credit commitments-

The amount of credit commitments recorded in off-balance-sheet accounts as of December 31, 2022 is shown below:

Concept	Local currency	Million USD	Thousand Euros	Local currency
Revocable loan opening	24,879	3,205	288	\$ 87,407
Irrevocable loan opening	1,488	515	-	11,536
Commercial loans with risk	2,199	376	50	9,533
				\$ 108,476

(b) Allowance for loan losses-

As explained in Note 3(k), the Institution classifies its portfolio, establishing an estimate to hedge credit risks associated with its loan portfolio recovery.

Total rated portfolio per type of loan as of December 31, 2022-

Rating	Commercial	Government entities	Financial intermediaries	Guarantees, Third-Party Guarantees and Factoring	Mortgage loan portfolio	Consumer portfolio	Total
A-1 Minimum	\$ 86,933	9,415	28,485	23,828	23	-	148,684
A-2 Minimum	60,360	-	1,348	38	2	-	61,748
B-1 Low	9,121	-	-	187	2	3	9,313
B-2 Low	1,032	-	-	69	9	15	1,125
B-3 Low	822	-	193	18	25	-	1,058
C-1 Median	4,845	-	-	111	2	2	4,960
C-2 Median	3,361	-	-	-	9	-	3,370
D High	3,264	-	-	29	5	-	3,298
E Irrecoverable	9,013	-	1,339	-	-	5	10,357
Subtotal	178,751	9,415	31,365	24,280	77	25	243,913
Past due interests	82	-	40	-	-	-	122
Total	\$ 178,833	9,415	31,405	24,280	77	25	244,035

Does not include excepted portfolio in the amount of \$3.

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Allowance required per risk group as of December 31, 2022-

Rating	Commercial	Government entities	Financial intermediaries	Guarantees, Avails and Factoring	Mortgage loan portfolio	Consumer portfolio	Total
A-1 Minimum	\$ 438	47	99	100	-	-	684
A-2 Minimum	627	-	13	-	-	-	640
B-1 Low	146	-	-	3	-	-	149
B-2 Low	22	-	-	2	-	1	25
B-3 Low	25	-	5	1	1	-	32
C-1 Median	331	-	-	6	-	-	337
C-2 Median	421	-	-	-	1	-	422
D High	927	-	-	10	1	-	938
E Irrecoverable	7,059	-	711	-	-	4	7,774
Subtotal	9,996	47	828	122	3	5	11,001
Past due interests	82	-	40	-	-	-	122
Additional reserves	-	-	-	-	-	-	400
Total	\$ 10,078	47	868	122	3	5	11,523

Below is an analysis of the movements of the allowance for loan losses from January 1 to December 31, 2022.

	2022
Balances at the inception of year (includes retrospective adjustment due to accounting changes as of January 1, 2022)	10,918
Increases / (releases)	5,636
Elimination of stage 3 commercial credit assets	(4,898)
Write-offs	-
Cancellations	-
Exchange rate effect	(133)
Closing balances	11,523

Increases / (releases) per type and credit stage are shown below:

Rating	Commercial	Government entities	Financial intermediaries	Guarantees, endorsements and factoring	Mortgage loans	Consumer loans	Other	Total
Stage 1	\$ 3,037	3	(14)	16	1	-	(100)	\$2,943
Stage 2	241	-	5	-	(1)	-	-	245
Stage 3	1,737	-	710	-	-	1	-	2,448
Total	\$ 5,015	3	701	16	-	1	(100)	\$5,636

As of December 31, 2022, the allowance for loan losses established by Institution includes \$5,424 entered in the profit and loss for the year. As of December 31, 2022, \$213 from a counter guarantee fund were

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received to establish the reserve. Also a net income in the amount of 1 corresponding to the opening recognition deriving from IFRS 9 implementation was recognized.

Allowance sourcing from Stage 3 credit risk loan portfolio interests amounts to \$122 for the year ending on December 31, 2022.

For loan portfolio rating as of December 31, 2022, the Institution applied the methodologies established under General Character Provisions Applicable to Credit Entities in force on each year.

As of December 31, 2022, allowances represent 5.3% of the entire portfolio covering 2.19 times the Stage 3 credit risk loan portfolio.

Under the criterion B-6 "Loan portfolio" of Exhibit 33 of General Provisions Applicable to Mexican Credit Entities, provides that the Institution may elect to eliminate from its assets, those past due loans 100% provisioned. In 2022, the Institution applied the balance of 4 loans against the credit risk allowance, for an amount of \$4,898. None of such loans corresponds to related parties.

Portfolio balances eliminated from assets in either thousands of Dollars, Euros, as well as local currency administered under off-balance-sheet accounts while collection procedures are on-going is shown below:

	2022		
	Million USD	Million Euros	Local currency
Past due principal payable			
Companies	468	42	\$ 6,106
Former employees	-	-	14
Total principal	468	42	\$ 6,120
Past due interests payable			
Companies	5	1	\$ 77
Total interests	5	1	\$ 77

For the year ending on December 31, 2022, the amount of recovery from loan portfolio eliminated from assets was \$257, recorded in the allowance for loan losses in the income statement.

Interest income recognized in loans upon capitalization-

Interest income recognized upon capitalization during 2022 amounts to \$210.

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(10) Other accounts receivable, net-

As of December 31, 2022, the other accounts receivable is integrated as shown below:

	2022
Debtors due to collateral granted in cash under derivative transactions (Note 8)	\$ 3,635
Loans to Institution's personnel	2,144
Debtors due to currency purchase and sale transactions settlement	1,618
Taxes receivable	491
Counter guarantee program	90
Reserve fund for received loans (Note 17)	63
Sundry debtors	47
Debtors due to commissions on current transactions	14
Value added Tax (VAT)	8
Debtors due to settlement of repurchase transactions	1
	8,111
Non-recoverability estimate	(55)
	\$ 8,056

As of December 31, 2022, these include accounts receivable in foreign currency valued in local currency in the amount of \$95.

Non-recoverability estimate movements are shown below:

	2022
Balances at the inception of year	\$ 43
Increases	12
Cancellations	-
Applications	-
Exchange rate effect	-
Closing balances	\$ 55

(11) Foreclosed assets, net-

Integration of these assets as of December 31, 2022, is shown below:

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Concept	Local currency	Million USD	Valorized foreign currency	2022
Movable property	\$ 99	-	\$ -	9
Securities	-	48	941	41
Collection rights	-	36	693	93
Subtotal	99	84	1,634	,733
Real property:				
Rural land	\$ 95	-	\$ -	5
Urban land	151	-	-	51
Single-family	65	-	-	5
Condominium regime	10	-	-	0
Industrial plants	312	-	-	12
Commercial outlets	123	-	-	23
Other	74	-	-	4
Subtotal	830	-	-	30
Assets promised for sale:				
Real property	59	-	-	9
Subtotal	59	-	-	9
	988	84	1,634	,622
Minus:				
Established estimates	976	84	1,634	,610
Total	\$ 12	-	\$ -	2*

* Corresponds to the balance as of December 31, 2022, of assets promised for sale with a value of \$59 and a reserve of \$47.

Allowance for foreclosed assets-

The amount of estimate of awarded assets as of December 31, 2022, is integrated as follows:

Concept	Local currency	Million USD	Valorized foreign currency	2022
Movable property	\$ 99	-	\$ -	9
Securities	-	48	941	41
Collection rights	-	36	693	93
Real estate	830	-	-	30
Property promised for sale	47	-	-	7
Total reserve	976	84	1,634	,610

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The charge to profit and loss under this concept is \$29 as of December 31, 2022.

(12) Property, furniture and equipment, net-

As of December 31, 2022, the balances of property, furniture and equipment are integrated as shown below:

	Average useful life	2022
Buildings	90 years	\$ 585
Furniture and equipment	10 years	389
Computer equipment	3.3 years	37
Transportation equipment	4 years	2
		1,013
Minus: Accrued depreciation		(631)
Total investments subject to depreciation		382
Constructions under process		-
Land		96
Total investments not subject to depreciation		96
Total		\$ 478

As of December 31, 2022, the consolidated expense due to depreciation amounts to \$14.

(13) Assets from rights of use of property, furniture and equipment, net-

The Institution, through its DIESA subsidiary, has undersigned leasing agreements for the use of a real property and transportation equipment. The real property contract ends on May 2025 and the transportation equipment contract will expire on July 2032. As of December 31, 2022, the balances of assets due to rights of use of property, furniture and equipment and liabilities thereof, are integrated as shown below:

.	2022
Original value of rights of use of movable and real property	\$ 6
Accrued depreciation	-
Net value	\$ 6
Leasing liability	\$ 6
2022 leasing payments for these assets are integrated as follows:	
	Local currency thousands
Amortization of right to use movable assets and real property	\$ 164
Interest expense	122
Total	\$ 286

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The interest rate used to calculate the current value of future transportation equipment rental payments was 16.60% and for the leasing of real property was 9.68%.

(14) Permanent investments-

- a. The main companies subjected to application of the interest method, as well as stockholding share of Institution in such companies as of December 31, 2022, are:

Company	Share (%)	Activity
Cesce Mexico, S. A. de C. V. (CESCEMEX)	48.99	Insurance
Corporacion Mexicana de Inversiones de Capital, S. A. de C. V. (CMIC)	5.09	Investment fund

- b. The amounts used for recognition of interest method as of December 31, 2022, are identified below:

Company	Capital stock	(Accrued losses) withheld profit	(Loss) Profit for the year	Total
				2022
CESCEMEX	\$ 100	(15)	8	93
CMIC	379	157	(23)	513
Other	-	-	-	194
Total	\$			800

The net effect of valuation of permanent investments as of December 31, 2022 is \$(2). As of December 31, 2022, the share in OCI of permanent investments that was registered under stockholders' equity is \$(1). No investments were made during the 2022 year.

- c. As of December 31, 2022 assets, liabilities and main items in the income statement of main associated companies is as follows:

	2022			
	Total			
	Assets	Liabilities	Income	Expense
CESCEMEX	\$ 436	246	188	172
CMIC	10,618	515	319	774

- d. Investments in shares of associated companies without holding significant control or influence, are presented valued at their acquisition cost. The acquisition cost of all other permanent investments in stock amounts to \$19 as of December 31, 2022.

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(15) Time deposits-

Term deposits in the money market as of December 31, 2022 are integrated as follows:

	2022
Notes with yield payable upon maturity	\$ 57,958
Fixed term deposits in foreign currency	37,816
Deposits due to Special Loan for Savings	976
Fixed term deposits in local currency	578
Valuation of swaps for hedging purposes, net	(12)
Total	\$ 97,316

The characteristics of notes with yield payable upon maturity as of December 31, 2022, are shown below:

Issue	Term	Average effective rate	Amortized cost
Note	1 to 29 days	10.49%	\$ 42,964
Note	30 to 179 days	9.77%	14,994
Note	180 to 360 days	-	-
Total			\$ 57,958

Characteristics of fixed term deposits in foreign currency as of December 31, 2022, are shown below:

Term	Rate	Currency of origin millions of USD	Opening amount	Accrued interests	Amortized cost
1 to 29 days	From 3.22 to 4.29%	861	\$ 16,793	8	\$ 16,801
30 to 179 days	From 1.72 to 4.93%	1,009	19,677	35	19,712
180 to 360 days	From 3.63 to 5.41%	66	1,287	16	1,303
More than 360 days	-		-	-	-
			\$ 37,757	59	\$ 37,816

Characteristics of fixed term deposits in local currency as of December 31, 2022, are shown below:

Deposit	Term	Rate	Opening amount	Accrued interests	Amortized cost
Deposit on-sight	3 days	From 10.25% to 10.45%	\$ 578	-	\$ 578

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As of December 31, 2022, there are Term deposits in favor of related parties in the amount of \$122 and \$8 of interests were paid.

(16) Debt instruments issued-

As of December 31, 2022, the balance is integrated as follows:

	2022
Stock securities	59,920
Banking bonds	19,659
Adjustment to book value of the hedged item	(4,631)
	\$ 74,948

Characteristics of stock securities (CEBURES), are shown below:

2022								
Date of issue	Date of maturity	Rate	Effective rate	Term days	CEBURES number	Face value	Interest	Total
03/01/2013	02/17/2023	5.61	5.61	48	30,000,000	3,000	62	3,062
12/16/2014	12/03/2024	6.54	6.54	703	35,000,000	3,500	16	3,516
06/27/2017	06/18/2024	7.41	7.41	535	51,400,000	5,140	12	5,152
05/02/2018	05/23/2023	TIIE -0.01	10.47	143	7,400,000	740	6	746
12/18/2020	12/15/2023	TIIE -0.03	10.57	349	30,000,000	3,000	17	3,017
12/18/2020	12/10/2027	5.68	5.68	1805	70,000,000	7,000	17	7,017
05/17/2021	03/19/2024	TIIE -0.07	10.53	444	27,490,000	2,749	9	2,758
05/17/2021	05/11/2026	TIIE -0.03	10.66	1227	27,150,000	2,715	10	2,725
10/29/2021	10/23/2026	TIIE -0.05	10.65	1392	10,000,000	1,000	4	1,004
05/17/2021	05/05/2031	7.34	7.34	3047	45,360,000	4,536	44	4,580
10/29/2021	10/17/2031	7.83	7.83	3212	60,000,000	6,000	84	6,084
10/29/2021	10/25/2024	TIIE -0.07	10.59	664	30,000,000	3,000	13	3,013
03/29/2022	03/23/2027	10.67	10.71	1543	41,000,000	4,100	35	4,135
03/29/2022	03/16/2032	8.83	9.03	3363	81,140,000	8,114	185	8,299
03/29/2022	03/25/2025	10.64	10.69	815	49,851,930	4,985	42	5,027
								60,135
Issue expenses								(38)
Placement discount								(177)
Amortized cost							\$	59,920

As of December 31, 2022 the Institution has issued stock securities, each issue is under the protection a Macro-certificate which is deposited with Institución para el Depósito de Valores – S.D. Indeval, S.A de C.V

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The face value of each stock certificate is \$.0001, the rights and form of redemption is the payment of interests and amortization of principal on the date of maturity. Also, the ratio kept by the authorized amount to the issued amount is 100%. The amortized discount amount in profit and loss during 2022 is \$18.

The characteristics of banking bonds are as follows:

2022						
Valued local currency						
Currency	Number of securities	Rate	Currency of origin Million	Amount	Interest	Total
Dollar	1 Macro-certificate	4.3722%	1,000	19,509	180	\$19,689
Issue expenses						(16)
Discount due to certificate amortization						(14)
Amortized cost						\$19,659

As of December 31, 2022 the Institution has placed in the International Market a Macro-certificate, which is deposited in the Depository Trust Company at a face value of 1,000 million dollars, the rights and form of redemption is the payment of interests and amortization of principal on the date of maturity. Also, the ratio kept by the authorized amount to the issued amount is 100% and the effective rate is 4.3114%.

The total amount of the issue was transferred to a floating rate on the date of issue, under swap transactions, in the following terms:

USD 600 million at $\text{Libor}_{3m} + 233.45 \text{ bp}$.
USD 400 million at $\text{Libor}_{6m} + 221.00 \text{ bp}$.

The annual additional cost under the issue expense concept is approximately of 4.9 bp.

Date of issue: 10/14/2015
Date of maturity 10/14/2025

The amount of amortized discount in the profit and loss for 2022 is \$5.

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(17) Due to banks and other institutions-

The inter-banking and other entity loans balances as of December 31, 2022, are shown below:

	2022
Immediately payable:	
Call money transactions	\$ 5,904
Short-term:	
Secured facilities	1,164
Commercial facilities	10,535
Executor entity	207
Development banking	611
Loans from the federal government	-
Interest provision	349
	12,866
Long-term	
Secured facilities	16,940
Executor entity	8,419
	25,359
Total	\$ 44,129

As of December 31, 2022, loan concepts are integrated as shown below:

a. Immediately payable deposits (Call money)

2022					
Counterparty	Currency	Rate	Currency of origin Million	Amortized cost	Average term (days)
Domestic banks	Dollar	From 4.18% to 4.22%	303	\$ 5,904	3

b. Secured facilities

2022								
Counterparty	Currency	Effective rate	Currency of origin Million	Short-term		Long-term		Total
				Amortized cost	Average term (days)	Amortized cost	Average term (years)	
Foreign banks	Dollar	From 1.32 to 6.14%	928	1,164	95	16,940	6	\$18,104

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c. Commercial facilities

2022								
Counterparty	Currency	Effective rate	Currency of origin Million	Short-term		Long-term		Total
				Amortized cost	Average term (days)	Amortized cost	Average term (years)	
Foreign banks	Dollar	From 4.86 to 5.08%	540	10,535	72	-	-	\$10,535

d. Executor entity

2022								
Counterparty	Currency	Effective rate	Currency of origin Million	Short-term		Long-term		Total
				Amortized cost	Average term (days)	Amortized cost	Average term (years)	
International entities	Dollar	From 1.26 to 1.93%	442	207	123	8,419	14	\$ 8,626

e. Development banking

2022								
Counterparty	Currency	Effective rate	Currency of origin Millions	Short-term		Long-term		Total
				Amortized cost	Average term (days)	Amortized cost	Average term (years)	
Domestic banks	Dollar	From 4.22 to 4.34%	31	611	15	-	-	\$ 611

Such loans are contracted with domestic and foreign financial institutions without significant concentration to any of them.

As of December 31, 2022 there is a reserve fund with a Foreign institution for USD 2.96 million, that would be applied for such Institution in the case of lack of payment or reimbursement in accordance to the established schedule.

Any available balance in committed facilities of inter-banking and other entity loans as of December 31, 2022, amounts to \$5,143.

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(18) Sundry creditors and other accounts payable-

As of December 31, 2022, the sundry creditors and other accounts payable balance is integrated as follow:

	2022
Liabilities deriving from the rendering of banking services	\$ 1,245
Provisions due to exposure to legal and operation risk	103
Accounts payable due to miscellaneous obligations	114
Other sundry creditors	259
Balance of liability for the purchase and sale of currency	63
Total	\$ 1,784

Below is an analysis of movements in legal and operation risk exposure provisions for the year ending on December 31, 2022.

	2022
Balance at the inception of year	\$ 197
Increases	39
Releases	(124)
Applications	(9)
Exchange rate effect	-
Closing balances	\$ 103

(19) Employee benefits-

a. Defined benefit pension plan

The Institution has a defined benefit pension plan in place covering all employees, in satisfaction with requirements established under general work conditions, consisting in granting them a pension calculated on the average salary base earned during the last year of work, integrating end-of-year bonus and vacation premium, applied to the percentage corresponding to age and years of service.

The plan also covers seniority premiums, consisting in a single payment of 12 days of salary per year worked based on the last salary (limited to twice the minimum banking salary in force on the date of termination), as well as payment of other benefits for retired personnel, among other: health care, prescription drugs, hospitals and sport centers.

The program known as "Special Savings Loan" (SSL) consists in a loan granted to both retired and active personnel to be only used as an investment (term deposit) with Institution itself, the Institution guaranteeing a minimum yield and the differential against the funding rate under the charge of Institution.

The relative liability and the annual cost of benefits subsequent retirement are calculated by an independent actuary, in accordance to the plans' defined bases, CNBV Provisions and FRS D-3 Employee benefits.

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For 2022, the fund investment covers labor obligation reserves, without surplus in the defined benefit pension fund.

As interest rates have shown an upward trend during 2022, an increase in the discount rate was applied during the actuarial valuation from 8.23% to 9.15% as of December 31, 2022. As a result, the net cost for the period fell by \$232.

In 2022, the contributions to the Defined Benefit Pension Fund and the SSL Fund were \$636 and \$80, respectively.

Such contributions include recycling of remeasurements due to accrued balance of plan losses pending recognition (broker focus) during the average remaining labor life.

b. Defined contribution pension plan

As from January 1, 2007 the Institution modified general working conditions based on trends and best practices regarding administration and operation of retirement and pension plans, to incorporate new employees, and those electing to migrate from the Defined Benefit System to the Defined Contribution. Such plan allows greater control regarding plan's costs and liabilities, maintaining appropriate cost-benefit ratio both for Institution and workers and establishes clear contribution or withdrawal rules.

This plan integrates Institution contributions to individual accounts, each in name of an employee, divided in two subaccounts known as "A" and "B", respectively. It is also integrated by voluntary employee contributions to subaccount "B" and by yield resulting from both subaccounts jointly, identified as the employee individual account. The contributions made as of December 31, 2022 amounts to 31, while the Defined Contribution Trust amounts to \$248.

As of December 31, 2022, the balances shown below are the result of actuarial valuation performed by an independent expert:

December 31, 2022

Net cost for the period	Retirement pension	Seniority premium	Other post-employment benefits	SSL and financial cost of loans	Total
Cost for service	\$ 47	2	57	27	133
Net interests	60	1	52	11	124
Recycling of remeasurements	224	3	190	42	459
	\$ 331	6	299	80	716

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Financial Position

	Retirement pension	Seniority premium	Other post- employment benefits	SSL and financial cost of loans	Total
Obligation due to defined benefits (ODB)	(9,573)	(32)	(7,754)	(3,715)	(21,074)
Fair value of plan assets	8,948	18	6,937	3,379	19,282
Net (liability) asset due to defined benefits LNDB/(ANDB)	(625)	(14)	(817)	(336)	(1,792)
Accrued actuarial losses pending recognition in OCI (stockholders' equity)	139	1	88	32	260
(Earnings)/Losses recognized in OCI (stockholders' equity) pending recycling in the profit and loss for the year	486	13	729	304	1,532
Accrued actual losses pending recognition in OCI and in the \$ income statement	625	14	817	336	1,792
Reserve balance as of the inception of year	\$ -	-	(3)	-	(3)
Net cost for the period	331	7	298	80	716
Contributions to fund	(331)	(7)	(298)	(80)	(716)
Past service pending recognition in OCI	-	-	3	-	3
Reserve balance at the end of the year	-	-	-	-	-

	Retirement pension	Seniority premium	Other post- employment benefits	SSL and financial cost of loans	Total
Net liabilities (assets) due to defined benefits at the inception of the period	\$ 902	18	778	168	1,866
Net cost for the period	331	7	298	80	716
Contributions made	(331)	(7)	(298)	(80)	(716)
Payments charged to reserve	-	-	-	-	-
Recycling of remeasurements pending recognition in OCI	(84)	-	(54)	(19)	(157)
Recycling of remeasurements recognized in OCI	(140)	(3)	(137)	(22)	(302)
Remeasurements of net liabilities (assets) due to defined benefits recognized in OCI	(53)	(1)	230	209	385
Net (liability) asset due to defined benefits LNDB/(ANDB)	625	14	817	336	1,792

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Based on the Resolution amending General Provisions applicable to Credit Entities published on December 31, 2015, the Institution opted to begin the recognition of the remeasurements of the accumulated balance of the actuarial losses of the plan accumulated until the year 2015 starting on 2021, recognizing 20% of balances as from initial application and an additional 20% each subsequent year, to be recognized at the end of each period.

The Institution promptly informed CNBV its decision to apply the option referred to under the Third Transitory Article of the General Provisions applicable to Credit Entities.

As of December 31, 2022, remeasurements of liabilities (assets) due to Defined Benefits, Net, determined in actuarial valuation, are detailed below.

Conciliation of earnings and losses under the plan as of December 31, 2022

	Retirement pension	Seniority premium	Other post- employment benefits	SSL and financial cost of loans	Total
Remeasurements pending recognition in OCI actuarial (earnings)/losses in obligations at the inception of the year	\$ 252	1	80	54	387
Recycling	(63)	-	(20)	(14)	(97)
Past service pending recognition in OCI	-	-	(3)	-	(3)
20% recognition	(85)	(1)	(27)	(18)	(131)
Actuarial (earnings)/losses in obligations at the end of the year	104	-	30	22	156
Plan assets' return (earnings)/losses at the inception of year	85	1	138	24	248
Recycling	(21)	-	(33)	(6)	(60)
20% recognition	(29)	-	(47)	(8)	(84)
Plan assets' return (earnings)/losses at the end of year	35	1	58	10	104
Total remeasurements pending recognition in OCI	\$ 139	1	88	32	260

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	Retirement pension	Seniority premium	Other post- employment benefits	SSL and financial cost of loans	Total
Remeasurements recognized in OCI					
Actuarial (earnings)/losses in obligations at the inception of the year	\$ 473	16	519	(30)	978
Recycling	(118)	(3)	(128)	8	(241)
20% recognition	86	-	27	18	131
Actuarial (earnings)/losses in obligations for the year	(496)	(2)	(114)	69	(543)
Actuarial (earnings)/losses in obligations at the end of the year	(55)	11	304	65	325
Plan assets' return (earnings)/losses at the inception of year	91	1	43	121	256
Recycling	(22)	-	(9)	(30)	(61)
20% recognition	29	-	47	8	84
Plan assets' return (earnings)/losses for the year	443	1	344	140	928
Plan assets' return (earnings)/losses at the end of year	541	2	425	239	1,207
Remeasurements recognized in other comprehensive income	486	13	729	304	1,532
Total remeasurements					
Actuarial (earnings)/losses in obligations at the end of the year	49	11	334	87	481
Plan assets' return (earnings)/losses at the end of year	576	3	483	249	1,311
Total remeasurements	\$ 625	14	817	336	1,792

As of December 31, 2022, the Institution has accrued actuarial losses pending recognition in other comprehensive income (OCI) in the amount of \$260 from 2023 to 2025, in accordance with the elected option to defer such recognition in terms with the Resolution amending General Provisions applicable to Credit Entities, published in the DOF on December 31, 2015.

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As of December 31, 2022, actuarial valuation results estimate a net cost for the period of \$725 for the year of 2023.

	Retirement pension	Seniority premium	Other post- employment benefits	SSL and financial cost of loans
Average remaining labor life (ARLL)	3.74 years	4.71 years 20.95 years	3.76 years 25.12 years	3.74 years
Actuarial hypotheses:				
Estimated discount rate	9.15%	9.15%	9.15%	9.15%
Officer salary increase rate	3.75%	3.75%	3.75%	3.75%
Employee salary increase rate	4.25%	4.25%	4.25%	4.25%
Health care increase rate	N/A	N/A	8.00%	N/A
Estimated yield rate	9.15%	9.15%	9.15%	9.15%

c. Defined benefit plan assets

Risk indicators are presented at the meetings of the Defined Benefit Pension Fund and SSL Fund Trusts Technical Committees, which is the highest decision-making authority of the Trusts, responsible for authorizing the investment regime and supervising compliance with the risk management policy of the Trusts.

The risk indicators and Siefors control levels are taken as reference, in accordance to authorization granted by the Technical Committees.

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

Credit risk. - The credit risk represents a potential loss a financial instrument issuer may cause to the counterparty, by not fulfilling with its obligations, mainly originated from accounts receivable and investments in debt instruments.

Liquidity Risk. – Liquidity risk is the risk of a Trust suffering hardship to perform with its obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. The Trust's focus for liquidity administration guarantees to the broadest extent possible, that it will always have sufficient liquidity to perform with its obligations, both under ordinary, as well as hardship conditions, without incurring in unacceptable losses or risking the Trust's prestige.

Market Risk. – The market risk is the risk that market price changes, such as, changes in exchange rates, interest rates or stock prices, affect Trust's income or the value of financial instruments maintained thereby. The purpose of market risk administration is the management and control of exposures to such risk within reasonable parameters while optimizing profitability.

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Defined Benefit Pension Fund Assets are integrated, for the year ending on December 31, 2022, as follows:

	2022
Cash and cash equivalents	\$ 1,410
Government securities	8,087
Listed bank securities	2,259
Listed corporate debt securities	1,813
Listed stock	868
Domestic variable income	643
International variable income	823
	\$ 15,903

Credit risk: Potential loss caused by counterparty default represents 0.10%, of the total financial instruments maintained as of December 31, 2022

	2022		
Type of instrument	Position	Credit risk*	% CR
Variable Income	2,335	0.00	0.00%
Fixed Rate	4,335	7.33	0.17%
Actual Rate	5,979	6.28	0.11%
Reviewable Rate	3,254	1.55	0.05%
Total	15,903	15.16	0.10%

* Not applicable to securities issued by the Federal Government (Cetes), debt vehicles (Bondes, Udibonos, etc.) and repurchase transaction counterparties.

Liquidity Risk: It is evident that liquidity risk is under control, it represents 0.78% of all financial instruments as of the closing of December 2022.

	2022		
Type of instrument	Position (a)	Liquidity Risk (LR) (b)	% LR (b/a)
Variable Income	2,335	7.6	0.32%
Fixed Rate	4,335	31.3	0.72%
Actual Rate	5,979	83.1	1.39%
Reviewable Rate	3,254	2.0	0.06%
Total	15,903	124.0	0.78%

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Market Risk: The Value at Risk (VaR) consumption represents 0.29%, with regard to all financial instruments maintained as of December 31, 2022, a percentage within the authorized threshold of 1.40%.

Type of instrument	2022			
	Position	VaR	VaR*%	Threshold
Variable Income	2,335	31.5	1.35%	0.70%
Fixed Rate	4,335	3.0	0.07%	0.70%
Actual Rate	5,979	11.1	0.19%	0.70%
Reviewable Rate	3,254	0.0	0.00%	0.70%
Total	15,903	45.6	0.29%	0.70%

* VaR consumption in a day with a trust level of 95%

SSL Fund Assets are integrated, for the years ending on December 31, 2022, as follows:

2022	
Cash and cash equivalents	\$ 456
Government securities	2,678
Listed corporate debt securities	245
	\$ 3,379

Credit risk: The potential loss caused by counterparty default recorded 0.02% at the end of December 2022.

Type of instrument	2022		
	Position	Credit risk*	% CR
Fixed Rate	1,256	0.22	0.02%
Actual Rate	1,101	0.00	0.00%
Reviewable Rate	1,022	0.34	0.03%
Total	3,379	0.56	0.02%

* Not applicable to securities issued by the Federal Government (Cetes), debt vehicles (Bondes, Udibonos, etc.) and counterparties in repurchase transactions.

Liquidity Risk: Liquidity risk is controlled since it represents 0.77% of the portfolio position as of the closing of December 2022.

Type of instrument	2022		
	Position (a)	Liquidity Risk (LR) (b)	% LR (b/a)
Fixed Rate	1,256	7.11	0.57%
Actual Rate	1,101	18.48	1.68%
Reviewable Rate	1,022	0.45	0.04%
Total	3,379	26.04	0.77%

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Market Risk: VaR* consumption in general and per type of instrument, is within the authorized threshold.

Type of instrument	2022			
	Position	VaR	VaR*%	Threshold**
Fixed Rate	1,256	4.9	0.4%	0.70%
Actual Rate	1,101	6.4	0.6%	0.70%
Reviewable Rate	1,022	0.0	0.0%	0.70%
Total	3,379	11.3	0.3%	0.70%

*VaR for a day with a trust level of 95%

**Basic Pension Group Threshold (lowest of 3)

(20) Income tax (IT) and Employee Statutory Profit Sharing (ESPS)-

The Income Tax Law in force as from January 1, 2014, establishes a 30% rate.

In the profit and loss for the period (expense) income:	2022
Income Tax on tax base	\$ (6)
Deferred Income Tax	513
Total Income Tax in the income statement	\$ 507

Conciliation of effective rate of profit tax against tax rate assessed

\$507 of tax benefit, net, attributable to loss before profit tax of \$3,499, different to what would result from applying a 30% Income Tax rate to such loss, as the result of items listed below:

	2022
Expected expense (30% of loss before profit tax)	\$ (1,049)
<i>Increase (reduction) resulting from:</i>	
Tax Effect of inflation, net	(628)
Non-deductible expenses	3
Contributions to Fidapex	91
Exchange rate fluctuation of credit risk allowance.	1,585
Non-deductible benefits to employees	101
Changes in asset valuation reserve due to deferred taxes	96
Other, net	(706)
(Benefit) expense due to profit taxes	\$ (507)

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Assets and liabilities due to deferred taxes are determined by applying tax rates expected to be applied during the period the asset is realized or the liability is cancelled, the Income Tax law in force provides a 30% rate and no modification for subsequent years is foreseen, therefore, in order to determine deferred taxes, a 30% rate is applied.

The effect of profit tax on temporary differences originating significant shares of deferred profit tax assets and liabilities as of December 31, 2022, are detailed below:

		2022
Deferred assets		
Credit risk allowance	\$	6,587
Commissions collected in advance		226
Estimate awarded assets and other		22
Tax losses pending amortization		330
		7,165
Deferred Liabilities		
Legal and deferred employee profit sharing	\$	(666)
Investment in securities and derivatives ^{1/}		(14)
Commissions paid in advance		(4)
Advances		-
Property, furniture and equipment		(70)
		(754)
Non-recoverable deferred tax asset estimate		(2,267)
Deferred asset, net	\$	4,144

^{1/}Includes \$(125) of Deferred Income Tax originated from uncollected/paid accrued interests related to Derivative Financial Instruments that, along with commissions paid in advance in the amount of \$(4), derived from temporary differences related with financial margin.

The deferred Income Tax balance of \$(2) originated from the valuation of Financial Instruments to Collect or Sell is presented under the OCI item in the stockholders' equity.

Non-recoverable deferred tax asset estimate

The non-recoverable deferred tax asset estimate as of January 1, 2022 amounts to \$1,152. The net change of the Estimate non-recoverable deferred tax asset as of December 31, 2022 was \$1,115 and is mainly related to estimated credit risk when no recovery is expected.

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Individual accounting-tax conciliation for Institution and its subsidiary, DIESA, as of December 31, 2022, is shown below:

	2022	
	Institution	Subsidiary DIESA
Profit and loss before profit tax	\$ (3,524)	25
<i>Increase (reduction) resulting from:</i>		
Tax effect of inflation, net	(2,088)	(7)
Non-deductible expenses	7	3
Contributions to Fidapex	306	-
Non-deductible benefits to employees	337	-
Credit risk allowance, net of write-offs	5,283	-
Valuation of investment in securities and derivatives	321	-
Advanced charges, net	60	-
Legal and deferred Employee Profit Sharing, net of Employee Profit Sharing paid during the year	(192)	-
Other, net	(524)	
Tax base	\$ (14)	21
Income Tax Rate	30%	30%
Assessed tax	-	6

For the year ending on December 31, 2022, a tax loss in the amount of \$14 was determined, which may be reduced against the tax profit of the ten following years until exhaustion and will be updated in accordance to the provisions of the Income Tax Law.

Tax losses

Below are tax losses pending amortization as of December 31, 2022:

Year	Amount	Amount till Maturity
2019	493	2029
2020	140	2030
2021	462	2031
2022	14	2032

Deferred legal Employee Profit Sharing

The (benefit) expense due to legal and deferred Employee Profit Sharing is integrated as follows:

	2022
In the profit and loss for the period:	
Employee Profit Sharing on the legal basis	\$ -
Deferred Employee Profit Sharing	(188)
	\$ (188)

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Employee Profit Sharing effects of temporary differences originating significant portions of Deferred Employee Profit Sharing assets and liabilities as of December 31, 2022, are detailed below:

	2022
Deferred assets	
Credit risk allowance	\$ 2,196
Commissions charged in advance	75
Estimation of awarded assets and other	7
Other	1
	2,279
Deferred liabilities	
Investment in securities and derivatives ^{1/}	\$ (1)
Commissions paid in advance	(1)
Property, furniture and equipment	-
Advances	-
	(2)
Non-recoverable estimate for Deferred Employee Profit Sharing assets	(716)
Deferred assets, net	\$ 1,561

^{1/}Including \$(41) of Deferred Income Tax from Derivative financial instruments' interests accrued pending collection/paid that, jointly with commissions paid in advance in the amount of \$(1), derived from temporary differences in relation to the financial margin.

The \$(1) deferred Employee Profit Sharing balance from the valuation of Financial Instruments to Collect or Sell is presented under the OCI item in the stockholders' equity.

Estimate for non-recoverable deferred Employee Profit Sharing asset

The estimate for non-recoverable deferred Employee Profit Sharing asset as of January 1, 2022 was \$304. The net change in the valuation reserve as of December 31, 2022, was \$412 and mainly relates to credit risk estimates as to which no recovery is expected.

(21) Subordinated debt issue-

On August 2016, the Institution issued subordinated obligations in international capital markets. These hybrid instruments counted for the supplementary portion of the Institution's capital, allowing increase of its net capital index. Also, due to being a US dollar denominated capital, the issue facilitated a natural hedging for the capital index, against movements of the peso/dollar exchange rate.

On August 11, 2021 the advanced settlement of this US \$ 700 million subordinated bond with a 3.80% rate, and maturing on August 11, 2026 on 100% of the principal amount plus accrued and unpaid interests of US \$ 13 million was achieved. The advanced payment option by issuer ("Call option") was contemplated within the terms of the transaction, with the penalty on 100% of the principal.

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Also, on the same date, there was a new issue of subordinated and sustainable obligations in the international market in the amount of USD 500 million, with a 10-year term also calculating the Institution's supplementary portion in the principal.

The characteristics of the subordinated obligation issued on December 31, 2022, are shown below:

2022							
					Valued in local currency		
Number of securities	Face value	Rate	Currency	Origin currency Millions	Amount	Interest	Total
500,000 Issue expenses	1,000 Dollars	2.72%	Dollars	500	9,754	103	9,857 (32)
					\$		9,825

Amount placed:	USD 500 million
Coupon Rate:	2.72% every 6-months, fixed
Yield:	2.72%
Price:	100.00
Term:	10 years
Advanced payment option ("Call"):	As from the 5 th anniversary (08/11/2026)
Form:	144A and S Regulation
Date of issue:	August 11, 2021
Date of maturity:	August 11, 2031
Principal payment:	Amortization upon maturity or upon "call"
Demand:	2.2 times the amount issued
Effective rate	2.68

The movements for the period were \$(276) for payments, \$274 for accrued interests and \$(493) for the exchange rate slide (a retrospective adjustment due to accounting changes as of January 1, 2022 in the amount of \$(41) was made).

(22) Stockholders' equity-

- a. The stockholders' equity as of December 31, 2022, is integrated as follows:

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2022				
	CCC number*	Par value	Restatement effects	Total
Subscribed:				
A Series	279,079,525	\$ 27,908	627	28,535
B Series	143,768,240	14,377	323	14,700
Subtotal	422,847,765	42,285	950	43,235
Contributions for future capital stock increases formalized by the Institution's Governing Body		2,176	-	2,176
Share premium		71	10	81
Capital reserves		166	688	854
Cumulative results		(9,350)	(1,169)	(10,519)
Valuation of financial instruments to collect or sell		5	-	5
Remeasurements of employee defined benefits		(1,532)	-	(1,532)
Result from holding of non-monetary assets		-	(25)	(25)
Sharing in other entities' OCI		53	-	53
Total	422,847,765	\$ 33,874	454	34,328

*Capital Contribution Certificates

b. The capital stock is represented by certificates known as Capital Contribution Certificates (CCC); these are registered with no coupons and distributed in the following series:

"A" Series always represents 66% of the Institution's capital stock and may only be subscribed by the Federal Government; a single, non-transmissible certificate has been issued which may, under no event, change its nature or the rights granted to the Federal Government as holder thereof.

"B" Series represents 34% of the capital stock and may be represented by a certificate or several certificates of same value. These may be subscribed by the Federal Government, by State and municipal Governments or by Mexican individuals or legal entities of the social and private sectors, preferably those related to foreign trade. No individual or legal entity may hold certificates representing more than 5% of the Institution's paid capital. No foreign individuals or legal entities nor Mexican legal entities whose bylaws with no direct or indirect foreigners' exclusion clause may hold an interest in its capital stock.

On March 27, 2020 a resolution amending article 7, paragraph one of the Institution's Organic Regulations was published in the Official Gazette, reading as follows: the authorized capital stock amounts to \$45,000 represented by 297,000,000 and 153,000,000, "A" and "B" Series, respectively, of CCCs at a face value of 100 pesos each.

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The Institution's Board of Directors adopted at an ordinary meeting held on December 16, 2021, a resolution to propose the SHCP a modification to the subscribed and paid capital stock amount by \$42,285, represented by 279,079,525 and 143,768,240, "A" and "B" Series, respectively, of CCCs at a face value 100 pesos each, in order to formalize a contribution by the Federal Government dated November 30, 2021 in the amount of \$3,060. On July 2022, this contribution was formalized with the issue of 20,196,000 and 10,404,000, "A" and "B" Series, respectively, of CCCs.

As of December 31, 2022, the capital stock is represented as follows: the Federal Government (99.9921%), Banco de Mexico (0.0046%), Nacional Financiera, S. N. C. (0.0018%) and Banco Nacional de Obras y Servicios, S. N. C. (0.0015%).

c. Stockholders' equity distribution or reduction, following subtraction of the restated contributed capital stock and updated tax profits, will be subject to Income Tax at a 30% rate under the charge of Institution. As of December 31, 2022, tax accounts related with stockholders' equity such as the Capital Contribution Account (CUCA for its acronym in Spanish) and the Net Tax Profit Account (CUFIN for its acronym in Spanish), are:

	2022
CUCA	\$ 96,584
CUFIN	\$ 13,065

DIESA subsidiary's CUCA amounts to \$894 and a negative CUFIN of \$378 as of December 31, 2022.

d. On December 1, 2022, the Board of Directors resolved that the Institution's management requested to the Federal Executive, through the SHCP, a capital contribution of up to \$4,578 in order to support the attainment of its mandate as a Development Banking Institution and permanently strengthen the Institution's capital base, maintaining a prudential capitalization index that would allow Institution continued performance with substantial programs. The contribution was received on December 19, 2022 in the amount of \$2,176, representing an issue of 14,361,600 and 7,398,400, A and B Series, respectively, of CCCs.

e. In terms with the LIC, Development Banks must maintain a net minimum capital of 8.0% as to its assets subject to risk. Additionally, they are to maintain a capital supplement equivalent to 2.5% of such assets.

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The (unaudited) capitalization index as of December 31, 2022 is made up as follows:

	2022
Basic	\$ 31,361
Supplementary	<u>9,755</u>
Net capital	<u>41,116</u>
Assets subject to risk of:	
Credit	190,024
Market	22,646
Operation	<u>14,430</u>
	<u>227,100</u>
Capitalization index ^{Basic} (%)	13.81
Capitalization index ^{Net} (%)	<u>18.10</u>

As of December 31, 2022, the Institution satisfies this requirement by having an 18.10% capitalization index, which was calculated based on rules to determine capitalization requirements that were published by SHCP in the Official Gazette of the Federation on December 28, 2005, and respective amendments.

The Basic ICAP had a 34 basis points reduction with regards December 2021, due to a decrease in the basic capital caused by disbursements made during the year, and also, a reduction in assets subject to total risks deriving from pre-payments and settlements of portfolio balances.

The capitalization index is monthly reported to CRAC and quarterly to the Board of Directors, explaining the main variations occurring in the items that integrate it.

(23) Segment information-

Information as of and for the year ending on December 31, 2022, deriving from the operation of each main segment in which the Institution's activity is divided, is detailed below:

a) Assets and liabilities-

Business segment	Assets		Liabilities and Stockholders' Equity		Income		Disbursements	
	Amount	Interest %	Amount	Interest %	Amount	Interest %	Amount	Interest %
Tier 1 Loan	\$ 177,284	39.3	782	0.3	5,888	66.8	(5,106)	43.2
Tier 2 Loan	30,136	6.7	(232)	(0.1)	662	7.5	(894)	7.6
Financial Markets and Treasury	227,969	50.6	401,765	89.1	1,724	19.6	(68)	0.6
Corporate	15,311	3.4	48,385	10.7	538	6.1	(5,738)	48.6
Total	\$ 450,700	100.0	450,700	100.0	8,812	100.0	(11,806)	100.0

b) Profit and loss per segment-

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		Tier 1	Tier 2	Financial Markets and Treasury	Corporate	Total
Income:						
Financial income	\$	5,888	662	1,724	538	8,812
Disbursements:						
Operation expense		(499)	(212)	(214)	(1,224)	(2,149)
Credit Reserves		(5,127)	(696)	-	48	(5,775)
Income Tax, Employee Profit Sharing and Deferred Government Charges*		520	14	146	16	696
		-	-	-	(4,578)	(4,578)
Total	\$	782	(232)	1,656	(5,200)	(2,994)

* As provided under Note 26, the Federal Executive through the SHCP in exercise of authority granted thereto by article 10 of the 2020 Federal Income Law, by means of Official Instruments numbered 368.-120/2022 and 368.-169/2022 dated September 23, 2022 and November 25, 2022, respectively, ordered the payment of government charges to Institution in the amount of \$860 and \$3,718, charged against Profit before taxes accrued by the Institution, paid back to the Federal Treasury on September 29, 2022 and November 30, 2022.

The tier 1 lending operation corresponds to loans directly placed with companies; the tier 2 lending operation corresponds to channeling of funds through banking financial intermediaries and other non-banking financial intermediaries and financial and funding markets corresponds to obtaining of funds required to perform with the Annual Financial Plan authorized by the SHCP, to hedge Institution's liquidity needs and the assignment of transfer costs to operation segments requiring funds in order to complete their transactions.

The total amount of cash flows from operation activities, investment and financing amounts to \$16,710 for Tier 1, \$(2,200) for Tier 2, \$(18,882) at for Markets and Treasury and \$2,662 for Corporate.

c) Loan portfolios and gathering of funds-

The balance of credit placement units as of December 31, 2022 amounted to \$252,034, \$9,418 (3.7%) of which correspond to public sector operations and \$242,616 (96.3%) to private sector operations, \$189,630 of which are tier 1 and guarantees.

Resources destined to the granting of loans are mainly obtained from loans from international financial entities and the issue of paper in local currency, which are incorporated into a resource basket to obtain an interest allowing to offer competitive placement rates in tier 1 and tier 2 lending activities.

As of December 31, 2022 the fund gathering balance for the issue of notes to be settled upon maturity and stock certificates in local currency, represented 71.7% of the domestic indebtedness; as to foreign indebtedness, loans through commercial facilities constituted 43.1% and securities outstanding abroad represented 43.9%.

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(24) Financial Margin and Commissions and Fees Income-

a) Financial Margin

The financial margin for the year ending on December 31, 2022, is analyzed as shown below:

Interests income and expense for 2022 are integrated as follows:

		2022	
	Local currency	Foreign currency (valued as local currency)	Total
Financial income:			
Loan portfolio income (Note 9)	\$ 8,138	6,360	14,498
Interests and yield receivable from investment in financial instruments (Note 6)	16,358	-	16,358
Interests from repurchase transactions (Note 7)	208	1	209
Interests for cash and cash equivalents	23	515	538
Income for collaterals in transactions with derivatives	448	-	448
Other concepts	-	25	25
	25,175	6,901	32,076
Minus financial disbursements:			
Disbursements due to repurchase transactions (Note 7)	13,090	-	13,090
Expenses from hedging transactions	23	-	23
Interests due to term deposits	3,907	731	4,638
Interests due to inter-banking and other entity loans	11	1,184	1,195
Interests, transaction costs and discounts payable due to the issue of financial instruments qualified as liabilities	4,203	1,155	5,358
Other concepts	-	-	-
	21,234	3,070	24,304
Financial Margin	\$ 3,941	3,831	7,772

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b) Commissions and Fees Income

	2022
Credit transactions	\$ 413
Guarantee program	273
Letters of credit	52
Trusts	45
Other commissions and rates charged	12
	\$ 795

(25) Financial intermediation income-

The Financial intermediation income for the year ended on December 31, 2022, is integrated as shown below:

	2022
Profit and loss due to valuation of negotiable financial instruments	\$ (430)
Profit and loss due to valuation of derivative financial instruments for negotiation purposes	30
Expected credit loss estimate from investment in financial instruments and derivatives	-
Profit and loss due to purchase and sale of negotiable financial instruments	(61)
Profit and loss due to early termination of derivative financial instruments	75
Profit and loss due to the purchase and sale of currencies	97
Total	\$ (289)

(26) Other operating expenses, net-

The item Other operating expenses, net, for the year ended on December 31, 2022, is analyzed as shown below:

	2022
Recoveries	\$ 62
Risk administration estimate (Operation and Legal)	84
Interests charged for personnel loans	92
Cancellation of awarded asset provision	34
Estimate due to reduction in value of awarded assets (Note 11)	(40)
Payment of government charges to the Federal Government ^{1/}	(4,578)
Other concepts	4
Total	\$ (4,342)

1/ The Federal Executive through the SHCP in exercise of authority granted thereto by article 10 of the 2022 Federal Income Law, by means of Official Instruments numbered 368.-120/2022 and 368.-169/2022 dated September 23, 2022 and November 25, 2022, respectively, instructed the payment of government charges to the Institution in the amount of \$860 and \$3,718, charged against Profit before taxes generated by the Institution, which were paid back to the Federal Treasury on September 29, 2022 and November 30, 2022.

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(27) Contingent assets and liabilities-

Contingent liabilities include guarantees granted to financial intermediaries; contingencies deriving from commercial, labor, civil and administrative proceedings under the charge of Institution in terms to Note 30 "Comprehensive risk administration" are recorded in accordance with the procedural position they have; and invoices discounted in hedged financial factoring operations.

Assets represent recovery from casualties (paid guarantees), contributions pending realization to the Fund of Funds (risk capital), and bonds and checks received as guarantee by service providers.

The estimate of guarantees is constituted based on methodologies described under Note 3(k) and its balance is included in Note 9 b).

Balances as of December 31, 2022, are shown below:

	2022
Contingent liabilities:	
Liability due to guarantees granted	\$ 13,291
Legal Risk Administration	127
International factoring (Invoices)	1,455
Contingent assets	76
	\$ 14,949

(28) Goods in trust or under mandate-

As of December 31, 2022, the Institution maintains the following types of trusts with the trust division:

	2022
Guarantee trusts	\$ 30,402
Administration trusts	93,896
Ownership transfer trusts	
	124,298
Mandates	11
Total	\$ 124,309

The amount of income due to trust and mandate administration for the year ending on December 31, 2022, amounts to \$45 and \$8 thousand, respectively.

Administration Trusts balances include those corresponding to Pension Funds of the Institution itself, the balance of which are, as of December 31, 2022, as shown below:

	2022
Defined Benefit	\$ 15,903
Defined Contribution	248
Special Savings Loan and Financial Cost of loans	3,379
	\$ 19,530

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(29) Assets in trust or under administration-

As of December 31, 2022, custody and administration operations are integrated as follows:

	Valued currency					
	Dollars	Euros	Francs	Pound sterling	Pesos	Total
Securities under administration in repurchases	-	-	-	-	5,177	\$ 5,177
Securities under direct administration	-	-	-	-	5,173	5,173
Other instruments under administration*	722,929	3,904	456	66	343,338	1,070,692
Other securities under administration	2	-	-	-	-	2
Special savings loan	-	-	-	-	975	975
	722,931	3,904	456	66	354,663	\$1,082,019

* Represents the entry of value documents supporting the Institution's loan portfolio.

As of December 31, 2022, under the item other accounts of record, are: classification of liability in the amount of \$44,129, syndicate loan administration as agent in the amount of \$21,895, loans eliminated in adherence to criterion B-6 Loan Portfolio in the amount of \$16,320, renewed and restructured loans in the amount of \$12,585 and counter guarantees accepted in the amount of \$3,184.

(30) Comprehensive risk administration (unaudited)-

a. General policies

Institution's Comprehensive Risk Administration is audited in terms of Article 76 (annually) and 77 (Bi-annually) of CNBV Provisions by an independent firm as frequently as established in the standard itself. Its results are submitted to consideration of the Audit Committee, the Comprehensive Risk Administration Committee and the Board of Directors and are delivered to the CNBV.

2022 profit and loss establish the reasonable performance with current ordinances and with best market practices.

Policy and practice on Comprehensive Risk Administration (CRA) are mainly regulated by Chapter IV, Title Two of General Character Provisions Applicable to Credit Entities (Provisions), regarding CRA, published on December 2, 2005.

In accordance with the CNBV Provisions, the Institution's CRA function is carried out by an area independent from business areas covering market, credit, liquidity, operation, technological, legal, strategic, business and prestige risks. The Institution has policy and procedures in place, oriented to identifying, analyzing and controlling such risks, same that are incorporated into the CRA Manual.

In order to assumed risks, to be maintained at levels not exceeding Institution's financial capacity, CRAC proposes thresholds authorized by the Board of Directors determined based on a capital management model. Such model is in accordance with the regulatory capital, establishing thresholds at strategic level,

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taking into consideration a distributable capital that is assigned to the different Institution businesses: credit, market, operation and stockholding.

Also, tactical level thresholds are assigned to the different portfolios that make up each business. In case of market risk, capital thresholds are translated into Value at Risk (VaR) for the different treasury portfolios.

CRAC is integrated by the Chief Executive Officer, three independent risk experts, a member of the Board of Directors and the Head of the Comprehensive Risk Administration Unit (UAIR for its acronym in Spanish); business areas also participate at the level of Head of Unit, Area Directors and the person in charge of the Internal Control Body levels with voice, but without vote, in order to avoid potential conflict of interests.

The CRAC holds meetings at least once a month. This Committee follows up the different type of risks, issues recommendations and is in charge of approving methodologies, models, parameters and scenarios used to measure risks, as well as to review policies proposed for control thereof.

b. Policy to control loan portfolio concentration

The provisions issued by CNBV in its Chapter III in relation to "Risk diversification", define limits to credit risk concentration applicable to a person or group of people constituting common risks.

In accordance with article 57 of the Provisions, thresholds applicable to Institution during the fourth quarter of 2022 were determined considering a 14.20% capitalization index and \$33,546.8 basic capital on September 2022.

Article 54 of the Provisions establishes a financing limit for private sector companies, in function of their capitalization level applying a preset factor to the Institution's basic capital. With a capitalization index exceeding 12% but lower than 15%, the factor applicable to the fourth quarter of 2022 was 30% of the Institution's basic capital (\$10,064.1) equivalent to USD \$515.9 million at the exchange rate of \$19.5089 pesos/dollar on December 31, 2022.

As of December 31, 2022, financing granted to Private Sector companies individually or per economic group are below the 30% basic capital regulatory threshold and responsibilities under the charge of three highest debtors of the entrepreneurial sector as a whole, represent 42.6% of its regulatory limit.

Financing to the three largest debtors of the corporate sector by economic group as a whole:

	December 2022
Amount of responsibilities of the three largest debtors	\$ 14,761
Number of times the applicable basic capital	0.42

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Financing granted to Entities and Organisms of the State-owned Public Sector are below the 100% basic capital regulatory threshold as of December 31, 2022.

Lastly, in accordance with article 60 of the Provisions, it is disclosed that there are responsibilities under the charge of 28 debtor economic groups (101 counterparties), with financing, individually exceeding an equivalent 10% of the Institution's basic capital.

Financing to debtors exceeding 10% of the basic capital, taking into consideration the exchange rate in force on December 31, 2022:

	December 2022
Amount of responsibilities	\$ 169,137
Number of times the applicable basic capital	5.4

The amount of responsibilities includes authorized facilities to domestic financial institutions for discount operations with a signed contract. Additionally, includes authorized facilities under the "General Banking Methodology to establish a Global Credit Facility" of the Institution to complete fostering, market and derivative transactions with domestic and foreign financial institutions with a current position as of today.

c. Market risk

Investments in securities. – On the financial statement reference account, the market risk sources from interest rates movements; regarding foreign currency instruments, it also depends on variations in the exchange rate. This risk is measured using the VaR methodology based on the historic method taking 251 pieces of information, one-day risk horizon and a 97.5% trust level, implying that there merely is 2.5% possibility of such investments suffering a deficit in excess of the estimate for such period. These parameters were ratified in CRAC on October 05, 2022.

Policy and practice applied to control security investment market risk include capital thresholds and VaR, as well as generation of market value reports on positions and their value at risk under standard conditions, under sensitivity scenarios and extreme conditions. A report is drafted daily and delivered to the High Management, monthly to CRAC and quarterly to the Board of Directors.

As of December 31, 2022, 100% of the Money Desk securities position in local currency was placed in floating rate instruments 98.1% from the Government debt while 1.7% corresponding to debt from Public and Productive State Entities, and the remaining 0.2% of the Banking nature. VaR of such desk was \$13.5, a figure representing 61.5% of the \$22 authorized threshold. The annual average of the value at risk was placed at \$12.6. The capital consumption in this portfolio was \$615 representing 58% of the authorized threshold.

As of December 31, 2022, the investment portfolio in local currency is made up by securities maintained until maturity in actual rate government instruments and revisable government instruments. As of this date, the position in instruments maintained until maturity represented 2.0% and revisable government instruments represented 98.0%. As of the closing of the December, a \$1.9 VaR was recorded for the total position representing 31.3% of the \$6 authorized threshold. The annual average of the value at risk was at \$1.6. The capital consumption of this portfolio was \$39, representing 39% of the authorized threshold.

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As of December 31, 2022 the portfolio of investments in foreign currency presented a capital consumption of \$0.4, representing 0.6% of the authorized threshold.

Derivatives. – The financial statement reference account is subject to market risk, sourcing from variations in interest rates and exchange rate, as well as subject to counterparty credit risk.

As to authorized derivatives, the VaR of currency and interest rate forward contracts (forwards), option contracts and interest rate and currency swap contracts is measured. The VaR is estimated based on the historic method, considering 251 pieces of information, a one-day risk horizon and a 97.5% level of trust, implying the existence of merely 2.5% of possibility of such investments suffering a deficit in excess of the estimate for such period. These parameters were ratified at CRAC on October 05, 2022.

As to credit risk (counterparty), forwards, options and swaps are operated with highly credit quality domestic and international financial institutions, the credit risk of forwards and options with customers is covered by their credit facilities with Institution, and control mechanisms allowing monitoring of positions to maintain them within authorized levels. As of December 31, 2022, the credit risk of derivative transactions is within authorized thresholds.

Policy and practice to control derivative risk adhere to Banxico Provisions. A capital threshold and VaR per business line is defined and reports of the market value of positions and their VaR under standard conditions, sensitivity scenarios and extreme conditions are drafted. Every day, a report is drafted and made available to the High Management, monthly to CRAC and quarterly to the Board of Directors.

As of December 31, 2022, as to negotiation derivatives, there are closed positions of interest rate and currency options, as well as a swap portfolio. The VaR grew to \$1.0, equivalent to 5.1% of the \$20 authorized threshold, the VaR's annual average of derivatives was placed at \$1.2. The capital consumption of this portfolio was \$0.00 representing 0.0% of the authorized threshold.

As of December 31, 2022, derivatives in hedging position refer to interest rate and currency swaps, which are used as hedge to mainly cover a portion of the loan portfolio, debt securities, paper issued in local currency and dollar fund gathering. The VaR of swaps grew to \$789.9, which is a referential figure, as these transactions are not linked to a VaR limit due to being hedging derivatives.

As of the closing of 2022, a position of \$19.5 million pesos in currency was maintained. Given such position, the VaR remained at \$0.3 with a 2.3% consumption of the \$11 authorized threshold, while the annual VaR average was at \$1.3. The capital consumption of this portfolio was \$2.4 representing 6.7% of the authorized threshold.

Credit risk

In relation to the financial statement reference account, the credit risk is measured by expected losses from the potential impairment of the loan portfolio, estimated as from calculation of rating migration frequencies (transition matrixes) both yearly and quarterly. Such matrixes are made up by possibilities of impairment or improvement of a loan portfolio, which are obtained as from historic information provided by Institution borrower companies.

Therefore, in order to evaluate the credit risk estimates on the possibility of nonperformance, recovery rates, transition matrixes, credit VaR, expected losses and unexpected losses are obtained.

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A report on the operation and credit position of Institution contemplating, among other topics, includes an analysis on the taxonomy of the loan portfolio, relevant information regarding portfolio movements, the global position of credit risk and integration thereof per portfolio, past due portfolio, risk concentrations, portfolio diversifications and main risk indicators, as well as credit VaR estimates and expected and unexpected losses is submitted every month to CRAC and quarterly to the Board of Directors.

As of December 31, 2022 the descriptive statistics of the private sector portfolio credit risk shows the following distribution per number of borrowers, as to their average level of risk.

Distribution of Private Sector Portfolio in December 2022

Number of counterparties	Balance	Estr. (%)	Accrued balance	Estr. (%)	Expected loss (EL)	EL / Balance (%)	Level of risk (average)
1 - 5	\$ 18,585	11	18,585	11	\$ 1,343	7	R6
6 - 10	15,572	9	34,157	20	89	1	R2
11 - 15	12,192	7	46,349	28	122	1	R3
16 - 20	10,000	6	56,349	34	235	2	R4
21 - 25	9,377	6	65,726	39	107	1	R3
26 - 30	7,702	5	73,428	44	77	1	R3
31 - 308	93,250	56	166,678	100	3,065	3	R5
Total	\$ 166,678	100			\$ 5,038	3	R4

As of this date, the annual VaR (without taking into consideration expected guarantee recovery) of the private sector portfolio was \$8,236, a figure representing the extreme value of losses and earnings' distribution due to potential impairment of portfolio with a trust level of 99% and an annual time horizon.

As to the basic capital, as of December 31, 2022, that is \$31,361, the annual VaR represents 26.26%.

The expected loss estimate (Monte Carlo), due to impairment of the private sector portfolio was \$2,397, using portfolio's levels of risk in accordance with the Institution's risk indicator methodology. Pointing out that tier 1 is affected by the counterparty level of risk.

Additionally, the aforementioned report presents the structure of capital thresholds at strategic and tactic level, as well as marginal behavior of the rated portfolio, credit concentration per economic activity sector, per geographic area, per borrower companies and ranges of responsibilities.

As of December 2021, CRAC authorized the change of Capital Management model, without implying an increase in the Institution's risk appetite, the purpose of the change was to facilitating Capital management and the reading of reports. Also, the capital threshold at strategic level for the loan portfolio in the amount of \$21,914 representing 83% of distributable capital (\$26,414) was ratified.

Liquidity risk

The cash flow risk of credit transactions and applicable financing is measured by risk factor: base rate and surcharge. The repricing and maturity gap structure is monthly reported to CRAC including a sensitivity analysis measuring the effect of adverse movements to interest rates on the financial margin; also, a degree of diversification of financing sources, is estimated.

In accordance with the repricing and maturity structure of productive assets and onerous liabilities in the balance sheet in force as of December 2022, in foreign currency in a year, the sensitivity due to a drop in

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the base rate of 50 base points produces a reduction of 4.8 thousand dollars a day, equivalent to 1.0% of the daily financial margin, while in local currency using same variables, the reduction is 10.6 thousand dollars a day, equivalent to 1.8% of the daily margin.

Non-discretionary quantifiable risks

The purpose of non-discretionary risk administration is to identify, measure, oversee, limit, control and report operating, technological and legal risks associated to Institution's critical processes, allowing the distribution of concentration levels in such processes, the efficiency of their operation and the estimate of economic impact deriving therefrom.

In order to identify quantifiable risks and define their average exposure value per type of event and line of business, below are shown the results for the period running from January 2008 through to December 2022 are shown below.

Type of event	No. of Events	Frequency		Severity	
		Total %	Losses	Total %	Unitary
Execution, delivery and management of processes	152	88	\$748	99	\$ 4.9
Labor relations and security in a work position	4	2	5	1	1.3
External events	3	2	1	-	0.3
Incidences to the business and system fails	11	6	1	-	0.1
Clients, products and entrepreneurial practice	1	1	-	-	-
External fraud	1	1	-	-	-
Internal fraud	-	-	-	-	-
Total	172	100.0	\$755	100	\$4.4

In accordance with the matrix per type of event, 88% of frequency and 99% of severity is concentrated in execution, delivery and management of processes.

Business Line	Total %	Frequency		Severity	
		Total %	Losses	Total %	Unitary
Commercial banking	80	47	\$ 726	96	\$ 9.1
Negotiation and sales	48	28	21	3	0.4
Payment and settlement	42	24	8	1	0.2
Retail banking	2	1	-	-	-
Asset administration	-	-	-	-	-
Corporate finance	-	-	-	-	-
Retail/brokerage transactions	-	-	-	-	-
Agency services	-	-	-	-	-
Total	172	100.0	\$ 755	100	\$4.4

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As to the matrix per line of business, 47% of frequency and 96% of severity is concentrated in commercial banking; while 28% of frequency and 3% of severity is concentrated in negotiation and sales.

The average value of exposure of accrued event as of December 31, 2022 is \$4.4.

Operation risk

Bancomext contemplates an organizational model allowing communication between three lines of defense in order to reasonably mitigate risks, by the implementation and operation of internal controls. Operation risk is analyzed under the qualitative, quantitative and regulatory performance approach:

Qualitative analysis. – Occurs through application of self-evaluations and workshops to operation owners of Institutional processes, rendering an operation risk technical report. The Institutional Operation Risk Exposure Profile is Low level of Risk in accordance to the Residual Risk Evaluation Model.

Quantitative analysis. – Losses are obtained from bookkeeping accounts defined for entering events per operation risk. The operation risk reserve authorized in 2022 amounts to \$30, that is, the tolerance level to control operation risk event exposure. As of the closing of December 2022, accrued consumption was \$8.9, the balance being, therefore, \$21.1.

Regulating performance. - The Institution applies the basic indicator method to estimate capital requirements per operation risk, in accordance to Credit Entities capitalization rules; the total requirement of capital per operation risk amounted to \$1,154 as of the closing of December 2022.

Technological risk

Technological risk is measured and controlled through following six critical indicators: 1) critical service availability level; 2) Institution network's access security; 3) Institution network virus detection, blocking and deadlocks; 4.a) detection and blocking of access to restricted websites; 4.b) detection and blocking of AntiSPAM e-mails; 4.c) detection and blocking of SpyWare, and 5) Plan of Recovery in the Event of Disaster (RED) testing.

As a supplement, risks and vulnerabilities of fourteen domains on technology and information security based on ISO 27001, 27002, 27005 and 31000 are evaluated by applying Technological and Information Security Risk Profile Methodology. In addition, Business Continuity Plans (BCP) of processes identified as critical in terms with the Business Continuity Plan Management System (BC-PMS) are applied. As of December 31, 2022, indicators show that in general terms, the goals defined per indicator were attained.

Legal risk

Policies are in place allowing identification, measuring and recording of provisions and/or contingencies due to potential losses, originated from unfavorable resolutions in a court proceeding related to litigations in which Institution is a plaintiff or defendant, in order to mitigate the impact to Institution's patrimony.

By applying the CRAC-authorized method on September 10, 2019, the reserves established for legal risks as of December 2022 were \$79, integrated as follows: \$45 labor; \$16 commercial; \$7 administrative; \$5 costs and expenses; \$3 civil; and the third party account item by \$3.

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Also, in accordance to referred to policy, contingency deriving from commercial, labor, civil and administrative proceedings which in terms with the procedural status kept, the Management expects a result favorable to Institution are recorded in off-balance-sheet accounts.

Non-quantifiable risks

Those deriving from unforeseen casualties or external events that may not be associated to an occurrence possibility and that, in addition to economic losses suffered, they may be transferred to third party risk-taker entities.

The result of having applied the Prestige Risk Management (PRM) for the last year of 2022, is that BANCOMEXT's prestige was Moderate as to the 2021 year; therefore, Institution's position and prestige continues being recognized".

(31) Application of new reference interest rates

Financial market regulators, both in Mexico, as well as internationally are implementing improvements in the regulation to replace or modify for interest rates used in financial markets are determined, replacing weighted average interest rates at which banks agreed to lend to the central bank or amongst them, by risk free interest rates.

Libor rate transition

On December 29, 2021, Banco de Mexico in its circular 13/2021, established the possibility of using reference rates including, among other, the SOFR rate, as well as term rates deriving therefrom.

On February 10, 2022, the Internal Credit Committee authorized the Continuous Improvement to Credit Regulating Manual in order to add SOFR and Term SOFR rates for transactions in dollars at a variable rate. On March 9, 2022 the Comprehensive Risk Administration Committee authorized the update of the risk factor matrix that takes into consideration these new interest rates.

Considering that the Libor rate will cease to be published on June 30, 2023 and that the substitute rate is to be the SOFR (Secured Overnight Financing Rate), the Institution will apply the use of SOFR and Term SOFR rate instead of the Libor rate:

- Daily capitalizable SOFR during the interest payment period, published by FED, with 24-hour application.
- Term SOFR, providing an indicative rate and is forward-looking to the SOFR rate, based in SOFR future prices in the derivative market, with a 48-hour application. 1-, 3-, 6- and 12-month terms are published by CME.

Main characteristics of the SOFR rate, are those described below:

- Based on daily transactions with government paper as collateral of market transactions.
- Created from backward-looking transactions: Overnight without future maturities.
- Risk free rate due to not incorporating credit nor liquidity risk components.
- A spread will be added to match exposure.

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The business units impacted by adoption of new reference rates are the following:

BUSINESS UNIT	TRANSACTIONS
Credit and guarantees	Loans in dollars (tier one and tier two) and guarantee transactions
Derivative financial instruments	Interest rate swaps and cross currency swaps
Fund Gathering and Treasury Transactions	Securities issued, investments and deposits, in addition to funding facilities in dollars

Transition process progress

The Institution is adopting steps required in order to satisfy the process transitioning SOFR and Term SOFR rates substituting the Libor rate in order to complete the migration in June 2023. Transactions with maturity following June 2023 are being restructured to a Term SOFR rate in order to maintain same financial conditions as originally agreed. Changes in reference rates do not represent extinction of transactions and maintain hedging efficiency.

Credit and Guarantees

As of December 31, 2022, 18,939 transactions with a Term SOFR rate for an amount of USD 3,279 million have been formalized, still pending migration 428 transactions maturing after 2023 for an amount of USD 4,001 million.

Derivative financial instruments

During September 2022, transactions with hedging Libor-referenced Derivative Financial Instruments and maturing following June 2023 started migrating to Term SOFR. First that were migrated were Interest Rate Swaps (IRS) covering the loan portfolio granted at a fixed rate, transactions that were being realized per blocks per counterparty. As of the closing of the year, 155 transactions with a notional amount of USD 879 million were completed. As of December 31, 2022, there are 15 pending migration, for a notional amount of US 66 million, as 2 counterparties are not ready to implement the change.

In November 2022, 8 Cross Currency Swaps (CCS) migrated into Term SOFR, specifically hedging the issue of Cebures in the amount of \$ 7,000, where interest rate and currency are interchanged at the inception and upon maturity, having an original term of 7 years, the Institution receives the six-monthly fixed rate in pesos paying a monthly variable rate in dollars, achieving a 0.28% savings in the spread paid. Such reduction resulted in a negative impact due to cancellation of current coupon provision by \$ 140.8, to be recovered during the life of the CCS. As of December 31, 2022, there are still 15 CCSs and 5 IRSs to migrate hedging Treasury liabilities in the amount of USD 1,873 million.

In transactions with customers, as of December 31, 2022 there are 5 IRSs with respective economic hedging pending migration for a notional amount of USD 298 million.

Risk exposure directly affected by the change is USD 2,229 million, and the value of hedged items is USD \$ 4,176 million. There are no modifications in book and hedging and efficiency ratios are maintained. The search for levels similar to originals will continue, in order to avoid impacts in profit and loss.

Fund Gathering and Treasury Transactions

In loans with International Financial Entities as of December 31, 2022 there are 4 SOFR-indexed transactions in the amount of USD 649 million, 1 Term SOFR transaction in the amount of USD 600 million

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(a balance of USD 300 million) and 6 pending signing to migrate from 6-month Libor to 6-month Term SOFR in the amount of USD 717 million.

As of December 31, 2022, negotiations have been in place with 29 commercial facility counterparties (Trade Finance) the migration to Term SOFR generally and 4 transactions with the new rate have been closed in the amount of USD 540 million, the remaining no transactions to migrate.

Impacts in risk administration due to adoption of new reference rates

The Institution has been authorized Risk Administration, Control and Management models by its Comprehensive Risk Administration Committee (CRAC), to be directly applied to SOFR rates, taking into consideration specific characteristics thereof; it should be pointed out that, being only a new reference rate, above identified models suffered no changes, notwithstanding, if needed, required calibration will be applied.

Risks that could arise are of operation nature, due to implementation of this new rate into Institution systems, however, Institution is adopting required steps to comply with SOFR and Term SOFR rates transition process instead of the Libor rate, implementing strategies that have been deemed pertinent, in order to attain the purpose of having estimated for migration for June 2023.

Bancomext risk administration strategy has no suffered changes due to the IBOR Reform, maintaining a Capital structure will a focus to the granting of loans, in line with its mandate and a conservative market profile, practically maintaining all its transactions both active, as well as passive, at a floating rate.

TIIE Rates Transition

Banco de Mexico has established the transition of the TIIE rate for a term exceeding 1 banking business day to the TIIE Funding rate, therefore, the use of TIIE rate at 91- and 182-day terms will be prohibited on January 1, 2024 and the 28-day term on January 1, 2025.

As from such dates, new contracts will be using the Funding TIIE or the rate determined by each entity in adherence with the provisions, the term TIIE methodology will be substituted by a methodology based in market facts, in order to avoid contract adjustment by amendments and thus facilitate transition.

As of December 31, 2022, the Institution is analyzing transactions that will be impacted by such change, establishing Work Groups with involved areas to such effect.

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(32) New accounting pronouncements

The Mexican Board of Financial Reporting Standards (CINIF per its Spanish acronym), an independent body in charge of developing accounting ordinances applicable in Mexico, has issued the following new pronouncements:

a) Amendments to FRS

Standard	Name of standard	Entry into effect
FRS A-1	Conceptual framework of Financial Reporting Standards	January 2023

Banco Nacional de Comercio Exterior, S.N.C. Management has evaluated the effects of these changes and has concluded that these generate no major impact to consolidated financial statements.

b) Improvements to FRS 2023

- Improvements to FRS that result in accounting changes:

FRS B-11 Disposal of long-life assets and discontinued transaction

FRS B-15 Conversion of foreign currency

FRS C-11 Stockholders' equity

- Improvements to NIF that generate no accounting changes

FRS B-10 Effects of inflation

FRS C-2 Investment in financial instruments

FRS C-3 Accounts receivable

FRS C-4 Inventory

FRS D-6 Capitalization of comprehensive financing profit and loss

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The management of Banco Nacional de Comercio Exterior, S.N.C., has evaluated the effect of these improvements and has concluded that these generate no major impact to consolidated financial statements.

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