

ANNUAL  
REPORT

2022



**nacional financiera**

## BOARD OF DIRECTORS AND COMMISSIONERS ON DECEMBER 31, 2022

### SERIES "A" ADVISERS

#### HOLDERS

**Rogelio Eduardo Ramírez de la O**  
Secretary of Finance and Public Credit  
and Chair of the Board of Directors

**Gabriel Yorio González**  
Deputy Secretary of Finance and Public Credit

**Raquel Buenrostro Sánchez**  
Secretary of Economy

**Norma Rocío Nahle García**  
Secretary of Energy

**José Luis Negrín Muñoz**  
General Director of Financial System Affairs  
Bank of Mexico

**To be appointed**  
Head of a Federal Public Administration office

#### DEPUTIES

**Erick José Limas Maldonado**  
Head of the Development Banking Unit  
Secretariat of Finance and Public Credit

**María del Carmen Bonilla Rodríguez**  
Head of the Public Credit Unit  
Secretariat of Finance and Public Credit

**Irais Graciela Barreto Canales**  
Head of the Global Economic Intelligence Unit  
Secretariat of Economy

**Sergio Omar Saldaña Zorrilla**  
Person in charge of addressing any affairs  
that concern the Deputy Secretariat of Energy  
Secretariat of Energy

**Héctor Desentis Montalbán**  
Director of Promotion Financial Intermediaries  
Bank of Mexico

**To be appointed**  
Deputy Head of a Federal Public Administration office

### SERIES "B" ADVISERS

#### HOLDERS

**Francisco Alberto Cervantes Díaz**  
President of the Mexican Business  
Coordinating Council (CCE)

**To be appointed**

**To be appointed**

#### DEPUTIES

**To be appointed**

**To be appointed**

**To be appointed**

## SERIES "B" INDEPENDENT ADVISERS

### THERE ARE ONLY INDEPENDENT HOLDER ADVISERS

**María del Carmen Díaz Rey-Cabarcos**  
Independent professional

To be appointed

## COMMISSIONERS

### HOLDERS SERIES "A"

**Sandra Anel Villanueva Leal**  
Delegate and Principal Public Commissioner  
of Finance  
Secretariat of Public Service

### DEPUTIES SERIES "A"

**César Humberto Contreras Martínez**  
Deputy Delegate and Deputy Public Commissioner  
of Finance  
Secretariat of Public Service

### HOLDERS SERIES "B"

**Ignacio Núñez Anta**  
Comptroller and Manager  
of Grupo Financiero Anáhuac

### DEPUTIES SERIES "B"

To be appointed

## BOARD OF DIRECTORS SECRETARY OFFICE

**Perla Liliana de la Peña Amante**  
Secretary of the Board of Directors

**Abraham Octavio García Montaño**  
Deputy Secretary of the Board of Directors



nacional financiera

## OFFICER ATTENDING SESSIONS OF THE BOARD OF DIRECTORS ON DECEMBER 31, 2022

**Luis Antonio Ramírez Pineda**  
General Director (CEO)

**Javier Vázquez Durán**  
Head of the Financial Institutions Unit

**Arturo Gochicoa Acosta**  
Interim Head of the Corporate Banking Unit

**Stine Møller-Hansen Secher**  
Head of the Financial Unit

**Alfredo Montes Díaz**  
Head of the Credit Unit

**Nemesio Manuel Monárrez Macías**  
Head of the Institutional Promotion Unit

**María Guadalupe Muñoz Reséndez**  
Head of the Legal and Fiduciary Unit

**Paulina Moreno García**  
Head of the Administration and Finances Unit

**Miguel Luis Anaya Mora**  
Head of the Strategic Planning Unit

**Ismael Villanueva Zúñiga**  
Head of the Issuances and International Affairs Unit

**Gerardo Antonio Gutiérrez Azcué**  
Head of the Information Technology Unit

**To be appointed**  
Head of the Digital Banking Unit

**Perla Liliana de la Peña Amante**  
Secretary of the Board of Directors

**Abraham Octavio García Montaña**  
Deputy Secretary of the Board of Directors

# CONTENTS

**INSTITUTIONAL MESSAGE** ..... 7

## 01 ECONOMIC ENVIRONMENT

1.1 Global economy ..... 9  
1.2 Mexican economy ..... 11

## 02 PROMOTION

2.1 Promotion Program ..... 12  
2.2 Program of Credit and Guaranties  
for the Private Sector ..... 12  
2.3 Productive Chains Program ..... 12  
2.4 Sector-Based Programs ..... 13  
Regional Development ..... 14  
Financial Inclusion ..... 14  
Transportation Modernization ..... 15  
Sustainable Financing ..... 15  
Reactivación [Reactivation] 21 Program ..... 15  
2.5 Alternative Channels ..... 16  
2.6 Promotion of Sector-Based Programs ..... 16  
2.7 Incorporation and advice  
to Productive Chains ..... 17  
2.8 Management of Electronic Products ..... 17  
2.9 Venture Capital ..... 17  
2.10 Portfolio balance  
of Private Sector credits ..... 18

## 03 INSTITUTIONAL PROMOTION

3.1 Institutional Promotion Network ..... 19  
Sector-Based programs with state  
contributions operating during 2022 ..... 19  
Public Productive Chains with state  
and municipal governments and National  
Ports System Administrations ..... 20  
Contribution to the economic  
development of the country's states  
and regions ..... 21  
Advisory Councils ..... 21  
Promotion Activities ..... 22  
3.2 Business Training and Technical  
Assistance Program ..... 23  
Business Training ..... 23  
Targets and Results ..... 23  
Technical Assistance ..... 24  
Technical Assistance indicators ..... 25

## 04 CORPORATE BANKING

4.1 Structured corporate credits  
and Investment Projects ..... 26  
4.2 Financial advisory services ..... 27  
4.3 Government Banking ..... 27

## 05 INTERNATIONAL

5.1 International Financial  
Institutions (IFI) ..... 28  
5.2 Financial Agent ..... 29  
5.3 IFI financed projects ..... 29  
5.4 International Cooperation ..... 33  
5.5 Debt issuance in capital markets ..... 35

## 06 TREASURY AND MARKETS

6.1 Treasury ..... 36  
Collection ..... 36  
Balance management ..... 36  
Investments ..... 37  
London Branch ..... 37  
6.2 Market analysis and promotion ..... 37  
International financial markets ..... 38  
National financial markets ..... 38  
Money market and Bonds ..... 39  
Exchange rate market ..... 40  
Capital markets ..... 40  
Derivatives market ..... 40  
6.3 Investment funds ..... 41  
6.4 Cetesdirecto ..... 41

## 07 LEGAL AND FIDUCIARY OPERATIONS

7.1 Corporate and Business ..... 42  
7.2 Governmental Regulations ..... 42  
Consultancy and legal advice on  
goods and services procurement ..... 42  
Liaison to the Superior Federal  
Audit Office ..... 42  
Transparency ..... 42  
7.3 Litigation and Credit Law ..... 42  
7.4 Board of Directors Secretary Office ..... 43  
7.5 Fiduciary Services ..... 43

## 08 DIGITAL BANKING

Results 2022	44
--------------	----

## 09 SUPPORT OPERATIONS

9.1 Quality Management and Organizational Culture	46
9.2 Minutes of accountability and handover process of required public servants	46
9.3 Organizational Structure	46
9.4 Human Capital Development	47
9.5 Priority Training Programs	49
9.6 Internal Control	50
Internal Control System	50
Timely attention of Routine Internal Control Agendas	50
Activation of incidents in Routine Control Agendas	50
Updated record of relevant institutional manuals	51
Supervision of compliance with the Provisions on investment services	51
Interbank Electronic Payments System – Regulatory Officer	51
Reinforcement measures implemented in face of COVID-19	51
9.7 Prevention of Transactions with Illegal Proceedings and Fighting against Terrorism Financing	52
Training program on Anti-Money Laundering and Countering the Financing of Terrorism	52
9.8 Internal Audits	52
Audits	52
Participation as normative advisers during the meetings of the decision-making bodies (committees)	53
Monthly review of variations in the Financial Statements of the Institution	53
9.9 Information Technology	53

## 10 FINANCIAL RESULTS

10.1 Evolution of Risk Overdue Portfolio	55
10.2 Overall Balance	55

## 11 INTERNAL CONTROL BODY

11.1 Internal, Development, and Improvement of Public Management Auditing	56
11.2 Claims, Complaints, and Inquiries Area	57
Complaints	57
Citizens' requests	57
Legal counseling	57
Statement of Modification of Financial Condition	57
Investigation procedures against individuals or legal entities for violations of provisions on public procurement	57
11.3 Administrative Responsibilities	58
Administrative responsibility procedures	58
Non-conformities regarding public procurement	58
Conciliation procedures	58
Legal defense and litigation	59
Information Access and Transparency	59
11.4 Status of comments	59

<b>ANNEX A</b>	60
----------------	----

<b>ANNEX B</b>	61
----------------	----

<b>ANNEX C</b>	219
----------------	-----

# INSTITUTIONAL MESSAGE

**N**acional Financiera,<sup>1</sup> as party to the Mexican Development Banking and Financial System, faced major challenges in 2022 due to the downturn and later reactivation of the world's economic activity.

In Mexico, the recovery of the growth rates interrupted during the pandemic has been fortified through important actions to support the sectors and companies affected during that period. Nevertheless, in 2022 many world events set the expectations and results of the Mexican economy. These events include the uncertainty on the length and magnitude of the conflict between Ukraine and Russia; the expectations on the growth of the Chinese economy, and the high inflation rates driven by the instability of energy, food, and raw materials prices, which led many central banks to maintain a restrictive monetary policy, which in turn had a bearing in consumption and investment levels, and interest rates.

On the other hand, the positive aspects that influenced the recovery of the Mexican economy include a rise in consumption over the level recorded before the pandemic, and the fact that investments were only 0.6% below the levels recorded in January 2020. The dynamism of the job market, which exceeded its pre-pandemic levels, can also be mentioned as a positive aspect.

In this scenario and according to its mandate, in 2022 Nacional Financiera carried on many programs and projects which, in line with its set goals and targets and the strategic management and support programs, enabled the Institution to mainly support Mexican micro- small-, and medium enterprises (MSMEs).

In this context, this is the relevant data for the period: the portfolio of Credit and Guaranties to the private sector amounted to 374,817 million pesos, of which 166,724 million pesos (44.5%) correspond to the Guaranties Program; 160,635 million pesos (42.9%) to Traditional Credit, and 47,458 million pesos (12.7%) to Productive Chains.

<sup>1</sup> For the purposes of this report, Nacional Financiera, S.N.C., I.B.D., is also known as Nacional Financiera, Nafin, the Institution or the Bank.

Concerning the credits and guaranties granted to the private sector from January-December 2022, there was a nominal increment of 15.6% vs same period in 2021, reaching 466,805 million pesos, due to the increase in the first tier credits.

Aligned with Nafin's mission to support our country's smallest companies, 69.5% of credits and guaranties granted to the private sector is consolidated in micro- (21.7%), small- (38.5%) and medium- (9.3%) sized companies (MSMEs).

On the other hand, Nacional Financiera continues to structure and provide financing to long-term strategic investment projects, particularly those aimed at the sustainable use of natural resources and energy savings, which promote the creation of jobs and value chains in the regions where such projects are established. The balance of this portfolio reached 55,836 million pesos, an increase of 1.3% vs the balance in December 2021.

As of December 31, 2022, the total balance of the support provided to the private sector amounts to 375,175 million pesos after adding the balance of first-tier contingent credit lines to the Credit and Guaranties portfolio's balance of 374,817 million pesos, 2.99% up vs the balance recorded in December 2021. Further, after adding the balance of capital contributions made through the Fund of Funds (57,065 million pesos in total as of December 2022), the total balance of the support provided to private sector reaches 432,240 million pesos.

In spite of the complexity of the world's financial landscape, our Institution stands out thanks to its strong corporate governance, operations based on processes certified by the ISO 9001:2015 international quality standard, and by rendering reports for accountability purposes. The foregoing makes possible to effectively support micro-, small-, and medium-sized entrepreneurs who, as a whole, represent a very important part of Mexico's economic fabric.



**nacional financiera**

# 01 ECONOMIC ENVIRONMENT

## 1.1 GLOBAL ECONOMY

The global economy increased more than expected in 2022, which helped to slightly adjust upward the forecasts for 2023. The United States expense continued to show resilience, while the Eurozone economy was favored by weather factors and the reopening of China in late 2022 and early 2023. Although the outlook improved, a downturn in the global activity is expected due to the risk of higher inflation and interest rates, and the effects of the war in Ukraine. Recently, the International Monetary Fund (IMF) estimated in their updated World Economy Outlook (WEO) of January 2023 a global economic growth of **3.4%** for 2022 (+0.22 pp vs their WEO of October 2022) from **6.2%** in 2021.

The Fund informed that the risks for the outlook continued a downward trend, and highlighted the following: i) stagnation of the Chinese economy, ii) escalation of the Ukraine-Russia war, iii) financial stress due to overindebtedness, iv) inflationary persistence, v) sudden revaluation in financial markets, and vi) geopolitical fragmentation.

On the other hand, the labor markets remained solid at the global scale, especially in advanced economies, in spite of the economic downturn at year's closing. Unemployment rates in many countries remained low. Specifically, the United States was up 1,239,000 jobs above the employment level before the pandemic, which led to an unemployment rate of **3.5%** at year's closing vs 3.9% in 2021. Unemployment rate in the Eurozone was **6.6%**, down from 7.0% in 2021. In Japan it was **2.3%**, down from 2.5% in 2021, and in the United Kingdom it was **3.7%** on November vs 4.0% in 2021.

After a considerable rise in inflation at the global scale, a gradually downward trend was observed in both advanced and emergent economies. The

annual inflation in the United States, as measured by Consumer Price Index (CPI) published by the Bureau of Labor Statistics (BLS), closed the year at **6.5%**, its lowest level in record since October 2021, after peaking at 9.1% in June (it reached 7.0% in 2021), while core inflation, that is, inflation discounting food and energy prices, went from **5.5%** to **5.7%** (peaking in September at 6.6%). On the other hand, inflation measured by Personal Consumption Expenditure (PCE) price index, data for which the Federal Reserve System (Fed) has the target of **2.0%**, reached **5.0%**, down from 6.0% in 2021.

As for other regions, inflation in Japan rose from **0.8%** to **4.0%** at the close of 2022, in the Eurozone from **5.0%** to **9.2%** (peaking at 10.6% in the year), in the United Kingdom from **5.4%** to **10.5%**, and in Canada from **4.8%** to **6.3%** (peaking at 8.1% in the year). In emerging economies, prices reached their highest



level in the year (almost everywhere) and later slowed down their growth rate. Inflation in Brazil went from 10.1% to 5.8% (12.1% max.); in Chile, it went from 7.2% to 12.8% (14.1% max.); in Peru, from 6.4% to 8.5% (8.8% max.); in China, from 1.5% to 1.8% (2.8% max.); in Russia, from 8.4% to 11.9% (17.8% max); in India, it held at 5.7% (7.8% max); in Colombia, from 5.6% to 13.1% (it closed at its maximum level); in South Africa, from 5.9% to 7.2% (7.8% max); in Poland, from 8.6% to 16.6% (17.9% max), and in South Korea from 3.7% to 5.0% (6.3% max).

In the face of inflation rates that appear to be showing signs of decrease at international level, several central banks have signaled that the end of the cycle of rate hikes is near; others, that such actions will continue in a decisive manner; while some have stopped such actions, only stating that they will act only if necessary. At their December meeting, the Fed rose by 50 base points (bp) the range for their reference rate (between 4.25% and 4.50%) and also signaled further movements towards a final rate of 5.25% in 2022.

### MONETARY POLICY CHANGES DURING 2022, BY COUNTRY/REGION

COUNTRY/REGION	LEVEL AT THE END OF 2022	VARIATION WITH RESPECT TO CLOSE 2021 (BP)
United States	4.50%	425
Eurozone	2.50%	250
United Kingdom	3.50%	325
Japan	-0.10%	No change
Canada	4.25%	400
Australia	3.10%	300
New Zealand	4.25%	350
<b>Mexico</b>	10.50%	500
Brazil	13.75%	450
Chile	11.25%	725
Peru	7.50%	500
India	6.25%	225
Turkey	9.00%	-500
Russia	7.50%	-100
Nigeria	16.50%	500
Indonesia	5.50%	200
South Africa	7.00%	325
Poland	6.75%	500
South Korea	3.25%	225

Source: Bloomberg

## 1.2 MEXICAN ECONOMY

The *preliminary figures* for the fourth quarter of 2022 showed that the Gross Domestic Product (GDP) increased by **0.4%** vs the previous quarter, and considering the seasonal adjustment (s.a.), it signaled an annual increase of **3.5%** (original series, o.s.). Thus, the economy increased **3.0%** in 2022.

The quarterly production in the primary sector increased **2.0%** s.a., while secondary sector did so by **0.4%**, and tertiary sector by **0.2%**, reflecting a lower than expected downturn in the activity.

From January to November, industrial activities increased at an annual average of **3.2%**. Mining, construction and manufacturing activities showed an average of **0.04%**, **-0.3%**, and **5.5%**, respectively. Most activities moderately increased during the year.

On the other hand, demand increased at a slow pace. As of October, investment increased at an annual average of **5.5%**, with **12.2%** in machinery and equipment investments and **0.4%** in construction. Annual consumption increased by **7.1%** from January-October of 2022. Exports recorded some slowdown at year's closing, likely due to the weakness of external demand. The annual average rate was **17.0%**, while imports reached **20.2%**, likely boosted by the resiliency of internal consumption.

The unemployment rate as of December closed at **2.8%** vs 3.5% at the closing of 2021. On the other hand, the workers insured by **Mexican Social Security Institute (IMSS, in Spanish)** summed up **21,105,330**, including permanent and temporary urban workers, that is, an annual growth of **3.7%**. Throughout the year, **757,499** jobs were created. At year's closing, the compensations measured by *Daily Salary Associated with Workers Insured by IMSS* increased by **11.0%** annually in nominal terms (accruing 10 consecutive months in double digits), while their actual ex-ante variation (that is, compared to the inflation expectation for 12 months) did so by **5.7%**.

**Family remittances** from abroad continued to be an important factor for the Mexican economy, showing a solid increase that reached unprecedented levels in the history of the indicator. As of December 2022 they reached a new maximum historic record of **58,497 million dollars**, an increase of **13.4%** vs 2021. In Mexican pesos, the remittances amounted to **1,176,024 million pesos**, an increase of **12.6%** vs 2021 in nominal terms, and of **4.4%** in actual terms, in spite of the high inflation.

The *annual general inflation* slowed down its growth rate. After peaking in September (**8.70%**), inflation closed the year at **7.82%** vs **7.36%** in 2021. The important underlying component persisted, especially in food and services prices. As for the non-underlying component, improvement was showed in energy prices.

*Underlying inflation* increased from **5.94%** in 2021 to **8.35%** in annual terms at the closing of 2022; its behavior reflected pressure on food goods and services associated with a resilient demand by families and consistent with increase in wages and income from remittances; however, in December some generics of this component reflected a possible wage-price spiral scenario.

After the rate closed at **5.50%** in 2021, the Bank of Mexico (Banxico, in Spanish) continued a cycle of monetary policy rate increases, closing 2022 at **10.50%**. With its last decision, the central bank continued its aggressive stance and caused more concern for the underlying component (both in their release and their forecasts), while signaling that at their February 2023 meeting there would be an increase "*in accordance with the prevailing scenario*". It is worth mentioning that deputy governor Gerardo Esquivel casted a dissenting vote in favor of increasing rates by 25 bp.

# 02 PROMOTION

## 2.1 PROMOTION PROGRAM

All credit and guaranties granted as of December 2022 totaled **477,616 million pesos**, an increase of **17.4%** vs the same period last year.

The **Private Sector** recorded accounts payable for **252,385 million pesos**, **63%** of which was collected in advance. This allowed to **support 14,202** suppliers that exercised the benefit of early payment through financial factoring.

From January to December 2022, the main indicators of the Program were as follows:

## 2.2 PROGRAM OF CREDIT AND GUARANTIES FOR THE PRIVATE SECTOR

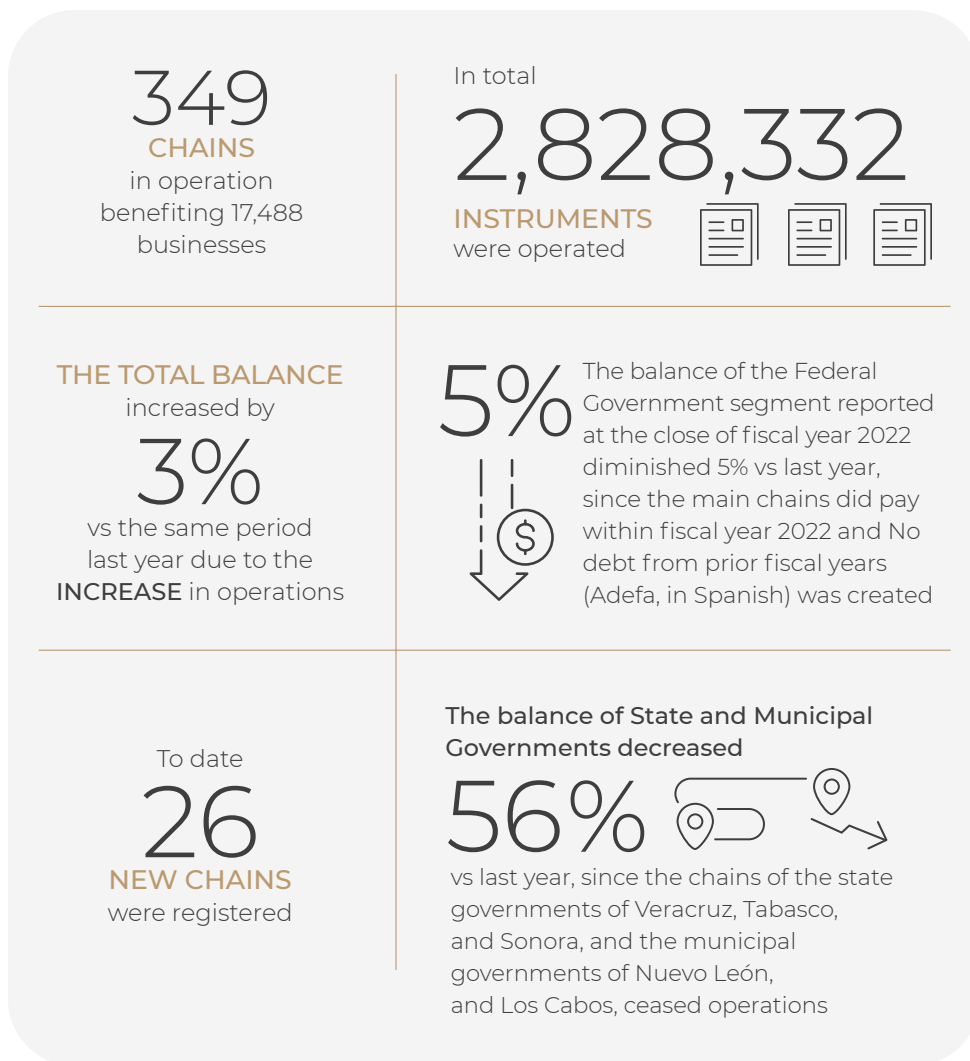
The variety of products offered by the Institution through its **Productive Chains, Traditional Discount, Micro-business Financing and Equipment programs**, and its own **Guaranties Scheme and the credit guaranteed** by the latter, made it possible to funnel resources to the private sector for **466,805 million pesos**.

From the **second tier**, the Productive Chains were involved by issuing credit for **205,223 million pesos**, while Micro-business and Equipment contributed with **24,381 million pesos**, and Traditional Discount contributed with **66,468 million pesos**.

## 2.3 PRODUCTIVE CHAINS PROGRAM

From January to December 2022, the **Productive Chains Program** platform, operating together with the participating financial intermediaries, funneled **269,147 million pesos**, producing a balance worth **52,329 million pesos**.

Within this program, the **Government Sector** recorded accounts payable for **304,887 million pesos**, **36%** of which was collected in advance. This allowed to **support 4,196** suppliers that exercised the benefit of early payment through financial factoring.



The **total portfolio** of the Productive Chains Program recorded an increase of **3%** in the balance and **15%** in operations vs the same period last year, due to the post-pandemic recovery of the economy.

Among the more relevant factors, the following stand out:



Consumption increased, supported by improving labor market



The recovery of the manufacturing sector exports, mainly in the automotive industry



The country is recovering from the deep economic and social impact of the pandemic



The commerce, industry, and transportation sectors are returning to their pre-pandemic levels

## PORTFOLIO OF THE PRODUCTIVE CHAINS PROGRAM / 2022 VS 2021 COMPARISON

SECTORS	BALANCE DEC 2022 IN MILLIONS OF PESOS	APPORTIONMENT JAN - DEC 2022 IN MILLIONS OF PESOS	BALANCE DEC 2021 IN MILLIONS OF PESOS	APPORTIONMENT JAN-DEC 2021 IN MILLIONS OF PESOS	BALANCE VARIATION (%)	APPORTIONMENT VARIATION (%)
Private sector	32,882	159,402	30,408	140,196	8%	14%
Federal Government	19,255	109,020	20,201	91,529	-5%	19%
State and Municipal Governments	192	725	435	2,474	-56%	-71%
<b>Total</b>	<b>52,329</b>	<b>269,147</b>	<b>51,044</b>	<b>234,199</b>	<b>3%</b>	<b>15%</b>

### 2.4 SECTOR-BASED PROGRAMS

Nacional Financiera offers programs to service micro-, small- and medium-sized enterprises (MSMEs) of sectors or economic activities with a history of limited access to financing, and programs to promote job creation and help serve strategic or priority sectors. In 2022, **9,536 credits** were granted for the amount of **18,551 million pesos**,<sup>2</sup> and the balance for these programs amounts to **33,326 million pesos**. Per line of action, the main results were as follows:

<sup>2</sup> This global result includes the entire sector-based portfolio. The schemes mentioned represent the highest investments, but do not account for the complete portfolio.

→ REGIONAL DEVELOPMENT

7,449 credits in the amount of 15,542 million pesos were granted, mainly to:

- **Impulso Nafin+Estados** [Nafin+States Incentive program] (formerly the Impulso para el Desarrollo Industrial y Regional [Industrial and Regional Development Promotion] program) This program aims to promote regional economies by facilitating access to financing for Mexican MSMEs, in coordination with the state governments.

7,396  
CREDITS

were granted for the amount of 15,442 MILLION PESOS

- **Credisuministros Nafin+Empresas** [Credit for suppliers program]. This program promotes the development of value chains of the private sector and is based on sharing the risk in order to facilitate access to credit to the MSMEs that supply and distribute products to big businesses. 53 credits were granted for the amount of 102 million pesos.

53  
CREDITS

were granted for the amount of 102 MILLION PESOS

RESULTS OF THE IMPULSO NAFIN+ESTADOS PROGRAM IN 2022

STATE	CREDITS	OPERATED (MILLION PESOS)
Nuevo León	1,294	3,074
Jalisco	667	1,540
Estado de México	649	1,440
Guanajuato	548	1,175
Aguascalientes	545	1,089
Veracruz	482	985
Yucatán	547	944
Morelos	364	742
Chiapas	221	480
Mexico City	174	412
Michoacán	194	394
Chihuahua	153	386
Sonora	164	345
Querétaro	134	314
Sinaloa	264	310
Puebla	108	250
Colima	162	239
Tlaxcala	100	207
Baja California Sur	97	203
San Luis Potosí	99	200
Durango	92	197
Tabasco	72	136
Tamaulipas	70	126
Zacatecas	50	121
Guerrero	118	105
Hidalgo	26	22
Campeche	1	5
Coahuila	1	1
<b>Total</b>	<b>7,396</b>	<b>15,442</b>

→ FINANCIAL INCLUSION

19 credits in the amount of 4 million pesos were granted to the following programs:

- Assistance Program for Women registered in the Tax Incorporation Regime (RIF, in Spanish). A program that includes gender perspective in credit offer to MSMEs, conducive to foster the involvement of women entrepreneurs in economic activities, by facilitating access to financing for expanding and modernizing their businesses.

19

CREDITS

were granted for the amount of 4 MILLION PESOS

—→ TRANSPORTATION MODERNIZATION

256 credits were granted for the amount of 532 million pesos.

- **Taxi Replacement Program in Mexico City.** This program supports the modernization of the taxi fleet and helps curtailing emissions in Mexico City, by facilitating financing access to taxi operators so they can purchase highly fuel-efficient and hybrid vehicles.

12

CREDITS

were granted for the amount of 3 million pesos

- **Micro and Small Transportation Companies.** This program promotes the modernization of federal fleet of cargo, passenger transportation, and tourism public services with no more than 30 units.

244

CREDITS

were granted for the amount of 529 million pesos

—→ REACTIVACIÓN [REACTIVATION] 21 PROGRAM

772 credits were granted for the amount of 2,221 million pesos.

**Financing for sector-based development.** This program provides assistance for sectors with excellent growth prospects or that have adjusted to mega trends, to update their business models and create new marketing channels. Through this product, **696 credits were granted for the amount of 1,919 million pesos**, split in two segments:

—→ SUSTAINABLE FINANCING

1,006 credits were granted for the amount of 250 million pesos.

- The Eficiencia Energética Eco Crédito Empresarial [**Eco-Business Credit for Energy Efficiency**] Program in its “massive” and “individualized” modes gives financing to micro and small companies for the acquisition of and/or replacement with power-efficient equipment, and the use of renewable sources.

997

CREDITS

were granted for the amount of 230 million pesos

- **C Solar Financing.** This program makes easier for Mexican companies to get financing for the purchase and installation of photovoltaic solar systems with a capacity of up to 500 kW, under the scheme of clean distributed generation.

9

CREDITS

were granted for the amount of 21 million pesos



- **Financing for consolidated sector-based development.** Aimed at MSMEs in the building; leather and footwear; and textiles, garments and fashion sectors. **326 credits** were granted for the amount of **872 million pesos**.



- **Financing for new sector-based developments.** Aimed at MSMEs in the new sectors of biotechnology, e-commerce, and development of technology and medical devices. **370 credits** were granted for the amount of **1,047 million pesos**.

**Financing to contracts of direct and indirect suppliers of the Federal Government.** Program aimed to finance the MSMEs that directly or indirectly supply the Federal Government, and specifically those connected to the following works: Tren Maya railroad, “Dos Bocas” oil refinery, Felipe Ángeles International Airport, the Interoceanic Corridor of the Tehuantepec Isthmus, and the Tren Interurbano México-Toluca railroad, and also services direct and indirect suppliers of the Petróleos Mexicanos (Pemex, in Spanish) oil company, and the Federal Electricity Commission (CFE, in Spanish) and their subsidiaries. **76 credits** were granted for the amount of **302 million pesos**.

### 2.5 ALTERNATIVE CHANNELS

This program provides advice to MSMEs and entrepreneurs through the **Customer Service Center** and the **External Promoters Network** on the process of enrollment of suppliers to the **Productive Chains Program** and on the procedures to obtain **financing**. Likewise, it provides training, technical support, and specialized advice to **First-Order Companies (EPO, in Spanish)** and **Financial Intermediaries (IF, in Spanish)**. Moreover, it develops the entrepreneurship capital market through investment in innovative and high-impact projects through investment funds.

### 2.6 PROMOTION OF SECTOR-BASED PROGRAMS

This program develops and implements the promotion and sale strategies of Business Financing programs through various servicing channels, including the **Customer Service Center** and the **External Promoters Network**, where Sector-Based Programs like **Impulso Nafin+Estados** and **Credisuministros** stand out.

Through the implementation of promotion and sales strategies and monitoring of programs, the contribution to the balance in **Sector-Based programs** reached **27,963 million pesos** at the close of 2022, which accounts for **84%** of the total **portfolio reported** by the **Deputy Directorate of Sector-Based Programs (33,326 million pesos)**.

Also, **3,660 advisory services** were provided to MSMEs and entrepreneurs to facilitate their access to financing through the offer of institutional credit products focused on this sector.



## 2.7 INCORPORATION AND ADVICE TO PRODUCTIVE CHAINS

This activity generates and implements strategies on advice and affiliation to the factoring programs in Productive Chains, jointly with the clients of the Alternative Channels Directorate, through assorted means such as telephone campaigns through the Customer Service Center, mass e-mails, events, and information desks, among others.

As of December 31, 2022, the main results are:

- Affiliation of **2,935** new suppliers to the Productive Chains Program.
- **91%** of the listed suppliers recorded operations.

Likewise, hiring and managing the Customer Service Center is within the scope of their responsibilities. At the close of 2022 these are the main results:

- **116,517** phone calls were serviced, **91%** of which corresponds to users of the Productive Chains Program.
- The Productive Chains suppliers carried out discounts of their bills via telephone for **15,426 million pesos**, which accounts for **6%** of the total operated in the Program.

## 2.9 VENTURE CAPITAL

This program promotes direct or indirect investment projects through investment funds. It consists of five portfolios: **Conacyt-Nafin Fund** (National Council on Science and Technology-Nacional Financiera), **Seed Capital Joint Investment Fund**, **Inadem-Nafin Ecosystem of Entrepreneur Capital** (National Institute of the Entrepreneur-Nacional Financiera), **Mexico Ventures Fund**,

and the **IMPI-Fumec-Nafin Patenting Support Program** (Mexican Institute of Industrial Property -United States-Mexico Foundation for Science-Nacional Financiera). These portfolios are managed and operated through participation in the boards of directors and shareholder's meetings of the companies, fund investment committees, and monitoring meetings with the contributing organizations.

## 2.8 MANAGEMENT OF ELECTRONIC PRODUCTS

Via the administration of the **Documentation Management and Nafinet** platforms, training, specialized advice, and technical support is provided to **IFs, EPOs**, and internal areas, including the documentary review of the enrollment records of the **Productive Chains and Business Financing programs**.

Some of the volumes of the platforms include the following:



Oversight and monitoring of over **11,265** daily operations on average (Chains and Credit at fixed and variable rates, and Microloans) with daily average amounts over **1,302 million pesos**.



Servicing and support to more than **76** banking and non-banking financial intermediaries for credit operations and queries.



Funds dispersal to **MSMEs** and financial intermediaries on a monthly average of **968 million pesos** on account of the **EPOs**, through the Productive Chains.



Implementation of **21** productive chains.



Documentary review of **4,517** Business Financing and factoring files.

These are the main results as of December 31, 2022:

- **Seed Capital Joint Investment Fund.** 7.98 million pesos were invested through investment funds. A direct divestment of 9.3 million pesos was carried out in a company, while, recovering 4.3 million pesos in return and a 0.28 million pesos dispersal through funds. Also, the exit from another company was executed, in the amount of 9.6 million pesos in 25 direct payments.
- **Development of the Ecosystem of Entrepreneur Capital.** 87.2 million pesos have been placed through investment funds. Divestments in the amount of 25.6 million pesos were carried out, including the exit of a fund and the recovery of the contributed capital plus return in the amount of 17.3 million pesos, through many deposits carried out from 2018 until March 2022.
- **México Ventures Fund.**<sup>3</sup> Investments were made in the amount of 775,000 dollars, equivalent to 15.1 million pesos. The divestments in these funds have amounted 1.5 million dollars, equivalent to 29.5 million pesos.
- **IMPI-Fumec-Nafin Patenting Support Program.** The IMPI and the Fumec are reviewing the reactivation of the program.



## 2.10 PORTFOLIO BALANCE OF PRIVATE SECTOR CREDITS

At the close of December 2022, the **total balance of the private sector credits portfolio**, including guaranteed credits, amounted to **374,817 million pesos**, an **increase of 10,851 million pesos (3.0%)** vs the same period of last year. Of this amount, the Securities Program contributed with **44%**, traditional credit contributed with **43%**, and productive chains contributed the remaining **13%**.

<sup>3</sup> **Note.** An exchange rate of 19.4715 pesos was considered, according to Financial Statements of the Venture Capital Trust at the close of December 2022.

# 03 INSTITUTIONAL PROMOTION

## 3.1 INSTITUTIONAL PROMOTION NETWORK

The Institutional Promotion Unit, through its regional directorates, is the main outreach channel of Nacional Financiera with business owners and local governments of the 32 federal states. Its on-site work contributes to the creation of business through the promotion, sale, and assistance in the implementation of institutional products and services, with the ultimate goal of driving the economic development of the country's states and regions. The forging of alliances with strategic public and private players makes possible to know and address specific needs of the states and their businesses, and identify national strategic sectors and priority occupations at the regional scope.

As of December 31, 2022, through the promotion actions of this unit and in cooperation with other business units, 466,805 million pesos were placed through credits and guaranties.

### AMOUNT PLACED BY THE REGIONAL DIRECTORATE IN 2022

REGIONAL	PLACEMENT MILLIONS OF PESOS
Center	259,869
Northeast	83,037
West	63,662
South	41,150
Northwest	19,087
<b>Total</b>	<b>466,805</b>

### → SECTOR-BASED PROGRAMS WITH STATE CONTRIBUTIONS OPERATING DURING 2022

The Sector-Based programs with state contributions are an essential tool for economic development through support to the SMEs of the strategic sectors as determined by the state governments. Since 2020, and in the context of the COVID-19 pandemic, they have been a key component to provide support throughout the country.

In 2022, the Institutional Promotion Unit recorded operations of 15,442 million pesos on this item. In the reported period, only the Impulso Nafin+Estados Program remained active and recorded operations in 28 out of all 32 federal states.

### SECTOR-BASED PROGRAMS WITH STATE CONTRIBUTIONS OPERATING DURING 2022

NO.	STATE	OPERATION MILLIONS OF PESOS	NO.	STATE	OPERATION MILLIONS OF PESOS	NO.	STATE	OPERATION MILLIONS OF PESOS
1	Nuevo León	3,074	11	Michoacán	394	21	Durango	197
2	Jalisco	1,540	12	Chihuahua	386	22	Tabasco	136
3	Edomex	1,440	13	Sonora	345	23	Tamaulipas	126
4	Guanajuato	1,175	14	Querétaro	314	24	Zacatecas	121
5	Aguascalientes	1,089	15	Sinaloa	310	25	Guerrero	105
6	Veracruz	985	16	Puebla	250	26	Hidalgo	22
7	Yucatán	944	17	Colima	239	27	Campeche	5
8	Morelos	742	18	Tlaxcala	207	28	Coahuila	1
9	Chiapas	480	19	Baja California Sur	203		<b>Total</b>	<b>15,442</b>
10	Mexico City	412	20	San Luis Potosí	200			

→ PUBLIC PRODUCTIVE CHAINS WITH STATE AND MUNICIPAL GOVERNMENTS AND NATIONAL PORTS SYSTEM ADMINISTRATIONS

The public chains program has a double role in economic development. On the one hand, it is a transparency and accountability tool; on the other, it supports the government's suppliers.

Five productive chains from state governments and three from municipal governments operated in 2022, for amounts of 599 and 123 million pesos, respectively.

ACTIVE PRODUCTIVE CHAINS OF STATE GOVERNMENTS DURING 2022

NO.	STATES	OPERATION MILLIONS OF PESOS
1	Baja California Sur	346
2	Zacatecas	124
3	Tabasco	101
4	Veracruz	18
5	Sonora	10
	<b>Total</b>	<b>599</b>

ACTIVE PRODUCTIVE CHAINS OF MUNICIPAL GOVERNMENTS DURING 2022

NO.	MUNICIPALITY	OPERATION MILLIONS OF PESOS
1	Guadalupe, Nuevo León Municipality	96
2	Los Cabos, BCS Municipality	19
3	Zamora, Michoacán Municipality	8
	<b>Total</b>	<b>123</b>



The intention is that other government agencies operate this instrument, besides the chains of state and municipal government and other public institutions. Thanks to the promotional work, in 2022 seven National Port System Administrations (Asiponas, in Spanish) operated Productive Chains for 900 million pesos.

PRODUCTIVE CHAINS OF ASIPONAS OPERATING IN 2022

NO.	STATE & MUNICIPALITY	OPERATION MILLIONS OF PESOS
1	Colima Manzanillo	420
2	Veracruz Veracruz	379
3	Tuxpan	12
4	Sinaloa Mazatlán	77
5	Topolobampo	9
6	Tamaulipas Altamira	2
7	Sonora Guaymas	1
	<b>Total</b>	<b>900</b>

## CONTRIBUTION TO THE ECONOMIC DEVELOPMENT OF THE COUNTRY'S STATES AND REGIONS

To implement strategies that substantially contribute to the economic development of our country, in 2022 the Institutional Promotion Unit based its promotional efforts in differentiated actions per state and region, based on the following country segmentation:

### REGIONAL DIRECTORATES



## ADVISORY COUNCILS

Nacional Financiera has a **National Network of Advisory Councils** formed by 32 work groups, one per federal state.

Every council consists of:

- Business owners from strategic sectors and regional occupations.
- Chairs of business chambers and organizations.
- The economic development state secretaries.
- Deans from higher education institutions.
- Directors of research centers

The National Network of Advisory Councils' mission is being a forum to generate synergies between the public and private sectors to promote the Mexican micro-, small-, medium- and large enterprises, by offering them financing, technical assistance, and business training. This mission is always in line with the occupations and specific financing needs of each state, and with the strategy of Nacional Financiera to promote economic development.

Each work group can meet four times per year (quarterly) in ordinary meetings that are held in their respective state. Further, regional meetings, of council chairs, and a national meeting can also be held.

The **Regional Directorates** are in **direct communication with the advisory councils**. They also organize the ordinary meetings and maintain a permanent contact with the board members to monitor and perform any resolutions they make.

In 2022, the state work groups held 24 special meetings and made 90 resolutions in total. 447 businesspersons were invited to and attended these events. All the foregoing happened within the context of the work visits of the Senior Management of the Institution to the states of Puebla, Tlaxcala, Nayarit, Jalisco, Zacatecas, Sinaloa, Chihuahua, Baja California, Hidalgo, Veracruz, Sonora, Michoacán, Morelos, Tabasco, Baja California Sur, Mexico City, Nuevo León, Edomex, Quintana Roo, Coahuila, Yucatán, Guanajuato, Chiapas, and Guerrero.

It is worth noting that 14 meetings were held with the governors of the states of Puebla, Tlaxcala, Nayarit, Zacatecas, Sinaloa, Baja California, Veracruz, Sonora, Michoacán, Morelos, Tabasco, Nuevo León, Coahuila, and Chiapas.

— PROMOTION ACTIVITIES

One of the most relevant functions of the Institutional Promotion Unit is carrying out nationwide promotion activities. Those activities consist in offering financing products and services, technical assistance, and business training to small and medium enterprises, to promote regional and state occupations through their integration to the value chains.

37 promotion activities were carried out in the federal states in 2022, including the organization of and participation in credit fairs, forums, expos, seminars, symposiums, and workshops.

PROMOTION ACTIVITIES CARRIED OUT IN THE FEDERAL STATES IN 2022

REGION	NO. OF ACTIVITIES
Center	13
Northeast	4
Northwest	5
West	6
South	9
Total	37

At the central level, the National Meeting with Secretaries of Economic Development and the National Meeting of Secretaries of Tourism took place in February 22 and March 31, respectively. The secretaries of economic development and tourism of the 32 federal states attended these events, where the institutional strategy was introduced, and joint collaboration agreements to work in benefit of the country's small and medium enterprises were executed.

Likewise, and jointly with the Federal Secretariat of Tourism (Sectur, in Spanish), there was active participation in many seminars and workshops to address the financing strategy and project development for MSMEs, highlighting the states with strong tourism activity.



### 3.2 BUSINESS TRAINING AND TECHNICAL ASSISTANCE PROGRAM

In its role as a development bank, Nacional Financiera is a **financial instrument of the Federal Government** to support entrepreneurs with financial services and training.

The mission of the Directorate of Business Development and Technical Assistance (**DDEAT**, in Spanish) is to support Mexico's **MSMEs** entrepreneurs with programs of courses and workshops, and technical assistance according to the different market segments and institutional targets. The foregoing aims to support their professionalization towards productivity and market staying power.

The **general objective of the DDEAT** is mainly **to encourage entrepreneurs in Mexico to be competitive, productive and create value**, through the following means:

- **Design of practical contents** and programs aligned with their needs.
- **Optimization of** resources allocated to technical assistance and training for the benefit of **MSMEs** in coordination with other government agencies, business chambers and associations, agencies, and business areas of **Nafin**, to achieve a greater impact on the business sector and their connection with financing.
- **Contributing** to continuity of businesses and, thus, maintaining and creating jobs.
- Being the **main ally** of **MSMEs** and the family businesses to address their needs for training, technical assistance, and financing according to **Nafin's** programs.
- **Improving** management, production, and marketing abilities of businesses.

### — BUSINESS TRAINING

Based on the strategy of **Nafin's Senior Management** and **aligned with institutional program**, the **DDEAT** decided to continue its work of training entrepreneurs for the 2018-2024 period.

It is worth noting that as of May of this fiscal year, the **DDEAT**, in tune with the strategy of Nafin's Senior Management, reordered and repackaged the training offer aimed at individuals, entrepreneurs and **MSMEs** business owners in three segments:

- I. Inclusion and financial education.
- II. Promotion and creation of new businesses.
- III. Strengthening and consolidation of companies.

The new segmentation aims to better focus the training and technical assistance efforts, and provide to the users of such services differentiated programs, with well-defined scopes and targets.

### — TARGETS AND RESULTS

For 2022, the **DDEAT** achieved the following results.

#### RESULTS OF THE BUSINESS TRAINING PROGRAM VS PLANNED TARGETS FOR 2022

INDICATOR	2022 GOAL	RESULTS JANUARY-DECEMBER 2022	PROGRESS VS TARGET DECEMBER 2022
Online and/or in person conferences and workshops. Number of attendees.	33,472	61,626	174%
Online conferences and workshops. Number of new contents. <a href="http://www.nafincapacita.com">www.nafincapacita.com</a>	24	61	254%
Accrued number of registered users that finished at least one course in the year.	21,957	8,266	57%

It is important to mention that online community promotion slowed down at the close of 2022, due to the temporary suspension of the platform, which was subject to affiliation to rules of operation of public and private organizations. Also, this area focused in the operation and maturing of the Technical Assistance program nationwide. This caused the flow of new users and courses conducted to dwindle, and only 57% of progress vs the target set for August 2022 (date in which the contract with the supplier expired, and the service was temporary suspended) was met.

For fiscal year 2022, the DDEAT turned its attention to the development of new contents based in the aforementioned segmentation of inclusion and financial education, promotion and creation of new businesses, and business strengthening and consolidation, which made possible to service the training needs with the greater scope and benefit for each segment. Likewise, contents to service a more consolidated business sector were developed through the following programs: Corporate Governance (six sessions), Foreign Commerce (10 sessions), Technical Assistance Tools (24 sessions), and Technical Assistance Tools for the Tourism Sector (24 sessions), among others.

61 new contents were designed and developed to conduct 241 webinars that brought 58,969 attendees. Having full training programs to provide the minimum tools that enable businesses to implement changes according to the best management, financial, accounting, legal, market, human resources, and procedural practices, helped to explain in par the success in attendance.

### — TECHNICAL ASSISTANCE

In the fourth quarter of 2021, the Senior Management of Nacional Financiera tasked the DDEAT with the design and execution of a **Technical Assistance pilot program aimed at formal business owners** in the country's 32 states. Initially, said program was distributed in two segments of business maturity: **Development** (businesses with up to two years in operation) and **Consolidation** (over two years in operation), with the aim of creating models for profitable and efficient businesses, based on the best practices in six categories to promote the regional economic development, value chains, job creation, and helping to get financing.

This program focuses on the detection of business opportunity areas, and bespoke advice, in six main categories:

- 1) Finances and accounting
- 2) Commercial strategies
- 3) Business culture and strategic management
- 4) Regulatory and fiscal compliance
- 5) Human capital development
- 6) Productivity

With the aid of a network of special advisors, this program considered the participation of 10 businesses per state which underwent a diagnostic study of areas of opportunity carried out by a leading advisor located in the state. The study led to the design of a work plan to strengthen three critical areas of the business through bespoke technical assistance for the businessperson or decision maker of the business. After providing technical assistance, Nafin gave information and advice on financing programs to the businesspersons.

The activity finished in August 2022 with the first generation of business owners, after which the program was updated and a second call was issued for companies with more than two years in operation. The new work plans focused in two categories.

## — TECHNICAL ASSISTANCE INDICATORS

- **Technical assistance.** 286 users finished the program in the first stage and 441 companies finished the second stage, for a total of 727 businesses with a rate of 118% of progress vs the target.
- **Technical assistance.** The level of satisfaction of the businesses that received technical assistance was 99.2%.

The Nacional Financiera Technical Assistance program met the expectations of the generations of business owners nationwide, with 99.2% of satisfaction vs the annual satisfaction target of 95%, taking into account the implemented methodology, service provided, and quality of the shared information.

Accordingly, it can be suggested that the pilot test was successful. Due to the results obtained, the Senior Management decided to continue the program for into the second quarter of 2022, with the assignment of servicing a second generation of businesses. Thus, the **Institutional Promotion Executive Network** surveyed 441 businesses nationwide.

In addition to the consolidation of the Technical Assistance program by cate-

gories, a new program was created that focuses on Business Planning through the use of a tool that facilitates the processing and updating of the business plan of companies. The pilot program was implemented from October to December 2022.

Both programs aim to create profitable and efficient business plans based on the best business practices, to promote the regional economic development, value chains, and job creation, and thus making financing more accessible.

To bring closure to the serviced groups there was a formal ceremony of delivery of certificates, where the business owners shared their experiences and talked about their satisfaction with the program.



# 04 CORPORATE BANKING

**Nacional Financiera**, through the Corporate Banking Unit, has focused in supporting the State-Owned Companies and their subsidiaries, Federal Government suppliers, and companies focused in the development of priority and strategic projects.

The specific needs of Mexican companies are serviced through the design, structuring, and implementation of **First Tier** financing schemes, to promote business productivity and competitiveness through **Investment Projects** and **Corporate Financing**. This has **consolidated** Nafin as one of the **institutions** pioneering these types of projects.

To contribute to the development of Mexico and promote the strategies of the Federal Government, at the close of 2022, the credit portfolio balance of structured financing for projects was **65,064 million pesos**, **6.34%** higher than the balance for 2021 (**61,187 million pesos**). This result is mainly due to the increase of financing for priority projects, and this portfolio will continue its development. To provide the large projects with feasibility and achieve the foregoing, Nacional Financiera is mainly working with the commercial and development banks.

## 4.1 STRUCTURED CORPORATE CREDITS AND INVESTMENT PROJECTS

**Structured corporate credit and Investment Projects financing** through a specific purpose mechanism whereby businesses monetize their assets' portfolios, isolate operational risks, and obtain higher credit ratings, without negative effects on balances. These products are mainly aimed to medium and large businesses.

Further, according with the approach of the National Plan on Development and Institutional Strategy, the Institution promotes **financing** and **investment schemes** from multiple sources to **actively contribute** to the achievement of new scopes, responsibilities, investment requirements, and expected targets in priority sectors. The aforementioned focuses on the development of national suppliers, the creation of jobs, regional integration, and social benefits.

In 2022, these actions were carried out to maintain and grant financing to Mexican companies:



Prospecting and promotion of clients.



Granting of financing to strategic projects and suppliers of the Federal Government, and direct credits to State-Owned Companies. SMEs financing for the development of infrastructure. Management, analysis, and support to structured financing on the current portfolio.

In that respect, the following companies were added to the credit portfolio:

- Syndicated financing for the development, building, and launch of a hotel in Cancún, Quintana Roo, that will create roughly **3,000** jobs in the region. Nafin's participation: **700 million pesos**.
- Syndicated non-resource factoring line in favor of private suppliers of a Pemex subsidiary in order to provide immediate liquidity. Nafin's participation: **13,000 million pesos**.
- Formalization of **10,000 million pesos** in financing authorized in 2021 to improve activities and realization of strategic plans of Tranches A and B of financing granted to the CFE.
- Formalization of **700 million pesos** in financing authorized in 2021 for investment in an asset that will make possible to definitively close a landfill which will in turn operate to collect and use biogas, and mitigate CO<sub>2</sub> emissions.
- Syndicated financing for the expansion of industrial and real estate development assets, which makes possible to net the capital gains of the development, operation and/or acquisition or rotation of property. Nafin's participation: **650 million pesos**.
- Formalization of syndicated financing for a company that furnishes fuel supply services to acquire the right of collection for jet fuel sales. Nafin's participation: **350 million dollars**.

Through the business units of the Corporate Banking Unit, Nafin continues fostering our national development through structured financing tailored to priority and high impact companies, and the timely management of the financing granted.



#### 4.2 FINANCIAL ADVISORY SERVICES

In 2022, service was still provided for the preparation of **technical valuation opinions** for companies.

#### 4.3 GOVERNMENT BANKING

At the close of 2022, the administration of credits granted to **Pemex**, State-Owned Company, with a standing balance of **1,466 million pesos** was maintained. Further, two credit lines in support of a state-owned company of the energy sector were added to the portfolio, in the amount of 12,144 million pesos.

# 05 INTERNATIONAL

## 5.1 INTERNATIONAL FINANCIAL INSTITUTIONS (IFI)

Nacional Financiera, through the **Directorate of International Financial Organizations (DOFI, in Spanish)**, manages national and international financing for the Bank's priority projects, through capital markets and IFI, under the best terms and conditions, to optimize the costs of institutional raising and contribute to the management of the balance with medium and long term funding. The Financial Agent designs strategies to promote and negotiate loans and grants issued by IFIs for financing the priority programs and projects of the Federal Government. The Financial Agent also acts as the promoter and liaison between **Nafin** and the international development community by maintaining an active process of international outreach for the exchange of best practices.

The foregoing ensures that **any commitments acquired by our country and Nafin are honored**, by guaranteeing the mobilization of resources to finance and support new ventures in innovative sectors and areas vulnerable to climate change on a gender equality basis to reach the goals set in the 2030 Agenda for Sustainable Development and the Paris Accords.

### —• GREEN CLIMATE FUND (GCF)

In late 2015, The Secretariat of Finance and Public Credit (**SHCP, in Spanish**), in its capacity as Designated National Authority, submitted the official nomination for Nacional Financiera to be accredited as a Direct Access Entity to the **GCF**.

In the context of the 29th meeting of the **GCF** Council, held from June 28 to July 1, 2021, the accreditation of Nacio-

nal Financiera as a Direct Access Entity was approved, thus becoming the first Mexican development bank to attain this achievement. Consequently, Nafin strengthened its position as a key player in the promotion of sustainable development, and reinforced its institutional commitment to adopt the best practices and international standards on climate finance.

With the approval of the GCF's Board, Nafin moved to Phase III of the process, which consists of the negotiation and signature of the Accreditation Master Agreement, for which the Institution shall meet these conditions: i) Gender Institutional Policy and its respective plan of action; ii) Mechanism to Address Environmental and Social Complaints; and iii) Environmental and social safeguards for second tier operations.

Work continued in 2022 to address these shortcomings. The Gender Institutional Policy was formalized and published in November 2022. On the other hand, there was progress in the development of the guidelines for the Mechanism to Address Environmental and Social Complaints and the System to manage environmental and social risks for second tier operations. Upon finishing this work, the Institution will be in condition of signing the Accreditation Master Agreement (**AMA**), and have access to the **GCF's** concessional resources to support innovative climate change mitigation and adaptation projects and programs.

During the accreditation process, Nacional Financiera has had the support of the Global Green Growth Institute (GGGI), and the technical cooperation of the Inter-American Development Bank (IDB), both of which will continue to work with Nafin to meet the conditions for the signature of the AMA, by strengthening its institutional capacities and preparing concept notes and funding proposals to be submitted to **GCF**.

## 5.2 FINANCIAL AGENT

As of December 31, 2022, the **portfolio of Financial Agent** in execution consisted of **nine** loans and **four** donations for a total amount of **500 million dollars**. Of the nine loans, totaling **483 million dollars**, **five** are from the International Bank for Reconstruction and Development (**IBRD**, original institution of World Bank); **one** is from the Inter-American Development Bank (**IDB**), and **three** are of the International Fund for Agricultural Development (**IFAD**). While out of the **four** donations, totaling **17 million dollars**, **three** are from the **IBRD** and **one** from the **IFAD**.

In 2022, seven **IFI** supervision missions were received for the following projects: the Business Strengthening Project in Productive Forest Landscapes, and the Sustainable Development Project for Rural Communities in Semi-arid Zones (Northern and Mixteca Regions), both executed by National Forestry Commission (**Conafor**, in Spanish); and the Ener-

gy Efficiency and Sustainability Project in Municipalities and Hospitals, implemented by Secretariat of Energy (**Sener**, in Spanish). Also, **one** closing mission for the Project to Strengthen the Management of Job Creation Policies, implemented by the Secretariat of Work and Social Welfare (**STPS**, in Spanish) was also carried out. On the other hand, **one** design mission for the Balsas Basing project was performed to prepare for new operations by reducing climate vulnerabilities and emissions through sustainable livelihood and a launch workshop, to be executed by the **Conafor**.

Energy, social, work, housing, environment, and climate change were the **main sectors supported** by the **IFIs** in the stated period. Disbursements from January to December 2022 amounted to **26.6 million dollars**. Likewise, an income from commissions charged as a Financial Agent of **6.7 million dollars** was recorded.

## 5.3 IFI FINANCED PROJECTS

**Nacional Financiera strengthened its IFI funding strategy** to meet its goal of obtaining long-term resources in foreign currency under the best terms and conditions, including competitive rates, to promote sustainable projects in support of the priority development programs in Mexico. Non-reimbursable financial contributions, mainly aimed to the implementation of the programs and projects, and to reinforce the capacity of the Institution and to properly service the public policy targets of the

Federal Government, mainly on sustainability concerns, have been used to support these funds.

As of December 2022, there is a portfolio of **15** loans in the amount of **1,710 million dollars** contracted with assorted **IFIs**: German Development Bank (**KfW**), **IDB**, European Investment Bank (**EIB**), the World Bank (**WB**) and the Latin American Development Bank (**CAF**). There are four donations of the **IDB (57.3 million dollars)**, and of the **KfW and GIZ (28.2 million euros)**.

## OPERATING FINANCINGS

### Concessional loan from KfW for 112.73 million dollars for the Sustainable Transportation Financing Program

Since 2018, **Nafin** and **KfW** have worked together on the design and implementation of a program to support Mexico in achieving its climate change goals through the reduction of greenhouse gas emissions (**GHG**) in the transportation sector, which has three financial components:



- I. A concessional loan for **112.73 million dollars** for financing the purchase of vehicles.



- II. Fund for upgrading, that provides **MSMEs** with economic incentives named “upgrade bonds” in exchange for disposing of old vehicles. The expectation is to have non-reimbursable resources granted by the Ministry of Economic Cooperation and Development of the German government (**BMZ, in German**) for up to **10 million euros**, and contributions from participating states (Mexico City plus any other state that joins the program) for up to **3 million euros**.



- III. **2 million euros** are used to solidify both **Nafin** and the participating states.

Specialized advisory services were contracted to support **Nafin** to define the operating mechanism, and the assessment, classification, and verification of potential centers to dispose of vehicles at the end of their useful life, and the development of an emissions calculator and total cost of ownership to quantify

the environmental and economic benefits arising from implementing the Program, and to develop a comprehensive management system thereof.

The loan and financial contribution contracts were formalized in December, 2021. Moreover, Separate Agreements were formalized in June, 2022, and the conditions prior to the first disbursement were enforced.

*No objection* was raised against the Program’s Operations Manual (guidelines) by **KfW** on October, 2022, and the disbursement projections of the Renewal Fund and the supplementary measure thereof were submitted. It is worth noting that granting the bond is subject to a 3:1 participation by the states, so **Nafin** continues assessing such participations and will work on the collaboration agreements that have to be formalized for implementing the Program in the states that have stated their interest in joining.

On October, 2022, Nacional Financiera received from **KfW** the first disbursement of **1 million dollars**, which will be used to solidify both **Nafin** and the states participating in the Program. These resources were funneled through the **Sustainable Nafin Fund (FSN, in Spanish)** as the first operation of reception of resources of said fund.

The Collaboration Agreement was signed with the Mexico City’s Secretariat of Mobility (**Semovi, in Spanish**) on November 17, 2022, which formalized the contribution of **8 million pesos** to the **FSN** by the Trust for the Promotion Fund for Public Transportation Financing (**Fifintra, in Spanish**) to implement the Program in Mexico City. The goal is to replace obsolete vehicles by hybrid and electrical units for the taxi service in the city. Said resources were transferred with liquidation date of November 22, 2022.

Likewise, on December 13, 2022, **Nafin** received from **KfW** the supplementary contribution to the renewal fund of **Mexico City** in the **FSN** in the amount of **1.25 million dollars**, which will be used to grant scrapping bonds to the beneficiaries of the program in Mexico City.

### Loan and Technical Cooperation from the IDB and the Clean Technology Fund (CTF) to fund the Geothermic Financing and Risk Transfer Program (PFTRG, in Spanish)

The goal of this program is to mitigate the geothermal exploration risks and mobilize investments to increase the electrical power generation capacity from geothermal resources in Mexico.

Originally, the Program had three financial components: i) a loan for **54.3 million dollars** from the IDB to build, modernize and expand operation plants and transmission lines; ii) non-reimbursable financing with contingent recovery for **51.5 million dollars** from the CTF for exploratory drilling; and iii) a donation of **2.8 million dollars** from the CTF for non-reimbursable technical cooperation.

In February 28, 2022, Nafin received the authorization of the SHCP, as the guarantor of the operation, to waive the right to fully use all the loan amounts, taking into account the payment of commissions of any non-disbursed balances.

For the implementation thereof, the Program uses the non-reimbursable amounts which will finance the well drilling works to prospect for geothermic resources. Such drilling works will be carried out by a drilling company that must be retained through an International Public Bid (IPB). In this regard, the Work Group of the Program, consisting of the IDB, Nafin, the Sener, and the National Institute of Electricity and Clean Energies (INEEL, in Spanish) as the technical expert, are currently adjusting the bid requirements to be in condition to publish them in early 2023. Likewise, in 2022 the Call for Developers was published to select the four drilling sites.

The Work Group of the Program holds weekly meetings to monitor and continue to advance in the implementation of the Program, with the goal of starting the drilling work in 2023.



### Loan from KfW for 34.02 million dollars for the Forestry Investment Program (Proinfor, in Spanish)

At the request of SHCP, Nafin supported the Trusts Incorporated in Connection with Agriculture (FIRA, in Spanish) in contracting a concessional loan from KfW for **34.02 million dollars** to implement a program aiming to solidify community forestry enterprises, since the FIRA does not have a sovereign guarantee. Said loan was transferred to the FIRA in the favorable conditions granted by KfW, plus the operating and risk costs incurred by Nafin for its mediation. This loan will be joined by a Financial Contribution of **6 million euros** to implement support measures for the Program, under the responsibility of the FIRA.

A supervision mission was carried out in the last quarter of 2022 to review the progress, challenges, and lessons learned in the implementation of the program for the year, and to discuss any perspectives and proposals for 2023.

The first request of disbursement is expected to be received in the first quarter of 2023, as result of the mission. Thus, Nafin will be in charge of monitoring this first disbursement request, which can be no less than the equivalence of **1.2 million dollars**, as per the Loan Agreement.

### Uncommitted line with CAF for 300 million dollars

In 2013 the CAF authorized an uncommitted revolving line of credit for up to 300 million dollars for Nafin to finance work capital operations. An updated contract was negotiated and formalized in 2022, in line with the new model for the Bank, and including the new Term SOFR reference rate. Also, the conditions prior to the first disbursement were met. The terms for the operations are established in each case and can never exceed 360 natural days counted from the disbursement. Likewise, the amount disbursed in every operation will be amortized in the due date of the term agreed upon for every operation.

In coordination with the Treasury, the request of disbursement for 135 million dollars was submitted in December 14. That amount was received in December 16, 2022.

### Loan from KfW for 112.73 million euros to finance economic recovery programs for Mexican MSMEs impacted by the COVID-19 pandemic

In the context of intergovernmental negotiations between Mexico and Germany, the German government allocated concessional resources, through the KfW, the equivalence in US dollars to 100 million euros to support access to financing for MSMEs impacted by the COVID-19 pandemic. Thus, in December 2021 Nafin formalized a loan from KfW for 112.73 million dollars to finance a capital works loan program to mitigate the negative economic impact of the COVID-19 pandemic on MSMEs, through Nafin's network of financial intermediaries.

The Separate Agreements of the Program are currently being negotiated with KfW, specifically the eligibility, and environmental and social criteria thereof. Moreover, the second tier operations portfolio is undergoing a review and

analysis process to establish whether it is possible to verify the resources before the KfW under the currently established conditions.

It is expected to conclude and formalize the Separate Agreements of the Program in the first quarter of 2023 to be in condition to start with the disbursements of the loan.

### Financial Contribution from NAMA Facility Fund/GIZ for 16.2 million euros for the NAMA SMEs-energy efficiency program in small and medium enterprises to contribute to a low carbon emissions economy in Mexico

The German International Cooperation Agency (GIZ, in German) is supporting the Mexican government in the implementation of their Nationally Appropriate Mitigation Actions (NAMA) as part of their commitment to fight climate change in Mexico.

In this regard, Nafin, with the support of GIZ, identified that the Individualized Eco Business Credit Program required promotion within the SME sector. To that end, a financial cooperation was made to the NAMA Facility Fund to solidify said program. The resources granted amounted to 16.2 million euros: i) 7 million euros for Nafin Guaranties Fund; ii) 2.5 million euros, managed by Nafin, as a complementary financial mechanism that includes: subsidies in the cost of energy diagnoses, payment to the technical verifier, and the cost of scrapping the replaced equipment; and iii) 6.7 million euros, managed by GIZ, for technical assistance to the Program.

In mid-2021, it was established that the SHCP and the Secretariat of the Environment and Natural Resources (Semarnat, in Spanish) would be the political counterparts of the Program, so the Mexican and German governments exchanged notes.

The Board of Directors was formally created in 2021 with the SHCP, Sener, Semarnat, Nafin, and GIZ as members, with the latter in charge of defining the strategic operation.

In late 2022, Nafin and GIZ formalized the Grant Agreement that led to the first disbursement request for a total of 2.37 million euros. Also, work meetings were started to define the operational mechanics and the roles of the players involved in the execution of the Program.

### Loan from the IDB for 200 million dollars to finance the Global Credit Program to Protect the Industrial Fabric and Economic Recovery

In 2020, the **Nafin's** Board of Directors authorized getting a loan of up to **200 million dollars** for the **Global Credit Program to Protect the Industrial Fabric and Economic Recovery**, which seeks to finance institutional measures that help reactivate the economy and preserve jobs, by granting credit to Mexican **MSMEs**.

Non-reimbursable financing from the **CTF** for **3 million dollars** was successfully negotiated to supplement the loan and support the implementation of the Program and solidify the Institution.

The loan agreement was signed in September, 2022. The negotiation of the Non-Reimbursable Financing Agreement was concluded and formalized also in September, 2022.

In November of 2022, the conditions prior to the first disbursement as per the Loan Agreement and the Donation Agreement were met, and the first disbursement for **40 million dollars**, corresponding to the retroactive expenses authorized for the Program, was carried out in December 19, 2022.

## 5.4 INTERNATIONAL COOPERATION

### International Agenda

#### • The Montreal Group

The **Montreal Group** is a non-profit association created in September 2012. Its purpose is to exchange experiences among financial institutions dedicated to the development of SMEs. Currently the Group consists of 11 banks: **Banco Nacional de Desenvolvimento Econômico e Social (BNDES)** of Brazil, **Banque Publique d'Investissement (BPI)** of France, **Business Development Bank of Canada (BDC)**, **China Development Bank (CDB)**, **Finnvera** of Finland, **Nacional Financiera**, **Development Bank of Nigeria (DBN)**, **Saudi Industrial Development Fund (SIDF)** of Saudi Arabia, **Small Industries Development Bank of India (SIDBI)**, **SOWALFIN** of Belgium and **Tamwilcom** of Morocco. The **10<sup>th</sup> Annual Meeting of the Montreal Group** was held on March 30, 2022, virtually, with the participation of **Nafin** officials.

One of the main topics discussed was the governance of the Montreal Group, and a vote was held to elect the members of the Group's Board. Two co-chairs (Isabelle Bébéar of **Bpifrance** and Jean-Pierre Di Bartolomeo of **SOWALFIN**) and two directors (Abdulaziz Al Zaid of **SIDF** and Shri Sudatta Mandal of **SIDBI**) were welcomed.

During 2022, **Nafin** participated in various meetings of the working groups that make up this network: i) Chief Economists, ii) Gender and iii) Non-Financial Services for Climate Action. Particularly noteworthy was the virtual event **Non-financial services for climate action**, held in April 2022, where **Nafin** officials presented the Bank's sustainable strategy and shared the Institution's experience in the capital market, especially in the sustainable bond market and the reference framework that supports it.

• **Latin American Association of Development Financing Institutions (Alide)**

**Alide** is the community of financial institutions for development in Latin America and the Caribbean, which objective is to contribute to the economic and social development of the region through the exchange of experiences and good banking practices, economic studies and reports, advisory and technical assistance, and training. It currently has 60 active members in the region, including Nacional Financiera and the National Bank of Foreign Trade (Bancomext, in Spanish) founding members, as well as 16 associate members outside the region.

In 2022, Nafin officials participated in the **52<sup>nd</sup> Ordinary Meeting of the Alide General Meeting**, which took place in Willemstad, Curaçao, May 17-20, 2022. The Annual Meeting is a forum that brings together representatives of the development finance community, from both the public and private sectors, to discuss current issues relevant to the role of development banking in Latin America and the Caribbean, as well as the main trends in other institutions involved in Latin American development.

As part of the work of the organization's Annual Meeting, **Nafin's** CEO was appointed member of the Board of Directors for the period May 2022-May 2023, as **Vice-Chairman**. **Nafin** also participated as a speaker during the first plenary session of the event "Opportunities for **LAC** in an economy based on emerging technologies".

Also, in October 2022, Nafin officials participated in the Congress of Chief Financial Officers of Development Banks, where they presented Nafin's experience in Treasury management. On the other hand, in November 2022, an international internship was held for the Banco de Fomento Agropecuario of El Salvador, organized within the framework of collaboration with that institution.



• **International Development Finance Club (IDFC)**

The **IDFC** was originally formed by 11 financial institutions: Agence Française de Développement (**AFD**), Banco Nacional de Desenvolvimento Econômico e Social (**BNDES**) of Brazil, Central American Bank for Economic Integration (**CABEI**), China Development Bank (**CDB**), African Development Bank (**AfDB**), Japan International Cooperation Agency (**JICA**), Korea Finance Corporation (**KoFC**), German Development Bank (**KfW**), Small Industrial Development Bank of India (**SIDBI**), Vnesheconombank (**VEB**) of Russia, and **Nafin**. **IDFC** currently has 27 members from Europe, Africa, Asia and the Middle East, and the Americas and the Caribbean. The Club aims to share knowledge, experience, and know-how on strategic issues of common interest to its members. The subjects addressed by this club include: climate financing, biodiversity, social development, poverty reduction, and financial innovation.

**IDFC** holds several meetings throughout the year, in which the Institution's staff participates. Currently, Nafin participates in three **IDFC** working groups related to Climate, Alignment with the Sustainable Development Goals (SDGs), and Gender Equity.

## 5.5 DEBT ISSUANCE IN CAPITAL MARKETS

Thanks to the support of the **Federal Government**, Nacional Financiera is a reference participant in the domestic and international capital markets. The valuation of **Nafin's** debt instruments is a financial benchmark for other Mexican public and private institutions that operate in the same markets. To perform this role, our institution complies with the information requirements and legal obligations set by the financial regulations of the markets in which it issues debt. To this end, it interacts with various financial authorities, stock exchanges and rating agencies, as well as with multilateral organizations which endorsement is required by some instruments. In addition, **Nafin** has developed strong institutional relationships with an important base of investors worldwide, such as investment funds, insurance companies, afores, brokerage firms, private banks, and banks that hold our debt instruments. Moreover, Nafin is in permanent contact with the main global financial institutions to constantly monitor various issuance opportunities, not only in Mexico but also in the main international markets.

With the creation of the **Issuance and International Relations Unit** in September 2019, the International Financial Institutions Directorate is now responsible for the implementation and structuring of debt issuances in domestic and international capital markets. In order to carry out this function, the process of updating the financial information that supports Nafin's public issuance

was automated, and in June 2021, for the first time, Nafin successfully issued stock certificates for a total amount of **10 million pesos** in **three** channels, with three, five, and 10 year-terms.

Additionally, with support from **GGGI**, in 2021 the Sustainable Bond Framework was developed, based on the Guidelines of the **International Capital Markets Association (ICMA)**, with which Nafin can make sustainable issues to finance projects or programs aligned with the **SDGs**. It is worth mentioning that the external review process of the Framework was carried out by **Sustainalytics**, one of the world's most recognized second-opinion service providers.

Under the Framework, in August 2022, three social bonds were placed in the local market for **9,304 million pesos**, consisting of **5,023 million pesos** for three years in reviewable format, **1,007 million pesos** for five years in reviewable format, and **3,274 million pesos** for 10 years in fixed format. This placement reached a total demand of **14.19 billion pesos**, which represents an oversubscription of **2.84** times the target amount of **5,000 million pesos**. The proceeds will be used for social impact programs (financial inclusion, employment generation, and gender).

In addition, in December 2022 was published the report on the allocation and impact of the resources placed through the Sustainable Bond issued in November 2021 for an amount of 7.8 billion pesos.

# 06 TREASURY AND MARKETS

## 6.1 TREASURY

### Collection

In order to ensure that the Institution always has sufficient resources and can allocate them in the different business areas under the best cost and term conditions, the Treasury continued with its fundraising strategy based on the diversification of funding sources and the execution of hedging derivative transactions.

As a result, the cost of institutional funding has been optimized in order to finance the Bank's operations under adequate conditions (rate and term). Thus, 2022 closed with indicators that exceeded our outstanding goals in: **25 bp** below the **28-day TIIE**, which represents a **179%** achievement of the target, and **35 bp** above the **three-month Libor**, which represents a **183%** achievement of the target.

In August 2022, stock certificates of the development bank (NAFR 22S, NAFR 22-2S and NAFF 22S) were issued for a total amount of **9,304 million pesos**, which allowed to:

- Improve liquidity conditions.
- Develop the development banking debt curve to longer maturities, transmitting the benefits of funding to the industry.
- Promote the comprehensive development of the stock market and the national financial system.
- Promote the efficiency of local public debt markets; seeking at all times to make the price discovery process efficient.
- Have a greater participation of investors.
- Improve the operating dynamics in the secondary market for these instruments.

At December 31, 2022, **73,031 million pesos** of Nacional Financiera's stock certificates are outstanding; **12,088 million pesos** at reviewable interest rates with terms of three and five years, and **60,943 million pesos** at a 10-year fixed rate.

In regards to attracting foreign currency, the Deposit Certificates Program of the London Branch remained as the main attraction vehicle, which, along with the acquisition of the interbank financing lines, time deposits, and working capital lines, has allowed the Treasury to maintain its cost of funding in foreign currency at attractive levels and in line with institutional goals' compliance.

### Balance Management

The strategy of minimizing the Bank's balance sheet exposure to interest rate movements was maintained; therefore, all necessary hedges were carried out to protect the income that the Bank receives as financial margin. This action allowed to meet the Treasury's objective of ensuring that balance sheet risks are within approved limits and strengthened the bank's capital.

During 2022, there were no changes in the structure of the primary positions of the hedging derivatives; therefore, it was not necessary to restructure these hedges (swaps).

At the end the year, the income generated from managing the balance totaled **1,084.7 million pesos**, which contributed to strengthen Nafin's capital.

In accordance with the new sound market practices, the Institution transitioned from **LIBOR** to **Term SOFR** rates, both in the generation of new loans and term funding.

### Investments

There is a held-to-maturity portfolio in national currency, which is mainly structured with securities of the Federal Government; a liquidity portfolio, mainly consisting of governmental securities which are used as guaranty in the payment systems of Banxico, and a corporate securities portfolio that contributes to the private debt market development. Profit generation through financial margin in dollars originates from investment portfolios held to maturity and available for sale: strategic assets which have been maintained as one of the hedge instruments of the institutional balance, by hosting long-term raising lines. Both portfolios are maintained, practically in their entirety, in investments of debt issued by the Federal Government (UMS) and national state-owned companies such as **Pemex** and **CFE**. It is important to mention that at the end of 2022 there were earnings of **224 million pesos**:

In regards to management of liquidity in foreign currency: making the best of the international market conditions, the main strategy consisted in optimizing the profitability of surpluses in dollars through the execution of synthetic investments in pesos; nevertheless, the management of liquid resources through our checkbooks, particularly through demand and term deposits with development and commercial banks, obtained significant interest margins. Therefore, at the end of 2020 the liquidity portfolio generated revenues of approximately of **86 million pesos**.

### London Branch

During 2022, the balance of Certificates of Deposit issued by the London Branch reached a balance of **1,560 million dollars** in June, to close in December with a balance of **1,879 million dollars**. This was achieved despite the complicated international environment during the period and the previous two years.



## 6.2 MARKET ANALYSIS AND PROMOTION

Throughout 2022, the gradual withdrawal of **COVID-19** restrictions allowed activity to normalize; however, in the face of inflationary pressures and the monetary restrictions mentioned above, market conditions substantially changed. In this context, in order to carry out Promotion activities, strategies and actions were maintained to ensure the continuity of the operation, to maintain fund raising at competitive levels and, therefore, to contribute to the profitability of the Money, Foreign Exchange, and Treasury desk portfolios, as well as to contribute to the achievement of the Financial Unit's goals.

This was achieved through the management and administration of client portfolios (Institutional, Corporate-Government, and Trusts), seeking to strengthen them through execution of new contracts and promotion of financial products and services through non-advised investment services, in strict compliance with internal and external regulations, and timely customer services.

During the year, the Market Analysis Deputy Directorate developed and implemented analysis schemes, as well as advisory services and strategies based on qualitative and quantitative models of economic, technical, and financial market analysis, through more than 50 deliverables and verbal advisory products aimed at clients of the Financial Unit, the Senior Management, and other areas of Nacional Financiera.

### International Financial Markets

The slowdown in economic activity in several countries, accompanied by the persistent risk of global recession; the Russian invasion in Ukraine and its implications; the intensification of geopolitical conflicts; the increase in COVID-19 infections in China; several weather events with negative impacts on crops and urban infrastructure; a more restrictive monetary policy; and the expectation that the end of the Fed's hiking cycle is near, were, among others, the factors that negatively impacted the performance of the financial markets throughout the year.

With increased risk aversion, the stock indexes of the main developed markets recorded losses for the most part and ended with the following variations at the close of 2022: in the United States, the Nasdaq fell -33.1%; the S&P 500 fell -19.4%, and the Dow Jones fell -8.8%. The Japanese Nikkei 225 index fell -9.4%; the Spanish IBEX, -5.6%; the German Dax, -12.3%, while the FTSE 100 of the British stock exchange had a modest advance of 0.9%.

Among the emerging market indexes, the one with the smallest contraction was South Africa's FTSE/JSE All with -0.9%, followed by the IPC of Mexico with -9.0%, Hungary's Budapest SE with -13.7%, China's Shenzen Composite with -15.1%, Hong Kong's Hang Seng with -15.5%, Poland's WIG20 with -20.9% and the Kospi of South Korea's stock exchange with -24.9%. Brazil's Bovespa registered growth of 4.7%.

In the face of a tight monetary policy in advanced and emerging economies, bond rates rose significantly during the year. Thus, in the United States the 10-year government bond rate closed at 3.88%, in Canada to 3.30%, in Italy to 4.70%, in France 3.11%, in Germany 2.57%, that is, increases of 237 bp, 187 bp, 353 bp, 291 bp, and 275 bp, respectively. Regarding emerging markets, Poland registered the highest variation with 320 bp (6.85%), followed by Peru

207 bp (7.97%), Russia 157 bp (9.28%), Mexico with 147 bp (9.04%), South Africa 99 bp (10.79%), Indonesia 45 bp (4.04%), and China 6 bp (2.84%).

Risk aversion was also present in the foreign exchange market, with the dollar strengthening against other currencies and ending with an 8.2% advance (measured by the DXY index). In the face of this performance, the currencies with greatest losses were the Japanese yen -12.2%, the pound sterling -10.7%, the Chinese yuan -8.2%, the Polish zloty -7.8%, the South African rand -6.5%, the Korean won -6.1%, and the Euro -5.8%. However, there were currencies that showed gains, such as the Chilean peso with 0.1%, the Russian ruble with 1.1%, the Mexican peso with 5.0%, and the Brazilian real with 5.6%.

Finally, commodities showed movements were mostly upward. The price of WTI crude oil ended the year at 80.26 dollars per barrel (dppb), an increase of 6.7%, while Brent crude closed at 85.91 dollars per barrel (dppb), which meant an increase of 10.5%. Regarding metal prices, the following variations were observed: silver 2.8%, gold -0.3%, and platinum 10.9%. Agricultural commodity prices rose 6.9%, and industrial metals fell -4.4%.

### National Financial Markets

Local markets were affected by international events and the behavior of external markets. In addition, some domestic factors also contributed to its performance, such as the persistence of inflation in the core component and, with it, the cycle of increases in the Bank of Mexico's interest rate; the slowdown in economic activity at the end of the year; the outflow of foreign capital, mainly in bonds, and the sluggishness in fixed investment.

### Money Market and Bonds

Throughout 2022, foreigners held **37.06%** of the Bonds, an increase of **0.82%** compared to the end of 2021 (**36.24%**), while the participation of **Siefores** stood at **21.88%**. There was a net outflow of foreign investment from the **M Bonds** market for **(18,532.75) million pesos**, an increase in **Cetes** for **26,494.75 million pesos** and **UDIS** **72,466.62 million pesos**, an equivalent amount in holdings. At the end of 2022, the amount of **9,922,268.05 million pesos** was comprised as follows: **3,772,668.58 million pesos** in **M Bonds**; **1,130,015.20 million pesos** in **Cetes**; **2,663,832.42 million pesos** in **UDIS**; **772,911.31** in **D Bonds**; **1,537,840.53** in **F Bonds**; and **45,000.01** in **G Bonds**.

In 2022, central banks continued to expect to maintain a restrictive monetary policy and rates continued to rise. Globally, there were increases in the reference rate and high levels of inflation not seen in the last 20 years. At the end of the year, inflation in Mexico stood at **7.82%** and in the United States at **6.50%**, which generated an increase in monetary policy decisions, in Mexico by **500 bp** as of February 10, bringing the reference rate to **10.50%**, and in the United States the **Fed** began its restrictive policy of raising rates by **425 bp** throughout the year, bringing its reference rate to **4.50%**. This has driven up rates along the **Cetes, Bonds, and Udibonos** curves.

Shorter-term rates (**Cetes**) responded upwards in 2022, accumulating variations of **461 bp** and **483 bp** in the case of 28- and 91-day **Cetes**, while 182- and 364-day **Cetes** rose **460 bp** and **405 bp**, respectively. In addition, this year the issuance of two-year **Cetes** was added to the 4th quarter auction calendar. The first auction was held on October 11 with 721-day **Cetes**, with a resulting rate of **10.99%**.

**Fixed-rate bond rates** increased by **195 bp** on average across the curve, with increases of around **250 bp** in the



one- to eight-year segment. The rate of the 10-year **MBond (MY31)** closed at **9.01%**, an advance of **140 bp**, while that of the **MBond47 (or 30y MBond)** closed at **9.07%** for a variation of **99 bp**.

Finally, the surcharges on reviewable instruments increased throughout the year, so that the curves of the Bank Savings Protection Institute (**IPAB, in Spanish**) securities with monthly, quarterly and semiannual coupons rose **4.8292 bp, 1.9536 bp, and 14.7033 bp**, respectively, adding to the increases in reference rates during the year and the rise in inflation. The curve of surcharges of **D Bonds** and **F Bonds** had an average increase of **2.73 bp** and **5.2019 bp**, respectively. Finally, it is important to mention that in the second quarter of 2022; **G Bonds** were issued with an auction in terms of **693** and **2,149** days at surcharges of **0.1590** and **0.2415**, respectively, closing the year at **0.15** and **0.24** practically sideways.

### Exchange Rate Market

By closing at **19.4715** pesos to the dollar, according to the **Banxico's FIX exchange rate** at the date of determination, the Mexican peso depreciated by **9.20%** with respect to the close of 2021.

During the second half of 2022, there were periods of **high volatility** for the dollar-peso parity, and in general for all world currencies, derived from existing geopolitical conflicts, a slowdown in economic activity, and high levels of international inflation. Considering the **FIX** exchange rate, the **maximum** exchange rate level for 2022 was **21.3775 pesos** per dollar on March 8, while the **minimum** level of **19.1433 pesos** was reached on December 1.



### Capital Markets

In 2022, the Mexican Stock Exchange (BMV, in Spanish) main index, the **Price and Quotation Index (IPC, in Spanish)**, closed with a strong negative session, ending at **48,464** points, with an annual adjustment of **-9.03% in pesos** and **-4.51% in dollars**. Globally and domestically, the year was marked by high volatility and risk aversion. During the year, the IPC reached an all-time high of **56,610** points on April 1, before declining to **44,627** points on September 30, with a movement of **-21.17%**. This is explained by the war between Russia and Ukraine; the high inflationary levels that caused international central banks to take more **hawkish** positions, through a policy of raising interest rates, as well as the fears of a possible economic recession generated by the aforementioned. On the other hand, corporate reports have shown strength due to the strategy of transferring costs to final prices, which has allowed companies to offset the increase in raw materials and maintain good results, in addition to the strict cost and expense controls implemented.

### Derivatives Market

The **Derivatives Desk** continues to provide an efficient service to the Treasury Strategies area. This satisfies the need to execute complex hedges such as currency swaps, issue hedges and account restructuring, or changes in reference rates.

In recent months, periods of high volatility have persisted in most interest rate instrument markets, affected mainly by inflationary pressures derived from the current supply chain crisis and geopolitical complications, which has led the central bank to continue with the restrictive cycle of raising the benchmark rate, taking it from **5.50%** to **10.50%** at year-end, the highest level in 23 years.

Nafin continues to actively participate in Banxico's **NDF** (Non-Delivery Forwards) auctions to contribute to the healthy development of the foreign exchange market.



### 6.3 INVESTMENT FUNDS

**Nafinsa Fund Operator** continues working on meeting the objective of fostering access of small and medium investors to the Stock Market through the distribution of stocks from the **13** investment funds it manages, having executed **26** agreements with 22 commercial brands in the stock market. At the close of December 2022, the average assets managed in investment funds amounted to **31,754 million pesos**. It should be noted that during this period there has been an interaction with the Nafin's Institutional Promotion Unit, through its regional directorates, to promote the purchase and sale of shares of the investment funds managed by the Operator, particularly with Public Administration bodies such as the state secretariats of finance, public universities, and/or Port Authorities (**API, in Spanish**). In addition, it participates in the project called Open Architecture, which is a product of the Financial Reform and consists of the purchase and sale of shares of investment funds in electronic platforms, so that the shares are easily acquired by public investors; all in accordance with the mission of the Operator.

### 6.4 CETESDIRECTO

During the second half of 2022, **Nafin continued with the advertising strategy to encourage the contracting of cetesdirecto, through advertising campaigns on the Internet and social media, and with the support of a sales force.** We also continued to promote with greater emphasis the use of mobile applications (**Apps**) and web platform for the contracting and operation of **cetesdirecto**, which were updated to improve the user experience, allow the public to access the platform easily and securely, and manage their own resources.

**These actions** helped to maintain during 2022 the **upward trend** carried over since 2018 and reach **1,626,260** registered customers. **1,142,744** of such registered customers have activated their contract with an investment balance exceeding **62,734 million pesos**, surpassing exceeding the goals established for 2022 in outstanding fashion. Similarly, the total amount of debt placed during the year by the Federal Government through cetesdirecto reached **7.30%** which, compared to the previous year's participation of **4.86%**, represented an increase of **50.20%**.

It is **worth noting** that the increase in yield rates on government securities throughout the year has helped the cetesdirecto financial service to **increase the number of people contracted by 47.0%** and the investment balance by **112.0%**, both compared to the figures at the end of 2021.

# 07 LEGAL AND FIDUCIARY OPERATIONS

## 7.1 CORPORATE AND BUSINESS

During the period from January to December 2022, no lawsuits were generated due to errors in the Legal Process that serves the Financial Markets, First Tier Financing, Venture Capital, International Affairs, and Advisory Matters. Also, assistance was given to various departments of the Institution for the preparation and review of contracts for national and foreign operations.

## 7.2 GOVERNMENTAL REGULATIONS

### Consultancy and Legal Advice on Goods and Services Procurement

The Institution fully complied with the regulations applicable to a National Credit Corporation, since it provided support and advice for the review of the legal instruments requested by several different areas of **Nafin**, by providing them support in the fulfillment of their objectives and substantive activities.

### Liaison to the Superior Federal Audit Office (ASF)

In relation to the functions that the Government Regulations Directorate has as liaison before the Superior Federal Audit Office, during 2022, 10 audits corresponding to the Public Account 2021 were attended in due time and form, of which five were performed directly to **Nafin**, and in five the Institution participated indirectly. The status of the audits is "Closed".

### Transparency

During 2022, the Transparency Unit responded to 437 requests for access to information, as well as 13 appeals for review.

Likewise, according to the Annual Verification and Institutional Accompaniment Program, in order to comply with the obligations on access to information and transparency by federal regulated entities during fiscal year 2022, the Institution obtained a score of 100% of the Global Index of Compliance in Transparency Portals.

The Institution complied with the biannual updates of the Index of files classified as confidential, with a total of 23 files or documents registered with the National Institute of Transparency, Information Access and Personal Data Protection (INAI, in Spanish).

## 7.3 LITIGATION AND CREDIT LAW

The Litigation and Credit Law area continues endorsing its commitment to design flexible and modern contracting schemes for packaged products, and actively participating in the businesses process through timely provision of legal formalization services, litigation and safeguarding of legal and proprietary interests of the Institution.

## 7.4 BOARD OF DIRECTORS SECRETARY OFFICE

In recent years, the importance of good corporate governance has become one of the main drivers of value creation in organizations, as well as an effective manner for improving their performance.

Several organizations have adopted additional measures to the regulatory ones, in order to improve management and control manner and effectiveness. This results in progressive willingness to institutionalize so as to be more competitive and have certainty and transparency tools that benefit all stakeholders due to proper functioning.

Independently of the work being carried out by Nacional Financiera to strengthen good corporate governance practices in MSMEs, throughout January-December 2022 an internal review of the powers and operating rules of the nine collegiate bodies of Nacional Financiera was carried out in order to align them with relevant regulations and the Institution's needs and requirements, as well as to include additional elements of corporate governance and best practices that have proven to be effective.



## 7.5 FIDUCIARY SERVICES

According to financial information published by the main financial institutions that provide trust services, at the end of 2022 **Nacional Financiera** ranked second among the country's trustees according to the value of trust assets managed.

In addition, Nacional Financiera remains both the top trust of the Federal Government, concentrating over **77%** of the assets managed by the development banking institutions, and the main executing arm of public policies that use such instruments.

As of December 31, 2022, **Nacional Financiera** managed 341 trust businesses with assets in excess of **2.01 billion pesos**.

Of the total managed assets, **782,152 million pesos**, equivalent to **39%** are liquid resources. Of this amount, **224,544 million pesos (28.71%)** were invested in the Money Desk and **3,425 million pesos (0.44%)** in the Nafinsa Fund Operator. Of the remaining resources, **26,012 million pesos (3.32%)** are deposited in the Treasury of the Federation and **528,172 million pesos (67.53%)** are invested with other financial intermediaries.

Income from fiduciary services, which includes commissions for the custody and management of securities and cash, increased to **168.2 million pesos**, which is **21%** higher than budgeted for fiscal year 2022.

# 08 DIGITAL BANKING

On May 26, 2021, the **Board of Directors of Nacional Financiera** authorized the creation of the Digital Banking Unit (**DBU**), whose objective is to direct and define strategies that promote financing schemes in first tier operations, through a digital platform that allows increasing the service capacity and market reach, as well as generating market intelligence with data analysis schemes that contribute to the improvement of processes.

The **DBU** was created to address the need to digitally transform development banking in order to meet the current needs of its internal and external clients in a faster, more innovative, and efficient way, with solutions that generate greater productivity and profitability in addition to:



Increase **Nafin's** financing offer through new business lines.



Incorporate on-line and mobile banking tools to **Nafin's** offer.



Expand the service channels for **MSMEs** through digital tools.



Generate dynamic market information on the performance of **Nafin's MSME** portfolio.

## Results 2022

In order to meet its objectives, the **DBU** carried out an initial mapping and diagnosis of the current Credit Process to identify areas that could be improved by implementing digital processes.

As a result, areas of opportunity have been identified in different activities and stages that result in complicated processes, both internally and for the Institution's clients and prospective clients. Such areas were, among others:



Completion of multiple forms and supporting documentation for credit files, including physical forms that require the signature of legal representatives.



Internal processes with multiple manual validations that increase service times and that could be solved digitally.



Based on the above, DBU has made an initial proposal that includes the following digital tools:



**Digital client prospecting.** Through mobile solutions and a web platform, it is possible to reach new market segments underserved by commercial banking.



**Pre-approval system.** From the outset, let a prospective client know if he/she is a candidate for a **Nafin** loan or, if applicable, inform him/her of the possible causes for rejection so that the prospect may, in due course, reapply.



**Automatic generation of documents.** With the help of electronic forms it is possible to collect information in an agile manner and automatically generate any form necessary to comply with the Bank's internal regulations.



**Digital signature/digital validation.** With the implementation of digital signatures it is possible to serve market segments, even without the physical presence of an executive, so that it is possible to grant loans in an agile and efficient way.

As part of DBU's proposals, during the first half of 2022 work was done on the prototype of a web platform, based on the current credit process, which allows the collection of the information required for the integration of first tier credit files through digital forms. This tool aims to shorten response times for prospective clients and make applying for a loan product a simpler experience. The purpose is to reduce the number and complexity of forms, reduce filling errors and collect information in a **100%** digital environment which is easily accessible and available at all times. Likewise, the digital support allows the analysis and study of the information necessary to make decisions that will help to reach new market segments and/or offer new products aimed at serving them.

In the second half of 2022, DBU began collaborating with the Strategic Planning Unit to implement improvements to **Nafin's** first tier Credit Origination Procedure. In order to assess the feasibility of implementing the improvements, a series of working meetings were held with the different areas involved in the Credit Process. At the same time, the DBU, together with the Information Technology Unit, began the development of a platform whose main objective is to have a single digital file, in which the information of the Bank's borrowers and customers is centralized for better administration, management, and information security. This platform will have tools and modules based on the work carried out in the first half of the year to develop the prototype.

# 09 SUPPORT OPERATIONS

## 9.1 QUALITY MANAGEMENT AND ORGANIZATIONAL CULTURE

In order to **strengthen and keep** its processes updated, **Nacional Financiera** maintains its strategy of continuous improvement in the Quality Management System (**SGC, in Spanish**), the promotion of the personal and professional development of its human capital, the strengthening of risk management and the efficient operation of its programs.

### Quality Management System

**Nacional Financiera** implemented the **Quality Management System** in early 2001, and since then has supported the institutional commitment to contribute to economic development oriented to national business productivity, under a scheme focused on risk prevention, the use of opportunities, continuous improvement, and customer satisfaction. The **SGC** supports the purpose and strategic direction of **Nafin**, aligning the institutional objectives as quality objectives, which results in a positive effect in meeting external and internal challenges. **Nafin** has maintained and strengthened its **SGC** for 22 years, certifying its processes year after year and successfully migrating to the **ISO 9001:2015** standard. The **ISO 9001: 2015** recertification was obtained, which will be valid for a three year period -from October 2022 to October 2025. There are annual reviews to maintain the certificate and validate the renewal thereof. The Certificate was obtained through an external quality audit, by a certifying house, which endorsed compliance with the **ISO 9001: 2015** Standard in the Institution's processes.

### Quality Operational Sessions

The quality operational sessions (**SOCs, in Spanish**) are one of the most important elements of the **SGC** administration, where the institution's personnel participate in the self-management of the quality of their processes. At the end of December 2022, there were a total of **42 SOC**s, which met at least once a quarter.

## 9.2 MINUTES OF ACCOUNTABILITY AND HANDOVER PROCESS OF REQUIRED PUBLIC SERVANTS

In compliance with the provisions of the "**RESOLUTION** on the General Guidelines for the Regulation of Accountability and Handover Process of the Federal Public Administration", published in the Official Federal Gazette on July 24, 2017, the actions required by the Secretariat of Public Service (**SFP, in Spanish**) to identify the public servants who will carry out the handover minutes were carried out within the Single Registry of Public Servants (**RUSP, in Spanish**). Likewise, during 2022, the provisions and requests of the **SFP** on this matter have been covered.

## 9.3 ORGANIZATIONAL STRUCTURE

In 2019, the Board of Directors approved the modification of the organizational structure of the Institution. At the close of this year, the organization consists of **996** positions: **472** for middle and top management, or equivalent thereto, and **524** to operational personnel. The budget ceiling goal of **967 million pesos** authorized for personal services in the 2019 Federal Expenditure Budget (**FEB**) was met.

At the beginning of 2020, the authorized structure of **996** positions was maintained, of which **472** were middle and top management, or equivalent thereto, and **524** were operational personnel. The budget authorized for personal services in the FEB 2020 was **994 million pesos**. As of December 31, 2020, the structure remained unchanged and closed the year with a modified budget of **956 million pesos**.

At the end of 2021, the authorized structure of **996** positions was maintained, of which **472** were middle and top management, or equivalent thereto, and **524** were operational personnel. The budget authorized for personal services in the FEB 2021 was **1,059 million pesos**.

In the first half of 2022, the Board of Directors authorized the modification of the organizational structure to **1,010** positions, of which **486** are middle and top management, or equivalent thereto, and **524** are operational personnel. The budget authorized for personal services in the FEB 2022 was **1,096 million pesos**. At year-end 2022, the authorized structure is maintained.

In recent years, the Institution has been headed by a general director who has been standardized with **Banco-mext**, which has led the organizational structure of both banks to standardize the positions of Unit Head and some area directors, in order to generate synergies, standardize processes and achieve savings in the resources assigned to the institutions.

**Nafin's** organizational structure currently has seven positions based at **Bancomext** and **18** compatibilities, which have been authorized by the Board of Directors and the SFP.

## 9.4 HUMAN CAPITAL DEVELOPMENT

### Detection of Talent and Gender Equity

The Institution has a competency-based human capital management model, which encourages constant updating of staff to learn more about their performance and potential. As a result of the hiring hiatus mandated by the SHCP during May, this model made possible to fill with house staff **48%** of the vacancies from January to December 2022. That is, the professional development of the human talent within the Institution has led to reduced costs of recruiting and the optimization of our investment. Also, open positions were filled in accordance with public policies designed to promote gender equity. Women accounted for **55%** of the total job promotions during the year, and **38.4%** of all hires.

Moreover, Nacional Financiera has a program to develop young talents through social service and professional internships, in addition to participating in the *Jóvenes Construyendo el Futuro* [Youth Building the Future] program, implemented by the Federal Government. During the first months of 2022 these programs were negatively affected by the **COVID-19** pandemic health impacts, the indications of the different higher education institutions, and the strategies taken by institutional authorities. However, the institutional programs were reactivated in April 2022.



and in the following months Nacional Financiera incorporated **52** students as social service, in hybrid and on-site modalities, both to support them in the completion of their academic procedures and to train them on the job.

With the purpose of strengthening talent detection, during the first months of this fiscal year we updated the information in the Talent Bank (an on-line service), a tool that allows us to identify internal personnel with the competencies required for the performance of a specific position, as well as candidates for vacancies that may arise. The Talent Bank offers a methodology that aligns the competencies of the personnel with the needs of the Institution, which is why an internal communication campaign was carried out on the Feedback exercise, which informs those who request it of the results obtained in their evaluations, in addition to supporting them in the establishment of individual development plans.

During 2022, we worked jointly and actively with the Gender Equality Unit of the SHCP and with the Public Ethics and Conflict of Interest Prevention Unit (**UEPPCI, in Spanish**) of the SFP, to implement different campaigns and activities in the Institution for dissemination, awareness, outreach, and training on topics such as conflicts of interest, public ethics, prevention of harassment and sexual harassment, equality and non-discrimination, leadership, team work, etc.

In compliance with the provisions established by the SFP, the Ethics Committee of Nacional Financiera defined the Annual Work Plan, which was presented in due time and form, and the corresponding evidence was uploaded in the System for Follow-up, Evaluation, and Coordination of the Activities of the Ethics Committees. Moreover, all commitments corresponding to the National Program to Fight Corruption and Impunity, and to Improve Public Management, 2019-2024 were fully followed-up.

The campaign to disseminate training courses on public ethics and conflicts of interest led to the training of **124** colleagues from Nacional Financiera, who completed the following courses

of the Virtual Training System for Public Officers (**Sicavis, in Spanish**): Elements to combat international bribery; Integrity in public service "Transforming ethics committees in the Federal Public Administration"; New Ethics and Integrity in the Public Service; Violence-free Federal Public Administration. Combating sexual harassment; Administrative Responsibilities of public officers; and Conflicts of interest in the exercise of public service. Likewise, in April, members of the Ethics Committee participated in the theoretical and practical workshop "Conflicts of Interest in the Exercise of Public Service", coordinated by the **UEPPCI**.

On equality and non-discrimination, **171** people participated in courses on Inclusive Language and Labor Equality and Non-Discrimination, and New Masculinities and Gender Perspective for Public Officers, programs coordinated by the Training area of Nacional Financiera. On the other hand, **125** people accredited platform activities of agencies such as the National Council for the Prevention of Discrimination, the National Human Rights Commission, and the National Women's Institute. To mention a few of such courses: Discrimination, Hate Speech, and Inclusive Alternatives; The ABC of Equality and Non-discrimination; Measures for Equality within the Framework of the Federal Law to Prevent and Eliminate Discrimination; Inclusion and Disability, and Join the Protocol, among others.

Nacional Financiera was able to renew its silver level certification in the Mexican Standard on Labor Equality and Non-Discrimination. This was the result of the audit carried out in November, but above all, it was the result of a year of efforts and actions aimed at compliance of the teamwork that led us to this achievement and, of course, of the strategy of Senior Management, which is committed to the Institution and its personnel to promote labor practices that facilitate co-responsibility between work, family, and personal life, as well as the development and comprehensive well-being of all the people who make up the great Nafin family.

As part of the actions to deal with Work-Family Balance practices and the commitments resulting from the certification in the Mexican Standard NMX-R-025-SCFI-2015 in Labor Equality and Non-Discrimination, the Quality of Life and Equality area coordinated conferences and cinema debates focused on providing strategies for achieving goals, as well as to balance work and family commitments. Some of the highlights were Workplace Intelligence, Right to Leisure and Rest, and Leadership and Positive Relationships at Work. In addition, activities were carried out to recognize labor history and retirement, and to promote integration.

In response to the actions coordinated by the Gender Equality Unit (SHCP), members of the Ethics Committee, as well as colleagues in general, participated in the Working Day to commemorate International Women's Day (March), in the forum Keys to Promote a Possible Work-Life Balance and Co-responsibility (June), in the programs Keys to Equality and Non-Discrimination (July-August), and Incorporating the Gender Perspective in Financial Products and Services (August-September).

In addition, the Quality of Life and Equality area provided support for coordinating the 57th edition of the Bank Sports and Cultural Games, where the Nafin team obtained 6th place in the podium.

## 9.5 PRIORITY TRAINING PROGRAMS

A total of 146 courses (in-person, online, and external) were taught from January to December 2022. In order to meet the technical and specialized needs of the personnel (emphasizing training in soft skills), as well as to update them on regulatory issues and prepare them to obtain certifications, the Annual Training Program was not only implemented on line through various digital platforms, but also in hybrid and on-site training activities, always considering the prevailing sanitary measures due to **COVID-19**.

Regarding the Scholarship Program, of the **18** active scholarships reported in the second half of 2021, **two** concluded at the beginning of 2022; therefore, during the first half of the year, there were **16** active scholarships.

For the second half of 2022, at the Third Ordinary Meeting of the National Joint Commission for Training and Education, held in August, the implementation of the Scholarship Program for operational personnel was approved. Following the publication of the Call for Scholarship Applications (via Internal Communication) and after the corresponding analysis of the applications received, the Committee agreed to award the scholarship to five people. Thus, by the end of 2022, during the reporting period, **21** scholarships were active.



## 9.6 INTERNAL CONTROL

### Internal Control System

At the meeting held on February 25, 2022, the Audit Committee (CAUD, in Spanish) learnt about the Internal Comptroller's Work Plan, which included 16 verification visits for the Evaluation of Internal Control Effectiveness to be carried out during fiscal year 2022, with the purpose of verifying the documentary and electronic evidence generated from the execution of each process.

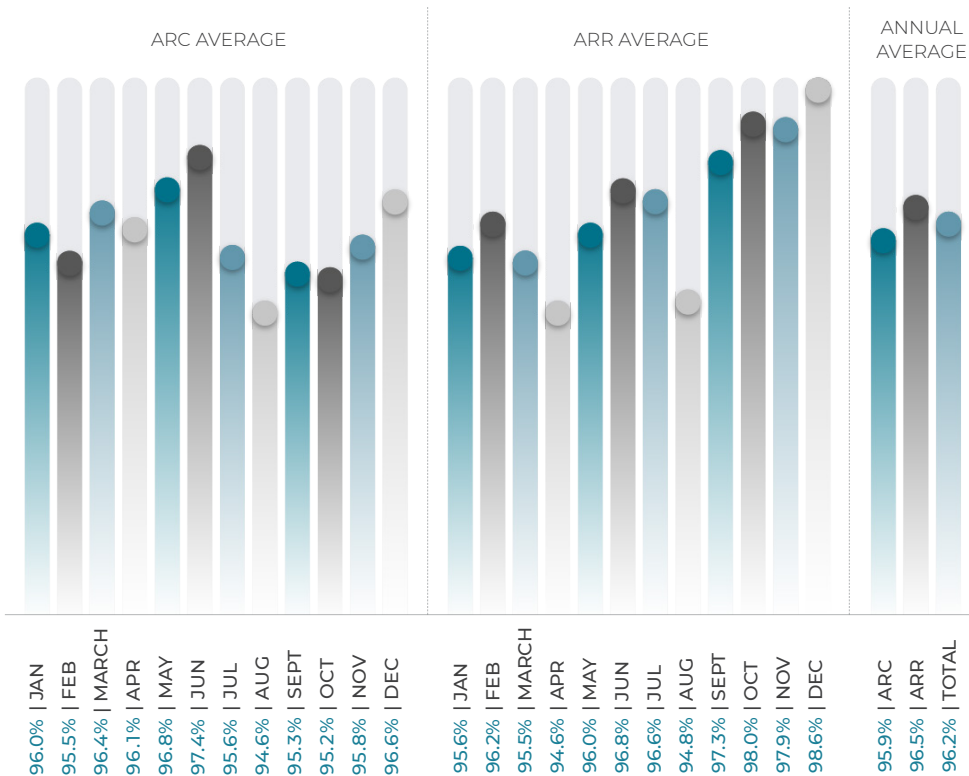
Likewise, heads of the administrative units appointed and/or updated the public servants responsible for attending in a timely manner the Routine Control Agendas of the processes under their responsibility, which allow the staff to ensure the proper performance of their activities, identifying, controlling, and mitigating the risks inherent to their work. Additionally, in order to obtain an effective update, the following activities were carried out:

- Verification of the fulfillment of the activities that make up the critical processes, and the effectiveness of the registered controls.
- Establishing or updating the control mechanism according to the needs of the processes.
- Implementing of internal controls and inspection points to avoid the materialization of possible risks, jointly with those responsible for the processes.

### Timely Attention of Routine Internal Control Agendas

In terms of the provisions of item 8, Section C, Paragraph V, of the Objectives and Guidelines of the Internal Control Institutional Model (LIMICI, in Spanish), the Internal Comptroller's Office reports the timely attention to the Routine Control Agendas (ARC, in Spanish) and the Regulatory Reporting Agendas (ARR, in Spanish) by the personnel assigned to the corresponding Administrative Units, obtaining a degree of compliance at the close of fiscal year 2022 of **96.21%**, as shown below:

### OPPORTUNITY ON CONTROL TOOLS



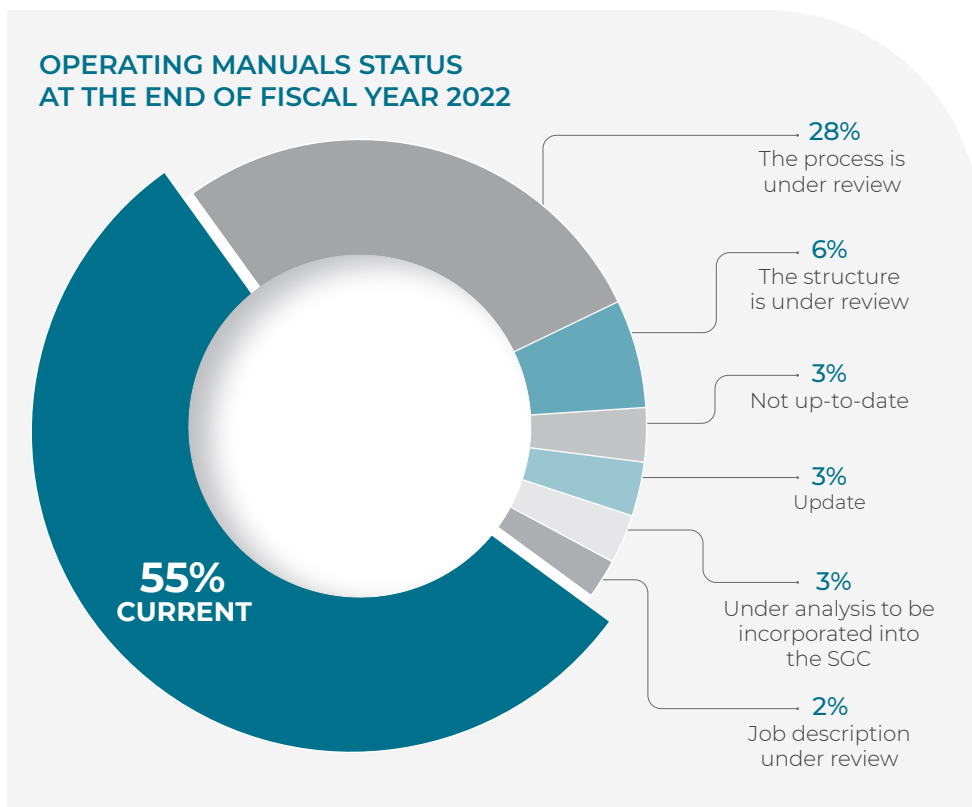
### Activation of Incidents in Routine Control Agendas

During financial year 2022, Internal Control incidents were detected due to the activation of alerts; in general terms, these did not have a significant impact, nevertheless they were recorded in the Internal Control Management System (SACI, in Spanish).

### Updated Record of Relevant Institutional Manuals

In response to Article 156, Section I, of the Single Banking Circular, the Internal Comptroller's Office has a record of the status of substantive manuals for the Institution's operation, which is quarterly reported to the CAUD.

At the end of fiscal year 2022, there is a universe of 108 certified operating manuals. The status of the operating manuals considered relevant was disclosed during the CAUD's ordinary meeting as follows:



It is worth mentioning that the processes of Administration of Guarantees on Bonds, Tariff Policy and Profitability, and Sale of Securities Directly to the Public are in the process of evolving to be incorporated into the Quality Management System.

### Supervision of Compliance with the Provisions on Investment Services

At the end of fiscal year 2022, the report on the supervision of compliance with the "General provisions applicable to financial institutions and other persons that provide investment services" for the periods January-June and July-December 2022 was prepared and submitted to the CAUD and the Board of Directors (CD), as well as to the National Banking and Securities Commission (CNBV, in Spanish) within 20 business days from the date of submission of the report to the CD, in compliance with the investment services provisions.

### Interbank Electronic Payments System – Regulatory Officer

The Internal Comptroller's Office prepared the *Report on Incidents of the Interbank Electronic Payments System (SPEI, in Spanish)* in accordance with rule 73<sup>a</sup>, second section, of Circular 14/2017 *SPEI Rules* and its amendments, addressed to the participants of the Interbank Electronic Payments System and others interested in acting in that capacity, regarding the SPEI rules issued by Banxico.

### Reinforcement Measures Implemented in face of COVID-19

Nafin adopted various containment actions in response to SARS-CoV-2, including hygiene measures, the suspension of non-essential activities and the implementation of virtual work meetings, in order to ensure the health safety of its personnel and the entities with which it communicates.

During 2022, two periodic requests from the SHCP were answered, which correspond to the Investment Position (weekly) and the Status of Priority Projects (biweekly), sent in a timely manner with the support of the Directorate of Financial Planning and Programming.

It is important to highlight the active participation of the personnel assigned to the Risk Management, Productive Chains, and Sustainable Projects and Corporate Financing departments, who are responsible for responding to requests within the time and deadlines stipulated by the SHCP.

## 9.7 PREVENTION OF TRANSACTIONS WITH ILLEGAL PROCEEDINGS AND FIGHTING AGAINST TERRORISM FINANCING

### Training Program on Anti-Money Laundering and Countering the Financing of Terrorism

The Money Laundering Prevention and Fighting against Terrorism Financing training program took place from September 1 to October 2, 2022, through the platform of the Association of Banks of Mexico, ABM, A.C., in three levels of specialization according to the functions performed by the employees and officers of the Institution (general, advanced, and expert). The program concluded with an effective participation of 100% (one hundred percent) of the personnel.

Likewise, the Compliance Officer prepared a note to train the members of the Board of Directors, which was sent to them through the Secretary of the Board of Directors on November 8, 2022.

## 9.8 INTERNAL AUDITS

At the beginning of the year 2022, the Internal Audit Directorate (**DAI, in Spanish**) integrated its Annual Work Program. Prior to its execution, it was submitted for the opinion of the General Director and the approval of the Audit Committee; the CNBV was also informed.

The Program is oriented to the practice of audits of the Institution's substantive activities, highlighting those related to credit, financial markets, trusts, risk management, and information technology, among others. In general terms, the purpose of the audits is to verify compliance with the regulations established by the **CNBV** and Banxico, verify the management of the risks inherent to the processes, strengthen the Internal Control System, and verify the control mechanisms implemented in the information security model.

In accordance with the foregoing, the Internal Audit activities during the year included the following:

### Audits

19 audits (116%) were carried out, three more than those scheduled.

In compliance with instructions from the General Directorate, **three** audits were carried out on Money Laundering Prevention (**PLD, in Spanish**), which were not originally considered in the Annual Work Program.

### THE CONDUCTED AUDITS ARE SHOWN BELOW:

NO. OF AUDITS	TOPIC	REGULATORY INSTITUTION
2	SPEI - Operational and Technological Risk and Derivatives Markets	Banxico
1	Transfer Database BDT - Operational Technology Risk	CNBV
3	AFIX Servicios Financieros, S.A.P.I de C.V., Sofom ENR, blocking of accounts and analysis of actions taken with respect to the PLD process	CNBV
6	Credit Process Stage I, Business Development and Credit File Review. Credit Process Stage II, Analysis and Decision. Credit Process Stage III, Instrumentation and Disbursement Electronic Transaction. Stage III and IV Credit Process, Implementation and Disbursement, and Normal Portfolio Recovery -N-current, DAC. Stage IV of the Credit, Follow-up and Recovery Process and Portfolio Rating	CNBV
3	Money Market, Derivatives Market and ICTs TAS-Money Market System	CNBV
1	SWIFT cybersecurity controls	SWIFT's Customer Security Controls Framework
1	Risk management	CNBV
1	Fiduciary Process - Leasehold Trust 80730	CNBV
4	Follow-up	CNBV

Audited departments were involved during the audit so as to inform the audit's results and added-value proposals that will allow addressing the findings and recommendations aimed to strengthen the Internal Control System.

During 2022, 56 observations determined by the Internal Audit Department were followed up, including 24 resulting from the 22 audits carried out that year and 32 from previous years. At year-end, 23 observations are still in the process of being addressed:

IN PROCESS AT 31 DECEMBER 2021	JANUARY-DECEMBER 2022 INCORPORATED	ATTENDED	IN PROCESS AT 31 DECEMBER 2022
32	24	33	23

### Participation as Normative Advisers during the Meetings of the Decision-making Bodies (committees)

In compliance with regulatory provisions, DAI participated in the meetings held by the Comprehensive Risk Management Committee and the Communication and Control Committee, as well as in the technical committees of the Risk Participation Trust (1148-0), the Business Financing Counter-guarantee Trust (8013-9), and the Risk Participation in Bonds Fund (8068-6).

### Monthly Review of Variations in the Financial Statements of the Institution

With the purpose of evaluating the reasonableness of the figures of the Balance Sheet and of the Income Statement, the items showing the main variations are identified on a monthly basis by making the comparison of balances of the formalized financial information of the previous month against the preliminary figures registered in the Financial Information System by determining increases and decreases of the balances and analyzing the origin of the variations.

## 9.9 INFORMATION TECHNOLOGY

### Potic

The **Information and Communication Technologies Project Portfolio (Potic, in Spanish)** is the set of strategic and operational projects in **Information and Communication Technologies (ICT)** and **Information Security (IS)** that the institutions plan to carry out in the next fiscal year.

This is the regulation that will direct technological initiatives, based on the National Digital Strategy, during the current administration. Among its main new features is the emphasis on the use of open source, agile development, containers and application inventory to avoid duplication and push interoperability.

This new perspective differs from the previous one mainly in its approach towards in-house development, open source software and collaboration between entities. In practice, it means an attempt to move away from proven and functional solutions marketed by technology providers. The regulation issued by the previous administration placed a very strong focus on the ICT services contracting and public bidding processes; although it defined the concepts of open source and free software, it did not use them in any of its articles.

During the January-December 2022 period, the IT Directorate consistently executed the processes directly related to the Strategic Technology Plan, obtaining the following results in terms of its indicators:

### Strategic Technology Plan

#### 1. Strategic Planning (PE)

*Indicator.- Percentage of compliance in the execution of the projects that make up the "Executive Portfolio of ICT Projects": 97.74%.*

During 2022, **19** business projects have been implemented, of which **three** projects were implemented through the contracting and management of external suppliers, in accordance with current regulations; **14** through internal developments that allowed **Nafin** to generate significant savings, with the benefit of not depending on a supplier, and **two** projects with internal and external (hybrid) development. Regarding internal developments, it is important to emphasize that this strategy allows knowledge and experience to remain within the Institution, reduces the response time to meet business needs and supports the professional growth of the personnel involved in such projects.

#### 2. Project Management (ADP)

*Indicator.- Percentage of compliance in the execution of the projects that make up the "Operative Portfolio of ICT Projects": 0%.*

The number of projects in the ICT Project Operational Portfolio is zero.

### 3. Budget and Procurement Management (APCT)

**Indicator.-** Percentage of effectiveness in preparing feasibility studies: **92%**.

The number of favorable feasibility studies is **23** and the number of feasibility studies presented to the Unit is **25**.

### 4. Service Management (ADS)

**Indicator.-** Keeping service information updated: **100%**.

The number of reviews carried out, as well as the number evaluations for the period is **four**.

### 5. Configuration Management (ACNF)

**Indicator.-** Keeping the configuration repository updated: **100%**.

The number of reviews carried out, as well as number of schedules reviews to the configuration repository is **four**.

### 6. Supplier Management (APRO)

**Indicator.-** Compliance with the process: **100%**.

The number of scheduled and executed progress and completion reviews is **33**.

### 7. Operation Management (AOP)

**Indicator.-** Incidents in the operating environment: **99.63%**.

The number of resolved incidents in the operation is **3,792**, and the number of incidents that occurred in the operating environment is **3,806**.



# 10 FINANCIAL RESULTS

Despite the uncertainty and decrease in economic activity, Nafin obtained in 2022 a profit of **(8,434 million pesos)** before taxes; once the full utilization was made to the SHCP, and considering the corresponding tax cancellation, there was a net result of **(7,771 million pesos)**, equivalent to a nominal return on capital of **(23.15)%**. By the end of the year the equity capital amounted to a total of **33,565 million pesos**, representing **12.5%** nominal decrease in comparison with the total revenue of the previous year. It is worth mentioning that in this year the Federal Government allocated **6,824 million pesos** to the Institution, and the return on capital would have been **2.82%** without such allocation.

In addition, the Nafin's financial situation shows solid indicators, including the following:

## NAFIN FINANCIAL INDICATORS / 2021-2022 COMPARATIVE TABLE

Indicator	Dec. 2021	Dec. 2022
Overdue portfolio / private sector portfolio	2.84%	2.97%
Reserves / overdue portfolio	149.31%	115.97%
Financing granted to MSMEs / Financing to the Private Sector	66.63%	69.6%
Financial penetration (Private Sector Portfolio / GDP) 1/	1.55%	1.56%
Financial penetration (Private Sector Portfolio and Capital Contr. / GDP) 1/	1.90%	1.80%

1/ Mexico's GDP for December 2022 is calculated based on the GDP of the third quarter of 2022, and it is adjusted for the change in economic activities for the same quarter of the previous year.

Given the balance obtained from the loan portfolio and securities with the private sector, it is estimated that as of December 2022 the Financial Penetration index of 1.56% was reached, higher than the obtained in December 2021, 1.55% (this index measures the balance of credit direct and promoted by Nafin to the private sector, as a percentage of GDP).

Likewise, when considering the previous balance plus contingent credits and the capital contributions of the Fund of Funds, the Financial Penetration index went from 1.90% in December 2021 to 1.80% in December 2022.

## 10.1 EVOLUTION OF RISK OVERDUE PORTFOLIO

At the end of December 2022, the loan portfolio recorded in the Balance Sheet amounted to **211,363 million pesos** and the non-performing loan portfolio at risk was **5,876 million pesos**, mainly concentrated in the portfolios of Credit Programs for Financial Institutions, for **5,441 million pesos (92.6%)**; Business Activity, with **427 million pesos (7.26%)**; and Former Employees, for **8 million pesos (0.14%)**.

## 10.2 OVERALL BALANCE

As of December 2022, the Institution's assets amounted to **563,386 million pesos**, with an increase of **44,177 million pesos**, equivalent to **8.5%**, which are financed with liabilities of **529,821 million pesos**, comprised of **180,334 million pesos** of creditors under repurchase transactions, **269,313 million pesos** of internal debt, **55,945 million pesos** of external debt, and other liabilities of **24,229 million pesos**. In addition, stockholders' equity recorded a balance of **33,565 million pesos**.

Moreover, Nafin has a Financial Agent balance of **337,863 million pesos**, an amount representing a decrease of **38,409 million pesos** during the year which amounts to **10.2%**; furthermore, the balance for stand-by guarantees reached **88,649 million pesos**, which is a decrease of **1.1%** compared to previous year.

An analysis of Nacional Financiera's financial statements for the 2022 period is provided in this report's Annex B, "Report on Consolidated Financial Statements with Subsidiaries, as of December 31, 2022".

# INTERNAL CONTROL BODY

## Approach to Action

The Internal Control Body (OIC, in Spanish) is an authority that carries out its functions in accordance with the guidelines of the SFP, a body on which its head depends hierarchically and functionally, as well as the heads of the Internal Audit, Development and Improvement of Public Management; Complaints, Claims and Investigations; and Responsibility and Accountability areas.

It bases its actions on Article 44 Bis 1 of the Law of Credit Institutions which, as of the 2014 financial reform, establishes the scope of action to carry out the control, evaluation and surveillance of the administrative provisions applicable to development banking on:



Budget and fiscal responsibility.



Purchases derived from the Public Sector Procurement, Leasing, and Services Law and the Public Works and Related Services Law.



Conservation, use, destination, assignment, disposal, and cancellation of real and personal property.



Administrative responsibilities of public officers.



Information access and transparency

Based on the Guidelines issued by SFP, the 2022 Annual Work Plan was prepared, considering the type of actions to be carried out by the OIC.

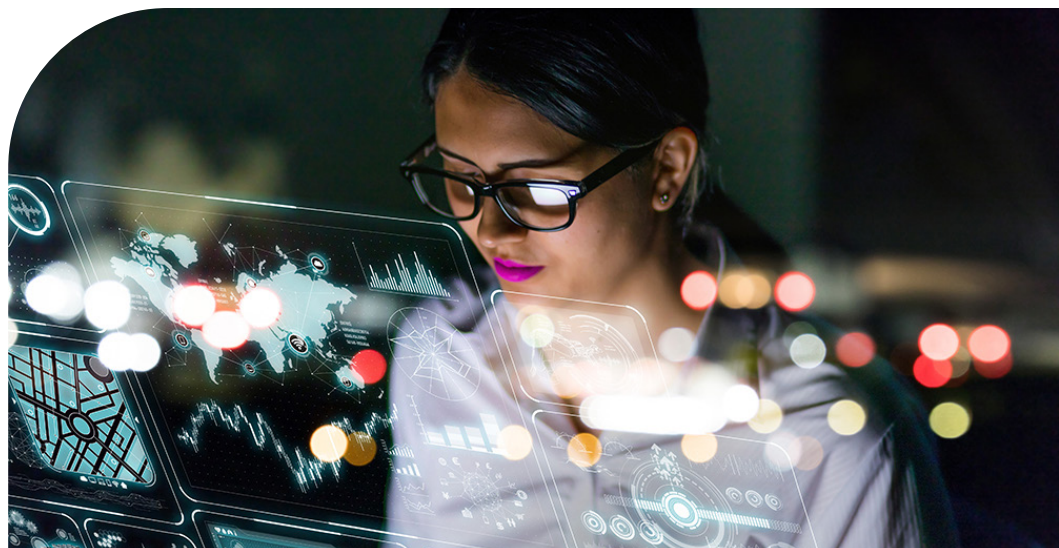
## 11.1 INTERNAL, DEVELOPMENT, AND IMPROVEMENT OF PUBLIC MANAGEMENT AUDITING

With regard to the 2022 Annual Auditing Program (PAF, in Spanish), auditing activities were scheduled to prevent and fight corruption, as well as to reduce impunity, by reviewing critical areas and processes prone to corruption such as procurement, leases and services; priority, strategic programs or those with significant budget allocations, as well as areas with a high incidence and recurrence of observations that have an impact on the budget, programs, processes, or services in which the Institution is involved.

Accordingly, in the PAF 2022, various types of audit activities were programmed, such as: **audits, inspection and improvement visits, and internal control interventions.**

For 2022, 10 audits and four quarterly follow-ups were scheduled, which were carried out using information and communication technologies for work sessions and meetings and the like, in order to minimize contact and the risk of contagion of the SARS-CoV-2 virus among the public officers involved.

In this regard, and as scheduled for 2022, the **10** audit activities were completed.



The activities carried out in the area of management improvement focused on continuous improvement and the promotion of the efficient use of the Institution's human and material resources, focused in achieving strategic objectives through the improvement and/or simplification of institutional processes and the internal regulatory framework, the follow-up of the austerity measures implemented, the professionalization of public officers, and the use of information and com-

munication technologies, which has distinguished the performance of the OIC. It also contributed to strengthening procurement processes, accountability, and the monitoring of institutional ethical behavior. It is important to point out that the coordinated work of the Internal Audit, Development, and Improvement of Public Management processes in the execution of auditing activities has made it possible to achieve greater integrity in the area's results.

## 11.2 CLAIMS, COMPLAINTS, AND INQUIRIES AREA

Within the framework of the powers set forth in the Internal Regulations of the SFP and in the General Law of Administrative Responsibilities, the following actions were carried out in the Area:

### Complaints

In 2022, **41** files were filed and processed. In addition to these, investigation of 13 cases that were in process at the beginning of the year continued, of which **one** corresponded to 2020 and **12** to 2021.

Therefore, from January to December 2022, a total of 54 complaints were processed, of which **40** closed: **one** of 2020, **10** of 2021 and **29** of 2022, which were resolved as follows: 32 were dismissed for lack of grounds, six were sent to the Area of Responsibilities, and two were accumulated.

At the end of fiscal year 2022, a total of 14 files were pending, of which **two** correspond to the 2021 and 12 to 2022.

### Citizens' Requests

During 2020, **20** citizens' requests were received in total, 16 of which were answered, leaving only four on hold.

### Legal Counseling

During the period from January to December 2022, the staff of the Area of Claims, Complaints, and Inquiries provided advisory services on **623** occasions, through e-mail, face to face or by telephone. A large percentage was regarding patrimonial statements. As a result, they increased as of April, due to the presentation of the Modification of Patrimonial Statement, in its modality of Modification, of the public officers that make up Nafin.

At the end of the year, advice was provided on how to return gifts.

### Statement of Modification of Financial Condition

For yet another year, **100%** of Nafin's public officers (**933** in total) were required to submit their patrimonial statement in May 2022, in the form of Modification, a commitment that was fulfilled in the month established by law.

### Investigation Procedures against Individuals or Legal Entities for Violations of Provisions on Public Procurement

At the end of fiscal year 2022, **one** complaint was received in this matter, which was processed and closed in the last quarter of the year; thus, closing the year with zero pending cases.

### 11.3 ADMINISTRATIVE RESPONSIBILITIES

Within the framework of its legal and regulatory powers and duties, the Responsibilities Area is in charge of: conducting administrative liability proceedings and sanctioning minor irregular conduct committed by the Institution's public officers; settling disagreements filed for acts that contravene legal provisions on public contracting, and sanctioning individuals or companies for violations of such provisions; as well as carrying out the legal defense of the matters. According to such powers, in the period from January to June 2022, the following actions were carried out:



#### Administrative Responsibility Procedures

**Nine** administrative responsibility files were handled for non-compliance with the responsibilities set forth in Article 49 of the General Law of Administrative Responsibilities by public officers of the Institution.

In five cases, on alleged non-compliance in filling the Patrimonial Statement, the liability procedure was declared inadmissible, as it was proven that the parties involved had spontaneously complied with said obligation on time. In four cases, disciplinary proceedings were initiated and, as a result, administrative sanctions were imposed: **two** public admonishments and **a** 30-day suspension from office. Likewise, in one case it was determined that the proceeding was dismissed on the grounds of inadmissibility.



#### Non-conformities Regarding Public Procurement

During the reporting period, a complaint was filed on a contracting procedure carried out by Direct Award called by Nacional Financiera, as Trustee of Trust 80595 Sale of Securities Directly to the Public. Nevertheless, the complaint which was declared inadmissible.



#### Conciliation Procedures

The Responsibilities Area participated in four conciliation proceedings filled by various companies for alleged non-payment resulting from contracts entered into by Nafin, in its capacity as trustee of the Banrural System Pension Fund Trust (**Fopesiban, in Spanish**). All four cases were concluded without a settlement agreement.



### Legal Defense and Litigation

During the reporting period, attention and follow-up was given to **six** nullity proceedings before the Federal Court of Administrative Justice: **one** filed against the resolution issued in a non-conformity proceeding; **one** against a bidding procedure, in which Nafin is not the responsible authority; **one** filed against the decision on the conclusion of the investigation stage issued by the Claims, Complaints, and Inquiries Area; **one** against the decision that declared without merit the appeal filed against the sanction imposed in an administrative liability proceeding, and **two** against the decisions in which administrative sanctions were imposed.



### Information Access and Transparency

During fiscal year 2022, the OIC, as a regulated entity under the Federal Law of Transparency and Access to Public Information, responded in due time and manner to **173** requests for access to information.

## 11.4 STATUS OF COMMENTS

At the end of 2022, there are **22** comments in process under the responsibility of the OIC; **21** were determined by the Internal Audit Area of this OIC and **one** by the Federal Audit Office.

# ANNEX A NACIONAL FINANCIERA IMPORTANT FIGURES

## NACIONAL FINANCIERA, S.N.C., RELEVANT FIGURES

Millions of pesos at the end of the year

CONCEPTS	2015	2016	2017	2018	2019	2020	2021	2022
<b>Total Assets</b>	395,158	515,075	529,082	597,605	567,786	623,156	519,209	563,386
Financial Agent Portfolio	109	94	65	29	9	0	0	0
1 <sup>st</sup> -Tier Credit Portfolio	43,730	66,299	63,004	73,566	60,304	54,803	60,548	69,446
2 <sup>nd</sup> -Tier Credit Portfolio	127,863	147,920	165,390	186,037	165,637	166,609	129,024	141,918
<b>Total Credit Portfolio</b>	171,702	214,313	228,459	259,632	225,950	221,412	189,572	211,364
Equity Investment at Enterprises	6,514	8,010	8,952	9,950	10,163	10,608	11,982	11,608
Equity Investment at Developers	1,532	1,539	1,637	1,638	1,732	1,784	1,851	1,946
Stock Equity Investment	95	59	269	180	295	30	48	42
Internal Debt	184,342	213,222	214,351	231,099	237,601	244,572	241,753	269,313
External Debt	44,054	63,533	71,927	79,944	71,823	67,909	63,279	55,945
Preventive reserve for credit risk	(3,999)	(4,464)	(4,511)	(3,971)	(4,047)	(5,244)	(7,808)	(6,814)
<b>TOTAL PASSIVE</b>	371,062	488,365	497,638	562,050	529,860	582,652	480,829	529,821
<b>Accounting Capital</b>	24,096	26,710	31,444	35,554	37,926	40,504	38,380	33,565
Assets in trust or under mandate	1,403,376	1,544,545	1,725,173	2,099,988	2,073,843	1,976,502	2,157,475	2,360,837
Endorsement Debtors and other Contingent Liabilities	64,414	53,520	235,458	260,974	191,074	218,927	269,266	218,243
Net Profit (Loss)	1,254	1,321	1,502	2,439	-2,272	-4,228	-6,668	-7,771
Capitalization Level (%)	13.6	13.3	14.5	14.5	17.0	18.5	20.2	16.8

## RAISING IN LOCAL CURRENCY \*

(Millions of pesos)

INSTRUMENT	2015	2016	2017	2018	2019	2020	2021	2022
Stock Exchange Certificates	40,000	50,524	56,698	59,491	64,765	60,089	75,660	71,717
PG's Nafin	87,587	108,970	79,575	149,163	146,266	150,606	142,411	161,489
New Instruments	127,587	159,494	136,274	208,654	211,031	210,694	218,070	233,206
Time Deposits in National Currency	41,153	7,153	5,153	5,153	10,523	-	-	-
Various Deposits	8	1,129	1,505	1,637	323	2,655	133	974
<b>Total</b>	168,747	167,775	142,932	215,444	221,876	213,349	218,203	234,180

\* It does not include interest

## TOTAL EXTERNAL DEBT BALANCE OF DECEMBER 31

(Millions of dollars)

CONCEPTS	2015	2016	2017	2018	2019	2020	2021	2022
I. Direct Debt	2,550.20	3,076.30	3,652.30	4,059.60	3,801.00	3,409.35	3,083.95	2,864.19
A. Deposit Certificates (London)	1,139.50	1,387.40	2,066.70	2,274.80	1,779.30	1,962.22	1,471.84	1,864.60
B. Green Bond	500.00	500.00	500.00	500.00	500.00	-	-	-
C. Yen Bond	-	-	222.00	227.80	230.10	242.18	217.25	113.55
D. Multilateral Agencies	6.30	4.50	3.30	1.50	0.50	-	-	-
E. Private Bank, Eximbank's and Suppliers	904.40	1,184.40	860.30	1,055.50	1,291.10	1,204.95	1,394.87	886.05
Accrued Interest	3.80	4.90	5.70	8.50	6.40	1.66	1.70	3.48
<b>Total</b>	2,554.00	3,081.20	3,658.00	4,068.10	3,807.30	3,411.01	3,085.65	2,867.68

# ANNEX B

REPORT ON CONSOLIDATED  
FINANCIAL STATEMENTS  
WITH SUBSIDIARIES,  
**AS OF DECEMBER 31, 2022**

NACIONAL FINANCIERA, S.N.C.,  
INSTITUCIÓN DE BANCA DE  
DESARROLLO AND SUBSIDIARIES

Consolidated financial statements and  
independent auditor's report  
As of December 31, 2022

EJEMPLAR 03

Consolidated financial statements and independent auditor's report  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022

---

<b>Contents</b>	<b>Page</b>
Independent auditor's report	1
Consolidated statement of financial position	9
Consolidated statement of comprehensive income	11
Consolidated statement of changes in equity	12
Consolidated statement of cash flows	13
Notes to the financial statements	
1. Nature of operations and main activities	14
2. Approval and basis of preparation of the consolidated financial statements	16
3. Summary of significant accounting policies	23
4. Changes in accounting policies	63
5. Foreign currency position	73
6. Cash and cash equivalents	74
7. Investments in financial instruments	76
8. Repurchase/resell agreement transactions	81
9. Derivatives	81
10. Loan portfolio	87
11. Other accounts receivable, net	95
12. Foreclosed assets	95
13. Property, furniture and equipment, net	96
14. Permanent investments and other investments	96
15. Deposit funding	97
16. Debt securities issued in the country	98
17. Debt securities issued abroad	100
18. Interbank loans and loans from other entities	100
19. Other accounts payable	103
20. Employee benefits	103
21. Income taxes and employee statutory profit sharing (ESPS)	109
22. Shareholders' equity	112
23. Memorandum accounts	125
24. Additional information on operations and segments	129
25. Commitments and contingencies	134
26. Risk management (unaudited information)	135
27. Regulatory pronouncements recently issued	154
28. Subsequent events to the reporting date	155

## Independent auditor's report

To the Board of Directors of Nacional Financiera, S.N.C.  
Institución de Banca de Desarrollo

### Opinion

We have audited the consolidated financial statements of Nacional Financiera, S.N.C. Institución de Banca de Desarrollo, and its subsidiaries (the Institution), which comprise the consolidated statement of financial position as of December 31, 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year then ended, and the explanatory notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, described in the above paragraph, have been prepared in all material respects in accordance with the Accounting Criteria for Lending Institutions in Mexico (the accounting criteria), issued by the National Banking and Securities Commission (the Banking Commission).

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are described below in the section on "Auditor's responsibilities for the audit of the consolidated financial statements" in our report. We are independent of the entity, in accordance with the Code of Professional Ethics issued by the Mexican Institute of Public Accountants, A.C. (IMCP) and also in compliance with the International Code of Ethics for Professional Accountants issued by the International Federation of Accountants (IFAC), and in accordance with the ethics requirements applicable to our financial statement audits in Mexico, and we have complied with the ethics responsibilities according to those requirements and such Code. We consider that the audit evidence gathered by us provides proper and sufficient support for our audit opinion.

### Key audit matters

Key audit matters are those matters that, in the auditor's professional judgment, were of the most significance to the audit of the consolidated financial statements of the current period. These matters have been considered in the context of the audit of the consolidated financial statements as a whole, as of December 31, 2022, when drawing up our opinion thereon, and we do not provide a separate audit opinion on these matters. For each key audit matter, below we describe the way we addressed it in our audit.

Key audit matter	How the matter was addressed in the audit
<b>Information systems</b>	
<p>The Institution's financial information depends largely on information technology (IT) systems; thus an appropriate control thereon is relevant to guarantee the correct information processing.</p> <p>The Institution operates in a highly automated way, carrying out complex calculations and a great amount of transactions, led by the IT area and the information security area through controls over application maintenance and development, physical and logical security and system exploitation.</p>	<p>In collaboration with our IT system specialists, our work has consisted of the assessment and verification of the following processes:</p> <ul style="list-style-type: none"> <li>• System development.</li> <li>• Computer operations.</li> <li>• Changes to programs.</li> <li>• Access to data and programs.</li> <li>• Information security.</li> </ul> <p>With the purpose of ensuring that the controls established by the Institution mitigate the risks that could affect the information integrity, availability and confidentiality.</p>
<b>Deposit funding:</b> (See notes 3 p. and 15 to the consolidated financial statements).	
<p>The Institution keeps term deposits secured from money market transactions, negotiable instruments issued in the country and abroad such as bank bonds and stock notes. Interest is charged to expense on an accrual basis under "Interest expense".</p> <p>For instruments sold at a value different from their nominal value, the difference between the instrument's nominal value and the amount effectively received therefrom is recognized as a deferred charge or credit and amortized on a straight-line basis over the term of the respective instrument.</p>	<p>We evaluated, with the support of our expert, the integrity of the deposit funding instruments handled by the Institution. Likewise, we evaluated the process and internal control of the money market funding. We also analyzed and compared the prices recorded against the classification criteria and bases for type of business, as well as the interest rates upon issuance.</p>

Key audit matter	How the matter was addressed in the audit
<p><b>Financial instruments</b> (see Notes 3 d., 3 e. and 7 to the consolidated financial statements) <b>and Derivatives</b> (see Notes 3 f., 3 g. and 9 to the consolidated financial statements).</p>	
<p>The determination of fair value of some financial instruments and derivatives as of December 31, 2022 is carried out by using valuation techniques that involve significant judgments made by Management, primarily when it is required to use inputs that are obtained from various sources or data not observed on the market and complex valuation models.</p> <p>In addition, the requirements that must be met for recording derivatives designated as hedges in the accounting, as well as the documentation and monitoring for testing their effectiveness involve a certain degree of specialization by Management.</p> <p>The documentation of derivatives, their designation, valuation and results determine the accounting treatment and presentation of derivatives and their hedged position, which implies a complex methodological analysis that requires the participation of specialists.</p>	<p>Our audit procedures included, among other things, the review of the documentation and fair value of financial instruments and derivatives for trading and hedging purposes.</p> <p>Likewise, we reviewed the composition and grounds of the classification levels for the financial instruments in general.</p> <p>We involved our expert for evaluating the reasonable valuation of derivatives through selective tests, reviewed the methodology, the determination of the fair value for hedging transactions, the reasonable compliance with the criteria and documentation to be considered hedging transactions, testing the hedge effectiveness, an appropriate disclosure and presentation in the consolidated financial statements.</p>
<p><b>Loan portfolio and allowance for loan losses</b> (see Notes 3 i and 10 to the consolidated financial statements)</p>	
<p>The allowance for loan losses of the loan portfolio is determined in accordance with the classification rules and portfolio rating set forth by the Banking Commission. This expected loss considers three credit risk factors:</p>	<p>As part of our audit procedures, we studied the internal control implemented by Management for identifying, managing and valuing the credits in general, as well as their accounting recognition.</p>

Key audit matter	How the matter was addressed in the audit
<p>a) Probability of default.</p> <p>b) Loss severity.</p> <p>c) Exposure to default for each credit type.</p> <p>Such rules establish a method which considers a series of qualitative and quantitative factors; and given the importance of the book value for the loan portfolio and its corresponding allowances for loan losses, and as the process for determining the allowance requires considering the integrity and accuracy of the used source information.</p>	<p>In addition to the foregoing, we defined the documentation to be reviewed with the purpose of identifying the processes to prepare credit files, for uploading and valuation of credit requests for approval purposes and the amendments set forth by the special accounting communications.</p> <p>We reviewed the loan integrity and composition and the evolution of its loss levels reported to the Integral Risk Management Committee and the Board of Directors considering the increases and changes to the rating due to the increases in the interest rate.</p> <p>Our sample included the types of credit and limit integration, assumptions and parameters of the determination of the expected loss of the credits applicable to stages 1, 2 and 3.</p>
<p><b>Provision for litigations and contingencies</b> (see Notes 3 z. and 25 to the consolidated financial statements).</p>	
<p>The Institution has been subject to some trials and claims, which are not expected to have a material adverse effect on the financial situation and results of its future operations.</p> <p>In such cases that represent a probable loss or where a cash outflow is estimated, the necessary provisions have been set aside.</p>	<p>We have obtained an understanding of the process for estimating the provisions for litigations and contingencies carried out by Management.</p> <p>As part of our audit procedures, we verified the following:</p> <ul style="list-style-type: none"> <li>• Reasonableness analysis of the estimation of the expected results of the most significant legal processes.</li> <li>• Submission, obtaining and analysis of confirmation letter, if any, from external lawyers.</li> <li>• Analysis of the recording, reasonableness and movement of accounting provisions.</li> </ul>

Key audit matter	How the matter was addressed in the audit
<b>Permanent investments</b> (See notes 1.ii and 14 to the consolidated financial statements).	
<p>The Institution has different subsidiaries in which it has a shareholding, with Corporación Mexicana de Inversiones de Capital, S.A. de C.V. standing out. It is mainly engaged in the purchase, sale and investment in corporations, entities and private capital funds, as well as in the promotion of productive investment in Mexico in the medium and long term, encouraging the institutionalization, development and competitiveness of the small and medium size companies, among others.</p>	<p>We exchanged written communications with the auditors of the subsidiaries audited by another public accountant, where we were informed and received details on the performed work. We were informed said work complies with the applicable requirements of ethics and independence, the ISAs requirements, the potential noncompliance of the legal provisions that could give rise to a material misstatement in the financial statements of the institution or other significant matters that the other public accountant has communicated to those responsible for governance of the subsidiary, and in some cases, where it was deemed necessary, the working papers of the auditors of the subsidiaries were reviewed.</p>
<b>Employee benefits.</b> (see Notes 3 s. and 20 to the consolidated financial statements).	
<p>The Institution has established benefit plans and defined contributions for its employees that cover retirement pensions, seniority premiums, legal indemnifications, special loans for savings, and financial cost of credits and other postretirement benefits.</p> <p>The determination of the liability corresponding to those plans as of December 31, 2022 was performed by an Independent Actuary through complex actuarial calculations that require significant judgments in the selection of the hypotheses used for the determination of the projected net liability of labor obligations.</p>	<p>As part of our revision, we evaluated the reasonableness of the assumptions used to determine the net projected liability of the labor obligations at retirement and for termination, as well as the calculation mechanics used, and the treatment of personnel movements.</p> <p>Moreover, through selective tests, we verified the personnel data such as age, seniority, salary, etc. that were considered for the actuarial calculation.</p>

Key audit matter	How the matter was addressed in the audit
<p><b>Income taxes and Employee Statutory Profit Sharing (ESPS)</b>, (see Notes 3 o. and 21 to the consolidated financial statements).</p>	
<p>The Institution determines the deferred income tax and the deferred ESPS and records such items according to the asset and liability method, which compares their book and tax values. Deferred income taxes and deferred ESPS (assets and liabilities) are recognized for the future tax consequences attributable to timing differences between the values set forth in the financial statement for the existing assets and liabilities and their respective tax bases, and in the case of income tax, for operating loss carryforwards. The mentioned assets and liabilities are calculated using the tax rates set forth in the current tax legislation, which are applied to the taxable income in the years in which reversal of temporary differences is expected.</p>	<p>With the involvement of our tax specialist, we reviewed the calculation mechanics for the determination of the temporary items, as well as the future projections of the Institution considering the current law.</p>

### **Responsibilities of Management and of those responsible for the entity's governance on the consolidated financial statements**

Management is responsible for the preparation of the accompanying consolidated financial statements in accordance with the accounting criteria applicable to lending institutions issued by the Banking Commission, and for the internal control deemed necessary by Management to permit the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

In the preparation of consolidated financial statements, Management is responsible for evaluating the Institution's ability to continue as a going concern and disclosing, if applicable, those matters relative to the going concern and using the accounting postulate for a going concern, unless Management has the intent to liquidate the Institution or suspend its operations, or there is no other more realistic alternative.

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

## Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements of the Institution as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with 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 the consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures in response 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 the 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Institution to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the subsidiaries or business activities within the Institution to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We are solely responsible for our audit opinion.

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.

  
**CPA LUIS GERARDO ZEPEDA DÁVILA**  
**MANAGING PARTNER**

**Calle Acordada 33 Piso 7**  
**Col. San José Insurgentes, C.P. 03900**  
**Benito Juárez, Mexico City**

**March 10, 2023**

NACIONAL FINANCIERA, S.N.C.  
Institución de Banca de Desarrollo  
Insurgentes Sur No. 1971, Mexico City  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION WITH SUBSIDIARIES  
AS OF DECEMBER 31, 2022  
(Millions of Mexican pesos)

ASSETS		LIABILITIES AND STOCKHOLDERS' EQUITY	
CASH AND CASH EQUIVALENTS (Note 6)	\$ 60,220	DEPOSIT FUNDING (Note 15)	
<b>MARGIN ACCOUNTS (DERIVATIVES)</b>	<b>44</b>	Time deposits	
INVESTMENT IN FINANCIAL INSTRUMENTS (Note 7)		Money market	\$ 147,068
To trading	212,590	Debt securities issued	
To collect or sell	23,966	In the country:	
To collect principal and interest (securities) (net)	<u>11,183</u>	Stock certificates (Note 16)	72,805
	247,739	Abroad (Note 17)	
		Bank bonds	36,376
		Stock notes	<u>2,217</u>
			258,466
<b>DEBTORS ON REPURCHASE/RESELL AGREEMENTS (Note 8)</b>	<b>232</b>	<b>INTERBANK LOANS AND LOANS FROM OTHER ENTITIES (Note 18)</b>	
DERIVATIVES (Note 9)		Due on demand	11,299
Trading purposes	11,793	Short-term	3,528
Hedging purposes	<u>2,867</u>	Long-term	<u>26,461</u>
	14,660		41,288
<b>VALUATION ADJUSTMENT FROM HEDGING OF FINANCIAL ASSETS</b>	<b>161</b>	<b>CREDITORS ON REPURCHASE/RESELL AGREEMENTS (Note 8)</b>	<b>180,334</b>
<b>LOAN PORTFOLIO WITH CREDIT RISK STAGE 1 (Note 10)</b>		<b>DERIVATIVES</b>	
Commercial loans		Trading purposes	11,801
Business or commercial activity	49,570	Hedging purposes	<u>9,548</u>
Financial entities	133,842		21,349
Government entities	<u>18,481</u>	<b>VALUATION ADJUSTMENTS FROM HEDGING FINANCIAL LIABILITIES</b>	<b>(3,098)</b>
	201,893		
Consumer loans	15	<b>OTHER ACCOUNTS PAYABLE (Note 19)</b>	
Residential mortgages loans		Creditors on settlement transactions	245
Medium-size and residential	<u>73</u>	Creditors on collateral received in cash	971
	201,981	Contributions payable	189
<b>TOTAL LOAN PORTFOLIO WITH CREDIT RISK STAGE 1</b>		Sundry creditors and other accounts payable	<u>743</u>
<b>LOAN PORTFOLIO WITH CREDIT RISK STAGE 2 (Note 10)</b>			2,148
Commercial loans		<b>INCOME TAX PAYABLE</b>	<b>24</b>
Business or commercial activity	3,336		
Financial entities	<u>167</u>	<b>EMPLOYEE BENEFITS LIABILITY (Note 20)</b>	<b>2,878</b>
	3,503	<b>DEFERRED LOANS AND PREPAYMENTS</b>	<b>314</b>
Consumer loans	1		
Residential mortgages loans		<b>TOTAL LIABILITIES</b>	<b>\$ 503,703</b>
Medium-size and residential	<u>2</u>		
	3,506	<b>STOCKHOLDERS' EQUITY (Note 22)</b>	
<b>TOTAL LOAN PORTFOLIO WITH CREDIT RISK STAGE 2</b>		<b>PAID-IN CAPITAL</b>	
<b>LOAN PORTFOLIO WITH CREDIT RISK STAGE 3 (Note 10)</b>		Capital stock	\$ 10,387
Commercial loans		Contributions for future capital increases formalized by the Board of Directors	3,326
Business or commercial activity	427	Paid stock premium	<u>31,868</u>
Financial entities	<u>5,441</u>		45,581
	5,868	<b>EARNED CAPITAL</b>	
Consumer loans	3	Statutory reserves	3,115
Residential mortgages loans		Retained earnings	(14,322)
Medium-size and residential	<u>5</u>	Other comprehensive income	
	5,876	Valuation of financial instruments to collect or sell	66
<b>TOTAL LOAN PORTFOLIO WITH CREDIT RISK STAGE 3</b>		Gain (loss) from valuation of cash flow hedge instruments	176
<b>LOAN PORTFOLIO</b>	<b>211,363</b>	Remeasurement of defined employee benefits	(2,330)
(-) Less		Effects of valuation in associate and affiliate companies	<u>1,279</u>
<b>ALLOWANCE FOR LOAN LOSSES (Note 10)</b>	<b>(15,298)</b>		<u>(12,016)</u>
		<b>CONTROLLING INTEREST</b>	<b>33,565</b>
<b>TOTAL LOAN PORTFOLIO, NET</b>	<b>196,065</b>	<b>NON-CONTROLLING INTEREST</b>	<b>1,743</b>
<b>OTHER ACCOUNTS RECEIVABLE, NET (Note 11)</b>	<b>11,658</b>	<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>35,308</b>
<b>FORECLOSED GOODS, NET (Note 12)</b>	<b>-</b>	<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 539,011</b>
<b>PREPAYMENTS AND OTHER ASSETS, NET</b>	<b>1,745</b>		
<b>PROPERTY, FURNITURE AND EQUIPMENT, NET (Note 13)</b>	<b>1,407</b>		
<b>OTHER INVESTMENTS, NET</b>	<b>4</b>		
<b>PERMANENT INVESTMENTS (Note 14)</b>	<b>2,993</b>		
<b>DEFERRED INCOME TAX ASSETS, NET (Note 21)</b>	<b>2,082</b>		
<b>INTANGIBLES ASSETS, NET</b>	<b>1</b>		
<b>TOTAL ASSETS</b>	<b>\$ 539,011</b>		

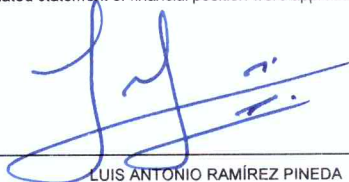
NACIONAL FINANCIERA, S.N.C.  
 Institución de Banca de Desarrollo  
 Insurgentes Sur No. 1971, Mexico City  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION WITH SUBSIDIARIES**  
**AS OF DECEMBER 31, 2022**  
 (Millions of Mexican pesos)

<b>MEMORANDUM ACCOUNTS (Note 23)</b>	
Contingent assets and liabilities	\$ 77,469
Loan commitments	311,244
Assets placed in trust or under mandate	
Trusts	2,010,656
Mandates	<u>12,318</u>
	2,022,974
Federal Government Financial Agent	337,863
Assets in custody or under administration	769,994
Collateral received by the entity	62,223
Collateral received and sold or pledged as guarantee by the entity	62,223
Interest earned but not collected arising from past-due loan portfolio	192
Other memorandum accounts	<u>1,082,717</u>

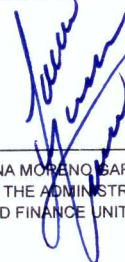
The accompanying explanatory notes form an integral part of this financial statement.

This consolidated statement of financial position was prepared in accordance with the Accounting Criteria for Credit Institutions issued by the National Banking and Securities Commission pursuant to Articles 99, 101 and 102 of the Law of Credit Institutions, which are general and mandatory and were consistently applied. This consolidated statement of financial position reflects the Institution's transactions carried out by the Institution, as of the dates mentioned above, which were carried out and valued in accordance with sound banking practices and the applicable legal and administrative provisions.

The above consolidated statement of financial position were approved by the Board of Directors under the responsibility of the undersigned officers.



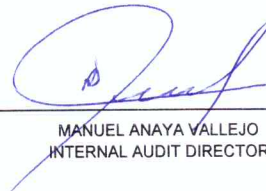
LUIS ANTONIO RAMÍREZ PINEDA  
CHIEF EXECUTIVE OFFICER



PAULINA MORENO GARCÍA  
HEAD OF THE ADMINISTRATION  
AND FINANCE UNIT



RAÚL MARTÍNEZ MORÁN  
ACCOUNTING AND BUDGET DIRECTOR



MANUEL ANAYA VALLEJO  
INTERNAL AUDIT DIRECTOR

NACIONAL FINANCIERA, S.N.C.  
 Institución de Banca de Desarrollo  
 Insurgentes Sur No. 1971, Mexico City  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME WITH SUBSIDIARIES**  
 YEAR ENDED DECEMBER 31, 2022  
 (Millions of Mexican pesos)


Interest income (Note 24)	\$ 30,194
Interest expense (Note 24)	<u>(25,089)</u>
FINANCIAL MARGIN	5,105
Allowance for loan losses (Note 10)	<u>(7,512)</u>
FINANCIAL MARGIN ADJUSTED FOR ALLOWANCE FOR LOAN LOSSES	(2,407)
Commissions and fees income	4,547
Commission and fees expenses	(204)
Financial intermediation income or loss	(425)
Other operating income (expenses)	(7,351)
Administration and promotion expenses	<u>(2,937)</u>
OPERATING INCOME	(8,777)
Equity method in the net income of unconsolidated subsidiaries and affiliates	<u>39</u>
INCOME BEFORE INCOME TAXES	(8,738)
Income taxes (Note 21)	<u>848</u>
PROFIT FROM CONTINUOUS OPERATIONS	(7,890)
Discontinued operations	<u>-</u>
NET INCOME	(7,890)
Other comprehensive income	
Valuation of financial instruments for collect or sell	44
Valuation of cash flow hedge derivatives	68
Remeasurement of defined employee benefits	(364)
Effects of valuation in associate and affiliate companies	<u>(39)</u>
	<u>(291)</u>
COMPREHENSIVE INCOME	<u>\$ (8,181)</u>
Net income attributable to:	
Controlling interests	\$ (7,772)
Non-controlling interests	<u>(118)</u>
	<u>\$ (7,890)</u>
Comprehensive income attributable to:	
Controlling interests	\$ (8,063)
Non-controlling interests	<u>(118)</u>
	<u>\$ (8,181)</u>

The accompanying explanatory notes form an integral part of this financial statement.

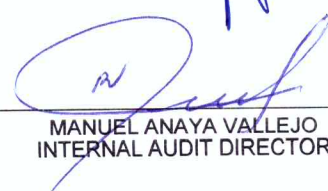
This consolidated statement of comprehensive income was prepared in accordance with the Accounting Criteria for Credit Institutions issued by the National Banking and Securities Commission, pursuant to Articles 99, 101 and 102 of the Law of Credit Institutions, which are general and mandatory, and were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

The above consolidated statement of comprehensive income were approved by the Board of Directors under the responsibility of the undersigned officers.

  
 \_\_\_\_\_  
 LUIS ANTONIO RAMIREZ PINEDA  
 CHIEF EXECUTIVE OFFICER

  
 \_\_\_\_\_  
 PAULINA MORENO GARCIA  
 HEAD OF THE ADMINISTRATION AND  
 FINANCE UNIT

  
 \_\_\_\_\_  
 RAÚL MARTÍNEZ MORÁN  
 ACCOUNTING AND BUDGET DIRECTOR

  
 \_\_\_\_\_  
 MANUEL ANAYA VALLEJO  
 INTERNAL AUDIT DIRECTOR

NACIONAL FINANCIERA, S.N.C.  
Institución de Banca de Desarrollo  
Insurgentes Sur No. 1971, Mexico City  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY WITH SUBSIDIARIES  
YEAR ENDED DECEMBER 31, 2022  
(Millions of pesos)

	Paid in capital			Earned capital						Total equity of the holding entity	Non controlling interest	Total stockholders' equity
	Capital stock	Contributions for future capital stock increases formalized by the Board of Directors	Paid stock premium	Statutory reserves	Retained earnings	Valuation of financial instruments for collecting or selling	Valuation of derivative financial instruments for cash de flows hedging	Remeasurement of employee defined benefits	Gain or loss on holding non-monetary assets			
BALANCES AT DECEMBER 31, 2021	\$ 9,638	\$ 11,564	\$ 21,053	\$ 3,115	(\$ 6,472)	\$ 22	\$ 108	(\$ 1,966)	\$ 1,318	\$ 38,380	\$ 1,829	\$ 40,209
Retrospective adjustments for accounting changes					(91)					(91)		(91)
BALANCES AT DECEMBER 31, 2021 ADJUSTED	9,638	11,564	21,053	3,115	(6,563)	22	108	(1,966)	1,318	38,289	1,829	40,118
CHANGES RESULTING FROM STOCKHOLDER'S RESOLUTIONS												
Capital contributions	-	3,326	-	-	-	-	-	-	-	3,326	-	3,326
Contributions for future capital increases	749	(11,564)	10,815	-	-	-	-	-	-	-	-	-
<b>Total</b>	749	8,238	10,815	-	-	-	-	-	-	3,326	-	3,326
Tax effects of previous years	-	-	-	-	13	-	-	-	-	13	-	13
COMPREHENSIVE INCOME:												
Net income	-	-	-	-	(7,890)	-	-	-	-	(7,890)	-	(7,890)
Other comprehensive income	-	-	-	-	-	44	68	(364)	(39)	(291)	-	(291)
Valuation of financial instruments to collect or sell	-	-	-	-	-	44	-	-	-	44	-	44
Valuation of cash flow hedge derivatives	-	-	-	-	-	-	68	-	-	68	-	68
Remeasurement of defined employee benefits	-	-	-	-	-	-	-	(364)	-	(364)	-	(364)
Gain or loss on holding non-monetary assets	-	-	-	-	-	-	-	-	(39)	(39)	-	(39)
Share in OCI of other entities	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	(7,890)	44	68	(364)	(39)	(8,181)	-	(8,181)
Non-controlling interest	-	-	-	-	118	-	-	-	-	118	(86)	32
<b>BALANCE AS OF DECEMBER 31, 2022</b>	<b>\$ 10,387</b>	<b>\$ 3,326</b>	<b>\$ 31,868</b>	<b>\$ 3,115</b>	<b>(\$ 14,322)</b>	<b>\$ 66</b>	<b>\$ 176</b>	<b>(\$ 2,330)</b>	<b>\$ 1,279</b>	<b>\$ 33,565</b>	<b>\$ 1,743</b>	<b>\$ 35,308</b>

The accompanying explanatory notes form an integral part of this financial statement.

This consolidated statement of changes in equity was prepared in accordance with the Accounting Criteria for Credit Institutions issued by the National Banking and Securities Commission, pursuant to Articles 99, 101 and 102 of the Law of Credit Institutions, which are general and mandatory and were consistently applied. This consolidated statement of changes in equity reflects all movements in stockholders' equity accounts arising from transactions conducted by the Institution during the above mentioned period, which were carried out and valued in accordance with sound banking practices and the applicable legal and administrative provisions.

The above consolidated statement of changes in equity were approved by the Board of Directors under the responsibility of the undersigned officers.

  
LUIS ANTONIO RAMÍREZ PINEDA  
CHIEF EXECUTIVE OFFICER

  
PAULINA MORENO GARCÍA  
HEAD OF THE ADMINISTRATION  
AND FINANCE UNIT

  
RAÚL MARTÍNEZ MORÁN  
ACCOUNTING AND BUDGET  
DIRECTOR

  
MANUEL ANAYA VALLEJO  
INTERNAL AUDIT DIRECTOR

NACIONAL FINANCIERA, S.N.C.  
 Institución de Banca de Desarrollo  
 Insurgentes Sur No. 1971, Mexico City  
**CONSOLIDATED STATEMENT OF CASH FLOWS WITH SUBSIDIARIES**  
**YEAR ENDED DECEMBER 31, 2022**  
 (Millions of Mexican pesos)

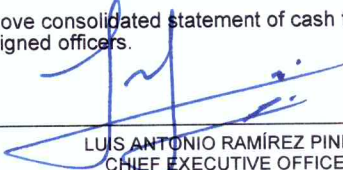
**Operating Activities**

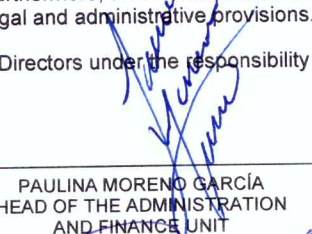
Income before income taxes	\$	(8,738)
<b><u>Adjustments for items associated with investing activities:</u></b>		
Effects of changes in value of cash and cash equivalents		62
Depreciation of property, furniture and equipment		41
Equity method of unconsolidated subsidiaries and affiliates		80
Other adjustments for items associated with investment activities		699
		882
<b><u>Adjustments for items associated with financing activities:</u></b>		
Interest associated with interbank loans and loans from other entities		(1,385)
<b><u>Operating activities:</u></b>		
Change in margin accounts (derivatives financial instruments)		148
Change in investments in financial instruments (securities) (net)		15,432
Change in debtors on repurchase/resell agreements (net)		(232)
Change in derivative financial instruments (assets)		(3,835)
Change in loan portfolio, (net)		(19,128)
Change in other accounts receivable (net)		(1,025)
Change in other operating assets (net)		(728)
Change in deposit funding		21,580
Change in interbank loans and loans from other entities		(5,029)
Change in creditors on repurchase/resell agreements		33,062
Change in derivative financial instruments (liabilities)		1,954
Change in other operating liabilities		(94)
Change in asset/liabilities for employee benefits		2,878
Change in other accounts payable		(8,684)
Payments of income taxes		(6)
Net cash flows from operating activities		36,293
<b><u>Investing activities</u></b>		
Payments for acquisition of property, furniture and equipment		(36)
Proceeds from disposal of subsidiaries and associates, joint businesses and other permanent investments		(21)
Collections of cash dividends		42
Net cash flows from investing activities		(15)
<b><u>Financing activities</u></b>		
Contributions for future capital stock increases		3,326
Net cash flows from financing activities		3,326
<b><u>Net increase in cash and cash equivalents</u></b>		30,363
<b><u>Effects of changes in value of cash and cash equivalents</u></b>		(62)
<b><u>Cash and cash equivalents at beginning of period</u></b>		29,919
<b><u>Cash and cash equivalents at end of period</u></b>	\$	60,220

The accompanying explanatory notes form an integral part of this financial statement.

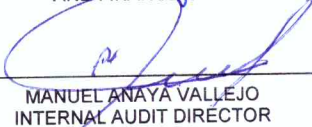
These consolidated statement of cash flows were prepared in accordance with the Accounting Criteria for Credit Institutions issued by the National Banking and Securities Commission, based on Articles 99, 101, and 102 of the Law of Credit Institutions which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly they reflect the transactions carried out by the Institution for the years noted above. Furthermore, these transactions were carried out and valued in accordance with sound banking practices and the applicable legal and administrative provisions.

The above consolidated statement of cash flows were approved by the Board of Directors under the responsibility of the undersigned officers.

  
 LUIS ANTONIO RAMÍREZ PINEDA  
 CHIEF EXECUTIVE OFFICER

  
 PAULINA MORENO GARCÍA  
 HEAD OF THE ADMINISTRATION  
 AND FINANCE UNIT

  
 RAÚL MARTÍNEZ MORÁN  
 ACCOUNTING AND BUDGET DIRECTOR

  
 MANUEL ANAYA VALLEJO  
 INTERNAL AUDIT DIRECTOR

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

### 1. NATURE OF OPERATIONS AND MAIN ACTIVITIES

Nacional Financiera, S.N.C. Institución de Banca de Desarrollo (the Institution), was organized on June 30, 1934, by Federal Government Decree as an instrument of significant social and economic transformations, with the purpose of promoting the securities market and foster the mobilization of the financial resources in Mexico.

The Institution has its offices at Avenida de los Insurgentes Sur 1971, Col. Guadalupe Inn, Alcaldía Álvaro Obregón, Postal Code 01020, Mexico City, Mexico.

The Institution operates as a development banking institution, in accordance with its internal Organic Law and Regulations, the Lending Institutions Law (LIC) and the General Provisions applicable to Lending Institutions (the Provisions or the CUB) issued by the National Banking and Securities Commission (the Banking Commission or CNBV).

The Institution 's purpose is to contribute to the development of companies, by providing access to financing products, training, technical assistance and information, in order to foster their competitiveness and the productive investment; promote the development of strategic and sustainable projects for the country, in an orderly and targeted manner, under schemes that allow correction of market failures in coordination with other development banks; promote the regional and sectoral development of the Country, particularly in the states with less development, through a differentiated product offer and according to the productive vocations of each region: developing the financial markets and the venture capital industry in the country, to serve as sources of financing for entrepreneurs and small and medium enterprises; to be an Institution with an effective management, based on a consolidated structure of corporate governance, that ensures a continuous and transparent operation, as well as the preservation of its capital and to not represent a financial burden to the Federal Government.

In accordance with the provisions of article 2 of the Institution's Internal Organizational Law, the Institution has the goal of promoting savings and investment, as well as channeling financial and technical supports to industrial development and, in general, to the national and regional economic development of the country.

The Institution operates according to the applicable legal framework and sound banking practices and applications to achieve the general objectives outlined in the 4th article of the Lending Institutions Law, which establishes that the state shall exercise the rectory of the Mexican banking system, thus the Institution basically directs its activities to support and promote the development of the country's productive system and the growth of the national economy, based on a sovereign economic policy, by promoting savings in all sectors and regions of Mexico and their appropriate channeling and extensive regional coverage to favor the decentralization of the Mexican banking system, with adherence to sound practices and banking applications.

Development banking institutions are oriented to the productive activities determined by the Federal Congress as a specialty of each one of these, in the respective internal regulations.

The Institution carries out its operations according to financing criteria for development banking, channeling its resources mainly through the first-tier banking and non-banking financial intermediaries. The main funding sources for the Institution arise from loans from international development institutions such as the World Bank and the Inter-American Development Bank (IDB). Likewise, the Institution receives funding from the Mexican Central Bank (Banxico), as well as lines of credit from foreign banks and placement of securities in the national and international financial markets.

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

As of December 31, 2022, the Institution and its subsidiaries are integrated as follows:

- i. *Operadora de Fondos Nafinsa, S.A. de C.V.* - It aims to contribute to the development of financial markets, promoting access to the securities market to small and medium investors.
- ii. *Corporación Mexicana de Inversiones de Capital, S.A. de C.V.* - The Company was incorporated on February 2, 2006, its main activity being to buy, sell and invest in companies, institutions and private equity funds, as well as promote productive investment in Mexico in the medium and long-term, promoting the institutionalization, development and competitiveness of the small and medium enterprises.
- iii. *Fideicomiso 80595 Programa de venta de títulos en directo al público* - It manages the trust funds and carries out the necessary actions to develop and implement the program for the sale of securities directly to the public, in accordance with the operation rules, which, were appropriate, the Trust's Technical Committee authorizes.
- iv. *Fideicomiso 11480 Fondo para la participación de riesgos* - Its purpose is having entities which allow to fulfill compliance with the institutional objectives related to the access of micro, small and medium-sized companies in the country to formal finance. The Institution implemented the guarantee program, in order to share with the financial banking and non-banking institutions (intermediaries) determined by the Trust's Technical Committee, the credit risk of the financing that these grant to national companies and individuals.
- v. *Fideicomiso 11490 Fondo para la participación de riesgos en fianzas* - Its purpose is sharing with the country's bonding institutions, established in accordance with the Insurance and Bonding Companies Law and determined by the Trust's Technical Committee, the risk of default on the administrative bonds and/or procurement concerning section III, article 36 of the Insurance and Bonding Companies Law, which are granted to micro, small and medium-sized enterprises, as well as to individuals with entrepreneurial activity, which have signed a contract to supply goods, services and public works to the Federal Public Administration.
- vi. *Fideicomiso 80757 Defensa y asistencia legal* - Its objective is to manage the estate and make the payment of the considerations for defense services and legal assistance to the beneficiaries (NAFIN employees), who have a legal or administrative proceeding arising from discharging their duties.
- vii. *Plaza Insurgentes Sur, S.A. de C.V.* - Its purpose is to provide the Institution with comprehensive real estate services through the leasing of space and furniture, as well as adaptation of offices with preventive and corrective maintenance programs to real estate infrastructure.
- viii. *Pissa Servicios Corporativos, S.A. de C.V.* (in liquidation) - It provides complementary or auxiliary services in the administration or in the realization of the corporate purpose of any national credit entity that is or becomes its shareholder, as well as auxiliary companies and trusts thereof.

As of December 31, 2022, the operations structure of the Institution abroad includes two branches located one in London, UK and another in the Grand Cayman Islands.

## 2. APPROVAL AND BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

### Approval

On March 10, 2023, Luis Antonio Ramírez Pineda (Chief Executive Officer), Paulina Moreno García (Head of the Administration and Finance Unit), Manuel Anaya Vallejo (Internal Audit Director) and Raúl Martínez Morán (Accounting and Budget Director) authorized the issuance of the accompanying consolidated financial statements and related notes, consequently, they do not reflect events beyond that date.

The Institution's Board of Directors and the Banking Commission are empowered to modify the consolidated financial statements after their issuance. The 2022 consolidated financial statements will be submitted to approval at the next meeting of the Board of Directors.

Likewise, they are subject to examination by the Banking Commission, thus they can be modified as a result of such review by this supervisory authority.

The Institution is under the supervision and surveillance of the Banking Commission and Banxico, powers which are exercised through follow-up processes, inspection visits, information and documentation requests, as well as report filing.

Additionally, periodic reviews are conducted by the internal and external auditors.

### *Inflation and interest rates*

In the face of high inflation, the Governing Board of Banxico decided to increase to 10.50% the target for the overnight Interbank Equilibrium Interest Rate (TIIE) as from December 16, 2022. This monetary policy position of Banxico intends to have the inflation converge towards its 3% goal for the annual headline inflation.

### Transition of the overnight TIIEs for longer terms to the TIIE funding rate

In January 2020, the Mexican Central Bank started publishing the TIIE funding rate; thus, it has considered necessary to prohibit the use of overnight TIIEs for longer terms as reference for new agreements entered into by the financial entities subject to the regulations issued by such Central Bank. Therefore, the following actions will be carried out:

1. The use of TIIEs for terms of 91 and 182 days will be prohibited for new agreements entered into as from January 1, 2024.
2. The use of the 28-day TIIE will be prohibited for new agreements formalized as from January 1, 2025.

As from the above mentioned dates, the financial entities should refrain from using overnight TIIEs for longer terms in their new operations and they should only use the TIIE funding rate or any other rate complying with the provisions in the regulations issued by Banxico as a reference.

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

### *Amendment to the reference interest rates*

After the financial crisis, the regulatory bodies of financial markets, both in Mexico and at international level, are making improvements to the regulations in order to replace or modify the determination of the reference interest rates, such as the London Interbank Offered Rate (LIBOR), the Euro Interbank Offered Rate (EURIBOR) and other Interbank Offered Rates (IBOR).

The Institution has closely followed the financial markets and the results of several task forces of the industry that manage the transition toward the new reference interest rates. This includes announcements made by the regulatory bodies of the LIBOR rate, including the United Kingdom Financial Conduct Authority (FCA) y la United States Commodity Futures Trading Commission (CFTC) in relation to the LIBOR transition, which includes the one of the LIBOR rate for the pound sterling (GBP LIBOR) to the Sterling Overnight Index Average rate (SONIA), the LIBOR rate for US dollars (USD LIBOR) to the Secured Overnight Financing Rate (SOFR), and the LIBOR rate for Japanese Yen (JPY LIBOR) to the Tokyo Overnight Average rate (TONA).

On December 29, 2021, in the official circular 13/2021, the Mexican Central Bank determined it could use as reference rates, among others, the SOFR rate, as well as the term rates arising thereof.

In January 2022, the Internal Credit Committee authorized changes to several sections of the Credit Regulatory System by virtue of the implementation of the SOFR rate for transactions carried out in dollars at floating rate. Meanwhile, in March 2022, the Integral Risk Management Committee authorized updating the risk factor matrix which considers these new interest rates.

Considering that the LIBOR rate will stop being published as from June 30, 2023 and that the substitute rate will be the SOFR (Secured Overnight Financing Rate), the Institution will apply the use of the SOFR rates and Term SOFR in replacement of the LIBOR rate:

- Daily SOFR during the interest payment period, published by the US Federal Reserve (FED), with 24-hour application.
- Term SOFR, which provides an indicative and forward-looking rate of the SOFR rate, based on the SOFR future prices in the derivatives market, with 48-hour application. The Chicago Mercantile Exchange (CME) publishes terms of 1, 3, 6 and 12 months.

It should be mentioned that during the meeting of the Integral Risk Management Committee (CAIR) held on March 11, 2022, the updating of the risk factor matrix considering these new interest rates was presented and approved.

Notes to the consolidated financial statements  
 Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
 December 31, 2022  
 (figures in millions of Mexican pesos)

---

The main characteristics of the SOFR rate are described as follows:

- It is based on the data of daily transaction with government securities as collateral of market transactions.
- It is created based on the performed transactions (backward-looking). It is an overnight rate with no futures maturities.
- It is a risk free rate that does not include credit risk or liquidity risk components.
- A spread will be added to equalize exposure.

Business units impacted by the adoption of the new reference rates are as follows:

<b><u>Business unit</u></b>	<b><u>Operations</u></b>
Credit and guarantee	Credits in dollars (first and second tier) and guarantee transactions
Derivatives	Interest rate swaps and cross currency swaps
Fund deposits and Treasury transactions	Securities issued, investments and deposits, besides funding facilities in dollars

**Progress in the transition process**

The Institution is carrying out the required actions to comply with the process to make the transition to the SOFR rate and Term SOFR in replacement of the LIBOR rate, with the purpose of having the migration completed by June 2023. Transactions with maturities after June 2023 will be restructured with the Term SOFR rate, seeking to keep the same financial conditions originally agreed upon. Changes to the reference rates do not represent the extinguishment of the transactions and keep the hedging efficiency.

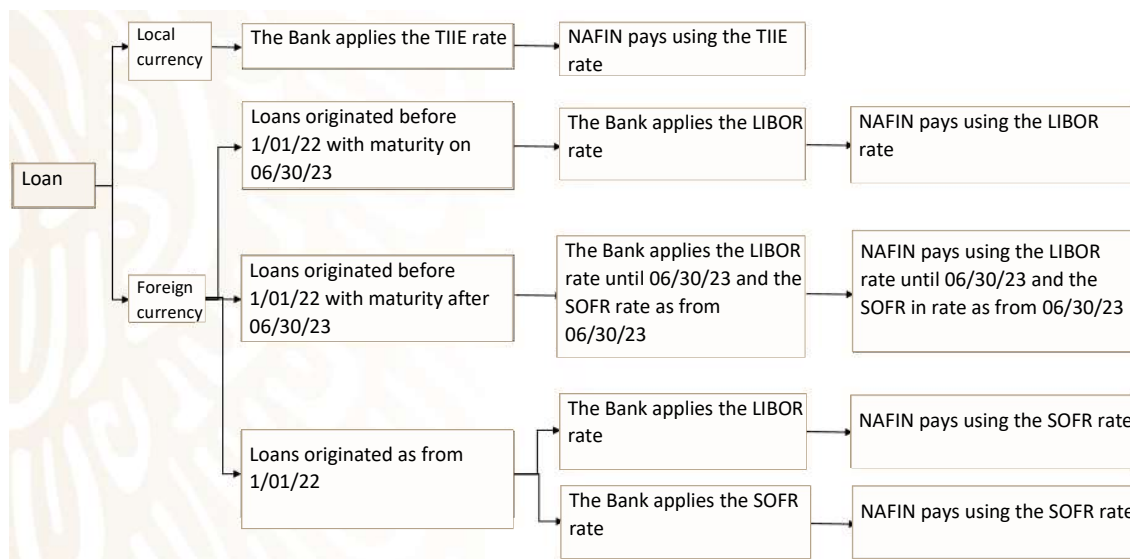
**Credits and guarantees**

The unpaid balance and the amount of the loans of credit transactions in LIBOR and TERM SOFR rates as of December 31, 2022 are as follows:

- Unpaid balance of LIBOR credits as of December 31, 2022 with maturity after June 2023: USD 1,085. Total loans: 145
- Unpaid balance of LIBOR credits as of December 31, 2022: USD 1,099. Total loans: 145
- Unpaid balance of TERM SOFR credits as of December 31, 2022: USD 411. Total loans: 6.207

Notes to the consolidated financial statements  
 Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
 December 31, 2022  
 (figures in millions of Mexican pesos)

In relation to the Automatic Guarantee Program, the definitions set forth for hedging secured credits in dollars and the application of the transition of the LIBOR/SOFR rates is as follows:



Based on the foregoing, at the end of December 2022, these were the following then current guarantees and their potential application considering the above indicated definition:

	Number of guarantees	Guaranteed balance in USD	Guaranteed balance in MXN	% Balance
<b>Hedging Transition LIBOR/SOFR</b>				
Hedging with LIBOR rate	12	\$ 3	\$ 70	15%
Hedging with SOFR rate	108	20	384	85%
<b>Total automatic guarantee</b>	<b>120</b>	<b>\$ 23</b>	<b>\$ 454</b>	<b>100%</b>

Derivative Financial Instruments

In relation to the derivatives business line, transactions with interest rate swaps in dollars and cross currency swaps operate mainly to hedge the bank's balance. With clearance of stage 1 of version 4.8 of the derivative and exchange rates system (SIDECA), Nafin will be able to carry out swap hedging with observation daily rates, including SOFR. It should be mentioned that the current version allows using the TERM SOFR rate for all terms, thus the new transactions carried out since June 2022 have been agreed upon with such reference rates.

Notes to the consolidated financial statements  
 Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
 December 31, 2022  
 (figures in millions of Mexican pesos)

---

**Progress with the position migration progress**

As from January 2023, the position of 90 transactions with hedging derivatives referred to Libor and with maturity after June 2023 started its migration to Term SOFR. We started with the position of interest rate swaps (IRS) hedging securities available for sale, then continued with those hedging the loan portfolio and then with liabilities hedging. To date, there is a balance of 4 interest rate transaction with a current notional amount of 7 million dollars, on one hand, and given the relevance of the foreign currency swaps, these will start their migration to the SOFR rate as from the second half of March or as soon as there is a new system version for the daily SOFR, seeking the best conditions for NAFIN and considering the daily market conditions given that the current notional amount of the 20 foreign currency swaps that make up of the position to be migrated is of 1,452 million dollars.

Fund deposits and Treasury transactions

As of December 31, 2022, the Treasury does not have any transaction at floating rate based on SOFR or Term SOFR. Likewise, the Treasury has neither an investment transaction nor fund deposits at floating rate based on Libor which require restructuring for a maturity after June 2023.

Regarding transactions as financial agent, the Inter-American Development Bank (IDB) decided to adopt the SOFR rate as a basic rate alternative to LIBOR rate in U.S. dollars for all its loans with sovereign guarantee. Unlike LIBOR rate, the SOFR rate is a general measure of the cost of borrowing cash overnight collateralized by U.S. Treasury securities in the repurchase agreement (REPO) market and it is published daily by the Federal Reserve Bank of New York.

The IDB started its transition from LIBOR to SOFR (which methodology is shown in the attached document, and which was provided by the OFI) as from May 15, 2022 for the loans mentioned below:

	December 31, <u>2022</u>
<b>Direct loans at SOFR rate</b>	
5434 OC-ME Global credit program for TE defense TE	\$ 40.00
N F BID CCLIP 2226 OC ME PYMES PEMEX development	62.50
N.F.BID CCLIP 2843/OC-ME PROG CRED CONDICIONA ME-X1010 facility	77.50
NF BID 3237/OC-ME PROG Cogeneration promotion financing E	<u>87.50</u>
	<u>\$ 267.50</u>

Impacts of the adoption of the new reference rates on risk management

The Institution has Risk Administration, Control and Management models authorized by its Integral Risk Management Committee (CAIR), which will be applied directly to those instruments indexed to SOFR rates considering their specific characteristics; it should be mentioned that, giving this is only a new reference rate, the above mentioned models had no changes. However, if necessary, the required calibrations will be performed.

In the implementation of this new rate in the Institution's systems, the risks that could arise are of operating nature; nonetheless, the Institution is carrying out the required actions to comply with the process for transition to the SOFR rates and Term SOFR in replacement of the Libor rate, implementing the strategies it has deemed appropriate to comply with the purpose of having the migration completed before the current reference rates stop being published.

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

---

NAFIN's risk management strategy has suffered no changes due to the IBOR Amendment; it keeps a capital structure focused on granting credits according to its mandate and a conservative market profile, keeping virtually all its transactions, both active and passive, at a rate subject to revision.

**Bases of presentation**

**a) Going concern:**

Institution's Management reasonably expects it has appropriate resources to continue operating in the near future. Therefore, Management uses the going concern accounting basis to prepare the consolidated financial statements.

**b) Assets and liabilities recognition and derecognition**

Assets and/or liabilities, including those arising from transactions of purchase and sale of foreign currency, investments in financial instruments, repurchase agreement transactions, securities lending, derivatives and securities issued are recognized or derecognized in the financial statements on the date on which the transaction was entered into, regardless of the settlement date or the good delivery date.

**c) Recording, functional and reporting currency**

Given the recording, functional and reporting currency of the Institution is the Mexican peso, no translation process was necessary. Items included in the financial statements of each corporation are measured in the currency of the primary economic environment where each entity operates, that is, its functional currency.

For disclosure purposes in the notes to the consolidated financial statements, any reference to "pesos" or "\$" means millions of Mexican pesos, and references to "dollars" or "USD" mean millions of U.S. dollars.

**Statement of compliance.**

The accompanying consolidated financial statements as of December 31, 2022 were prepared in conformity with the accounting criteria set out by the Banking Commission (Accounting Criteria). The above mentioned Accounting Criteria are included in the Provisions, as well as in the general and specific official communications issued by the Commission for such purpose.

The accompanying consolidated financial statements were prepared in conformity with the banking legislation, and in accordance with the accounting criteria for lending institutions in Mexico, established by the Banking Commission, which is responsible for the inspection and surveillance of the lending institutions, and the revision of the financial information.

The accounting criteria provide that in the absence of a specific accounting criterion by the Banking Commission for lending institutions, and in a wider context in the Mexican Financial Reporting Standards (MFRS), issued by the Mexican Board of Financial Reporting Standards (Consejo Mexicano de Normas de Información Financiera, A.C. or CINIF, for its acronym in Spanish), the suppletory process as established by MFRS A-8 shall be applicable, and only when the International Financial Reporting Standards (IFRS) referred to by MFRS A-8 do not resolve the accounting treatment, the suppletory application of an accounting standard pertaining to any other regulatory framework may be opted for, provided that all the requirements set out by the MFRS are met by the standard. The suppletory application shall be in the following order: U.S. Generally Accepted Accounting Principles (US GAAP), and then any other accounting standard that is part of a formal and recognized set of standards, provided that they do not contravene the accounting criteria of the Banking Commission.

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

On March 13, 2020, the National Banking and Securities Commission (CNBV) published in the Official Gazette of the Federation (DOF) the Resolution modifying the General Provisions Applicable to Lending institutions, which incorporated new reporting standards issued by the Mexican Board of Financial Reporting Standards (these amendments to the standards are better known as “IFRS-9”), binding as from January 1, 2022, according to the modifying Resolution published in the DOF on December 4, 2020.

In the FIFTH TRANSITORY article of such Resolution, it is established that the quarterly and annual consolidated basic financial statements required from the institutions according to the above mentioned Provisions, corresponding to the period ended on December 31, 2022 should not include comparisons with each quarter of year 2021 and for the period ended on December 31, 2021.

Therefore, the CNBV established as a practical solution that the institutions may recognize on the initial application date the cumulative effect of the accounting changes and, therefore, the financial statements of previous periods would not be restated.

On December 2, 2022, in the Official Gazette of the Federation, a new modifying Resolution was published. This amends the Resolution modifying the general Provisions, published on January 4, 2018, which establishes the accounting criteria to which the players of the market of derivative contracts will be subject and has the purpose of incorporating certain FRSs to the standards applicable to the preparation of the accounting of clearing houses and settlement partners participating in the markets of listed derivative contracts. Through this modifying Resolution, its effective date is extended to June 1, 2024 with the purpose of providing the players of the market of derivative contracts with the opportunity to adapt their accounting information systems.

### **Use of judgment and estimates**

In preparing the consolidated financial statements, Management requires to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates and assumptions.

### **Assumptions and uncertainties in the estimates**

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

- Note 3 (d) - Measurement of financial instruments at fair value;
- Note 3 (s) - Measurement of defined benefit obligations; key actuarial assumptions;
- Note 3 (o) - Recognition and valuation of deferred tax assets;
- Note 3 (q) - Recognition and valuation of provisions and contingencies;
- Note 9 - Derivatives;
- Note 10 (d) - Allowance for loan losses.

Notes to the consolidated financial statements  
 Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
 December 31, 2022  
 (figures in millions of Mexican pesos)

---

**Recognition of assets and liabilities from financial instruments**

The accompanying consolidated financial statements recognize the assets and liabilities from foreign currency purchase and sale transactions, investments in financial instruments, repurchase/resell agreements, and derivatives on the date on which the transaction is conducted, irrespective of their settlement date.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies which are described below have been used in the preparation of the submitted consolidated financial statements, and are the ones followed by the Institution as from January 1, 2022 given the coming into effect of the Accounting Criteria, as indicated in Note 4 to the consolidated financial statements:

**a. Consolidation of financial statements**

The consolidated financial statements include the assets, liabilities and results of the Institution and its subsidiary companies, in which it exercises control through the power it has over them to direct its relevant activities, is exposed to or is entitled to variable returns from that participation and it has the ability to affect those returns through its power over those subsidiaries.

All balances and operations between the Institution and its subsidiary companies have been eliminated in the consolidation process, including unrealized gains and losses.

All subsidiaries present their financial information for consolidation purposes as of December 31 , 2022.

**b. Effects of inflation**

The accompanying consolidated financial statements include the recognition of inflation based on Investment Units (Unidades de Inversión or UDI) until December 31, 2007, according to the applicable accounting criteria.

The year ended on December 31 , 2022 is considered under a non-inflationary economic environment (inflation accumulated over the three preceding years less than 26%), as established in MFRS B-10 "Effects of Inflation", consequently the effects of inflation on the Institution's financial information are not recognized. Should the environment become inflationary again, the cumulative effects of inflation not recognized in prior periods must be retrospectively recognized from the last period that the economic environment was considered as non- inflationary. The accumulated inflation rate of the last three years is shown as follows:

<u>December 31</u>	<u>UDI</u>	<u>Annual</u>	<u>Inflation</u>	<u>Accumulated</u>
2022	7.646804	7.58%		19.50%
2021	7.108233	7.61%		14.16%
2020	6.605597	3.23%		11.31%

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

### c. Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, deposits with banks in pesos and dollars, as well as 24, 48 and 72 hours foreign currency purchase and sale transactions. It also includes restricted cash and cash equivalents comprised of bank borrowings with original maturities of up to three days ("Call Money"), and deposits in Banco de México (Central Bank) which include the monetary regulation deposits that the Institution is required to maintain in conformity with the provisions issued by the Central Bank for the purpose of regulating liquidity in the financial market; the deposits have no term and bear interests at the average banking funding rate, recognized in the consolidated statements of income as they accrue.

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

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

Notes receivable will be recorded as other cash equivalent according to the following:

- Transactions with Mexican entities: two business days after the transaction took place.
- Transactions with foreign entities: five business days after the transaction took place.

When the aforementioned notes are not collected within the established deadlines, the related amounts will be transferred to the originating item, as applicable, either "Other accounts receivable" or "Loan portfolio", and due consideration is given to the Provisions of criterion A-2, "Application of specific standards", and B-6 "Loan portfolio", respectively.

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

The transactions transferred to sundry debtors under the caption "Other accounts receivable", and that are not settled within fifteen days following the transfer date will be classified as past-due and an allowance for their total amount will be recorded concurrently.

Notes received subject to collection are recorded in memorandum accounts under the caption "Other memorandum accounts".

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

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

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

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

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

If the balance resulting from offsetting the foreign currency receivable and the foreign currency deliverable, or any concept making up of the caption "Cash and cash equivalents" turned out to show a negative balance, said amount will be transferred to the caption "Other accounts payable".

### **d. Investments in financial instruments**

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

The business model is based on the form the financial instruments are managed to generate cash flows upon carrying out the activities and it is not based on the intentions of the Institution's Management in relation to an instrument in particular.

Assets from financial instruments are classified as follows:

Negotiable financial instruments. - Negotiable financial instruments (IFN) are those securities in which the business model has the purpose of investing to obtain a gain between the buy and sell price, that is, depending on the market risk management of such instrument.

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

Financial instruments for collecting principal and interest - Financial instruments for collecting principal and interest (IFCPI) are those securities in which the business model has the purpose of collecting contractual cash flows on preestablished dates that correspond to payments on principal and interest on the unpaid amount of the principal. Therefore, the IFCPI should have the characteristics of a financing and be managed based on their contractual yield.

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

### **Negotiable financial instruments**

These are acquired with the intention of selling them obtaining gains in the short term, arising from the price differences resulting from their trading in the market. At their initial recognition, they are recognized at fair value, and it is normally the price of the consideration agreed upon on the entering into date; any transaction cost is recognized immediately in the consolidated statement of comprehensive income under the caption “Financial intermediation income or loss”.

After their initial recognition, IFNs are valued at fair value determined by a price vendor, according to the provisions of the Banking Commission. In the event of investments in non-listed IFNs, second or third level fair values are used.

The difference between the previous carrying amount and the current fair value of investments in IFNs is recognized in the consolidated statement of comprehensive income under the caption “Financial intermediation income or loss”.

A dividend from an equity IFN is recognized in the year's income when the right to receive payment arises, it is likely the benefit will be received, and its amount can be determined. Likewise, given that the fair value of an equity IFN can be reduced once the dividend is declared, simultaneously, the account receivable from the dividend is recognized, as well as such change to the fair value of the equity IFN.

The exchange gain or loss from investments in IFN denominated in foreign currency is recognized in the year's income or loss under the caption “Financial intermediation income or loss”.

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

When the securities are sold, the gain (loss) on purchase/sell is determined by the difference between the sale price and the last recorded fair value; this shall cancel the gain (loss) from valuation that has been previously recognized.

### **Financial instruments for collecting or selling**

These instruments are those for which there is neither the intention to profit from differences in prices in the short-term nor the intention or capacity to hold to maturity.

Upon the initial recognition, investments in IFN are valued at their fair value, which is normally the price of the consideration agreed upon on the entering into date. For the subsequent valuation, the Institution determines the increase or decrease on valuation of the IFCV at fair value, using updated prices provided by the price vendor according to the provisions of the Banking Commission.

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

IFCVs denominated in foreign currencies or in other exchange unit (UDI) are recognized initially at fair value in the corresponding currency or exchange unit and such amount is translated at the historical exchange rate, that is, that one in effect upon the entering into date of the instrument.

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

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

Before recognizing the effects of valuation of the IFCVs in the OCI, the reductions in their value attributable to an impairment for expected credit losses are recognized in the year’s income or loss.

The gain (loss) on valuation is canceled to have it recognized in the income upon sale under the caption “Financial intermediation income or loss”.

Interests earned are determined according to the effective interest method and are recognized in the year's income or loss under the caption "Interest income".

Dividends from equity instruments are recognized in the year's income or loss under the caption "Interest income", when the right to receive payment arises.

### **Financial instruments for collecting principal and interest**

The purpose of IFCPIs is to manage the performance of a portfolio to obtain cash flows through collection of contractual interest and principal.

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

The IFCPI’s fair value is added or subtracted the transaction costs; this resulting amount is the gross value at which the IFCPI is initially recognized, which is the basis for applying the effective interest method with the effective interest rate. The gross value of the IFCPI reduced by the amount of the expected credit losses of the IFCPI, according to MFRS C-16, represent the amortized cost of the IFCPI at its initial recognition.

Any transaction cost incurred by the Institution in the acquisition of an IFCPI, is recognized as implicit part of the amortized cost of the IFCPI and charged to the year's income during the expected life of the IFCPI, based on its effective interest rate.

IFCPIs denominated in foreign currencies or in other exchange unit (UDI) are translated and recognized initially in amounts equivalent to their functional currency using the historical exchange rate, that is, that one in effect when the Institution contracted them on the transaction date.

In some cases, an IFCPI is considered with credit impairment since its initial recognition, either because its credit risk is high or because it was acquired with a very high discount. In such case, for its initial recognition, the provisions in MFRS C-16 are considered for financial instruments in stage 3 of credit risk.

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

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

IFCPIs denominated in foreign currencies or in other exchange unit (UDI) are translated at the closing exchange rate, that is, that one in effect when the Institution liquidated them on the date of the consolidated statement of financial position. Changes to their amount arising from fluctuations in exchange rate are recognized in the income or loss of the year they occur.

### **Reclassifications**

The Institution reclassifies its investments in financial instruments only if its business model is modified. These changes are determined by the Highest Operating Decision Making Authority of the Institution (MATDO) of the Institution and are the result of external and internal changes that are significant for its operations and may be proved with third parties.

### **Financial instrument impairment**

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

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

### **e. Repurchase/resell agreement transactions**

Repurchase/resell agreement transactions are those whereby the borrower of securities (or buyer) pays a certain amount of money to acquire ownership of debt securities and agrees to transfer to the lender of securities (or seller) ownership of certain other securities of the same type, in an agreed period, with reimbursement of the same price plus a premium. The premium is due to the borrower of securities, unless otherwise stipulated in the agreement.

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

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

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

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

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

At the trade date of the repurchase/resell agreement transaction, the Institution acting as lender of securities or seller recognizes either the cash inflow or a debit clearing account, as well as an account payable, whereas when acting as borrower of securities or buyer recognizes either the cash outflow or a credit clearing account, as well as an account receivable. Both the account payable and the account receivable are initially stated at the agreed-upon price, representing the obligation to repay or the right to recover the cash, respectively.

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

The Institution acting as borrower of securities or buyer recognizes the received collateral in memorandum accounts under the caption "Collateral received by the entity", in accordance with accounting criterion B-9 "Assets in custody and under management".

Financial assets granted as collateral, when the Institution is acting as lender of securities or seller, are reclassified in the consolidated statements of financial position under the caption of "Investments in financial instruments", reporting it as a restricted asset.

Should the Institution, acting as borrower of securities or buyer sell or pledge the collateral, the proceeds from the transaction are recognized and an account payable is recorded for the obligation to return the collateral to the lender of securities or seller, which is valued, in the case of a sale at fair value, or if pledged in another repurchase/resell agreement, at amortized cost. The account payable is offset with the account receivable, which is recognized when the Institution acting as borrower of securities or buyer becomes the lender of securities or seller, and the debit or credit balance is presented under the caption "Debtors on repurchase/resell agreements" or in "Collateral sold or pledged", as applicable.

Additionally, the collateral received, delivered or sold is recognized in memorandum accounts under the caption "Collateral received and sold or pledged by the entity", in accordance with accounting criterion B-9 "Assets in custody and under management".

### **f. Derivative financial instruments**

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

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

For hedging purposes: Its purpose is to hedge risks through the use of financial instruments which manage exposures of certain risks that could affect the comprehensive income or loss (net income or loss or OCI).

For trading purposes: Its purpose is other than hedging risk open positions by assuming risk positions as player in the derivatives market.

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

Transactions with derivative financial instruments comprise those carried out for trading and hedging purposes. Irrespective of their purpose, the derivatives are recognized at fair value.

Financial assets or liabilities resulting from rights and obligations set forth in the IFDs are initially recognized at their fair value. In general, the IFD value upon their contracting is zero, and such value is recognized, which is later modified by changes in their fair value. The fair value includes the effects of all risks affecting the IFDs, such as market, liquidity and credit risks. Any payment made or received to have an IFD at its fair value is also included.

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

The difference between the fair value and the acquisition cost is recorded in the year's income or loss. If the IFD fair value is determined based on a valuation technique using non observable information in the market, the difference is applied in the year's income or loss during the life of the IFD.

After their initial recognition, the IFDs are valued at their fair value by recognizing the difference between the previous book value and the current fair value in the consolidated statement of comprehensive income under the caption "Financial intermediation income or loss", unless the IFDs are used as hedging instruments. These valuation effects will have an unrealized nature and will not be subject to capitalization or distribution among the shareholders until they are realized in cash and cash equivalents.

Transaction costs directly attributable to the IFD purchase are directly recognized in the year's income or loss as they are incurred in.

IFDs are recognized, either as a financial asset or as a financial liability, depending on whether their fair value (as a result of the rights and/or obligations they establish) corresponds to a debit balance or credit balance, respectively. Such debit or credit balances may be offset, in some cases, provided that the rules for offsetting financial assets and financial liabilities established in MFRS B-12 are complied with.

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

### Derivatives intended for trading

#### Futures and forward contracts

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

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

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

Futures are recognized at their market value by registering the difference between it and the agreed upon price in the consolidated statement of comprehensive income under the caption "Financial intermediation income or loss".

In the case of forwards, the difference between the price agreed upon in the contract and the forward price, as well as the valuation effects, are recognized in the consolidated statement of comprehensive income under the caption "Financial intermediation income or loss".

### Swaps

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

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

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

### Derivatives intended for hedging

The financial assets and liabilities that are designated and comply with the requirements to be designated as hedged items, as well as the IFDs that are part of a hedging relationship are recognized according to the provisions regarding the hedge accounting for recognition of the hedging IDF gain and loss and the hedged item according to the provisions of MFRS C-10.

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

It is aligned with the risk management strategy of the Institution;

It covers only qualifying items and only uses qualifying hedging instruments;

It is formally designated, identifying the items to be hedged and the hedging instruments;

It complies with all the following effectiveness requirements:

- There is an economic relationship between the hedging instrument;
- The effect of the credit risk does not rule over changes in value of such economic relationship;
- The counterparties have the economic and operating capacity to comply with the agreed-upon commitments;
- The hedge ratio reflects a balance that is consistent with the purpose of the hedging relationship; and
- It is formally documented since its designation as a hedging relationship.

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

Hedging derivatives are valued at market value and the effect is recorded depending on the type of accounting hedge involved, according to the following:

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

The hedged item is valued according to the hedged risk by adjusting its book value and the hedging IFD is valued at fair value; both effects are recognized in the year's income or loss under the caption "Financial intermediation income or loss". If the hedged item is an IFCV, the effect of the hedging gain or loss from the hedged risk of the hedged item is recognized in the year's income or loss.

The gain (loss) from valuation of the IFD that is part of a hedging relationship is shown under the same caption of the consolidated statement of comprehensive income where the gain (loss) from valuation of the hedged item attributable to the hedged risk is shown.

When the hedged item is an unrecognized firm commitment, the cumulative effect on fair value of the hedged item after its designation is recognized as an asset or liability, with effect on the year's income or loss. This asset or liability is part of the caption under which the resulting item of the firm commitment will be recognized.

**Cash flow hedges:** These represent a hedge for exposure to variability in cash flows attributable to a risk in particular associated with a recognized asset or liability, a portfolio or a component thereof, or one or several transactions forecasted as highly probable or parts thereof, or an aggregate exposure.

The hedging IFD is valued at fair value. The portion of the gain or loss of the hedging IFD that is effective in hedging is recorded in the OCI in the stockholders' equity under the caption "Valuation of cash flow hedging derivatives", and the ineffective part of the gain or loss of the hedging IFD is recognized in the consolidated statement of comprehensive income under the caption "Financial intermediation income or loss".

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

The gains or losses accumulated in the OCI are subsequently recognized as follows:

- If the forecasted hedged transaction results in the recognition of a non-financial asset or a non-financial liability (or if the forecasted hedged transaction of a non-financial asset or of a non-financial liability becomes a firm commitment, at which a fair value hedge accounting is applicable), the cumulative amount in the OCI is included directly as adjustment in the initial recognition of the non-financial asset or the non-financial liability;

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

- For cash flow hedges other than the ones addressed in the last subsection, the cumulative amount in the OCI should be recycled to the caption of the year's income or loss affected by the hedged item, in the same period or periods in which the futued hedged cash flows affect the year's income or loss; and, if in the amount recognized in the OCI there is a loss not expected to be recovered in the future, the corresponding amount is recycled immediately to the year's result.

The Institution discontinues a hedging relationship only when it has stopped complying with the requirements to be recognized as such; this includes when the hedging IFD expires, is sold, terminated or exercised, after taking into account any rebalance made in the hedging relationship. Discontinuation of a hedging relationship is applied prospectively as from the date on which the qualifying criteria thereof stop being met.

Discontinuation of the hedging relationship may affect, either the hedging relationship as a whole or only part thereof, in which case, the hedge accounting continues for the remaining of the hedging relationship.

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

When a hedging relationship is discontinued for a hedged item which is a financial asset or liability valued at the amortized cost, of which the fixed interest rate is hedged to transform it into a floating rate, the adjustment added to or subtracted from the value of the hedged item is amortized in the year's income or loss by modifying the effective rate of interest of subsequent periods. In the case of an IFCV, the adjustment amortization affects the OCI.

Upon suspending the cash flow hedge accounting, the cumulative gain or loss corresponding to the effective portion of the hedging derivative recognized in the stockholders' equity as part of the OCI during the period of time when such hedge was effective, remains in the stockholders' equity until such time as the effects of the forecasted transaction affect the year's income or loss. In the event the forecasted transaction is no longer likely to occur, the gain or loss recognized in the stockholders' equity as part of the OCI is immediately applied to the year's income or loss.

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

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

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

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

The gain (loss) on valuation of the trading derivatives is shown in the consolidated statement of financial position and in the consolidated statement of comprehensive income under the captions “Derivative financial instruments”, in the assets or liabilities, as applicable, and “Financial intermediation income or loss”, respectively.

The effective portion of the gain (loss) from valuation of designated cash flow hedges is recognized in the stockholders’ equity under the caption “Gain (loss) from valuation of cash-flow hedges”, while the ineffective portion of the change to the fair value is recognized immediately in the income or loss under the caption “Financial intermediation income or loss”, and the counteraccount with such effect is shown in the consolidated statement of financial position under the caption “Derivative financial instruments”. The gain or loss associated with the hedge of the forecasted transaction which has been recognized in the stockholders’ equity is reclassified to the consolidated statement of comprehensive income under the same caption where the gain (loss) from valuation of the hedged item attributable to the hedged risk is shown, in the same period during with the forecasted hedged cash flows affect the year’s income or loss.

If the cash flow hedging derivate expires, is exercised or terminated or the hedge does not comply with the requirements to be considered as such, the hedging designation is revoked, while the valuation of the cash flow hedging derivate in the stockholders’ equity remains under such caption, and when the forecasted transaction occurs, it is recognized in the income under the same caption where the gain (loss) from valuation attributable to the hedged risk is shown.

The gain or loss resulting from valuating the fair value hedging derivative is recognized in the consolidated statement of financial position under the caption “Valuation adjustments from hedging of financial assets” and in the consolidated comprehensive income under the captions “Interest income” and “Financial intermediation income or loss”, given they correspond to hedging of interest rates of loan portfolio and investments in financial instruments for collecting or selling, respectively. The gain (loss) from valuation of the item attributable to the hedged risk is recognized in the consolidated statements of financial position "Valuation adjustments from hedging of financial assets" and recognized in the year' s income or loss under "Interest income", in the case of the loan portfolio, while for investments in financial instruments for collecting or selling, they are recognized under “Financial intermediation income or loss”.

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

The collateral is a guarantee obtained to ensure payment of the considerations agreed in contracts with derivative financial instruments in over-the-counter transactions not performed in recognized markets or exchanges.

The granting of collateral pledged in cash in derivative over-the-counter transactions not performed in recognized markets or exchanges are recorded as account receivable under the caption "Other accounts receivable", while collateral received in cash are recorded as "Other accounts payable".

Collateral pledged in securities are recorded as securities restricted by guarantees, and collateral received in securities from derivative transactions are recorded in memorandum accounts.

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

### **g. Offsetting clearing accounts**

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

The balances of credit and debit clearing accounts are offset as long as there is a contractual right to offset amounts recognized, and the intention to settle on a net basis or to realize the asset and settle the liability simultaneously, according to provisions of the rules in MFRS B-12.

The clearing accounts are shown under the caption "Other accounts receivable, net" or "Creditors on settlement of transactions", as appropriate.

### **h. Loan portfolio**

Nacional Financiera's mission is focused on contributing to the economic development of the country through providing access to micro, small and medium size companies (MiPyMEs), entrepreneurs and priority investment projects, to financing and other business development services, as well as on contributing to the formation of financial markets and acting as trustee and financial agent of the Federal Government, which allows to promote innovation, improve productivity, competitiveness, employment generation and regional growth.

Likewise, the 2020-2024 Nafin Institutional Program sets out its priority goals, among which the following ones are highlighted:

- Contribute to economic development and promote regional development through financing to companies which activities are aligned with the priority sectors and/or productive vocation of each State.
- Promote strengthening of local supply chains through financial support to companies, mainly the MiPyMEs, to have them be able to insert themselves in the national and global value chains.
- Promote a greater penetration of credit in the private sector, with special emphasis on the MiPyMEs

Financings are channeled through three financing programs:

- In the First Tier Credit Program, Nafin supports eligible entities from the public and private sector, through the granting of resources for transactions in which it assumes directly the credit risk, with the purpose of promoting, managing and launching projects that address needs of the industrial, commercial and service sectors of the country, or which further a better exploitation of the resources of each region, as well as transactions with the Federal Government, parastate, state and municipal entities. The foregoing, through three products:
  - Traditional: Nafin supports directly companies from the private sector and entities from the public sector, through granting of credits or the involvement in cofinancing with the IFB or other bodies.

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

- Investment projects: Nafin grants resources directly to the companies, Specific Purpose Vehicles and national and international financial intermediaries, both from the private and public sector, which promote projects involving ecological, economic and social development, based on a better use and exploitation of natural resources.
- Prime certification: Support to Mexican companies, through direct granting of credits to meet working capital needs, capital expenditure and/or liabilities restructuring, accompanied by an institutionalization process of its governing bodies, operating processes and computer systems that generate high quality financial and accounting information, among others, to comply with the standards of the Mexican Stock Exchange, the Institutional Stock Exchange or any stock exchange in Mexico for issuance of debt as an alternative to medium and long term financing.
- Second Tier Credit Program. It is the channeling of resources to companies through the network of Financial Intermediaries. The credit risk of the companies is assumed by the financial intermediaries, while the credit risk of the intermediaries is assumed by Nafin.

The credit origination strategy of PROCRESE is determined based on the different distribution channels of the Institution in its second tier operation to comply with its mission of support to individuals and business entities that carry out business activities in the industrial, commercial or service sectors, with emphasis on small and medium size companies.

- Through the Guarantee Program, Nafin has the purpose of providing access to formal financing to a larger number of companies, by sharing the risk that the lending institutions assign to the different business strata, seeking better conditions in financing, less information requirements and less collateral, as well as having a wide range of PYME products; this function is carried out through its network of financial intermediaries, under the following schemes:
    - Automatic Guarantee: It is granted to back portfolios made up of individual credits, authorized under credit processes and similar characteristics. Automation consists of not requiring a case by case authorization from Nafin to guarantee the transactions, and it is ruled by a principle of non-discretion in the portfolio integration.
- Authorization is supported by the review and validation by NAFIN of the credit process applied by the intermediary.
- Guarantee for bonds: The risk arising from the bonds granted by bonding companies to corporations is shared, with the purpose of extending their bonding capacity as suppliers of agencies and entities of the Federal and State Government and private entities.

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

- Selective guarantee: NAFIN shares with the financial intermediaries the credit risk of the financing they grant to small, medium and large companies, of the industrial, commercial and service sectors, as well as to public and private entities that require financing in amounts larger than the ones established for the Automatic Guarantee Scheme.
- Stock market guarantee: It is granted for issuance of stock market negotiable instruments by eligible entities, with the purpose of obtaining financing from the investing public for their investment projects and/or to improve the terms and conditions of their financial liabilities, and in which the recipients of the guarantee are the holders of the issued debt securities.

The guarantee portfolio collects the contractual cash flows in the terms provided for in the Agreements and Operating Regulations, on pre-established dates for collection of fees on the guaranteed balance; such fee is recognized as a service and not as a credit.

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

The loan portfolio is recognized in terms of the Accounting Criterion B-6, if the purpose of the business model is to keep it to collect contractual cash flows and the terms of the agreement provide for cash flows on pre-established dates, which correspond only to payments of principal and interest on the principal outstanding amount, for which test (SPPI) are performed given that in the event of noncompliance with the foregoing, the treatment is according to the provisions in MFRS C-2 “Investment in financial instruments”.

On December 2, 2021, the Internal Credit Committee authorized the “Business model, classification and measurement of financial assets receivable of the Institutions’ loan portfolio”, where the model consists of keeping the portfolio until its maturity. On December 24, 2021, the report related to the Business model of the Institutions’ loan credit and solely principal and interest payments (SPPI) tests was submitted to the CNBV.

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

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

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

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

Portfolios and products that make up of the loan portfolio are assessed by the Institution to define its business model and determine whether they comply with the assumption that the agreement cash flows correspond solely to payments of principal and interest, or otherwise, they should be valued at fair value based on their characteristics. Credits or loan portfolios previously assessed, which contractual conditions are modified, as well as the new products, are subject to the business model tests.

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

With the purpose of confirming the foregoing, an analysis of the received cash flows was performed through a “SPPI Test” (solely payments of principal and interest). In said document, there is evidence of the tests performed to determine whether a credit or loan portfolio complies with the assumption that the agreement cash flows correspond solely to payments of principal and interest, and if such cash flows should be valued at amortized cost, or otherwise, given their characteristics, they should be valued at fair value. In both cases, they should be valued according to the provisions of the Criterion B-6 of the CUB.

<b><u>Concept</u></b>	<b><u>Definition</u></b>
Payments	In each payment received by the instrument, the interest payment and the principal payment may be recognized.
Interest rate	Overall fixed rates are used, which can vary depending on the credit amounts and terms.
Contingencies	These are those cash flows established by the financial asset which are not linked to or depend on the occurrence or nonoccurrence of events for which the bank has no control or meddling.
Prepayments / term extensions	When the asset includes prepayments or term extensions, these are applied in such a way that the payments keep a distinction between principal and interest.
Reliance on other instruments	Collections of the financial asset cash flows are not linked to or depend on other financial asset.

Upon completion of the above mentioned analysis, it was concluded that the Nafin loan portfolio has a business model focused on holding the portfolio until maturity, and that the agreement cash flows correspond to the principal and interest payments, thus, they will be valued at the amortized cost for accounting purposes.

The Institution classifies its loan portfolio under the following captions:

- Commercial: Direct credits denominated in local currency, foreign currencies, as well as the earned interest, granted to companies and intended for their commercial or financial activity, including the ones granted to financial entities other than interbank loans with maturities of less than 3 business days, credits for financial factoring transactions, discount and assignment of credit rights, credits granted to trustees acting under trusts.

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

Likewise, these include credits granted to the Federal Government, states, municipalities and their decentralized agencies, and credits to productive state companies, together with those that have a express guarantee of the Federation, registered with the Ministry of Finance and Public Credit (SHCP) and Banxico, as well as those expressly guaranteed by the states, municipalities and their decentralized agencies, registered with the Sole Public Registry referred to by the Law of Financial Discipline for States and Municipalities.

It represents the balance of the total or partial withdrawal of credit facilities granted to borrowers, plus any interest accrued and not collected, less any interest collected in advance. The allowance for loan losses is presented deducting the balances of the loan portfolio. Credit facilities not withdrawn are accounted for in memorandum accounts, under the caption "Loan commitments." The amount that is withdrawn by the borrower is considered in the loan portfolio according to the corresponding portfolio category.

Upon entering into, transactions with letters of credit are recorded in memorandum accounts, under the caption "Loan commitments", which upon exercise by the customer or a counterparty are transferred to the loan portfolio.

- Consumer and housing loans. - Liquidity loans guaranteed by houses and consumer loans (personal loans) granted to former employees in local currency, as well as the earned interest and which have a remaining balance to be settled at a market rate and term.

### **Initial and subsequent recognition**

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

The balance of the loan portfolio is the amount effectively granted to the borrower and recorded regardless of the transaction costs, as well as the items collected in advance, mentioned in the previous paragraph, which are recognized as a deferred charge or credit, as applicable, and are amortized against the year's income or loss during the loan life, according to the effective interest rate.

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

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

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

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

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

At the subsequent recognition, the loan portfolio is valued at its amortized cost, which includes increases due to the earned effective interest, reductions for amortization of transaction costs and items collected in advance, as well as reductions for principal and interest collections and for the allowance for loan losses.

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

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

### **Reclassifications**

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

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

To the date of the financial statements, there were no changes or modifications to the loan portfolio business model.

### **Categorization of the loan portfolio by credit risk level**

Portfolio with credit risk stage 1

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

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

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

---

Transfer to the loan portfolio with credit risk stage 2

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

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

Transfer to the loan portfolio with credit risk stage 3

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

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

1. It is known that the borrower has filed for bankruptcy under the Bankruptcy Law.

Loans thrown into bankruptcy that continue making payments pursuant to the Bankruptcy Law are classified as portfolio with credit risk stage 3, if assumptions provided for in the following numeral 2 are met.

Notwithstanding the provisions in this item, loans that continue receiving payments in terms of section VIII of article 43 of the Bankruptcy Law, as well as loans granted under article 75, in relation to sections 11 and III of article 224 of the mentioned Law, will be transferred to the loan portfolio with credit risk stage 3, if assumptions provided for in the following numeral 2 are met.

2. Amortizations of consumer loans and housing loans, referred to in the Exhibit 16-A included in the Provision, which have been partially paid, provided that such debts correspond to:
  - a) Loans with single payment of principal and interest at maturity, which are 30 or more calendar days past-due for principal and interest.
  - b) Loans with single payment of principal at maturity and periodic interest payments, which are 90 or more calendar days past due for their respective interest payment, or otherwise 30 or more calendar days past-due on the principal.
  - c) Loans with periodic partial payments of principal and interest, which are 90 or more days past-due for principal or interest.

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

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

Loans with credit risk stages 2 and 3 which fully settle the due balances or comply with the sustained payment are taken back to the portfolio with credit risk stage 1; said situation will be evidenced by the payment of the total due amount of principal and interest with no delays in 3 consecutive amortizations (amortizations lower than or equal to 60 days), the payment of 2 amortizations (periods between 61 and 90 calendar days) and in amortizations greater than 90 days, the payment of one amortization. In loans with single payment of principal, the sustained payment is evidenced by covering at least 20% of the loan original amount upon restructuring or renewal, or if interest was paid under a repayment scheme for restructuring or renewal in a term of 90 days and when such term has elapsed.

3. Loan amortizations not considered in the previous numeral, which amortizations have not been fully settled in the terms originally agreed-upon, provided that debits correspond to:
  - a) Loans with single payment of principal and interest at maturity, which are 30 or more calendar days past-due for principal and interest.
  - b) Loans with single payment of principal at maturity and periodic interest payments, which are 90 or more calendar days past due for their respective interest payment, or otherwise 30 or more calendar days past-due on the principal.
  - c) Loans with periodic partial payments of principal and interest, which are 90 or more days past-due for principal or interest.
4. Immediately redeemable notes referred to by criterion B-1 “Cash and cash equivalents” will be reported as portfolio with credit risk stage 3 at the time they had not been collected according to the term established in the cited Criterion B-1.

Those loans regarding which the entities have any element to determine they should be migrated from stage 1 or 2 to stage 3 should be recognized as loan portfolio with credit risk stage 3, according to the Provisions.

In relation to maturity terms referred to in the numerals 2 and 3, monthly periods can be used, regardless of the number of days in each calendar month, according to the following equivalences:

One calendar month	30 days
Three calendar months	90 days

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

In the case of acquisition of loan portfolios, in order to determine days past-due and the respective transfer to a portfolio with credit risk stage 3, consideration must be given to all instances of noncompliance by the borrower since the loan origination.

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

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

### **Restructuring and renegotiations**

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

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

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

Loans with credit risk stage 2 or stage 3 which are restructured or renewed are not classified to a stage with lower credit risk as a result of such restructuring or renewal until there is evidence of sustained payment.

Loans with single payment of principal at maturity which are restructured during their term or renewed at any time, are transferred to the immediately following category with greater credit risk until they show sustained payment. Withdrawn credit facilities, which are restructured or renewed at any time, are transferred to the immediately following category with greater risk, except when there are elements that justify the debtor's repayment capability, have repaid in full interest and payments due on the restructuring or renewal date.

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

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

Loans stages 1 and 2 other than the above mentioned which are restructured or renewed during the course of the final 20% of the original term of the loan will be transferred to the immediately following category with greater risk, except if the borrower has fully paid the total interest accrued on the restructuring or renewal date, covered the total original amount of the loan which at the date of renewal or restructuring should had been paid, and paid 60% of the original loan amount.

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

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

The Institution recognizes the outstanding balance pending amortization corresponding to the profit or loss on renegotiation in the year's income or loss when the loan is transferred to a portfolio with credit risk stage 3.

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

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

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

Nafin development programs comprise financing schemes developed for specific sectors, which business portfolio include specific schemes in relation to eligibility criteria, entities or persons eligible for credit, purpose, amount, term, guarantees and type of loans; the latter includes from working capital financing to long-term investment project, providing so the companies with the opportunity to have loans in accordance with their repayment capability pursuant to the generated cash flows, establishing specific terms for credit facilities and payment schedules established contractually.

Credit and Guarantee Regulatory Manuals include the purposes, guidelines and policies that regulate the credit process of the first tier credit program, the second tier credit and guarantee program, as well as in the Institution's operating manuals.

In relation to the credit process, it is the sequence of activities which allows the credit granting, since its origination until its recovery, and it is divided into 4 stages:

Stage i. Business development.

It refers to promotion topics such as: customer profile and target market, targeted promotion, proposal and preliminary negotiation.

Stage ii. Analysis and decision.

It refers to all substages related to credit assessment and authorization, including among them information processing, development and analysis revision and authorization.

Stage iii. Instrumentation and disbursement.

It considers the instrumentation and formalization of granted loan agreements and the financing Terms and Conditions, as well as the operating disbursement.

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

Stage iv. Follow-up and recovery.

It is oriented to the portfolio management during the term of the loans, as well as to collection management according to its different stages of recovery (preventive, administrative, extrajudicial and judicial). Likewise, and with the purpose of detecting situations that could increase the recovery risk, portfolio follow-up and rating activities are performed.

Credit granting is made based on the analysis of the financial situation of the borrower, the economic feasibility of investment projects including their guarantees, risk limits and other general features established in the law and in the Institution's internal manuals and policies.

According to the powers established in the Credit Manual, the decision-making instances in this matter are the Board of Directors, the Executive Committee, the Internal Credit Committee and the Credit Committee.

Contracting is formalized and implemented based on agreement templates previously approved by the Legal area.

When the credit structure has guarantees, the nature, terms and conditions thereof, which are established in the credit manual, are assessed.

Prior to the formalization, there should be an appraisal of the collateral, according to the regulations issued by the CNBV and updated pursuant to the institutional processes, to determine the guarantee value, compliance with the minimum loan valuation required in the credit authorization and confirming the physical status, legal situation and insurance coverages of the property in question, as well as the market circumstances.

In the event there are negotiations with the borrowers for a repayment proposal other than the original repayment scheme, these will be analyzed and if such proposals are legally and financially feasible, they will be submitted to the corresponding empowered instance for their approval.

The portfolio risk determination and the allowances for loan losses are performed as described in Note 3(k).

### **Loan sustained payment**

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

When the amortization periods agreed in the restructuring or renewal are not homogeneous, for the purposes of evidencing the sustained payment, it is required to consider the number of periods that represent the longest term.

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

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

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

In any case, to evidence there is a sustained payment, the entity should make available to the CNBV evidence that the borrower has repayment capability upon carrying out the restructuring or renewal to face the new loan conditions.

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

For loans with single payment of principal at maturity, whether the interest payment is periodic or upon maturity, it is considered there is sustained payment of the loan upon occurrence of the following assumptions:

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

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

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

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

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

### **Discontinuation of interest accrual**

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

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

During the time loans are held in a portfolio with credit risk stage 3, interest earned will be recorded in memorandum accounts. If such interest or financial income is collected, it will be directly recognized in the year's income or loss under the caption "Interest income", canceling, in the case of a financial lease, financial factoring transactions, discount or assignment of credit rights, the corresponding financial income to be earned.

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

#### **i. Allowance for loan losses**

An allowance for loan losses is recorded, which, based on the Institution's management best estimate is sufficient to cover any loss which could arise both from loans included in its loan portfolio, and from other credit risks of guarantees issued and irrevocable loan commitments.

The amount of the allowance for loan losses is determined based on the different methodologies set out by the CNBV for each type of credit and credit risk level, as well as additional estimates required in various regulations and bodies of laws recognized by the CNBV and should be recognized in profit and loss of the corresponding period.

The CNBV made a new calibration of the methodologies for calculating allowances for loan losses with focus on the expected loss for the commercial portfolio. Simultaneously with the MFRS-9, the concepts of current portfolio and past due portfolio were modified to portfolio in stages 1, 2 or 3 for control of credit risk, and to establish consistently with these risks, the allowances for loan losses. Loan portfolio rating is based on an expected loss model which considers in its evaluation, the loan stage (1, 2 or 3), the economic sector to which it belongs, the probability of default, the loss given default and the exposure at default, while for the consumer and housing portfolio, rating was made according to the methodology for rating consumer and housing loan portfolios, referred to in Subsection A of the First and Second Sections of Chapter V, Second Title, of the General Provisions Applicable to Lending institutions published through a modifying resolution on October 25, 2010 and its subsequent amendments.

Identification of the loan portfolio impairment level should take place before the default, considering, among other factors, significant increases in credit risk indicators, deterioration in the external rating of an instrument or borrower, significant risk increases in other instruments of the same borrower, delinquency information, significant deterioration in market indicators, significant changes in the value of guarantees or in the operating results of the borrower, even those of the economic environment, also allowing to include models to rate such loan portfolio with the internal models and those based on MFRS C-16.

Notes to the consolidated financial statements  
 Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
 December 31, 2022  
 (figures in millions of Mexican pesos)

---

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

**Stage 1** is the stage that incorporates financial instruments whose credit risk has not increased significantly since their initial recognition, and the estimate should be created for a 12-month period for loans which credit risk has not increased significantly since their initial recognition until the date of the financial statements and which do not meet the assumptions to be considered in stage 2 or 3 in terms of the criterion B-6 “Loan portfolio”.

**Stage 2**, which incorporates the instruments in which a significant risk is presented in the credit risk since their initial recognition, for loans which have shown a significant increase in the credit risk since their initial recognition until the date of the financial statements, according to the provisions of the models to calculate the allowance for loan losses, established or permitted in the Provisions, as well as in the criterion B-6 “Loan portfolio”.

**Stage 3**, which encompasses instruments in which there is objective evidence of impairment and for which, both in stage 2 and in stage 3, it is established that the lending institutions should create allowances for loan losses for the remaining term to maturity for loans with credit impairment originated for occurrence of one or more events that have a negatively impact on the future cash flows of such loans, according to the provisions in the criterion B-6 “Loan portfolio”.

*General methodology based on a model of expected loss for credit risk*

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

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

Where:

$R_i$	Amount of the allowances for loan losses to be set aside of the i-th loan.
$PI_i$	Probability of default of the i-th loan
$SP_i$	Loss given default on the i-th loan
$EI_i$	Exposure at default of the i-th loan

$EI_i$  should be computed on a monthly basis and, in the case of  $PI_i$  and  $SP_i$ , at least quarterly.

Allowances for commercial loans are classified based on the risk grades and the percentages of the following table:

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

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

---

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

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

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

- Stage 1. For loans with 30 or less days past due.
- Stage 2. For loans with more than 30 days past-due and less than 90 days past-due, o which comply with any of the criteria described in the stage 1 or 3.
- Stage 3. For loans with 90 or more days past-due o when the loan is in stage 3, according to the terms set out in the Accounting Criterion B-6 “Loan portfolio”-

For committed credit facilities, the Institution sets aside allowances through migration of risk levels of the borrower based on the Bancomext’s risk indicator and its expert examination, which allows to mitigate the increase in allowances for the potential withdrawals of undrawn balances of the committed credit facilities. As of December 31, 2022, no allowances were generated in addition to the ones indicated in the rating exercises for this concept.

*Methodology for rating of the consumer and housing loan portfolio–*

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

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

---

*Additional reserves*

To determine additional reserves reported to the CNBV which the Institution had to set aside in year 2022, where the methodology consists of estimating the amount of the additional reserves depending on the expected threshold of the overdue portfolio for year 2022. The threshold would be determined by the portfolio's behavior. Likewise, a comparison was prepared between the Institution's overdue portfolio and the Commercial Bank's average overdue portfolio, with the assumption that the Institution's overdue portfolio would tend to the bank average and reach a percentage similar to the one of the Commercial Bank in the short term; besides, the exchange translation impact resulting from the worldwide pandemic scenario due to COVID-19 as also considered.

*Accounting record*

In light of the above, the Institution calculates the amount of the allowance for loan losses, which is recorded in the corresponding year's income or loss; surplus in the allowance for loan losses is canceled against the year's income or loss, affecting the same item that gave origin to it, that is, the one of the allowance for loan losses.

**Commercial portfolio** - The allowances for the commercial portfolio are based on the individual assessment of the credit risk of borrowers and their classification, in accordance with the General provisions applicable to the rating methodology of the lending institution's loan portfolio, established by the Banking Commission. Commercial loans shall be subject to credit rating without including those loans with guarantee from Entities of the Federal Public Administration under direct budgetary control, productive State enterprises or those indicated in Section VI of Article 112 of the Provisions, in which the allowance percentage shall be equal to 0.5%.

The Provisions use a methodology which classifies the loan portfolio into different groups: in states and municipalities, investment projects with own source of payment, trustees acting under trusts, lending institutions and corporations and individuals with business activity not included in the aforementioned groups; the last group must be divided into two subgroups: corporations and individuals with business activity with annual net sales or revenues greater than 14 million UDIS and less than 14 million UDIS. For purposes of rating projects with own source of payment, the Provisions establish that the rating is calculated using a risk analysis of the investment projects according to their stage of construction or operation, and through the extra cost of labor and cash flows of the project. For other groups, an expected loss methodology is established for credit risk, considering the probability of default, loss given default and exposure to default.

Loan portfolio granted to corporations and individuals with business activity, with annual net revenues or sales lesser than 14 million UDIS, is credit rated through the application of methodology set forth on Exhibit 21 of the Provisions. For the lending institution's loans, the methodology set forth-on Exhibit 20 of the Provisions is used, which establishes the concept of probability of default, loss severity and exposure to default.

Notes to the consolidated financial statements  
 Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
 December 31, 2022  
 (figures in millions of Mexican pesos)

---

The estimates carried out as of December 31, 2022 were determined based on the risk levels and allowance percentage, as follows:

<u>Risk grade</u>	<u>Art. 129 CUB</u>	
	<u>Percentage ranges for allowances</u>	
A1	0.000%	0.90%
A2	0.901%	1.5%
B1	1.501%	2.0%
B2	2.001%	2.50%
B3	2.501%	5.0%
C1	5.001%	10.0%
C2	10.001%	15.5%
D	15.501%	45.0%
E	45.01%	100.0%

*Impaired loan portfolio* - For consolidated financial statement disclosure purposes, the Institution considers as impaired loans, those commercial loans for which it determines that there is a considerable probability that they could not be recovered in full, without excluding improvements in risk levels resulting from the secured portion of the loan, or loans that, although current, result from negotiations in which a forgiveness, reduction or discount was authorized at the end of the agreed-upon term.

*Additional identified reserves*- These are established for those loans, which in management's opinion, may give cause for concern in the future given the particular situation of the customer, the industry or the economy. Furthermore, it includes estimates for items such as normal interest earned but not collected and other items whose realization is considered to result in a loss to the Institution, as well as reserves maintained for guarantees granted.

**j. Other accounts receivable**

The other accounts receivable are initially recognized when a right generated from a transaction arises, that is, when these are accrued at the amount for which there is a collection right, which in general is their nominal value. Subsequently, they are valued based on the amount for which there is a collection right, which in general is their nominal value pending collection.

Loans to officers and employees and the accounts receivable related to debts whose maturity is agreed from origin to a more than-90-calendar-day term are assessed by the Institution's management to determine the estimated recoverable amount and as required, to create the corresponding allowance. The balances of other debit items are recorded into the year's income or loss 90 days after their initial recording, if they correspond to identified items and 60 days if the balances are unidentified, regardless of their chance of recovery, except for recoverable balances for creditable value-added tax.

With regards to clearing accounts, in the case where the amount receivable is not settled within 90 calendar days from the record in clearing accounts, it is recorded as past due and an allowance for irrecoverability or doubtful account is recorded for the total amount.

**k. Foreclosed assets or assets received in lieu of payment**

Foreclosed assets are recorded on the date of the admission order of the judicial sale by which the foreclosure was decreed, became final and conclusive and is immediately available for execution.

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

---

Assets received in lieu of payment are recorded on the date the deed of payment, or that on which the transfer of title to the asset is formally executed.

The accounting recognition of a foreclosed assets considers the asset value (at the lower of cost or fair value less strictly necessary costs and expenses incurred for foreclosure), as well as the net value of the asset arising the foreclosure. When the net value of the asset originating the foreclosure exceeds the value of the foreclosed asset, the loss is recognized in the year's income or loss, under the caption "Other operating income (loss)". Otherwise, the value of the foreclosed asset is adjusted to the net value of the asset.

The value of the asset originating the foreclosure and the relevant allowance for loan loss set aside as of that date are derecognized from the consolidated statements of financial position.

Foreclosed assets and promised for sale are restricted to their carrying value; collections received on account of the asset are recorded as a liability. On the date of sale, the resulting gain or loss is recognized in the year's income or loss under the caption "Other operating income (loss)".

Foreclosed assets are valued according to the type of assets they represent, recording said valuation (impairment) against the year's income or loss under the caption "Other operating income (loss)".

The Institution creates additional provisions that acknowledge signs of impairment from potential value losses over time in foreclosed assets in the year's income or loss under the caption "Other operating income (loss)"; this is recorded at 100% upon the appraised value is obtained so that the fair value should be zero.

#### **l. Property, furniture and equipment**

Property, furniture and equipment are recorded at acquisition cost. Balances of acquisitions made before December 31, 2007 were adjusted using factors based on the UDI value from the date of acquisition through that date, with recognition of the effects of inflation on the financial information that was suspended according to the MFRS.

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

The Institution evaluates periodically the net book values of property, furniture and equipment, to determine whether there is an indication that these values exceed their recoverable amount. The recoverable amount is the higher of the net sales price and the value in use. If it is determined that the net book values exceed their recoverable amount, the Institution recognizes the impairment by subtracting it from the year's income or loss.

#### **m. Permanent investments**

A permanent investment is defined as that equity, contractual or not, of an investment in the benefits and economic risks of the net assets of another entity (investee), which means its involvement in the investee and exposes the investor to the variability of returns thereof.

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

Permanent investments are initially recognized on the basis of the invested amount, contributed or of acquisition. Subsequently, said investments are valued by the equity method, which consists of adjusting the value of the investment, contribution or of acquisition of shares, by the proportional part of comprehensive profits or losses and the distribution of earnings from capital reimbursements subsequent to the date of acquisition. Losses in associated companies, not resulting from reductions in the equity percentage but as a consequence of movements of other owners, are recognized in the corresponding proportion in the permanent investment against the income or loss in the year they occur.

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

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

### **n. Prepayments and other assets**

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

This caption includes mainly expenses and commissions paid in advance, as well as guarantee deposits, which are recognized as an asset for the amount paid when they are made, provided there is an estimation of the future economic benefits for the Institution. In the presence of any indication of impairment of the asset value, the potential impairment loss is determined and, if the recovery value is lower than the net book value, the asset value is reduced, and the impairment loss is recognized in the year's income or loss.

The other assets include the assets for employee benefits arising according to MFRS D-3 "Employee benefits" and the deferred ESPS (Notes 20 and 21).

### **o. Income tax and employees' statutory profit sharing (ESPS)**

Income taxes and PTU payable for the year are determined according to the tax provisions in effect. Income taxes payable are presented as liability in the consolidated statements of financial position; when the income tax prepayments exceed the tax payable, the difference corresponds to an account receivable.

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

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

The deferred income tax asset is periodically assessed creating, where appropriate, the valuation allowance for those temporary differences for which there might be an uncertain recovery.

Current and deferred income taxes and ESPS are presented and classified in the year's income or loss, except those that originate from a transaction that is recognized in the OCI or directly in a caption of the stockholders' equity. Current and deferred ESPS is presented under the caption "Administrative and promotion expenses", in the consolidated statement of comprehensive income.

### **p. Deposit funding**

The caption comprises "Deposit funding" is presented broken down in the following concepts:

- term deposits; and
- debt securities issued.

Term deposits include, among others, certificates of deposit settled on pre-determined days and promissory notes with return payable at maturity. Debt securities issued include, among others, bank bonds and stock certificates.

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

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

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

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

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

Those liabilities from deposit funding denominated in foreign currencies are recognized in the corresponding currency and translated with the historical exchange rate; that is, that with which the liability might have been settled on the entering into date.

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

Liabilities from deposit funding denominated in foreign currencies are translated at the closing exchange rate, that is, that one in effect when the Institution might have liquidated them on the date of the consolidated statement of financial position. Changes to their amount arising from fluctuations in exchange rate are recognized in the income or loss of the year they occur.

The credit risk of the negotiable instrument is the loss that ownership of a specific negotiable instrument may cause to its holder when the obligation to liquidate such negotiable instrument by the debtor is not complied with. This risk is not necessarily determined by the compliance capability of the instrument's issuer, but by the own credit risk of the instrument.

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

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

### **q. Provisions**

Based on management's estimates, the Institution recognizes accruals for present obligations where the transfer of assets or the rendering of services is probable and arises because of past events.

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

---

**r. Interbank loans and loans from other entities**

This caption comprises short and long-term immediately due and payable loans from domestic and foreign banks, which are recorded based on the contractual value of the obligation. Interest is charged to expense on an accrual basis under "Interest expense".

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

Those interbank loans denominated in foreign currencies are recognized in the corresponding currency and translated at the historical exchange rate; that is, that with which the Interbank loan might have been settled on the entering into date.

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

**s. Employee benefits**

Employee benefits granted by the Institution are all kind of compensations earned in favor thereof and/or their beneficiaries in exchange of the services received from the employee or for the termination of employment. Such benefits are described below:

**Short-term direct benefits**

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

**Long-term direct benefits**

The Institution's net obligation in relation to direct long-term benefits (except for deferred ESPS- see note Income taxes and employee's statutory profit sharing), and which the Institution is expected to pay at least twelve months after the date of the most recent consolidated balance sheet presented, is the amount of future benefits that employees have obtained in exchange for their service in the current and previous periods. This benefit is discounted to determine its present value.

**Termination benefits**

A liability is recognized for termination benefits along with a cost or expense when the Institution has no realistic alternative other than to make the corresponding payments or when the offer of these benefits cannot be withdrawn or when the conditions that require the recognition of restructuring costs are met, whichever occurs first. If benefits are not expected to be settled within 12 months following the closing of the annual year, they are discounted.

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

### Defined benefit plan

In addition, the Institution has a defined benefit plan in place that covers the pensions for retirement, the seniority premiums and legal compensation to which employees are entitled in accordance with the Federal Labor Law, as well as obligations related to corresponding to plans for medical benefits, and life insurance for retirees.

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

The calculation of liabilities for defined benefit plans is made annually by actuaries using the projected unit credit method. When the calculation results in a possible asset to the Institution, the recognized asset is limited to the present value of the economic benefits available in the form of future refunds from the plan or reductions in future contributions to it. To calculate the present value of the economic benefits, any minimum financing requirement should be taken into consideration.

The labor cost of current service, which represents the periodic cost of employee benefits for having completed one more year of working life based on the benefit plans, is recognized in administrative expenses. The Institution determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the reporting annual period, considering changes in the net liability (asset) from the defined benefits during the period as result of the estimations of the contributions and benefit payments.

The amendments to the plans that affect the cost for services provided are recognized in the income immediately in the year where said amendment occurs, without the possibility for deferral in subsequent years. Furthermore, the effects of any liquidation or reduction of obligations in the period that significantly reduce future service cost and/or significantly reduce the population eligible for benefits, are recognized in income (loss) for the period.

Remeasurements generated as from January 1, 2016 (before actuarial gains and losses) resulting from differences between the projected and actual actuarial assumptions at the end of the period, are recognized when incurred as part of the other comprehensive income within stockholders' equity and is subsequently recycled to the results of the period, based on the average remaining working life of the employees.

According to the resolution published on December 31, 2015 by the Banking Commission, the Institution will recognize the modifications to the plans and remeasurements accumulated up to December 31-, 2015, gradually by year 2021 and during the next four years, recognizing 20% as from its initial application, and the corresponding 20% will be recognized in each one of the subsequent years.

### t. Segments

Financial information by segment is prepared based on the provisions in paragraph 6 of criterion A-2 Application of specific standards, issued by the CNBV through Exhibit 33 to the CUB, to allow the user of the financial information the analysis of the entity, with a view equal to the one of management or administration thereof.

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

---

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

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

**u. Revenue recognition**

Interest on loans granted including the interbank loans agreed for a term shorter than or equal to three business days, is charged to expense on an accrual basis. Interest on past-due loan portfolio is recognized in income upon effective collection.

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

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

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

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

---

Fees for restructured or renewed loans are recorded as deferred loans and amortized against the results of operations for the year in "Interest income" using the straight-line method during the new term of the loan.

Commissions from intermediation by the Institution between the lender and the borrower for the contracting of loans on the markets, are recorded in the consolidated statement of comprehensive income, on an accrual basis, under the caption "Commission and fee income."

**v. Comprehensive income or loss**

The total comprehensive income or loss corresponds to the net income or loss increased or decreased by the OCI for the period, net of the effects of the related income taxes and the ESPS, as well as of the equity in the OCI of other entities. The OCI is made up of valuation of financial instruments for collecting or selling, valuation of cash flow hedging derivatives, remeasurement of defined employee benefits and the gain or loss on holding non-monetary assets.

The OCI represents revenues, costs and expenses which, while they have been accrued, are pending of realization, but also:

- i. their realization is expected in the medium and long term; and
- ii. it is likely their amount will vary due to changes to the fair value of the assets or liabilities that originated them, reason for which they could even not be realized, partially or totally.

**w. Foreign currency transactions**

Foreign currency transactions are recognized at the exchange rates in effect on the date those transactions are entered into for consolidated financial statements presentation purposes.

In the cases of currencies other than dollars, these are translated into dollars at the exchange rates as established in the Provisions, and the dollar equivalent is then translated into Mexican pesos using the exchange rate determined by the Central Bank.

At the year-end close date of the consolidated financial statements, foreign currency monetary assets and liabilities are translated into Mexican pesos at the foreign exchange rate published by the Central Bank, while foreign exchange gains or losses arising from foreign currency translation are recorded in the income or loss for the originating period.

**x. Fair value**

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

To determine the fair value, the following should be considered:

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

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

---

*Fair value hierarchy*

To increase coherence and comparability in the determinations of the fair value and the related information to be disclosed, the MFRS B-17 establishes a fair value hierarchy which classifies in three levels the inputs used to determine the fair value. The availability of relevant inputs and their relative subjectivity may affect the selection of the appropriate valuation techniques. However, the fair value hierarchy prioritizes the inputs rather than the valuation techniques used to determine the fair value.

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

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

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

According to the Accounting Criteria, the Institution does not classify as Level 1 the updated prices for valuation which are determined by the use of internal valuation models.

Assets and liabilities at fair value presented in Level 1 should be transferred to the next level when: i) similar assets and liabilities valued at fair value have a quoted price in an active market, but it is not observable; ii) a price in an active market does not represent the fair value on the valuation date; or iii) the fair value of a liability or an equity instrument is determined using a quoted price in an active market and such price requires adjustments for specific factors.

Level 2: When: a) inputs are different from the ones available in the market, but are observable substantially over the term of the asset and/or liability life; b) quoted prices are identical or similar in markets with not very frequent transactions and of sufficient volumes; c) inputs used are other than quoted prices but are observable; and d) inputs may be corroborated by the market.

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

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

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

	<u>2022</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b><u>Financial instruments</u></b>				
Unrestricted negotiable financial instruments				
- Government securities	\$ 25,676	\$ -	\$ -	\$ 25,676
- Bank securities	-	-	-	-
- Other instruments	7,725	-	-	7,725
- Equity financial instruments	43	-	-	43
Restricted negotiable financial instruments (repurchase agreements)				
- Government securities	163,368	-	-	163,368
- Bank securities	-	-	-	-
- Other instruments	5,697	-	-	5,697
- Equity financial instruments	-	-	-	-
Unrestricted negotiable financial instruments (Subsidiaries)				
- Equity financial instruments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>10,081</u>	<u>10,081</u>
<b>Total negotiable financial instruments</b>	<u>202,509</u>	<u>-</u>	<u>10,081</u>	<u>212,590</u>
Unrestricted financial instruments for buying and selling				
- Government securities	7,728	-	-	7,728
- Bank securities	419	-	-	419
- Other instruments	13,197	-	-	13,197
- Equity financial instruments	-	-	-	-
Restricted financial instruments for purchasing and selling (repurchase agreements)				
- Government securities	2,595	-	-	2,595
- Bank securities	-	-	-	-
- Other instruments	-	-	-	-
- Equity financial instruments	-	-	-	-
<b>Total instruments for purchasing and selling</b>	<u>23,939</u>	<u>-</u>	<u>-</u>	<u>23,939</u>

\* This item considers \$27 of investments in securities of the subsidiary Plaza Insurgentes Sur.

<b><u>Derivatives</u></b>				
Fair Value Hedge				
SWAPS				
To hedge portfolio				
Assets	-	1,307	-	1,307
To hedge liabilities				
Assets	-	588	-	588
To hedge investments				
Assets	-	972	-	972
Trading				
SWAPS				
Assets	-	11,793	-	11,793
FUTURES				
Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total assets</b>	<u>\$ 226,448</u>	<u>\$ 14,660</u>	<u>\$ 10,081</u>	<u>\$ 251,189</u>

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

	<u>2022</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Derivatives</b>				
Fair Value Hedge				
SWAPS				
To hedge portfolio				
Liabilities	\$ -	\$ 23	\$ -	\$ 23
To hedge liabilities				
Liabilities	-	9,523	-	9,523
To hedge investments				
Liabilities	-	1	-	1
Trading				
SWAPS				
Liabilities	-	11,801	-	11,801
FUTURES				
Liabilities	-	-	-	-
<b>Total liabilities</b>	<u>\$ -</u>	<u>\$ 21,348</u>	<u>\$ -</u>	<u>\$ 21,348</u>

**y. Memorandum accounts**

Memorandum accounts correspond mainly to assets in custody or management and trust transactions.

Customer's securities held in custody, guarantee or under management, are recorded in the corresponding memorandum accounts in accordance with the accounting criteria established by the Banking Commission, and represent the maximum expected amount at which the Institution is obliged to respond to its customers.

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

**z. Contingencies**

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

Significant liabilities or losses related to contingencies are recorded when it is probable that their effect will realize, and the amount thereof can be reasonably estimated. In the absence of these reasonable elements, their disclosure is included on a qualitative basis in the notes to the consolidated financial statements. Contingent revenues, earnings or assets are not recognized until their realization is assured.

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

#### **4. CHANGES IN ACCOUNTING POLICIES “Financial Reporting Standards incorporated to the Accounting Criteria”**

##### **a. Changes in accounting policies due to the implementation of IFRS 9 “Financial Instruments” in 2022**

On March 13, 2020, the National Banking and Securities Commission (CNBV) published in the Official Gazette of the Federation (DOF), various modifications to the "General provisions applicable to Credit Institutions", which set out that the modifications would become effective on January 1, 2021. Considering the sanitary contingency, the extension of the effectiveness of the modifications was published in the DOF on December 4, 2020, and the effective date for Full Service and Development Banking Institutions was set out on January 1, 2022. In the same document, the CNBV published amendments to the resolution of March 13, 2020, which substitute criteria A-2 "Application of particular standards", A-3 "Application of general standards", B-1 "Cash and cash equivalents", B-6 "Loan portfolio", B-7 "Foreclosed assets", and Series D "Criteria relative to the basic financial statements" of Exhibit 33.

As a result of the issuance of IFRS 9, the Consejo Mexicano de Normas de Información Financiera, A.C. published 10 new financial reporting standards that became effective on January 1, 2018. Based thereon, the National Banking and Securities Commission started the adaptation process to the new international framework of the regulation applicable to the supervised entities.

- MFRS B-17, Fair Value measurement.
- MFRS C-2, Investment in financial instruments.
- MFRS C-3, Accounts receivable.
- MFRS C-9, Provisions, contingencies and commitments.
- MFRS C-10, Derivative financial instruments and hedge relationships.
- MFRS C-16, Impairment of financial instruments receivable.
- MFRS C-19, Financial instruments payable.
- MFRS C-20 Financial instruments for collecting principal and interest.
- MFRS D-1, Revenue from contracts with customer.
- MFRS D-2, Costs from contracts with customer.

On December 4, 2020, the CNBV published the modifications to the resolution of March 13, 2020 in the DOF, which substitutes criteria A-2 "Application of particular standards", A-3 "Application of general standards", 8-1 "Cash and cash equivalents", 8-6 "Loan portfolio", 8-7 "Foreclosed assets", and Series D "Criteria relative to the basic financial statements" of Exhibit 33.

The accounting criteria that are modified:

- A-2 "Application of particular standards"
- A-3 "Application of general standards"
- B-1 "Cash and cash equivalents"
- B-3 "Repurchase/resell agreements"
- B-4 "Securities lending"
- B-6 "Loan portfolio"
- B-7 "Foreclosed assets"
- B-8 "Guarantees by endorsement"
- B-9 "Asset custody and management"
- B-10 "Trusts"
- C-2 "Securitization transactions"
- D-1 "Statement of financial position"

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

- D-2 "Statement of comprehensive income"
- D-3 "Statement of changes in stockholders' equity"
- D-4 "Statement of cash flows"

Accounting criteria that are repealed:

- B -2 "Investments in securities"
- B-5 "Derivatives and hedging transactions"
- B-11 "Collection rights"
- C-1 "Financial asset recognition and derecognition"
- C-3 "Related parties"
- C-4 "Segment information"

MFRS that are incorporated into Criterion A-2 "Application of Particular Standards"

- B-11 "Disposal of long-lived assets and discontinued operations"
- B-12 "Compensation of financial assets and financial liabilities"
- B-17 "Fair Value measurement"
- C-2 "Investment in financial instruments"
- C-3 "Accounts receivable"
- C-9 "Provisions, contingencies and commitments"
- C-10 "Derivative financial instruments and hedge relationships"
- C-13 "Related parties"
- C-14 "Transfer and derecognition of financial assets"
- C-16 "Impairment of financial instruments receivable"
- C-19 "Financial instruments payable"
- C-20 "Financial instruments for collecting principal and interest"
- C-22 "Cryptocurrencies"
- D-1 "Revenue from contracts with customer"
- D-2 "Costs from contracts with customer"
- D-5 "Leases"

*Improvements to MFRS issued by the CINIF which entered into effect in 2022*

- D-3 "Employee benefits"
- B-1 "Accounting changes and error correction"
- B-10 "Effects of the inflation"

### **About IFRS 9 "Financial instruments"**

International Financial Reporting Standard IFRS 9 "Financial Instruments" (IFRS 9) is a standard that comes forth for the purpose of setting out the principles for the recognition and the measurement of financial assets and financial liabilities, in order for the entity to present useful, relevant information for uses of financial statements in dealing with the evaluation of the amounts and certainty of the Institution 's future cash flows.

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

---

With an effective date of January 1, 2022 for full service and development banking institutions, IFRS 9 includes three chapters that refer to the bulletins of MFRS:

- C-2 Investment in financial instruments,
- C-16 Impairment of financial instruments receivable
- C-10 Derivative financial instruments and hedge relationships
- C-20 Financial instruments for collecting principal and interest

**About accounting criterion MFRS C-2 Investments in financial instruments**

Pursuant to the foregoing, in order to address the changes presented in IFRS 9, the CNBV has defined modifications to the accounting criteria set forth in the Single Banking Circular (CUB - for its acronym in Spanish) and specifically criterion B-2 Investments in securities for MFRS C-2 Investments in financial instruments and MFRS C-20 Financial instruments for collecting principal and interest.

The purpose of this FRS is to set out valuation, presentation, and disclosure standards for the beginning and subsequent recognition of the investment in financial instruments in the financial statements of an economic entity.

The above accounting criterion B-2 for banking was basically focused on the classification and valuation of financial instruments, and it set out three classes for those instruments, which were based on the intent whereby those instruments were acquired and used, that is, the class of trading securities, available-for sale securities, and held-to-maturity securities. Certain rules and conditions were set out for transferring financial instruments between the distinct classes.

The business model concept of managing investments in financial instruments based on cash flows is adopted by applying MFRS C-2 Standard, which can be used to obtain a contractual yield of a financial instrument from the collection and/or sale of contractual yields or obtaining gains on their purchase and sale, in order to classify the various financial instruments. Thus, the statement of financial position presents financial instruments in assets separately, considering if its main risk is credit or market, or both, in accordance with the Institution's strategy

- Financial Instruments for Collecting Principal and Interest (IFCPI, for its acronym in Spanish), which are intended to collect contractual flows on preestablished dates that correspond to payments on principal and interest on the unpaid amount of the principal.
- Financial Instruments for Collecting or Selling (IFCV, for its acronym in Spanish), whose objective is to collect contractual cash flows on principal and interest or obtain a gain on its sale when advisable.
- Negotiable Financial Instruments (IFN, for its acronym in Spanish) are intended to obtain a gain between the buy and sell price, based on the market risk management of that instrument.

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

---

Moreover, the measurement / valuation of investments in financial instruments by the Institution should be made as:

- IFCPI - At amortized with an effect on income or loss and impairment.
- IFCV - At fair value with an effect on the Other Comprehensive Income (recycling) and marginal recognition of impairment in income or loss.
- IFN - At fair value with an effect on income or loss.

The main effects on the financial statements of the Institution for fiscal 2022 refer to:

**i) Cash and cash equivalents formerly liquid assets**

The main changes refer to modifications on the treatment of financial instruments of high liquidity, establishing that the only instruments to be considered under this item will be those that have high liquidity and which disposal is foreseen within a maximum of 48 to 72 hours.

The recognition of deposits in financial entities made in the country or abroad for the entity's operation as well as available-on-demand investments which term is considered a very short term (3 months); given their temporary nature, these are considered restricted assets.

**ii) Financial instruments**

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognized when the Institution becomes a party to the contractual provisions of the financial instrument. Financial assets and liabilities represent contractual rights and obligations, respectively, in relation to monetary economic resources.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, canceled or expires.

Classification and initial measurement of financial assets

The classification is determined both by the business model of the entity on the management of the financial asset, as well as the contractual characteristics of the cash flow of the financial asset.

Financial assets are classified in the following categories:

- Cash and cash equivalents
- Accounts receivable
- Financial instruments for collecting principal and interest
- Financial instruments for collecting or selling
- Negotiable financial instruments

Cash and cash equivalents, both on initial and subsequent recognition, are measured at fair value, which is their nominal value.

Trade receivables and other accounts receivable, that do not contain a significant financing component, are measured at the transaction price in accordance with MFRS D-1 'Revenue from contracts with customer' (MFRS D-1) and subsequently at the transaction price pending of collection.

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

All other categories of financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

All income and expenses relating to financial assets that are recognized in the income or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

### Subsequent measurement of financial assets

#### Financial instruments for collecting principal and interest (IFCPI)

Other accounts receivable, which do not contain a financing component, are subsequently measured at the price of the transaction pending collection.

Financial assets (IFCPI) are measured at amortized cost if the assets meet the following conditions and were not designated as fair value through profit or loss (FVTPL):

- They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the outstanding principal amount.

Measurement at amortized cost is carried out by using the effective interest method; discounting is omitted where the effect of discounting is immaterial. The Institution's cash and cash equivalents, as well as other account receivable that contain a significant financing component, fall into this category of financial instruments and are measured at amortized cost.

#### Financial instruments for collecting or selling (IFCV)

Institution's IFCV are subsequently measured at fair value through other comprehensive income (FVTOCI), previously recognizing the amounts for accrued interest, exchange rate fluctuation and impairment losses, provided that the assets comply with IFCPI conditions and additionally, their business model includes the possibility of selling them.

Any gains or losses recognized in other comprehensive income (OCI) will be recycled upon derecognition of the financial asset.

#### Negotiable financial instruments (IFN)

Financial assets that are held within a different business model other than accounts receivable, IFCP or IFCV, are subsequently measured at FVTPL. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

### **iii) Loan portfolio**

This criterion is intended to define the particular standards relative to the opening and closing recognition, valuation, presentation, and disclosure in the financial statements of the loan portfolio of entities.

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

---

This criterion also includes the accounting guidelines relative to the recognition and presentation of the allowance for loan losses.

Recognition and valuation standards

Amortized cost

The business model relative to how the loan portfolio is managed by the Institution, as well as the tests performed on the portfolio allowed for validating total cash flows from the portfolio arise from contractual aspects and under no circumstances from portfolio sales; therefore, the valuation applicable thereto is the value at amortized cost.

Thus, the value at amortized cost, which is defined as the present value of contractual cash flows receivable of the loan portfolio, plus the unamortized transaction costs, by using the effective interest method and reducing the allowance for loan losses, is the mechanism that the Institution will use in the determination of the value of its portfolio.

It is important to consider that, in the case of the loan portfolio with credit risk in stages 1 and 2 as of closing in December 2022, should there not be any fees or transaction costs that may be associated to a particular lending operation, the value of the effective rate and the contractual rate of loan transactions coincide.

Determination of the effective interest rate

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

Unlike a nominal rate to recognize interest on an accrual basis, it considers a series of elements, such as the expenditures, the number of payments, the nominal interest, the collected fees, the transaction costs, as well as any other contractual cash flow or charge, in such a way it affects the accounting recognition of interest from a financial perspective and not from a contractual one.

In order to determine the effective rate, the entity must follow the following steps:

1. Determine the amount of future cash flows estimated to be received. - By adding the principal and interest that will be received in conformity with the loan repayment schemes during the contractual term, or in a shorter term if there is a probability of payment before the due date or another circumstances that justifies the use of a shorter term.
2. Determine the effective interest. - Reducing from future cash flows estimated to be received.
3. Determine the effective interest rate. - It represents the relationship between the effective interest and the net financed amount.

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

### Initial recognition

At the initial recognition as of December 31, 2022 recognition, the loan portfolio should be valued at its amortized cost, which should include increases in accrued effective interest, reductions in the amortization of transaction costs and items collected in advance, as well as reductions in principal and interest collections and in the allowance for loan losses.

Categorization of the loan portfolio by credit risk level:

- Portfolio with credit risk stage 1
- Portfolio with credit risk stage 2
- Portfolio with credit risk stage 3

### **iv) Allowance for loan losses**

The amount of the allowance for loan losses is determined based on the different methodologies set out by the CNBV for each type of credit and credit risk level, as well as additional estimates required in various regulations and bodies of laws recognized by the CNBV and should be recognized in profit and loss of the corresponding period.

The estimate for expected losses will be carried out by the Institution by considering 3 stages, depending on the level of credit impairment of assets. Stage 1 is the stage that will incorporate financial instruments whose credit risk has not increased significantly since their initial recognition, and the allowance should be created for a 12-month period. Stage 2 will incorporate the instruments in which a significant risk is presented in the credit risk since their initial recognition. Finally, stage 3 will encompass instruments in which there is objective evidence of impairment and for which, in stage 2 as well as in stage 3, it is set forth that the Institution should create allowances for loan losses for the remaining term to maturity.

### **v) Leases**

The accounting treatment of leases is aligned with international accounting standards. A single lease recognition model for the lessee is presented. It requires that the lessee recognize the assets and liabilities of all leases that have a term exceeding twelve months. A lessee is required to recognize an asset for the right-of-use, which represents its right to use the leased underlying asset, and a liability for a lease, which represents its obligation to make payments for the lease.

### The Institution as a lessee

The Institution makes use of leases principally for the provision of its office space. The rental contracts for offices are typically negotiated for terms of between 3 and 5 years and some of these have renewal options. The Institution does not enter into sale and leaseback arrangements. All the leases are negotiated on an individual basis and contain a wide variety of different terms and conditions such as purchase options and escalation clauses.

The Institution assesses whether a contract is or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

Some lease contracts contain both lease and non-lease components. These non-lease components are usually associated with facilities management and maintenance contracts. The Institution has elected to not separate its leases for offices into lease and non-lease components and, instead, accounts for these contracts as a single lease component. For its other leases, the lease components are split into their lease and non-lease components based on their relative stand-alone prices.

### *Measurement and recognition of leases as a lessee*

At the lease commencement date, the Institution recognizes a right-of-use asset and a lease liability in its statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Institution, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Institution depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Institution also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Institution measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate that is implicit in the lease, if said rate is easily determinable, the Institution's incremental financing rate or the risk-free rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced by lease payments made and increased by interest. The finance cost is the amount that produces a constant periodic interest rate on the remaining balance of the lease liability.

The lease liability is reassessed when there is a change in the lease payments, a change in lease payments arising from a change in the lease term or a change in the assessment of an option to purchase a leased asset. The revised lease payments are discounted using the Institution's incremental borrowing rate at the date of reassessment when the rate implicit in the lease cannot be readily determined. The amount of the lease liability remeasurement is reflected as an adjustment to the carrying amount of the right-of-use asset. The exception to the foregoing is when the carrying amount of the right-of-use asset has been reduced to zero; then, any excess is recognized in the income or loss.

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

The most significant quantitative effects in the adoption of IFRS 9 in the financial information of the Institution as of January 1, 2022 are as follows:

	<b>31/12/2021</b>		<b>01/01/2022</b>	<b>Effect of adoption</b>
<b>Liquid assets</b>	\$ 29,919	<b>Cash and cash equivalents</b>	\$ 29,919	\$ -
<b>Investments in securities</b>	<u>263,938</u>	<b>Investments in financial instruments</b>	<u>263,847</u>	<u>(91)</u>
Trading securities	205,802	Negotiable financial instruments	197,032	(8,770)
Available-for-sale securities	19,821	Financial instruments for collecting or selling	28,591	8,770
Held-to-maturity securities	38,315	Financial instruments for collecting principal and interest (securities)	38,315	-
		<b>Estimate for expected loan losses for investments in financial instruments for collecting principal and interest (securities)</b>	<b>(91)</b>	<b>(91)</b>
<b>Total loan portfolio</b>	<u>189,572</u>	<b>Total loan portfolio</b>	<u>189,572</u>	<u>-</u>
Current loan portfolio	184,343	Loan portfolio with credit risk stage 1	184,343	-
		Loan portfolio with credit risk stage 2	-	-
Past-due loan portfolio	5,229	Loan portfolio with credit risk stage 3	5,229	-
<b>Allowance for loan losses</b>	<b>(12,635)</b>	<b>Allowance for loan losses</b>	<b>(12,635)</b>	<b>-</b>
		<b>Right-of-use assets of property, furniture and equipment (net)</b>	<b>3</b>	<b>3</b>
		<b>Lease liability</b>	<b>(3)</b>	<b>(3)</b>
<b>Income (loss) for the year</b>	<b>(6,668)</b>	<b>Income (loss) for the year</b>	<b>(6,668)</b>	<b>-</b>
<b>Prior years' income (loss)</b>	<b>196</b>	<b>Prior years' income (loss)</b>	<b>105</b>	<b>(91)</b>

**MFRS C-2 and MFRS C-20 Investments in financial instruments**

The decrease amounting to \$91 for the recognition of the expected credit loss on financial instruments for collecting principal and interest, which should be recognized in income or loss of prior years.

**Criterion B-6 "Loan portfolio" and allowance for loan losses**

The adoption of the standard did not give rise to any impact that must be recognized in prior years' income in stockholders' equity due to the following:

- In conformity with the business model that was approved by the Internal Credit Committee (CIC) of the Institution, the loan portfolio meets the objective of collecting solely principal and interest thereof (SPPI); therefore, it is valued at amortized cost.

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

- The loan portfolio was categorized by credit risk level in accordance with the following:
  1. Portfolio with credit risk stage 1.- All those loans whose credit risk has not increased significantly since their initial recognition up to the date of the financial statements, and that do not fall under the assumptions to be considered in stage 2 or 3 in terms of this criterion. The amount determined was \$184,343.
  2. Portfolio with credit risk stage 2.- No portfolio was identified in this stage in conformity with the methodology set out in the provisions.
  3. Portfolio with credit risk stage 3.- These are loans with credit impairment due to one or more events that have occurred that have a negative impact on the future cash flows of those loans, in conformity with the provisions in this criterion. The amount determined was \$5,229.
- The amount of the allowance for loan losses was determined based on the different standard methodologies issued by the CNBV for each type of loan and the credit risk level according to the Provisions, which would give rise to transferring the allowance for loan losses created in conformity with the following exhibits:

<u>Exhibit</u>	<u>Number of borrowers</u>	<u>Reserves with the methodology in effect</u>	<u>Reserves with the new methodology</u>	<u>Release or creation</u>
19	30	\$ 4,123	\$ 5,627	\$ 1,504
20	90	1,993	558	(1,435)
21	1	589	589	-
22	<u>18</u>	<u>260</u>	<u>191</u>	<u>(69)</u>
Total	139	\$ 6,965	\$ 6,965	\$ -
Additional reserves of the Institution		741	741	-
Reserves on contingent transactions and institutional guarantees		100	100	-
Reserves of Fiso 1148		4,422	4,422	-
Reserves on contingent Transactions and guarantees - Fiso 1148		<u>407</u>	<u>407</u>	<u>-</u>
Total reserves		<u>\$12,635</u>	<u>\$12,635</u>	<u>\$ -</u>

MFRS D-5 "Leases" Right-of-use assets of property, furniture and equipment (net) and lease liability

The Institution determined the application of this MFRS of the financial lease agreements of the London offices, which gave rise to recognizing the amount of \$3 as an underlying asset and the corresponding liability.

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

---

**5. FOREIGN CURRENCY POSITION**

Central Bank regulations require that banks maintain balanced positions in foreign currencies within certain limits. The short or long position permitted by Mexican Central Bank is equal to a maximum of 15% of the basic capital computed as of the third immediately preceding quarter. As of December 31, 2022, the Institution's position is within the authorized limits.

The not consolidated foreign currency position of Nacional Financiera, S.N.C. Institución de Banca de Desarrollo is analyzed as follows:

	<b>Foreign currency in dollars</b>	<b>Assessed amount</b>
Assets	5,069	\$ 98,890
Liabilities	<u>(5,077)</u>	<u>(99,054)</u>
Long (short) position	<u><u>(8)</u></u>	<u><u>\$ (164)</u></u>

As of December 31, 2022, the assets and liabilities in foreign currency, stated in millions of local currency are shown below:

	<b>2022</b>		
	<b><u>Assets</u></b>	<b><u>Liabilities</u></b>	<b><u>Net position</u></b>
US dollars	4,939	(4,950)	(11)
Japanese yens	15,028	(15,017)	11
Euros	9	(7)	2
Sterling pounds	6	(5)	1

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

As of December 31, 2022, the Institution's assets and liabilities in foreign currencies translated to pesos are shown below:

	<u>2022</u>		
	<u>Assets</u>	<u>Liabilities</u>	<u>Net position</u>
US dollars	96,346	(96,574)	(228)
Japanese yens	2,219	(2,218)	1
Euros	183	(142)	41
Sterling pounds	140	(120)	20
Swiss francs	<u>2</u>	<u>-</u>	<u>2</u>
	<u>98,890</u>	<u>(99,054)</u>	<u>(164)</u>

Below are the monthly effects of valuation of the transactions in foreign currency:

<u>Month</u>	<u>Monthly effect</u>	<u>Accumulated effect</u>
January	\$ (31)	\$ (31)
February	(84)	(115)
March	28	(87)
April	134	47
May	(28)	19
June	16	35
July	16	51
August	(30)	21
September	-	21
October	(41)	(20)
November	78	58
December	4	62

The exchange rate relative to the US dollar as of December 31, 2022, was \$19.5089 pesos per dollar, and on the issuance date of the consolidated financial statements, it was \$18.5103 pesos per dollar.

## 6. CASH AND CASH EQUIVALENTS

As of December 31, 2022, cash and cash equivalents are analyzed as follows:

	<u>2022</u>
Domestic and foreign banks	\$ 20,634
24 and 48 hours foreign currency sales	(681)
Immediate collection documents	1
Restricted funds:	
Loan bank with term shorter than four days	3,202
Term deposits	31,553
Deposits with the Mexican Central Bank	4,584
24, 48 and 72 hours foreign currency purchase	<u>927</u>
	<u>\$ 60,220</u>

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

Interbank loans (Call money):

<u>Original currency</u>	<u>Rate</u>	<u>Term in days</u>	<u>Original currency</u>	<u>Local currency</u>
Dollar	4.30%	1.6	164	\$ 3,202

Term deposits:

<u>Origin currency</u>	<u>Rate</u>	<u>Term in days</u>	<u>Origin currency</u>	<u>Local currency</u>
Dollar	4.61%	53	1,617	\$ 31,546
GBP	3.38%	14	0.30	<u>7</u>
				<u>\$ 31,553</u>

As of December 31, 2022, deposits with the Central Bank correspond to deposits pursuant to the monetary regulation which have no maturity. The interest generated by deposits with the Central Bank as of December 31, 2022, were \$44. The Provisions in force issued by the Central Bank for monetary regulation deposits state that such deposits may be comprised of cash, securities, or both.

As of December 2022, bank loans with a term shorter than or equal to four days are analyzed below:

	<u>2022</u>		
	<u>Amount</u>	<u>Annual rate</u>	<u>Annual term</u>
Mexican Central Bank	<u>\$ 4,584</u>	10.5%	3 days

As of December 31, 2022, foreign currency receivable and deliverable equivalent in pesos in connection with the purchases and sales to be settled within 24, 48 and 72 hours were negotiated mainly in US dollars.

The offset balance of foreign currency receivables with foreign currency deliverables as of December 31, 2022, shows a net debit balance, so it should be presented under caption "Sundry creditors and other accounts payable".

As of December 31, 2022, cash and cash equivalents in foreign currency are broken down as follows:

	<u>2022</u>		
	<u>Amount in millions of the original currency</u>	<u>Exchange rate</u>	<u>Equivalence in local currency</u>
US dollars	1,832	\$ 19.5089	\$ 35,740
Euros	1	20.8092	21
Sterling pounds	1	23.4634	<u>23</u>
			<u>\$ 35,784</u>

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

**7. INVESTMENTS IN FINANCIAL INSTRUMENTS**

As of December 31, 2022, investments in negotiable financial instruments for buying and selling are made up of as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Fair value</b>	<b>Total</b>
Debt instruments				
Government instruments	\$ 25,720	\$ 7	\$ (52)	\$ 25,675
Bank instruments	-	-	-	-
Other instruments	7,737	2	(14)	7,725
Subsidiaries	5	-	-	5
Equity instruments				
Equity financial instruments	78	-	(36)	42
Subsidiaries	<u>10,078</u>	<u>-</u>	<u>-</u>	<u>10,078</u>
<b>Total negotiable financial instruments</b>	<b><u>43,618</u></b>	<b><u>9</u></b>	<b><u>(102)</u></b>	<b><u>43,525</u></b>
<b>Negotiable financial instruments Restricted or granted as collateral</b>				
Debt instruments				
Government instruments	163,388	56	(76)	163,368
Bank instruments	-	-	-	-
Other instruments	5,705	2	(10)	5,697
Equity instruments				
Equity financial instruments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total negotiable restricted financial instruments</b>	<b><u>169,093</u></b>	<b><u>58</u></b>	<b><u>(86)</u></b>	<b><u>169,065</u></b>
<b>Total negotiable financial instruments</b>	<b><u>\$ 212,711</u></b>	<b><u>\$ 67</u></b>	<b><u>\$ (188)</u></b>	<b><u>\$ 212,590</u></b>
	<b>Principal</b>	<b>Interest</b>	<b>Fair value</b>	<b>Total</b>
<b>Financial instruments for collecting or selling</b>				
Debt instruments				
Government instruments	\$ 7,677	\$ 34	\$ 16	\$ 7,727
Bank instruments	431	3	(16)	418
Other instruments	13,809	173	(784)	13,198
Subsidiaries	27	-	-	27
Equity instruments				
Equity financial instruments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total financial instrument for collecting or selling</b>	<b><u>\$ 21,944</u></b>	<b><u>\$ 210</u></b>	<b><u>\$ (784)</u></b>	<b><u>\$ 21,370</u></b>

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

	<u>Principal</u>	<u>Interest</u>	<u>Fair value</u>	<u>Total</u>
<b>Financial instruments for collecting or selling restricted or granted as collateral</b>				
Debt instruments				
Government instruments	2,733	29	(166)	2,596
Bank instruments	-	-	-	-
Other instruments	-	-	-	-
Equity instruments				
Equity financial instruments	-	-	-	-
<b>Total restricted financial instruments for collecting or selling</b>	<u>2,733</u>	<u>29</u>	<u>(166)</u>	<u>2,596</u>
<b>Total financial instrument for collecting or selling</b>	<u><b>\$ 24,677</b></u>	<u><b>\$ 239</b></u>	<u><b>\$ (950)</b></u>	<u><b>\$ 23,966</b></u>

As of December 31, 2022, investments in financial instrument for collecting principal and interest are made up of as follows:

	<u>Items pending amortization</u>	<u>Non collected accrued interest</u>	<u>PCE</u>	<u>Amortized cost</u>
<b>Financial instruments for collecting principal and interest</b>				
Debt instruments				
Government instruments	\$ 401	\$ 333	\$ (2)	\$ 732
Bank instruments	-	-	-	-
Other instruments	<u>485</u>	<u>92</u>	<u>(36)</u>	<u>541</u>
Total financial instruments for collecting principal and interest	<u>886</u>	<u>425</u>	<u>(38)</u>	<u>1,273</u>
<b>Financial instruments for collecting principal and interest restricted or granted as collateral</b>				
Debt instruments				
Government instruments	5,410	4,519	(19)	9,910
Bank instruments	-	-	-	-
Other instruments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total restricted financial instruments for collecting principal and interest</b>	<u>5,410</u>	<u>4,519</u>	<u>(19)</u>	<u>9,910</u>
<b>Total financial instruments for collecting principal and interest</b>	<u><b>\$ 6,296</b></u>	<u><b>\$ 4,944</b></u>	<u><b>\$ (57)</b></u>	<u><b>\$ 11,183</b></u>

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

As of December 31, 2022, Nacional Financiera received and granted financial instruments as collateral in repurchase agreement transactions, as shown below:

<b>Collateral received in repurchase agreement transactions</b>	<u>2022</u>
Debt instruments	
Government instruments	\$ 62,223
Bank instruments	-
Other instruments	-
	<u>\$ 62,223</u>
<b>Collateral received in repurchase agreement transactions</b>	
Debt instruments	
Government instruments	\$ 62,223
Bank instruments	-
Other instruments	-
	<u>\$ 62,223</u>
<b>Collateral pledged as a guarantee</b>	
Debt instruments	
Government instruments	-
Bank instruments	-
Other instruments	-
	<u>-</u>

Financial instruments for direct trading

<u>Row tags</u>	<u>1 to 3 years</u>	<u>3 to 5 years</u>	<u>More than 5 years</u>	<u>Less than 1 year</u>	<u>Overall total</u>
Bondes	\$ 504	\$ 6,532	\$ 1,087	\$ 11,827	\$ 19,950
M bonds	19	3	(65)	5	(38)
Stock certificates					
Development bank				101	101
Stock certificates - Entities of the Federal Government	1,040			6,596	7,636
Treasury certificates	33			1,162	1,195
Ipabonos	2,954			1,659	4,613
Udibonos	-	-	-	-	-
<b>Total individual</b>	<u>4,550</u>	<u>6,535</u>	<u>1,022</u>	<u>21,350</u>	<u>33,457</u>
Subsidiaries					<u>5</u>
<b>Total consolidated</b>					<u>\$ 33,462</u>

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

Restricted financial instruments for trading

<b>Row tags</b>	<b>1 to 3 years</b>	<b>3 to 5 years</b>	<b>More than 5 years</b>	<b>Less than 1 year</b>	<b>Overall total</b>
Bondes	\$ 68,075	\$10,883	\$ 62	\$ 6,751	\$ 85,771
M bonds	39	8	611	629	1,287
Stock certificates - Entities of the Federal Government	1,468			4,237	5,705
Treasury certificates				903	903
Ipabonos	37,581	19,277	4,959	13,500	75,317
Udibonos	<u>1</u>	<u>28</u>	<u>62</u>	<u>19</u>	<u>110</u>
<b>Total individual</b>	<b><u>\$ 107,164</u></b>	<b><u>\$30,196</u></b>	<b><u>\$ 5,694</u></b>	<b><u>\$ 26,039</u></b>	<b><u>\$ 169,093</u></b>

Financial instruments for direct buying and selling

<b>Row tags</b>	<b>Less than a year</b>	<b>1 to 3 years</b>	<b>3 to 5 years</b>	<b>More than 5 years</b>	<b>Overall total</b>
Sovereign debt	\$ -	\$ -	\$ 62	\$ 164	\$ 226
Bondes	1,677	5,775	-	-	7,452
Stock certificates - Private companies	100	151	321	147	719
Stock certificates - Development bank	62	905	320	-	1,287
Stock certificates - Entities of the Federal Government	2,991	3,044	2,628	3,393	12,056
International financial bodies	<u>-</u>	<u>177</u>	<u>-</u>	<u>-</u>	<u>177</u>
<b>Total individual</b>	<b>4,830</b>	<b>10,052</b>	<b>3,331</b>	<b>3,704</b>	<b><u>\$ 21,917</u></b>
Subsidiaries					<u>27</u>
<b>Total consolidated</b>					<b><u>\$ 21,944</u></b>

Restricted financial instruments for buying and selling

<b>Row tags</b>	<b>3 to 5 years</b>	<b>More than 5 years</b>	<b>Overall total</b>
Sovereign debt	\$ 476	\$ 2,257	\$ 2,733

Financial instruments for collecting principal and interest in direct

<b>Row tags</b>	<b>1 to 3 years</b>	<b>3 to 5 years</b>	<b>More than 5 years</b>	<b>Overall total</b>
Stock certificates Entities of the Federal Government	\$ 22	\$ 365	\$ -	\$ 387
Stock certificates - Private companies	-	99	-	99
Udibonos	-	-	50	50
Stock securities Segregables	<u>-</u>	<u>-</u>	<u>350</u>	<u>350</u>
<b>Total</b>	<b><u>\$ 22</u></b>	<b><u>\$ 464</u></b>	<b><u>\$ 400</u></b>	<b><u>\$ 886</u></b>

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

---

Restricted financial instruments for buying and selling

<u>Row tags</u>	<b>More than 5 years</b>	<b>Overall total</b>
Sovereign debt	\$ 5,410	\$ 5,410

Below are the movements of the estimate for credit losses on investments in financial instruments

<b>Financial instruments for collecting or selling</b>	<u>2022</u>	<u>Movement</u>
Debt instruments		
Government instruments	(5)	(5)
Bank instruments	(16)	(16)
Other instruments	<u>(260)</u>	<u>(260)</u>
<b>Total instruments for collecting or selling</b>	<u><u>(281)</u></u>	<u><u>(281)</u></u>
<b>Financial instruments for collecting principal and interest</b>		
Debt instruments		
Government instruments	(2)	(2)
Bank instruments	--	
Other instruments	(36)	(36)
Loans granted by the entity		
Loans	<u>-</u>	<u>-</u>
<b>Total instruments for collecting principal and interest</b>	<u><u>(38)</u></u>	<u><u>(38)</u></u>
<b>Financial instruments for collecting principal and interest restricted or granted as collateral</b>	<u>2022</u>	<u>Movement</u>
Debt instruments		
Government instruments	(19)	(19)
Bank instruments	-	-
Other instruments	<u>-</u>	<u>-</u>
<b>Total restricted instruments for collecting principal and interest</b>	<u><u>(19)</u></u>	<u><u>(19)</u></u>

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

---

## 8. REPURCHASE/RESELL AGREEMENT TRANSACTIONS

As of December 31, 2022, the "Debtors on repurchase/resell agreements" and "Creditors on repurchase/resell agreements" balances of current transactions in which the Institution acts as buyer or as seller, are analyzed as follows:

Purchase and sale of financial instruments in repurchase/resell agreements	<u>Debtors on repurchase/ resell agreements</u>	<u>Creditors on repurchase/ resell agreements</u>
	<u>2022</u>	<u>2022</u>
Debt instruments		
Government instruments	\$ 62,224	\$ (174,623)
Bank instruments	-	(4)
Other instruments	-	(5,707)
Subsidiaries	<u>232</u>	<u>-</u>
	<u>\$ 62,456</u>	<u>\$ (180,334)</u>
<b>Collateral sold or pledged</b>		
Debt instruments		
Government instruments	62,224	-
Bank instruments	-	-
Other instruments	<u>-</u>	<u>-</u>
	<u>62,224</u>	<u>-</u>
<b>Total</b>	<u>\$ 232</u>	<u>\$ -</u>

## 9. DERIVATIVES

As of December 31, 2022, the fair value of derivative financial instruments for trading and hedging purposes, recognized under the caption "Derivatives", is analyzed as follows:

	<u>2022 position</u>	
	<u>Assets</u>	<u>Liabilities</u>
For trading purposes:		
Swaps	\$ 11,793	(\$ 11,801)
For hedging purposes:		
Swaps	2,867	(9,548)

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

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

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

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

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

<b>Futures and forward contracts (forwards)</b>	<u>2022</u>
<u>Purchases</u>	
Contract value	\$ 7.07
Deliverable	<u>-</u>
Valuation	<u>\$ (0.24)</u>
<u>Sales</u>	
Contract value	\$ -
Receivable	<u>-</u>
Valuation	<u>\$ -</u>

### Swaps for trading purposes:

<b>Interest rate</b>	<u>2022</u>		
	<u>Contract value</u>	<u>Receivable</u>	<u>Deliverable</u>
	\$ 483,860	\$ 11,793	\$ (11,801)

### Swaps for hedging purposes:

<b>Interest rate</b>	<u>2022</u>		
	<u>Contract value</u>	<u>Receivable</u>	<u>Deliverable</u>
	\$ 112,917	\$ 2,867	\$ (9,548)

As of December 31, 2022, recorded effectiveness/ineffectiveness derived from the application of the accounting criterion C-10 "Derivatives and hedging transactions" of the Banking Commission, is detailed below:

The net effect of the valuation of the hedged position and the fair value hedging swaps (with impact on the income or loss) is as follows:

	<u>2022</u>
Ineffectiveness for:	
Investment hedging	\$ 71
Deposit funding	(1)
Loan portfolio hedging	<u>-</u>
Total	<u>\$ 70</u>

As of December 31, 2022, the Institution has only contracted fair value hedging swaps.

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

---

**Swaps for trading purposes (with impact on the income or loss)**

	<u>2022</u>
Interest rate	\$(8)

The adjustments to the book value arising from interest rate hedging derivative transactions on financial assets and liabilities, due to the application of the accounting criterion C-10 "Derivatives and hedging transactions" of the Banking Commission, as of December 31, 2022, are detailed below:

	<u>2022</u>	
	<u>Assets</u>	<u>Liabilities</u>
Investment hedging	\$ 435	(\$ 999)
Deposit funding hedging	5,105	-
Loan portfolio hedging	-	(1,281)
Total	<u>\$ 5,540</u>	<u>(\$ 2,280)</u>

The net gain, included in the income or loss for the year ended December 31, 2022 resulting from the valuation of instruments used for fair value hedging purposes, amounted to \$(162). The effect of the gain (loss) related to the valuation of the effective hedge portion for the year ended December 31, 2022 amounted to \$161.

***Use of derivative financial instruments policy management***

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

The establishment of objectives and policies related to the operation of these instruments are included in the risk management regulatory and operational manuals.

Derivative financial instruments used by the Institution are interest rate and currency swaps, CPI and interest rate futures, as well as exchange rate forwards, which, according to the portfolio, can support hedging and trading strategies.

Derivative financial instruments are traded in stock markets (clearing house) and in over-the-counter markets (OTC). Eligible counterparties are domestic and foreign banks.

**Processes and levels of authorization**

Control processes, policies and levels of authorization for transactions with derivatives are set forth in the Integral Risk Management Committee (CAIR), whose duties include approval of:

- a. The specific limits for discretionary risks, when it has been empowered by the Board of Directors therefor, as well as the levels of tolerance in the case of non-discretionary risks.

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

- b. The methodology and procedures for identifying, measuring, overseeing, limiting, controlling, reporting and disclosing the different types of risk that the Institution is exposed to, as well as their eventual modifications.
- c. The models, parameters and scenarios that must be used to value, measure, and control the risks proposed by the Unit for Integral Risk Management must concur with the Institution's technology.
- d. The methodologies for identifying, valuing, measuring and controlling the risks of the new transactions, products, and services that the Institution plans to offer to the market.
- e. The corrective actions proposed by the Chief Executive Officer through the Unit for Integral Risk Management.
- f. The assessment of aspects of Integral Risk Management referred to in article 77 of the General Provisions Applicable to Credit Institutions, the Single Banking Circular (the Provisions) for its presentation to the Board of Directors and the National Banking and Securities Commission (CNBV).
- g. The Integral Risk Management manuals, in accordance with the objectives, guidelines, and policies established by the Board of Directors, referred to in the last paragraph of article 78 of the Provisions.

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

### **Independent reviews**

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

### **Generic description of valuation techniques**

Derivative financial instruments are valued in accordance with accounting regulation reflected in the bulletins: C-2 and C-10 issued by the CINIF, according to the provisions in criterion A-2 "Application of particular standards" of the General Provisions Applicable to Lending Institutions, issued by the CNBV. It should be mentioned that the MFRS C-2 of the CINIF provides support to clarify in general the valuation, presentation and disclosure standards for investments in financial Instruments, while MFRS C-10 examines in detail the valuation, presentation and recognition of the Derivative Financial Instruments, as well as of its hedging relationship.

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

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

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

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

### **Valuation methodology**

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

### **Management of internal and external sources of liquidity that could be used to meet requirements related to derivative financial instruments**

The resources are obtained through the National Treasury, as well as the International Treasury (London Branch).

### **Changes in identified risk exposure, contingencies and known or expected events in derivative financial instruments**

Stress tests and backtesting are performed on a regular basis to estimate the impact on derivative instrument positions and to validate statistically that the market risk measurement models provide results consistent with the exposure to the market variability, which must be maintained within the parameters approved by the CAIR.

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

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

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

Backtesting tests are based on the daily generation of the following information:

- Valuation of the investment portfolio at day t.
- The VaR of the investment portfolio with a time horizon of 1 day and with a level of confidence of 97.5%
- The portfolio valuation with the new risk factors at day t+ 1.

During 2022, the number of derivative financial instruments traded was the following:

Instrument		Number of transactions		Notional	
		Trading	Hedging	Trading	Hedging
Futures	(1)	27	-	146	-
Forwards (arbitrations)	(2)	114	-	(375)	-
Swaps	(3)	711	74	249,305	65,835

- (1) The number of transactions is equal to purchase transactions minus sales. Notional refers to number of contracts: 1,846 of purchase and (1,819) of sales  
(2) Purchasing transactions. Notional in millions of US dollars.  
(3) Notional amount traded during the year.

Exposure to credit risk of the counterparty, as well as losses that could exist associated to this type of risk, which have been generated in the period on the contracted IFD.

Type of derivative financial instruments	December 2022
Derivative Financial Instruments	\$ -
For trading purposes	-
Forwards receivable	-
Swaps	-
For hedging purposes	-
Swaps	-

### Formal documentation of hedges

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

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

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

---

**Sensitivity analysis**

A sensitivity analysis is performed through different measures every day, such as:

1. Duration. - There are primarily two types of duration with different meanings:
  1. Macaulay Duration: It is the weighted average maturity of the current cash flow values where weighting ratios are the time in years up to the payment of the corresponding flow.
  2. Modified Duration: It is the percentage variation experienced by the price of an instrument in light of small variations in the market interest rate.
2. Convexity. - It is the variation experienced by the slope of a curve with respect to a dependent variable, i.e., it measures the variation experienced, by the duration when rates change.
3. Beta. - It is the measurement of the systematic risk of a share.

This analysis is reported to the instances that define the operating strategy of derivatives on financial markets and operators therein, in order for them to set their criterion in risk taking with these instruments.

**10. LOAN PORTFOLIO**

**(a) Classification of the portfolio by currency**

As of December 31, 2022, the classification of the loan portfolio in stage 1, stage 2 and stage 3 by type of currency (valued in local currency), is analyzed as follows:

	<u>Currency</u>		<u>Total</u>
	<u>Local</u>	<u>Foreign</u>	
<b>Portfolio in stage 1</b>			
Business or commercial activity loans	\$ 9,229	\$ 40,341	\$ 49,570
Loans to lending institutions	129,807	4,035	133,842
Loans to government entities	17,015	1,466	18,481
Consumer loans	15	-	15
Housing loans	<u>73</u>	<u>-</u>	<u>73</u>
<b>Total portfolio in stage 1</b>	<b><u>\$ 156,139</u></b>	<b><u>\$ 45,842</u></b>	<b><u>\$ 201,981</u></b>
	<u>Currency</u>		<u>Total</u>
	<u>Local</u>	<u>Foreign</u>	
<b>Portfolio in stage 2</b>			
Business or commercial activity loans	\$ 213	\$ 3,123	\$ 3,336
Financial institutions loans	157	10	167
Loans to government entities	-	-	-
Consumer loans	1	-	1
Housing loans	<u>2</u>	<u>-</u>	<u>2</u>
<b>Total portfolio in stage 2</b>	<b><u>\$ 373</u></b>	<b><u>\$ 3,133</u></b>	<b><u>\$ 3,506</u></b>

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

	Currency		Total
	Local	Foreign	
<b>Portfolio in stage 3</b>			
Business or commercial activity loans	\$ 427	\$ -	\$ 427
Loans to lending institutions	4,615	826	5,441
Loans to government entities	-	-	-
Consumer loans	3	-	3
Housing loans	5	-	5
<b>Total portfolio in stage 3</b>	<b>\$ 5,050</b>	<b>\$ 826</b>	<b>\$ 5,876</b>

Loans to lending institutions are granted to banking and non-banking entities through the discount of documents from individuals and entities engaged in business activities.

As of December 31, 2022, the Institution has no loan portfolio subject to support programs promoted by the Federal Government.

**(b) Classification of loan portfolio by economic sector**

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

Stage 1	<u>Amount</u>	<u>%</u>
Federal Government	\$ -	-
Decentralized agencies and state-owned enterprises	18,481	9
State productive enterprises	-	-
Full-service banking	61,097	30
Other public financial intermediaries	-	-
Other private financial intermediaries	72,745	36
Other private financial intermediaries/companies	49,570	25
Private parties	88	-
<b>Total</b>	<b>\$ 201,981</b>	<b>100</b>
<b>Stage 2</b>	<b><u>Amount</u></b>	<b><u>%</u></b>
Federal Government	\$ -	-
Decentralized agencies and state-owned enterprises	-	-
State productive enterprises	-	-
Full-service banking	-	-
Other public financial intermediaries	-	-
Other private financial intermediaries	167	5
Companies	3,336	95
Private parties	3	-
<b>Total</b>	<b>\$ 3,506</b>	<b>100</b>
<b>Stage 3</b>	<b><u>Amount</u></b>	<b><u>%</u></b>
Federal Government	\$ -	-
Decentralized agencies and state-owned enterprises	-	-
State productive enterprises	-	-
Full-service banking	-	-
Other public financial intermediaries	-	-
Other private financial intermediaries	5,441	93
Companies	427	7
Private parties	8	-
<b>Total</b>	<b>\$ 5,876</b>	<b>100</b>

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

---

**(c) Additional loan portfolio information**

Annual weighted lending rates

During 2022, annual average weighted lending rates were as follows:

<u>Type</u>	<u>Currency</u>	
	<u>Local</u>	<u>Foreign</u>
Commercial portfolio *	10.78%	6.56%
Consumer	5.65%	N/A
Housing	5.28%	N/A
Excluded	5.25%	

\* Includes commercial, financial and government entities loans.

**Restructured and renewed loans:**

As of December 31, 2022, restructured loans are analyzed as follows:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
Business or commercial activity	\$ 12,454	\$ -	\$ -	\$ 12,454
Consumer	3	-	-	3
Housing	6	-	-	6
Total	<u>\$ 12,463</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,463</u>

For the year ended December 31, 2022, interests arising from restructured loans amounted to \$807.

As of December 31, 2022, no renewed loans were recorded by the Institution.

**Portfolio in stage 3**

Below is an analysis of the portfolio with credit risk in stage 3 as of December 31, 2022, according to the term as from it was so considered.

	<u>1 to 180 days</u>	<u>181 to 365 days</u>	<u>More than 365 days</u>	<u>Due but not payable</u>	<u>Total</u>
Commercial	\$ -	\$21	\$ -	\$ 406	\$ 427
Other financial intermediaries					
Private	2,276	-	-	3,166	5,442
Consumer	-	-	-	2	2
Housing	-	-	-	5	5
	<u>\$ 2,276</u>	<u>\$21</u>	<u>\$ -</u>	<u>\$ 3,579</u>	<u>\$ 5,876</u>

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

Below is an analysis of the portfolio with credit risk in stage 3 movements for the year ended December 31, 2022:

<u>Movements</u>	<u>2022</u>
Balance at beginning of year	\$ 5,229
Settlements	(7,890)
Write-offs	-
Transfers from current portfolio to past-due portfolio	8,537
Foreign exchange fluctuation	<u>-</u>
<b>Balance at end of year</b>	<b><u>\$ 5,876</u></b>

As of December 31, 2022, the past-due loan portfolio is comprised of 39 former employees, and 2 companies.

As of December 31, 2022, the interests on the past-due loan portfolio not recognized in net income amounted to \$184, these are recorded in memorandum accounts.

For the year ended December 31, 2022, the Institution recorded no write-offs from those past due loans that had been fully reserved.

As of December 31, 2022, the Institution had no recoveries from written-off loans.

### Impaired loan portfolio

In accordance with criterion B-6, "Loan portfolio", of the Provisions, commercial loans are deemed impaired loans when it is determined that, based on current facts and information, as well as the review process of such loans, there is a significant likelihood of them not being entirely recovered, whether their principal component or interest, in accordance with the terms and conditions originally agreed. Both the portfolio with credit risk in stage 1, stage 2 and stage 3 may be identified as an impaired portfolio.

As of December 31, 2022, the impaired commercial portfolio was as shown below:

<u>Portfolio with credit risk</u>	<u>Risk level</u>		<u>Total</u>	<u>Allowance recorded</u>
	<u>D</u>	<u>E</u>		
Stage 1	\$ 8	\$ -	\$ 8	\$ 4
Stage 3	<u>-</u>	<u>427</u>	<u>427</u>	<u>427</u>
Total	<u>\$ 8</u>	<u>\$ 427</u>	<u>\$ 435</u>	<u>\$ 431</u>

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

	<u>2022</u>		
	<u>From Stage 1</u>	<u>From Stage 2</u>	<u>To Stage 3</u>
Loans to lending institutions	\$ 6,233	\$ -	\$ 5,441
Consumer loans	<u>1</u>	<u>-</u>	<u>1</u>
Total	<u>\$ 6,234</u>	<u>\$ -</u>	<u>\$ 5,442</u>

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

Interest and commissions from the portfolio with credit risk as of December 31, 2022 are integrated as follows:

	<u>2022</u>		
	<u>Interest</u>	<u>Commissions</u>	<u>Total</u>
Business or commercial activity loans	\$ 2,682	\$ 7	\$ 2,689
Loans to lending institutions	7,230	64	7,294
Loans to government entities	184	-	184
Housing loans	2	-	2
Consumer loans	<u>1</u>	<u>-</u>	<u>1</u>
Total	<u>\$ 10,099</u>	<u>\$ 71</u>	<u>\$ 10,170</u>

The average weighted term for the amortization of commissions collected on the granting of loans is one month.

**Adjustment from valuation of financial asset hedging**

The fair value hedges of interest rate risk of a portion of a portfolio comprised of financial assets could generate an adjustment to the carrying amount of the hedged item, from the gain or loss recorded in the year's income or loss and presented under the caption "Valuation adjustments from hedging of financial assets".

As of December 31, 2022, the gain recognized in year's income or loss is presented under the caption "Valuation adjustment from hedging of financial assets" in the consolidated statement of financial position for \$161.

**Portfolio in memorandum accounts:**

Balances of the portfolio derecognized from assets in local currency which are recorded in memorandum accounts while collection management keeps going are shown below:

<u>Movements</u>	<u>2022</u>
Principal	
Companies	\$ 575
Former employees	<u>-</u>
<b>Total principal</b>	<u>\$ 575</u>
Interest	
Companies	12
Former employees	<u>-</u>
<b>Total interest</b>	<u>\$ 12</u>

For the year ended December 31, 2022, the recoveries of the loan portfolio derecognized from assets amounted to \$0.5, which as recorded in the allowance for loan losses in the income statement.

Notes to the consolidated financial statements  
 Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
 December 31, 2022  
 (figures in millions of Mexican pesos)

**(d) Allowance for loan losses**

As of December 31, 2022, as a result of the application of the rating methodology, the probability of default and loss given default of each group, obtained as weighted average of the exposure at default, are as follows:

<u>Type of portfolio:</u> 2022	<u>Probability of default</u>	<u>Loss given default</u>	<u>Exposure at default</u>
Commercial	2.38%	44.88%	300,281
Housing	8.91%	21.27%	80
Consumer	19.83%	73.60%	19
Excluded	-	-	-

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

In accordance with the Provisions for the loan portfolio rating, for development banking institutions, the loan portfolio under the responsibility of the Federal Government and the one acquired with discount of development banking entities, is not subject to the creation of allowance for loan losses, since these entities assume the credit risk. The balances of the loan portfolio and contingent operations subject to rating are controlled in memorandum accounts and are rated based on the methodologies established by the Banking Commission.

As of December 31, 2022, the credit rated loan portfolio and allowance for loan losses, are analyzed as follows:

**Credit rated loan portfolio**

<u>Risk level</u>	<u>Business or commercial</u>	<u>Financial institutions</u>	<u>Government entities</u>	<u>Consumer</u>	<u>Housing</u>	<u>Total</u>
A-1	\$ 127,075	\$ 126,065	\$ 19,362	\$ 3	\$ 59	\$ 272,564
A-2	10,121	6,367	-	2	11	16,501
B-1	-	1,134	-	2	-	1,136
B-2	250	183	-	-	1	434
B-3	252	-	-	1	-	253
C-1	-	93	-	1	2	96
C-2	-	-	-	5	-	5
D	8	-	-	-	-	8
E	-	-	-	1	-	1
Stage 1	<u>\$ 137,706</u>	<u>\$ 133,842</u>	<u>\$ 19,362</u>	<u>\$ 15</u>	<u>\$ 73</u>	<u>\$ 290,998</u>

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

**Credit rated loan portfolio**

Risk level	Business or commercial	Financial institutions	Government entities	Consumer	Housing	Total
A-1	\$ 3,336	\$ -	\$ -	\$ -	\$ -	\$ 3,336
A-2	-	-	-	-	-	-
B-3	-	167	-	-	-	167
C-1	-	-	-	-	1	1
C-2	-	-	-	-	1	1
D	-	-	-	-	-	-
E	-	-	-	1	-	1
Stage 2	<u>\$ 3,336</u>	<u>\$ 167</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 2</u>	<u>\$ 3,506</u>
C-3	\$ -	\$ -	\$ -	\$ -	\$ 3	\$ 3
D	-	-	-	-	2	2
E	427	5,441	-	3	-	5,871
Stage 3	<u>\$ 427</u>	<u>\$ 5,441</u>	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ 5</u>	<u>\$ 5,876</u>
Total	<u>\$ 141,469</u>	<u>\$ 139,450</u>	<u>\$ 19,362</u>	<u>\$ 19</u>	<u>\$ 80</u>	<u>\$ 300,380</u>
Exempted portfolio						
Federal Government	-	-	-	-	-	-
Total portfolio	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300,380</u>

**Allowance for loan losses of the credit rated loan portfolio**

Risk level	Business or commercial	Financial institutions	Government entities	Consumer	Housing	Total
A-1	\$ 669	\$ 397	\$ 97	\$ -	\$ -	\$ 1,163
A-2	113	62	-	-	-	175
B-1	-	19	-	-	-	19
B-2	6	4	-	-	-	10
B-3	9	-	-	-	-	9
C-1	-	9	-	-	-	9
C-2	-	-	-	1	-	1
D	4	-	-	-	-	4
E	-	-	-	-	1	1
Stage 1	<u>\$ 801</u>	<u>\$ 491</u>	<u>\$ 97</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 1,391</u>
A-1	\$ 23	\$ -	\$ -	\$ -	\$ -	\$ 23
A-2	-	-	-	-	-	-
B-3	-	8	-	-	-	8
C-1	-	-	-	-	-	-
C-2	-	-	-	-	-	-
D	-	-	-	-	-	-
E	-	-	-	-	-	-
Stage 2	<u>\$ 23</u>	<u>\$ 8</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31</u>

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

Risk level	Business or commercial	Financial institutions	Government entities	Consumer	Housing	Total
C-3	-	-	-	-	-	-
D	-	-	-	-	1	1
E	427	4,649	-	3	-	5,079
Stage 3	\$ 427	\$ 4,649	\$ -	\$ 3	\$ 1	\$ 5,080
Total	\$ 1,251	\$ 5,148	\$ 97	\$ 4	\$ 2	\$ 6,502
<b>Additional reserves recognized by the Banking Commission</b>						<b>\$ 735</b>
<b>Allowance for allocation of lines of guarantees</b>						<b>8,061</b>
<b>Total allowance</b>						<b>\$ 15,298</b>

Below is an analysis of the movements of the allowance for loan losses as of December 31, 2022:

	<u>2022</u>
Balance at beginning of year	\$ 12,635
Provisions charged to the year's income or loss	39,739
Provisions, write-offs and others	(4,800)
Allowance cancellation	(32,224)
Foreign exchange fluctuation	(52)
<b>Balance at end of year</b>	<b>\$ 15,298</b>

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

Rating	Business or commercial	Financial institutions	Government entities	Consumer	Housing	Additional	Guarantees	Total
Stage 1	\$ (4,552)	\$ 41	\$ (1,547)	\$ (2)	\$ (1)	\$ (5)	\$ -	\$ (6,066)
Stage 2	25	-	14	-	-	-	-	39
Stage 3	5,226	-	4,655	3	2	-	-	9,886
n.a.	-	-	-	-	-	-	3,657	3,657
<b>Total</b>	<b>\$ 699</b>	<b>\$ 41</b>	<b>\$ 3,122</b>	<b>\$ 1</b>	<b>\$ 1</b>	<b>\$ (5)</b>	<b>\$ 3,657</b>	<b>\$ 7,516</b>

As of December 31, 2022, the allowance for loan losses set aside by the Institution includes \$15,299 recorded in the year's income or loss.

The allowance for loan losses on interests from the loan portfolio with credit risk in Stage 3 amounts to \$21 for the year ended December 31, 2022.

For the loan portfolio rating as of December 31, 2022, the Institution applied the methodologies set forth by the General Provisions Applicable to Lending Institutions applicable for each year.

As of December 31, 2022, loan allowances represent 7.2% of the total portfolio and cover 2.6 times the loan portfolio with credit risk in Stage 3.

Notes to the consolidated financial statements  
 Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
 December 31, 2022  
 (figures in millions of Mexican pesos)

---

In criterion B-6 “Loan portfolio” of Exhibit 33 to the General Provisions Applicable to Lending Institutions in Mexico, it is stated that the Institution may choose to derecognize from its assets those past-due loans which are fully reserved. In 2022, the Institution applied the balance of 7 borrowers against the allowance for loan losses in an amount of \$4,800. None of these loans is for related parties.

**11. OTHER ACCOUNTS RECEIVABLE, NET**

As of December 31, 2022, other accounts receivable are shown below:

	<u>2022</u>
Debtors for collateral pledged in cash	\$ 9,021
Loans to Institution's personnel	2,247
Debtors for settlement of transactions	93
Debtors for commissions on current transactions	71
Other debtors	<u>6,168</u>
	17,600
Allowance for write-offs of other accounts receivable	<u>(5,942)</u>
<b>Total</b>	<b><u>\$ 11,658</u></b>

**12. FORECLOSED ASSETS**

As of December 31, 2022, foreclosed assets are analyzed as follows:

	<u>2022</u>
Personal property	\$ 681
Personal property, securities and foreclosed rights	<u>28</u>
	709
Allowances	<u>(709)</u>
	<u>\$ -</u>

In December 2022, a property with value of \$501 million pesos was recognized. This resulted from a payment in kind of a set of properties which will be recognized in 2023, which is detailed in note 28 Subsequent events.

Below is an analysis of the movements of the allowance for impairments as of December 31, 2022:

	<u>2022</u>
Balance at beginning of year	(\$ 247)
Increase in allowances for foreclosed assets	<u>(462)</u>
<b>Balance at end of year</b>	<b><u>(\$ 709)</u></b>

In conformity with the applicable accounting policy, additional reserves have been recorded at the value of the foreclosed property recognized in the terms of foreclosed assets in judicial or extra-judicial process or received as payment in kind.

Notes to the consolidated financial statements  
 Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
 December 31, 2022  
 (figures in millions of Mexican pesos)

---

**13. PROPERTY, FURNITURE AND EQUIPMENT, NET**

As of December 31, 2022, property, furniture and equipment is summarized as follows:

	<u>2022</u>
Land	\$ 59
Buildings	2,227
Furniture and equipment	239
Construction in progress	14
Computer equipment	45
Other property, furniture and equipment	<u>32</u>
	2,616
Less - Accumulated depreciation	<u>(1,209)</u>
	<u>\$ 1,407</u>

The useful lives during which the main assets are depreciated are shown below:

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

Depreciation charged to income for the year ended December 31, 2022 amounted to \$41.

As of December 31, 2022, there was no effect from impairment of property, leasehold improvements and adaptations.

As of December 31, 2022, the percentages of depreciation applied by our main subsidiary, Plaza Insurgentes Sur, S.A. de C.V., which provides the Institution with furniture and real property lease services, are as follows:

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

**14. PERMANENT INVESTMENTS AND OTHER INVESTMENTS**

As of December 31, 2022, the permanent investments and other investments are integrated as follows:

	<u>2022</u>
Corporación Andina de Fomento	\$ 2,559
Shares of other entities	399
Investments in subsidiary companies	36
Fideicomiso Capital Emprendedor	<u>3</u>
Total	<u>\$ 2,997</u>

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

The activity in the permanent investments and other investments as of December 31, 2022 is summarized as follows:

	<u>2022</u>
Balance at beginning of year	\$ 3,062
Equity method in results of nonconsolidated subsidiaries	39
Exchange translation	(144)
Investment acquisition	51
Investment disposal	-
Applications	<u>(11)</u>
Balance at end of year	<u>\$ 2,997</u>

### 15. DEPOSIT FUNDING

As of December 31, 2022, the deposit funding caption is analyzed as follows:

	<u>2022</u>		<u>Total</u>
	<u>Local</u>	<u>Currency Foreign</u>	
<b>Term deposits:</b>			
Money market	<u>\$ 137,787</u>	<u>\$ 9,281</u>	<u>\$ 147,068</u>
Debt securities issued			
Stock certificates	\$ 72,805	\$ -	\$ 72,805
Bank bonds	-	36,376	36,376
Stock notes	<u>-</u>	<u>2,217</u>	<u>2,217</u>
	<u>\$ 72,805</u>	<u>\$ 38,593</u>	<u>\$ 111,398</u>
<b>Total deposit funding</b>	<u>\$ 210,592</u>	<u>\$ 47,874</u>	<u>\$ 258,466</u>

As of December 31, 2022, term deposits from the money market according to their maturity are integrated as follows:

	<u>2022</u>
Less than one year	\$ 145,858
Between one and five years	<u>374</u>
	146,232
Accrued unpaid interest	<u>836</u>
	<u>\$ 147,068</u>

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

As of December 31, 2022, the average weighted interest rates and average terms in days on term deposits from money market are as follows:

**Term deposits from money market**

<u>Instrument</u>	<u>Average rate</u>	<u>Average term in days</u>	<u>Amount</u>
Promissory notes with yield payable upon maturity	10.30	13	\$ 136,959
Certificates of deposit in foreign currency (valued)	3.53	15	<u>9,273</u>
Accrued unpaid interest			<u>836</u>
			<u>\$ 147,068</u>

**16. DEBT SECURITIES ISSUED IN THE COUNTRY**

As of December 31, 2022, the Institution has issued stock certificates with par value of one hundred pesos each, under the financial program authorized by the Ministry of Finance and Public Credit, as shown below:

<u>Issuance date</u>	<u>Maturity</u>	<u>Securities (millions)</u>	<u>Par value (pesos)</u>	<u>Interest rate</u>	<u>2022</u>
Cebures settled in Indeval					
22/11/2013	08/03/2024	30	100	6.55	3,000
14/03/2014	08/03/2024	4.75	100	6.55	475
14/03/2014	08/03/2024	42.75	100	6.55	4,275
06/06/2014	08/03/2024	40	100	6.55	4,000
26/06/2014	08/03/2024	32.5	100	6.55	3,250
17/04/2015	07/03/2025	60	100	6.15	6,000
24/08/2015	07/03/2025	40	100	6.15	4,000
12/04/2017	25/09/2026	12.5	100	6.2	1,250
02/05/2018	25/09/2026	25	100	6.2	2,500
26/07/2019	13/07/2019	27.2	100	7.92	2,720
02/07/2021	20/06/2031	75	100	7.35	7,500
22/11/2021	10/11/2031	65	100	7.79	6,500
02/07/2021	28/06/2024	13.85	100	10.27	1,385
22/11/2021	19/11/2024	22	100	10.3	2,200
02/07/2021	26/06/2026	11.15	100	10.33	1,115
22/11/2021	17/11/2026	13	100	10.32	1,300
19/08/2022	15/08/2025	50.23	100	10.33	5,023
19/08/2022	06/08/2032	32.74	100	9.04	3,274
19/08/2022	13/08/2027	10.07	100	10.34	<u>1,007</u>
					60,774
Premium or discount on placement					(249)
Accrued interest payable					<u>1,006</u>
Subtotal					<u>\$61,531</u>

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

<u>Issuance date</u>	<u>Maturity</u>	<u>Securities</u> (millions)	<u>Par</u> <u>value</u> (pesos)	<u>Interest rate</u>	<u>2022</u>
Cebures settled in Euroclear and Clearstream					
27/04/2016	25/09/2026	50	99.31	6.2	\$ 5,000
25/10/2016	25/09/2026	42	99.4	6.2	4,200
Premium or discount on placement					-
Accrued interest payable					<u>58</u>
Subtotal					<u>\$ 9,258</u>
Green bond denominated in local currency					
2/09/2016	01/09/2023	20	99.99	6.05	\$ 2,000
Accrued interest payable					<u>16</u>
Subtotal					<u>2,016</u>
Total					<u>\$72,805</u>

#### Stock certificates

In April 2016, two stock certificates were issued under the program of syndicated auctions that the Institution has been carrying out since the end of 2013.

#### Green bond

Additionally, in September 2016, the Institution issued its second green bond; the demand was close to \$6,000 (2.92 times) and the final placement amounted to \$2,000, which was initially used to finance three projects, two mini-hydroelectric plants and an eolian park located in the states of Nayarit and Puebla, respectively.

The issuance was also highlighted by the support of the second opinion from Sustainalytic. This marks the beginning of green bonds in Mexico since it is the first issuance in pesos of this type.

#### Adjustment from valuation of financial liabilities hedging

The fair value hedges of interest rate risk of a portion of a portfolio comprised of financial liabilities, could generate an adjustment to the carrying amount of the hedged item, from the gain or loss recorded in the year's income or loss and presented under the caption "Valuation adjustments from hedging of financial liabilities".

As of December 31, 2022, the valuation adjustment from hedging of financial liabilities in the consolidated statement of financial position amounted to \$3,098.

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

**17. DEBT SECURITIES ISSUED ABROAD**

**Bank bonds**

As of December 31, 2022, bank bonds balance amounts to \$36,376. The current balances of securities placed by the Institution abroad are presented below:

<u>2022</u>						
<u>Currency</u>	<u>Securities</u>	Balance in the original currency in <u>millions</u>	<u>Interest</u>	% average <u>rate</u>	Balance in local <u>currency</u>	<u>Term</u>
US dollars	114	1,852	12	4.2467	<u>\$ 36,376</u>	Less than one year

**Stock notes**

As of December 31, 2022, the current balance of this caption is of \$2,217, and it is integrated as follows:

<u>2022</u>				
<u>Currency</u>	Balance in the original currency in <u>million</u>	% average <u>rate</u>	Balance in local <u>currency</u>	<u>Term</u>
Yens	15,000	0.66	\$ 2,215	5 years
Interest			<u>2</u>	
			<u>\$ 2,217</u>	

**18. INTERBANK LOANS AND LOANS FROM OTHER ENTITIES**

As of December 31, 2022, interbank loans and loans from other entities are mainly made up of loans from financial institutions abroad at current market rates, as follows:

	<u>2022</u>
Multinational and government bodies:	
World Bank	\$ 1,512
Mexican Central Bank	11,318
Inter-American Development Bank	3,853
Other	<u>4,218</u>
	<u>20,901</u>
Bank institutions	7,703
Accrued unpaid interest	1,385
Other loans	<u>11,299</u>
	<u>20,387</u>
	<u>\$ 41,288</u>

As of December 31, 2022, maturity terms of less than one-year amount to \$14,827.

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

As of December 31, 2022, interbank loans and loans from other entities, based on their maturity dates, are integrated as follows:

<b>Financial entity</b>	<b>Average rate</b>	<b>Average term to maturity (residual)</b>	<b>Millions in the original currency</b>	<b>Local currency</b>
Due on demand				
Local currency	5.52%	3 days	\$ 11,299	\$ 11,299
Foreign currency	-	-	-	-
<b>Total</b>				<b>\$ 11,299</b>
<b>Short term</b>				
US dollars:				
Kreditanstalt Fur Wiederaufbau (kfw)	3.13%	330 days	\$ 10	\$ 188
Corporación Andina de Fomento (CAF)	5.22%	17 days	135	2,634
Instituto de Crédito Oficial (ICO)	1.25%	30 days	-	1
NF BID Cclip 2226 OC-ME				
Pymes development Pemex	4.19%	5 days	5	98
NF CTF BIRF 98062 Program for replacement of electrical appliances	0.75%	8 days	5	98
NF BID Cclip 2843/OC-ME Prog				
Condiciona credit facility ME-X1010	4.19%	4 days	5	98
2631 TC ME Program for renewable energy financing	0.75%	6 days	7	136
NF BID 3237/OC-ME Program for Impulso cogeneration promotion financing	4.19%	5 days	5	98
European Investment Bank	19.51%	365 days	6	112
Interest	-	-	-	65
<b>Total</b>				<b>\$ 3,528</b>
<b>Long term</b>				
Local currency:				
Mexican Central Bank	4.39%	394 days	\$ 11,318	\$ 11,318
US dollars:				
Commercial bank				
Mexican Central Bank				
Kreditanstalt Fur Wiederaufbau (kfw)	3.13%	19,530 days	133	2,589
NF BID Cclip 226 OC-ME				
Pymes development Pemex	0.75%	4,559 days	58	1,122
NF CTF BIRF 98062 Program for replacement of electrical appliances	0.75%	2,815 days	35	683
2631TC ME Program for renewable energy financing	0.75%	3,471 days	63	1,229
N:F: BID Cclip 2843/OC-ME Prog				
Condiciona credit facility ME-X1010	4.19%	5,614 days	73	1,414
NF BID 3237/OC-ME Program for Impulso cogeneration promotion financing	4.19%	6,376 days	83	1,609
5434 OC-ME GLOBAL CREDIT PROGRAM FOR DEFENSE				
OF	4.19%	6,376 days	83	780
European Investment Bank	19.51%	13,802 days	225	4,397
<b>Subtotal</b>				<b>25,141</b>
<b>Interest</b>				<b>1,320</b>
<b>Total</b>				<b>\$ 26,461</b>

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

On September 19, 2022, the Institution entered into an agreement with the Inter-American Development Bank to finance the implementation of the Global Credit Program for the Defense of the Productive Network and the Economic Recovery, from which the following is to be highlighted:

1. The Inter-American Development Bank grants Nacional Financiera a loan in the amount of up to two hundred million dollars (US\$200,000,000.00).
2. The Original Disbursement Term will be of two years as from the effective date upon execution of the agreement. The final amortization date is the date corresponding to twenty five years as from the effective date upon execution of the agreement.

As of December 31, 2022, the financing received from the Mexican Central Bank amounts to \$11,318 in capital and \$1,320 in long-term interest, and the trust principal of the Irrevocable Guarantee Trust No. 10667 as of this same date is comprised of the portfolio collection rights amounting to \$12,615 of Banco Scotiabank Inverlat, S.A. I.B.M. and by government securities that are itemized below and are recognized in investments in negotiable financial instruments as restricted. Such financing includes the following guarantees in debt securities:

**Guarantees in debt securities**

As of December 31, 2022, the guarantees in debt securities are as follows:

<u>Date</u>	<u>TV</u>	<u>Issuer</u>	<u>Series</u>	<u>Securities</u>	<u>Acquisition amount</u>	<u>Valuation</u>	<u>Valued amount</u>
12/31/2022	LD	Bondes	230330	2,800,000	100	2	\$ 282
12/31/2022	LD	Bondes	240425	6,000,000	100	4	<u>602</u>
Overall total							<u>\$ 884</u>

Such investments are restricted for negotiable financial instruments delivered in favor of the Mexican Central Bank, as discussed in Note 7.

**Loan Portfolio**

As of December 31, 2022, the loan portfolio granted in reliance on those resources presents the following situation:

Number of customers supported	7,495
Number of loans supported	260,427
Principal amount	13,421
Interest amount	189
Total principal plus interest	13,610

The activity reflected from January 1 to December 31 is as follows:

Number of customers supported	14,464
Number of loans supported	1,435,448
Support amount	82,885

Such portfolio is recognized under the caption of loan portfolio of financial entities in Note 10.

Notes to the consolidated financial statements  
 Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
 December 31, 2022  
 (figures in millions of Mexican pesos)

---

The account of loans obtained pending disposition (Note 23 Other memorandum accounts) represent the credit facilities granted to the Institution not exercised at year-end, and are analyzed as follows:

Mexican Central Bank	\$ 208
Kreditanstalt Fur Wiederaufbau Frankfurt	670
Inter-American Development Bank	<u>894</u>
<b>Total principal plus interest</b>	<b>\$ <u>1,772</u></b>

## 19. OTHER ACCOUNTS PAYABLE

As of December 31, 2022, this caption is comprised as shown below:

	<u>2022</u>
Creditors for collateral received in cash	\$ 971
Sundry creditors	659
Provisions for other items	270
Clearing accounts	245
Guarantee deposits	<u>3</u>
<b>Total principal plus interest</b>	<b>\$ <u>2,148</u></b>

## 20. EMPLOYEE BENEFITS

### a) Defined contribution retirement plan

Beginning in 2006, the Institution amended the General Labor Conditions (GLC) based on trends and best practices in the management and operation of retirement and pension schemes, to incorporate new employees, as well as those who decided to migrate from defined benefits to defined contribution scheme.

This scheme allows for having a greater control over costs and liabilities of the plan, maintain an adequate cost-benefit ratio for the Institution and for employees and establishes clear rules of contribution or retirement.

This plan consists of the contributions carried out by the Institution to open individual accounts for each employee, which are divided in two sub accounts, denominated "A" and "B", respectively. It further consists of contributions carried out by the employee to the sub-account "B" and the returns generated by both sub accounts, which are jointly identified as the employee's individual account.

The amount of the contributions for the years ended December 31, 2022, amounted to \$29.

As of December 31, 2022, the defined contribution plan assets amount to \$273, and are invested in an irrevocable trust set up in the Institution.

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

### **b) Defined benefit retirement plan**

Moreover, GLCs set forth that employees who reach 65 years of age and complete 30 years of service will be entitled to a retirement annuity. Likewise, upon reaching 65 years of age with 5 years of seniority, employees will be entitled to receive a monthly annuity, whose amount will be equal to the result of multiplying the average of the net monthly salary accrued by the employee during the last year of service by the number of years of service rendered by the 0.0385 factor. The Institution reserves the right to pay a pension for retirement to the employee who has reached 60 years of age or completed 26 years of service.

On the other hand, the transitory articles of the GLCs dated August 12, 1994 set forth that employees who joined the Institution prior to the above mentioned date and reach 55 years of age and have completed 30 years of service, 60 years of age and have completed 26 years of service or 60 years of age and completed 5 years of seniority will be entitled for a pension in the terms of the GLCs referred to above.

In the event of an unjustified dismissal or termination of the employment relationship, the employee may choose to receive the compensation upon termination, or a retirement annuity calculated based on the main characteristics of the retirement plan if the employee is 50 years old and has 16 or more years of seniority.

Transitory Article 5, paragraph a) of the GLCs, reviewed in 2006, establishes that individuals who have obtained pension for disablement, disability or retirement prior to this GLC review and those employees who joined the Institution prior to such date and to whom the defined retirement benefit plan applies, will continue to enjoy the right to receive from the Institution at the time when they retire the following additional benefits:

Short-term loans, medium-term loans and special loan for savings, which will be paid with a charge to caption "Administrative and promotional expenses", with an 18% net guaranteed return of the maximum capacity to invest that will be calculated on 41.66% of the net monthly pension multiplied by 72 months, as well as the available capacity that will be over 50% of the net pension, less monthly deductions from the short and medium-term loans with principal and interest multiplied by 72 months, with a 41.66% cap of monthly net pension. The special loan for savings will bear 1% annual interest on the principal, which will be withheld by the Institution.

The net period cost for the year ended December 31, 2022 amounts to \$891, including the effect of other post-retirement benefits. The estimated net period cost for the year 2023 amounts to \$929.

As of December 31, 2022, the plan assets of the fund for labor obligations amounted to \$7,169 and is invested in an irrevocable trust set up in the Institution. The net period cost recognized in the unconsolidated statements of income of the Institution amounted to \$47.

As of December 31, 2022, plan assets related to "Other post-retirement benefits" amount to \$15,298. The net period cost recognized in the consolidated statements of income of the Institution amounted to \$845.

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

As of December 31, 2022, the assets of the plan of the fund for labor obligations are invested in the following securities:

Type of investments in the fund and Concentration thereof	2022
Government securities	37.48%
Bank securities	0.28%
Other debt securities	62.24%
Total	<u>100.00%</u>

As of December 31, 2022, from the total assets of the plan, 22.04% are invested in Federal Government Development Bonds; 15.43% in Bonds of the Institute for the Protection of Bank Savings; 0.28% in term investments with yield payable at maturity and investment companies of securities issued by lending institutions; an 62.25% in stock certificates and investment companies, securities issued by lending institutions and private sector companies with high credit rating.

As of December 31, 2022, the employee benefit liability is made up of as follows:

	2022
Employee benefits:	
Institution	\$ 2,862
CMIC	2
Operadora de fondos	13
Plaza Insurgentes	<u>1</u>
Total	<u>\$ 2,878</u>

The summary of the actuarial calculations as of December 31, 2022, is as follows:

	2022			
Concept	Pension	Seniority premium	Other retirement benefits	Financial credit cost
Accounting policy for recognition of losses and gains				
	Deferred amortization			
General benefit description	According to general employment conditions			
Obligation for acquired benefits	<u>\$ 7,365</u>	<u>\$ 4</u>	<u>\$ 12,207</u>	<u>\$ 4,172</u>

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

**Reconciliation between the value of the defined benefit obligation (DBO) and the fair value of the plan assets (PA) with the net liability for defined benefits (NLDB) or net assets for defined benefits (NADB)**

2022				
Concept	Pension	Seniority premium	Other retirement benefits	Financial credit cost
Net assets for defined benefits (NADB)				
Defined benefit obligation	(\$ 7,487)	(\$ 38)	(\$ 14,538)	(\$ 4,339)
Plan assets fair value	<u>7,146</u>	<u>24</u>	<u>11,639</u>	<u>3,659</u>
Financial position of the obligation	(341)	(14)	(2,899)	(680)
Remeasurement pending recognition	<u>257</u>	<u>1</u>	<u>542</u>	<u>178</u>
Net assets (liabilities) for defined benefits	<u>(84)</u>	<u>(13)</u>	<u>(2,357)</u>	<u>(502)</u>
Restatement	<u>20</u>	<u>-</u>	<u>74</u>	<u>-</u>
Total net assets (liabilities) for defined benefits	<u>(\$ 64)</u>	<u>(\$ 13)</u>	<u>(\$ 2,283)</u>	<u>(\$ 502)</u>
2022				
Concept	Pension	Seniority premium	Other retirement benefits	Financial credit cost
(Liabilities) assets for defined benefits				
Net at beginning of period	\$ 298	\$ 17	\$ 2,889	\$ 803
Net period cost	63	5	715	147
Cost for early retirement	8	-	3	4
Contributions made	(42)	(5)	(693)	(151)
Remeasurements of liability (assets) recognized in OCI	<u>(243)</u>	<u>(4)</u>	<u>(557)</u>	<u>(301)</u>
Net (liabilities) / assets for defined benefits (NLDB) / NADB	<u>84</u>	<u>13</u>	<u>2,357</u>	<u>502</u>
Restatement	<u>(20)</u>	<u>-</u>	<u>(74)</u>	<u>-</u>
Total net assets (liabilities) for defined benefits	<u>\$ 64</u>	<u>\$ 13</u>	<u>\$ 2,283</u>	<u>\$ 502</u>
Net period cost				
Labor cost	\$ 17	\$ 3	\$ 277	\$ 15
Financial cost	594	3	1,108	346
Return on assets	(571)	(2)	(899)	(286)
Recycling of remeasurements	<u>31</u>	<u>1</u>	<u>231</u>	<u>77</u>
Net period cost	<u>\$ 71</u>	<u>\$ 5</u>	<u>\$ 717</u>	<u>\$ 152</u>
<b>Remeasurements of liabilities (assets) for net defined benefits</b>				
Defined benefit obligations	\$ 7,487	\$ 38	\$ 14,538	\$ 4,339
Estimated defined benefit obligations	<u>(7,564)</u>	<u>(40)</u>	<u>(14,594)</u>	<u>(4,430)</u>
Actuarial (gains) / losses on obligations (GPAO)	<u>(\$ 77)</u>	<u>(\$ 2)</u>	<u>(\$ 56)</u>	<u>(\$ 91)</u>

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

<u>2022</u>				
<u>Concept</u>	<u>Pension</u>	<u>Seniority premium</u>	<u>Other retirement benefits</u>	<u>Financial credit cost</u>
Plan assets fair value	(\$ 7,146)	(\$ 24)	(\$ 11,639)	(\$ 3,659)
Plan assets estimated value	<u>7,267</u>	<u>23</u>	<u>11,912</u>	<u>3,703</u>
(Gains) / losses on return on plan assets (GPRA)	<u>121</u>	<u>(1)</u>	<u>273</u>	<u>44</u>
Remeasurement for the period to be recognized in OCI	<u>\$ 44</u>	<u>(\$ 3)</u>	<u>\$ 217</u>	<u>(\$ 47)</u>
Average remaining working life (VLRP)	<u>10.55</u>	<u>11.24</u>	<u>10.55</u>	<u>10.55</u>

Main hypotheses used

	<u>2022</u>
Discount rate	9.24%
Wage increase rate	19.00%
Minimum wage increase rate	7.80%
Medical inflation rate	12.00%
Long term inflation rate	3.75%

**Financial position**

As of December 31, 2022, the financial position is as follows:

<u>2022</u>	<u>Retirement pension plan</u>	<u>Seniority premium</u>	<u>Medical service, savings fund, insurance, sports</u>	<u>Other retirement benefits (SLS) and financial credit cost</u>
Defined benefit obligation	(\$ 7,487)	(\$ 38)	(\$ 14,538)	(\$ 4,339)
Plan assets fair value	<u>7,146</u>	<u>24</u>	<u>11,639</u>	<u>3,659</u>
Financial position of the obligation	(341)	(14)	(2,899)	(680)
Remeasurement pending recognition	<u>257</u>	<u>1</u>	<u>542</u>	<u>178</u>
Net assets / liabilities for defined benefits	<u>(84)</u>	<u>(13)</u>	<u>(2,357)</u>	<u>(502)</u>
Restatement	<u>20</u>	<u>-</u>	<u>74</u>	<u>-</u>
Total net assets /(liabilities) for defined benefits	<u>(\$ 64)</u>	<u>(\$ 13)</u>	<u>(\$ 2,283)</u>	<u>(\$ 502)</u>

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

**Reserve and OCI reconciliation**

	Retirement pension plan	Seniority premium	Medical service, savings fund, insurance, sports	Other retirement benefits (SLS) and financial credit cost
<u>2022</u>				
Reserve balance at beginning of year	\$ 298	\$ 17	\$ 2,889	\$ 803
Net period cost	63	5	715	147
Cost for early retirement	8	-	3	4
Contribution made to the fund	(42)	(5)	(693)	(151)
Remeasurements of liability or (assets) recognized in OCI	<u>(243)</u>	<u>(4)</u>	<u>(557)</u>	<u>(301)</u>
Balance at end of year	<u>84</u>	<u>13</u>	<u>2,357</u>	<u>502</u>
Restatement	<u>(20)</u>	<u>-</u>	<u>(74)</u>	<u>-</u>
Total net assets (liabilities) for defined benefits	<u>\$ 64</u>	<u>\$ 13</u>	<u>\$ 2,283</u>	<u>\$ 502</u>
<u>2022</u>				
Accumulated OCI statement				
Balance at beginning of year pending recognition in OCI	\$ 414	\$ 2	\$ 865	\$ 287
Recycling of remeasurements	<u>(157)</u>	<u>(1)</u>	<u>(323)</u>	<u>(109)</u>
Balance at year end pending recognition in OCI	<u>\$ 257</u>	<u>\$ 1</u>	<u>\$ 542</u>	<u>\$ 178</u>
Balance at beginning of year recognized in OCI	(\$ 86)	\$ 16	\$ 2,048	\$ 517
Recycling of remeasurements	126	-	92	32
Actuarial (gain)/losses in obligations (Gains) / losses on return on plan assets	<u>(77)</u>	<u>(2)</u>	<u>(56)</u>	<u>(91)</u>
Balance at year end recognized in OCI	<u>84</u>	<u>13</u>	<u>2,357</u>	<u>502</u>
Net (liabilities) assets for defined benefits at year end	<u>84</u>	<u>13</u>	<u>2,357</u>	<u>502</u>
Restatement	<u>(20)</u>	<u>-</u>	<u>(74)</u>	<u>-</u>
Total net (liabilities) assets for defined benefits	<u>\$ 64</u>	<u>\$ 13</u>	<u>\$ 2,283</u>	<u>\$ 502</u>

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

In accordance with the amendments to the Provisions published in the Official Federal Gazette (DOF) on December 31, 2015, and due to the effectiveness of the new MFRS D-3 issued by the CINIF, the Institution decided to progressively apply the first application in the year referred to in transitional Article three of the Provisions referred to above by recording the amount of \$445, which corresponds to the first 20% of the modifications to the plans and remeasurements accumulated up to December 31, 2015.

Based on the foregoing, the recognition of the balances indicated in subparagraphs a) and b) of paragraph 81.2 of MFRS D-3, the balance of modifications to the plan not yet recognized and the unrecognized accumulated balance of gains or losses on the plan, respectively, were recognized in fiscal year 2021, recognizing 20% as from its initial application and an additional 20% in each of the subsequent years, up to 100% within a maximum period of 5 years. The decision of the Institution to adopt the progressive application of the recognition of such balances was communicated to the Banking Commission in a timely manner.

The unrecognized accumulated balance of plan losses amounts to \$2,223. The initial effects of the application of MFRS D-3 as from the first year of its initial application involve the recognition of 20% of the accumulated balance plan losses of \$445, amount which will be recognized, in the earned capital, under the caption of "Remeasurements for employee's defined benefits". The remaining amount will be applied in the subsequent years, within a maximum period of 5 years.

### 21. INCOME TAXES AND EMPLOYEE STATUTORY PROFIT SHARING (ESPS)

Income Tax Law (LISR) effective as of January 1, 2014 establishes an income tax (ISR or IT) rate of 30% for 2014 and subsequent years. The current ESPS rate for 2022 is 10%.

As of December 31, 2022, current and deferred IT and ESPS expense is as follows:

	<u>IT</u>	<u>2022</u>	<u>ESPS</u>
Current IT and ESPS:			
Institution	\$ -		\$ -
Consolidable trusts	-		-
CMIC	(75)		(1)
Operadora de fondos	(6)		(1)
Real estate company	<u>(15)</u>		<u>(1)</u>
Current IT and ESPS	(\$ <u>96</u> )		(\$ <u>3</u> )
Deferred IT and ESPS:			
Institution	\$ 663		\$ 221
Consolidable trusts	-		-
CMIC	262		-
Operadora de fondos	1		-
Real estate company	<u>18</u>		<u>-</u>
Deferred IT and ESPS	<u>\$ 944</u>		<u>\$ 221</u>
<b>Total</b>	<u>\$ 848</u>		<u>\$ 218</u>

The Institution does not consolidate the tax result with its subsidiaries, thus the information presented below is for informational purposes only.

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

The Institution has not recognized a deferred tax liability, on the undistributed profits of subsidiaries and associated companies given that the Institution currently does not expect these undistributed profits to be reinvested and taxable in the near future.

**Deferred IT and ESPS**

The analysis of the effective tax rate of the Institution without its subsidiaries as of December 31, 2022 is as follows:

<u>2022</u>	<u>Tax base</u>	<u>IT at 30%</u>	<u>Effective rate</u>	<u>ESPS at 10%</u>
Income before income taxes	(\$ 8,434)	\$ 2,530	(30%)	\$ 843
Allocation to current tax:				
Adjustment for inflation effects	(3,265)	980	(12%)	327
Valuation of financial instruments	149	(45)	1%	(15)
Non-deductible expenses	22	(7)	0%	(3)
Allowance for loan losses and other risks	4,443	(1,333)	15%	(444)
Deferred ESPS	(221)	66	(1%)	22
Trust without business activity	5,211	(1,563)	20%	(521)
Derivative financial transactions	544	(163)	2%	(54)
Non-deductible employee benefit	273	(82)	1%	(27)
Other, net	<u>107</u>	<u>(32)</u>	<u>0%</u>	<u>(10)</u>
Current IT and ESPS	<u>(1,171)</u>	<u>-</u>	<u>(4%)</u>	<u>-</u>
Tax effect of consolidable trusts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Income tax and ESPS in consolidated results	<u>(\$ 1,171)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Allocation to deferred tax: (IT at 30% and ESPS at 10%)				
Valuation of financial instruments	(\$ 149)	\$ 45	(1%)	\$ 15
Provisions and others	(91)	27	0%	9
Allowance for loan losses and other risks	(4,304)	1,291	(14%)	430
Interest on derivative financial instruments (Swaps)	(37)	11	0%	4
Tax loss	(1,905)	572	(7%)	-
Other	<u>(250)</u>	<u>75</u>	<u>(1%)</u>	<u>25</u>
Deferred income IT and ESPS	<u>(6,736)</u>	<u>2,021</u>	<u>(23%)</u>	<u>483</u>
Allowance for deferred tax assets Non recoverable	<u>4,525</u>	<u>(1,358)</u>	<u>-</u>	<u>(262)</u>
Deferred IT and ESPS (net)	<u>(\$ 2,211)</u>	<u>\$ 663</u>	<u>\$ -</u>	<u>\$ 221</u>

- (1) The Institution acting as trustee, in accordance with article 13 of the Income Tax Law, when business activities conducted through a trust, the trustee will determine, in the terms of Title II of said Law, the tax result or tax loss arising from said activities for each period and comply, on behalf of the group of trust beneficiaries, with the obligations set out in this Law, including the obligation to make estimated tax payments.

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

As of December 31, 2022, the deferred income tax and ESPS is as follows:

	<u>IT</u>	<u>2022</u>	<u>ESPS</u>
Deferred assets (liabilities):			
Institution	\$ 2,795		\$ 932
Corporación Mexicana de Inversiones de Capital, S.A. de C.V.	(505)		-
Operadora de Fondos Nafinsa, S.A. de C.V.	4		1
Plaza Insurgentes Sur, S.A. de C.V.	<u>(212)</u>		<u>-</u>
<b>Deferred Income Tax and ESPS</b>	<b><u>\$ 2,082</u></b>		<b><u>\$ 933</u></b>

The effects of income tax and ESPS on the temporary differences that give rise to significant portions of deferred income tax and ESPS assets as of December 31, 2022 of the Institution without subsidiaries, are shown below:

	<u>IT</u>	<u>2022</u>	<u>ESPS</u>
Deferred assets (liabilities):			
Valuation of financial instruments	\$ 254		\$ 85
Provisions and others	84		28
Allowance for loan losses and other risks	3,647		1,216
Interest on derivative financial instruments (Swaps)	19		6
Tax loss	1,662		-
Remeasurements for defined benefits	470		157
Other	<u>104</u>		<u>34</u>
<b>Deferred income tax y ESPS</b>	<b><u>\$ 6,240</u></b>		<b><u>\$ 1,526</u></b>
Allowance for deferred tax assets non recoverable	<u>(3,445)</u>		<u>(594)</u>
<b>Deferred income tax y ESPS</b>	<b><u>\$ 2,795</u></b>		<b><u>\$ 932</u></b>

**Other considerations:**

In accordance with the current tax legislation, the statute of limitations for the authorities to conduct an official review is five years as from the date on which the last income tax return was filed.

In accordance with the IT Law, companies conducting transaction with related parties, resident in Mexico or abroad, are subject to tax restriction and obligations as to the determination of agreed-upon prices, as they must be similar to those used with or between independent parties in comparable transactions.

For the year ended December 31, 2022, no base was generated for employees' statutory profit sharing; such base differs from the income tax base of every year, due to the payment of ESPS made and the amount of other benefits paid to employees that are not totally deductible for income tax purposes.

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

**Tax loss carryforwards**

Tax loss carryforwards can be realized in the ten following fiscal years against taxable income. Those carryforwards are subject to being restated by using the National Consumer Price Index (NCPI).

As of December 31, 2022, tax loss carryforwards, restated at that date, are summarized as follows:

<u>Year incurred</u>	<u>Historical amount</u>	<u>Restatement</u>	<u>Restated amount</u>	<u>Year of expiration</u>
2019	\$ 1,556	\$ 341	\$ 1,897	2029
2020	1,426	253	1,679	2030
2021	684	77	761	2031
2022	<u>1,171</u>	<u>33</u>	<u>1,204</u>	2032
	<u>\$ 4,837</u>	<u>\$ 704</u>	<u>\$ 5,541</u>	

**22. SHAREHOLDERS' EQUITY**

**Capital Stock**

As of December 31, 2022, the Institution's capital stock is comprised as follows:

	<u>Capital contribution certificate</u>		<u>Par value (pesos)</u>	<u>Amount</u>		<u>Total</u>
	<u>Series "A"</u>	<u>Series "B"</u>		<u>Series "A"</u>	<u>Series "B"</u>	
Subscribed capital	\$ 59,400,000	\$ 30,600,000	\$ 50	\$ 2,970	\$ 1,530	\$ 4,500
Unissued capital	<u>(14,839,512)</u>	<u>(7,644,598)</u>	<u>50</u>	<u>(742)</u>	<u>(382)</u>	<u>(1,124)</u>
Subscribed and paid capital	<u>\$ 44,560,488</u>	<u>\$ 22,955,402</u>	<u>\$ 50</u>	<u>\$ 2,228</u>	<u>\$ 1,148</u>	3,376
Restatement increase						<u>7,011</u>
Total capital stock						<u>\$ 10,387</u>

On March 3, 2022, the Agreement modifying the Organizational Regulations of Nacional Financiera was published in the Official Gazette of the Federation, whereby Article 7 includes the new maximum amount of the Institution's capital stock in the amount for recognizing the new maximum authorized amount of \$4,500, supported by 59,400,000 Series "A" certificates of capital contribution, as well as 30,600,000 Series "B" certificates of capital contribution, with a par value of each one of the certificates of \$50.00 (Fifty pesos and 00/100).

The Institution's capital stock will be represented in 66% by Series "A" certificates and 34% by Series "B" certificates. Series "A" certificates may only be subscribed by the Federal Government and Series "B" certificates by Federal Government, and Mexican individuals or companies. As of December 31, 2022, the Federal Government owns 66% of Series "A" certificates and 33.97% of series "B" certificates.

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

On June 24, 2022, the Ministry of Finance and Public Credit issued official communication no. 368.-V.-22/2022 addressed to the Institution, whereby a non-certified copy of the certificate of delivery-reception of the CAP securities that represent the investments of the Federal Government is delivered to the TESOFE for their custody and receipt of the series "A" and "B" CAPs issued on June 13, 2022. Moreover, a non-certified copy of series "A" and "B" CAPs signed on June 9, 2022, was delivered. Said CAPs represent the paid-in capital stock increase, arising from the capital contribution made by the Ministry of Finance and Public Credit on December 31, 2020, in the amount of \$7,290, applied to paid-in capital stock in the amount of \$482, and premiums for CAPs underwriting in the amount of \$6,808.

On October 14, 2022, the Ministry of Finance and Public Credit issued official communication no. 368.-V.-103/2022 addressed to the Institution, whereby a non-certified copy of the certificate of delivery-reception of the CAP securities that represent the investments of the Federal Government is delivered to the TESOFE for their custody and receipt of the series "A" and "B" CAPs issued on October 10, 2022. Moreover, a non-certified copy of series "A" and "B" CAPs signed on October 7, 2022 was delivered. Said CAPs represent the paid-in capital stock increase, arising from the capital contribution made by the Ministry of Finance and Public Credit on November 30, 2021, in the amount of \$4,274, applied to paid-in capital stock in the amount of \$267, and premiums for CAPs underwriting in the amount of \$4,007.

### **Contributions for future capital stock increases**

As of December 31, 2022, its value amounts to \$3,326. On December 19, 2022, the Ministry of Finance and Public Credit (SHCP) made a capital contribution in the amount of \$3,326. At a Board of Directors meeting, the capital stock contribution was authorized in the amount of \$3,326. The Institution's Management will make the necessary arrangements to have the capital stock contribution authorized, given that is required to be able to support the volume of development and investment banking transactions, which includes investments in venture capital, as well as maintaining a prudential level of capitalization for the 2022 year end.

### **Premium on sale of shares**

This premium applies to payments made by holders of the series "B" certificates of capital contribution. The balance of the premiums paid as of December 31, 2022 amounts to \$31,868. As mentioned in this note, under the capital stock section, during year 2022 the premium on sale of shares was increased by \$10,815.

### **Capital reserve**

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

The nominal value of the capital reserves as of December 31, 2022 amounts to \$1,699, and its restated value as of the year end amount to \$3,115.

### **Dividends declared**

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

For the year ended December 31, 2022, there were no dividends declared.

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

**Comprehensive income or loss**

The comprehensive income reported in the consolidated statements of changes in stockholders' equity, represents the result of total activity during the year and includes the net income, the effects of valuation of investments in financial instruments for collecting or selling in the amount of \$44, as well as the valuation of cash flow hedging derivative financial instruments for \$68, remeasurement of defined employee benefits for \$(364) and gain or loss on holding non-monetary assets for \$(39).

**Restrictions on stockholders' equity**

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

In case of equity reimbursement or retained earnings distributions to stockholders, income tax is due on the portion of the reimbursement or distributions exceeding the taxable basis. As of December 31, 2022, the capital contribution account (CUCA) of the Institution and the after-tax earnings account (CUFIN), amounted to \$100,593 and \$18,298, respectively.

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

**Capitalization**

As of December 31, 2022, the preliminary calculation of the capitalization ratio was set at 16.82%, which is comprised of net capital amounting to \$27,125 and total risk-weighted assets amounting to \$161,287.

*a. Basic and supplementary capital*

The Institution's net capital consists of \$26,391 of basic capital. Pursuant to the application of the portfolio rating methodology, supplementary capital is equal to \$735 which implies that the net capital is equal to \$27,125. The basic capital, in this case, is equal to the fundamental capital.

*b. Assets adjusted for market risks*

Assets adjusted for market risks amount to \$37,626 and are equivalent to a capital requirement of \$3,010, which is integrated as follows:

Positions exposed to market risk by risk factor		
Concept	Amount of equivalent positions	Capital requirement
Transactions in local currency at nominal rate	\$ 11,222	\$ 898
Transactions with debt securities in local currency with premium and adjustable rate	5,117	409
Transactions in local currency at real rates or denominated in UDIs	1,432	115
Positions in UDIs or with returns indexed to the NCPI	7	1
Transactions in foreign currency at nominal rate	3,013	241
Positions in foreign currency or with returns indexed to exchange rate	53	4
Positions in gold	-	-
Positions in shares or with return indexed to the price of a single share or group of shares	<u>16,782</u>	<u>1,342</u>
	<u>\$ 37,626</u>	<u>\$ 3,010</u>

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

*c. Assets adjusted for credit risks*

Assets adjusted for credit risk amount to \$115,875 and are equivalent to a capital requirement of \$9,270. Therefrom, assets adjusted for risk related to borrowers and deposits amount to \$90,250, which are equivalent to a capital requirement of \$7,220, and are comprised as follows:

<u>Weighted assets subject to credit risk by risk group</u>		
<u>Concept</u>	<u>Risk weighted assets</u>	<u>Capital requirement</u>
Group III (weighted at 20%)	\$ 13,328	\$ 1,066
Group III (weighted at 50%)	6,083	487
Group III (weighted at 100%)	567	45
Group IV (weighted at 20%)	2,777	222
Group VI (weighted at 100%)	457	37
Group VII (weighted at 20%)	8,810	705
Group VII (weighted at 50%)	3,031	242
Group VII (weighted at 100%)	19,048	1,524
Group VII-B (weighted at 100%)	28,582	2,287
Group VIII (weighted at 115% Group VIIA %)	911	73
Group IX (weighted at 100%)	<u>6,656</u>	<u>532</u>
	<u>\$ 90,250</u>	<u>\$ 7,220</u>

*d. Assets adjusted for operational risk*

Assets adjusted for operational risks amount to \$7,786 and are equivalent to a capital requirement of \$623.

<u>Weighted assets subject to operational risk</u>		
<u>Used method</u>	<u>Assets weighted by risk</u>	<u>Capital requirements</u>
Basic benchmark	\$ 7,786	\$ 623
<u>Average requirement of market and credit risk</u>		<u>Annual average of net income for the past 36 months positive for the last 36 months</u>
\$ 12,923		\$ 4,153

Amounts shown in this table are rounded to million pesos.

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

The Appendix 1-O of the Provisions establishes the requirements for the disclosure of information related to capitalization, which shall contain, in addition to those listed in the preceding subparagraphs, the following sections:

1. Net capital is presented in accordance with the international disclosure format contained in the document "Format of capital disclosure without considering transitory application of regulatory adjustments".

<u>Ref.</u>	<u>Common equity Tier 1 capital (CET 1): Instruments and reserves</u>	<u>Amount</u>
1	Common shares qualifying for common equity Tier 1 plus its corresponding premium	\$ 45,581
2	Prior years' income	(6,551)
3	Other elements of comprehensive income (and other reserves)	<u>(6,444)</u>
6	<b>Common equity Tier 1 capital before regulatory adjustments</b>	<b>\$ <u>32,586</u></b>
	<b>Common equity Tier 1 capital: regulatory adjustments</b>	
15	Defined benefit pension plan	\$ 18,809
21	Deferred income tax assets arising from temporary differences (amount above the 10% threshold, net of deferred tax liability)	886
26	National regulatory adjustments	5,309
A	of which: Other elements of comprehensive income (and other reserves)	-
D	of which: Investments in multilateral agencies	640
F	of which: Investments in venture capital	4,378
G	of which: Investments in mutual funds	<u>292</u>
28	<b>Total regulatory adjustments to Common equity Tier 1</b>	<b><u>6,196</u></b>
29	<b>Common equity Tier 1 capital (CET 1)</b>	<b>\$ <u>26,391</u></b>
	<b>Additional Tier 1 capital: regulatory adjustments</b>	
44	<b>Additional Tier 1 capital (AT1)</b>	\$ -
45	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b><u>26,391</u></b>
	<b>Tier 2 capital: instruments and provisions</b>	
50	Provisions	<u>735</u>
51	<b>Tier 2 capital before regulatory adjustments</b>	<b>\$ <u>735</u></b>
	<b>Tier 2 capital: regulatory adjustments</b>	
58	<b>Tier 2 capital (T2)</b>	<b>\$ <u>735</u></b>
59	Total capital (TC = T1 + T2)	<b>\$ <u>27,125</u></b>
60	<b>Total risk weighted assets</b>	<b>\$ <u>161,287</u></b>

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

<u>Ref.</u>	<u>Common equity Tier 1 capital (CET 1): Instruments and reserves</u>	<u>Amount</u>
<b><u>Capital ratios and buffers</u></b>		
61	Common Equity Tier 1	16.36%
62.	Tier 1 capital (as a percentage of total risk weighted assets)	16.36%
63	Total capital (as a percentage of total risk weighted assets)	16.82%
64	Institution specific buffer requirement (as a minimum, it should be made up of: CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of total risk weighted assets)	18.86%
65	of which: Capital conservation buffer requirement	2.50%
68	Common Equity Tier 1 available to meet buffers (as a percentage of total risk weighted assets)	9.36%

2. Ratio of net capital with the balance sheet:

<u>Balance sheet items reference</u>	<u>Balance sheet items (unconsolidated)</u>	<u>December 2022</u>
BG1	Cash and cash equivalents	60,083
BG2	Margin accounts	44
BG3	Investments in financial instruments	237,631
BG4	Debtors on repurchase/resell agreements	-
BG5	Securities lending	-
BG6	Derivative financial instruments	14,660
BG7	Valuation adjustments from hedging of financial assets	161
BG8	Total loan portfolio (net)	204,549
BG9	Benefits receivable in securitization transactions	-
BG10	Other accounts receivable (net)	11,282
	Prepayments and other assets (net)	1,675
BG11	Foreclosed assets (net)	501
BG12	Property, furniture and equipment (net)	6
BG13	Permanent investments */	30,450
BG14	Long-lived assets available for sale	-
BG15	Deferred income tax assets (net)	2,645
<u>Liabilities</u>		
BG17	Deposit funding	282,996
BG18	Interbank loans and loans from other entities	41,288
BG19	Creditors on repurchase/resell agreements	180,334
BG20	Securities lending	-
BG21	Collateral sold or pledged	-
BG22	Derivative financial instruments	21,349
BG23	Valuation adjustments from hedging of financial liabilities	(3,098)
BG24	Obligations in securitization transactions	-
BG25	Other accounts payable	3,775
	Employee benefit liabilities	2,862
BG26	Outstanding subordinated obligations	-
	Income tax liabilities	1
<u>Stockholders' equity</u>		
BG29	Paid-in capital	45,581
BG30	Earned capital	(11,715)

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

Balance sheet items reference	Balance sheet items (unconsolidated)	December 2022
	<u>Memorandum accounts</u>	
BG31	Guarantees granted	-
BG32	Contingent assets and liabilities	91,604
BG33	Loan commitments	126,639
BG34	Assets in trust or under mandate	2,022,974
BG35	Federal Government financial agent	337,863
BG36	Assets in custody or under administration	645,057
BG37	Collateral received by the entity	62,223
BG38	Collateral received and sold or pledged by the entity	62,223
BG39	Investment banking transactions on behalf of third parties (net)	-
BG40	Interest earned but not collected arising from past-due loan portfolio	192
BG41	Other memorandum accounts	1,066,548

\*1/ Includes other investments.

Regulatory items considered for the calculation of the net capital components.

<u>Identifier</u>	<u>Regulatory concepts considered for the calculation of net capital</u>	<u>Reference to the disclosure form of the composition of capital of Section 1</u>	<u>Amount of the combination with the notes to the table of regulatory concepts considered for the calculation of the components of the net capital</u>	<u>Reference(s) to the balance sheet items and amount related to the considered regulatory concept for the calculation of the net capital arising from the mentioned reference</u>
	<u>Assets</u>			
3	Deferred income tax (assets) from tax losses and credits	10	881	
12	Deferred income tax (assets) from temporary differences	21	5	
13	Reserves recognized as supplementary capital	50	735	
15	Investments in multilateral agencies	26-D	640	
17	Investments in venture capital	26-F	4,378	

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

<u>Identifier</u>	<u>Regulatory concepts considered for the calculation of net capital</u>	<u>Reference to the disclosure form of the composition of capital of Section 1</u>	<u>Amount of the combination with the notes to the table of regulatory concepts considered for the calculation of the components of the net capital</u>	<u>Reference(s) to the balance sheet items and amount related to the considered regulatory concept for the calculation of the net capital arising from the mentioned reference</u>
18	Investments mutual funds	26- G	262	
22	Investments of the defined benefit pension plan	26-N	18,808	Informative non computed data
34	Stockholders' equity: Paid-in capital in compliance with Exhibit I-Q	1	45,581	
35	Prior years' income	2	(6,551)	
37	Other earned capital components	3	(6,444)	
41	Cumulative translation effect	3, 26-A	N/A	
42	Gain or loss on holding Non-monetary assets	3, 26-A	N/A	
	<b>Regulatory concepts not considered in the balance sheet:</b>			
45	Profit or increase in the value of assets from acquisition or securitization positions (originating institutions)	26-C	N/A	
46	Transactions that contravene the provisions	26-I	N/A	
47	Transactions with relevant related parties	26-M	N/A	
48	Adjustments for capital recognition	26-O, 41, 56	N/A	

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

---

3. Main characteristics of securities that make up of the net capital (Series A)

<u>Ref.</u>	<u>Characteristics</u>	<u>Options</u>
1	Issuer	Nacional Financiera, Sociedad Nacional de Crédito
2	ISIN, CUSIP o Bloomberg identifier	
3	Legal framework	According to article 30 of the Law of Credit Institutions, Nacional Financiera, Sociedad Nacional de Crédito, Institución de Banca de Desarrollo, is ruled by its Internal Organizational Law. Holders of Series "A" certificates of capital contribution will have, if applicable, the rights set forth in article 35 of the Law of Credit Institutions and article 12 of the Internal Organizational Law of Nacional Financiera
	<b>Regulatory treatment:</b>	
4	Capital level with transitory status	
5	Capital level without transitory status	Basic 1
6 I	Instrument level	Lending institution without consolidating subsidiaries
7	Type of instrument	<b>Series "A" certificate of capital contribution</b>
8	Amount recognized in regulatory capital	66% in accordance with (3)
9	Nominal value of the instrument	50.00
9A	Instrument currency	Mexican pesos
10	Accounting classification	Equity
11	Issue date	
12	Instrument term	Perpetuity
13	Maturity date	Without maturity
14	Early payment clause	NO
15	First date for early payment	
15A	Regulatory or tax events	
15B	Settlement prices of the early payment clause	
16	Subsequent dates for early payment	
	<b>Yield / dividends</b>	
17	Type of yield / dividend	Variable
18	Interest / dividend rate	Variable
19	Dividend cancellation clause	No
20	Discretionary nature of the payment	Fully discretionary
21	Interest increase clause	No
22	Yield / dividend	Noncumulative
23	Instrument convertibility	Non-convertible
24	Convertibility conditions	
25	Convertibility degree	
26	Conversion rate	
27	Type of instrument convertibility	
28	Type of financial instrument for convertibility	
29	Instrument issuer	
30	Impairment clause (Write-down)	
31	Impairment conditions	
32	Impairment degree	
33	Impairment temporary status	
34	Temporary impairment mechanism	
35	Subordination position in the event of settlement	
36	Default characteristics	
37	Description of default characteristics	

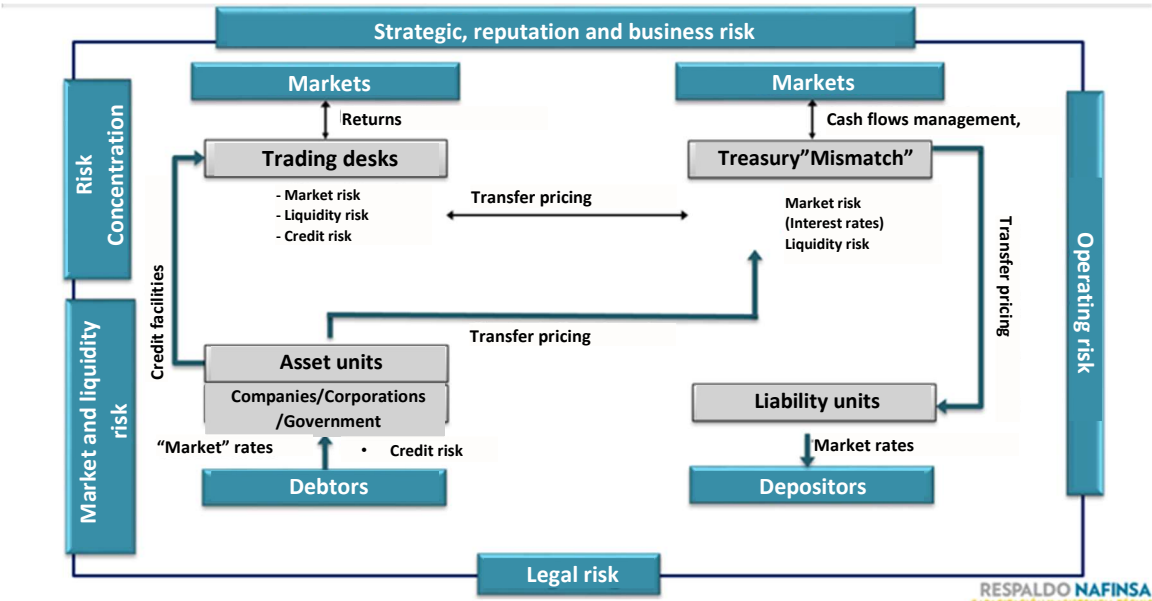
4. Capital management.

The framework for risk management must facilitate and support the measurement and monitoring of quantifiable risks, ensuring robust risk measurements to establish the Institution's risk appetite and generate value.

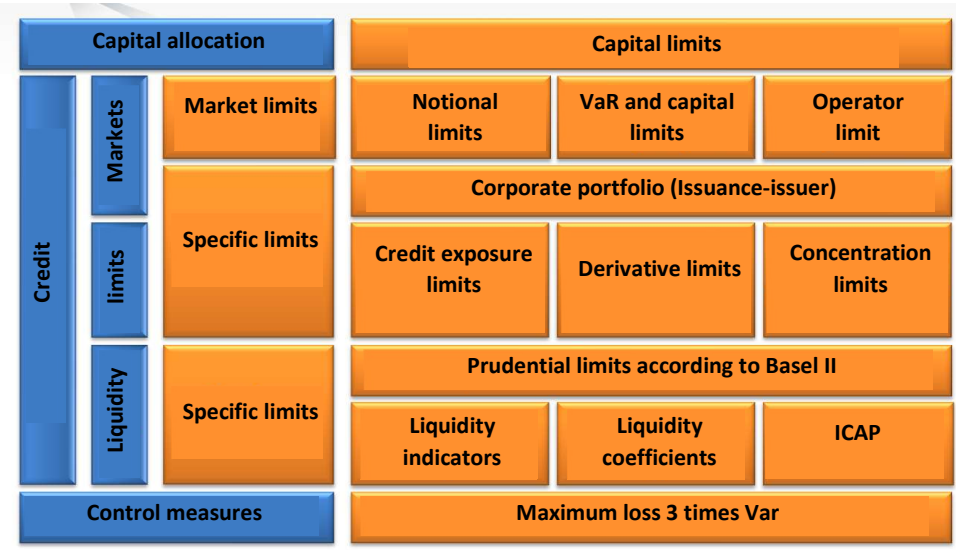
To ensure that risk management is a decision-making support tool, models and methodologies are established, that allow for measuring, monitoring and controlling the different types of risk to which the Institution is exposed. These risk measures should also contribute to the definition of business strategies and support decision-making of operation.

A fundamental starting point for establishing limits is the definition of a business model that describes the exposure to different types of risk that generate the different operating units in the Institution.

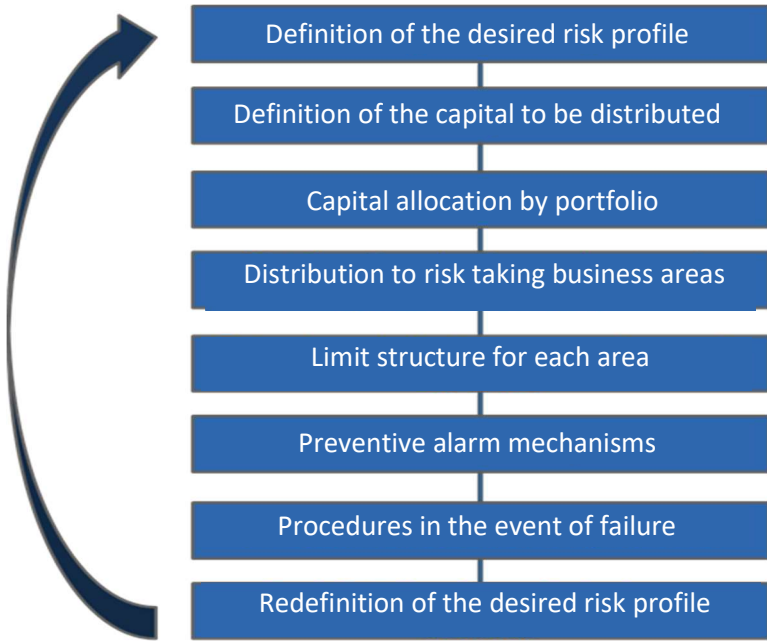
- Treasury: it operates as the central unit that manages the resources of the Institution. It is responsible for establishing transfer prices, controlling liquidity levels and controlling the balance sheet risks. This unit incurs market, credit and liquidity risks, and in the case of Nacional Financiera, it is also responsible for the deposit-funding unit.
- Trading desks: their main function is to generate revenues through trading in different financial markets, (money, foreign exchange, capital and foreign currency bonds).
- Asset units: are those that encompass the promotion activities of the Institution and are derived from credit activities of Nacional Financiera. These activities are the main generators of credit risk.



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



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



## Notes to the consolidated financial statements

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

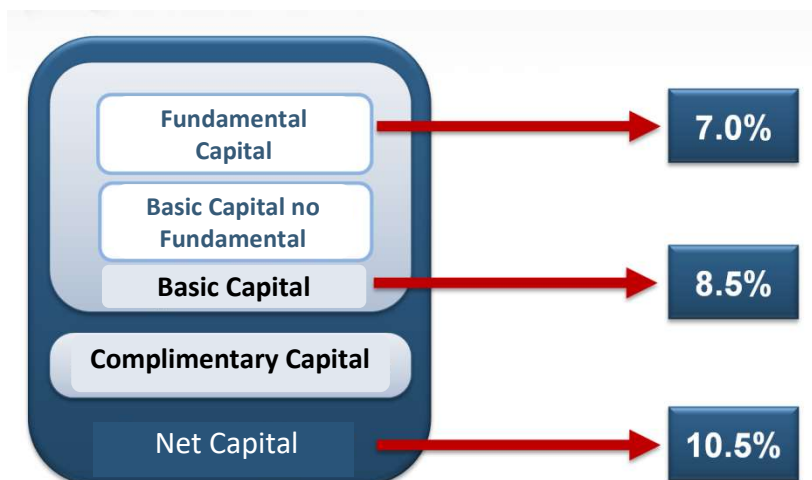
December 31, 2022

(figures in millions of Mexican pesos)

---

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

Basel III establishes that the Institution has three indicators of solvency, where ICAP is the most restrictive given the fact that the requirement changed from 8.0% to 10.5%. It is precisely this restriction which establishes the appetite for risk through the limits of capital, that is, it should be guaranteed that taking limits to 100%, and in the face of stress situations, the capitalization level in no case will be less than 10.5%.



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

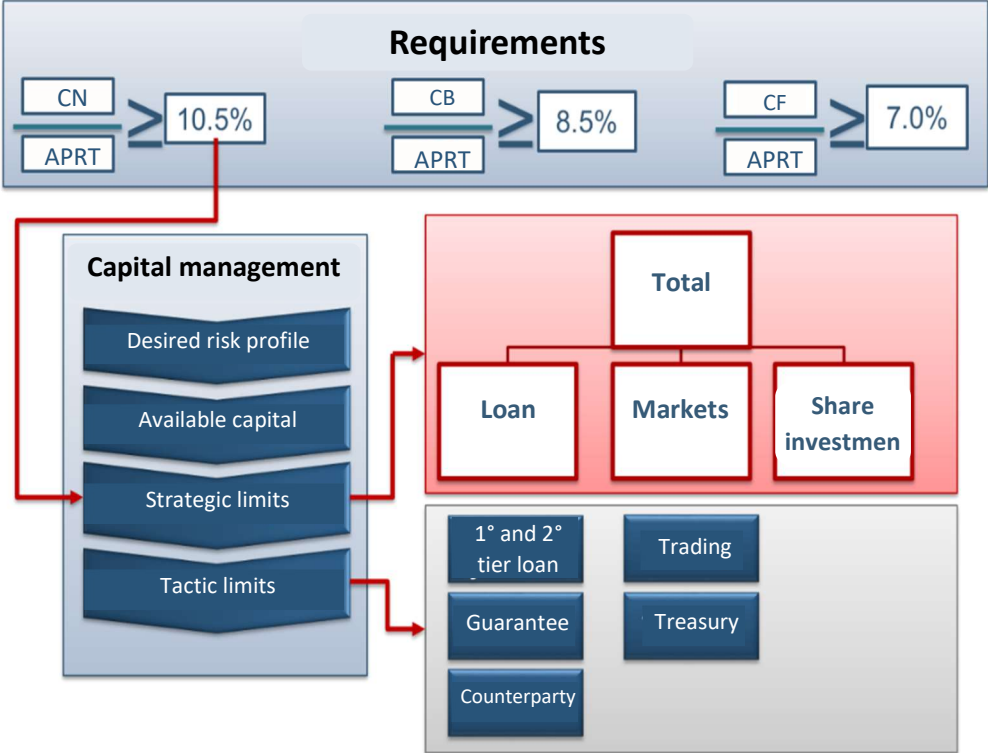
### Capital limit structure

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

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

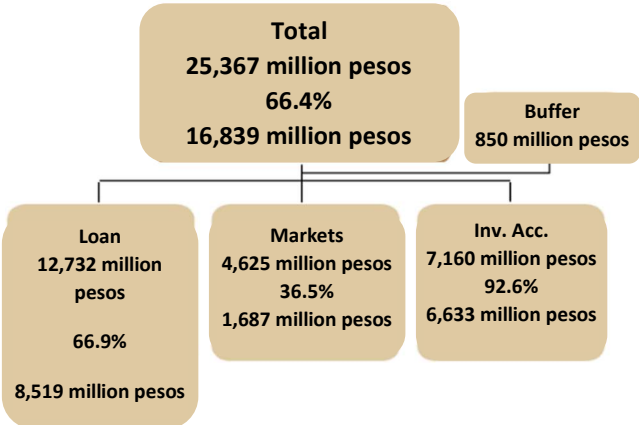
Notes to the consolidated financial statements  
 Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
 December 31, 2022  
 (figures in millions of Mexican pesos)

In summary the Institution has the following requirements:



It is important to mention that, within the strategic structure of these limits, operational risk is not included, since this does not originate from the discretionary risk assumption, i.e., that it is implicit in the operation of the Institution itself. Due to the above, there is a buffer for operational risk that does not compute for the capital limits, but that is considered in the calculation of the capitalization level. Nonetheless, in terms of the operational risk, the identification, measurement, monitoring, control and mitigation of the risks to which the Institution is exposed are performed.

Considering the above, at the end of December 2022, the preliminary capitalization ratio was 16.82%. and the total capital limit recorded a global consumption of 66.4%.



Notes to the consolidated financial statements  
 Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
 December 31, 2022  
 (figures in millions of Mexican pesos)

---

There are three basic scenarios:

1. If capital limits were utilized at 100%, the capitalization level would remain above the 10.5% required.
2. If, under the current structure, there were an adverse event of default or volatility in the markets affecting capital, there is sufficient capacity to maintain the ICAP above 10.5%.
3. The combination of the above events, i.e., capital limits utilized at 100% and an adverse event with an impact on capital, would also allow the ICAP to be maintained above the minimum level required.

Finally, in order to have the capacity to obtain resources and continue operating under a stress scenario, in which the Institution's capital sufficiency is compromised without noncompliance of the minimum levels established by the authorities, the Treasury Department will obtain in the markets, the necessary resources in the best conditions of cost and term, based on the guidelines established by the Institution's management.

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

### 23. MEMORANDUM ACCOUNTS

#### Contingent assets and liabilities

As of December 31, 2022, this caption amounts to \$77,469, integrated as follows:

	<u>2022</u>
<b>Contingent liabilities</b>	
Guarantees granted (1)	\$ 88,649
Unreimbursed guarantees paid covered by counterguarantors (2)	11,395
Debtors on claims	201
Acquired commitments	1,655
Contingency for portfolio without recourse of Fiso 80139 (6)	<u>199</u>
Subtotal	<u>102,099</u>
<b>Continent assets:</b>	
Counterguarantee received from the counterguarantee for business financing (3)	7,343
Recoverable guarantees paid covered by counterguarantors (4)	11,395
Guarantees paid pending recovery without counterguarantee (5)	<u>5,892</u>
Subtotal	<u>24,630</u>
<b>Total</b>	<u>\$ 77,469</u>

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

- (1) Under the “Guarantees granted” caption, the Institution has mainly guarantees granted through the trusts *Fondo para la Participación de Riesgos* and *Fondo para la Participación de Riesgos en Fianzas*, which as of December 31, 2022, both present an amount of guarantees granted for \$87,913. The spread as of December 31, 2022, of \$736 corresponds to selective guarantees granted directly by the Institution. These guarantees represent the amount of the responsibilities assumed by the Institution to guarantee the recovery of the financial intermediaries’ loan portfolio.
- (2) Under this caption, the Institution recognizes the contingent obligation to reimburse, mainly to the Counterguarantee Trust for Corporate Financing, the amount of the guarantees paid, which had a counterguarantee and which are in the process of recovery by banking and non-banking financial intermediaries.
- (3) The trust *Fondo para la Participación de Riesgos* reduces the Institution's contingency through the counterguarantee received from the Counterguarantee Trust for Corporate Financing, a promoter of loan granting for specific purposes, which has allocated resources for these purposes for \$7,343, as of December 31, 2022. These funds ensure, the recovery up to these amounts of the guarantees exercised by the financial intermediaries, who assume the commitment of negotiating, judicially and out-of- court, the recovery of loans from their final borrowers.

In addition to such counterguarantee, the Fund has created an allowance for loan losses, for \$8,484, as of December 31, 2022, in accordance with the provisions of the Banking Commission.

With the counterguarantee received, as well as with the level of the allowance for loan losses created, the Institution considers that the exposure is covered, based on the experience observed in the guarantee program.

- (4) Under this caption, there is recognition of the contingent right of the Institution to recover the amount of the guarantees paid that had a counterguarantee and were covered by the Counterguarantee Trust for Corporate Financing, and which are in the process of recovery by banking and non-banking financial intermediaries.
- (5) Under the caption of paid guarantees pending recovery without counterguarantee, there is a recognition of the amount of guarantees honored by the Institution that are in the process of recovery by financial intermediaries and that did not have the coverage of the Counterguarantee Trust for Corporate Financing.
- (6) The caption “Contingency for portfolio without recourse” corresponds to guarantees not exercised by the financial intermediary.

### **Loan commitments**

As of December 31, 2022, the Institution has credit facilities and lines of guarantees granted to financial intermediaries that have not been withdraw in an amount of \$311,244.

As of December 31, 2022, \$126,639 correspond to credit facilities and \$184,605 to lines of guarantee granted.

Notes to the consolidated financial statements  
 Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
 December 31, 2022  
 (figures in millions of Mexican pesos)

---

**Assets in trust or under mandates and financial agent for the Federal Government**

The Institution's trust activity recorded in memorandum accounts as of December 31, 2022, as well as the transactions in its capacity of financial agent for the Federal Government are integrated as shown below:

	<u>2022</u>
Investment trusts	\$ 18,996
Administration trusts	1,943,562
Guarantee trusts	<u>48,098</u>
	20,010,656
Mandates	<u>12,318</u>
	2,022,974
Federal Government financial agent	<u>337,863</u>
Total	<u>\$ 2,360,837</u>

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

These balances represent the valuation of trust assets which, overall, represent assets valued using different accounting practices, and which essentially represent neither rights of the entity, nor the contingency to which the Institution is subject in the event of nonperformance in its role as trustee.

Guarantee trusts correspond to entities that maintain loans, securities, real estate, etc., as part of its trust assets, which serve as collateral for the settlement of financing received from other lending institutions by the trustors thereof.

The Institution only performs the fiduciary function in such entities.

The Institution's revenues from its trustee activities as of December 31, 2022 amounted to \$395.

As of December 31, 2022, the trust accounts include a balance of \$320, which corresponds to the assets of Fideicomiso de Recuperación de Cartera (FIDERCA). This trust manages doubtful accounts that originally belonged to the Institution and that in year 1996 were transferred to the Federal Government. The Institution currently holds the respective trustee rights.

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

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

---

**Assets in custody or under administration**

As of December 31, 2022, this caption includes, property, others' securities, trading and credit transactions, as well as securities issued by the Institution and managed on behalf of customers, as shown below:

	<u>2022</u>
Custody	\$ 5,708
Pledged securities	182,029
Securities under administration	457,320
Subsidiaries	<u>124,937</u>
	<u>\$ 769,994</u>

Fees collected by the Institution for this type of activities as of December 31, 2022 amounted to \$7.

**Other memorandum accounts**

As of December 31, 2022, the balances of other memorandum accounts are made up of as follows:

	<u>2022</u>
Guarantees paid reported by intermediaries as uncollectible without a counterguarantee (a)	\$ 356
Classification of the loan portfolio by risk degree	300,380
Loans obtained pending withdrawal	1,772
Other memorandum accounts (b)	<u>780,209</u>
Total	<u>\$ 1,082,717</u>

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

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

---

## 24. ADDITIONAL INFORMATION ON OPERATIONS AND SEGMENTS

### Segment information

The factors used to identify the business segments considered the nature of the activities carried out; the existence of specific administrators for those activities, the generation of revenues and expenses thereof, as well as the monitoring regularly performed on the results generated that are presented periodically to the Board of Directors of the Institution.

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

The first tier credit segment considers the loan portfolio placed directly with the public and private sector, while the loan portfolio channeled through banking and non-banking financial intermediaries is considered for the second tier credit segment.

Guarantees granted to banks and non-banking financial intermediaries are included in the credit guarantees segment. The balances of this segment are shown in memorandum accounts and as of December 31, 2022, amount to \$91,604.

The balances of the financial agent segment correspond to activities carried out by mandate of the Federal Government to manage on its behalf resources obtained from international financial bodies, and as of December 31, 2022, amounted to \$337,863, which are recorded in memorandum accounts.

The trustee segment includes administrative services for own and external trusts, which amount to \$2,022,974 as of December 31, 2022, and are presented in memorandum accounts.

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

As of December 31, 2022, the assets, liabilities and net income of the main operations by business segments of the Institution are presented below:

2022 Business segments	Assets		Liability and equity		Net income	
	Amount	%	Amount	%	Amount	%
Market and treasury	\$ 323,056	59.9	\$ 323,056	59.9	\$ 2,467	(32.2)
First tier credit	69,446	12.9	69,446	12.9	868	(68.4)
Second tier credit	141,918	26.3	141,918	26.3	(2,870)	93.1
Loan guarantees	-	-	-	-	(57)	(0.5)
Financial agent	-	-	-	-	(57)	0.3
Trustee	-	-	-	-	(119)	0.8
Other	4,591	0.9	4,591	0.9	(246)	3.2
Retirement benefit and expense	-	-	-	-	(7,758)	103.7
Total	<u>\$ 539,011</u>	<u>100.0</u>	<u>\$ 539,011</u>	<u>100.0</u>	<u>(\$ 7,772)</u>	<u>100.0</u>

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

The statement of comprehensive income by business segments as of December 31, 2022 is shown below:

2022	Market and treasury	First tier credit	Second tier credit	Loan guarantee	Financial agent	Trustee	Other areas (a)	Retirement benefit and expense	Total
Income:									
Net financial income (c)	\$ 2,445	\$ 1,192	\$ 1,570	\$ 5,234	\$ 119	\$ 168	(\$ 208)	\$ -	\$ 10,520
Expenses:									
Operating expense	(388)	(110)	(590)	(416)	(147)	(238)	(38)	-	(1,927)
Operating income	2,057	1,082	980	4,818	(28)	(70)	(246)	-	8,593
Allowance for loan losses and write-offs	(297)	(223) (b)	(3,911)	(4,926)	(48)	(80)	(6)	-	(9,491)
Retirement expenses	-	-	-	-	-	-	-	(933)	(933)
Other expenses and taxes (d)	707	9	61	51	19	31	6	(6,824)	(5,940)
Net income	<u>\$ 2,467</u>	<u>\$ 868</u>	<u>(\$ 2,870)</u>	<u>(\$ 57)</u>	<u>(\$ 57)</u>	<u>(\$ 119)</u>	<u>(\$ 246)</u>	<u>(\$ 7,757)</u>	<u>(\$ 7,771)</u>

- (a) It includes the following areas: Investment banking, subsidiaries and other net income (expenses).  
(b) It includes \$850 of created reserves of Altan Redes.  
(c) It includes the reclassification of the income of Operadora de Fondos Nafinsa, S.A. de C.V., from subsidiaries to markets given that this modifies the income structure shown in first 3 quarters of 2022.  
(d) It includes taxes for \$884.

### Financial margin

For the year ended December 31, 2022, the financial margin in the consolidated statement of comprehensive income is as follows:

	2022		
	<u>Total</u>	<u>Local currency</u>	<u>Foreign currency</u>
Interest income:			
Interest on cash and cash equivalents:			
Banks	\$ 148	\$ -	\$ 148
Restricted or pledged	<u>1,423</u>	<u>1,317</u>	<u>106</u>
	<u>\$ 1,571</u>	<u>\$ 1,317</u>	<u>\$ 254</u>
Interest from loan portfolio with credit risk in stage 1:			
Commercial loans	\$ 2,893	\$ 859	\$ 2,034
Loans to lending institution	9,899	9,727	172
Loans to government entities	1,124	1,057	67
Consumer loans	1	1	-
Housing loans	<u>3</u>	<u>3</u>	<u>-</u>
	<u>\$ 13,920</u>	<u>\$ 11,647</u>	<u>\$ 2,273</u>
Interest from loan portfolio with credit risk in stage 3:			
Commercial loans	\$ -	\$ -	\$ -
Loans to lending institution	106	103	3
Loans to government entities	-	-	-
Consumer loans	-	-	-
Housing loans	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 106</u>	<u>\$ 103</u>	<u>\$ 3</u>

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

	2022		
	<u>Total</u>	<u>Local currency</u>	<u>Foreign currency</u>
Interest and returns receivable on repurchase/ resell agreement transactions			
In repurchase/resell agreement transactions	\$ 18,863	\$ 18,863	\$ -
Commissions from credit transactions: (return adjustment):			
Commercial loans	\$ 129	\$ 129	\$ -
Interest and returns from margin account	9	9	-
Interest and returns receivable from collateral in OTC transactions	1,429	1,429	-
Interest and returns receivable from financial Instruments	1,897	1,469	428
Valuations from hedging transactions	(7,784)	(6,453)	(1,331)
Premium on debt placement	12	12	-
Dividends on financial instruments qualified as equity financial instruments	42	42	-
Gain on valuation	-	-	-
	<u>(4,266)</u>	<u>(3,363)</u>	<u>(903)</u>
Total interest income	\$ 30,194	\$ 28,567	\$ 1,627
	2022		
	<u>Total</u>	<u>Local currency</u>	<u>Foreign currency</u>
Interest expense:			
Interest from term deposits	\$ 9,565	\$ 9,430	\$ 135
Interest paid on interbank loans and loans from other entities	1,845	1,419	426
Interest, transaction costs and discounts paid upon issuance of financial instruments qualified as liabilities	5,812	5,195	617
Interest and returns paid on repurchase/resell agreement transactions	16,190	16,153	37
Expense from transactions of:			
Hedging	(8,451)	(5,709)	(2,742)
Loss on valuation	128	7	121
Total interest expenses	\$ 25,089	\$ 26,495	(\$ 1,406)
Financial margin	\$ 5,105	\$ 2,072	\$ 3,033

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

**Commissions and fees collected and paid**

For the year ended December 31, 2022, the commissions and fee collected and paid are analyzed as follows:

<u>2022</u>	<u>Total</u>	<u>Local currency</u>	<u>Foreign currency</u>
Commissions and rates collected:			
Loan transactions	\$ 447	\$ 447	\$ -
Trust activities	395	395	-
Assets in custody or under administration	7	7	-
Other	<u>3,698</u>	<u>3,677</u>	<u>21</u>
	<u>\$ 4,547</u>	<u>\$4,526</u>	<u>\$ 21</u>
Commissions and rates paid:			
Loans received	\$ 23	\$ -	\$ 23
Debt placement	2	2	-
Other (services)	<u>179</u>	<u>175</u>	<u>4</u>
	<u>\$ 204</u>	<u>\$ 177</u>	<u>\$ 27</u>

**Financial intermediation income**

For the year ended December 31, 2022, the financial intermediation income is analyzed as follows:

<u>2022</u>	<u>Total</u>	<u>Local currency</u>	<u>Foreign currency</u>
Gain (loss) on valuation of financial instruments at fair value:			
Negotiable financial instruments	(\$ 759)	(\$ 759)	\$ -
Derivative financial Instruments for trading purposes	27	20	7
Derivative financial Instruments for hedging purposes	-	(1,376)	1,376
Allowance for loan losses expected for investments in financial Instruments	<u>(187)</u>	<u>(187)</u>	<u>-</u>
	<u>(\$ 919)</u>	<u>(\$ 2,302)</u>	<u>\$ 1,383</u>
Gain (loss) on purchase/sale of financial instruments and derivative financial instruments:			
Negotiable financial instruments	\$ 250	\$ 250	\$ -
Financial instruments for collecting and selling Financial instruments for collecting principal and interest (securities)	(14)	-	(14)
Derivative financial Instruments for trading purposes	(47)	(47)	-
	<u>246</u>	<u>246</u>	<u>-</u>
	<u>\$ 435</u>	<u>\$ 449</u>	<u>(\$ 14)</u>
Gain (loss) on purchase/sale of foreign currencies	<u>\$ 59</u>	<u>\$ -</u>	<u>\$ 59</u>
Gain (loss) on financial intermediation	<u>(\$ 425)</u>	<u>(\$ 1,853)</u>	<u>(\$ 1,428)</u>

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

**Other operating income (expenses)**

For the year ended December 31, 2022, the other operating income (expenses) is analyzed as follows:

	<u>2022</u>		
	<u>Total</u>	<u>Local currency</u>	<u>Foreign currency</u>
Other recoveries	\$ 75	\$ 75	\$ -
Impact on the allowance for expected loan losses	(1,249)	(1,249)	-
Gain (loss) on sale of foreclosed assets	30	30	-
Reserve for impairment of foreclosed assets	(501)	(501)	-
Income from loans to employees	34	34	-
Lease income	28	28	-
Other items of operating income (expenses) (a)	<u>(5,768)</u>	<u>(5,769)</u>	<u>1</u>
	<u>(\$ 7,351)</u>	<u>(\$ 7,352)</u>	<u>\$ 1</u>

- a) On September 26 and November 28, 2022, the Institution paid taxes for \$1,140 y \$5,684, respectively, according to the official communications number 368.-119/2022 dated September 23, 2022 and number 368.-168/2022 dated November 25, 2022 issued by the Sub ministry of Finance and Public Credit, whereby the Federal Government orders the Institution to make such payments based on the legal nature of government charges for the granting of the sovereign guarantee of the Federal Government.

**Administration and promotion expenses**

For the year ended December 31, 2022, the administration and promotion expenses item is as follows:

	<u>2022</u>		
	<u>Total</u>	<u>Local currency</u>	<u>Foreign currency</u>
Administration and promotion expenses	\$ 2,934	\$ 2,934	\$ -
Unidentified deposits -	<u>3</u>	<u>3</u>	<u>-</u>
	<u>\$ 2,937</u>	<u>\$ 2,937</u>	<u>\$ -</u>

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

**Financial ratios**

The main quarterly financial ratios of the Institution, as of the year ended December 31, 2022 are as follows:

	2022			
	First	Second	Third	Fourth
Delinquency index	2.81	4.16	3.74	2.78
Coverage of past due loan portfolio index	264.28	212.56	249.07	260.36
Operating efficiency (administration and promotion expenses / average total assets)	0.39	0.65	0.44	0.75
ROE( annualized net income for the quarter / average stockholders' equity)	5.80	(2.37)	(10.94)	(236.67)
ROA (annualized net income for the quarter / average total assets)	0.49	(0.20)	(0.85)	(5.74)
Net capital / assets subject to credit risk	30.75	30.07	25.31	23.13
Net capital / assets subject to credit, market and operational risk	21.21	20.90	18.05	16.58
Liquidity (liquid assets / liquid liabilities)	290.65	196.39	283.48	406.44
Financial margin adjusted for credit risks / average productive assets	1.00	(7.22)	(20.91)	(5.15)

**25. COMMITMENTS AND CONTINGENCIES**

**Lease**

Leases provide periodic rental adjustments, based on changes in various economic factors. The Institution has commitments for non-cancellable leases. The total rental expense for the year ended December 31, 2022, amounted to \$4.

**Claims and trials**

In the normal course of operations, the Institution has been subject to some trials and claims, which are not expected to have a material adverse effect on the financial situation and results of its future operations. In such cases that represent a probable loss or where a cash outflow is estimated, the necessary provisions have been set aside. It is worth to mention that to date there are no litigations on tax matters.

As of December 31, 2022, the amount claimed in lawsuits for recovery of loan portfolio is of \$6,968, while the trials and claims brought against the Institution related to banking and/or trust transactions amount to \$472. Likewise, as of December 31, 2022, there are labor lawsuits for \$145.

According to the current procedural status of such lawsuits, the Administration considers that the final resolution of the claims and judgments previously described will not have a significant effect on the financial situation of the Institution.

**Labor liabilities**

There is a contingent liability derived from employee benefits, which is mentioned in the last paragraph of the Note 3s) and in the last paragraph of the Note 20.

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

### **26. RISK MANAGEMENT** **(Unaudited information)**

The national and international regulations on risk management have seen an unprecedented evolution in recent years, incorporating a preventive approach in the financial processes carried out by lending institutions, as well as the obligation to issue internal guidelines to establish controls in order to foresee any economic loss due to the materialization of risks, whether discretionary, non-discretionary or even nonquantifiable.

The Institution, to keep up with the implementation of the requirements from the various provisions of prudential nature in matters of risk management, credit and internal control, applicable to lending institutions, as well as with what is indicated by regulatory bodies in Mexico for the prevention of money laundering, has tried to implement international standards from a systematic and comprehensive perspective within its controls and processes (unaudited numbers).

#### **Discretionary quantifiable risks**

##### **1. Market risk**

The Institution uses the VaR methodology to calculate the market risk of its trading and financial instruments for collecting and selling portfolios. In general, the methodology that is being applied is the historical simulation.

The VaR analysis has the purpose of estimating potential losses arising from changes to the risk factors that influence on the valuation or the expected results of active transactions, such as interest rates, exchange rates, price indexes.

From the aforementioned methodology, the following general principles, stand out:

- The confidence interval that is being applied in the VaR calculation is 97.5% (considering the extreme left of the profit and loss distribution).
- The base time horizon considered is 1 day.
- A year of historical information on the risk factors is considered.

The following risk factors are considered: domestic and foreign interest rates, spreads, exchange rates, share prices and indexes.

In addition to the VaR information, sensitivity measures are calculated, and stress tests are carried out.

Backtesting tests are carried out on a monthly basis to statistically validate that the market risk measurement model provides reliable results within the parameters chosen by the Institution.

Notes to the consolidated financial statements  
 Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
 December 31, 2022  
 (figures in millions of Mexican pesos)

---

Up to date, the following limits are monitored on a daily basis:

- **Value at risk:** based on the capital allocated to market risks.
- **Regulatory capital:** based on the rules for the capitalization requirements of the full-service banking, the domestic lending institutions, and the development banking institutions.
- **Notional values:** in reference to the maximum nominal values that can be held in position.
- **Maximum loss measure:** a limit of maximum losses is established in the face of unfavorable market trends.
- The amount of the average VaR for the period between January and December 2022 is of 63.45, which represents 0.23% of the net capital at the end of December 2022.

Markets	
VaR amount \$63.46 million pesos	
Trading	Treasury
VaR \$17.82 million pesos	VaR \$45.64 million pesos

## 2. Asset and liability management

Asset and liability management refers to the handling of risks that affect the Institution's balance sheet. It involves the management techniques and tools necessary to identify, measure, monitor, control and manage financial risks (liquidity and interest-rate) to which such balance sheet is exposed and is intended to maximize its market-risk-adjusted performance, and thus to optimize use of the Institution's capital.

## 3. Liquidity risk

The liquidity risk that affects a banking institution is classified broadly into three categories:

- **Market liquidity risk:** It is the possibility of economic loss due to the difficulty in disposing or covering assets without a significant reduction in its price. This kind of risk as a result of drastic interest rate movements is incurred when large positions are taken in any instruments or when investments are made in markets or instruments for which there is not a wide supply and demand in the market.
- **Funding liquidity risk:** It represents the difficulty of an institution to obtain the necessary results to settle its liabilities, through the revenue from its assets or through the acquisition of new liabilities. This kind of crisis is usually caused by a sudden and drastic deterioration in the quality of assets that originates an extremely difficulty to turn them into liquid resources.
- **Liquidity risk by mismatch in cash flows:** the inability to meet the present and future needs of cash flows affecting daily operations or financial conditions of the institution, as well as the potential loss from the change in the structure of the balance sheet of the Institution because of the time difference between assets and liabilities.

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

The Institution, in compliance with the Provisions for Comprehensive Risk Management, developed a Contingency Financing Plan and stress liquidity scenarios, which set forth various measures to monitor, quantify and follow up the risks listed above, as well as a plan of action at the institutional level, in case of potential liquidity problems.

#### 4. Maturity profile in local and foreign currency

In order to manage liquidity risk, currently, Nafin uses the maturity gap model, which measures the gap between assets value and liabilities value with common maturity for a given period of time. Such model considers the following methodology:

- Transactions at fixed and floating rate: The number of days between the analysis date and the maturity date is considered. If there are partial repayments of principal, each one will be located in the corresponding band, according to its payment date.
- Interest will be located in the band corresponding to the term in which it is expected to collect or pay them, and only the next known coupon will be considered.
- Once the classification of items in the statement of financial position and the establishment of bands (periods of time) have been carried out, cash flows are generated by band.

Such model is run both for the Institution's assets and liabilities denominated in local currency, as well as for those in foreign currencies.

#### 5. Estimate of gain or loss on advance sale

To comply with the Provisions of article 81 of Section I, subparagraph (b) of the Provisions, below, is the estimate of the gain or loss from advance sales of assets under normal and extreme scenarios.

At the end of December 2022, considering the scenarios of crisis in the portfolios of corporate trading and investment to maturity, should there be a situation similar to the one on November 9, 2016, it would lead to a loss of \$322.59, equivalent to 2.09% of the value of the position.

Portfolio LN	Position	Advance sale	Million pesos Crisis scenarios							
			21-Dec-94	25-Aug-98	11-Sep-01	19-Sep-09	28-Apr-04	16-Oct-08	09-Nov-16	11-Mar-20
Corporate trading	6,269.25	(39.38)	(36.13)	(61.83)	(47.65)	(20.00)	(25.52)	(17.43)	(39.38)	(29.84)
Investment to maturity	9,154.67	(283.21)	(75.42)	(99.18)	(1.08)	(39.78)	(115.76)	(91.32)	(283.21)	(193.70)

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

At the end of December 2022, considering the above mentioned crisis scenarios of crisis in the London portfolio of investment to maturity, the largest loss would be observed should there be a situation similar to the one on September 2001, generating a loss of \$181.98, equivalent to 2.41% of the value of the position.

Portfolio LN	Position	Advance sale	Crisis scenarios							
			21-Dec-94	12-Oct-98	12-Sep-01	19-Sep-02	10-May-04	16-Oct-08	09-Nov-16	11-Mar-20
Financial Instruments for collecting or selling	(7,165.11)	(167.26)	(16.75)	(145.80)	(167.26)	(70.25)	(58.10)	(34.80)	(112.57)	(42.48)
Financial instruments for collecting principal and interest	(387.15)	(14.72)	(1.69)	(12.93)	(14.72)	(5.63)	(5.35)	(1.95)	(12.46)	(8.50)

## 6. Credit risk

Credit risk is defined as the possibility that a counterparty or borrower breaches in time and form with its credit obligations; it also refers to the impairment of investment determined by the change in the credit quality of some counterparty or borrower, without default necessarily occurring.

## 7. Expected loss

The expected loss of the loan portfolio is obtained using the portfolio rating methodology established in Chapter V of the Provisions, regarding the rating of the loan portfolio.

Based on the allowance estimated under this methodology, the following assumptions are also established:

- The portfolio of former employees is excluded, in order to directly measure the effect of the expected losses of the portfolio with risk from the private sector.
- The contingent portfolio is not considered since the credit risk of this program is managed separately.
- Additional reserves are not included.
- The financial agent portfolio is not considered as this is a portfolio without risk.
- The past-due portfolio is considered, since according to the rating portfolio methodology based on the expected loss, when an event of default occurs, it does not imply that the expected loss is provisioned at 100%.

Under the aforementioned assumptions, at the end of December 2022, the total portfolio amounts to \$211,273, while the expected loss from the loan portfolio amounts to \$6,052, equivalent to 2.86% of the total portfolio.

Notes to the consolidated financial statements  
 Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
 December 31, 2022  
 (figures in millions of Mexican pesos)

Estimate of expected losses

(Millions of pesos)

Portfolio	Loan balance	Expected loss	% of expected loss
<b>Excluded</b>	-		
A	203,146	915	0.45%
B	2,158	57	2.63%
C	93		
D	8	4	45.00%
E	5,868	5,076	86.50%
<b>Rated</b>	<b>211,273</b>	<b>6,052</b>	<b>2.86%</b>
<b>Total</b>	<b>211,273</b>	<b>6,052</b>	<b>2.86%</b>

## 8. Unexpected losses

Unexpected loss represents the impact that the capital of the Institution could have derived from unusual losses in the loan portfolio; the level of coverage of this loss for the capital and reserves of an institution is an indicator of solvency adjusted for risk thereof.

Since December 2005, the Institution estimates the unexpected loss of the loan portfolio transactions, using Monte Carlo simulation and analytical methodologies. As of that date, the stability of these measures and their behavior in the face of various changes in the environment have been observed to determine which of them should be used as a measure of the risk of the Institution's loan portfolio.

In November 2007, the CAIR concluded that, among the methodologies proposed to estimate the unexpected loss of the loan portfolio, the methodology with an economic approach is the one that best aligns with the basic method based on the internal Basel II ratings, according to the following:

- There is similarity of concepts between the proposed economic methodology and the capital requirement for credit risk estimated based on the Basel II basic approach. This approach allows institutions to estimate the capital requirement necessary to support their risk with internal methods.
- There are high levels of correlation and similarity in the average capital requirement observed during a year of internal implementation of the proposed loan portfolio unexpected loss methodologies.

In addition, it was considered that the unexpected loss of the loan portfolio should continue to be estimated monthly through the valuation and Monte Carlo methodologies in order to have information regarding future changes in the banking standard in which the portfolio market valuation is requested. These methodologies are applied in a horizon of one year and with a confidence level of 95%.

At the end of December 2022, the estimate of unexpected loss under the economic approach amounts to \$19,182 million pesos, and the credit VaR amounts to \$21,263 million pesos, which represents 10.0% of the portfolio with risk.

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

### 9. Counterparty risk and diversification

In the Institution, a comprehensive control of counterparty risks is exercised, applying the established loan exposure limits. These limits consider the transactions throughout the entire balance sheet, that is, both the financial markets and the loan portfolio. The methodology used is consistent with the General Rules for Diversification of Risks in the Carrying out of Active and Passive Transactions Applicable to Credit Institutions.

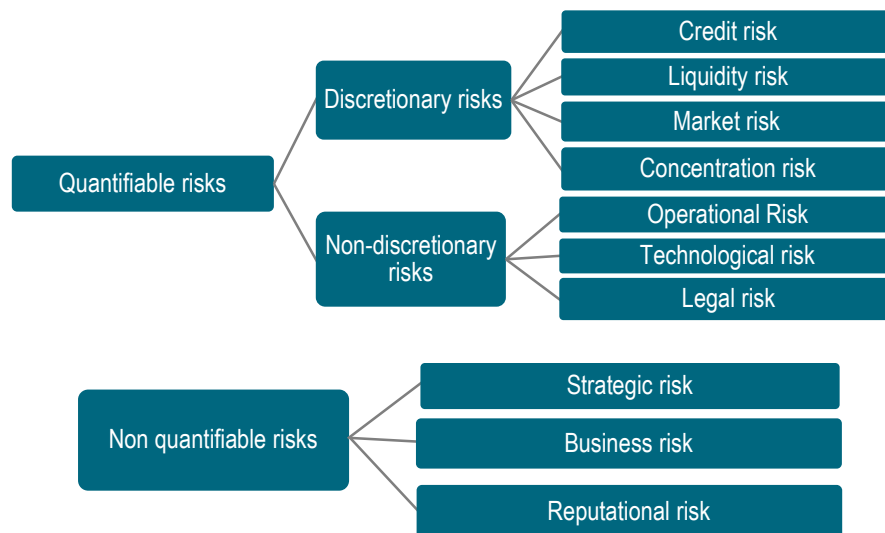
At the end of December 2022, no economic group concentrates credit risk above the maximum financing limits. As of the same date, the following number of financing that exceeds 10% of the basic capital individually is as follows:

No. of financings	Total amount	Percentage of capital
<b>25</b>	<b>200,142</b>	<b>641.5%</b>

The amount of financing that is maintained with the three main debtors based on Article 60 of the CUB amounts to \$14,790 million pesos.

### 10. Operational risk and non-quantifiable risks

The risks to which a financial institution is exposed are classified into two broad categories: quantifiable and non-quantifiable. Non quantifiable risks are in turn divided into three types. This classification is as follows:



The non-discretionary risks, that is, the operational risk, are those resulting from the operation of the business, but they are not the result of taking a risk position. These risks are defined below:

- Operational risk: potential losses arising from failures or deficiencies of internal controls, due to errors in the processing and storage of transactions.

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

- Technological risk: potential losses arising from damages, interruption, alteration or failures derived from the use or reliance on hardware, software, systems, applications, networks and any other channel of information distribution in the provision of banking services with customers of the Institution that result in errors in the processing and storage of transactions or in the transmission of information.
- Legal risk: potential losses arising from the applicable legal and administrative provisions, the issuance of unfavorable administrative and judicial resolutions and the application of sanctions, in relation to the transactions carried out by the institutions.

Non-quantifiable risks are unforeseen events for which a statistical base cannot be formed to measure potential losses, among which are the following:

- Strategic risk: potential losses due to failures or deficiencies in the decision-making process, in the implementation of procedures and actions to carry out the business model and strategies of the Institution, as well as the lack of knowledge about the risks to which it is exposed by the development of its business activity and that affect expected results to achieve the objectives agreed upon by the Institution in its strategic plan.
- Business risk: potential losses attributable to the inherent characteristics of the business and changes in the economic cycle or environment in which the Institution operates.
- Reputational risk: potential losses in the development of the activity of the Institution caused by the impairment in perception that the different parties, both external and external, have on its solvency and feasibility.

The purpose of managing operational risk and non-quantifiable risks is to formally establish the rules and policies necessary to systematically and efficiently carry out the identification, measurement, monitoring, limitation, control, information and disclosure of non-discretionary and non-quantifiable risks. Another purpose is to ensure the timely identification of the capital and resources requirements arising from these risks.

The quantitative analysis for the identification of risk concentrations by management by processes is according to ISO Standard 9001-2015.

In relation to the scope and nature of information systems and measurement of operational risks and their reports, the Institution uses the institutional system called Operational Risk Tool, to which the information of the results obtained from operational risk monitoring is incorporated, and where everything related to internal reports and regulatory reports (classifications and quantification) is managed.

The reports related to the management of operational risk (including technological and legal) are made in the CAIR through the "Risk management and monitoring report" that has at least a quarterly periodicity.

**Methodologies, limits and tolerance levels**

**Method to determine the capital requirement for operational risk**

The Institution uses the basic indicator method to calculate the capital requirement for its exposure to operational risk. The methodology is described in chapter V of Title One Bis of the General Provisions Applicable to Credit institutions (CUB) issued by the National Banking and Securities Commission (CNBV). In first place, the calculation of net income for the last 36 months is carried out by distributing them over 12-month periods and applying the following formula:

$$INA_1 = \sum_{l=t-1}^{t-1} IN_l \quad INA_2 = \sum_{l=t-1}^{t-24} IN_l \quad INA_3 = \sum_{l=t-25}^{t-36} IN_l$$

Where  $INA_1, INA_2, INA_3$  is the sum of the annual net income for each period. The capital requirement for operational risk is obtained once the annual net income is calculated, according to the following:

$$RCRO = \left[ \frac{\sum_{j=1}^3 \max (INA_j, 0)}{n} \right] * \alpha$$

Where:

RCRO = Capital requirement for operational risk

$INA_j$  = Annual net income for each one of the three periods, according to the information for the last 36 months.

n = Number of years, from the last three, in which net income was positive.

$\alpha$  = 15%

**Non-discretionary risks:**

**Operational risk**

The methodology used for operational risk management (qualitative analysis) is the Institutional Operational Risk Management, based on a self-evaluation or scorecard that considers six risk factors.

- Regulatory framework
- Transaction
- Person
- Technological aspects
- Relationship between customers and suppliers
- Information security.

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

In addition, the potential inherent risks of each process are identified, classified, and rated, based on the methodology defined by the CNBV, and the result is sent in a regulatory annual report named "Estimate of operational risk levels". Actions and/or additional controls for managing inherent risks located in quadrant nine will be defined together with the persons responsible for the process to which they belong. There are established tolerance levels for operational risks identified in the processes.

Through the application of different methodologies, the business areas and those responsible for processes identify and assess operational risks related to their processes, obtaining the following ratings:

- Inherent risk rating. This corresponds to the risk involved in the process before applying controls.
- Residual risk rating. This corresponds to the remaining risk once controls are applied over the process.
- Nature risk index. This is a rating inherent to the own activities and present before applying controls over the process.
- Operating efficiency risk index. This is the rating once controls are applied over the process.

The quantitative analysis is performed for economic loss events due to operational risk that occurred at the Institution, whose information is furnished by the owners of the processes involved. These events are classified in accordance with the methodology defined by the CNBV.

### **Technological risk**

The technological risk methodology for identifying, quantifying, and managing this risk is carried out through computer processes and it is based on five indicators:

- % of Nafin's network security for access.
- % of detection and blocking of viruses in Nafin's network.
- % of availability level for critical application services.
- % of availability level for non-critical application services.
- % of recovery of critical services according to contingency disaster drills (drill according to DRP action plan).

It is monitored monthly, and it is carried out by comparing the obtained results for each indicator and compliance for the set goal. Based on the results obtained, and in the event of noncompliance with the set goal, areas of opportunity are identified to enable the Institution to take measures according to the findings.

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

### Legal risk

There is an internal methodology for estimating the registry of potential losses in terms of legal risk, based on expectations of success or failure and based on the procedural stage in which demand is found in five bands:

- Without sufficient evidence
- High
- Moderate
- Considerable
- Low

The application of the methodology is carried out by the Litigation and Credit Legal Department; the staff identifies, quantifies and manages the legal risk. As a control of risk monitoring, the CAIR is informed at least quarterly.

The results of the potential losses are grouped, analyzed and reported, with at least a quarterly periodicity to the CAIR, by type of suits, which are the following :

- Labor nature
- Litigious portfolio
- Trust
- Commercial
- Treasury and stock trading

### Risks on the assets of the Institution

They are those derived from casualties or unforeseen external events that cannot be associated with a probability of occurrence and for which the economic losses caused can be transferred to external entities that bear risks.

Type of risk	Definition	Example
Damage	Risk of loss due to catastrophic natural events that can interrupt the operation or affect assets of the Institution.	Fire, earthquake, volcanic eruption, hurricane, among others.
External	Risk of loss caused by entities outside the Institution.	Vandalism, sit-ins, etc.

For this type of risk, monitoring is carried out considering the following criteria:

Inventory	Control measures	Economic impact
Assets	Institutional Program for Assets	Payment of premiums
Foreclosed assets	Insurance	Deductibles in the event of materialization

### Unquantifiable risks

The implemented methodologies are in accordance with the Provisions. A brief description of these is provided as follows:

- **Strategic risk:** At the Institution, the Risk Management Office manages the Institution's strategic risk through the desired risk profile by measuring, monitoring and controlling the different types of risk to which it is exposed, securing robust risk measures which allow to delimit the risk appetite of the Institution, aligned with the Institutional Strategic Plan.
- **Business risk:** In order to manage this risk, certain indicators are monitored to help identify the possible materialization of the risks that could affect the Institution.
- As a result of movements in the financial environment
- Economic cycle
- **Reputational risk.** - To manage this risk, the General Office of Institutional Communication, the General Office of Marketing and Business Positioning, and the General Office of Information Security defined an Institutional Communication Plan (the Plan).

This Plan considers addressing the minimum requirements issued by the Commission in the Provisions in matters of reputational risk.

The General Office of Institutional Communication follows up to the events that could affect the existing internal perception of the Institution, whereas the General Office of Marketing and Institutional Business Positioning follows up to the events that could affect the existing external perception of the Institution.

As a control of this risk, the CAIR is informed at least quarterly of the notes.

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

**Operational risk results**

**Results of self-assessments**

The result of the most relevant processes of the Institution in terms of its nature using the Institutional Operational Risk Methodology (MIRO) at the end of December 2022, is as follows:

Process name	Risk index by nature \*	Results
Acquisition of goods and contracting of services for Nacional Financiera, S.N.C.	2.81	Medium high risk
Internal Control	2.80	Medium high risk
Foreign exchange market	2.73	Medium high risk
Provision of general services	2.69	Medium high risk
Management of financing from foreign banks and external debt	2.67	Medium high risk
SPEI operation	2.66	Medium high risk
Labor relationships.	2.65	Medium high risk
Treasury and trading (front office)	2.65	Medium high risk
Payroll management	2.57	Medium high risk
Provision of litigation legal services and banking formalization	2.54	Medium high risk
Formalization and management of the Nafin investment portfolio	2.51	Medium high risk
Money market	2.45	Medium high risk
Management of the Automatic Guarantee Program of Nacional Financiera, S.N.C., and of the Development Bank participants. (Guarantee program)	2.43	Medium high risk
Treasury call money transactions	2.42	Medium high risk

Notes to the consolidated financial statements  
 Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
 December 31, 2022  
 (figures in millions of Mexican pesos)

---

Process name	Risk index by nature *	Results
Provision and management of the medical service	2.41	Medium high risk
Department of the Executive Board	2.40	Medium high risk
Asset control	2.40	Medium high risk
Prevention of illicit operations and financing of terrorism	2.40	Medium high risk
Direct sale of securities to the public	2.40	Medium high risk
Information and credit management record	2.37	Medium high risk
Permanent portfolio in shares and trusts	2.36	Medium high risk
Capital market	2.32	Medium high risk
Financial programming and budgeting	2.30	Medium high risk
Tax internal regulations and operation	2.30	Medium high risk
Securities Lending	2.27	Medium high risk
Investment and loan transactions	2.26	Medium high risk
Acquisition of goods and contracting of services for Nacional Financiera, S.N.C.	2.81	Medium high risk

\*/ The result of the MIRO for processes classified as operating critical processes is shown below.

The higher score, the more critical in terms of nature of the process.

NOTE: The SPEI operation, Indeval operation, Treasury and trading (front office) and Settlements and back office procedures are not included in the Quality Management System framework.

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

The result obtained at the end of year 2022 for the most relevant processes that describe the Institution's work in terms of the operating efficiency is as follows:

Process name	Risk index by operating efficiency \*	Results
Process administration and management	2.00	Medium risk
Analysis and management of financial statements and determination of the institutional profitability	2.00	Medium risk
Integration and follow-up of the programmable expense budgeted	2.00	Medium risk
Integration, processing and distribution of the data warehouse executive information	2.00	Medium risk
Promotion and sale of PyME financing programs	2.00	Medium risk
Provision and management of the medical service	1.42	Medium risk
Strategic planning and follow-up to management indicators	1.17	Medium risk
Application development	1.04	Medium risk
Quality management	1.01	Medium risk
Management and operation of the Customer Service Center	1.00	Low risk
Institutional promotion and consulting boards	1.00	Low risk
Social communication management and administration	1.00	Low risk
Formalization and management of the agency investment portfolio	0.95	Low risk
Factoring promotion	0.94	Low risk
Expenditure operation	0.89	Low risk
Loans and benefits	0.86	Low risk
Design of guarantee products	0.85	Low risk
Institutional security	0.85	Low risk
Securities Lending	0.83	Low risk
Management of electronic products	0.81	Low risk
Product development	0.81	Low risk

Process name	Risk index by operating efficiency \*	Results
Environmental and social risk management system (SARAS)	0.80	Low risk
Sustainable projects	0.80	Low risk
Business development and technical assistance	0.80	Low risk
Projects financed by International Financial Bodies (OFI), international connection and cooperation	0.79	Low risk
Corporate financing schemes for structuring of investment and stock market guarantee projects	0.79	Low risk

\*/ The result of the MIRO for processes classified as operating critical processes is shown below.

The higher score, the more critical in terms of the process operating efficiency.

NOTE: The SPEI operation, Indeval operation, Treasury and trading (front office) and Settlements and back office procedures are not included in the Quality Management System framework.

According to the CNBV methodology, at the end of the year 2022, there was no residual operational risk recorded in the red zone, that is, in quadrant nine (high frequency and impact), so the risks are within the established tolerance levels.

Notes to the consolidated financial statements  
 Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
 December 31, 2022  
 (figures in millions of Mexican pesos)

**Results of the events of economic losses**

During year 2022, 39 loss events were accounted for due to operational risk with a likely impact of \$2.75 million pesos\*

Month	Number of events	Economic impact (IE)	% IE per month	Average amount per event
Jan-22	2	0.23	8%	0.11
Feb-22	2	2.11	77%	1.06
Mar-22	2	0.00	0%	0.00
Apr-22	8	0.02	1%	0.00
May-22	12	0.24	9%	0.02
Jun-22	2	0.07	2%	0.04
Jul-22	1	0.00	0%	0.00
Aug-22	1	0.00	0%	0.00
Sep-22	2	0.00	0%	0.00
Oct-22	2	0.00	0%	0.00
Nov-22	2	0.00	0%	0.00
Dec-22	3	0.08	3%	0.03
<b>Total</b>	<b>39</b>	<b>2.75</b>	<b>100.00%</b>	<b>0.10</b>

\* Some amounts of \$0.00 can represent amounts which, divided by one million, become very small; therefore, they are not visible in the table.

Events of economic loss that were recorded by the administrative units in the Institutional accounting, as well as the events arising from operating incidents, were included in the annual report.

**Result of technological risk indicators**

During 2022, the behavior of technological risk indicators was as follows:

Indicator of technological risk	Goal	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
Security level for access to Nafinsa network	100%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Detection and blocking of viruses in Nafinsa network.	100%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Availability level of critical services	95%	99.78%	99.95%	99.91%	99.87%	99.80%	99.99%	99.97%	99.95%	99.80%	99.86%	99.86%	99.98%
Availability level for non critical services	95%	100.00%	99.97%	99.99%	100.00%	99.97%	99.98%	99.98%	100.00%	99.96%	99.98%	100.00%	99.99%
Recovery of critical services according to contingency disaster drills	85%	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	98.00%	N.A.	N.A.	N.A.

Source: Office of Information Technology

NOTES: NA= Not applicable, this is an annual indicator.

It can be observed that none of the indicators was below its goal.

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

**Result of the legal risk**

At the end of December 2022, the status of the registry of potential losses in matters of legal risk for the Institution's accounting purposes is as follows:

Registry of potential losses in matters of legal risk					
Type of lawsuit	Contingency	Provision	Provision / Contingency	Income (loss)	Income (loss) / Provision
Labor nature	88.18	62.65	71.04%	29.05	46.37%
Litigious portfolio	10.93	9.92	90.74%	0.09	0.94%
Trusts	171.11	39.93	23.34%	0.00	0.00%
Treasury and stock trading	0.00	0.00	0.00%	0.00	0.00%
<b>Total</b>	<b>270.22</b>	<b>112.49</b>	<b>41.63%</b>	<b>29.14</b>	<b>25.90%</b>

\* Figures in million pesos, valued at an exchange rate for USD of: 19.5089 and for GBP: 23.4634

Source: SIF-Data warehouse

**Results:**

1. The contingency of the labor portfolio reports an amount of \$88.18, a provision of \$62.65 and an effect in the income or loss of \$29.05.
2. The contingency of the litigious portfolio reports an amount of \$10.93, a provision of \$9.92 and an effect in the income or loss of \$0.09.
3. The contingency for trusts reports an amount of \$171.11 and a provision of \$39.93.
4. The contingency and provision of the Treasury and for stock trading report an amount of \$0 given that in October 2022, the tax authority of London, HMRC, notified the London Branch about the suspension of sanctions related to corporate taxes arising from tax reforms in 2015.

From the foregoing and based on figures at the end of December 2022, there is a contingency of about \$270.22, which showed a decrease of 2.03% in relation to the end of the previous quarter, equivalent to \$5.59. The provision amounts to \$112.49, with a decrease of 5.05% in relation to the end of the previous quarter, which is equivalent to \$5.98, with an effect in the income or loss of \$29.14 and an increase of \$2.57.

The movement in the contingency, provision and results arises mainly from the updating in the expectations of success of some lawsuits and, in some cases, of the amounts claimed according to the law, mainly in labor lawsuits, as well as from the writing off of the contingency and provision made by the Treasury and the fluctuation in the exchange rate of the previous quarter.

Notes to the consolidated financial statements  
 Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
 December 31, 2022  
 (figures in millions of Mexican pesos)

**Unquantifiable risks**

**Results of impacts to the Institution’s patrimonial assets**

In year 2022, there were no damages affecting the Institution’s patrimonial assets.

**Strategic risk**

In year 2022, the indicators defined by management for this risk have been monitored through monthly reports of the desired risk profile.

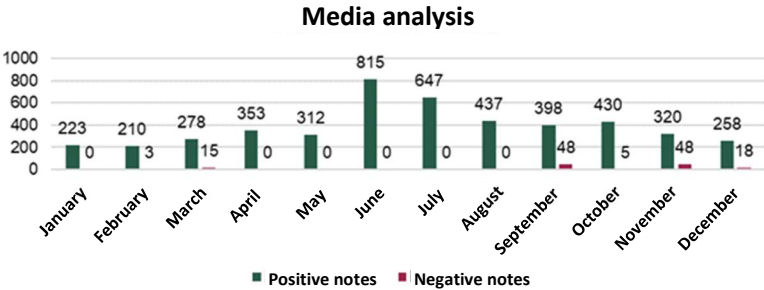
**Business risk**

In year 2022, the indicators defined by management for this risk have been monitored through monthly reports of the market risk. It should be noted that none of the set limits has been exceeded.



**Reputational risk**

During year 2022, the General Office of Marketing and Institutional Business Positioning monitored the event that could have affected the perception of the Institution, both externally and internally, on a monthly basis. Said office analyzed the positive and negative notes via printed and electronic media, Internet portals and state information. The results obtained from that monitoring are shown below:



It is important to highlight that positive notes exceed negative notes for all months, and no negative notes were observed in January, April, May, June, July and August.

Notes to the consolidated financial statements  
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
December 31, 2022  
(figures in millions of Mexican pesos)

**Leverage ratio**

The information related to leverage is disclosed with figures as of December 2022, in compliance with the Resolution that modifies the General Provisions Applicable to Lending Institutions, published in the Official Gazette of the Federation on June 22, 2016, article 2 Bis 120, articles 180, 181 and Exhibit 1-O Bis:

**TABLE I.1  
STANDARDIZED DISCLOSURE FORMAT FOR THE LEVERAGE RATIO**

REFERENCE	CATEGORY	AMOUNT
<b>Exposures in the balance sheet</b>		
1	On-balance sheet items ( excluding derivative financial instruments and repurchase and securities lending transactions -SFT, for its acronym in English- but including the collateral pledged and recorded in the balance sheet)	486,641
2	(Amounts of assets deducted to determine the Basel III Tier 1 capital)	- 5,309
3	<b>On-balance sheet exposures (net) (excluding derivative financial instruments and SFT, sum of lines 1 and 2).</b>	<b>481,332</b>
<b>Exposures to derivative financial instruments</b>		
4	Current replacement cost associated with all derivatives transactions (net of eligible cash variation margin)	-
5	Amounts of additional factors for potential future exposure associated with all derivatives transactions	2,088
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	N.A.
7	(Deductions of account receivables for cash variation margin provided in derivatives transactions)	-
8	(Exposure due to derivatives transactions on behalf of customers, in which the settlement partner does not grant its guarantee in the event of breach of the obligations of the Central Counterparty)	N.A.
9	Adjusted effective notional amount of written credit derivatives	N.A.
10	(Offsetting made to the adjusted notional cash of the written credit derivatives and deductions of the additional factors for written credit derivatives)	N.A.
11	<b>Total derivative exposures (sum of lines 4 to 10)</b>	<b>2,088</b>
<b>Securities financing transaction exposures</b>		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	62,224
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	- 62,224
14	Counterparty credit risk exposure for SFT assets	138
15	Exposures to SFT transactions as agent	-
16	<b>Total securities financing transaction exposures (sum of lines 12 to 15)</b>	<b>138</b>
<b>Other off-balance sheet exposures</b>		
17	Off-balance sheet exposure (gross notional amount)	218,243
18	(Adjustments for conversion to credit equivalent amounts)	- 196,419
19	<b>Off-balance sheet items (sum of lines 17 and 18)</b>	<b>21,824</b>
<b>Total capital and exposures</b>		
20	Tier 1 capital	26,391
21	<b>Total exposures (sum of lines 3, 11, 16 and 19)</b>	<b>505,382</b>
<b>Leverage ratio</b>		
22	Basel III leverage ratio	5.22%

Notes to the consolidated financial statements  
 Nacional Financiera, S.N.C., Institución de Banca de Desarrollo and Subsidiaries  
 December 31, 2022  
 (figures in millions of Mexican pesos)

**TABLE II.1**  
**COMPARISON OF TOTAL ASSETS AND ADJUSTED ASSETS**

REFERENCE	DESCRIPCION	AMOUNT
1	Total assets	563,687
2	Adjustment for investments in the capital of banking, financial, insurance or commercial entities that are consolidated for accounting purposes, but are outside the scope of regulatory consolidation.	- 5,309
3	Adjustment related to trust assets recognized in the balance sheet in accordance with the accounting framework, but excluded from the leverage ratio exposure measure.	N.A.
4	Adjustment for derivatives.	- 12,733
5	Adjustment for repurchase/resell agreements and securities lending transactions.	- 62,086
6	Adjustment for items recognized in memorandum accounts.	21,824
7	Other adjustments	-
8	<b>Leverage ratio exposure measure</b>	<b>505,382</b>

**TABLE III.1**  
**RECONCILIATION OF TOTAL ASSETS AND ON-BALANCE SHEET EXPOSURE**

REFERENCE	CONCEPT	AMOUNT
1	Total assets	563,687
2	Derivative financial instruments transactions	- 14,821
3	Repurchase/resell and security lending transactions	- 62,224
4	Trust assets recognized in the balance sheet in accordance with the accounting framework, but excluded from the leverage ratio exposure measure.	N.A.
5	<b>On-balance sheet exposures</b>	<b>486,641</b>

**TABLE IV.1**  
**MAIN CAUSES OF THE MAJOR VARIATIONS OF THE ELEMENTS (NUMERATOR AND DENOMINATOR) OF LEVERAGE RATIO**

CONCEPT/QUARTER	Sep 22	Dec 22	VARIATION (%)
Basic capital	29,003	26,391	-9.0%
Adjusted assets	508,803	505,382	-0.7%
<b>Leverage ratio</b>	<b>5.70%</b>	<b>5.22%</b>	<b>-8.4%</b>

## Notes to the consolidated financial statements

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

December 31, 2022

(figures in millions of Mexican pesos)

---

### 27. REGULATORY PRONOUNCEMENTS RECENTLY ISSUED

#### *Improvements to the 2023 MFRS*

The CINIF issued the document called “Improvements to 2023 Mexican FRS”, which contains the following changes and improvements which, are applicable to the Credit Institutions either in accordance with the Accounting Criteria A-2 “Applications of particular standards” of the current Accounting Criteria or will be applicable as from year 2023.

#### *Improvements that generate accounting changes*

MFRS B-11 Disposal of long-lived assets and discontinued operations

MFRS C-11 Stockholders’ equity

Long-lived assets held to be distributed to the owners, that is, which will be used to pay dividends or capital reimbursements, are valued at the lower of their net book value and their fair value less costs of disposal in terms of MFRS B-11 “Disposal of long-lived assets and discontinued operations”. In addition, in the event of dividends and reimbursement, the MFRS C-11 Stockholders’ equity establishes the bases for recognition of a liability upon declaration of dividends, with the requirement of affecting the retained earnings; however, MFRS B-11 had failed to clarify which should be the accounting recognition in the event of a difference between the liability and the value of such long-lived assets. Therefore, this improvement makes adjustments to MFRS B-11 to establish that such difference should also affect the retained earnings, to require disclosure of certain information on these transactions and to include in the bases for conclusions the analysis performed about the mentioned amendments. In addition, as a result of the amendments to MFRS B-11, some adaptations to MFRS C-11 are made to keep consistency. The previous recognition does not coincide with the provisions in the International Financial Reporting Standards, so an introductory paragraph is also added to the section Convergence of the International Financial Reporting Standards (IFRS) describing and supporting the difference.

MFRS B-11 Disposal of long-lived assets and discontinued operations – This MFRS B-11 coincides almost fully with the International Financial Reporting Standards (IFRS), specially with IFRS 5, Non-current Assets Held for Sale and Discontinuous Operations, except for what it is set forth in paragraphs IN13, IN14, IN15, 41.4, 60.7, 80.2, BC10, BC11, BC12, BC13, BC14.

#### *Improvements that do not generate accounting changes*

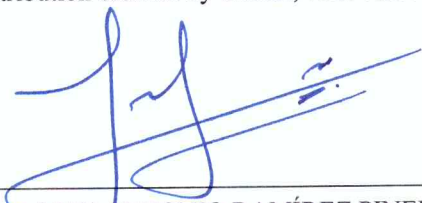
MFRS B-10 Effects of the inflation – As a result of the comments received regarding certain confusion generated by the reference in the MFRS B-10, Effects of inflation, to the annual average of inflation of 8% to consider that the economic environment is inflationary, when what should actually be considered is whether the cumulative inflation of the previous three-year period is equal to or greater than 26%, it was decided to eliminate such reference and modify the paragraphs in which it is mentioned. When MFRS B-10 was issued, the mention to 8% was included as it was the annual average to determine the 26% accumulated over three years.

MFRS C-2 Investment in financial instruments – An introductory paragraph was added to indicate the difference between the MFRS C-2, Investment in financial instruments, and the International Financial Reporting Standard (IFRS) 9, Financial Instruments, regarding the initial valuation of an investment in financial instruments when the fair value is significantly different from the price of the consideration and such fair value is not based on observable data.

**28. SUBSEQUENT EVENTS TO THE REPORTING DATE**

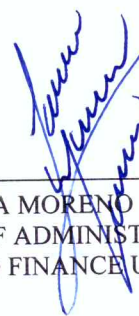
As a result of the suit for payment through a commercial enforcement procedure in relation to a borrower due to default of its loan, through resolution E 1-290822, the Board of Directors of Nacional Financiera, S.N.C., I.B.D., taking into account the favorable recommendations of the Internal Credit Committee and the Executive Credit Committee, as well as after having the Litigation and Credit Legal Department (DJCC) previously performed the analysis of the legal validity of the case, authorized the payment in kind of 10 real estate properties in the amount of \$2,221. From said properties, as of December 31, 2022, the first of these properties, with value of \$501, was obtained. It is expected to obtain the remaining 9 properties in year 2023, with value of \$1,720.

On February 3, 2023, the payment with one of the properties from the 9 ones in process of distribution ordered by a court, was replaced by cash in an amount of \$80. Thus there are still 8 properties in process of distribution ordered by a court, with value of \$1,640.



---

LUIS ANTONIO RAMÍREZ PINEDA  
CHIEF EXECUTIVE OFFICER



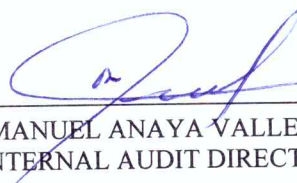
---

PAULINA MORENO GARCÍA  
HEAD OF ADMINISTRATION  
AND FINANCE UNIT



---

RAÚL MARTÍNEZ MORÁN  
ACCOUNTING AND BUDGET DIRECTOR



---

MANUEL ANAYA VALLEJO  
INTERNAL AUDIT DIRECTOR

# ANNEX C

## DIRECTORY OF REGIONAL AND OVERSEAS OFFICES

### CENTRAL REGIONAL DIRECTORATE

Insurgentes Sur No. 1971, Torre 4, Piso 11  
Col. Guadalupe Inn  
Alcaldía Álvaro Obregón  
C.P. 01020  
Ciudad de México

#### POSITION

Central Regional Director  
Eduardo Gonzalo Herrera Galicia  
egherrera@nafin.gob.mx  
Tel: 55 5325 6000 Ext.6132

### NORTHEAST REGIONAL DIRECTORATE

Abasolo 233, Esq. con Jiménez Sur  
Col. Centro  
C.P. 27000  
Torreón, Coahuila

#### POSITION

Northeast Regional Director  
Rafael Reyes Pérez Ocaña  
rrperez@nafin.gob.mx  
Tel: 55 5325 6000 Ext. 1301

### NORTHWEST REGIONAL DIRECTORATE

Paseo de los Héroes 10289, Piso 8  
Zona Urbana Río Tijuana  
C.P. 22010  
Tijuana, B.C.

#### POSITION

Northwest Regional Director  
Fernando de la Rosa Medina  
fdelarosa@nafin.gob.mx  
Tel.: 55 5325 6000 Ext. 1411

### WESTERN REGIONAL DIRECTORATE

Av. Rubén Darío 1109, Int. 5-A  
Col. Providencia  
C.P. 44620  
Guadalajara, Jal.

#### POSITION

Western Regional Director  
Martín Maisterra Vaca  
mmaisterra@nafin.gob.mx  
Tel: 55 5325 6000 Ext. 5501

## SOUTH REGIONAL DIRECTORATE

Plaza Luxus Altabrisa  
 Piso 7. Calle 20 No. 235, oficina 714  
 Col. Altabrisa  
 C.P. 97130  
 Mérida, Yucatán

### POSITION

South Regional Director

Adrián Plata Monroy

aplata@nafin.gob.mx

Tel: 55 5325 6000 Ext. 2202

## LONDON BRANCH

London Branch  
 19th Floor, 100 Bishopsgate,  
 London EC2M 1GT

### POSITION

Interim General Manager

Eloina de la Rosa Arana

edelarosa@nafin.gob.mx

Calling from Mexico City:  
 55 5325 6000 Ext. 6378

Calling from abroad  
 +52 55 5325 6378



**nacional financiera**

ANNUAL  
REPORT

---

**2022**