

**Banco Monex, S.A., Institución
de Banca Múltiple, Monex
Grupo Financiero
(Subsidiary of Monex Grupo
Financiero, S.A. de C.V.)**

Financial Statements for the Years
Ended December 31, 2021, 2020
and 2019, and Independent
Auditors' Report Dated March 30,
2022



**Banco Monex, S.A., Institución de Banca Múltiple,
Monex Grupo Financiero
(Subsidiary of Monex Grupo Financiero, S.A. de C.V.)**

**Independent Auditors' Report and Financial
Statements for 2021, 2020 and 2019**

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Independent Auditor's Report to the Board of Directors and Stockholders of Banco Monex, S.A., Institución de Banca Múltiple, Monex Grupo Financiero

Opinion

We have audited the financial statements of Banco Monex, S.A., Institución de Banca Múltiple, Monex Grupo Financiero and subsidiaries (the "Institution"), which comprise the balance sheets as of December 31, 2021, 2020 and 2019, and the related statements of income, the statements of changes in stockholders' equity and the statements of cash flows for the years then ended, as well as the explanatory notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Institution were prepared, in all material respects, in accordance with the accounting criteria established by the National Banking and Securities Commission of Mexico (the "Commission") in the "General Provisions Applicable to Credit Institutions" (the "Accounting Criteria").

Basis for Opinion

We conducted our audits in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Institution in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and with the Ethics Code issued by the Mexican Institute of Public Accountants (IMCP Code), and we have complied with all other ethical responsibilities in accordance with the IESBA Code and IMCP Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

Translation into English-The accompanying consolidated financial statements have been translated into English for the convenience of readers.

Unaudited information - The notes to the attached financial statements include unaudited financial information required pursuant to the Provisions established by the Commission.

Key Audit Matters

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



a) Management of securities transactions

The process in place for managing the investment in securities is a key audit matter because a significant part of management's processes are performed manually. Management has implemented several of manual and/or semiautomatic controls to ensure the completeness, accuracy, cutoff and presentation of the financial information. The main processes affected are the valuation of investments securities, the interest calculation for the securities transactions and repurchase agreements, and the determination of the gain or loss on the sales of securities. The consolidated financial statements items that are directly related to such processes are: a) investment in securities, b) receivables from repurchase agreements, c) payables from repurchase agreements, d) collateral delivered and received in repurchase agreements and collateral sold or pledged in repurchase agreements, e) valuation of securities transactions, f) interest receivable on securities transactions, g) interest receivable on repurchase agreements, and h) result from sales transactions involving securities and repurchase agreements.

The Institution's accounting policies are established in Note 3 of the consolidated financial statements.

Our audit procedures addressing this key audit matter included the following:

1. To ascertain the flow of transactions from origination until its recording in the accounting records, we inquired with the personnel involved in each of the processes through which the transactions pass and obtained evidence of the flow of the transactions.
2. For each key control implemented by management in each stage of the investment in securities transaction, we carried out an evaluation of its design, implementation and operating effectiveness.
3. We validated that the security position in the accounting records matched with the position reported in the operating system and that it was reconciled with the depository institution Indeval, S.A. (Indeval) as of December 31, 2021.
4. We recalculated the investment in securities valuation validated in the preceding point using the market price reported by the price supplier Valuación Operativa y Referencias del Mercado, S.A. de C.V. (Valmer) as of December 31, 2021.
5. We verified that the collateral delivered and received in repurchase agreements presented in the consolidated balance sheet matched with the information in the operating system as of December 31, 2021. Also, we confirmed that securities delivered as collateral were restricted within investments in securities.
6. We validated that as of December 31, 2021, receivables and payables from repurchase agreements recorded in the accounting records matched the purchases and sales from repurchase agreements in the operating system. On a test basis, we reviewed the settlement on the date of maturity.
7. The detailed procedures performed for each type of revenue are illustrated below:

Interest income -

- i. For interest on securities transactions and repurchase agreements, on a test basis, we noted that the information provided matches the accounting records on an accrual basis.
- ii. Based on a selection of days, we recalculated the interest on securities transactions and repurchase agreements and compared it with the corresponding determined and recorded in the same period by management.



Valuation gains and losses income -

- iii. We recalculated the valuation of the securities position based on the market price reported by the price supplier Valmer as of December 31, 2021.

Realized gains and losses -

- iv. On a test basis, we noted that the result on sales transactions involving securities and repurchase agreements matched the difference between cash proceeds received less the sum of the cost and accrued interest.

We did not identify any exceptions in our tests of controls and substantive tests.

Information other than the financial statements and the Auditor's Report

Management is responsible for this information. Other information comprises the information included in the annual report that the Bank is obliged to prepare in accordance with Article 33 Section I, paragraph b) of Title Four, Chapter One of the General Provisions Applicable to Issuers and other Participants in the Securities Market in Mexico and the Instructions that accompany those Provisions. The Annual Report is expected to be available for our reading after the date of this audit report.

Our opinion of the financial statements will not cover the other information and we will not express any form of assurance about it.

In connection with our audit of the financial statements, our responsibility will be to read the other information, when available, and when we do so, consider whether the other information contained therein is materially inconsistent with the financial statements or our knowledge obtained during the audit, or if that information's appears to contain a material error. If based on the work we have done, we conclude that there is a material error in the other information, we would have to report that fact. When we read the Annual Report we will issue the legend on the reading of the annual report, required in Article 33 Fraction I, subsection b) numeral 1.2. of the aforementioned Provisions.

Responsibilities of Management and Those Charged with Governance of the Institution for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with the Accounting Criteria, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material, if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



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

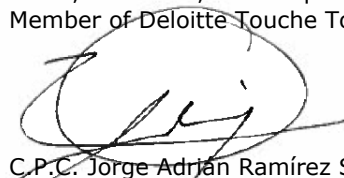
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institution's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institution's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Institution to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Galaz, Yamazaki, Ruiz Urquiza, S.C.
Member of Deloitte Touche Tohmatsu Limited



C.P.C. Jorge Adrián Ramírez Soriano
Mexico City, Mexico.

March 30, 2022



**Banco Monex, S.A., Institución de Banca Múltiple,
Monex Grupo Financiero**
(Subsidiary of Monex Grupo Financiero, S.A. de C.V.)

Balance Sheets

As of December 2021, 2020 and 2019
(In millions of Mexican pesos)

Assets	2021	2020	2019
Funds available	\$ 40,802	\$ 26,551	\$ 35,502
Margin accounts	1,297	1,954	1,587
Investment in securities:			
Trading securities	83,474	64,881	31,646
Securities available for sale	463	901	1,450
Securities held to maturity	<u>2,965</u>	<u>2,516</u>	<u>3,077</u>
	86,902	68,298	36,173
Repurchase agreements	2,598	6,306	6,022
Derivatives:			
Trading purposes	3,478	5,476	3,409
Hedging purposes	<u>20</u>	<u>-</u>	<u>16</u>
	3,498	5,476	3,425
Valuation adjustment for hedging financial asset	-	16	-
Performing loan portfolio:			
Commercial loans -			
Commercial or corporate activity	21,616	21,017	21,596
Loans to financial entities	2,665	2,384	2,677
Loans to government entities	<u>2,175</u>	<u>1,483</u>	<u>4</u>
	26,456	24,884	24,277
Housing loans -			
Remodeling or improvement with guarantee of the housing subaccount	<u>1,369</u>	<u>1,102</u>	<u>95</u>
Total performing loan portfolio	27,825	25,986	24,372
Non-performing loan portfolio:			
Commercial loans -			
Commercial or corporate activity	289	490	528
Housing loans -			
Remodeling or improvement with guarantee of the housing subaccount	<u>4</u>	<u>3</u>	<u>2</u>
Total non-performing portfolio	<u>293</u>	<u>493</u>	<u>530</u>
Total loan portfolio	28,118	26,479	24,902
Allowance for loan losses	<u>(986)</u>	<u>(972)</u>	<u>(433)</u>
Loan portfolio (net)	27,132	25,507	24,469
Other receivables (net)	30,774	20,060	13,426
Foreclosed assets	114	13	-
Furniture and equipment (net)	43	36	50
Investments in shares of associates	72	63	62
Deferred taxes and PTU (asset)	882	1,188	802
Other assets:			
Deferred charges, advance payments and intangibles (net)	1,128	617	559
Short and long-term other assets	<u>4</u>	<u>5</u>	<u>5</u>
	1,132	622	564
Total assets	<u>\$ 195,246</u>	<u>\$ 156,090</u>	<u>\$ 122,082</u>

Liabilities	2021	2020	2019
Deposits:			
Demand deposits	\$ 32,286	\$ 28,889	\$ 18,540
Time deposits-			
General public	11,669	12,273	25,059
Money market	2,179	2,700	3,395
Debt securities	1,265	767	877
Global account for inactive deposits	<u>3</u>	<u>3</u>	<u>3</u>
	47,402	44,632	47,874
Bank loans and other loans:			
Bank demand loans	1,250	-	-
Short-term loans	<u>375</u>	<u>369</u>	<u>1,190</u>
	1,625	369	1,190
Liabilities arising from sale and repurchase agreements	78,511	50,439	20,902
Collateral sold or pledged in guarantee:			
Repurchase agreements	1,816	5,450	128
Securities lending	<u>-</u>	<u>2,999</u>	<u>-</u>
	1,816	8,449	128
Derivatives:			
Trading purposes	3,267	5,672	3,474
Hedging purposes	<u>-</u>	<u>65</u>	<u>14</u>
	3,267	5,737	3,488
Fair value adjustment for financial liability hedge	11	-	7
Other payables:			
Income taxes payable	-	80	253
Employee profit sharing payable	165	523	393
Obligations arising from settlement of transactions	49,654	35,406	38,399
Liabilities arising from cash collateral received	1,307	930	976
Sundry creditors and other payables	<u>1,825</u>	<u>1,324</u>	<u>1,044</u>
	52,951	38,263	41,065
Deferred charges and income received in advance	<u>399</u>	<u>299</u>	<u>273</u>
Total liabilities	185,982	148,188	114,927
Stockholders' equity			
Contributed capital:			
Capital stock	3,241	3,241	3,241
Earned capital:			
Capital reserves	943	843	735
Retained earnings	3,937	3,039	2,268
Result from valuation of securities available for sale	(23)	(75)	(62)
Remeasurement of defined employee benefits	(165)	(144)	(106)
Net income	<u>1,331</u>	<u>998</u>	<u>1,079</u>
	6,023	4,661	3,914
Total stockholders' equity	<u>9,264</u>	<u>7,902</u>	<u>7,155</u>
Total liabilities and stockholders' equity	<u>\$ 195,246</u>	<u>\$ 156,090</u>	<u>\$ 122,082</u>



Memorandum accounts (See Note 27)	2021	2020	2019
Loan commitments	\$ 8,942	\$ 10,330	\$ 11,906
Contingent assets and liabilities	86	88	73
Goods in trust or mandate-			
Held in trusts	204,019	180,556	153,194
Goods in custody of administration	3,438	3,464	4,267
Collateral received by the Institution-			
Government debt	10,339	20,078	5,731
Banking debt	4,832	3,045	8,531
Other debt securities	7,652	7,995	3,427
Collateral received and sold or pledged as guarantee by the Institution-			
Government debt	10,340	18,287	1,550
Banking debt	4,671	3,039	7,585
Other debt securities	7,040	5,944	2,651
Uncollected interest earned on non-performing loan portfolio	130	96	103
Other record accounts	<u>407,075</u>	<u>283,914</u>	<u>353,899</u>
Total on own behalf	<u>\$ 668,564</u>	<u>\$ 536,836</u>	<u>\$ 552,917</u>

The accompanying notes are part of these financial statements.



**Banco Monex, S.A., Institución de Banca Múltiple,
Monex Grupo Financiero
(Subsidiary of Monex Grupo Financiero, S.A. de C.V.)**

Statements of Income

For the years ended December 31, 2021, 2020 and 2019

(In millions of Mexican pesos)

	2021	2020	2019
Interest income	\$ 6,056	\$ 5,622	\$ 5,404
Interest expense	<u>(4,430)</u>	<u>(3,476)</u>	<u>(3,867)</u>
Financial margin	1,626	2,146	1,537
Allowance for loan losses	<u>(235)</u>	<u>(911)</u>	<u>(281)</u>
Financial margin after allowance for loan losses	1,391	1,235	1,256
Commission and fee income	354	325	327
Commission and fee expense	(249)	(180)	(204)
Gains/losses on financial assets and liabilities	4,237	4,129	3,923
Other operating income	493	58	43
Administrative and promotional expenses	<u>(4,549)</u>	<u>(4,208)</u>	<u>(3,858)</u>
Results from operations	1,677	1,359	1,487
Current income taxes	(99)	(641)	(610)
Deferred income taxes (net)	<u>(247)</u>	<u>280</u>	<u>202</u>
Net Income	<u>\$ 1,331</u>	<u>\$ 998</u>	<u>\$ 1,079</u>

The accompanying notes are part of these financial statements.



**Banco Monex, S.A., Institución de Banca Múltiple,
Monex Grupo Financiero**
(Subsidiary of Monex Grupo Financiero, S.A. de C.V.)

Statements of Changes in Stockholders’ Equity

For the years ended December 31, 2021, 2020 and 2019
(In millions of Mexican pesos)

	<u>Capital contributed</u>		<u>Earned capital</u>						
	Capital stock	Capital reserves	Retained earnings	Result from valuation of securities available for sale	Translation effects of foreign subsidiaries	Net income attributable to controlling interest	Result from hedging instruments at fair value	Remeasurement of defined employee benefits	Total stockholders’ equity
Balances as of December 31, 2018	\$ 3,241	\$ 649	\$ 1,620	\$ (114)	\$ -	\$ 854	\$ 114	\$ (53)	\$ 6,311
Entries approved by stockholders -									
Capital reserve	-	86	(86)	-	-	-	-	-	-
Transfer results from prior years	-	-	854	-	-	(854)	-	-	-
Dividends paid	-	-	(120)	-	-	-	-	-	(120)
Total entries approved by stockholders	-	86	648	-	-	(854)	-	-	(120)
Comprehensive income -									
Net income	-	-	-	-	-	1,079	-	-	1,079
Result from valuation of securities available for sale	-	-	-	52	-	-	-	-	52
Result from hedging instruments at fair value	-	-	-	-	-	-	(114)	-	(114)
Remeasurement of defined employee benefits	-	-	-	-	-	-	-	(53)	(53)
Total comprehensive income	-	-	-	52	-	1,079	(114)	(53)	964
Balances as of December 31, 2019	3,241	735	2,268	(62)	-	1,079	-	(106)	7,155
Entries approved by stockholders -									
Capital reserve	-	108	(108)	-	-	-	-	-	-
Transfer results from prior years	-	-	1,079	-	-	(1,079)	-	-	-
Dividends paid	-	-	(200)	-	-	-	-	-	(200)
Total entries approved by stockholders	-	108	771	-	-	(1,079)	-	-	(200)
Comprehensive income -									
Net income	-	-	-	-	-	998	-	-	998
Result from valuation of securities available for sale	-	-	-	(13)	-	-	-	-	(13)
Remeasurement of defined employee benefits	-	-	-	-	-	-	-	(38)	(38)
Total comprehensive income	-	-	-	(13)	-	998	-	(38)	947
Balances as of December 31, 2020	3,241	843	3,039	(75)	-	998	-	(144)	7,902
Entries approved by stockholders -									
Capital reserve	-	100	(100)	-	-	-	-	-	-
Transfer results from prior years	-	-	998	-	-	(998)	-	-	-
Dividends paid	-	-	898	-	-	(998)	-	-	-
Total entries approved by stockholders	-	100	898	-	-	(998)	-	-	-
Comprehensive income -									
Net income	-	-	-	-	-	1,331	-	-	1,331
Result from valuation of securities available for sale	-	-	-	52	-	-	-	-	52
Remeasurement of defined employee benefits	-	-	-	-	-	-	-	(21)	(21)
Total comprehensive income	-	-	-	52	-	1,331	-	(21)	1,362
Balances as of December 31, 2021	<u>\$ 3,241</u>	<u>\$ 943</u>	<u>\$ 3,937</u>	<u>\$ (23)</u>	<u>\$ -</u>	<u>\$ 1,331</u>	<u>\$ -</u>	<u>\$ (165)</u>	<u>\$ 9,264</u>

The accompanying notes are part of these financial statements.



**Banco Monex, S.A., Institución de Banca Múltiple,
Monex Grupo Financiero
(Subsidiary of Monex Grupo Financiero, S.A. de C.V.)**

Statements of Cash Flows

For the years ended December 31, 2021, 2020 and 2019

(In millions of Mexican pesos)

	2021	2020	2019
Net income	\$ 1,331	\$ 998	\$ 1,079
Adjustment for items that do not require cash flows:			
Depreciation	15	17	25
Amortization	23	32	58
Current and deferred income taxes	345	360	408
Adjustment for items that do not require cash flows	1,714	1,407	1,570
Operating activities:			
Change in margin accounts	657	(367)	(794)
Change in investments in securities	(18,587)	(32,123)	(12,024)
Change in debtors repurchase agreements	3,709	29,253	4,403
Change in derivatives, net	(407)	131	54
Change in foreclosed assets (net)	(101)	(13)	-
Change in loan portfolio, net	(1,625)	(1,038)	(271)
Change in other operating assets	(11,062)	(6,726)	1,878
Change in deposits	2,769	(3,241)	3,866
Change in bank and other loans	1,256	(821)	(446)
Change in liabilities arising from sale and repurchase agreements	28,071	-	-
Change in collateral sold or pledged in guarantee	(6,632)	8,320	(23)
Change in other operating liabilities	14,669	(3,454)	12,462
Change in hedging instruments (of hedged items related to operating activities)	(12)	10	(51)
Net cash flows from operating activities	14,419	(8,662)	10,624
Investing activities:			
Proceeds from sale of furniture and equipment	2	3	1
Purchase of furniture and equipment	(24)	(5)	(3)
Payments for acquisition of intangible assets	(137)	(86)	-
Other investing activities	(9)	(1)	-
Net cash flows from investing activities	(168)	(89)	(2)
Financing activities:			
Dividends paid	-	(200)	(120)
Net cash flows from financing activities	-	(200)	(120)
Net (decrease) increase in funds available	14,251	(8,951)	10,502
Funds available at the beginning of the year	26,551	35,502	25,000
Funds available at the end of the year	\$ 40,802	\$ 26,551	\$ 35,502

The accompanying notes are part of these financial statements.



**Banco Monex, S.A., Institución de Banca Múltiple,
Monex Grupo Financiero
(Subsidiary of Monex Grupo Financiero, S.A. de C.V.)**

Notes to Financial Statements

**For the years ended December 31, 2021, 2020 and 2019
(In millions of Mexican pesos)**

1. Activities, regulatory environment and significant events

Banco Monex, S.A., Institución de Banca Múltiple, Monex Grupo Financiero (hereinafter the “Institution”) is a subsidiary of Monex Grupo Financiero, S.A. de C.V. (hereinafter the “Financial Group”) which holds 99.99% of its stockholders’ equity. The Institution is regulated by, among others, the Law of Credit Institutions, the National Banking and Securities Commission (hereinafter the “Commission”) and Banco de México (hereinafter the “Central Bank”). Its purpose is to perform full-service banking operations including, granting loans, performing securities transactions, receiving deposits, accepting loans, performing currency purchase-sale transactions and executing trust contracts.

The Treasury Department (hereinafter “SHCP”) issued minimum capital ratio requirements for credit institutions, which establish a minimum capital ratio for market, credit and operational risks incurred by financial institutions. Also, financial authorities imposed limits on liabilities, demand deposits in foreign currency as well as charges to paid-in capital and capital reserves. This information is presented in Note 24. As of December 31, 2021, 2020 and 2019, the Institution determined a capital ratio of 16.88%, 14.76%, and 15.10%, respectively, which includes the total of market, credit and operational risk, which exceeds the 10.5% required by the authorities by 6.38%, 4.26% and 4.60%, respectively.

Significant events in 2021 and 2020-

a. *Close business exchange rate*

Through the Federal Official Gazette, on December 14, 2021, the Commission issued amendments to the “General Provisions Applicable to Groups, Credit Institutions (the “Provisions”) to specify that, as of that date, to establish the equivalence of Mexican peso with the US dollar, Management must use the close of business exchange rate in effect at the date of the transaction or preparation of the financial statements instead of the Fixed exchange rate, as had been the case until that date. As of December 31, 2021, the close of business exchange rate per US dollar was \$20.5075 pesos. Therefore, at the 2021 close, the Fixed exchange rate was \$20.4672. Management considers that this amendment will not have any significant effect on the Institution’s financial information.

b. *Disclosures and actions generated by the pandemic, COVID-19 effects (unaudited)*

Treasury:

During 2021 and 2020 there was high inflation and reductions in the credit spreads of corporate and bank issuers, generating profit taking on these types securities. At the same time, the surcharges became less attractive. Towards the end of 2021 and derived from the expectations of a rise in the reference rate in the United States by 2022, Mexico has begun a cycle of increases in its reference rate, which will be of vital importance when diversifying its own position to prioritize liquidity, profitability and risk levels of the institutional portfolio.



The Institution maintained a conservative policy regarding risk-taking and the liquidity of the Institution was prioritized. Therefore, surplus investment in dollars with the national banking development and government securities in national currency (which have no credit exposure) continued.

On the other hand, it participated in the temporary liquidity facilities that Banco de Mexico (hereinafter the “Central Bank”) granted as part of the mechanisms to promote the healthy development of the market:

- Facility 4 refers to government reporting.
- Facility 5 allows securities lending (the Central Bank lends government securities in exchange for granting eligible securities as collateral).

Credit Risk:

To mitigate the effects originated by the pandemic derived from COVID-19, support programs were implemented for the Institution, benefiting 235 customers through restructurings and renewals for a total of \$4,826 comprised as follows: 167 customers are Small Entities (SMEs) for \$243 and 68 customers are Corporate Entities for \$4,583. At the end of December 2021 the balance of this portfolio is as follows: 18 customers for a total of \$53 (15 customers are SMEs for an amount of \$16 and 3 customers are corporate with an amount of \$37).

These support programs were carried out under special accounting criteria issued by “the Commission”. If these special accounting criteria not had been considered, at the end of December 2021 there would have been an increase in the allowance for loan losses for credit risks of \$3.

Additionally, generic additional reserves of \$500 were established at the end of December 2020 to cover the risks of the loan portfolio.

Risk Management:

Based on the development and implementation of the model of Potential Future Exposure (PFE) / Credit Valuation Adjustment (CVA) from Murex system, both for customers and financial counterparties, Comprehensive Risk Management Unit (“UAIR”) is performing the impact assessment of the CVA component on the MTM (Derivatives Market Valuation) of the Institution's derivatives positions, both with customers and with financial counterparties.

UAIR action during COVID-19:

The most important actions taken by the UAIR in the COVID-19 period were as follows:

- a) A timely risk report was generated, which, in addition to the daily report, allowed to monitor the main risk indicators in an Action Group meeting (with the General Management), where credit management and management were importantly seen and the evolution of the result of business units and the main market risk, liquidity, credit and regulatory indicators.
- b) In addition, strict compliance with risk exposure limits for different business units was maintained, allowing to avoid unwanted surprises in the results of the business round tables.
- c) At all times it sought to generate timely metrics for those decision-makers for business units.
- d) It participated in the analysis and evaluation of the implementation of the Commission's facilities about various topics, such as credit, liquidity and capitalization.
- e) The UAIR generated the risk dashboard, where the main indicators of profitability and risks for different business units are presented in a summary and in a timely manner.



After 20 months into the pandemic, the Mexican financial system, and specifically the Institution, continues to show resilience and has maintained a solid position, with higher capital and liquidity levels that comfortably meet regulatory minimums.

To deal with the effects of the COVID-19 pandemic on the financial system, the Central Bank and other financial authorities implemented and, where appropriate, extended a series of measures aimed at continuing to promote orderly behavior in financial markets, strengthening credit granting channels and providing liquidity for the healthy development of the financial system. In this regard, during the second half of 2021, most of the implemented measures expired.

Regarding the Institution, the measures have been oriented towards maintaining prudence in taking risks in the market areas and great caution has also been maintained in the granting of loans and preventive measures have been taken related to maintaining additional reserves for the credit loan.

Human Resources:

The Institution has continued its strategy for prevention and control in all its branches in the Mexican Republic, which include:

- a) Keep all collaborators informed with reliable and timely data transparency about the virus and pandemic.
- b) Communication campaigns for collaborators, which include topics on:
 - i. The pandemic in general, its form of contagion and symptoms.
 - ii. Prevention measures, hand washing and healthy distancing.
 - iii. Home office, tips to carry out remote work.
- c) It has been reinforced through talks and communications on hygiene measures, vaccines, prevention measures in the office and other related aspects of care in the face of the pandemic.
- d) Online courses were scheduled for employees and their families on issues of handling the pandemic management and emotional well-being.
- e) Psychological support has been provided to employees and their families: given the uncertainty and anxiety that the pandemic may cause, the communications about the support they can obtain through the Employee Support Program (Orienta PAE) were strengthened.
- f) Follow of:
 - Contingency Working Group: it was created in order to address questions that arise and carry out the necessary activities to ensure business continuity and protect collaborators.
 - Tracking System: has the objective to keep timely control of both: home office staff, staff who are traveling or are in contact with travelers and positive coronavirus cases.
- g) Action protocols were defined, we have 4 protocols that guide us in the following aspects: Organization, Health, Visits and Cleaning.
 - The vaccination schedule for staff and reinforcement has been given on time through an application on our Intranet.
 - Vulnerable personnel have been identified to reinforce preventive actions and measures.
 - Continuous cleaning roles with chlorinated water in the workplaces were implemented; as well as a deep cleaning on weekends.
 - Sanitary filters were implemented in all branches and we have maintained a strict adherence to the protocols indicated by the Federal Government and State Governments.
 - Weekly tests have been applied in Mexico City ("CDMX") in order to detect new cases and break chains of contagion.
 - The application of influenza vaccines was promoted in CDMX, Monterrey and Guadalajara for both staff and their direct family members.
- h) The traffic light system was continued in each branch to determine the percentage of employees who will be able to go to work in person in order to avoid risks.
- i) All necessary actions are being taken to ensure the operation, either remotely or in person.



Systems and Technological Development:

The technological infrastructure was designed to be able to operate in case of a contingency, so when the pandemic arrived and remote work schemes were implemented, the work of the technology area was oriented to increase the services previously enabled. During 2021, the remote work scheme was maintained and actions continued in order to strengthen the technological infrastructure on essential issues such as security, capacity, and monitoring of the operation.

During 2021, a renovation process was concluded in the Institution data center, the technological processes were updated and new solutions for monitoring and virtualization tasks were comprised. In addition, virtual desktops were implemented to replace the VPN. At the end of 2021, there is a total of 1,048 users with access to a virtualized desktop.

The fundamental tool used to work in a team and remotely was Microsoft Teams, so all users have the support of this tool from the different work environments, whether local or remote. At the end of 2021, the Institution has 2,543 active Teams licenses.

In 2021, the service desk offered support to staff both in local and remote work schemes, a total of 54,043 service tickets were handled. This year, the Service Now tool was also implemented in the Institution for this service, allowing the control of calls to be consolidated in a service managed by the Institution and allowing the integration of other sources of requests and incidents for proactive decision-making.

Internally in the Institution, there is a Bot chat called ALX, which was programmed to be able address questions associated with the new employee work environment and release the calls to the service table. In many cases it was necessary to provide computers to the staff to work from home, taking care of the image standards with security and necessary and sufficient access.

The mobile version of the application called MonexNet already existed, which is the main operating tool of the sales force. In this period it became necessary to install it among more personnel who at the moment did not see its use being at home was a mandatory tool for maintaining business productivity.

The approximate value of the investment to support the growth of existing infrastructure and be able to give the service to the demand for use, amounted to \$7, distributed in security products, license programs, increased capacity of communications links and external resources.

Description	
Additional external staff for technical support at Torre Monex	\$ 2
Consumption use of Azure cloud. Billed as "Overage Azure Services"	2
Hire of new links from computing centers to the Azure cloud	
Internet bandwidth increase	
Professional Services	
Resources for attention at Torre Monex, computer delivery and migration virtual desktops.	1
Double RSA factor	1
Forescout security module	1
Total	\$ 7



Comptroller and Anti Money Laundering:

a) Internal Control:

During 2021, considering the problems that represented the confinement required by the contingency generated by SARS-CoV-2 (COVID-19), the Institution, sought to maintain the service and operation required by our customers, as well as, taking care of the health of its staff, implemented remote working measures, such as the following:

- In 2021, the impossibility of recording calls received outside the Institution facilities was corrected, with the implementation of the Micollab technological tool. This tool allows you to receive calls from the Institution on the staff's mobile equipment (laptop, tablet or cell phone).
- An internal publicity campaign was performed on written media with which customers could instruct their operations.
- A robot was established for sending confirmations to customers, who during the contingency have fully instructed transactions with letter instruction.
- All areas of the Institution reinforced the internal controls implemented to give continuity to their operation in remote work.

It is important to note that customer services had no negative impact due to unavailability of service channels in any of the Institution's entities.

b) Security Information:

- Since March 2020, a campaign was launched to assign portable devices for the personnel, configured with internal security measures, for example: VPN, hard drive encryption of the device, preventing disclosure of information in case of theft or loss by personnel.
- Implementation was accelerated and the use of the Microsoft Teams tool was promoted as an Institutional media to carry out videoconferences and allowing communication between personnel and/or service providers, authorities etc.
- In order to support the remote work scheme, in 2021, the Institution Infrastructure team initiated the rollout of Virtual Desktops project, which has been defined as the new work environment for both internal and external collaborators. This rollout is planned in phases and, at the 2021 yearend close, has reached an estimated 60% of the total users included in its scope.

c) Business Continuity:

In the area of Business Continuity, the Institution, in accordance with established Operational Continuity plans, various measures were launched as of February 2020 various measures aimed to reduce the impact of the pandemic on the business processes of the organization and safeguarding the integrity of its collaborators. Among the main measures adopted are the following:

- Closure of floors in headquarters.
- Redistribution of working stations in head office to maintain healthy distancing.
- Adherence to government provisions and preventive measures issued in the Daily Official Journal
- Use of the Alternate Operations Center to take care of the healthy distancing of personnel which operate critical processes and cannot carry them out at home office.
- Internal publicity campaigns of preventive measures were carried out and recommended by the Ministry of Health.



- Sanitary equipment was distributed to all branches for personnel use during their stay in offices.
- A station for mandatory medical review was established at the head office for personnel who needed to go to work physically.
- The QR code was generated for mandatory access registration to enter the facilities.
- Support for personnel with private transportation to/from offices to avoid the use of public transport.
- Establishment of a health filter with temperature and symptom verification before the access to the facilities.
- Mandatory use of mask at all times within the facilities.
- Periodic sanitization of the facilities.
- Social distancing through staggering personnel attendance.
- A gradual return to facilities program was established according to the contingency traffic light and limits of people in each office.
- As a result of the rollout of the Virtual Desktops project, the number of positions at the Alternate Operating Center was reduced, thereby making the use of this resource more efficient.

With the measures taken it was not necessary to declare Operative Contingency for any of the business units, since the impact on the operative, support and business areas were minimal, and the electronic channels of customer service remained operating in an uninterrupted way during the pandemic as of today.

d) Anti Money Laundering

Temporary facilities to receive certain formats such as KYC (Know Your Customer) and visit report, without the signature of customers. Temporary facilities for the validation of homes visited through electronic media such as Google Maps and customer websites.

a) **Portfolio Reserve**

During 2020, the Institution generated a charge in results of \$911 of credit reserves; this amount is 224% higher than the \$281 recorded in this concept in 2019. Of the total credit reserves created in 2020, \$500 correspond to general additional reserves not directly related to the portfolio rating, which were notified to the Commission.

During 2021 the Institution did not constitute additional reserves, nor did it carry out the release of reserves. the Institution generated a charge to results of \$235 of credit reserves reporting \$986 in the preventive estimate for credit risks.

2. Basis of presentation

Explanation for translation into English - The accompanying financial statements have been translated from Spanish into English for use outside of Mexico. These financial statements are presented on the basis of accounting criteria prescribed by the Commission. Certain accounting practices applied by the Institution may not conform to accounting principles generally accepted in the country of use.

Monetary unit of the financial statements - The financial statements and notes as of December 31, 2021, 2020 and 2019 and for the years then ended include balances and transactions denominated in Mexican pesos of different purchasing power. Cumulative inflation rates over the three-year periods ended December 31, 2021, 2020 and 2019 are shown below:

December 31,	UDI (In Mexican pesos)	Annual inflation	Accrued inflation of three previous years
2021	7.1082	7.61%	14.16%
2020	6.6055	3.22%	11.30%
2019	6.3990	2.76%	15.03%



The economic environment qualifies as **non-inflationary** in the three years and consequently, the effects of inflation are not recognized in the accompanying financial statements.

Comprehensive income - Is the modification of stockholders' equity during the year for items other than capital contributions, reductions and distributions; it is composed by the net result of the year and other items representing a gain or loss during the same period which, in accordance with the accounting practices followed by the Institution., are presented directly in stockholders' equity without affecting the statement of income. As of December 31, 2021, 2020 and 2019, other items of comprehensive income are represented by the result of valuation of securities available for sale, remeasurement for defined benefits to employees deferred effect of each of these items.

Going concern - The financial statements have been prepared by Management under the assumption that the Institution will continue as a going concern.

3. Summary of significant accounting policies

The accompanying financial statements comply with the Accounting Criteria (hereinafter the "Accounting Criteria") established by the Commission in the "General Provisions Applicable to Group Credit Institutions" (hereinafter the "Provisions") and in its rulings, which are considered to be a general purpose financial framework. These policies require management to make certain estimates and use certain assumptions that affect the amounts reported in the financial statements and their related disclosures; However, actual results may differ from such estimates. The Institution's management, upon applying professional judgment, considers that estimates made and assumptions used were appropriate under the circumstances.

Under accounting criterion, A-1 issued by the Commission, the Institution is required to apply Mexican Financial Reporting Standards ("MFRS" or "NIFs") promulgated by the Mexican Board of Financial Reporting Standards ("CINIF"), except with regard to topics for which the Commission has issued specific accounting guidance on the basis that the Institution is subject to its regulations and carries out specialized operations.

Changes in accounting policies -

Improvements to 2021 NIF that generate accounting changes:

NIF C-19, *Payable financial instruments* and NIF C-20, *Financial instruments for the collection of principal and interest* – a) An entity must separately present the profits or losses derived from the elimination of liabilities and the effects of renegotiating a financial instrument for the collection of principal and interest as part of the results associated with operating activities; b) It is clarified that interest, commissions and other prepaid expenses do not form part of transition costs, and eliminates this item from the standard.

NIF C-5 *Leases* – a) Specifies the differences between disclosures of the expense related to short-term and low-cost leases and for which a right-of-use asset has not been recognized; b) Given that NIF C-17, *Investment properties*, establishes that a right-of-use asset does not fulfill the definition of an investment property, NIF C-5 eliminates the disclosure in this regard; c) clarifies that the lease liability derived from a sales transaction with a leaseback agreement must include the fixed payments and any estimated variable payments; d) mentions that lease payments must be included in the initial recognition of the net lease investment.

In addition, the Improvements to the NIF 2021 include improvements to the NIF that do not generate accounting changes, whose fundamental intention is to make the regulatory approach more precise and clear.

The Institution did not have significant effects on its financial information due to the recognition of such improvements.



The significant accounting policies of the Institution are as follows:

Funds available -

Consist mainly of bank deposits valued at face value and the income derived therefrom is recognized as earned; foreign currency funds available are valued at fair value using the year end exchange rates.

The financing granted and obtained on the “Call Money” interbank market, the term of which may not exceed three banking days, are recorded under the headings of funds available and Bank loans, respectively. The receivable or payable interest generated by these transactions is recorded in results as it is accrued within the financial Margin.

Immediately realizable liquid notes are recognized as Other funds available if they can be collected within two business days (in Mexico) or five business days (foreign) following the performance of the original transaction. When these notes are not recovered within these deadlines, they are transferred to the non-performing portfolio or other receivables, based on the nature of the original transaction.

Operations pending settlement

- Purchase-sale of currencies

Transactions involving the purchase-sale of currencies are recorded based on the agreed prices. When settlement is agreed within a maximum of two banking days following the transaction date, these transactions are recorded as restricted funds available (purchases) and funds available disbursements (sales) applied to the respective settlement account. The gains or losses derived from transactions involving the purchase-sale of currencies are recognized in the statement of income under the Gains/losses on financial assets and liabilities heading.

Transactions for the purchase and sale of foreign currency in which the immediate settlement or same-day value date is not agreed are recorded in settlement accounts for the amount in national currency to be collected or payable. The debtor and creditor settlement accounts are presented under the heading Other accounts receivable and Creditors for settlement of operations, as appropriate.

Margin accounts - Margin accounts (security deposits) for transactions with derivative financial instruments in recognized markets are recorded at face value.

Security deposits are used to ensure compliance with the obligations related to the derivatives executed in recognized markets and refer to the initial margin, and subsequent contributions and withdrawals made during the term of the respective contracts. Yields and commissions that affect margin accounts, other than fluctuations in the prices of derivatives, should be recognized in the statement of income for the period.

As of December 31, 2021, 2020 and 2019, the Institution held standardized and futures derivatives operations for which deposits of financial assets were recognized (cash margin calls) intended to ensure compliance with the obligations derived from the transactions performed in recognized markets to mitigate default risk.

Investments in securities – Consist of debt instruments and share certificates, the classification of which is determined according to Management’s intention when acquiring them. Each category is subject to specific recording, valuation and presentation standards in the consolidated financial statements, as described below:

Trading securities - Trading securities represent investments in debt instruments and equity securities, in proprietary position and pledged as guarantee, which are acquired with the intention of selling them to realize gains arising from changes in fair value. Upon acquisition, they are initially recorded at fair value (which includes any applicable discount or markup).

Subsequently, they are valued at their fair value, applying the prices calculated by the price vendor contracted by the Institution, in accordance with the Accounting Criteria established by the Commission. The difference between the cost of investments in debt instruments plus the interest accrued and the cost of equity instruments relative to the respective fair values of such instruments is recorded in the consolidated statements of income in the heading of "Gains/losses on financial assets and liabilities" and these effects of the valuation will have the character of not realized for distribution to its shareholders, until they are not made.



Fair value is the amount at which an asset may be sold or a liability may be settled by informed, willing and interested parties in an arm's length transaction.

Transaction costs incurred in connection with the acquisition of trading securities are recognized in results on the acquisition date.

Cash dividends of share certificates are recognized in the results of the year in the same period in which the right to receive such payment arise.

The exchange gains or loss on foreign currency investments in securities is recognized in the results of the year.

Trading securities also include transactions pending settlement, which refer to sale and repurchase transactions of securities not settled. These transactions are valued and recorded as trading securities, recording the receipt and expense (debit or credit balance) of the securities subject to the transaction against the respective debit or credit settlement account, when the transaction is agreed upon.

The accounting criteria issued by the Commission allow for certain reclassifications from trading securities to securities available for sale and securities held to maturity classification, conditional upon the prior express authorization of the Commission.

As of December 31, 2021, 2020 and 2019, no reclassifications were made.

Securities available for sale - Securities available for sale are debt instruments and shares that are not held for purposes of obtaining gains on sales transactions derived from increases in value and, in the case of debt instruments, those that the Institution neither intends or is able to hold to maturity and, therefore, represent a residual category, i.e., they are acquired for purposes other than those of trading securities or securities held to maturity because the Institution intends to trade such securities in the future prior to their maturity.

Upon acquisition, the securities are initially recorded at fair value plus the acquisition transaction cost (including the discount or markup, as applicable), which at the same time is the acquisition cost for the Institution. Subsequently these securities are valued at fair value.

The Institution determines the increase or decrease in the fair value using prices provided by the price vendor, which uses various market factors for their determination. The yield on debt securities is recorded using the imputed interest or effective interest method depending on the nature of the security and is recognized in the statements of income under "Interest income". Unrealized gains or losses from changes in fair value as reported by pricing vendors are recorded in other comprehensive income under the heading "Result from valuation of securities available for sale" net of related deferred taxes, except when such securities are hedged in a fair value hedging relationship, in which case they are recognized in results of the year.

Cash dividends on shares are recognized in results of the year during the same period in which the right to receive the dividend arises.

The Accounting Criteria issued by the Commission allow the transfer securities from available for sale to held to maturity, with the prior express authorization of the Commission. At the time of the reclassification the valuation result relative to the transfer date will continue to be reported in stockholders' equity and should be amortized based on the remaining life of such instrument.

During the years ended December 31, 2021, 2020 and 2019, no reclassifications were made.

Securities held to maturity - Securities held to maturity are those instruments whose payments are fixed or determinable and with a fixed maturity, which the Institution has both the intention and the ability to hold to maturity; these instruments are recorded initially at fair value, plus transaction costs from the acquisition (which includes, as the case may be, the discount or markup). Subsequently they are valued at amortized cost. Accrued interest is recorded in the statement of income using the imputed interest method or the effective interest method under the heading "Interest income".



The Accounting Criteria issued by the Commission allow for the transfer of securities classified as held to maturity to the category of securities available for sale, provided that there is no intention or capacity to hold them to maturity, as well as reclassifications to the category of securities held to maturity or trading securities to securities available for sale in extraordinary circumstances (for example: a lack of liquidity in the market, no active market for them, among others), which should be evaluated and, if applicable, validated with the specific authorization of the Commission.

During the years ended December 31, 2021, 2020 and 2019, no reclassifications were made.

Impairment in the value of a credit instrument - The Institution must evaluate whether there is objective evidence that a credit instrument is impaired.

A credit instrument is deemed to be impaired and an impairment loss is recognized, only if there is objective evidence of the impairment as a result of one or more events that took place after the initial recognition of the credit instrument, which had an impact on its estimated future cash flows that can be determined reliably. It is highly unlikely that one event can be identified that is the sole cause of the impairment, and it is more feasible that the combined effect of different events might have caused the impairment. The expected losses as a result of future events are not recognized, regardless of the probability that such events might occur.

Objective evidence that a credit instrument is impaired includes observable information such as, among others, the following events:

- a) Significant financial difficulties of the issuer of the instrument;
- b) It is probable that the issuer of the instrument will be declared bankrupt or another financial restructuring will take place;
- c) Noncompliance with the contractual clauses, such as default on payment of interest or principal;
- d) Disappearance of an active market for the instrument in question due to financial difficulties, or
- e) A measurable decrease in the estimated future cash flows of a group of securities since the initial recognition of such assets, even though the decrease cannot be matched with the individual securities of the group, including:
 - i. Adverse changes in the payment status of the issuers in the group, or.
 - ii. Local or national economic conditions which are correlated with defaults on the securities of the group.

Management has not identified objective evidence of impairment of a credit instrument held as of December 31, 2021, 2020 and 2019.

Repurchase agreements - Sale and repurchase agreements are those in which the buying party acquires for a sum of money the ownership of securities and undertakes, in the agreed-upon term and upon a payment of the same price plus a premium, to transfer ownership of similar securities to the seller. The premium is for the benefit of the buying party.

For legal purposes, repurchase transactions are considered as a sale in which an agreement to repurchase the transferred financial assets is executed. However, the economic substance of repurchase transactions is that of a secured financing in which the buying party provides cash as financing in exchange for obtaining financial assets that serve as collateral in the event of default.

The repurchase transactions are recorded as indicated below:

On the contracting date of the repurchase transaction, when the Institution acts as the selling party, the entry of the cash or asset or a debit settlement account is recognized, as well as an account payable measured at initial price, which represents the obligation to repay such cash to the buying party. The account payable is valued during the term of the repurchase transaction at its amortized cost, recognizing the interest in results as they are accrued.



When the Institution acts as the buying party, on the contracting date of the repurchase transaction, the withdrawal of funds available or a credit settlement account is recognized, recording an account receivable measured at starting price, which is equal to the agreed price, representing the right to recover the cash delivered. The account receivable is valued during the term of the repurchase agreement at its amortized cost, recognizing the interest in results as they are accrued.

When the transactions performed are classified as cash-oriented, the seller's intention is to obtain cash financing by using financial assets as collateral while the buying party obtains a return on its investment and, as it does not seek ownership over specific securities, receives financial assets held as collateral which serve to mitigate the exposure to credit risk faced by the party in relation to the selling party. The selling party repays to the buying party the interest calculated based on the agreed rate of the repurchase agreement. Also, the buying party obtains yields on its investment, which is secured by the collateral.

When the transactions performed are considered as securities-oriented, the intention of the buying party is to temporarily access certain specific securities held by the selling party, by granting cash as collateral, which serves to mitigate the exposure to risk faced by the selling party in relation to the buying party. In this regard, the selling party pays the buying party the interest agreed at the repurchase agreement rate for the implicit financing obtained on the cash that it received, in which such repurchase rate is generally lower than if would have been agreed in a "cash-oriented" repurchase agreement.

Regardless of the economic intent, the accounting for "cash-oriented" or "securities-oriented" repurchase transactions is identical.

Noncash collateral granted and received in repurchase transactions - In relation to the collateral granted by the selling party to the buying party (other than cash), the buying party recognizes the collateral received in memorandum accounts, following the valuation guidelines for the securities established in treatment B-9 "Custody and Management of Assets" (hereinafter "Accounting Criteria B-9"). The selling party reclassifies the financial asset in its balance sheets to restricted assets, which follows the valuation, presentation and disclosure standards as applicable.

When the buying party sells or pledges the collateral, the proceeds from the sale are recorded, and a liability for the obligation to repay the collateral to the selling party (measured initially at the fair value of the collateral) and is subsequently valued at fair value in a sale, and at amortized cost if is considered as a pledge in another repurchase transaction (in which case, any difference between the price received and the fair value of the liability is recognized in results of the year). For purposes of presentation, the liability is offset by accounts receivable referred to as "Repurchase agreements", which is generated when the purchases are reported. The debit or credit balance is shown under "Repurchase agreements" or "Sold collaterals or pledged as security" as appropriate.

Furthermore, if the buying party becomes a selling party due to another repurchase transaction with the same collateral as the initial transaction, the interest on the second repurchase transaction must be recognized in results of the year as earned, based on the liability valued at amortized cost.

Memorandum accounts recognized for collateral received by the buying party are cancelled when the repurchase transaction matures or when the selling party defaults.

For transactions where the buying party sells or pledges the collateral received (for example, when another repurchase or securities loan transaction is agreed), memorandum accounts are used to control such collateral sold or pledged, which is valued using the standards applicable to custody transactions included in Accounting Criteria B-9.

Memorandum accounts which are recognized for collateral received that in turn was sold or pledged by the buying party are cancelled when the collateral sold is purchased to return it to the selling party, or when the second transaction matures or the other party defaults.



Derivative instrument transactions- The Institution has two types of transactions with derivative financial instruments:

- Hedging purposes - Its objective is to mitigate the risk of an open risk position through transactions with financial derivative instruments.
- Trading purposes - Its objective is different from that of covering open risk positions by assuming risk positions as a participant in the derivatives market.

The Institution initially recognizes all of its derivatives (including those that are part of a hedging relationship) as assets or liabilities (depending on the related rights and/or obligations) in the balance sheet at fair value, which is presumed to be equal to the price agreed in the transaction.

Transaction costs that are directly attributable to the purchase of the derivative are recognized directly in results.

Subsequently, all derivatives are valued at fair value without deducting any transactions costs incurred during the sale or any other type of disposal, recognizing the valuation effect in results of the year under “Gains/losses on financial assets and liabilities”, except when the derivative financial instrument forms part of a cash flow hedge relationship, in which case, the effective portion of the gain or loss of the derivative financial instrument in the hedge is recorded in the comprehensive income account under stockholders’ equity, while the ineffective portion is recorded in the results of the year as part of the “Gains/losses on financial assets and liabilities”.

The rights and obligations of derivatives that are traded in recognized markets or stock exchanges are considered to have matured when the risk position is closed, i.e., when an opposite derivative with the same characteristics is traded in such market or stock exchange.

The rights and obligations of derivatives that are not traded in recognized markets or stock exchanges are considered to have matured when they reach their maturity date, when the rights are exercised by either party or when the parties early exercise the rights in accordance with the related conditions and the agreed consideration is settled.

Derivatives are presented in a specific heading of assets or liabilities, depending on whether their fair value (as a result of the rights and/or obligations established) refers to a debit balance or credit balance, respectively. Such debit or credit balances may be offset as long as they comply with the respective offsetting rules.

The Institution presents the heading “Derivatives” (debit or credit balance) on the balance sheets by segregating derivatives for trading purposes from derivatives for hedging purposes.

Derivatives held for trading

Forward and futures contracts for trading:

Forward and futures contracts for trading are those that establish an obligation to buy or sell an underlying asset on a future date at a pre-established amount, quality and price on a trading contract. Both forward and futures contracts are recorded by the Institution as assets and liabilities in the balance sheets at the exchange rate established in the related underlying asset purchase-sale contract, to recognize the right and the obligation to receive and/or deliver the underlying asset, and the right and the obligation to receive and/or deliver cash equivalent to the underlying asset specified in the contract.

Transaction costs that are directly attributable to the purchase of the derivative are recognized directly in results.



For forward contracts, the exchange difference between the exchange rate agreed in the contract and the monthly forward exchange rate, as well as the valuation effects, are recorded in the statements of income under “Gains/losses on financial assets and liabilities”.

For futures contracts, a margin account is created whose counterparty is a clearing house, so as to minimize counterparty credit risk.

The margin account given in cash, does not form part of the initial net investment of the derivative, which is accounted for separately from the derivative.

For financial statement classification purposes, with respect to derivative instruments that incorporate both rights and obligations, such as futures, forwards and swaps, such rights and obligations are offset by contract and the resulting net debit or credit balances are recognized a derivative asset or liability, respectively.

Option contracts:

Options are contracts that, in exchange for a premium, grant the right, but not the obligation, to buy or sell a specified number of underlying instruments at a fixed price within a specified period. For the rights that grant the options are divided in purchase options (call) and sale options (put).

The holder of a call has the right, but not the obligation, to purchase from the issuer a specified number of underlying assets at a fixed price (exercise price) within a specified period.

The holder of a put has the right, but not the obligation, to sell a specified number of underlying assets at a fixed price (exercise price) within a specified period.

Options may be exercised at the end of the specified period (European options) or at any time during the period (American options); the exercise price is established in the contract and may be exercised at the holder’s discretion. The instrument used to set this price is the reference value or underlying asset. The premium is the price paid by the holder to the issuer in exchange for the rights granted by the option.

The Institution records the premium paid/received for the option on the transaction date as an asset or liability. Any fluctuations in the fair value are recognized in the statements of income under the heading “Gains/losses on financial assets and liabilities”. When an option matures or is exercised, the premium recognized is cancelled against results of the year, also under “Gains/losses on financial assets and liabilities”.

Recognized options that represent rights are presented, without offsetting, as a debit balance under the heading “Derivatives”. Recognized options that represent obligations are presented, without offsetting, as a credit balance under the liability heading “Derivatives”.

Trading option contracts are recorded in memorandum accounts at their exercise price, multiplied by the number of securities, distinguishing between options traded on the stock market from over-the-counter transactions, in order to control risk exposure.

All valuation gains or losses recognized before the option is exercised or before its expiration, are treated as unrealized and are not capitalized or distributed to stockholders until realized in cash.

Swaps:

A swap contract is an agreement between two parties establishing a bilateral obligation for the exchange of a series of cash flows within a specified period and on previously determined dates.



The Institution recognizes in the balance sheets an asset and a liability arising from the rights and obligations of the contractual terms at fair value, valued at the present value of the future cash flows to be received or delivered according to the projection of the implicit future rates to be applied, discounting the market interest rate on the valuation date using curves provided by the price vendor, which are reviewed by the market risk area.

Transaction costs that are directly attributable to the purchase of the derivative are recognized directly in results.

Subsequently, all derivatives other than hedging derivatives are valued at fair value without deducting any transaction costs incurred during the sale or any other type of disposal, recognizing the valuation effect in the results of the year.

If the counterparty credit risk of a financial asset related to the rights established in the derivatives is impaired, the book value must be reduced to the estimated recoverable value and the loss is recognized in the results of the year. If the impairment situation subsequently disappears, the impairment is reversed up to the amount of the previously recognized impaired loss, recognizing this effect in the results of the year in which this occurs.

A swap contract may be settled in kind or in cash, according to the conditions established.

The result of offsetting the asset and liability positions, whether debit or credit, is presented as part of the heading “Derivatives”.

Hedging derivatives

Management enters into transactions with derivatives for hedging purposes using swaps.

Financial assets and liabilities which are designated and fulfill the requirements to be designated as hedged items, as well as financial derivatives which form part of a hedging relationship, are recognized in conformity with the hedge accounting provisions for the recognition of the gain or loss on the hedging instrument and of the hedged item in conformity with that established in Accounting Criterion B-5, *Derivatives and hedging transactions*, issued by the Commission.

A hedge relationship qualifies for designation as such when all of the following conditions are fulfilled:

- Formal designation and sufficient documentation of the hedging relationship.
- The hedge should be highly effective in achieving the offsetting of the changes in fair value or in the cash flows attributable to the risk covered.
- For cash flow hedges, the forecast transaction proposed for hedging should be very likely to occur.
- The hedge should be reliably measurable.
- The hedge should be valued continuously (at least quarterly).

All the derivatives for hedging purposes are recognized as assets or liabilities (depending on the rights and/or obligations they contain) on the balance sheets, initially at fair value, which is the price agreed in the transaction.

The result of offsetting the asset and liability positions, whether debit or credit, is presented separately from the primary position hedged and forms part of the heading “Derivatives” on the balance sheets and the interest accrued is recorded in the statements of income under the heading “Interest income” or “Interest expense”.

Derivatives transactions for hedging purposes are valued at market price and the effect is recognized depending on the type of accounting hedge, as follows:



- a. *Fair value hedges* - Represents a hedge against exposure to changes in the fair value of recognized assets or liabilities or of firm commitments not recognized, or a portion of both, which is attributable to a specific risk and which may affect the results of the year.

The primary position of the risk hedged and the derivative hedge instrument are valued at market price, with the net effect recorded in results of the year in the heading “Gains/losses on financial assets and liabilities”.

In fair value hedges, the adjustment to the book value for the valuation of the hedged item is presented in a separate heading on the balance sheets.

- b. *Cash flow hedges* - Represents a hedge against exposure to variations in the cash flows of a forecast transaction which (i) is attributable to a specific risk associated with a recognized asset or liability, or with a highly probable event, and which (ii) may affect the result of the period. The hedged derivative instrument is valued at market price. The effective portion of the gain or loss on the hedge instrument is recorded in the other comprehensive profit and loss account as part of stockholders’ equity and the ineffective portion is recorded in the results of the year as part of the “Gain/loss on financial assets and liabilities”.

The effective hedge component recognized in stockholders’ equity associated with the hedged item, is adjusted to equal the lower (in absolute terms) of the accumulated gain or loss on the financial hedge derivative since its inception, and the accumulated change in the present value of the future cash flows expected from the hedged item since the inception of the hedge.

Any residual gain or loss on the hedge instrument is recognized in the results of the year.

The Institution suspends hedge accounting when the derivative has matured, when is canceled or exercised, when the derivative is not sufficiently effective to offset the changes in the fair value or cash flows from the hedged item, when it is established that the forecast transaction will not occur, or when it is decided that the hedged designation will be canceled.

When fair value hedge accounting is no longer applied prospectively, any adjustment to the book value for the valuation of the hedged item attributable to the hedged risk, is amortized in the results of the year. The amortization is performed by the straight-line method over the remaining life of the item originally hedged.

When a cash flow hedge accounting is suspended, the accumulated gain or loss related to the effective portion of the hedge derivative that was recognized in stockholders’ equity as part of comprehensive income during the period of time that the hedge was effective, remains in stockholders’ equity until the effects of the forecast transaction affect results. If it is no longer probable that the forecast transaction will occur, the gain or loss that was recognized in the comprehensive income account is recorded immediately in the results. When the coverage of a forecast transaction is demonstrated to be effective on a prospective basis and subsequently is not highly effective, the accumulated gain or loss for the effective portion of the hedge derivative that was recognized in stockholders’ equity as part of comprehensive income during the period that the hedge was effective, is reclassified proportionally to results, when the forecast transaction is affected in the results.

Derivatives packages listed on recognized markets as a single instrument are recognized and valued collectively (i.e., without disaggregating each financial derivative individually). Derivatives packages not listed on a recognized market are recognized and valued on a disaggregated basis for each derivative that comprises such packages.

The result of offsetting the asset and liability positions, whether debit or credit, is presented separately from the primary position hedged, as part of the heading “Derivatives” on the balance sheets.



Embedded derivatives - An embedded derivative is a component of a hybrid (combined) financial instrument that includes a nonderivative contract (known as the host contract) in which certain cash flows vary in a manner similar to that of a standalone derivative. An embedded derivative causes certain cash flows required by the contract (or all cash flows) to be modified according to changes in a specific interest rate, the price of a financial instrument, an exchange rate, a price or rate index, a credit rating or credit index, or other variables allowed by applicable laws and regulations, as long as any nonfinancial variables are not specific to a portion of the contract. A derivative that is attached to a financial instrument but that contractually cannot be transferred independently from that instrument or that has a different counterparty, is not an embedded derivative but a separate financial instrument (i.e. structured transactions).

An embedded derivative is separated from the host contract for purposes of valuation and to receive the accounting treatment of a derivative, only if all the following characteristics are fulfilled:

- a. The economic characteristics and risks of the embedded derivative are not clearly and closely related to the economic characteristics and risks of the host contract;
- b. A separate financial instrument that has the same terms of the embedded derivative would meet the definition of a derivative, and
- c. The hybrid (combined) financial instrument is not valued at fair value with changes recognized in results (for example, a derivative that is not embedded in a financial asset or a financial liability valued at fair value should not be separated).

The effects of the valuation of embedded derivatives are recorded under the same heading in which the host contract is recorded.

A foreign currency embedded derivative in a host contract, which is not a financial instrument, is an integral part of the agreement and therefore clearly and closely related to the host contract provided that it is not leveraged, does not contain an optional component and requires payments denominated in:

- The functional currency of one of the substantial parties to the contract;
- The currency in which the price of the related good or service that is acquired or delivered is regularly denominated for commercial transactions around the world;
- A currency which has one or more characteristics of the functional currency for one of the parties.

There is no established valuation of the embedded derivatives denominated in foreign currency contained in contracts when such contracts require payments in a currency commonly used to purchase or sell nonfinancial items in the economic environment in which the transaction is carried out (for example, a stable and liquid currency commonly used in local transactions, or in foreign trade).

Foreign currency transactions - Foreign currency transactions are recorded at the exchange rate in effect on the transaction date. Assets and liabilities denominated in foreign currency are adjusted at the year-end exchange rates determined and published by the Central Bank.

Gains and losses from foreign currency transactions are translated at the exchange rate in effect on the transaction date, except for transactions carried out by the foreign subsidiaries, which are translated at the fix exchange rate at the end of each period.

Foreign exchange fluctuations are recorded in the statements of income of the year in which they occur.

Commissions collected and related costs and expenses - The commissions collected for the initial granting of the loans are recorded as a deferred credit under the heading "Deferred charges and income received in advance", which is amortized against results of the year in the heading "Interest income" using the straight-line method over the loan term.

The commissions collected for loan restructurings or renewals are added to any commissions recorded at loan origination and are recognized as a deferred credit which is amortized in results using the straight-line method over the new loan term.



The commissions recognized after the initial granting of the loans are those incurred as part of the maintenance of such loans, or those collected on loans which were not placed and are recognized in results at the time they occur.

Incremental costs and expenses associated with the initial granting of the loan are recognized as a deferred charge, which are amortized to net results as “Interest expense” during the same accounting period in which the revenues from commissions collected are recognized.

Any other cost or expense different from those described above, including those related to promotion, advertising, potential customers, management of existing loans (follow-up, control, recoveries, etc.) and other secondary activities related to the establishment and monitoring of credit policies, is recognized directly in the results of the year as it is accrued and classified in accordance with the nature of the cost or expense.

Performing loan portfolio - The Institution applies the following criteria to classify loans within performing portfolio:

- Loans that are current in the payments of both principal and interest.
- Loans with extension of the loan payment, as well as those loans with payment of principal and overdue interest which had not been classified as non-performing portfolio, and
- Restructured or renewed loans, which were previously classified as non-performing loan portfolio, which have evidence of sustained payment.

Non-performing loan portfolio – Integrated by loans:

1. If the borrowers are declared bankrupt, except for those loans:
 - i. For which the Institution continues to receive payment under the terms of section VIII of Article 43 of the Bankruptcy Law, or
 - ii. That are granted under Article 75 in relation to Sections II and III of Article 224 of the previous mentioned Law.
2. Loans for which payments of principal, interest or both, have not been received in accordance with the originally agreed terms, considering for this purpose the policies for the transfer to non-performing loan portfolio.

Transfer to non-performing loan portfolio

The unpaid balance in accordance with the payment conditions established in the loan agreement will be recorded as non-performing loans when:

1. It is known that the borrower is declared insolvent, in accordance with the Bankruptcy Law.

Notwithstanding the provisions within this section, loans for which the Institution continue receiving payments under terms of section VIII of article 43 of the Bankruptcy Law, as well as the loans granted under article 75 in relation to sections II and III of article 224 of the previous mentioned Law, will be transferred to non-performing loan portfolio when they fall under the conditions set forth in the following numeral 2, or:
2. Repayments that were not fully settled under the terms originally agreed, with the following characteristics:
 - a) Loans with a single payment of principal and interest at maturity present 30 calendar days after the date of maturity.
 - b) Loans with a single payment of principal at maturity and with periodic interest payments present 90 calendar days after interest is due or 30 calendar days after principal is due.



- c) Loans, including housing loans, whose principal and interest payments have been agreed in periodic installments present 90 calendar days after they become due.
 - d) Revolving loans for which the borrower has failed to render payment on two monthly billing periods, or, if the billing period is different from monthly, are 60 or more calendar days after overdue
 - e) Immediate collection documents referenced in accounting criteria B-1 "Funds available" will be reported in the non-performing portfolio at the date of the overdraft.
3. Repayments that were not fully settled under the terms originally agreed and present 90 or more days in arrears:
- a) Payments for loans acquired from INFONAVIT or FOVISSSTE, based on the respective payment modality (REA or ROA), as well as
 - b) Loans made to individuals intended for remodeling or improvement of the home for nonprofit-making purposes which are backed by the savings from the housing subaccount of the borrower.

The transfer to non-performing portfolio of the loans referred to in numeral 3 will be subject to the exceptional deadline of 180 or more days in arrears from the date that:

- a) The loan resources are used for the purpose for which they were granted;
- b) The borrower begins a new employment relationship for which they have a new employer, or
- c) The Institution has received partial payment of the respective installment. The exception contained in this subsection will be applicable when it refers to loans under the ROA scheme, and each of the payments made during such period represent at least 5% of the installment agreed.

The exceptions will not be mutually exclusive.

In respect of the maturities referred to in paragraphs 2 and 3 of the preceding subparagraphs, monthly periods may be used, irrespective of the number of days each calendar month has, in accordance with the following equivalences:

30 days	One month
60 days	Two months
90 days	Three months

Furthermore, in the event that the time limit set expires on a non-business day, this period will be understood to be the next working day.

For loan portfolio acquisitions, in order to determine the days in arrears and the respective transfer to non-performing loan portfolio, any defaults committed by the borrower since the origination of the loan must be considered.

Classification of loan portfolio and allowance for loan losses - The Institution has classified its loan portfolio as follows:

- a. Commercial: Direct or contingent loans, including bridge loans denominated in Mexican pesos, foreign currency, investment units ("UDIS") or multiples of the minimum wage ("VSM"), together with any accrued interest, which are granted to corporations or individuals with business activities and are used in connection with commercial or corporate activity; includes loans granted to financial entities other than interbank loans with maturities of less than 3 business days, loans arising from financial factoring, discounts and the assignment of credit rights and leasing transactions executed with such corporations or individuals; loans granted to trustees who act under the protection of trusts, and the credit schemes commonly known as "structured". This classification also includes loans granted to states, municipalities and their decentralized agencies when are subject to qualification in accordance with the applicable provisions.



- b. Housing loans: Direct loans denominated in Mexican pesos, foreign currency, UDIS or in VSM, and the interest they generate, granted to individuals and intended for acquisition or construction, remodeling or improvement of homes for nonprofit making purposes; they also include cash loans guaranteed by the home of the borrower and loans granted for such purposes to former employees of the Institution.

The Institution recognizes reserves created to credit risks in accordance to the following:

Commercial loan portfolio:

The allowance for loan losses of each loan is determined by applying the following formula:

$$R_i = PI_i \times SP_i \times EI_i$$

Where:

- R_i = Amount of reserves to be created for the nth loan.
 PI_i = Probability of default of the nth loan.
 SP_i = Severity of loss of the nth loan.
 EI_i = Exposure to default of the nth loan.

Default Exposure (EI) is the balance of revocable credit lines plus the unused portion of irrevocable credit lines. The Probability of Default (PI) is the probability of customer default, which considers quantitative and qualitative information, the Institution classifies the commercial loan portfolio in groups to calculate the PI. Loss Severity (SP) is the percentage of the EI that would be lost in the event of loan default and depending on the loan enhancements and portfolio type.

The parameter EI, should be calculated each month, the PI_i; and the SP_i at least each quarter.

I. *Probability of default:*

The probability of default of each loan (PI_i), is calculated using the following formula:

$$PI_i = \frac{1}{1 + e^{\frac{-(500 - TotalCreditScore_i) \times \ln(2)}{40}}}$$

For purposes of the above:

The total credit score of each borrower will be obtained by applying the following:

$$TotalCreditScore_i = \alpha \times (QuantitativeCreditScore_i) + (1 - \alpha) \times (QualitativeCreditScore_i)$$

Where:

Quantitative Credit Score i = is the score obtained for the nth borrower when evaluating the risk factors.

Qualitative Credit Score i = is the score obtained for the nth borrower when evaluating the risk factors.

α = is the relative weight of the quantitative credit score.



The Loss Severity (SP_i) for commercial loan portfolio and which lack actual or personal guarantees and those derived from the loan itself will be:

- 45% to loans which lack actual or personal guarantees and those derived from the loan.
- 75% to syndicated loans. In those contractually subordinated to those of other creditors for payment prioritization purposes.
- 100% for loans with payments that are 18 or more months in arrears based on the originally agreed terms.

The Institution may recognize real guarantees, personal guarantees, and credit derivatives in the estimation of the Severity of the Loss on the loans, for the purpose of decreasing the loan reserves originated by the loan portfolio rating. In any case, it may elect to not recognize the guarantees if they result in larger loan reserves. For such purpose, the Accounting Criteria established by the Commission are applied.

II. *Default exposure*

The default exposure of each loan (EI_i) is determined by considering the following factors:

- Uncommitted credit lines that can be unconditionally canceled or automatically cancelled in the practice at any time without giving prior notice.

$$EI_i = Si$$

- For the other credit lines:

$$EI_i = S_i * \text{Max} \left\{ \left(\frac{S_i}{\text{AuthorizedLineofCredit}} \right)^{-0.5794}, 100\% \right\}$$

Where:

S_i : The unpaid balance of the nth loan at the classification date, which represents the amount of loan granted to the borrower, adjusted for accrued interest, less payments of principal and interest, as well as debt reductions, forgiveness, rebates and discounts granted.

In any case, the amount subject to the classification must not include uncollected accrued interest recognized in memorandum accounts on the balance sheet, for loans classified in non-performing portfolio.

Authorized Line of Credit: The maximum authorized amount of the line of loan at the classification date.

The allowance for loan losses of commercial loan portfolio of a Multiple Purpose Financial Entity, in which the institutions held less than 99% of their capital stock, is calculated by multiplying the exposure to default by 0.5% in accordance with the Accounting Criteria.

Loans granted under the terms of the Bankruptcy Law

In the case of loans granted under the terms of section II of article 224 of the Bankruptcy Law, the Severity of the Loss is subject to the following treatment:

$$SP_i = \text{Max} \left(\text{Min} \left(1 - \frac{\text{CreditEnhancements} + \text{AdjustedNetWorth}}{Si}, 45\% \right), 5\% \right)$$



Where:

Credit Enhancements = The credit enhancements provided pursuant to article 75 of the Bankruptcy Law by applying, as the case may be, the required adjustment factors or discount percentages based on each type of admissible enhancement.

Adjusted Net Worth = Net Worth, as defined by the Bankruptcy Law, after deducting the amount of obligations referred to by section I of article 224 of the mentioned Law and applying a 40% discount to the resulting amount.

S_i = the outstanding balance of loans granted under the terms of section II of article 224 of the Bankruptcy Law at the rating date.

In the case of loans granted under the terms of section III of article 224 of the Bankruptcy Law, the Severity of the Loss is subject to the following treatment:

$$SP_i = \text{Max}\left(\text{Min}\left(1 - \frac{\text{Adjusted Net Worth}}{S_i}, 45\%\right), 5\%\right)$$

Where:

Adjusted Net Worth = Net Worth, as defined by the Bankruptcy Law, by deducting the amount of obligations referred to by sections I and II of article 224 of the mentioned Law and applying a 40% discount rate to the resulting amount.

S_i = the outstanding balance of loans granted under the terms of section III of article 224 of the Bankruptcy Law at the rating date.

Housing loan portfolio:

When classifying the housing loan portfolio, the Institution considers the type of loan, the estimated probability of default of the borrowers, the severity of the loss associated with the value and nature of the loan's collateral and the exposure to default.

Furthermore, the Institution rates, calculates and records the allowances for loan losses on the housing loan portfolio as follows:

Due and Payable Amount- Amount which the borrower is obligated to pay in the agreed billing period without considering any previous due and payable amounts that were not paid. If the billing is semi-monthly or weekly, the due and payable amounts of the two semi-monthly payments or four weekly payments in the month, respectively, must be added up so that the due and payable amount reflects a monthly billing period.

The discounts and rebates may reduce the due and payable amount only when the borrower complies with the conditions required in the credit contract for such purpose.

Payment made- Includes total payments made by the borrower in the billing period. Write-offs, reductions, amounts forgiven, rebates and discounts made to the loan or group of loans are not considered as payments. If the billing is semi-monthly or weekly, the two semi-monthly payments or four weekly payments of a month, respectively, must be added up so that the payment made reflects one full monthly billing period. The variable "payment made" must be greater than or equal to zero.

Credit Balance S_i - The unpaid balance at the classification date, which represents the amount of the loan granted to the borrower, adjusted for accrued interest, less any insurance payments which were financed, collections of principal and interest, as well as reductions, amounts forgiven, rebates and discounts granted, as the case may be.



Days in arrears- Number of arrears observed at the calculation date of reserves.

Times: Number of times that the borrower pays the original amount of the loan. This number will be the coefficient resulting from dividing the sum of all the scheduled payments at the time of origination, by the original amount of the loan.

If the loan payments consider a variable component, the Institution's best estimate will be used to determine the value of the sum of all the scheduled payments that the borrower has to make. The value of such sum cannot be less than or equal to the original amount of the loan.

The total amount of the allowance for loan losses to be established by the Institution will be equal to the allowance for loan losses on each loan, as follows:

$$R_i = PI_i \times SP_i \times EI_i$$

Where:

R_i = Amount of reserves to be created for the nth loan.

PI_i = Probability of default on the nth loan.

SP_i = Severity of the loss on the nth loan.

EI_i = Exposure to default on the nth loan.

Evidence of sustained payment:

If loans are recorded in non-performing loan portfolio, the Institution holds them in this classification until there is evidence of sustained payment, as follows:

1. Payment compliance by the borrower without arrears for the total due and payable amount of principal and interest, of at least three consecutive repayments under the loan payment scheme, or in the case of loans with repayments which cover periods longer than 60 calendar days, the settlement of one payment.

In the case of loans which the Institution has acquired from the INFONAVIT, where the terms that the aforementioned agencies contracted with borrowers must be respected, sustained payment of the loan is deemed to exist when the borrower has covered without any arrears, the total due and payable amount of principal and interest, of at least one repayment of the loans under the Ordinary Repayment Regime (ROA) and three repayments for loans under the Special Repayment Regime (REA).

2. For loan restructurings with periodic payments of principal and interest whose repayments are lower than or equal to 60 days in which the periodicity of payment is modified to shorter periods, the number of repayments equivalent to three consecutive repayments under the original loan payment scheme must be considered. For loans which remain under a single payment scheme for principal at maturity, which are established in numeral 4 below will be applied.
3. In the case of loans, where two or more loans originated the transfer to non-performing loan portfolio, to determine the required repayments, the original loan payment scheme whose repayments are equal to the longest period in question must be applied.

In any case, there must be evidence that the borrower has the capacity to pay at the time the restructuring or renewal is performed in order to fulfill the new credit conditions. The factors which must be considered include all of the following: the probability of intrinsic default by the creditor, the collateral established for the restructured or renewed loan, the payment priority in relation to other creditors and the liquidity of the borrower in light of the new financial structure of the loan.



4. In the case of loans with a single payment of principal at maturity, regardless of whether the payment of interest is periodic or at maturity, sustained payment of the loan is deemed to exist when either of the following assumptions is fulfilled:
 - a. The borrower has covered at least 20% of the original amount of the loan at the time of the restructuring or renewal, or,
 - b. The amount of accrued interest was covered in accordance with the restructuring or renewal payment scheme for a period of 90 days.

The advance payment of the repayments of restructured or renewed loans, other than those with a single payment of principal at maturity, regardless of whether the interest is paid periodically or at maturity, is not considered evidence of sustained payment. Such is the case with repayments of restructured or renewed loans which are paid without the calendar days equivalent to the required periods having elapsed pursuant to numeral 1 above.

Distressed portfolio:

The Institution considers distressed portfolio commercial loans for which it is determined that, based on current information and events as well as the results of the loan review process, there is significant possibility that the outstanding principal and interest balances of the loan may not be recovered in full in accordance with the terms and conditions originally agreed. Both the performing and non-performing portfolio are likely to be identified as distressed portfolio.

Restructuring processes and renewals - A restructuring process is a transaction derived from any of the following situations:

- a) The extension of the guarantees covering the loan in question, or
- b) The modification of the original loan conditions or payment scheme, including the following:
 - The modification of the interest rate established for the remaining loan period;
 - The change of currency or unit of account, or
 - The concession of a grace period regarding the payment obligations established according to the original loan terms, or
 - Extension of the loan payment period.

A renewal occurs when the loan balance is settled partially or totally, through an increase in the original amount of the loan, or with the product derived from another loan contracted with the same entity, to which the same borrower is party, a joint obligor of such borrower or another person who due to his property links assumes common risks.

Notwithstanding the above, a loan will not be considered as renewed for the dispositions made during the effective term of a pre-established credit line, as long as the borrower has settled the total amount of the payments which are due and payable under the original conditions of the loan.

The specific standards related to the recognition of restructurings and renewals are as follows:

1. Non-performing loans which are restructured or renewed will remain in the non-performing loan portfolio until there is evidence of sustained payment.
2. Loans with a single payment of principal at maturity, regardless of whether the interest is paid periodically or at maturity, which are restructured during their term or renewed at any time, will be considered as non-performing portfolio until there is evidence of sustained payment.



3. Loans granted under a line of credit, whether revolving or not, which are restructured or renewed at any time, may be kept in the performing portfolio provided that there were elements to justify the payment capacity of the borrower. Additionally, the borrower must have:
 - a. Settled the total due and payable interest, and
 - b. Total payments required under the terms of the contract at the date of restructuring or renewal, are covered.
4. In the case of dispositions made under a line of credit, when they are restructured or renewed independently from the credit line supporting them, they must be evaluated in accordance with the provisions based on the characteristics and conditions applicable to the restructured or renewed dispositions. When as a result of such analysis it is concluded that one or more of the dispositions made under a credit line should be transferred to non-performing loan portfolio due to the effect of their restructuring or renewal, and whether individually or collectively, represent at least 25% of the total balance exercised of the line of credit at the date of restructuring or renewal, such balance, as well as subsequent dispositions, must be transferred to non-performing loan portfolio as long as there is no evidence of sustained payment of the dispositions which originated the transfer to non-performing loan portfolio. Also, the total dispositions made under the line of credit have complied with the due and payable obligations at the date of the transfer to performing loan portfolio.
5. Performing loans with characteristics different from those included in numerals 2 to 4 before, those which are restructured or renewed, without at least 80% of the original loan term, will still be considered still valid, only when:
 - a. The borrower has settled the total amount of the accrued interest at the date of the renewal or restructuring, and
 - b. The borrower has settled the principal of the original amount of the loan, which should have been settled at the date of the renewal or restructuring.

In case of non-compliance with all the conditions described in the preceding numeral, loans will be considered as non-performing loan portfolio since the time they are restructured or renewed until there is evidence of sustained payment.

6. Performing loans with characteristics different from those established in numerals 2 to 4 which are restructured or renewed during the course of the final 20% of the original loan term, will be considered as performing only when the borrower has:
 - a. Settled the total interest accrued as of the date of the renewal or restructuring;
 - b. Settled the principal of the original amount of the loan, which should have been settled as of the date of the renewal or restructuring, and
 - c. Settled the 60% of the original amount of the loan.

In case of non-compliance with all the conditions described in the preceding numeral, they will be considered as non-performing loan portfolio from the moment they are restructured until there is evidence of sustained payment.

The requirements referred to the numerals 5 and 6 of subsection a) above, will be considered as fulfilled when, after the interest accrued as of the last cutoff date has been settled, the term elapsed between such date and the restructuring or renewal does not exceed the lower of half the payment period in question or 90 days.

Performing loans with partial periodic payments of principal and interest restructured or renewed on more than one time, may remain in performing loan portfolio if, in addition to the conditions established in numerals 5 or 6 above, as the case may be, the Institution has elements to substantiate the payment capacity of the borrower. Elements must be clearly documented and included in the loan file in the case of commercial loans.



If in a restructuring or renewal, different loans granted to the same entity to the same borrower are, each of the loans must be analyzed as if they were restructured or renewed separately and, if as a result of such analysis it is concluded that one or more of such loans would have been transferred to non-performing loan portfolio as a result of such restructuring or renewal, the total balance of the loan must be transferred to non-performing loan portfolio.

The previously mentioned rule shall not apply to those restructurings which at the transaction date submit payment default for the total amount of the principal and interest and only modify one or more of the following original loan conditions:

- Guarantees: only when they involve the extension or substitution of guarantees by others of better quality.
- Interest rate: when the interest rate to the borrower is improved.
- Currency or unit of account: whenever the exchange rate corresponding to the new currency or unit of account is applied.
- Payment date: Only in the case that the change does not imply to exceed or modify the frequency of the payments. In any case shall the change of the payment date musn't allow the omission of payment in any period.

Main policies and procedures established for the granting, acquisition, assignment, control and recovery of loans, together with those related to credit risk evaluation and follow-up

Credit policies are based on clear strategies related to the portfolio, subscription, management and supervision, including the structural typology of loans and specific acceptance and risk rating criteria. These policies have the principal feature of being permanent and mandatory and are supported by careful credit management processes ranging from their disbursement, control and follow-up until recovery.

The following main policies have been established to ensure the adequate behavior of the current loan portfolio:

- **Financial Health:** A loan must be recovered at the maturity date.
- **Profitability:** Loans must be sufficiently profitable.
- **Serve the Public Interest:** Loans that could expose the Bank to public criticism must be avoided.
- **Diversification:** The Portfolio must be diversified by borrower or group of borrowers representing a common risk and the economic sector.
- **Structure:** Loans must fulfill certain criteria as regards their duration, currency, prices and guarantees detailed in policies and procedures manuals.
- **Prohibited Actions:** none of the following actions must be performed:
 - Continuing to grant loans to a debtor with no payment capacity is prohibited.
 - Granting loans for amounts exceeding maximum financing limits, whether internal or regulatory, is prohibited.
- **Eligible Borrowers:** Are all the individuals or entities listed in policies applicable to the commercial strategy and which have the characteristics contained in policies and procedures manuals.
- **Industries / Persons or Companies that are not aligned with the Financing Objective:** granting credit to individuals or entities whose line of business or commercial activity does not form part of the financing objective of the Institution, as indicated in the different policies and procedures manuals, should be avoided.
- **Financing limits:** compliance with the following internal/external limits, which are detailed in the different policies and procedures manuals, must be verified.
- **Follow-up, recovery and collection:** Specific policies and procedures have been established to allow these processes to contribute to minimizing the portfolio risk and maximizing its recovery.



Main policies and procedures related to the granting of restructurings and renewals, including restructurings or renewals that consolidate different credits granted by the same entity to the same borrower, as well as the elements considered as evidence of sustained payment

The purpose of establishing the restructuring process is to enhance the credit structure and position of the Institution., based on a premise that it does not always reflect a solvency problem:

- Contribute to the borrower's financial and operating health.
- Favor medium or long-term credit recovery.
- Preserve sources of payment.
- Give and/or strengthen guarantees as regards to those originally agreed (Obtain, perfect, substitute or increase guarantees).
- Promote favorable conditions for preventing credit impairment or resolving a distressed loan.

In the case of a restructuring process, whether for preventive reasons or due to default, the Institution evaluates, reviews and considers the following:

1. The determination of the borrower and partners with regard to the difficulty
2. Review the documentation of the borrower and loan to be restructured
3. Credit quality (credit bureau and legal bureau)
4. The market, technical, financial and administrative conditions of the borrower.
5. Assessment of the problem (temporary or permanent)
6. Is a capital injection possible?
7. Actual cash generation.
8. Labor, technological, legal and tax problems.
9. History with other creditors.

In the case of a restructuring, the loan must receive special supervision, while continuing its administrative management until sustained payment is evidenced, because the loan is located in the non-performing portfolio, or based on the exit, renewal or restructuring scheme.

Other receivables and payable accounts, net - Mainly represent receivable or payable amounts derived from the purchase-sale of currency in which immediate settlement was not agreed (value date exchange transactions). These transactions are recorded on the day they are agreed and settled within a period of 24, 48, 72 or 96 hours.

The Institution has a policy of reserving in the results those receivable accounts identified and not identified within 90 days and 60 days after the initial recognition, respectively.

The income is recorded on an accrual basis and the accumulation of accrued income is maintained at the moment in which the debit present 90 or more calendar days of payment default.

Foreclosed assets, net - Foreclosed assets are recorded at the lower of their cost or fair value after deducting the strictly indispensable cost and expenses incurred for their foreclosure. In the case of foreclosures, the cost is the amount determined for foreclosure purposes while, in the case of payments in kind, it is the price agreed between the parties.

The Institution prepares estimates for the book value of these assets based on the percentages established by the Commission by asset type (movable goods or real property) according to the time elapsed as of the date on which the foreclosure or payment in kind occurs.

The Institution creates additional quarterly provisions for assets foreclosed legally, out-of-court or received as payment in kind, whether movable goods or real property, together with collection rights and securities investments, according to the following procedure:



- In the case of collection rights and movable goods, the amount of the reserves to be created will be the result of applying the respective reserve percentage, as detailed in the following table, to the value of the collection rights or movable goods obtained according to the Accounting Criteria.

Reserves for collection rights and movable goods	
Time elapsed since the foreclosure or payment in kind (months)	Reserve percentage
Up to 6	0%
More than 6 and up to 12	10%
More than 12 and up to 18	20%
More than 18 and up to 24	45%
More than 24 and up to 30	60%
More than 30	100%

- Securities investments must be valued according to the provisions of Criterion B-2, Securities Investments, of the Accounting Criteria, with annual audited financial statements and monthly reports.
- Once foreclosures or payments in kind have been valued, the reserves resulting from applying the percentages detailed in the table contained in section I of Article 132 of the Provisions must be created based on the estimated value referred to in the preceding paragraph.
- In the case of real property, the amount of the reserve to be created will be the result obtained by applying the reserve percentage detailed in the table contained in this section to the foreclosure value of the real property obtained according to the Accounting Criteria.

Real property reserves	
Time elapsed since the foreclosure or payment in kind (months)	Reserve 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%

If subsequent valuations of the foreclosure or payment in kind result in the recording of a decreased amount in accounting for the value of the collection rights, securities, movable goods or real property, the allowance for loan losses percentages referred to by Article 132 of the Provisions may be applied to this adjusted value.

Furniture and equipment, net - Furniture and equipment are recorded at acquisition cost. The related depreciation and amortization are recorded by applying a percentage determined based on their estimated economic useful life.

Maintenance costs and repairs are recorded in results as they are incurred.

Investments in share of associates - Permanent investments made by the Institution in entities where it has neither control, nor joint control, nor significant influence, are initially recorded at acquisition cost. Any dividends received are recognized in current earnings, except when they are taken from earnings of periods prior to the acquisition, in which case, they are deducted from the permanent investment.



Other assets - Software and intangible assets are initially recorded at the nominal value expended.

The amortization of the software and intangible assets of defined life is calculated in a straight line by applying to the updated asset the corresponding rates determined based on the estimated economic useful life of the same.

Likewise, under the heading of "Other assets", investments in securities that form the fund to cover the obligations derived from the pension plan and seniority premium of employees and whose contract is in a trust administered by the Bank are recorded.

Investments in securities acquired to cover pension plan and seniority premium are recorded at fair value.

Impairment of long-lived assets in use - The Institution reviews the book value of long-lived assets in use for impairment when there are indicators that the net book value of the assets may not be recoverable. The impairment is recorded to the extent that the book value of the asset exceeds the recoverable amount, which is defined as the higher of the present value of net future cash flows or the estimated sales price. The impairment indicators considered for this purpose are, among others, operating losses or negative cash flows generated during the period which, if combined with a history or projection of losses, depreciation and amortization charged to results as revenue percentages, are significantly higher than those of prior years, the services rendered, competition and other economic and legal factors. As of December 31, 2021, 2020 and 2019, the management of the Institution has not identified impairment of long-lived assets.

Deposits - This heading is comprised of demand deposits, including checking account, funds, saving accounts and current account deposits.

The deposits include, among others, certificates of deposit removable preset days and promissory notes payable at maturity, such deposits shall be presented into the balance sheets as of the general public and raised through money market transactions, the latter referring to deposits made with other financial intermediaries, as well as treasuries of corporations and government entities.

The debt securities issued will be presented as a separate category, as part of these, bank bonds.

Interest is recognized in results when accrued.

The global account for inactive deposits includes the principal and interest on deposit instruments which do not have a date of maturity, or which, if they do, are renewed automatically, as well as transfers or investments which are overdue or unclaimed, as referred to in article 61 of the Credit Institutions Law.

Bank loans and other loans - Direct short loans received from Mexican banks are recorded under this heading, as well as loans obtained from development banks. Interest is recognized in results when accrued.

Obligations arising from settlement of transactions - Represent amounts payable for currency purchase-sale transactions in which no immediate settlement is agreed, (foreign exchange trading value date). They are recorded on the day they are negotiated and settled within 24, 48, 72 or 96 hours.

Sundry creditors and other payables - Provisions are recognized when there is a present obligation derived from a past event, that probably represents a cashflow of economic resources and can be reasonably estimated.

Employee benefits - Employee benefits are those granted to personnel and/or their beneficiaries in exchange for the services rendered by the employee, which include all kinds of remuneration earned, as follows:

- i. ***Direct employee benefits*** - Direct employee benefits are calculated based on the services rendered by employees, considering their most recent salaries. The liability is recognized as it accrues. These benefits include mainly commissions, bonus and other incentives.



- ii. *Post-employment benefits* - Liabilities for seniority premiums, pensions and severance for voluntary or involuntary termination benefits are recorded as accrued and are calculated by independent actuaries based on the projected unit credit method using nominal interest rates.
- iii. *Employee benefit from termination* - The benefits for termination of the employment relationship which do not generate assumed obligations are recorded at the time that: a) the Institution no longer has any real alternative other than to fulfill the payments of such benefits or cannot withdraw an offer or b) the Institution fulfills the conditions established for a restructuring.
- iv. *Statutory employee profit sharing (PTU)* - PTU is recorded in the results of the year in which it is incurred.

The PTU is determined by applying 10% rate to Tax Income determined in accordance with article 9 of the Income Tax Law and must be subsequently matched with the maximum limit equal to three months of the worker's salary or the average PTU received during the last three years, whichever is more favorable. If this 10% exceeds the most favorable amount, the PTU to which the worker is entitled will be equal to three months of their salary or the average PTU amount of the last three years, as the case may be.

Deferred PTU is derived from temporary differences that result from comparing the accounting and tax bases of assets and liabilities and is recognized only when it can be reasonably assumed that a liability may be settled or a benefit is generated, and there is no indication that circumstances will change in such a way that the liabilities will not be paid or benefits will not be realized.

Income taxes - Income tax ("ISR") is recorded in the results of the year in which incurred. Deferred taxes are calculated by applying the corresponding tax rate to temporary differences resulting from comparing the accounting and tax bases of assets and liabilities and including, if any, future benefits from tax loss carryforwards and certain tax credits. Deferred tax assets are recorded only when there is a high probability of recovery.

Transactions in foreign currencies - Transactions in foreign currencies are recorded at the exchange rate in effect at the date of completion. Monetary assets and liabilities in foreign currencies are valued in Mexican pesos at the Close of business exchange rate and Fix exchange rate published by the Central Bank at the financial statements date. Exchange differences are recorded in results.

The income and expenses derived from transactions denominated in foreign currency are converted by using the exchange rate in effect at the date of each transaction.

Exchange rate fluctuations are recorded in the results of the period in which they occur.

Financial margin - The financial margin of the Institution is composed of the difference between total interest incomes less interest expense.

Interest income is composed of the yields generated by the loan portfolio, based on the terms established in the contracts executed with the borrowers, the agreed interest rates, the repayment of interest collected in advance, and the premiums or interest on deposits in financial entities, bank loans, margin accounts, investments in securities, repurchase agreements and securities loans, as well as debt placement premiums, commissions charged on initial loan grants, and net equity instrument dividends.

Penalty interest related to the overdue portfolio is recorded in results when collected, with accrued interest controlled through memoranda accounts. Interest generated by financial instruments is applied to results as it is accrued.



Interest expense is composed of premiums, discounts and interest on deposits with the Institution, bank loans and repurchase agreements. The amortization of costs and expenses incurred during the origination of the loan is also included under interest expense.

Commissions and fees - The commissions and fees generated by transactions performed with customers' securities are recorded when the transaction is agreed.

Gains/losses on financial assets and liabilities –

- Valuation result

Is derived from the valuation result based on the fair value of securities, the instruments receivable or deliverable in repurchase transactions, operations involving held-for-trading instruments, as well as the result of the purchase-sale of securities, derivative financial instruments and currencies.

- Result of the purchase-sale of securities

Gains or losses resulting from transactions in the purchase and sale of securities and currencies ("Profit on sale" and/or "Loss on sale") are recorded in the income statement when the transactions are carried out.

Profit per share - The basic profit per share of each period has been calculated by dividing the controlling interest net income from continuing operations by the weighted average of the outstanding shares of each year, while giving a retroactive effect to the shares issued due to the capitalization of premiums or retained earnings.

Information by segment – The Institution has identified the operating segments of its different activities by considering each segment as a component within its internal structure with specific risk/return opportunities. These components are regularly revised so as to allocate adequate monetary resources for their operation and evaluate their performance.

Expenses - Expenses are recognized as they accrue.

Statements of cash flows - In accordance with Criteria D-4 issued by the Commission, the statement of cash flows shows the sources of cash and cash equivalents, as well as the disbursements to settle obligations.

The statements of cash flows together with the rest of the financial statements provides information that allows:

- Evaluate changes in the assets and liabilities of the Institution and in its financial structure.
- Evaluate the amounts and dates of collection and payments to adapt to the circumstances and the opportunities to generate and/or apply cash and cash equivalents.

Memorandum accounts -

– *Contingent assets and liabilities*

This heading represents economic sanctions imposed by the Commission or any another administrative or judicial authority for as long as Institution. Does not comply with the payment obligation of such sanctions or has not initiated an appeal.

– *Credit commitments:*

This item represents the amounts of letters of credit granted by the Institution, which are considered irrevocable commercial credits. It includes the unusual lines granted to clients.



Items under this account are subject to qualification.

– *Assets in trust or mandate (Unaudited):*

Different management trusts are kept to independently account for assets in trust received. In the Mandate is recorder the declared value of the assets established by the mandate contracts celebrated by the Institution.

– *Goods in custody or under administration (unaudited):*

This account is used to record the movement of third-party goods and securities received in custody or for administration by the Institution.

– *Collateral received:*

The balance is composed of all collateral received in repurchase transactions in which the Institution is the buying party.

– *Collateral received and sold or pledged as guarantee:*

The collateral received when the Institution was the buying party, and which was in turn sold by the Institution when it was the selling company, is included.

– *Uncollected interest earned on non-performing loan portfolio (Unaudited):*

Represents the uncollected accrued interest of non-performing loan portfolio, as well as the uncollected accrued financial revenues.

– *Other record accounts (Unaudited):*

This account includes loan amounts by determined level of risk and not qualified, as well as securities and derivative operations.

4. Funds available

As of December 31, 2021, 2020 and 2019, funds available were as follows:

Funds available	2021			2020	2019
	Mexican pesos	Foreign currency	Total	Total	Total
Cash	\$ 7	\$ 27	\$ 34	\$ 31	\$ 42
Deposits in banks	8,640	3,398	12,038	8,467	8,198
Immediate collection documents	-	7	7	7	2
Remittance	-	1	1	-	2
Auction funds available	5,000	-	5,000	700	300
Foreign currency sale from 24 to 96 hours (1)	-	(25,737)	(25,737)	(18,390)	(11,729)
	13,647	(22,304)	(8,657)	(9,185)	(3,185)
Restricted funds available:					
Foreign currency purchase from 24 to 96 hours (1)	-	49,420	49,420	35,348	38,248
Regulatory monetary deposits (2)	39	-	39	388	439
	39	49,420	49,459	35,736	38,687
Total net	\$ 13,686	\$ 27,116	\$ 40,802	\$ 26,551	\$ 35,502



- (1) This item refers to currency purchase-sale transactions to be settled in 24 to 96 hours and which are considered as restricted until their settlement date. As of December 31, 2021, 2020 and 2019, balances denominated in foreign currency and the equivalent amounts in Mexican pesos are comprised as follows:

	2021				
	Dollars	Euros	Sterling pounds	Others	Total
Total funds available-					
Purchase of foreign exchange receivable in 24 to 96 hours (Mexican pesos)	\$ 49,320	\$ 89	\$ 1	\$ 10	\$ 49,420
Sale of foreign exchange to be delivered in 24 to 96 hours (Mexican pesos)	<u>(25,307)</u>	<u>(376)</u>	<u>(7)</u>	<u>(47)</u>	<u>(25,737)</u>
Total in funds available (Mexican pesos)	<u>\$ 24,013</u>	<u>\$ (287)</u>	<u>\$ (6)</u>	<u>\$ (37)</u>	<u>\$ 23,683</u>

The exchange rate as of December 31, 2021 was \$20.5075, \$23.3222 and \$27.7805 Mexican pesos per U.S. dollar, Euro and Sterling pounds, respectively.

	2020				
	Dollars	Euros	Sterling pounds	Others	Total
Total funds available-					
Purchase of foreign exchange receivable in 24 to 96 hours (Mexican pesos)	\$ 34,790	\$ 541	\$ 1	\$ 16	\$ 35,348
Sale of foreign exchange to be delivered in 24 to 96 hours (Mexican pesos)	<u>(17,965)</u>	<u>(371)</u>	<u>(15)</u>	<u>(39)</u>	<u>(18,390)</u>
Total in funds available (Mexican pesos)	<u>\$ 16,825</u>	<u>\$ 170</u>	<u>\$ (14)</u>	<u>\$ (23)</u>	<u>\$ 16,958</u>

The exchange rate as of December 31, 2020 was \$19.9087, \$24.3563 and \$27.2032 Mexican pesos per U.S. dollar, Euro and Sterling pounds, respectively.

	2019				
	Dollars	Euros	Sterling pounds	Others	Total
Total funds available-					
Purchase of foreign exchange receivable in 24 to 96 hours (Mexican pesos)	\$ 37,484	\$ 733	\$ 7	\$ 24	\$ 38,248
Sale of foreign exchange to be delivered in 24 to 96 hours (Mexican pesos)	<u>(10,893)</u>	<u>(765)</u>	<u>(23)</u>	<u>(48)</u>	<u>(11,729)</u>
Total in funds available (Mexican pesos)	<u>\$ 26,591</u>	<u>\$ (32)</u>	<u>\$ (16)</u>	<u>\$ (24)</u>	<u>\$ 26,519</u>

The exchange rate as of December 31, 2019 was \$18.8642, \$21.1751 and \$24.9837 Mexican pesos per the U.S. dollar, Euro and Sterling pounds, respectively.

- (2) In accordance with the monetary policy established by the Central Bank and in order to regulate its money market liquidity, the Institution must maintain minimum deposits for indefinite periods, which accrue interest at the average bank rate. As of December 31, 2021, and 2020, these deposits amounted to \$39 and in 2019 these deposits amounted to \$229. Interest income from these deposits is payable every 28 days by applying the rate established by the Central Bank's regulations.



5. Margin accounts

As of December 31, 2021, 2020 and 2019, margin accounts for collaterals received as security are as follows:

	2021	2020	2019
Scotiabank Inverlat, S.A.	\$ 662	\$ 1,141	\$ 245
Banco Santander México, S.A.	414	632	1,193
BBVA Bancomer, S.A.	24	15	-
Goldman Sachs & Co. Llc	3	7	-
Morgan Stanley & Co. Llc	3	1	-
ISDA Societe Generale	111	87	68
RJO Brien	71	71	81
Citigroup Global Markets Inc	9	-	-
	<u>\$ 1,297</u>	<u>\$ 1,954</u>	<u>\$ 1,587</u>

Security deposits cover rate futures operations, IPC futures, DEUA, national currency and futures on options.

6. Investment in securities

Trading securities - As of December 31, 2021, 2020 and 2019, trading securities are as follows:

Selling party	2021				2020	2019
	Acquisition cost	Interest accrued	Increase (decrease) due to valuation	Total	Total	Total
Debt instruments:						
Government Securities-						
Federal Government Development Bonds (BONDS)	\$ 11,689	\$ 16	\$ 18	\$ 11,723	\$ 21,083	\$ 7,203
Treasury Bills (CETES)	31,493	-	181	31,674	39	368
Bonds M, M0 and M7	2,027	26	(50)	2,003	3,275	162
Federal Government Development Bonds in UDIS (UDIBONDS)	9	-	1	10	80	119
Saving Protection Bonds (BPAT's)	18,732	137	119	18,988	8,120	469
United Mexican States Bonds (UMS)	157	2	(3)	156	29	36
Private Securities-						
Marketable Private Certificates	12,465	57	(210)	12,312	17,584	10,572
Private Bank Issued Securities -						
Promissory Note with yield payable at maturity (PRLV)	-	-	-	-	-	-
Marketable Bank Certificates	8,221	54	(68)	8,207	8,492	8,194
Certificates of Deposit (CEDES)	2,104	10	(10)	2,104	6,179	4,802
Value date transactions-						
Government Securities -						
Bonds M, M0 and M7	<u>(3,729)</u>	<u>-</u>	<u>2</u>	<u>(3,727)</u>	<u>-</u>	<u>(279)</u>
Bank private securities-						
Marketable Certificates	<u>24</u>	<u>-</u>	<u>-</u>	<u>24</u>	<u>-</u>	<u>-</u>
	<u>\$ 83,192</u>	<u>\$ 302</u>	<u>\$ (20)</u>	<u>\$ 83,474</u>	<u>\$ 64,881</u>	<u>\$ 31,646</u>



Restricted trading securities

As of December 31, 2021, 2020 and 2019, from trading securities is reported at market value as follows:

	2021	2020	2019
Debt instruments:			
Government Securities-			
Treasury Bills (CETES)	\$ 31,674	\$ 39	\$ 368
Federal Government Development Bonds (BONDS)	11,671	15,591	4,443
Bonds M, M0 and M7	2,002	3,046	154
Federal Government Development Bonds in UDIS (UDIBONDS)	8	15	-
Savings Protection Bonds (BPAT's)	18,981	6,727	249
United Mexican States Bonds (UMS)	157	29	36
Subtotal	<u>64,493</u>	<u>25,447</u>	<u>5,250</u>
Private Securities-			
Marketable Private Certificates	<u>5,424</u>	<u>9,772</u>	<u>3,786</u>
Subtotal	5,424	9,772	3,786
Private Bank Issued Securities-			
Marketable Bank Certificates	4,355	8,384	5,966
Certificates of Deposit (CEDES)	<u>1,797</u>	<u>3,909</u>	<u>2,868</u>
Subtotal	<u>6,152</u>	<u>12,293</u>	<u>8,834</u>
Total	<u>\$ 76,069</u>	<u>\$ 47,512</u>	<u>\$ 17,870</u>

This position is considered as restricted within trading securities.

As of December 31, 2021, and 2020, of the position in trading securities, the following securities at fair value, in 2019 there was no position:

	2021	2020
Debt instruments:		
Government Securities-		
Saving Protection Bonds (BPAT's)	\$ -	\$ 796
Federal Government Development Bonds (BONDS)	<u>51</u>	<u>5,490</u>
Total	<u>\$ 51</u>	<u>\$ 6,286</u>

As of December 31, 2021, and 2020, from the position in trading securities, the following securities at fair value are guaranteed with the Central Bank:

	2021	2020
Debt instruments:		
Government Securities-		
Federal Government Development Bonds (BONDS)	\$ 1	\$ 1
Marketable Certificates (Other)	-	21
Marketable Bank Certificates	<u>-</u>	<u>24</u>
Total	<u>\$ 1</u>	<u>\$ 46</u>



As of December 31, 2021, positions greater than 5% of the Institution's net capital in debt securities with a sole issuer (other than government securities) are as follows:

2021			
Issuer	Weighted average term	Weighted average rate	Current value
NAFI	48	0.22%	\$ 7,122
PEMEX	986	9.01%	464
FEFA	1,413	7.63%	1,082
TFOVICB	8,529	3.33%	905
BACOMER	662	3.82%	923
SCOTIAB	312	0.77%	3,870
SHF	887	5.42%	456
BINBUR	926	7.31%	1,303
BSMX	1,462	6.43%	1,118
TFOVIS	8,146	2.75%	929
BANOB	1,589	5.47%	1,450
BSMXH06	1,203	2.43%	1,344
Total			<u>\$ 20,966</u>

Securities available for sale- As of December 31, 2021, 2020 and 2019, the securities available for sale are as follows:

	2021				2020	2019
	Acquisition cost	Interest accrued	Increase (decrease) due to valuation	Total	Total	Total
Debt instruments:						
Government Securities-						
UMS22F2 2022F D1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 293
Private Securities-						
Marketable Private Certificates:						
PEMEX 13-295	443	28	(8)	463	443	441
PEMEX3 210121 D2	-	-	-	-	101	99
PEMEX10-295	-	-	-	-	-	267
PEMEX11-395	-	-	-	-	357	350
	<u>\$ 443</u>	<u>\$ 28</u>	<u>\$ (8)</u>	<u>\$ 463</u>	<u>\$ 901</u>	<u>\$ 1,450</u>

As of December 31, 2021, 2020 and 2019, there were not indicators of impairment in relation to securities available for sale.

Restricted securities available for sale

As of December 31, 2021, 2020 and 2019, the restricted securities available for sale are as follows:

	2021	2020	2019
Debt Instruments			
Private Securities -			
Marketable Private Certificates:			
PEMEX 13-295	\$ 463	\$ 442	\$ 441
PEMEX10-295	-	-	267
PEMEX11-395	-	357	350
Total	<u>\$ 463</u>	<u>\$ 799</u>	<u>\$ 1,058</u>

This position is considered as restricted within the securities available for sale.



Securities held to maturity-

As of December 31, 2021, 2020 and 2019, the securities held to maturity are as follows:

	2021	2020	2019
Government Securities-			
D1MEXG29260121	\$ 696	\$ -	\$ -
Private Securities:			
95CDVITOT15-2U	14	17	21
95CDVITOT15U	34	43	53
95TFOVICB15-2U	817	843	892
95TFOVICB15U	73	78	85
95TFOVIS14U	488	546	619
95FOVISC18U	316	330	356
95CEDEVIS07-2U	-	34	51
95CEDEVIS07-3U	-	18	29
95CEDEVIS12U	2	3	3
95CEDEVIS13-U	70	82	98
95PEMEX10-2U	-	-	269
95TFOVICB13-3U	15	18	23
95TFOVIS14-2U	80	89	100
95TFOVIS14-3U	360	415	478
	<u>2,269</u>	<u>2,516</u>	<u>3,077</u>
Total	<u>\$ 2,965</u>	<u>\$ 2,516</u>	<u>\$ 3,077</u>

This position is considered as restricted within the securities held to maturity.

7. Repurchase agreements

As of December 31, 2021, 2020 and 2019, repurchase agreements are as follows:

When the Institution acts as purchaser:

	2021		
	Repurchase agreements	Collateral received or sold	Net asset position
Government Securities-			
Treasury Bills (CETES)	\$ 622	\$ (622)	\$ -
Federal Government Development Bonds (BONDS)	4,850	(4,848)	2
Bonds M, M0 and M7	1,879	(78)	1,801
Saving Protection Bonds (BPAT's)	<u>2,991</u>	<u>(2,973)</u>	<u>18</u>
Subtotal	10,342	(8,521)	1,821
Private Bank Issued Securities-			
Marketable Bank Certificates	<u>7,673</u>	<u>(7,061)</u>	<u>612</u>
Subtotal	7,673	(7,061)	612
Private Bank Securities-			
Marketable Bank Certificates	3,657	(3,492)	165
Certificates of Deposit (CEDES)	<u>1,180</u>	<u>(1,180)</u>	<u>-</u>
Subtotal	<u>4,837</u>	<u>(4,672)</u>	<u>165</u>
Total	<u>\$ 22,852</u>	<u>\$ (20,254)</u>	<u>\$ 2,598</u>



	2020		
	Repurchase agreements	Collateral received or sold	Net asset position
Government Securities-			
Treasury Bills (CETES)	\$ 39	\$ (39)	\$ -
Federal Government Development Bonds (BONDS)	4,977	(869)	4,108
Bonds M, M0 and M7	3,801	(3,801)	-
Saving Protection Bonds (BPAT's)	5,131	(5,125)	6
Subtotal	13,948	(9,834)	4,114
Private Bank Issued Securities-			
Marketable Bank Certificates	7,996	(5,849)	2,147
Subtotal	7,996	(5,849)	2,147
Private Bank Securities-			
Marketable Bank Certificates	2,060	(2,021)	39
Certificates of Deposit (CEDES)	985	(979)	6
Subtotal	3,045	(3,000)	45
Total	\$ 24,989	\$ (18,683)	\$ 6,306
	2019		
	Repurchase agreements	Collateral received or sold	Net asset position
Government Securities-			
Federal Government Development Bonds (BONDS)	\$ 1,625	\$ (1,434)	\$ 191
Bonds M, M0 and M7	4,104	-	4,104
Saving Protection Bonds (BPAT's)	1	(1)	-
Subtotal	5,730	(1,435)	4,295
Private Bank Issued Securities-			
Marketable Bank Certificates	3,426	(2,642)	784
Subtotal	3,426	(2,642)	784
Private Bank Securities-			
Marketable Bank Certificates	5,702	(4,759)	943
Certificates of Deposit (CEDES)	2,834	(2,834)	-
Subtotal	8,536	(7,593)	943
Total	\$ 17,692	\$ (11,670)	\$ 6,022

As of December 31, 2021, 2020 and 2019, repurchase transactions closed by the Institution acting as purchaser were agreed at terms ranging between 3 to 31 days in 2021, 4 to 72 days in 2020 and 2 to 26 days in 2019, respectively.



When the Institution acts as seller:

	2021	2020	2019
	Cash to be delivered	Cash to be delivered	Cash to be delivered
Government Securities-			
Treasury Bills (CETES)	\$ 31,518	\$ 39	\$ 368
Federal Government Development Bonds (BONDS)	11,649	15,603	4,450
Bonds M, M0 and M7	2,003	3,047	155
Federal Government Development Bonds in UDIS (UDIBONDS)	8	15	-
Saving Protection Bonds (BPAT's)	18,763	6,726	249
United Mexican States Bonds (UMS)	157	29	36
Subtotal	64,098	25,459	5,258
Private Securities-			
Marketable Private Certificates	8,210	12,784	6,735
Subtotal	8,210	12,784	6,735
Bank Securities-			
Certificates of Deposit (CEDES)	1,820	3,910	2,906
Marketable Bank Certificates	4,383	8,286	6,003
Subtotal	6,203	12,196	8,909
Total	\$ 78,511	\$ 50,439	\$ 20,902

For the years ended December 31, 2021, 2020 and 2019, accrued interest on repurchase agreements are \$1,555, \$1,228 and \$797, respectively and the accrued interest expenses on repurchase agreements are \$3,849 \$2,330 and \$1,835, respectively.

As of December 31, 2021, 2020 and 2019 repurchase transactions performed by the Institution acting as seller, were agreed at terms ranging between 3 to 43 days, 4 to 72 days and 2 to 60 days, respectively.

8. Derivative financial instruments transactions

As of December 31, 2021, 2020 and 2019, the position for transactions with financial derivatives is as follows:

	2021		2020		2019	
	Nominal amount of purchase	Asset position net	Nominal amount of purchase	Asset position net	Nominal amount of purchase	Asset position net
Trading derivatives:						
Futures-						
Foreign currency futures	\$ 4,785	\$ 12	\$ 1,620	\$ 2	\$ 3,304	\$ 152
Rates futures	3	-	-	-	-	-
Forwards-						
Foreign currency forwards	26,906	765	20,746	936	35,684	1,300
Options-						
Foreign currency options	5,957	59	4,876	185	-	58
Rates options	23,834	400	15,877	133	-	82
Swaps-						
Foreign currency swaps	10,068	265	8,224	137	8,485	154
Rates swaps	237,186	1,977	19,044	4,083	25,059	1,663
Total trading derivatives	308,739	3,478	70,387	5,476	72,532	3,409



	2021		2020		2019	
	Nominal amount of purchase	Asset position net	Nominal amount of purchase	Asset position net	Nominal amount of purchase	Asset position net
Hedging derivatives-						
Swaps						
Rates swaps	872	20	192	-	336	16
Total hedging derivatives	872	20	192	-	336	16
Total derivatives	<u>\$309,611</u>	<u>\$ 3,498</u>	<u>\$ 70,579</u>	<u>\$ 5,476</u>	<u>\$ 72,868</u>	<u>\$ 3,425</u>
	2021		2020		2019	
	Nominal amount of the sales	Liability position net	Nominal amount of the sales	Liability position net	Nominal amount of the sales	Liability position net
Trading derivatives:						
Futures-						
Foreign currency futures	\$ 478	\$ 75	\$ 625	\$ 95	\$ 7,283	\$ 85
Rates futures	1	-	-	-	-	-
Forwards-						
Foreign currency forwards	53,857	350	39,633	790	56,461	1,295
Options-						
Foreign currency options	6,829	38	3,299	8	-	13
Rates options	25,969	167	23,465	7	-	45
Swaps-						
Foreign currency swaps	10,112	366	8,282	195	8,500	168
Rates swaps	-	2,271	19,538	4,577	25,264	1,868
Total trading derivatives	<u>97,246</u>	<u>3,267</u>	<u>94,842</u>	<u>5,672</u>	<u>97,508</u>	<u>3,474</u>
Hedging derivatives						
Swaps-						
Rates swaps	-	-	257	65	334	14
Total hedging derivatives	-	-	257	65	334	14
Total derivatives	<u>\$ 97,246</u>	<u>\$ 3,267</u>	<u>\$ 95,099</u>	<u>\$ 5,737</u>	<u>\$ 97,842</u>	<u>\$ 3,488</u>

For the years ended December 31, 2021, 2020 and 2019, the valuation effect of the trading and hedging derivative instruments is reflected in the statements of income under "Gains/losses on financial assets and liabilities" (See Note 29).

Fair value hedging

The Institution has financial derivatives which are used to hedge variances in the market value of its debt instruments issued by PEMEX, due to movements in the interest rate, and holds hedge instruments intended to cover the interest rates related to two of the most relevant loans granted by the Institution.



Following is a list of the hedge transactions held by the Institution as of December 31, 2021:

Hedged position	Designated financial instrument	Market value	Observation
95PEMEX13-2	Interest rate swap which pays fixed rate (7.19%) and receives 28 day TIIE plus a spread (1.01%). 75% of the exchange is hedging	9	75% of the exchange is hedging. The remaining 25% is trading (+452/602)
AUDI 1	Interest rate swap which pays fixed rate (6.135%) and receives 28 day TIIE.	8	100% hedging
AUDI 2	Interest rate swap which pays fixed rate (6.155%) and receives 28 day TIIE.	3	100% hedging

In all cases, the derivative instrument seeks to compensate losses in the market value of the hedged position caused by movements in interest rates. In this way, management provides stability in the result of these positions and limits the risk of abrupt movements in market rates. As result, if fluctuations in exchange rates can cause a loss, the swap covers the amount lost; and vice versa, when additional profits are generated in the primary position, these are delivered in the hedging swap and are recognized accordingly (with impact on equity and results).

The underlying assets of derivatives closed during 2021 are as follows (unaudited):

Futures	Forwards	Options	Swaps	Notes
MXD USDMXN	USD/MXN	MXN TIIE 28D	IRS-TIIE 28	USD/MXN
CME MXN TIEF	EUR/MXN	MXN TIIE 1M	IRS-TIIE 91	EUR/MXN
CME MXNUSD	EUR/USD	USD LIBOR 1M NEW	IRS-LIBOR 1M	TIIE
MXD1EURMXN TIEF	CAD/MXN	MXN TIIE 91D NEW	IRS-LIBOR 3M	IPC
SOFR	GBP/USD	USD/MXN	IRS-LIBOR 6M	
IRS / SOFR IPC	USD/BRL EUR/BRL USDCOP ACCIONES SIC	USD LIBOR 3M	IRS-USD SOFR 3M LIBOR 3M	
		EUR/MXN ORG EQTY ACCIONES ORG INDICE IPC	CCSWAP- TIIE LIB CCSWAP Fija-Fija USD/MX	

The guarantees and/or collateral received and delivered for the derivative financing transactions as of December 31, 2021, 2020 and 2019, are comprised as follows:

Heading	Type of collateral	Received			
		Market	2021	2020	2019
Liabilities arising from cash collateral received	Cash	OTC	\$ 1,307	\$ 930	\$ 976



Heading	Type of collateral	Delivered			
		Market	2021	2020	2019
Margin accounts	Cash	Organized markets	\$ 1,297	\$ 1,954	\$ 1,587
Other receivables	Securities	OTC	\$ 395	\$ 742	\$ 540

Upon executing transactions with “Over the counter” (OTC) derivatives, the Institution agrees to deliver and/or receive collateral, to cover any exposure to market risk and the credit risk of such transactions. Such collateral is contractually agreed to with each of the counterparties.

As of December 31, 2021, 2020 and 2019, there are no restricted securities delivered as security for derivative transactions.

Management of derivative financial instrument usage policies

The policies of the Institution allow the use of derivatives for hedging and/or trading purposes.

The main objectives of these products are covering risks and maximizing profitability.

The instruments used include forwards, futures, options, interest rate swaps and currency swaps.

The trading markets are listed and OTC markets and the eligible counterparties may be national entities that comply with the 31 requirements established by the Central Bank.

The appointment of calculation agents is established in the legal documentation executed with the counterparties. The prices published by price suppliers are used to value derivative instruments in organized markets and are based on the prices generated in derivative markets. OTC derivatives are valued using prices calculated by the derivatives system, using the risk factor information published by the price supplier.

The main terms or conditions of the contracts are based on those of the International Swaps and Derivatives Association, Inc. (ISDA) or the local outline agreement, which is based on the guidelines provided by the ISDA. The specific policies regarding margins, collateral, and lines of credit are detailed in the Derivatives Manual and any changes thereto must be approved by the Risk Committee.

Authorization levels and processes

Per internal regulations, all derivative products or services associated to derivative products traded by the Institution are approved by the Risk Committee. Any amendments or additions to the original authorization of products or services must also be approved by the Risk Committee.

The Risk Committee includes members from all areas that are involved in the operation of the product or service depending on its nature and which are responsible for accounting, legal instruments, tax treatment, risk assessment, etc.

Independent reviews

The Institution is subject to the supervision and oversight of the Commission and the Central Bank, which are exercised through follow-up processes, inspection visits, information and documentation requirements and submission of reports. Similarly, auditors perform periodic reviews.



Generic description of valuation techniques

1. For trading purposes:

- Organized markets- The valuation is made using the closing price of the respective market and the prices are provided by a price vendor.
- “Over The Counter” markets (OTC): OTC derivatives executed with customers are valued by the derivatives system using standard methodologies for the various instruments. The information for the valuation is provided by the price vendor.
- The valuation of OTC derivatives that are held with brokers and used to cover those made with customers, are made by the entity designated as the calculation agent for ISDA contract.

The Institution values all its positions and records the value obtained in conformity with the respective accounting criteria.

2. Reference variables:

The most relevant reference variables are exchange rates, interest rates, shares, baskets and share indexes.

3. Valuation frequency:

Derivative financial instruments for trading purposes are valued daily.

Management of internal and external liquidity sources that may be used for requirements related to derivatives financial instruments

Resources are obtained through the Treasury and the mainly financing resources are:

- Deposits.
- Debt securities.
- Bank loans.
- Cash collateral received.
- Stockholders.

Changes in the exposure to identified risks, contingencies, and known or expected events of derivative financial instruments

In relation to financial instruments held for trading as of December 31, 2021, 2020 and 2019, management is not aware of any situations or events, such as changes in the value of the underlying asset or reference variables which imply that the use of derivative instruments differ from those that were originally conceived, that could require the Institution to assume new obligations, commitments or changes in cash flow affecting liquidity (margin calls), or contingencies expected by Institution's administration, affecting future reports.

The amount of margin calls made during 2021, 2020 and 2019 was necessary to cover contributions in both the organized and the required collateral contracts markets.

Impairment of financial derivatives -

As of December 31, 2021, 2020 and 2019, there is no indication of impairment in credit risk (counterparty) that requires modifying the book value of financial assets from the rights in derivative financial instruments.



Sensitivity analysis -

Identification of risks - The sensitivity of derivative financial instruments is calculated in accordance with the market value variance according to certain variances in the base scenario. Based on the variances, there are different sensitivities.

The risk factors that may generate losses on transactions with derivative financial instruments due to changes in market conditions are interest rate, exchange rate, and changes in share indexes. A sensitivity analysis shows that the consumption in these risks is not relevant.

The sensitivity is assessed using the effect of variances in risk factors on the market value of the positions in effect at a certain date; such position considers the derivatives with customers and the hedging transactions in spot markets and with OTC derivatives with financial intermediaries, i.e., the net position in terms of delta.

The following chart shows the total sensitivity consumption as of December 31, 2021 (unaudited):

Sensitivity analysis	Sensitivity (all factors)
Stage one 1%	\$ (0.951)
Stage two 2%	\$ (1.902)

Stress test -

- **Scenario one:** In this scenario, the risk factors move as follows:
 - The FX risk factors are multiplied by 1.10, i.e. 10% change.
 - The EQ risk factors are multiplied by 1.20, i.e. 20% change.
- **Scenario two:** In this scenario, the risk factors move as follows:
 - The FX risk factors are multiplied by 1.20, i.e. 20% change.
 - The EQ risk factors are multiplied by 1.40, i.e. 40% change.

As of December 31, 2021 the results for these scenarios are as follows and show the impact on results if they occurred (unaudited):

Risk profile	Stress test (all factors) of pesos)
Stage one	\$ (9.511)
Stage two	\$ (19.021)

9. Loan portfolio

As of December 31, 2021, 2020 and 2019, the performing and non-performing loan portfolio granted by type of currency is as follows:

	2021		
	Performing	Non-performing	Total
Mexican pesos:			
Commercial loans -			
Commercial or corporate activity	\$ 13,354	\$ 163	\$ 13,517
Loans to financial institutions	1,352	-	1,352
Loans to government entities	986	-	986
Housing loans-			
Remodeling or improvement with guarantee of the housing subaccount	1,369	4	1,373



2021			
	Performing	Non-performing	Total
U.S. dollars converted to Mexican pesos:			
Commercial loans -			
Commercial or corporate activity	8,262	126	8,388
Loans to financial institutions	1,313	-	1,313
Loans to government entities	<u>1,189</u>	<u>-</u>	<u>1,189</u>
Total	<u>\$ 27,825</u>	<u>\$ 293</u>	<u>\$ 28,118</u>
2020			
	Performing	Non-performing	Total
Mexican pesos:			
Commercial loans -			
Commercial or corporate activity	\$ 13,110	\$ 309	\$ 13,419
Loans to financial institutions	1,148	-	1,148
Loans to government entities	<u>1,021</u>	<u>-</u>	<u>1,021</u>
Housing loans-			
Remodeling or improvement with guarantee of the housing subaccount	1,102	3	1,105
U.S. dollars converted to Mexican pesos:			
Commercial loans -			
Commercial or corporate activity	7,907	181	8,088
Loans to financial institutions	1,236	-	1,236
Loans to government entities	<u>462</u>	<u>-</u>	<u>462</u>
Total	<u>\$ 25,986</u>	<u>\$ 493</u>	<u>\$ 26,479</u>
2019			
	Performing	Non-performing	Total
Mexican pesos:			
Commercial loans -			
Commercial or corporate activity	\$ 14,347	\$ 407	\$ 14,754
Loans to financial institutions	1,421	-	1,421
Loans to government entities	<u>4</u>	<u>-</u>	<u>4</u>
Housing loans-			
Remodeling or improvement with guarantee of the housing subaccount	95	2	97
U.S. dollars converted to Mexican pesos:			
Commercial loans -			
Commercial or corporate activity	7,249	121	7,370
Loans to financial institutions	<u>1,256</u>	<u>-</u>	<u>1,256</u>
Total	<u>\$ 24,372</u>	<u>\$ 530</u>	<u>\$ 24,902</u>

The Institution grants loans guaranteed by the U.S. Ex-Im Bank, as follows:

Definition of Ex-Im Bank - "*The Export-Import Bank of the United States*", is the U.S. export loan agency. Its mission is to provide financing for the export of U.S. goods and services to international markets.



- a) For long-term loans subject to such guarantees, the Institution receives guarantees covering up to 100% of the Ex-Im Bank, which is documented in an outline agreement.
- b) For short-term loans with revolving lines of credit guaranteed with loan insurance policies issued by the Ex-Im Bank to the Institution, the policies cover between 90% and 98% of the loan amount.

In the event of default of a loan guaranteed or insured by the Ex-Im Bank, the Institution will claim the settlement and subrogate the collection rights to such bank, which continues collections efforts on the loans.

In order to mitigate the portfolio risk, the credit committee may opt to request that the borrower give guarantees in conformity with the terms of policies and procedures manuals.

The guarantees accepted by the Institution include those provided by government entities and which involve incentives or programs to incentivize different economic sectors or participants.

The portfolio balances associated with these programs are detailed below:

	2021	2020	2019
Ex-Im Bank	\$ 10	\$ 5	\$ 11
FIRA	1,896	1,183	1,515
NAFIN	363	528	1,579
SHF	<u>156</u>	<u>166</u>	<u>174</u>
	<u>\$ 2,425</u>	<u>\$ 1,882</u>	<u>\$ 3,279</u>

Housing Loans

The loans acquired from INFONAVIT through the “Mejoravit” program are shown below:

2021						
	Performing	Allowance for performing portfolio	Number of loans	Non-performing	Allowance for non-performing portfolio	Number of loans
Housing loans						
ROA	\$ 1,332	\$ 3	70,990	\$ 2	\$ -	135
REA	<u>37</u>	<u>3</u>	2,746	<u>2</u>	<u>2</u>	96
Total	<u>\$ 1,369</u>	<u>\$ 6</u>		<u>\$ 4</u>	<u>\$ 2</u>	
2020						
	Performing	Allowance for performing portfolio	Number of loans	Non-performing	Allowance for non-performing portfolio	Number of loans
Housing loans						
ROA	\$ 1,102	\$ 2	39,516	\$ 3	\$ -	248
REA	<u>-</u>	<u>-</u>	19	<u>-</u>	<u>-</u>	2
Total	<u>\$ 1,102</u>	<u>\$ 2</u>		<u>\$ 3</u>	<u>\$ -</u>	
2019						
	Performing	Allowance for performing portfolio	Number of loans	Non-performing	Allowance for non-performing portfolio	Number of loans
Housing loans						
ROA	\$ 95	\$ -	13,484	\$ 2	\$ -	108
REA	<u>-</u>	<u>-</u>	14	<u>-</u>	<u>-</u>	1
Total	<u>\$ 95</u>	<u>\$ -</u>		<u>\$ 2</u>	<u>\$ -</u>	



The National Workers' Housing Fund Institute (INFONAVIT) developed the "Mejoravit Loan Program" which enables certain banks to take part in granting loans known as "Mejoravit" intended for the improvement, remodeling and extension of homes of workers affiliated to this Institute. The involvement of the INFONAVIT in this program focuses on the origination, administration and collection of the loans.

In accordance with the rules established to grant "Mejoravit" loans, the INFONAVIT reviews and approves the financial conditions of the loans and the Institution provides the economic resources to the borrower.

The Mejoravit loans are guaranteed by the balance of the housing subaccount of the certified stakeholders with an irrevocable guarantee trust managed by "Nacional Financiera S.N.C." as trustee of the Trust.

As of December 31, 2021, 2020 and 2019, the non-performing housing portfolio is classified as follows:

Terms	2021	2020	2019
From 0 to 180 days	\$ 2	\$ 1	\$ 2
From 181 to 365 days	-	1	-
Over 2 years	<u>2</u>	<u>1</u>	<u>-</u>
Total	<u>\$ 4</u>	<u>\$ 3</u>	<u>\$ 2</u>

All the loans of the Mejoravit program are guaranteed with the housing subaccount

According to paragraph 74 of Accounting Criterion B-6 of the Provisions, as of the December 2021 close, the Institution has the following loans and amounts :

- The credit resources are available for the purpose for which they were granted: there are 7 loans for a total amount of \$0.24.
- The borrower starts a new employment relationship in which he has a new employer: there are 298 loans for a total amount of \$0.20.
- The Institution has received partial payment of the respective payment according to the exception contained in this numeral of paragraph 74 of Accounting Criterion B-6: 19 loans for the total amount of \$0.51.

Restructurings-

In 2021, 2020 and 2019, the Institution carried out the following credit restructurings corresponding to the commercial loan portfolio.

Terms	Number of loans	Amount
Restructurings in 2021	15	\$ <u>1,133</u>
Restructurings in 2020	69	\$ <u>3,958</u>
Restructurings in 2019	5	\$ <u>185</u>

At the end of 2021, 15 commercial portfolio loans were restructured, of which 14 fall within paragraph 80 of B-6 of the Provisions and 1 within paragraph 78 of the same annex.

Risk diversification -

As of December 31, 2021, the Institution maintains the following credit risk operations in conformity with the general diversification risk rules established for active and passive transactions by, the Accounting Criteria as follows:

- The Institution maintains 2 loans granted to debtors or groups of persons with common risk, whose individual amount is more than 10% of the basic capital of the previous quarter. The total amount of such loans is \$2,317, which is equivalent to 30% of the basic capital of the previous quarter of the Institution.
- The sum of the amounts of the loans granted to the three largest debtors amounts to \$2,397 and represents 31% of the basic capital of the previous quarter of the Institution.



According to the Accounting Criteria, the limits regarding the diversification of an institution's credit operations are determined according to its fulfillment of capitalization requirements, considering the exceptions established by the Accounting Criteria, these are:

When granting financing to the same person or group of people with common risk, they must be subject to the maximum financing limit that results from applying the following:

Capitalization level	Maximum financing limit calculated according to the Institution's basic capital
More than 8% and up to 9%	12%
More than 9% and up to 10%	15%
More than 10% and up to 12%	25%
More than 12% and up to 15%	30%
More than 15%	40%

- The sum of the financing granted to the Institution's three main borrowers must not exceed 100% of its basic capital.
- Financing granted to full-service banking institutions will not be subject to maximum financing limits but is nonetheless subject to the maximum limit of 100% of the basic capital of the lending Institution. In the case of foreign institutions in which foreign financial entities hold equity, the aforementioned limit is applicable to the holding company and its subsidiary institutions taken as a whole.
- The financing granted to the state-owned entities and departments of the Federal Public Administration, including public trusts and the productive entities pertaining to the State, must be subject to the maximum limit of 100% of the basic capital of the lending Institution.

These credit limits must be measured quarterly. The applicable limit is calculated by using the basic capital amount and capitalization ratios of the quarter immediately preceding the date on which the calculation is made. These ratios are published by the Commission for each Institution on the following website: <http://www.cnbv.gob.mx>.

The Commission may reduce the above limits whenever it considers that an institution's comprehensive risk management is inadequate or its internal control system has certain weaknesses.

Loans to related parties - As of December 31, 2021, 2020 and 2019, loans granted to related parties in accordance with article 73 of the Credit Institutions Law add up to a total of \$1,451, \$1,548 and \$1,158, respectively, which were approved by the Board of Directors.

Policy and methods used to identify distressed commercial loans - The Institution considers distressed portfolio commercial loans for which it is determined that, based on current information and events as well as in the process of reviewing the loan, there is significant possibility that the loan may not be recovered in full, including both, the principal and interest components in accordance with the terms and conditions originally agreed. Both the performing and non-performing portfolio are likely to be identified as distressed portfolio.

The Institution carries out the classification of the distressed commercial loans, reporting a total of \$154 which represents 0.57%, for 2020 and 2019 represents 0.79% and 0.80% of the total commercial portfolio, respectively. As of December 31, 2021, they are shown as follows:



2021			
	Performing portfolio	Non-performing portfolio	Total
Mexican pesos:			
Commercial loans-			
Commercial or corporate activity	\$ 41	\$ 111	\$ 152
U.S. dollars converted to Mexican pesos			
Commercial loans-			
Commercial or corporate activity	-	2	2
Total	<u>\$ 41</u>	<u>\$ 113</u>	<u>\$ 154</u>
2020			
	Performing portfolio	Non-performing portfolio	Total
Mexican pesos:			
Commercial loans-			
Commercial or corporate activity	<u>\$ 1</u>	<u>\$ 199</u>	<u>\$ 200</u>
2019			
	Performing portfolio	Non-performing portfolio	Total
Mexican pesos:			
Commercial loans-			
Commercial or corporate activity	\$ 1	\$ 177	\$ 178
U.S. dollars converted to Mexican pesos			
Commercial loans-			
Commercial or corporate activity	3	12	15
Total	<u>\$ 4</u>	<u>\$ 189</u>	<u>\$ 193</u>

Breakdown of the performing and non-performing portfolio for the closings of 2021, 2020 and 2019:

Commercial portfolio (does not include Letters of Credit)

	2021	2020	2019
Commercial portfolio:			
Performing			
Impaired	\$ 41	\$ 1	\$ 4
Not impaired	26,415	24,883	24,273
Non-performing			
Impaired	113	199	189
Not impaired	<u>176</u>	<u>291</u>	<u>339</u>
Total portfolio	<u>\$ 26,745</u>	<u>\$ 25,374</u>	<u>\$ 24,805</u>

Policy and methods used to identify concentration of credit risk - Concentration risk constitutes an essential element in risk management. The Institution has policies in place to avoid significant concentrations of credit risks in borrowers or business groups, as well as industries and types of loans.



Furthermore, constant follow-up is provided at the individual level and at the level of loan portfolios to avoid concentrations.

Credit lines unused by customers - As of December 31, 2021, 2020 and 2019, unused credit lines were \$7,620, \$8,804 and \$9,766, respectively.

As of December 31, 2021, 2020 and 2019, aging of non-performing portfolio is as follows:

	2021	2020	2019
From 0 to 90 days	\$ 8	\$ 180	\$ 47
From 90 to 179 days	3	146	87
From 180 to 365 days	30	74	110
Over 365 days	<u>252</u>	<u>93</u>	<u>286</u>
	<u>\$ 293</u>	<u>\$ 493</u>	<u>\$ 530</u>

Explanation of the main variations in the non-performing portfolio, identifying, among others: restructuring, renewals, awards, removals, write-offs, transfers to the current portfolio, and from the current portfolio.

	2021	2020
Beginning balance	\$ 493	\$ 529
Transfer to non-performing portfolio	37	294
Transfer to performing portfolio	(98)	(1)
Write-off	(122)	(327)
Settlement	(9)	(1)
Guarantee Exercised	(15)	-
Exchange effect	<u>7</u>	<u>(1)</u>
Ending balance	<u>\$ 293</u>	<u>\$ 493</u>

10. Allowance for loan losses

As of December 31, 2021, 2020 and 2019, the allowance for loan losses was \$986, \$972 and \$433, respectively, and is assigned as follows:

2021	Performing portfolio	Non-performing portfolio	Assigned Allowance
Commercial loans-			
Commercial or corporate activity	\$ 21,616	\$ 289	\$ 425
Loans to financial institutions	2,665	-	42
Loans to government entities	2,175	-	11
Housing loans-			
Remodeling or improvement with guarantee of the housing subaccount	<u>1,369</u>	<u>4</u>	<u>8</u>
Subtotal	27,825	293	486
Additional general reserves	<u>-</u>	<u>-</u>	<u>500</u>
Total portfolio	<u>\$ 27,825</u>	<u>\$ 293</u>	<u>\$ 986</u>



2020	Performing portfolio	Non-performing portfolio	Assigned Allowance
Commercial loans-			
Commercial or corporate activity	\$ 21,017	\$ 490	\$ 440
Loans to financial institutions	2,384	-	21
Loans to government entities	1,483	-	8
Housing loans-			
Remodeling or improvement with guarantee of the housing subaccount	<u>1,102</u>	<u>3</u>	<u>3</u>
Subtotal	25,986	493	472
Additional general reserves	<u>-</u>	<u>-</u>	<u>500</u>
Total portfolio	<u>\$ 25,986</u>	<u>\$ 493</u>	<u>\$ 972</u>

2019	Performing portfolio	Non-performing portfolio	Assigned Allowance
Commercial loans-			
Commercial or corporate activity	\$ 21,596	\$ 528	\$ 412
Loans to financial institutions	2,677	-	20
Loans to government entities	4	-	-
Housing loans-			
Remodeling or improvement with guarantee of the housing subaccount	<u>95</u>	<u>2</u>	<u>1</u>
Total portfolio	<u>\$ 24,372</u>	<u>\$ 530</u>	<u>\$ 433</u>

As of December 31, 2021, 2020 and 2019, the Institution maintained an allowance for loan losses equivalent to 337%, 197% and 82%, of the non-performing portfolio, respectively.

The allowance for loan losses resulting from the loan portfolio assessment as of December 31, 2021, 2020 and 2019, reported by the Institution, is as follows:

Degree of risk	2021		2020		2019	
	Portfolio assessment by degree of risk	Amount of allowance recorded	Portfolio assessment by degree of risk	Amount of allowance recorded	Portfolio assessment by degree of risk	Amount of allowance recorded
A-1	\$ 17,609	\$ 85	\$ 14,781	\$ 71	\$ 15,837	\$ 83
A-2	6,941	79	8,732	100	6,820	73
B-1	1,114	19	1,959	33	1,877	32
B-2	1,284	31	594	13	554	12
B-3	1,206	36	657	23	864	29
C-1	31	2	123	9	146	8
C-2	65	6	9	1	12	2
D	555	194	511	207	460	194
E	34	34	15	15	-	-
Additional reserves	<u>-</u>	<u>500</u>	<u>-</u>	<u>500</u>	<u>-</u>	<u>-</u>
Rating portfolio base	<u>28,839</u>	<u>\$ 986</u>	27,381	<u>\$ 972</u>	26,570	<u>\$ 433</u>
Letter of credit	<u>(721)</u>		<u>(902)</u>		<u>(1,668)</u>	
Loan portfolio, net	<u>\$ 28,118</u>		<u>\$ 26,479</u>		<u>\$ 24,902</u>	



The activity of the allowances for loan losses for the years ended December 31, 2021, 2020 and 2019, is as follows:

	2021	2020	2019
Opening balances	\$ 972	\$ 433	\$ 426
Provisions (applications) with debit (credit) to:			
Results	235	911	281
Other income	(14)	(20)	-
Cancellation of allowances (1)	-	1	(35)
Exchange result	4	(2)	(4)
Applications	<u>(211)</u>	<u>(351)</u>	<u>(235)</u>
Closing balances	<u>\$ 986</u>	<u>\$ 972</u>	<u>\$ 433</u>

- (1) Related to payments on loans granted during 2021, 2020 and 2019, loans which had allowances recorded during previous years and were recorded in "Other income".

Write-offs –

During the years ended December 31, 2021, 2020 and 2019, the Institution wrote off the following commercial loans against the allowance for loan losses.

Term	Number of loans	Amount
Write-offs in 2021	26	\$ <u>186</u>
Write-offs in 2020	34	\$ <u>351</u>
Write-offs in 2019	25	\$ <u>235</u>

Balance of the allowance for loan losses according to credit portfolio rating methodologies, as well as by credit type (business or commercial activity, financial entities, government entities, consumer and housing).

	2021	2020	2019
Business or Commercial	\$ 419	\$ 440	\$ 412
Financial institutions	48	21	20
Government entities	11	8	-
Housing	8	3	1
Generic additional reserves	<u>500</u>	<u>500</u>	<u>-</u>
Total	<u>\$ 986</u>	<u>\$ 972</u>	<u>\$ 433</u>

Disclosure in the financial statements by applying the benefit of the special accounting criteria through Office P285/2020 of the Commission.

On March 23, 2020, the General Health Council recognized the COVID-19 disease epidemic in Mexico as a serious priority care disease. Due to the measures adopted in this regard, there are impacts presented on various sectors of the economy.

Therefore, the "COVID-19 Support Program" was implemented for those creditors from the Institution.

These support programs grant a deferral period of up to 6 months for the payment of the capital and/or interest of the loans.



The following summarizes the special accounting criteria:

1. Credits with one-time principal payment at maturity and periodic interest payments, as well as credits with one-time principal and interest payment at maturity, which are renewed or restructured should not be considered as non-performing loan portfolio in terms of paragraph 79 of the Accounting Criteria B-6 "Loan Portfolio" of the Provisions, consisting of:

"Loans with one-time principal payment at maturity, regardless of whether interest is paid periodically or at maturity, which are restructured during their term or renewed at any time, will be considered as a non-performing loan portfolio as long as there is no evidence of sustained payment, in accordance with paragraph 38 of this criterion".

For that purpose, is required that the new maturity date granted by the creditor, is required to be no longer than six months from the maturity date.

2. Loans with periodic principal and interest payments, which are object of restructuring or renewal, may be considered as in force by the moment such act is performed, without the requirements result applicable in paragraphs 82 and 84 of the Accounting Criteria B-6, consisting of:

"The restructured or renewed loans, for which at least 80% of the original credit period has not elapsed will be considered as performing, only when:

- a) The borrower shall has paid the entirety of accrued interest as of the date of renewal or restructuring, and
- b) The borrower has paid the principal of the original amount of the loan, which as of the date of renewal or restructuring should have been paid.

In the case of loans which are restructured or renewed during the course of the final 20% of the original term of the loan, these shall be considered as performing portfolio where the borrower has:

- a) Settled all accrued interest at the date of renewal or restructuring;
 - b) Paid the principal of the original amount of the loan, which as of the date of renewal or restructuring should have been covered, and
 - c) Paid the 60% of the original loan amount"
3. The revolving loans, which are restructured or renewed from April 1 to July 31, 2021, should not be considered as a non-performing loan portfolio in terms of the guidance established in paragraph 80 of Criterion B-6 which requires:
 - a. Settlement of the entirety of the accrued interest, and
 - b. Paid the entirety of all required payments to which is obligated in terms of the contract as of the date of restructuring or renewal"
 4. With regard to the loans referred in numerals 1, 2 and 3 above, they should not be considered as restructured in accordance with paragraph 40 of Accounting Criteria B-6, nor should be reported as non-performing loans for the credit reporting entities.
 5. In the event of withdrawals, write-offs, bonuses or discounts on the loan balance which have an impact on lower payments for creditors, the establishment of allowance for loan losses for credit risks related to the granting of withdrawals, write-offs, bonuses and discounts may be deferred in the 2021 financial year.



6. The following amendments to the original terms of the loan should not be considered as restructurings:
 - a. Interest rate: when the agreed interest rate is improved to the creditor.
 - b. Currency or unit of account: as long as the corresponding rate to the new currency or unit of account is applied.
 - c. Payment date: only if the change does not involve exceeding or modifying the frequency of payments. Under no circumstances the change in the payment date should allow the omission of payment in any period.
7. The Institution should comply with the following in the current program:
 - a. No contractual modifications should be made which considered explicitly or implicitly the capitalization of interest, nor the collection of any commission arising from the restructuring.
 - b. Previously authorized lines of credit will not be restricted, decreased or cancelled.
 - c. No additional guarantees or replacement will be requested.

If the special accounting criteria had not been considered, at the end of December 2021, the allowance of loan losses reserves that would have been reported on the balance sheet related to SMEs amounts to \$40 (actual SMEs balance of \$38) and related to Corporate customers amounts to \$441 (actual corporate balance of \$441) giving a total of \$481 (actual commercial portfolio reserves reported in the balance sheet at the end of December of \$479).

At the end of December 2021, 18 customers continue with the benefit from the Commission's special accounting criteria, of which 15 correspond to SMEs for an amount of \$16 and 3 to Corporate customers for an amount of \$37 giving a total of \$53.

No special accounting criteria were considered for the Mortgage Portfolio.

11. Other receivables, net

As of December 31, 2021, 2020 and 2019, other receivables are as follows:

	2021	2020	2019
Receivables from liquidation of money market transactions	\$ 3,729	\$ 191	\$ 960
Receivables from 24 to 96 hours on foreign exchange transactions	25,688	18,263	11,249
Receivables from transactions	1,025	922	736
Administrative services receivable from related parties	1	-	-
Employee loans and other debits	21	28	26
Collateral delivered for the derivative financing transactions	395	742	540
Other receivables	<u>28</u>	<u>41</u>	<u>49</u>
	30,887	20,187	13,560
Allowance for doubtful accounts	<u>(113)</u>	<u>(127)</u>	<u>(134)</u>
Total	<u>\$ 30,774</u>	<u>\$ 20,060</u>	<u>\$ 13,426</u>



12. Furniture and equipment, net

As of December 31, 2021, 2020 and 2019, furniture and equipment are as follows:

	2021	2020	2019
Office furniture and equipment	\$ 108	\$ 91	\$ 92
Computers and communications equipment	71	75	70
Telecommunications	9	-	-
Vehicles	<u>4</u>	<u>4</u>	<u>5</u>
	192	170	167
Less-			
Accumulated depreciation	<u>(149)</u>	<u>(134)</u>	<u>(117)</u>
Total, furniture and equipment (net)	<u>\$ 43</u>	<u>\$ 36</u>	<u>\$ 50</u>

The annual depreciation rates were as follows:

	Percentage
Computer and communications equipment	30%
Vehicles	25%
Office furniture and equipment	10%

For the years ended December 31, 2021, 2020 and 2019, depreciation expense recorded to results amounted to \$15, \$17 and \$25, respectively.

13. Other assets

As of December, 31 2021, 2020 y 2019, los otros activos se integran como sigue:

	2021	2020	2019
Modifications and improvements	\$ 303	\$ 236	\$ 235
Software	98	98	98
Prepayments	682	78	51
Investment projects	303	404	352
Other deferred charges	<u>38</u>	<u>38</u>	<u>47</u>
	1,424	854	783
Less – accumulated amortization	<u>(296)</u>	<u>(237)</u>	<u>(224)</u>
	1,128	617	559
Other assets:			
Operational deposits	<u>4</u>	<u>5</u>	<u>5</u>
	<u>\$ 1,132</u>	<u>\$ 622</u>	<u>\$ 564</u>



14. Foreign currency position

As of December 31, 2021, 2020 and 2019, foreign currency assets and liabilities of the Institution were as follows:

	Millions of US Dollars			Millions of Euros			Millions of Sterling Pounds			Other foreign currencies in millions of U.S. dollars		
	2021	2020	2019	2021	2020	2019	2021	2020	2019	2021	2020	2019
Funds available	USD 1,258	USD 1,038	USD 1,534	€ 48	€ 59	€ 73	£ 1	£ 2	£ 1	USD 9	USD 8	USD 7
Margin accounts	10	9	8	-	-	-	-	-	-	-	-	-
Investment in securities	711	956	685	-	-	-	-	-	-	-	-	-
Repurchase agreements	279	250	192	-	-	-	-	-	-	-	-	-
Derivatives (assets)	1,931	1,418	2,407	85	89	88	-	-	-	1	4	4
Performing loan portfolio	525	482	451	-	-	-	-	-	-	-	-	-
Non-performing loan portfolio	6	9	6	-	-	-	-	-	-	-	-	-
Other receivables	13	30	27	-	-	-	-	-	-	2	2	1
Deposits	(1,194)	(1,122)	(1,017)	(46)	(33)	(37)	(1)	(2)	(1)	(8)	(8)	(6)
Bank loans and other loans	(1)	(4)	(12)	-	-	-	-	-	-	-	-	-
Liabilities arising from sale and repurchase agreements	(49)	(424)	(169)	-	-	-	-	-	-	-	-	-
Derivatives (liabilities)	(2,962)	(2,256)	(3,667)	(85)	(113)	(120)	-	-	-	(2)	(3)	(4)
Collaterals	(33)	(17)	(24)	-	-	-	-	-	-	-	-	-
Collateral sold or pledge in guarantee	(249)	(153)	(101)	-	-	-	-	-	-	-	-	-
Sundry creditors and other payables	(26)	(8)	(6)	(1)	(1)	(3)	-	-	-	-	-	(1)
Deferred credits and prepayments	(8)	(6)	(5)	-	-	-	-	-	-	-	-	-
Asset (liability) position	USD 211	USD 202	USD 309	€ 1	€ 1	€ 1	£ -	£ -	£ -	USD 2	USD 3	USD 1
Mexican peso equivalent	\$ 4,327	\$ 4,022	\$ 5,829	\$ 23	\$ 24	\$ 21	\$ -	\$ -	\$ -	\$ 41	\$ 60	\$ 19

As of December 31, 2021, 2020 and 2019, the Closing business exchange rate and the Fix exchange rate (48 hours) issued by the Central Bank were \$20.5075, \$19.9087 and \$18.8642 per U.S. dollar, respectively.

As of December 31, 2021, 2020 and 2019, the “Euro” exchange rate issued by the Central Bank were \$23.3222, \$24.3563 and \$21.1751 per Euro, respectively.

As of December 31, 2021, 2020 and 2019, the “Pound Sterling” exchange rate issued by the Central Bank were \$27.7805, \$27.2032 and \$24.9837 per pound sterling, respectively.

As of March 30, 2022, the position in foreign currency (unaudited) is similar to that of the year-end and the "Fix" exchange rate at that date is \$19.8663 per US dollar, and \$22.1028 per Euro.

The Central Bank sets the ceilings for foreign currency liabilities and the liquidity ratio that the Institution obtains directly or through its foreign agencies, branches, subsidiaries or affiliates abroad, which must be determined daily for such liabilities to enable the Institution to structure their contingency plans and promote longer term deposits within a reasonable time frame.

The Institution performs a large number of foreign currency transactions mainly in U.S. dollars, euros, pounds sterling, Canadian dollars, Japanese Yen and other currencies. Given that the parities of other currencies against the Mexican peso are linked to the U.S. dollar, the overall foreign currency position is consolidated into U.S. dollars at each monthly closing.

The foreign currency accounting position is reconciled with the reported position to the Central Bank in the ACLME form and which differ between them derived from differences in reporting criteria.



15. Deposits

As of December 31, 2021, 2020 and 2019, deposits were as follows:

	2021	2020	2019
Demand deposits-	\$ 32,286	\$ 28,889	\$ 18,540
Time deposits-			
General public	11,669	12,273	25,059
Money market:			
Deposit certificates	2,179	2,700	3,395
Debt securities-			
Debt securities (Bonds)	1,265	767	877
Global account for inactive deposits	<u>3</u>	<u>3</u>	<u>3</u>
Total deposits	<u>\$ 47,402</u>	<u>\$ 44,632</u>	<u>\$ 47,874</u>

Short-term maturities which generated interest at an average rate of 2.47%, 2.68% and 5.87%, in 2021, 2020 and 2019, respectively.

Emission program

As of December 31, 2021, 2020 and 2019, the Institution has placed the following instruments:

	Market value			Number of titles			Term	Referenced rate
	2021	2020	2019	2021	2020	2019		
Instrument-								
Bank bonds	\$ 1,260	\$ 765	\$ 874	11	1	7	34	7.1638%
Subtotal	1,260	765	874	11	1	7		
Issuance costs	-	-	-	-	-	-		
Valuation	-	-	-	-	-	-		
Accrued interest	<u>5</u>	<u>2</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>		
Total	<u>\$ 1,265</u>	<u>\$ 767</u>	<u>\$ 877</u>	<u>11</u>	<u>1</u>	<u>7</u>		

16. Bank loans and other loans

As of December 31, 2021, 2020 and 2019, bank loans were as follows:

	2021				2020	2019
	Mexican pesos	Foreign currency	Rate	Total	Total	Total
Bank demand loans						
Operations “call money” received	<u>1,250</u>	<u>-</u>	5.4750%	<u>1,250</u>	<u>-</u>	<u>-</u>
Total bank demand loans	1,250	-		1,250	-	-
Short term-						
Clusters	<u>353</u>	<u>22</u>	4.1165%	<u>375</u>	<u>369</u>	<u>1,190</u>
Total short-term loan	<u>353</u>	<u>22</u>		<u>375</u>	<u>369</u>	<u>1,190</u>
Total bank loans and other loans	<u>\$ 1,603</u>	<u>\$ 22</u>		<u>\$ 1,625</u>	<u>\$ 369</u>	<u>\$ 1,190</u>



Loans with Development Bank Institutions - Loans are granted by Nacional Financiera, S.N.C. (NAFIN) and Fideicomisos Instituidos en Relación con la Agricultura (FIRA), which represent a direct obligation of the Institution with these entities. Accordingly, the Institution grants loans in Mexican pesos and U.S. dollars to its customers for financial support.

Credit lines for discounts and loans granted in Mexican pesos and U.S. dollars by the development funds mentioned above operate under the authorizations of the internal risk units of the Institution. The financial conditions are set under fixed and variable rate programs, both in U.S. dollars and Mexican pesos, and the term is based on the specific program or transaction determined for each project.

As of December 31, 2021, 2020 and 2019 the Institution has undrawn credit lines of credit that are granted by NAFIN by 2021 \$1,370, 2020 of \$727 and 2019 of \$792, for FIRA of \$603, \$981 and \$1,036, respectively.

17. Comparative maturities of principal assets and liabilities

The maturities of the significant assets and liabilities held as of December 31, 2021 were as follows:

	6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Total
Assets:					
Funds available (1)	\$ 40,763	\$ -	\$ -	\$ 39	\$ 40,802
Margin accounts	1,297	-	-	-	1,297
Investment in securities	38,580	6,838	36,682	4,802	86,902
Repurchase agreements	2,598	-	-	-	2,598
Derivatives	1,034	156	1,386	922	3,498
Performing loan portfolio	7,427	1,047	13,246	6,105	27,825
Non-performing loan portfolio	211	4	78	-	293
Other receivables (net)	30,774	-	-	-	30,774
Total assets	122,684	8,045	51,392	11,868	193,989
Liabilities:					
Deposits					
Bank loans and other loans	47,397	5			47,402
Liabilities arising from sale and repurchase agreements	1,625	-	-	-	1,625
Derivatives	78,075	-	436	-	78,511
Obligations arising from settlement of transactions	586	107	1,632	942	3,267
Liabilities arising from cash collateral received	49,654	-	-	-	49,654
Other accounts payables	1,307	-	-	-	1,307
Total liabilities	1,366	-	-	459	1,825
	180,010	112	2,068	1,401	183,591
Assets less liabilities	\$ (57,326)	\$ 7,933	\$ 49,324	\$ 10,467	\$ 10,398

- (1) Within the accounts of funds available, Monetary Regulation Deposits with the Central Bank are included. These deposits as of December 31, 2021 amount to \$39; which may not be freely available.

18. Related party transactions and balances

The main balances with related parties are as follows:

	2021	2020	2019
Assets-			
Funds available	\$ 26,801	\$ 19,015	\$ 20,063
Repurchase agreements	\$ 22,851	\$ 24,990	\$ 17,692



	2021	2020	2019
Other receivable	\$ 2,010	\$ 3,079	\$ 847
Performing loan portfolio	\$ 1,341	\$ 1,400	\$ 1,199
Derivatives	\$ 262	\$ 38	\$ 8
Other assets	\$ 9	\$ 9	\$ 9
Liabilities-			
Deposits	\$ 572	\$ 277	\$ 814
Liabilities arising from sale and repurchase agreements	\$ -	\$ 756	\$ 4,997
Derivatives	\$ 7	\$ 5	\$ 51
Other accounts payable	\$ 29,064	\$ 22,144	\$ 20,876
Collateral sold or pledged as security	\$ 37,029	\$ 53,959	\$ 22,843

As of December 31, 2021, 2020 and 2019, the most significant transactions carried out by the Institution with related and affiliated companies (at fair value) were as follows:

	2021	2020	2019
Income from-			
Interest and commissions	\$ 956	\$ 790	\$ 686
Gains/losses on financial assets and liabilities	\$ -	\$ 13	\$ -
Corporate services	\$ 9	\$ 11	\$ 11
Financial services	\$ 6	\$ 4	\$ 9
Expense for-			
Interest and commissions	\$ 2,049	\$ 1,783	\$ 1,428
Corporate services	\$ 74	\$ 103	\$ 99
Gains/losses on financial assets and liabilities	\$ 10	\$ -	\$ 17
Pure lease services	\$ 24	\$ 16	\$ 7

Management considers that transactions with related parties were performed according to the terms that would be utilized with or between independent parties for comparable transactions.

Due to the foregoing and in accordance with the accounting criteria on the nature of the relationship according to the definition of Relationship Parties, the following is included:

Assets			
Related party	Concept	Amount	Net effect
Monex Casa de Bolsa	Funds available	\$ 26,803	
Monex Europe Limited		(2)	\$ 26,801
Monex Casa de Bolsa	Debtors from repurchase agreements	22,851	\$ 22,851
Monex Casa de Bolsa	Derivatives	262	
Monex Europe Limited		-	262
Monex Grupo Financiero		3	
Arrendadora Monex		661	
Monex Europe Holdings Limited		267	



Assets			
Related party	Concept	Amount	Net effect
Monex Europe Limited	Portfolio loan	248	1,341
MNI Holding		162	
Monex Casa de Bolsa	Other receivable	2,007	2,010
Arrendadora Monex		1	
Monex Europe Limited		2	
Monex SAB	Other assets	9	9

Liabilities			
Related party	Concept	Amount	Net effect
Monex Casa de Bolsa	Deposits	\$ 260	\$ 572
Admimonex		5	
Arrendadora Monex		19	
Monex Canada Inc		3	
Monex Europe Holdings Limited		6	
Monex Europe Limited		5	
Monex Europe Luxembourg		5	
Monex SAB		2	
Servicios Complementarios Monex		121	
Cable 4		4	
MNI Holding		56	
Tempus Inc		86	
Monex Casa de Bolsa	Collaterals sold or pledged in guarantee	37,029	37,029
Monex Casa de Bolsa	Derivatives	7	7
Monex Europe Limited		-	
Monex Casa de Bolsa	Other payables	29,063	
Monex Operadora de Fondos		1	29,064

Incomes			
Related party	Concept	Amount	Net effect
Monex Casa de Bolsa	Interest and commissions	\$ 888	\$ 956
Monex Grupo Financiero		-	
Admimonex		2	
Arrendadora Monex		46	
Monex Europe Holdings Limited		8	
Monex Europe Limited		6	
MNI Holding		6	
Monex Casa de Bolsa	Corporative Services	6	\$ 9
Monex Operadora de Fondos		1	
Arrendadora Monex		2	
Arrendadora Monex	Financial Services	\$ 6	\$ 6

Expenses			
Related party	Concept	Amount	Net effect
Monex Casa de Bolsa	Interest and commissions	\$ 2,040	\$ 2,049
Monex SAB		9	
Monex Casa de Bolsa	Gains/losses on financial assets and liabilities	6	10
Monex Europe Limited		4	
Monex Operadora de Fondos	Corporative Services	29	74
Monex SAB		45	
Arrendadora Monex	Leasing Services	24	24

Management considers that the operations entered into with related parties were determined considering the prices and amounts of the consideration that would have been used with or between independent parties in comparable operations.



19. Labor benefits

Under Mexican Labor Law, the Institution is liable for pensions, severance payments and seniority premiums to employees terminated under certain circumstances.

Each year, the Institution records the net periodic cost for defined benefits (PNBD) to create an obligation from seniority premiums, pensions and severance payments as it accrues based on actuarial calculations prepared by independent actuaries, which are based on the projected unit credit method and the parameters established by the Commission. Therefore, the liability is being accrued which at present value will cover the obligation from benefits projected to the estimated retirement date of the Institution employees.

As of December 31, 2021, 2020 and 2019, balances and activity reflected in labor benefits, which include, seniority premiums, pensions and severance payments, were as follows:

	2021	2020	2019
Defined benefit obligation	\$ 564	\$ 538	\$ 470
Plan assets at fair value	<u>(105)</u>	<u>(152)</u>	<u>(163)</u>
Underfunded liabilities	459	386	307
Pending amortization items:			
Prior service cost	-	-	(27)
Unrecognized actuarial gain or loss and prior service cost	<u>-</u>	<u>-</u>	<u>(2)</u>
Defined benefit liabilities (net)	<u>\$ 459</u>	<u>\$ 386</u>	<u>\$ 278</u>

As of December 31, 2021, 2020 and 2019, the defined benefit liabilities (net) for severance payments at the end of the employment relationship for reasons other than restructuring are \$116, \$97 and \$94, respectively.

The cost of defined benefits is comprised as follows, according to the concepts that current NIF D-3 requires to disclose:

	2021	2020	2019
Service cost for the year	\$ 53	\$ 32	\$ 30
Interest net related to NDBL	29	25	23
Recycling of remeasurement of NDBL	-	-	-
Recycling of remeasurement	13	13	2
Recycling of unrecognized gains or losses	<u>-</u>	<u>-</u>	<u>1</u>
Net cost	95	70	56
Change in accounting allowance	-	-	-
NDBL remeasurement recorded in comprehensive income	30	27	49
Gradual recognition in retained earnings	<u>-</u>	<u>27</u>	<u>27</u>
Defined benefits cost	<u>\$ 125</u>	<u>\$ 124</u>	<u>\$ 132</u>

The economic assumptions used by the Institution were as follows:

	2021	2020	2019
Discount rate	8.91%	7.75%	8.37%
Expected return rate on assets	8.91%	7.75%	8.37%
Rate of wage increases	5.00%	5.00%	5.00%



The changes in the liability net related to defined benefits were as follows:

	2021	2020	2019
Opening balance (face value)	\$ 386	\$ 278	\$ 193
Payment of benefits and fund contributions	(52)	(16)	(47)
Net cost of the period and earnings and losses recognition	<u>125</u>	<u>124</u>	<u>132</u>
Defined benefit liability (net)	<u>\$ 459</u>	<u>\$ 386</u>	<u>\$ 278</u>

As of December 31, 2021, 2020 and 2019, the fair value of the assets and their investment structure are comprised as follows:

	2021		2020		2019	
	Amount	%	Amount	%	Amount	%
Capital market	\$ 12	11%	\$ 37	24%	\$ 47	29%
Money market	69	66%	70	46%	105	64%
Repurchase market	<u>24</u>	23%	<u>45</u>	30%	<u>11</u>	7%
Total	<u>\$ 105</u>		<u>\$ 152</u>		<u>\$ 163</u>	

As of December 31, 2021, 2020 and 2019, there is no fund created for severance payments at the end of the employment relationship for reasons other than restructuring.

Changes in the present value of the defined benefits obligation:

	2021	2020	2019
Present value of the defined benefits obligation as of January 1,	\$ 538	\$ 470	\$ 400
Actual payment of benefits during the year	(105)	(39)	(52)
Actuarial gain (loss) in defined benefit obligation	37	36	55
Cost of the year	<u>94</u>	<u>71</u>	<u>67</u>
Present value of the defined benefits obligation as of December 31,	<u>\$ 564</u>	<u>\$ 538</u>	<u>\$ 470</u>

The main items giving rise to a deferred PTU asset (liability) are:

	2021	2020	2019
Deferred PTU asset:			
Provisions	\$ 7	\$ 7	\$ 5
Labor benefits	21	17	19
Gain on derivative financial instrument transaction	20	74	53
Allowance for loan losses	<u>149</u>	<u>144</u>	<u>82</u>
Total	197	242	159
Deferred PTU liability:			
Advance payments	<u>(9)</u>	<u>(8)</u>	<u>(5)</u>
Total	<u>(9)</u>	<u>(8)</u>	<u>(5)</u>
Total deferred PTU asset	<u>\$ 188</u>	<u>\$ 234</u>	<u>\$ 154</u>

The deferred PTU recorded in the results of the year amounted to \$46, \$(80) and \$(53) in 2021, 2020 and 2019, respectively.



20. Obligations arising from settlements of transactions

As of December 31, 2021, 2020 and 2019, obligations arising from settlement of transactions are as follows:

	2021	2020	2019
Payables from operations by foreign exchange from 24 to 96 hours	\$ 49,611	\$ 35,215	\$ 37,719
Payables for settlement of derivative market transactions	19	-	-
Payables for settlement of transactions of money markets	<u>24</u>	<u>191</u>	<u>680</u>
Total	<u>\$ 49,654</u>	<u>\$ 35,406</u>	<u>\$ 38,399</u>

21. Sundry creditors and other payables

As of December 31, 2021, 2020 and 2019, sundry creditors and other payables were as follows:

	2021	2020	2019
Employee retirement obligation provision	\$ 564	\$ 538	\$ 441
Investments for pension funds and seniority premium (net)	<u>(105)</u>	<u>(152)</u>	<u>(163)</u>
	459	386	278
Suppliers	16	7	39
Payables from operations (1)	716	380	306
Intercompany payables	1	2	1
Commissions, bounds and other gratifications	406	327	232
Contingent liabilities	86	88	73
Various taxes and social security contribution	33	33	30
Withholding tax	79	79	85
Reclassification of creditor bank balances	-	-	(19)
Other sundry creditors	<u>29</u>	<u>22</u>	<u>19</u>
	<u>\$ 1,825</u>	<u>\$ 1,324</u>	<u>\$ 1,044</u>

- (1) Based on the internal accounting policy for the cancellation of unidentified customer deposits, whose aging equals or exceeds three years as of the deposit date, as of December 31, 2021, 2020 and 2019 recorded in "Other income" an amount of \$29, \$28 and \$63, respectively.

22. Income taxes

The Institution is subject to ISR. In accordance with ISR Law as of December 31, 2021, 2020 and 2019, the rate was at 30% and will continue at the same percentage thereafter.

Reconciliation of the accounting tax result - The main items affecting the determination of the Institution's tax result were: the annual adjustment for inflation, provisions, the difference between accounting and tax depreciation and amortization, the allowance for loan losses, provisions created for the expenses of prior years that were settled during the current year and the valuation of the financial derivatives instruments.



Tax loss carryforwards - As of December 31, 2021, the Institution does not have ISR tax loss carryforwards.

Deferred taxes and PTU - As of December 31, 2021, 2020 and 2019, Individual deferred taxes were \$882, \$1,188 and \$802, respectively.

As of December 31, 2021, 2020 and 2019, the individual deferred taxes of the Institution are comprised as follows:

	2021	2020	2019
Deferred ISR asset:			
Provisions	\$ 21	\$ 21	\$ 14
Labor obligations	64	51	58
Allowance for loan losses	447	432	246
Financial instruments valuation	60	222	157
Others	<u>130</u>	<u>251</u>	<u>187</u>
Total deferred ISR asset	722	977	662
Deferred ISR (liability):			
Prepaid expenses	<u>(28)</u>	<u>(23)</u>	<u>(14)</u>
Total deferred ISR liability	(28)	(23)	(14)
Deferred PTU asset	<u>188</u>	<u>234</u>	<u>154</u>
Net deferred taxes and PTU	<u>\$ 882</u>	<u>\$ 1,188</u>	<u>\$ 802</u>

Management does not record a reserve on deferred tax (asset), since it considers a high probability that it can be recovered in accordance with its financial and tax projections.

The deferred tax is recorded in the statements of income or in the shareholders' equity in accordance with the item that gives origin to it.

The reconciliation of the legal ISR and the effective rate of the main entities of the Institution, expressed as a percentage of income before ISR are:

	2021	2020	2019
Legal rate	30%	30%	30%
Valuation of investment securities		(1%)	(3%)
Annual adjustment for inflation	(12%)	(4%)	(3%)
Non-deductible expenses		-	-
Others	<u>3%</u>	<u>2%</u>	<u>3%</u>
Effective tax rate	<u>21%</u>	<u>27%</u>	<u>27%</u>

Other tax issues:

As of December 31, 2021, 2020 and 2019, the Institution, as individual entity, has the following balances for other tax issues:

	2021	2020	2019
Contributed capital account	<u>\$ 4,075</u>	<u>\$ 3,796</u>	<u>\$ 3,680</u>
Net tax income account	<u>\$ 7,808</u>	<u>\$ 7,083</u>	<u>\$ 5,614</u>



23. Stockholders' equity

As of December 31, 2021, 2020 and 2019, capital stock, at par value, was as follows:

	Number of shares			Amount		
	2021	2020	2019	2021	2020	2019
Fixed capital - Series "O" Shares	<u>3,240,473</u>	<u>3,240,473</u>	<u>3,240,473</u>	<u>\$ 3,241</u>	<u>\$ 3,241</u>	<u>\$ 3,241</u>

In the Stockholders' Ordinary General Meeting held on April 30, 2021, the transfer of net result for the year 2020 to "Retained earnings" for an amount of \$998 was approved. Likewise, the legal reserve was increased by \$100, in accordance with article 99-A issued by the Law of Credit Institutions.

In the Stockholders' Ordinary General Meeting held on April 30, 2020, the transfer of net result for the year 2019 to "Retained earnings" for an amount of \$1,079 was approved. Likewise, the legal reserve was increased by \$108, in accordance with article 99-A issued by the Law of Credit Institutions.

In the Stockholders' Ordinary General Meeting held on December 30, 2020, dividends were decreed by an amount of \$200 which decreased from the account called "Retained earnings" originated from previous years before 2019 years following the recommendation of the Commission.

In the Stockholders' Annual Ordinary General Meeting held on April 24, 2019, the transfer of the net income of 2018 financial year was approved for \$854 to the "Retained earnings" account. It was decided to increase the capital reserve fund referred in section 99-A of the Law for an amount of \$86.

In the Stockholders' Ordinary General Meeting held on October 18, 2019, a dividend distribution of \$120 was declared and charged to "Retained earnings"

Foreign entities that exercise the function of authority may not participate under any circumstance in the capital of the Institution, as well as Mexican financial institutions, even if they form part of the Institution, except when they act as institutional investors, within the terms of Article 13 of the Law of Credit Institutions.

In cases where dividends are distributed prior to paying the taxes applicable to the Institution, such tax must be paid when the dividend is distributed; therefore, the Institution must keep track of profits subject to each rate.

Capital reductions will incur in taxes on the excess of the amount distributed against the capital tax value, as set forth in the Income Tax Law.

The Institution requires the creation of a legal reserve equal to 10% of net profits of each year, should be separated and transferred to a capital reserve, until it equals the amount of the share capital paid. While these entities exist, this reserve can only be distributed to stockholders as share dividends.

According to the Income Tax Law, dividends paid from residents in Mexico and to nonresident shareholders may be subject to an additional tax of up to 10%, which will be withheld by the Institution. Nonresidents may apply treatments to avoid double taxation.

24. Capital ratio (latest information submitted to the Central Bank) (Unaudited)

As of December 31, 2021, 2020 and 2019, in accordance with the capital requirements in effect applicable to full service banks, the Institution presents the following capitalization ratio, which exceeds the minimum level required by the authorities:

	2021	2020	2019
Net capital / required capital	2.11%	1.84%	1.89%
Basic capital / assets subject to credit, market and operational risk	16.88%	14.76%	15.10%
Net capital / assets subject to credit risk	27.60%	21.33%	20.18%
Net capital / assets subject to credit, market and operational risk	16.88%	14.76%	15.10%



The capitalization ratio of the Institution was updated and submitted to the Central Bank on January 21, 2021.

As of December 31, 2021, 2020 and 2019, the net capital used to calculate the capital ratio is as follows:

	2021	2020	2019
Basic capital:			
Stockholders' equity disregarding convertible securities and subordinate debt	\$ 8,889	\$ 7,163	\$ 6,852
Less:			
Organization costs and other intangible	(449)	(447)	(449)
Investment in shares of entities	(67)	(59)	(58)
	(516)	(506)	(507)
Complementary capital:			
Complementary preventive allowance	187	234	153
Total net capital	<u>\$ 8,560</u>	<u>\$ 6,891</u>	<u>\$ 6,498</u>

	2021		2020		2019	
	Equivalent amount position	Capital requirement (8%)	Equivalent amount position	Capital requirement (8%)	Equivalent amount position	Capital requirement (8%)
Market risk:						
Transactions with nominal rate and above par rate in Mexican pesos	\$ 4,023	\$ 322	\$ 4,040	\$ 324	\$ 1,569	\$ 125
Transactions with real rate	728	58	958	77	1,135	91
Transactions with nominal rate in foreign currency	2,080	166	606	48	390	31
Transactions with shares and related to shares	13	1	12	1	13	1
Foreign exchange transactions	689	55	253	20	358	29
Transactions in UDIS relating to INPC	22	2	12	1	14	1
For impact Gamma	-	-	3	-	1	-
Subtotal	7,555	604	5,884	471	3,480	278
Credit risk:						
Loan creditors	22,144	1,772	20,627	1,652	23,255	1,860
From repurchase and derivatives counterparties	1,125	90	2,047	164	1,014	81
From issuers of debt securities in position	3,100	248	4,353	348	3,796	304
From long-term investment in shares and other assets	1,846	148	1,856	148	1,512	121
From guarantees and credit lines and securitization	757	60	689	55	837	67
From collateral issuers and persons received	-	-	-	-	11	1
Transactions with related parties	1,643	131	1,769	141	1,323	106
Due to the credit risk of the counterparty in case of non-compliance with the free delivery mechanisms	23	2	75	6	41	3
Adjustment for credit valuation in derivative transactions	378	30	891	71	394	32
Subtotal	31,016	2,481	32,307	2,585	32,183	2,575
Operational risk						
Total assets at risk	12,145	972	8,491	679	7,339	587
Total assets at risk	<u>\$ 50,716</u>	<u>\$ 4,057</u>	<u>\$ 46,682</u>	<u>\$ 3,735</u>	<u>\$ 43,002</u>	<u>\$ 3,440</u>



As of December 31, 2021, 2020 and 2019, weighted positions by market risk are as follows:

	2021		2020		2019	
	Weighted assets by risk	Capital requirement	Weighted assets by risk	Capital requirement	Weighted assets by risk	Capital requirement
Market risk	\$ 7,555	\$ 604	\$ 5,884	\$ 471	\$ 3,480	\$ 278
Credit risk	31,016	2,481	32,307	2,585	32,183	2,575
Operational risk	12,145	972	8,491	679	7,339	587
	<u>\$ 50,716</u>	<u>\$ 4,057</u>	<u>\$ 46,682</u>	<u>\$ 3,735</u>	<u>\$ 43,002</u>	<u>\$ 3,440</u>

See the web page www.monex.com.mx for more related information.

Impact in the change of rates from LIBOR to SOFR

Background:

As for the coverage relationships that are under the scope of this INIF, the Institution must disclose:

- a. How the Institution is managing the transition process to new interest rates of reference;

For the migration of Libor to SOFR (Secured Overnight Financing Rate hereinafter "SOFR") considering the trading positions, together between risks, FO ("FrontOffice") and IT ("Information Technologies or Systems") was implemented in the production environment where the effect on the result and sensitivities of using Libor and SOFR is compared daily, based on the discounting switch and we are ready for when the Libor process (London InterBank Offered Rate) cessation comes into force.

In fact, IRS ("Interest Rate Swap") and futures operations associated with SOFR are already being carried out, obtaining the valuation, the result and the sensitivities.

- b. A description of the main assumptions and judgments made by the entity by applying what is stated in this interpretation (such as assumptions and judgments about when the uncertainty arising from changes in reference interest rates will cease to exist);

Since we do not have coverage relationships associated with Libor it was not necessary to make any assumption. Later when we migrate to funding TIIE we will review the coverage scheme.

- c. About the reference interest rates involved in the main hedging relationships of the Financial Group;

Later in the Financial Group, for the Libor rate, the change from TIIE to funding ITIE will be considered.

- d. The amount of risk exposure that the entity manages that is directly affected by changes in reference interest rates;



The amount exposed to this change is presented in the following table (not audited):

	LIVE_QTY_SIGNED		VALUATION		Delta	
	LIBOR	OIS	LIBOR	OIS	LIBOR	OIS
CF	8,213	8,213	10	10		
CS	3,659	3,659	(15)	(17)	(7)	(7)
FUT			(66)	(66)	215	215
FXD	118	118	(116)	(116)	118	118
IRS	79,350	79,350	(75)	(75)		
OPT	(48)	(48)	27	27	14	14

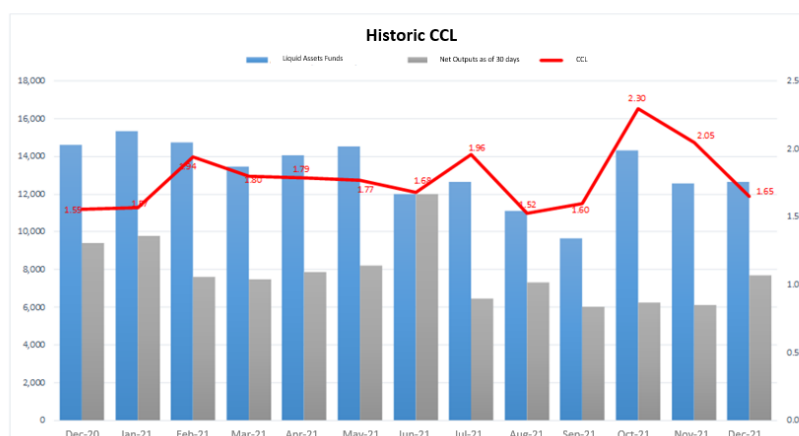
Impact of CVA on MTM

Based on the development and implementation of Murex's PFE/CVA module for clients and financial counterparties, UAIR is conducting the evaluation of the impact of the CVA component on the MTM of the Institution derivatives positions, both with clients and with financial counterparties.

With and without facility from ICAP and CCL (Liquidity Coverage Ratio) - Banking Liquidity Regulation Committee:

- With facility the ICAP was 16.884%.
- Without facility the ICAP would have been 16.664%.

EVOLUTION FROM THE CCL



Date	CCL C/Facility	CCL S/Facility
01/12/2021	2.77	2.37
02/12/2021	2.38	2.20
03/12/2021	1.84	1.64
06/12/2021	2.71	2.33
07/12/2021	2.13	1.87
08/12/2021	1.64	1.50
09/12/2021	1.75	1.59
10/12/2021	2.26	1.95
13/12/2021	2.42	2.06
14/12/2021	2.11	1.83
15/12/2021	2.08	1.81
16/12/2021	2.37	2.20
17/12/2021	2.30	1.98
20/12/2021	1.99	1.72
21/12/2021	1.78	1.56
22/12/2021	2.29	2.12
23/12/2021	1.60	1.43
24/12/2021	1.50	1.34
27/12/2021	1.79	1.58
28/12/2021	2.01	1.72
29/12/2021	1.89	1.64
30/12/2021	1.64	1.47
31/12/2021	1.65	1.44

Note: The CCL of december already has updated accounting information and is subject to validation by Banxico. Left axis in a billion of Pesos and right axis in number

- Effects of facilities published by the Commission:

- The facilities only affected the Institution.
- The facility was that the credits granted from September 24 weigh a factor less than 100%.
- The effect on ICAP is presented in the note which presents the impact on ICAP (on the part of weighters risk credit to the provisions as of September 24).



25. Bank Ratings

As of December 31, 2021, the Institution has the following ratings:

	Fitch Ratings	HR Ratings
National level-		
Short-term	B (mex)	HR1
Long-term	BB+ (mex)	HRAA-
Financial strength / Perspective	Stable	Stable
Release date	December 14, 2021	October 22, 2021

26. Contingencies and commitments

- a) **Lawsuits** - Over the normal course of business, the Institution has been involved in certain lawsuits which are not expected to significantly affect their financial position or future results of operations. Reserves have been recognized for those matters representing probable losses. As of December 31, 2021, 2020 and 2019, the Institution has contingency reserves of \$86, \$88 and \$43, which are included in "Sundry creditors and other accounts payable". The Institution's management considers the reserve is reasonable, in accordance with its internal and external legal counsel opinion.
- b) **Administered loan portfolio** - As discussed in Note 9, the portfolio administered by the Institution derived from the sales made and equity held under the outline agreement executed with Exim-Bank and amounts to \$10, \$5 and \$11 as of December 31, 2021, 2020 and 2019, respectively. In relation to this loan portfolio, the Institution has committed to assume all credit risks in the event of noncompliance with the terms agreed with Exim-Bank regarding the documentation of each loan. However, management considers that the possibility of a refund to Exim-Bank is unlikely.
- c) **Commitment** - As of December 31, 2021, 2020 and 2019 the Institution has service contracts (to receive), related to its operation, for 3.5%, 3.4% and 3.2%, respectively, of expenses, which are part of the Institution's current expense.

27. Memorandum accounts

Memorandum accounts are not included in the balance sheets and only the memorandum accounts in which transactions directly related to the balance sheets were reviewed by external auditors, such as collateral received in guarantee by the Institution, loan commitments, collateral received and sold or delivered in guarantee and accrued interest not collected of non-performing portfolio. In addition to the memorandum accounts mentioned above, the Institution also has the following:

a. **Trust mandate transactions (unaudited) -**

As of December 31, 2021, 2020 and 2019, the Institution administered the following trusts and mandates:

	2021	2020	2019
Trust under-			
Administration	\$ 180,041	\$ 174,883	\$ 146,336
Guarantee	12,295	5,565	5,223
Investment	<u>11,683</u>	<u>108</u>	<u>1,635</u>
Total transactions under trust or mandate	<u>\$ 204,019</u>	<u>\$ 180,556</u>	<u>\$ 153,194</u>



As of December 31, 2021, 2020 and 2019, the income from the administration of such assets was \$182, \$166 and \$147, respectively.

b. **Other record accounts (unaudited) -**

As of December 31, 2021, 2020 and 2019, other record accounts were \$407,075, \$238,914 and \$353,899, respectively.

28. Financial margin

As of December 31, 2021, 2020 and 2019, the financial margin was as follows:

	2021	2020	2019
Interest income:			
Investment securities, debt and repurchase agreements	\$ 3,799	\$ 3,381	\$ 2,518
Bank loans and other loans		1	-
Deposits with financial institutions	316	253	519
Loan portfolio			
Commercial portfolio	1,460	1,702	2,080
Housing portfolio	215	59	50
Others	266	226	237
	<u>6,056</u>	<u>5,622</u>	<u>5,404</u>
Interest expenses:			
Interest from repurchase agreements	(3,849)	(2,330)	(1,835)
Interest on bank loans and other loans	(33)	(70)	(97)
Demand deposits	(8)	(61)	(96)
Time deposits	(540)	(1,014)	(1,839)
Others	-	(1)	-
	<u>(4,430)</u>	<u>(3,476)</u>	<u>(3,867)</u>
Total	<u>\$ 1,626</u>	<u>\$ 2,146</u>	<u>\$ 1,537</u>

29. Gains/losses on financial assets and liabilities

For the years ended December 31, 2021, 2020 and 2019, the gains/losses on financial assets and liabilities are as follows:

	2021	2020	2019
Foreign exchange result:			
Valuation	\$ (214)	\$ (54)	\$ 34
Realized gains or losses	<u>3,164</u>	<u>3,390</u>	<u>2,890</u>
	<u>2,950</u>	<u>3,336</u>	<u>2,924</u>
Derivatives result:			
Valuation	451	(181)	(251)
Realized gains or losses	<u>118</u>	<u>800</u>	<u>654</u>
	<u>569</u>	<u>619</u>	<u>403</u>
Trading securities result:			
Valuation	86	12	51
Realized gains or losses	<u>632</u>	<u>162</u>	<u>545</u>
	<u>718</u>	<u>174</u>	<u>596</u>
Total	<u>\$ 4,237</u>	<u>\$ 4,129</u>	<u>\$ 3,923</u>

During 2021 and 2020, no valuation reclassifications were reported. During 2019 the Institution reclassified a valuation equivalent to \$78, from the comprehensive income to results of the year, corresponding to a Hedging Valuation at Fair.



30. Segment information

As of December 31, 2021, 2020 and 2019, the Institution identified operating segments within its different business activities, considering each as part of its internal structure and with its own risks and performance opportunities. These segments are regularly reviewed in order to assign appropriate monetary resources for their operation and evaluate their performance.

2021	Foreign exchange	Banking products	Derivative	Loans and deposits	Trust services	Others	Total
Interest income	\$ -	\$ 3,503	\$ 14	\$ 1,797	\$ -	\$ 742	\$ 6,056
Interest expense	-	(3,709)	(269)	(278)	-	(174)	(4,430)
Allowance for loan losses	-	-	-	(235)	-	-	(235)
Commission and fee income	67	9	-	55	182	41	354
Commission and fee expense	(20)	-	(15)	(91)	-	(123)	(249)
Gains/losses on financial assets and liabilities	3,203	717	576	-	-	(259)	4,237
Administrative and promotional expenses	(2,376)	(380)	(224)	(931)	(130)	(508)	(4,549)
Other operating (expenses) income	-	-	-	27	(5)	471	493
Current income taxes	(51)	(8)	(5)	(20)	(3)	(12)	(99)
Deferred income taxes	(129)	(21)	(12)	(50)	(7)	(28)	(247)
Total general	<u>\$ 694</u>	<u>\$ 111</u>	<u>\$ 65</u>	<u>\$ 274</u>	<u>\$ 37</u>	<u>\$ 150</u>	<u>\$ 1,331</u>
2020	Foreign exchange	Banking products	Derivative	Loans and deposits	Trust services	Others	Total
Interest income	\$ -	\$ 3,182	\$ 33	\$ 1,825	\$ -	\$ 582	\$ 5,622
Interest expense	(1)	(2,241)	(252)	(828)	-	(154)	(3,476)
Allowance for loan losses	-	-	-	(911)	-	-	(911)
Commission and fee income	67	5	-	53	166	34	325
Commission and fee expense	(16)	(1)	(21)	(31)	-	(111)	(180)
Gains/losses on financial assets and liabilities	3,336	127	625	-	-	41	4,129
Administrative and promotional expenses	(2,560)	(811)	(291)	(99)	(121)	(326)	(4,208)
Other operating (expenses) income	-	-	-	23	(5)	40	58
Current income taxes	(390)	(124)	(44)	(15)	(18)	(50)	(641)
Deferred income taxes	171	54	19	7	8	21	280
Total general	<u>\$ 607</u>	<u>\$ 191</u>	<u>\$ 69</u>	<u>\$ 24</u>	<u>\$ 30</u>	<u>\$ 77</u>	<u>\$ 998</u>
2019	Foreign exchange	Banking products	Derivative	Loans and deposits	Trust services	Others	Total
Interest income	\$ -	\$ 2,364	\$ 13	\$ 2,183	\$ -	\$ 844	\$ 5,404
Interest expense	(1)	(1,637)	(368)	(1,567)	-	(294)	(3,867)
Allowance for loan losses	-	-	-	(281)	-	-	(281)
Commission and fee income	76	2	-	77	147	25	327
Commission and fee expense	(16)	(1)	(29)	(51)	-	(107)	(204)
Gains/losses on financial assets and liabilities	2,922	594	401	-	-	6	3,923
Administrative and promotional expenses	(2,151)	(954)	(12)	(292)	(92)	(357)	(3,858)
Other operating (expenses) income	-	-	-	44	(19)	18	43
Current income taxes	(340)	(151)	(2)	(46)	(15)	(56)	(610)
Deferred income taxes	113	50	1	15	5	18	202
Total general	<u>\$ 603</u>	<u>\$ 267</u>	<u>\$ 4</u>	<u>\$ 82</u>	<u>\$ 26</u>	<u>\$ 97</u>	<u>\$ 1,079</u>



31. Comprehensive risk management (unaudited)

Applicable standards-

This disclosure is supplemental to the obligation to disclose information on adopted risk management policies, procedures and methodologies, together with the information on potential losses by risk and market type. Management has policies and procedures manuals which follow the guidelines established by the Commission and Central Bank to prevent and control the risks exposure the Institution is incurs based on the transactions performed.

The assessment of policies, procedures, functionality of risk measurement models and systems, the compliance with risk management procedures and assumptions, parameters and methodologies used by risk analysis information systems is carried out by an independent expert, as required by the Commission.

This assessment is presented in “Prudential risk management provision” and “Review of risk measurement valuation and procedures model” reports, which are presented to the Board of Directors, Risk Committee and General Management.

a. *Environment -*

The Institution identifies, manages, supervises, controls, discloses and provides information on risks through its Comprehensive Risk Management Unit (UAIR) and the Risk Committee, analyzing the information received from business units.

To enable it to measure and evaluate the risks resulting from its financial transactions, the Institution has technological tools to calculate the Value at Risk (VaR), also performing supplemental sensitivity analysis and stress testing. In addition, the Institution has developed a plan allowing operations continuity in case of disaster.

The UAIR distributes daily risk reports and monthly presents risk information to the Risk Committee and Audit Committee. Also presents quarterly risk reports to the Board of Directors.

b. *Risk management entities -*

The Board of Directors is responsible for establishing risk management policies. However, according to established policies, it delegates responsibilities for implementing risk identification, measurement, supervision, control, information and disclosure procedures to the Risk Committee (RC) and General Management.

The policies approved by the Board of Directors are documented in the Comprehensive Risk Management Manual (MAIR), which includes risk management objectives, goals, procedures and maximum risk exposure tolerances.

The RC holds monthly meetings and ensures that transactions reflect the operating and control objectives, policies and procedures approved by the Board of Directors. Also, the RC delegates responsibility for providing comprehensive risk monitoring and follow-up to the UAIR.

In urgent cases and depending on market conditions or the specific needs of different business units, the RC holds extraordinary meetings to determine the increase of established limits or temporary limit excesses.

The Risk Lines Committee holds weekly meetings to evaluate the risk lines used for foreign exchange transactions.



c. **Market risk -**

The Institution evaluates and provides follow-up on all positions subject to market risks based on Value at Risk models which measure the potential loss of a position or portfolio associated with risk factor movements with a 99% reliance level and a one-day horizon.

The UAIR also prepares a GAP analysis among rates used for assets and liabilities denominated in Mexican pesos and foreign currency. The GAP analysis is represented by assets and liabilities with rates at different moments in time, while considering the characteristics of the respective rates and time frame.

d. **Liquidity risk -**

The UAIR calculates daily liquidity GAP (time at which interest or principal is received) based on the cash flows from total financial assets and liabilities of the Institution.

The Institution quantifies its liquidity risk exposure by preparing cash flow projections which consider all assets and liabilities denominated in Mexican pesos and foreign currency, with the respective maturity dates.

The SHCP of the Institution is responsible for ensuring the conservation of a prudent liquidity level in relation to the Institution's needs. In order to reduce its risk level, the Institution keeps call money lines open in U.S. dollars and Mexican pesos with different financial institutions.

Daily, the SHCP monitors the liquidity requirement for foreign currency provisions in Circular 3/2016 of the Central Bank.

e. **Credit risk -**

The Institution's credit risk is managed in each phase of the credit process: promotion, evaluation, approval, implementation, follow-up, control and recovery.

This risk management is carried out by identifying, measuring, supervising and informing the different corporate bodies and business units of the risks that the credit portfolios and the individual credits are exposed.

Individual risks are managed by means of expert analysis, and by classifying the portfolio of each borrower and each credit.

For credit portfolios the risk is managed through the establishment and follow-up of criteria such as: concentration limits, financing limits, indicators of portfolio quality, analysis of the evolution of risk indicators and trends.

Furthermore, there is a follow-up methodology in place for the entire portfolio, in which policies and parameters are applied to classify the risk level of the borrowers, also, is established criteria to manage borrowers considered as high risk.

The Recovery Unit plays an active role in the process of risk management and portfolio follow-up, with the aim of minimizing the risks for the Institution.

Furthermore, the Institution makes the classification of each customer using the methodology established by the Commission, which considers aspects related to financial risk, payment experience and collateral.

As established in the Provisions, the Institution established a maximum credit risk exposure limit equal to 40% of basic capital for an individual entity or group of entities constituting a common risk.



f. **Operating risk -**

The Comprehensive Risk Management Manual (MAIR) and Operating Risk Management Manual (MARO) establish policies and procedures for monitoring and control of operating risks. Procedures to follow up operational risk and inform periodically to UAIR, RC and the Board of Directors were established.

The Institution has implemented risks and control matrices to get a qualitative qualification of the impact and frequency of the risks.

Through the classification of Risks, catalogues of risks are being integrated to determinate possible losses if an operational risk identified occurred and the future operational risks.

Risk frequency and impact classifications have been utilized to create risk maps for the different processes implemented by the Institution; these risk maps indicate the tolerance levels applicable to each risk.

Scale	Level
1	Low
2	Medium
3	High

- The maximum tolerance level utilized by the Institution is 3.
- Accordingly, each identified operating risk must be classified at levels 1 and 2 (Low - Medium) of the scale.

General Director of the Institution, CR and the areas involved must be informed immediately, if some of the identified operational risks exceed the tolerance levels.

These levels indicate the possible economic loss that could be suffered by the Institution if a given risk materializes.

The Institution has built an historic database with the information of the losses incurred by operational risks. Thus, they will be able to generate quantitative indicators to monitoring the operational risk in the operations.

g. **Legal risk -**

The Institution has established policies and procedures in the MARO and implements the same process for legal risks as the used for operating risks.

h. **Technological risk -**

The Institution has policies and procedures for systems operation and development.

Regarding technological risks, the Institution has policies and procedures contained in MARO and implements the same process as the used for operational and legal risks.

i. **Quantitative information (unaudited)**

a) **Market risk -**

As of December 31, 2021, 2020 and 2019, the VaR was \$15.47, \$12 and \$8, respectively (unaudited) with a 99% reliance for one day. This value represents the maximum loss expected during one day and is situated within the limits established by the Institution.



As of December 31, 2021, 2020 and 2019, portfolio concentration by segment was as follows (unaudited):

	2021	2020	2019
Farming	\$ 283	\$ 455	\$ 409
Foods	1,215	1,076	935
Automotive	1,634	1,046	1,377
Commerce	1,550	2,106	2,013
Housing construction	941	1,052	1,018
Specialized construction	1,018	468	1,916
Energy	878	987	1,088
Pharmacist	425	588	346
Financial	3,579	2,973	2,803
Government	2,114	1,412	4
Hospitality / Restaurants (tourism)	1,646	1,628	1,230
Chemistry Industry	200	135	149
Real state	3,910	3,881	2,801
Manufacturing (manufacture of plastic)	61	120	238
Manufacturing (manufacture of electrical and electronic)	113	13	28
Manufacturing (manufacture of construction products)	430	456	1,036
Manufacturing (other)	1,846	1,893	2,069
Mining and metals	380	317	771
Natural person	1,828	1,562	523
Suppliers (PEMEX)	49	343	241
Services	2,233	2,129	3,023
Transport and telecommunications	749	563	757
Others	<u>1,036</u>	<u>1,276</u>	<u>127</u>
Total	<u>\$ 28,118</u>	<u>\$ 26,479</u>	<u>\$ 24,902</u>

No special market risk treatment for securities available for sale was identified in this period

Market risk statistics:

	VaR Minimum	VaR Average*	VaR Maximum
Global	14.819	20.817	47.609
Derivatives	4.302	7.862	13.774
Money market	10.143	14.404	38.26
Foreign exchange	2.415	8.038	28.42
Treasury	7.284	6.953	14.055
Exchange	0.0006	0.08	0.807

* The average value refers to the daily exposure of the money market, derivatives and foreign-exchange as of December 31, 2021.



b) **Credit risk -**

Corporate bonds portfolio.

The credit VaR of the corporate bonds portfolio of the Money market as of December 31, 2021 in the Institution was (1.109%) relative to an investment of \$16,509, whereas the credit stress of such portfolio was (2.343%) at the same date. The credit VaR was calculated using the Monte Carlo Simulation method with a confidence level of 99% on a one-year horizon; the stress was obtained by considering the following lower classification of each instrument.

	VaR	Expected loss	Unexpected loss
Maximum	1.16%	0.26%	0.90%
Minimum	1.05%	0.23%	0.81%
Average	1.10%	0.25%	0.85%

Note: The figures presented are expressed in amounts relative to the value of the corporate bonds portfolio, for the daily exposure of December 31, 2021.

Commercial loan portfolio.

Every month the calculation of reserves is made for the commercial loan portfolio, in which the expected loss forms part of the result issued; the methodology applied refers to that established in the Accounting Criteria. This method also assigns the degree of risk for the operations.

Expected loss statistics of commercial loan portfolio.

	Minimum	Maximum	Average
Expected loss	486	532	514
Unexpected loss	133	156	141
VaR	642	665	655

* The expected loss statistics, unexpected loss and VaR refer to the daily exposure of December 31, 2021 for the commercial loan portfolio.

No significant variances were identified in this period in financial revenue or the economic value to report.

c) **Liquidity Risk -**

The Institution evaluates the expiration of the assets and liabilities of the balance sheet in Mexican pesos and foreign currency.

The gap of liquidity in Mexican pesos is as follows (unaudited):

Year	Requirement <= 30 days	Requirement >30 days
2021	\$ (11,028)	\$ 26,574

The gap of liquidity in U.S. dollars is presented as follows (unaudited):

Year	Requirement <= 30 days	Requirement >30 days
2021	\$ (466)	\$ 490



Liquidity risk statistical.

GAP total depreciation*

Statically	<=30	<=90	<=180	<=360	<=720	<=1800	>1800	Total*
Minimum	(19,0663)	9,483	4,716	3,105	4,205	3,940	2,532	11,233
Maximum	(18,4273)	11,745	5,386	4,537	6,437	4,443	6,932	19,301
Average	(18,703)	10,561	5,021	4,047	5,021	4,188	5,375	15,511

GAP maturity total**

Statically	<=30	<=90	<=180	<=360	<=720	<=1800	>1800	Total**
Minimum	(21,422)	3,435	8,896	11,642	7,003	13,496	(20,797)	16,043
Maximum	(20,583)	9,612	14,621	13,247	16,745	20,429	(17,456)	23,905
Average	(20,929)	6,801	12,343	12,391	11,916	16,165	(18,929)	19,758

* Corresponds to the “Total Gap” statistic of the Minimum, Average and Maximum.

** The maturity GAP statistics correspond to the position of the money market, credit, derivatives and foreign exchange portfolios for December 2021.

Liquidity or sensitivity analysis considers the asset and liability positions under an extreme scenario for the evaluation of variations in the economic value and, with respect to financial income, a sensitivity analysis to changes in the interest rate.

Repurchase agreements renewal effect	Amount	Absolute VaR	Effect of Selling to unusual discounts MD	Amount
Actual Cost	(402)	-	Value of securities	85,140
Sensitivity 1	(442)	(40)	Sensitivity 1	(14)
Sensitivity 2	(482)	(80)	Sensitivity 2	(143)
Stress 1	(522)	(121)	Stress 1	(1,406)
Stress 2	(563)	(161)	Stress 2	(2,757)
Sensitivity 1 = 10%, Sensitivity 2 = 20%, Stress 1 = 30%, Stress 2 = 40%.			Sensitivity 1 = 1bp, Sensitivity 2 = 10bp, Stress 1 = 100bp, Stress 2 = 200bp.	
Effect of selling to unusual discounts in treasury	Amount	Interest paid on deposits	Current MTM	MTM variation
Securities' value	29,688	Interest paid (actual)	(4)	-
Sensitivity 1	(7)	Sensitivity 1	(4)	(1)
Sensitivity 2	(74)	Sensitivity 2	(5)	(2)
Stress 1	(723)	Stress 1	(5)	(1)
Stress 2	(1,413)	Stress 2	(7)	(3)
Sensitivity 1 = 1bp, Sensitivity 2 = 10bp, Stress 1 = 100bp, Stress 2 = 200bp.		Sensitivity 1 = 10%, Sensitivity 2 = 20%, Stress 1 = 30%, Stress 2 = 40%.		

a) **Operational Risk**

At the monthly CR sessions, is presented the information on the events related to operational risk in the different business units reported by them. This information indicates the event and date of occurrence.

Controllershship staff prepare a log of these risks used as the basis to start their quantification, which comprise the database of operational risk events.



Type of Operational Risk Materialized Event	4T -2021			
	Frequency	% Total	Average impact	% Total
Execution, delivery and process management	11	11%	0.11	100%
Unmaterialized events	Frequency	% Total	Average impact	% Total
Execution, delivery and process management	12	12%	-	0%
Incidents in the business and system failures, external events	81	78%	-	0%
Customers, products and business practices	-	-	-	0%
Total	104	100%	0.11	100%

b) ***Risk policies applied to derivative financial instruments-***

Market risks of transactions involving derivative financial instruments are limited because customer transactions are hedged through organized markets or inverse transactions with financial intermediaries.

These transactions involve a counterpart risk which is analyzed by the credit risk. Transaction amounts and initial margins are authorized and/or ratified by the Lines Committee.

For OTC derivatives transactions with customers, operating lines based on the analysis of the financial situation of each of the partners are determined. The credit risk covers customers requesting margins depending on the situation presenting.

In addition, customers are subject to margin calls at the end of the day or during the day if they face significant valuation losses in their open positions.

For foreign exchange transactions, credit risk is analyzed through the credit evaluation of the customers. The credit lines proposals are presented to the credit line Committee, which can approve, deny or modify the proposal. Control of this risk is performed by monitoring the use of the lines and the corresponding payment behavior.

c) ***Detection of transactions with illegal resources -***

The Institution has a Communication and Control Committee which monitors compliance with applicable standards, while also notifying the involved areas and respective authorities of any transactions considered as unusual, significant or worrying according to SHCP provisions.

32. New accounting principles

As of December 31, 2021, the CINIF has issued the following NIF and Improvements to the NIF that could have an impact on the financial statements of the Institution.



Improvements to the NIF 2022 that generate accounting changes that enter into force for the years that begin on or after January 1, 2022; its early application for the financial year 2021 is allowed:

NIF B-7, Business acquisitions – Includes transactions performed under common control, including mergers performed for restructuring purposes, in the scope. An “accounting value method” is established for recognizing business acquisitions taking place between entities under common control, except when the acquiring entity has stockholders with a noncontrolling interest whose shareholdings are affected by the acquisition or when the acquiring entity is listed on a stock market.

NIF B-15, Translation of foreign currencies - The amendment indicates that when the recording currency and reporting currency are the same, even though the functional currency is different, these NIF allow the practical expedient of not translating them to the functional currency and presenting the financial statements based on recording information, as long as the financial statements are exclusively intended for the legal and tax purposes of entities that:

- a) Are individual entities without subsidiaries or a holding company, or users that require complete financial statements prepared by considering that;
- b) They are subsidiaries, associated entities or joint ventures without users requiring complete financial statements prepared by considering the effects generated by the translation to the functional currency; e.g., a subsidiary, the immediate holding company of which is located abroad.

NIF D-3, Employee benefits - In those cases in which the entity considers that employee statutory profit-sharing (PTU) will be paid at a rate below the present legal rate because this payment is subject to the limits established by applicable laws, the entity must:

- c) Determine the temporary differences existing at the date of the financial statements for PTU purposes, according to the terms of paragraph 43.3.1;
- d) Determine the PTU rate that is expected to be incurred in the following years based on financial and tax projections or according to the PTU rate generated during the present year;
- e) Apply the PTU rate mentioned in numeral b) to the amount of temporary differences referred to in numeral a).

Disclosures - Amendments have been made to certain standards to eliminate some of the disclosure requirements contained in NIF B-1, *Accounting changes and error corrections*, NIF B-10, *Effects of inflation*, NIF B-17 *Determination of fair value and Property, plant and equipment*.

Improvements to NIF 2022 that do not generate accounting changes, whose fundamental intention is to make the regulatory approach more precise and clear.

Accounting treatment of Investment Units (UDI) - Improvements have been included in NIF B-3, *Statement of comprehensive income*, NIF B-10, *Effects of inflation*, and NIF B-15, *Translation of foreign currencies*, to give broader coverage to the accounting treatment of UDI. For example, NIF B-3 indicates that items such as the exchange rate fluctuations of headings denominated in foreign currency or any other exchange unit such as UDI must be presented within Comprehensive Financing Cost.

Accounts receivable - the wording of the scope of NIF C-3 was adjusted to ensure consistency with its objective, which implies referring to the general concept of accounts receivable as opposed to the specific concept of commercial accounts receivable. The reference to commercial accounts receivable has been eliminated from other NIF.



Impracticability of retrospectively presenting accounting changes, error corrections or reclassifications - adjustments were made to the wording of NIF B-1, *Accounting changes and error corrections*, to avoid duplicating the information already contained in NIF B-1.

Specific NIF involving fair value - NIF B-17 has been updated to include standards involving fair value: NIF B-11, NIF C-3, NIF C-15 and NIF C-22, while also clarifying that certain disclosures are not applicable to assets whose recovery value is the net sales price (fair value less their disposal cost) according to NIF B-11. However, it also specifies that fair value must include the risk whereby an entity fails to satisfy its obligation, while referring to the credit risk definition detailed in NIF C-19, *payable financial instruments*.

New accounting principles issued by the Commission that will take effect as of January 1, 2022

Homologation of Accounting Criteria by the Commission:

In the Daily Official Journal as of December 4, 2021 by an Amendment Resolution, the Commission established that NIF B-17, *Fair Value Determination*, C-3, *Accounts Receivable*, C-9, *Provisions, Contingencies and Commitments*, C-16, *Impairment of Receivable Financial Instruments*, C-19, *Payable Financial Instruments*, C-20, *Financial instruments to collect principal and interest*, D-1, *Revenue from contracts with clients*, D-2, *Costs for contracts with clients* and D-5, *Leases*, issued by the Mexican Financial Reporting Standards Board, A.C. and referred to in paragraph 3 of Criterion A-2 *Application of particular standards* from Appendix 33 which is modified through the present document, shall enter into force on January 1, 2022.

NIF B-17, *Determination of fair value* – Defines fair value as the *initial price that would be received by selling an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date (i.e., a real value based on an initial price)*. The following must be considered in order to determine fair value: a) the particular asset or liability being valued; b) in the case of a nonmonetary asset, the highest and best use of the asset and whether the asset is used in conjunction with other assets or independently; c) the market in which an orderly transaction would take place for the asset or liability; and d) the appropriate technique or techniques used to determine fair value, which must maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

NIF C-3, *Accounts receivable* - The main changes consist of specifying that: a) accounts receivable based on a contract represent a financial instrument; b) the allowance for bad debts related to commercial accounts is recognized when revenue is accrued, based on expected credit losses; c) from the initial recognition, given that the value of money over time must be considered, if the present value effect of the account receivable is material as regards its term, it must be adjusted based on this present value, and d) an analysis of the change between the opening and closing balances of the allowance for bad debts must be presented.

NIF C-9, *Provisions, contingencies and commitments* - The definition of a liability was adjusted, whereby the term “*probable*” replaced “*virtually unavoidable*”. The first-time application of this NIF does not generate accounting changes in the entities’ financial statements.

NIF C-16, *Impairment of receivable financial instruments (RFI)* – Determines when and how expected losses derived from the impairment of RFI must be recognized, which must occur when, after having increased the credit risk, it is concluded that a part of the future cash flows of the RFI will not be recovered. The recognition of the expected loss is proposed based on historical experience as regards credit losses, present conditions and reasonable, sustainable forecasts involving the different quantifiable future events that could affect the amount of the recoverable future cash flows of the RFI. This implies that estimates must be prepared and periodically adjusted according to the experience obtained. Likewise, in the case of RFI that accrue interest, the amount expected to be recovered and the moment when this will occur must be determined as the recoverable amount must be presented at its present value.



NIF C-19, Payable financial instruments - Establishes: a) after their initial recognition, the possibility of valuing certain financial liabilities at fair value when certain exceptional conditions are fulfilled; b) the valuation of long-term liabilities at their present value in their initial recognition, while considering their value over time when their term exceeds one year or lies outside regular credit conditions, and c) when restructuring a liability without substantially modifying the future cash flows required for its settlement, the costs and commissions incurred in this process will affect the liability amount and will be applied based on a modified effective interest rate instead of directly affecting net profit or loss.

NIF C-20, Receivable financial instruments - Specifies the classification of financial instruments contained in the asset based on the business model: a) if generating a profit through a contractual return predetermined in a contract, they are recognized at their amortized cost; b) if they are also utilized to generate a profit based on their purchase-sale, they are recognized according to their fair value. The embedded derivative that modifies the principal and interest cash flows of the host instrument will not be separated because the entire instrument will be valued at fair value, as though a negotiable financial instrument.

NIF D-1, Revenue from contracts with customers - As a Mexican accounting principle did not previously exist as regards the topic of revenue recognition, the main changes involve giving greater consistency to revenue recognition, while eliminating the weaknesses of the previous standard, which was applied on a supplementary basis. The most significant changes consist of establishing a revenue recognition model based on the following steps: a) the transfer of control as the basis for revenue recognition; b) the identification of different obligations to be fulfilled in a contract; c) the allocation of the transaction amount between different obligations to be fulfilled based on independent sales prices; d) the introduction of the concept of a *conditioned account receivable* when fulfilling an obligation and generating an unconditional right to payment, which only requires the passage of time before the settlement of the payment becomes due; e) the recognition of collection rights which, in certain cases, may involve any unconditional right to the payment for having satisfied the obligation to be fulfilled, and f) the valuation of revenue, while considering aspects such as the recognition of material financing components, a payment other than cash and the amount to be paid to a customer.

NIF D-2, Costs of contracts with customers - Separates the standard governing the recognition of costs derived from contracts with customers from the standard related to the recognition of revenues from contracts with customers, while extending the scope to include all the costs related to all types of contracts with customers.

NIF D-5, Leases - The accounting recognition determined for the lessee establishes a single lease recognition model that eliminated the classification of leases as operating or capitalizable. Accordingly, the assets and liabilities of all leases with a duration exceeding 12 months are recognized (unless the underlying asset is of low value). Consequently, the most important effect on the *consolidated statement of financial position* consists of recognizing the right-of-use assets covered by the lease and the financial liabilities resulting from the assets under lease that reflect the obligation to make payments at present value.

The account recognition determined for the lessor remains unchanged and only certain disclosure requirements were added.

The main aspects considered by this NIF are: a) a lease is a contract that transfers the right to use an asset to the lessee for a given period of time in exchange for a payment. Accordingly, at the start of the contract, it must be evaluated whether the right to control the use of an identified asset for a given period of time is obtained; b) the nature of lease-related expenses changed when replacing the operating lease expense according to Bulletin D-5, *Leases*, due to the depreciation or amortization of right-of-use assets (the operating costs), together with an interest expense for lease liabilities in Comprehensive Financing Cost (RIF); c) the presentation in the (*consolidated*) statement of cash flows based on the reduction of cash disbursements for operating activities, together with increased disbursements for financing activities to reflect payments of lease liabilities and interest; d) modified the recognition of the gain or loss when a vendor-lessee transfers an asset to another entity and once again obtains it through a leaseback agreement.



Given the complexity that may arise when determining the discount rate, the Commission has established the possibility of utilizing a risk-free rate discount for future lease payments and recognizing the lease liability of a lessee.

Amendments issued by the Commission in relation to the adoption of these NIF.

Portfolio effective interest rate

On September 23, 2021, a Ruling was published so that, when recognizing the interest accrued by their credit portfolios, Institutions would be able to continue using the contractual interest rate and straight-line method to recognize collected commissions and transaction costs in conformity with the Criterion B-6 in effect until December 31, 2021; i.e., the recognition and disclosure of the effects derived from the initial application of the effective interest method and the effective interest rate as of 2023.

Facilities for recognizing the initial adoption of allowances for loan losses.

Derived from the adoption of the aforementioned NIF, on January 1, 2022, credit institutions may determine the amount of the allowance for loan losses based on the following alternatives:

- I. As of January 31, 2022, recognize within the result of prior years under stockholders' equity the initial accrued financial effect derived from the first-time application of the credit portfolio rating methodology in question, as long as the situation is disclosed in the respective quarterly and annual financial statements of 2022, and in any other publication of financial information containing at least the following:
 - a. The rating methodology used for determining allowance amounts;
 - b. Why the entity opted to recognize the accrued financial effect derived from the first-time application of the Ruling;
 - c. An extensive explanation of the accounting record prepared to recognize this effect;
 - d. The amounts that would have been recorded and presented in both the statement of financial position and the statement of comprehensive income had the entity opted to recognize this effect in the results of the year, and
 - e. A detailed explanation of the headings and amounts for which an accounting effect was recorded. For the purposes of this section, the initial accrued financial effect will be understood as the difference obtained by subtracting the allowances that must be created at that date for the Credit Portfolio according to this instrument by applying the selected methodology in effect as of January 1, 2022, from the allowances determined according to the portfolio balance by using the methodology in effect until December 31, 2021.

Create allowances for all loan losses in a 12-month period as of January 31, 2022. In this regard, credit institutions must create these allowances in a cumulative manner according to the following formula:

$MEFACI_i =$

$MEFACI \times (i/12)$

Where:

MEFACI_i = The amount of the allowances to be recognized in stockholders' equity for the Credit Portfolio of month *i*.

MEFACI = The amount of the allowances to be created for the initial accrued financial effect referred to by section I of this temporary article.

i = 1, ..., 12, where 1 represents the first month elapsed from the implementation referred to by the Ruling (January 1, 2022).



When the amount of the allowances for loan losses to be created for the application of the methodology used as of January 1, 2022 exceeds the balance of the result of prior years heading, the resulting difference must be recognized in the results of the respective year. When the allowances for loan losses created prior to January 1, 2022 exceed 100% of the amount required according to the methodology selected as of that date, credit institutions must release the allowance excess according to the accounting criteria detailed in the article 174 of the Provisions.

Credit institutions must create all their allowances for loan losses according to the Credit Portfolio rating, derived from the use of the methodology applicable as of December 31, 2022.

Presentation of the basic financial statements

As of January 1, 2022, the terms “balance sheet” and “statement of income” are replaced by the “statement of financial position” and “statement of comprehensive income”, respectively. Furthermore, a portfolio with a stage 3 credit risk will be understood in the same way as what was formerly known as the overdue portfolio. Finally, references to the term securities held-to-maturity will be understood as financial instruments for the collection of principal and interest (securities), in conformity with the Accounting Criteria.

The Management of the Institution is in the process of evaluating the financial effects derived from the adoption of the other standards on its financial information.

33. Authorization of the issuance of the financial statements

On March 30, 2022 the issuance of the financial statements was authorized by Moisés Tiktin Nickin, Chief Executive Officer of the Institution, Alfredo Gershberg Figot, Chief Financial and Planning Officer, José Luis Orozco Ruíz, Chief Internal Auditor and José Arturo Álvarez Jiménez, Director of Accounting and Tax and by the Board of Directors, who, in addition to the Commission may modify them.

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