



ANNUAL REPORT

Bank Deposit Insurance

2020



MEXICO



ANNUAL REPORT

Bank Deposit Insurance

MEXICO | 2020

Content



Message from the Undersecretary for Finance and Public Credit	4
Message from the Executive Secretary	6
Chapter 1: Executive Summary	9
Chapter 2: About IPAB	13
Mission, Vision and Values.....	14
IPAB's Staff.....	15
Organic Structure.....	17
Governing Board.....	18
Executive team.....	19
Chapter 3: Macroeconomic and financial environment	23
Chapter 4: Analysis, early detection and timely intervention	35
Banking system monitoring.....	35
Resolution plans.....	37
Banking resolution simulations.....	40
On-site inspection visits.....	41
Sanctions.....	43
Chapter 5: Banking Resolution Management of Banco Ahorro Famsa	45
Background.....	45
Comprehensive analysis of the financial and operating situation.....	47
Control takeover.....	49
Payout to depositors.....	53
Attention to Account Holders.....	57
Communication activities to the public.....	59
Scope and impact of the communication strategy.....	64
Liquidation and sale of assets.....	65
Judicial liquidation.....	66
Chapter 6: Timely Intervention and Banking Resolutions Management	71
Resolution of financial institutions.....	71
Liquidation and bankruptcy procedure.....	71
Assets recovery.....	73
Chapter 7: Financial Resources Management	75
Fees paid by commercial banks.....	76
Bank Savings Protection Fund.....	77
Covered deposits and Account Holders.....	78
Coverage level adequacy.....	79
Debt management by IPAB.....	82
Credit ratings.....	88
Transparency and accountability.....	89
External audits.....	90
Financial statements.....	90
Chapter 8: Information and Disclosure Activities	93
Promotion of inclusion and financial education.....	93
National Financial Education Week.....	95
"IPAB at your School" Program.....	96
Other disclosure activities.....	97
Chapter 9: IPAB at the Forefront	99
International affairs activities.....	99
Research and studies.....	102
Compliance with the institutional strategy.....	103
Institutional risks.....	105
Financial risks.....	106
Risk management and internal control.....	106
Institutional Program 2020 – 2024.....	107
Annexes	108
Acronyms and abbreviations.....	108
Creative concept.....	111

Gabriel Yorio González



**Message from
the Undersecretary
for Finance
and Public Credit**

In its first 21 years, the Institute for the Protection of Bank Savings (IPAB) has established itself as an organism that contributes to the stability of the Mexican financial system. Through the management of the bank deposit insurance system, IPAB protects small and medium-size depositors who have their assets in the Mexican banking system. IPAB helps to generate confidence and certainty to the Mexican families in the Mexican financial system.

The Federal Government, through the Ministry of Finance and Public Credit (SHCP), aims to promote a stable financial system and inclusive economic growth. For this, we promote an inclusive and sustainable economic recovery; we also guarantee access to financial products and services, especially for historically underserved groups such as women, the rural population or young people, and we promote financial education, especially on issues related to the financial health of users of savings and credit products.

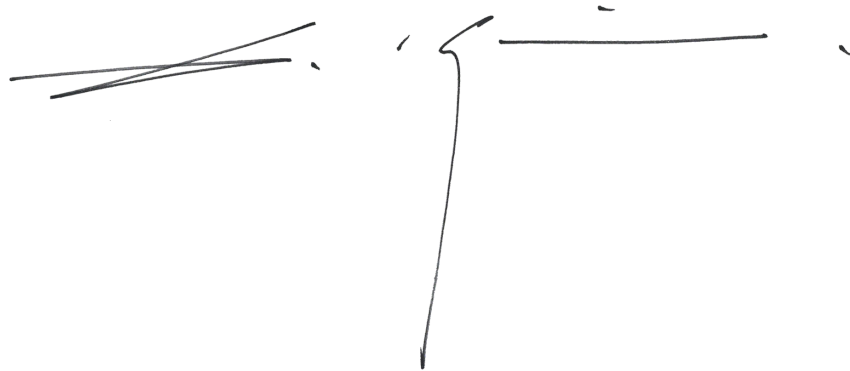
As part of the efforts to achieve these objectives, this report discloses the benefits and scope of the bank deposit insurance system managed by IPAB.

In 2020, financial institutions such as IPAB responded and adapted to the demands posed by the COVID-19 contingency. At IPAB, they implemented in timely manner a technological transformation, changed their operating processes, and promoted the use of digital media with high cybersecurity and risk management standards.

In this scenario and faced with the implementation of a banking resolution procedure, IPAB acted quickly, timely, and efficiently. In particular, it developed several preventive tools and procedures that allowed users to immediately dispose access of their savings without putting their health at risk.

Through the actions implemented in coordination with the Ministry of Finance and Public Credit, the Central Bank, the National Banking and Securities Commission, and the National Commission for the Protection and Defense of Financial Services Users, IPAB reiterated to small and medium-size depositors and to society as a whole its firm commitment as guarantor of the assets of bank depositors in Mexico by executing a bank resolution quickly, in an orderly manner and without the need for public resources.

The growth of formal savings works as a catalyst for the development of the financial system of a country, an hence it is essential a deposit insurance system in place that provides security and certainty. To this regard, IPAB will continue adopting the best international practices in the field of deposit insurance and implementing forefront strategies to contribute to the stability of the banking system and the safeguard of the national payment systems.

A handwritten signature in black ink, consisting of several overlapping horizontal strokes on the left and a vertical stroke extending downwards from the center, with a horizontal stroke extending to the right.

MPP. GABRIEL YORIO GONZÁLEZ
Undersecretary of Finance and Public Credit

Message from the Executive Secretary



During 2020, the SARS-CoV-2 virus caused one of the most complex public health events in the world. In Mexico, the pandemic affected the health of the population, and limited their mobility and the continuity of economic activities, reducing the economic income of Mexican companies and families.

The banking sector experienced an adverse financial situation, in which users faced the closure of the economy and, therefore, in some cases, the lack or reduction of their income. In response, federal and local authorities implemented several actions and measures aimed at meeting the population's priority needs.

Such events put the economy and banking stability at risk. For this reason, it is necessary to have a bank deposit insurance system to guarantee the assets of Mexican citizens. Such insurance makes it possible to preserve the availability of resources and to meet financial commitments.

In this context, in mid-2020, the National Banking and Securities Commission revoked Banco Ahorro Famsa's authorization to operate as a commercial bank, due to the complex financial situation of its operations. As a result, IPAB immediately implemented a payout procedure

of covered deposits, complying with official health regulations and the preventive measures implemented against the disease caused by the SARS-CoV-2 virus.

The payout procedure was developed under special conditions to avoid people crowding at the bank branches. For this purpose, the Institute applied a modern and effective payout system, through the commercial bank with the largest network of branches in the country, using technological tools and considering the financial profile of depositors.

These actions enabled depositors to have an immediate and effective access to their savings, as well as maintaining liquidity to meet their economic needs, pay family expenses and cover unforeseen events.

To preserve the security of the payout procedure, IPAB enabled a web platform on its institutional website to process and validate the depositor's data and authorize the respective payout. At the end of 2020, 114,997 account-holders received their deposits, which amounted to MXN 24,131 million.

In order to provide confidence in the payout of covered deposits, a communication strategy was implemented to provide timely information on the process, the payout web platform, the payout methods and the bank's situation.

In addition to giving priority attention to the bank resolution procedure, IPAB continued with its institutional work, including on-site inspection visits, development of resolution plans, monitoring and analysis of financial institutions, financial liaison activities, and the follow-up of legal litigation procedures, using information and communication technologies.

Likewise, in order to strengthen the bank savings protection system, act in a timely and efficient manner in bank resolutions, and effectively manage financial resources and refinancing, IPAB developed the institutional program 2020-2024¹ aligned with the National Development Plan 2019-2024 and the National Development Financing Program 2020-2024.

The effective fulfillment of IPAB's objectives and goals was possible by the timely development of the activities of the Institute's staff, given the prevailing public health conditions and this resolution of the bank.

The commitment and professionalism of IPAB's staff guarantee good institutional performance, which generates society's trust in the Institute, provides security for savings, protects the assets of small and medium-sized depositors and strengthens the Mexican banking system.

I am deeply grateful to the entire IPAB's team for the efforts and dedication in performing their duties in complex health circumstances. Thus, I invite the Institute's staff and the general public to learn about the details of IPAB's activities and its results in 2020 through this annual report.



CPA. GABRIEL A. LIMÓN GONZÁLEZ

Executive Secretary



¹ Pending approval by the Ministry of Finance and subsequent publication in *the Federal Official Gazette*.



1

As member of the financial safety net, the Institute for the Protection of Bank Savings (IPAB or Institute) manages the deposit insurance system –free, automatic, and limited– for bank depositors in Mexico, and designs and implements the appropriate strategies to act in a timely manner in the event that a bank faces solvency problems, resolving them at the least possible cost and avoiding the use of public resources.

The “synchronized slowdown” that, according to the International Monetary Fund, the global economy experienced since 2019, turned into a worldwide recession because of the COVID-19 pandemic. To mitigate the effects of the crisis at the national level, during 2020 the Mexican financial authorities implemented several regulatory and financial measures aimed to guarantee sufficient liquidity and maintain economic stability, both in the real sector and in the financial system.

These measures made it possible to protect the solvency of the banking system, which recorded a Capital Adequacy Ratio (CAR) that stood at a level of 17.7% at the end of 2020, above the regulatory minimum of 8%, and even higher than the 15.98% obtained in 2019.

Executive summary



IPAB's monitoring and supervision efforts were stricter during 2020, in light of the uncertainty generated by the pandemic. During this year, IPAB continuously and specifically monitored the financial and operating condition of banks in Mexico, using information systems and analysis tools that allowed a prospective and timely diagnosis of the liquidity and solvency of the institutions.

IPAB developed 12 resolution plans for the same number of commercial banks (CB) operating in Mexico during 2020, totaling 46 of them. Thus, this tool reaches 90% of the institutions that comprise the Mexican banking system.

The Institute was able to adapt to an unprecedented remote work through the use of new technologies, it carried out nine on-site inspection visits to verify the proper compliance with regulations on the classification of banking operations and the payment of fees to IPAB. Although these on-site inspection visits were carried out in person during the first three months of the year, we gradually migrated to a mixed scheme, in which we tried to carry out as many activities as possible virtually.

In the context of the pandemic and its economic aftermath, on June 30, 2020, the National Banking and Securities Commission (CNBV) revoked Banco Ahorro Famsa's (BAF) authorization to operate as a commercial bank due to several irregularities, so on July 2nd, IPAB initiated a complex bank resolution method, based on the payout of covered deposits (PCD) of more than 630 thousand depositors of that bank in Mexico and abroad.

The Institute advanced towards the judicial liquidation procedure in a short period of time, providing timely information through several means on the procedure and institutional activities for the attention of depositors, borrowers and the payout of covered deposits.

Compliance with this institutional obligation implied that the Bank Savings Protection Fund (Fund or FPAB) presented an annual decrease 27.1% in nominal terms, due to the application of resources for the reimbursement of Banco Ahorro Famsa's depositors, in the amount of MXN 24,732 million.



Mitigating effects

The measures implemented by the authorities in 2020 **sought to ensure sufficient liquidity and maintain stability.**

The fees contributed by banks recorded an annual increase of 14.2% in nominal terms. Thus, the Bank Savings Protection Fund showed a balance of MXN 40,700 million at the end of 2020, to which will be added the net amount from the sale of the assets of the bank in liquidation.

The strategy implemented for the sustainable management of the debt assumed by IPAB maintained the reduction in the balance of liabilities in real terms, based on the application of its own resources and budgetary resources. At the end of 2020, the Institute's net liabilities totaled MXN 903,300 million, registering a nominal decrease in its balance for the first time since 2004. Due to the economic contraction of 8.5% during 2020, in real terms the net debt of the Institute represented 3.6% of the estimated Gross Domestic Product (GDP), showing a slight annual increase of 0.20 pp.

In 2020, IPAB maintained collaborative relationships with similar deposit insurance and bank resolution agencies and provided technical assistance to several deposit insurers. It also conducted research to identify recent trends and best practices in its area of expertise.

During 2020, the amendment of IPAB's Organic Statute (Organic Statute) was published, which updates its administrative structure, streamlines its operation and ensures a better compliance with the legal powers conferred upon it by the Bank Savings Protection Law (BSPL) and the Credit Institutions Law (CIL).

In accordance with its Mission and Vision, and based on international best practices, during 2020 IPAB consolidated its position as an effective deposit insurance administrator, contributing to the stability and development of the Mexican financial system, strengthening the confidence of the depositors.



2

IPAB

PAB was established in 1999 with the entry into force of the Bank Savings Protection Law. The purpose of the Institute is to:

- To Manage the deposit insurance system –automatic, free of charge, and limited– to guarantee the assets of small and medium-sized depositors, in the event of the revocation of the authorization to operate as a commercial bank, which allows society to have confidence in the financial system, and
- Design and implement the appropriate and timely strategies to act if a commercial bank faces solvency problems, resolving it at the least possible cost for the society and minimizing the use of public resources.

The deposit insurance system managed by IPAB is free of charge and does not require depositors to carry out any formalities to enjoy the protection. Such guarantee covers deposits of up to 400,000 investment units (UDIS), equivalent to MXN 2'642,238.80².



² At the end of 2020.

About IPAB



ABOUT IPAB

IPAB plays a fundamental role as a member of the Mexican Financial Safety Net, acting in coordination with the Ministry of Finance and Public Credit (SHCP), the National Banking and Securities Commission (CNBV), and the Central Bank (BANXICO) in the implementation of several actions to maintain the stability of the financial system.

As part of the financial safety net, IPAB safeguards the assets of Mexicans who have entrusted their savings to private banks.



Mission, Vision, and Values

IPAB's mission is "To guarantee bank deposits, mainly of small and medium-sized depositors, and to resolve banks with solvency problems at the least possible cost, contributing to the stability of the financial system and the safeguarding the national payments system."

Its vision is "To be acknowledged as a trust-worthy institution, as a leader, and promoter of the best practices and international standards in the field of Deposit Insurance."

To fulfill its mission and vision, IPAB has three main goals:

1. Strengthen the bank savings protection system;
2. Act effectively and efficiently in bank resolutions, and
3. Effectively manage financial resources and refinancing of its financial legacy debt.



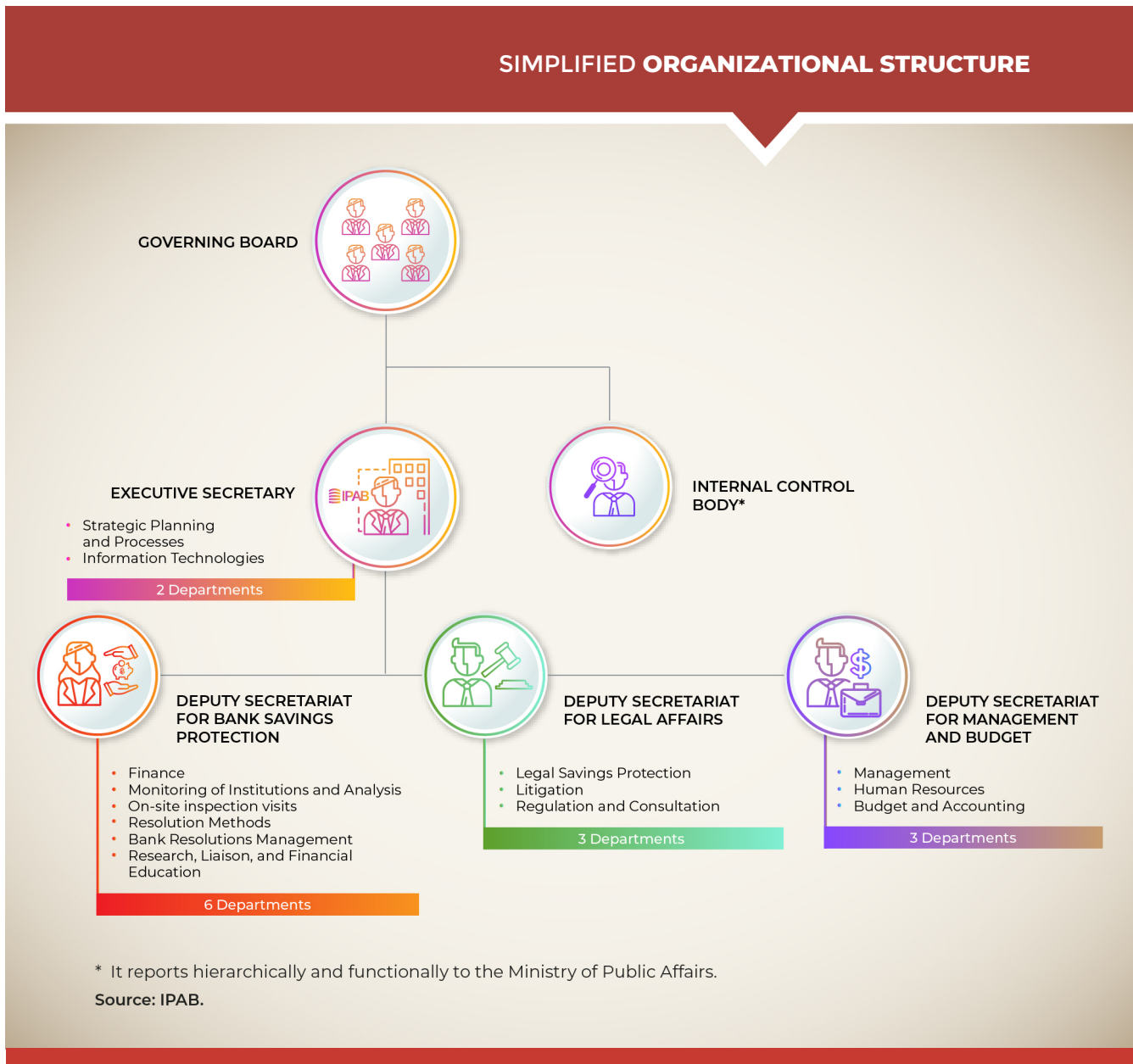
IPAB's Staff³

Based on the austerity measures implemented by the Federal Government since 2019. During 2020 IPAB reorganized and issued a legal amendment to its Organic Statute, which ensured the continuity of the legal powers conferred in the BSPL



³ Information of IPAB's organic structure in force at the end of the 2020 financial year, in accordance with the legal amendment of the *Institute's Organic Statute* published in the Federal Official Gazette on October 6, 2020.

and the CIL. Thus, at the end of the year, the Institute maintained the following simplified organizational structure:



Adapting to a remote work environment, the Institute modified its processes to continue performing its functions through a telework scheme, placing the health and safety of its staff above all else. Using new technologies, effective planning, organization and coordination measures were established to promote work from home.



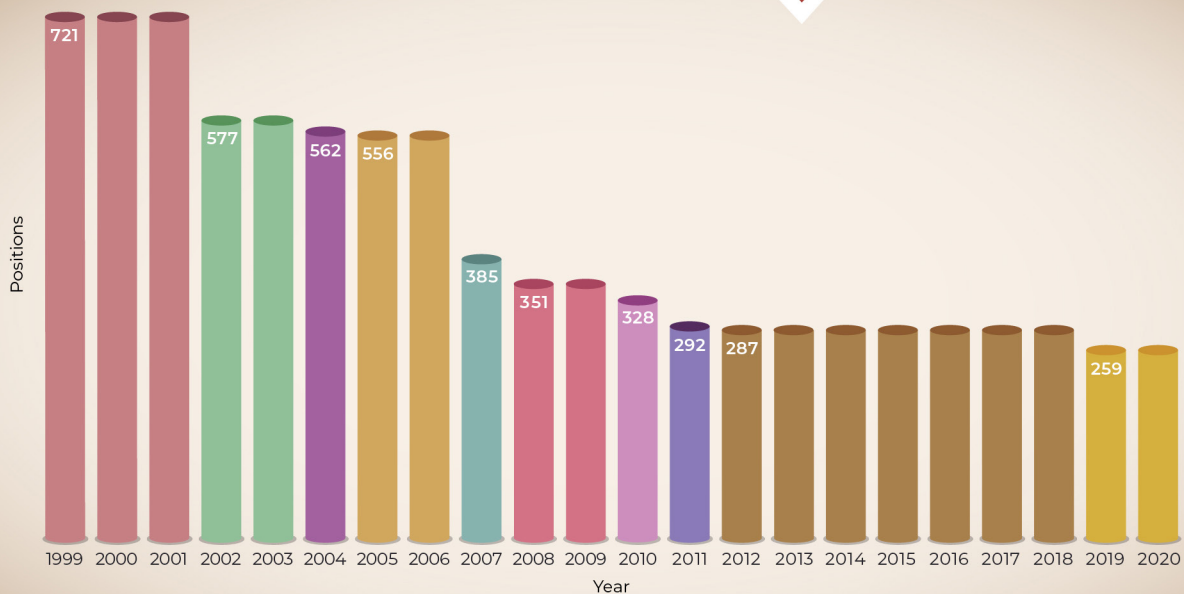
Institutional strength

The **commitment and professionalism** of its personnel guarantee the good performance of IPAB.

Organic Structure

The Institute’s organic structure is comprised of 259 authorized positions. This structure has shown a gradual reduction of 64% compared to the one approved at the beginning of its operations in 1999.

AUTHORIZED STAFF POSITIONS



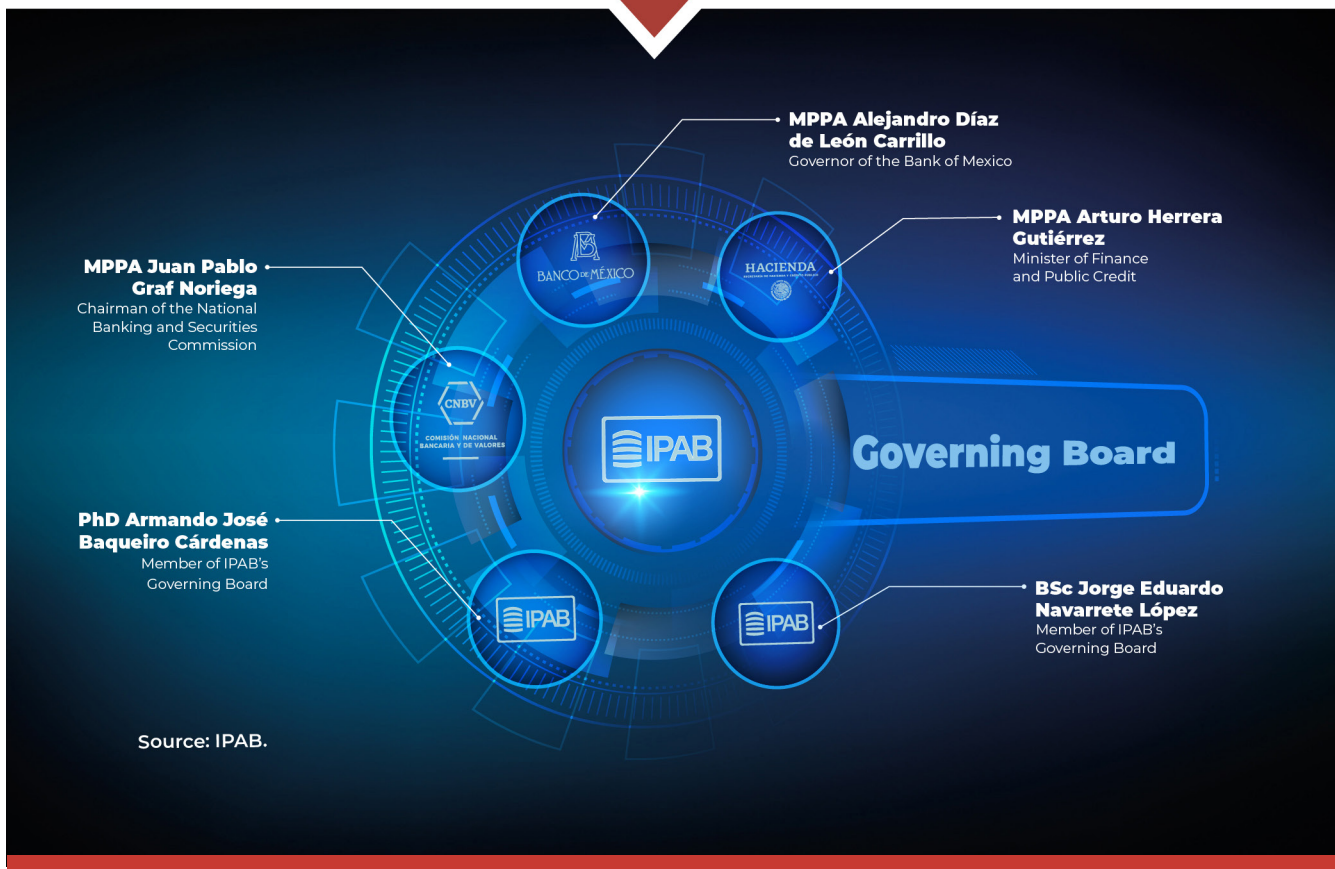
Source: IPAB.

In accordance with the inclusion and gender equity policies, the Institute’s staff is comprised of 57% men and 43% women.

Governing Board

IPAB's Governing Board is the highest body of the Institute. It is comprised of seven independent members: the Minister of the SHCP, the Governor of Banco de México, the Chairman of the CNBV, and four members appointed by the President of Mexico. At the end of 2020, the Governing Board was comprised as follows:

IPAB'S GOVERNING BOARD





Executive team

Gabriel Á. Limón González Executive Secretary

Under the BSPL, the Executive Secretary (ES) is responsible of managing the Institute, with the support of the administrative structure determined by the Governing Board.

The ES has the legal power to manage the Institute, i.e., he is in charge of protecting the operations of the small and medium-sized depositors through the savings protection system and contributes to the stability of the financial system and safeguards the national payments system, through the resolution of banks with solvency problems at the least possible cost.

For that purpose, the ES has the broadest legal powers to execute domain acts, management, lawsuits and collections, and to perform any type of judicial, extra-judicial and administrative acts, without prejudice to the expressly delegated powers by the Governing Board. Likewise, he legally represents the Institute and may grant, substitute, and revoke general or special powers to IPAB's staff.

The ES proposes who will act as legal representatives to perform the roles of conservators and liquidators or judicial liquidators. Likewise, he must comply with and enforce the resolutions adopted by IPAB's Governing Board, and submit to its consideration and, if applicable, approval of the matters and reports, including those on the exercise of his powers.

María Isabel García Guadarrama **Deputy Secretary for Bank Savings Protection**

The Deputy Secretary for Bank Savings Protection (DSBSP) has the authority to submit the Executive Secretary issues related to the fees payable by the commercial banks, the disposal of these funds collected, and the subscription of debt instruments, contracts, and instruments through which direct or contingent liabilities are generated for IPAB or serve to refinance its financial obligations.

Under the CIL and the BSPL, the DSBSP may exercise actions related to the appointment of conservators of Financial Institutions and review and propose the determination of the resolution method or the liquidation operations of the banks. In connection with such activities, she proposes the appointments of the liquidating attorneys-in-fact or judicial liquidators. Likewise, the DSBSP participates in the acts for requesting the judicial liquidation of a commercial bank and represents the Institute in its relations with public and private international organizations.

Luis Maldonado Marquínez **Deputy Secretary for Legal Affairs**

The Deputy Secretary for Legal Affairs (DSLAs) has the legal powers to provide technical legal support to the ES, and the administrative units of the Institute, participating in coordination with the DSBSP to determine the resolution method or the liquidation operations of Banking Institutions, as well as in those cases in which the request for judicial liquidation is appropriate.

The DSLA is the legal representative of the Institute in any legal controversy and likewise represents the Members of the Governing Board, the ES and the



public officials of the Institute before all the authorities. He also participates in the review of draft law initiatives, regulations, Organic Statutes, and other general provisions under the Institute's jurisdiction, as well as in the coordination of handling requests for information and personal data and compliance with transparency duties.

Miguel Cuevas Reza

Deputy Secretary for Management and Budget

The Deputy Secretary for Management and Budget (DSMB) is responsible for planning and conducting the Institute's staff, material resources, and general services management policies, executing the acts related to the labor relations of the Institute, leading the application of the Professional Career Service, and complying with the applicable provisions on remuneration, social security and taxes, related to the Institute's staff.

The DSMB has the legal power for submitting to the ES the budget project of the Institute's, as well as participating in programming, budgeting and budget assessment activities. He coordinates the activities of acquisition, leasing and services, internal control, modernization, innovation, training and staff development.

3



Macroeconomic and financial environment

2020 was an unprecedented year. A worldwide economic recession was triggered by the COVID-19 pandemic, which negatively impacted global economic activity.

As a result of this event, the world economy experienced a downward economic trajectory due to commercial and financial tensions. The health crisis caused a simultaneous shock to aggregate supply and demand, which caused a 3.5% decline in global economic activity in 2020⁴.

Economic and financial variables registered downward movements, and 2020 was characterized by high volatility in the financial markets. The response of central banks and the tax policy of the governments of each country contributed, amidst the uncertainty to a rebound in the economies in the second half of the year. One of the determining factors in the incipient recovery was the availability of vaccines to combat the SARS-CoV-2 virus and its application in the world population, especially in advanced economies. The health and economic crises accentuated inequalities and gaps between the latter and developing countries.



⁴ IMF. *World Economic Outlook*. Update January 2021.

Although the Mexican economy showed a downward trend since the third quarter of 2018, the health crisis increased the recessionary effect, propitiating a fall of 8.5% in Gross Domestic Product during 2020. The sectoral behavior in the year was marked by a 10.2% reduction in secondary activities, mainly due to the decline in manufacturing in the second quarter of 2020. Similarly, tertiary activities which include services, fell 7.9% in the year. In contrast, primary activities grew 2.0%, demonstrating the resilience of Mexico's agricultural sector⁵.



The global economy experienced a downward trajectory as a result of trade and financial tensions.

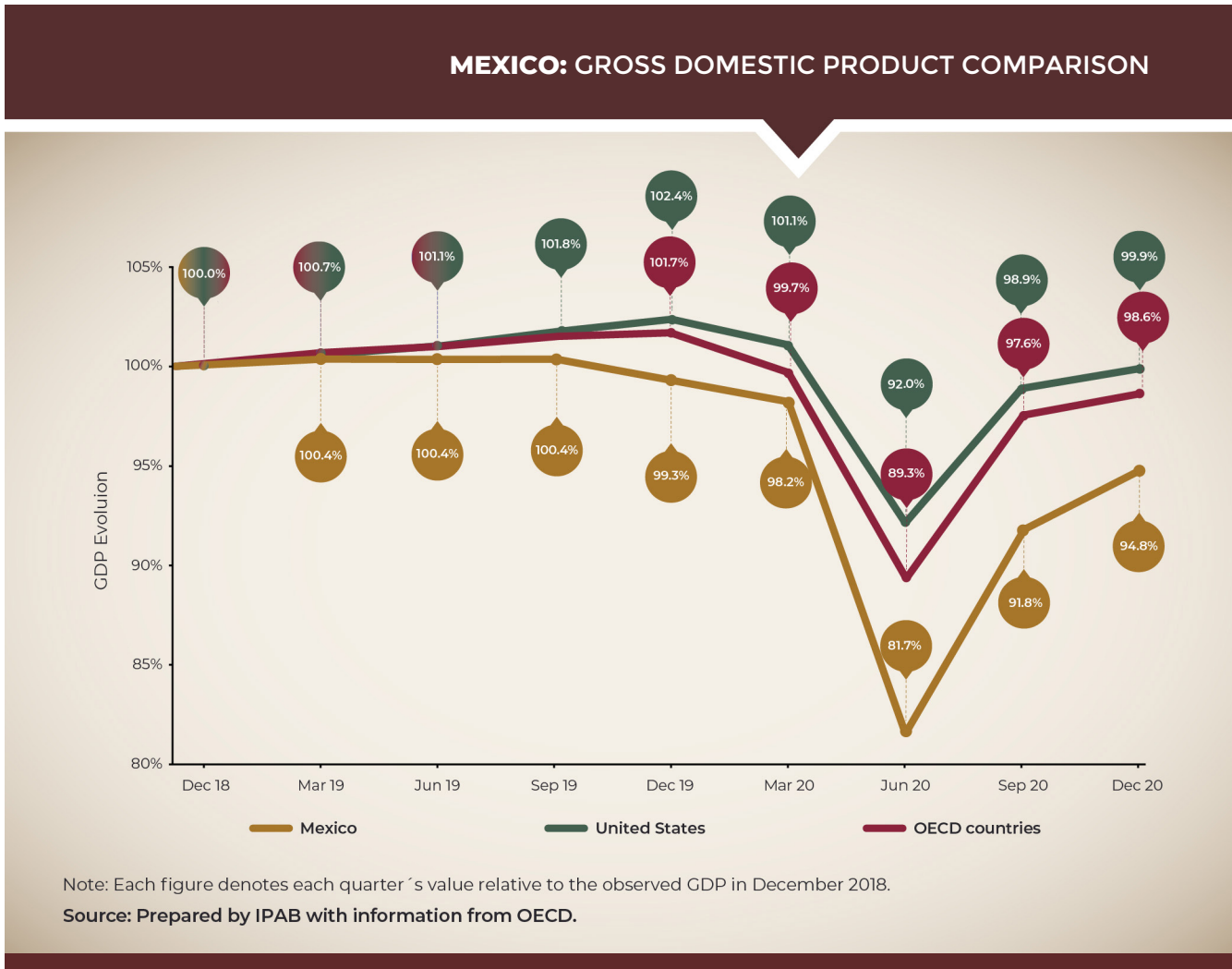
In Mexico and the United States of America (USA), the economy showed a sharp decline in the second quarter of 2020: The Mexican economy was the most impacted, with a reduction of 17.0%.

In the second quarter, the USA recorded a contraction of 7.06%. Its economy showed greater dynamism in its recovery, with annualized growth of 33.4% and 4.1% in the third and fourth quarters of 2020, respectively⁶. As shown in the graph, in the last quarter of the year, the United States practically recovered the level of production observed at the end of 2018, while Mexico and the member countries of the Organization for Economic Co-operation and Development (OECD) recovered 94.8% and 98.6%, respectively.



⁵ INEGI. Gross Domestic Product of Mexico. Update February 2021.

⁶ US Bureau of Economic Analysis. US Gross Domestic Product of the. Update February 2021.



However, this sector recorded a drop in the monthly indicator of industrial activity of 29.9%, its lowest level in April 2020, and then showed a recovery driven by manufacturing and the beginning of the recovery of industrial activity in the world⁷. Industrial activity fell 3.2% in the year, with information as of December 2020.

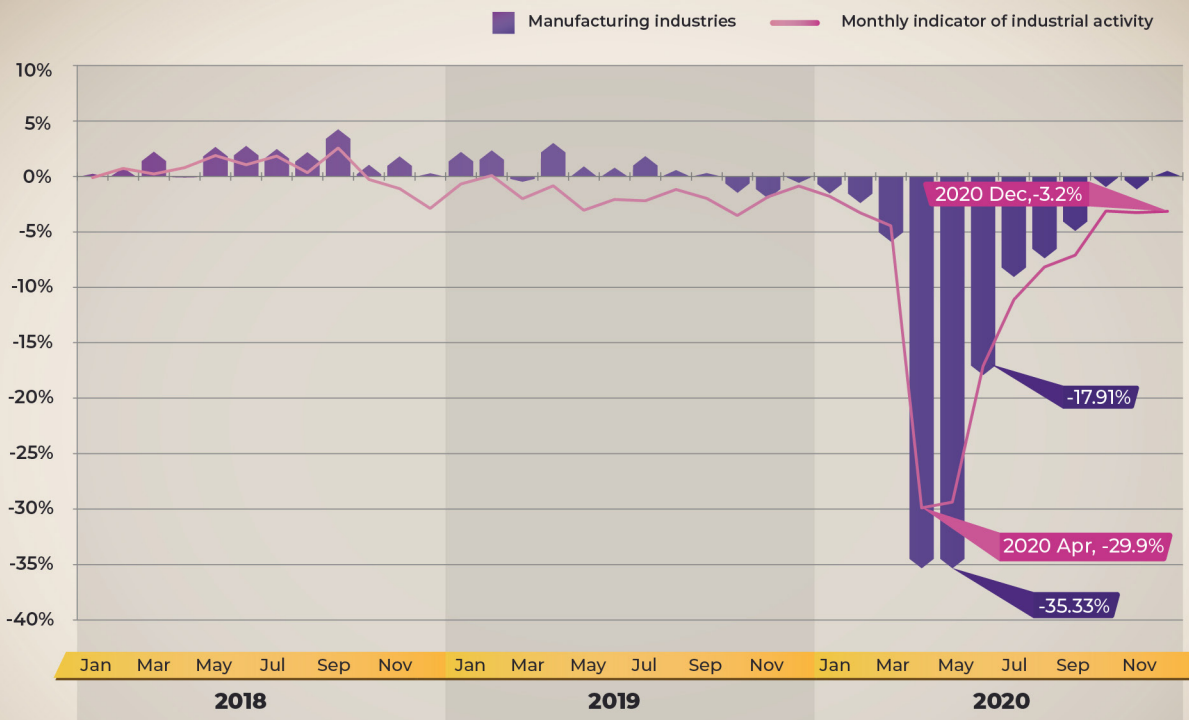
Mexico has capitalized its strategic position as part of the USA supply chains, which reduced the impact caused by the health crisis, resulting in a historical trade surplus of US \$ 34.476 billion at the end of 2020⁸.



⁷ INEGI. Monthly Indicator of Industrial Activity. Update March 2021.

⁸ INEGI. Trade Balance. Update March 2021.

MEXICO: MONTHLY CHANGE IN INDUSTRIAL ACTIVITY



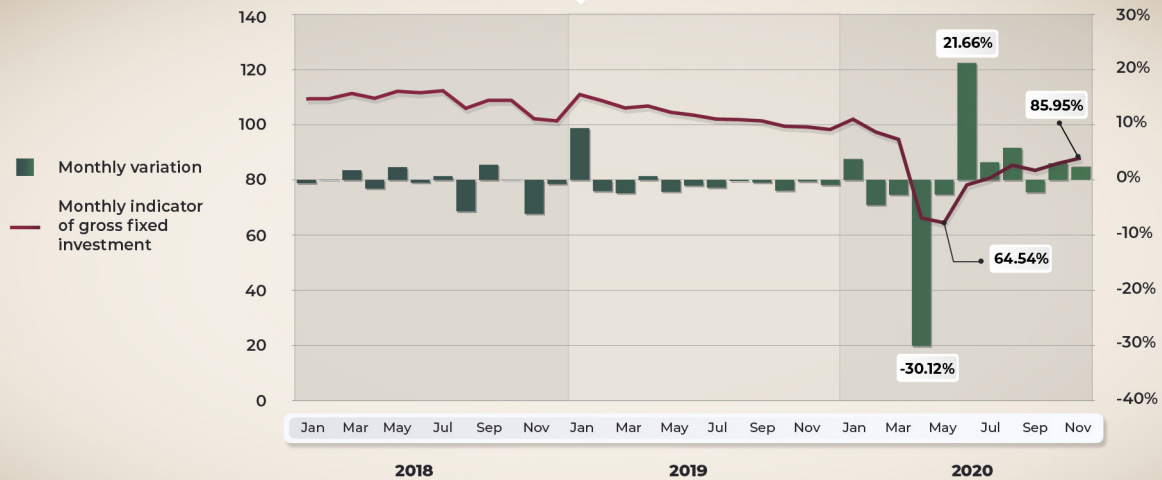
Note: Each observation shows the annual variation with respect to the same month of the previous year.
 Source: Prepared by IPAB with information from INEGI.

The Gross fixed investment continued the negative trend observed since the second half of 2018. As of December 2020, it recorded a 12.9% drop compared to the same month of the previous year. However, as the other economic variables, it showed a rebound from the minimum levels observed in April 2020. Investment in machinery and equipment fell 11.5%, while the construction sector had a reduction of 14.2%. Investment in transportation equipment was the most notable, with a 32.6% decrease as of December 2020⁹.



⁹ INEGI. Monthly indicator of Gross Fixed Investment in Mexico. Update March 2021.

MEXICO: MONTHLY CHANGE IN GROSS FIXED INVESTMENT



Note: Monthly variations are shown with respect to the immediately preceding month.
 Source: Prepared by IPAB with information from INEGI.

During 2020, inflation in Mexico remained very close to the Banco de México's target (3% ± 1%), standing at 3.15% at the end of the year. Its non-core component, which includes the behaviour of the prices of some agricultural and energy products, did not rise higher than 4.5%, and even registered levels below 1% at the end of the year.

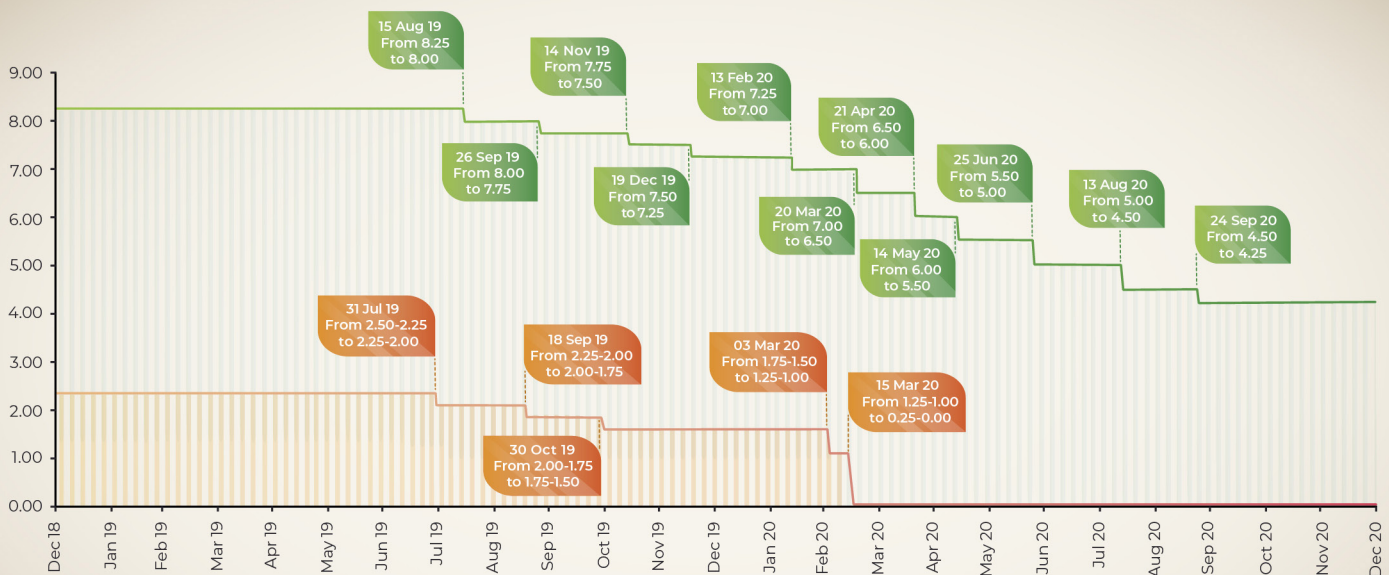
MEXICO: INFLATION TRAJECTORY



Source: Prepared by IPAB with information from INEGI. Monthly observations refer to the change in the price index for each month versus the previous year.

The moderate behavior of the inflation allowed Banco de México to implement cuts in the interest reference rate for 300 bps during 2020, a similar move to those used by the U.S. Federal Reserve Board. The latter lowered its rate by 150 bps in the same period, as a counter-cyclical response to the adverse shock to the US economy.

CHANGES IN BANXICO AND U.S. FEDERAL RESERVE BOARD REFERENCE RATES



Note: In the case of the U.S. Federal Reserve Board's target rate, the average value between the high and low ranges established by the central bank is presented.

Source: Prepared by IPAB with information from Banxico and the U.S. Federal Reserve Board.

Banco de México implemented additional measures to support liquidity and access to financing for up to MXN 800,000 million and USD 90 billion, as follows¹⁰:

- The amount of the programs to support liquidity provision measures was MXN 350,000 million, which included the decrease in the monetary



¹⁰ Banco de México. *Financial Stability Report*. Update December 2020.



regulation deposit, the increase in the government securities repo and temporary exchange of guarantees, as well as the corporate securities repo corporate facility.

- Measures aimed at encouraging orderly behavior in financial markets, which included the swap of government securities, MXN 100,000 million were foreseen.
- For the foreign exchange hedging program and the use of the swap line with the U.S. Federal Reserve Board, USD 90 billion dollars were contemplated.
- Finally, up to MXN 350,000 million were offered to strengthen credit granting channels.

The Mexican financial authorities made several modifications to their calendars for financial instruments placement and implemented swaps of financial instruments.

With regard to the tax policy in Mexico, during 2020, direct transfers of 0.7% of GDP were made to contain the adverse effects of the pandemic, as well as complementary measures for 1.2% of GDP related to loans and contingent support measures¹¹.

In terms of public finances, in 2020, the SHCP reported a deficit of 2.9% of GDP. Likewise, the total debt or Historical Balance of Public Sector Financial Requirements increased 7.7 points of GDP, closing at 52.2%¹².

The Mexican peso depreciated 5.3% against the US dollar in 2020, closing at MXN 19.90 per US dollar. Throughout the year, the Mexican peso-dollar exchange rate price showed high volatility as a consequence of the global perception of risk due to the health crisis and the currency's exposure to expectations about Latin America and its response to the pandemic¹³.

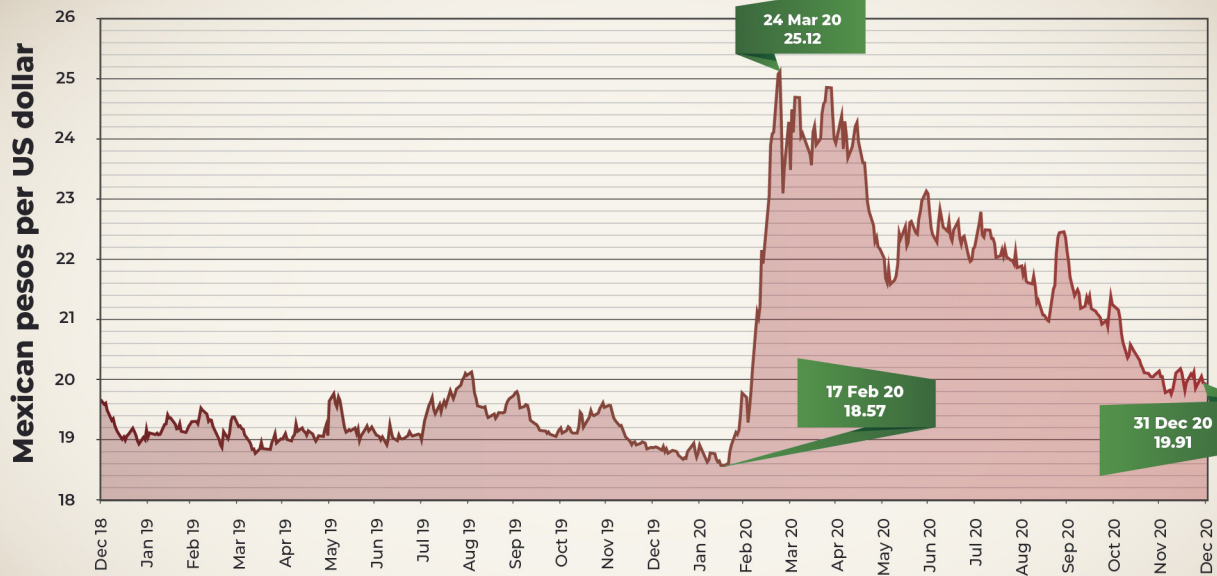


¹¹ IMF. *Policy Responses to COVID-19*. Update March 2021.

¹² SHCP. *Report on the economic situation, public finances and public debt*. Fourth quarter of 2020.

¹³ Banco de México. *FIX exchange rate*. Update December 2020.

MEXICO: EVOLUTION OF THE MEXICAN PESO - US DOLLAR EXCHANGE RATE IN 2019 AND 2020



Source: Prepared by IPAB using the FIX exchange rate published by Banxico.

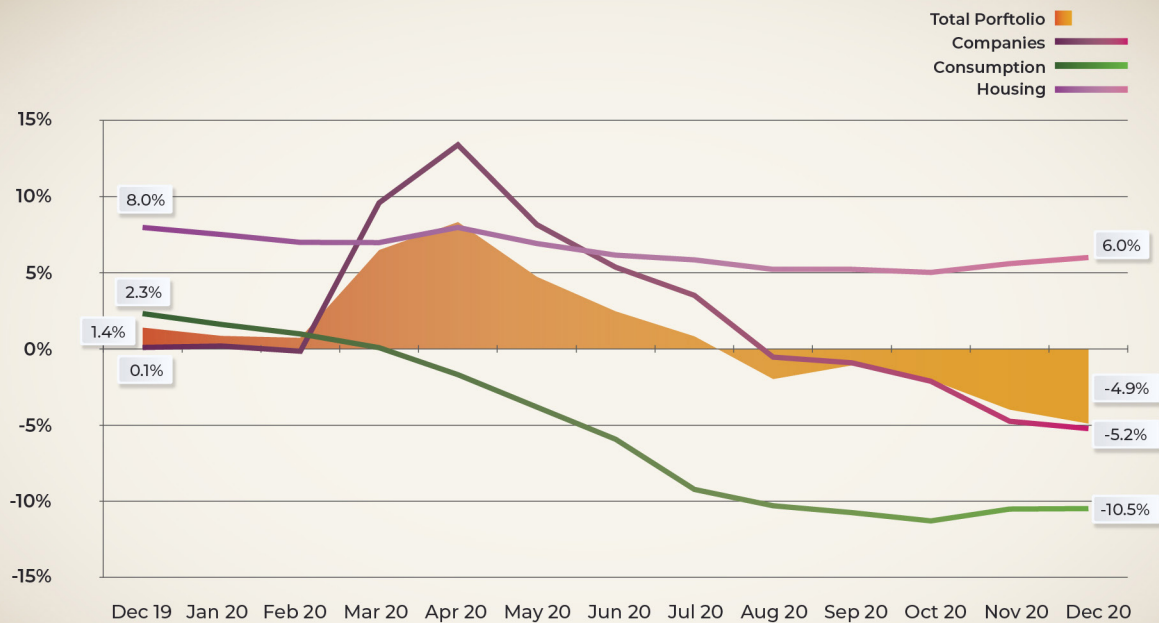
The banking system ended 2020 with 50 institutions in operation and one more pending to start operations, after Banco Ahorro Famsa's authorization to operate as an CB was revoked.

The loan portfolio -the main asset of the bank- showed a deceleration towards the end of 2020, with a negative real growth rate of 4.9%, closing 2019 with an increase of 1.4%. Such behavior was caused by reductions in the consumer portfolio, which decreased 10.5%, and corporate which contracted 5.2% during the year.

Conversely, housing credit managed to maintain its growth during 2020, although with a downward trend, registering a real growth rate of 6.0% at the end of the period, at a level 2.0 pp lower than that observed in 2019.



MEXICO: REAL GROWTH OF THE LOAN PORTFOLIO



Source: IPAB, with information from CNBV.

Although banks faced different challenges derived from the uncertainty and restrictions caused by the pandemic, the support measures and recommendations issued by SHCP, CNBV, and Banco de México contributed to preserve the stability of the financial system.

Some of the extraordinary measures were specifically aimed to benefit the depositors, for example, by deferring the payment of loans hired with banks.

The measures, facilities and recommendations implemented by the financial authorities specifically aimed to the banking sector about regulation, solvency and liquidity were as follows:

- Postponement of the entry into force of international standard regulations and other prudential provisions contained in the Single Rule Book.

These include: the IFRS 9 accounting standard, the Total loss-absorbing capacity (TLAC) standard and the international standard known as Large Exposures, which limits banks' exposures to their counterparties or groups of counterparties.

- To strengthen capital, among other measures, the suspension of dividend payments and share repurchases was recommended; measures related to the computation of reserves and credit risk requirements were implemented to encourage and allow banks to restructure the loans of customers who request it.
- Exceptions to the Liquidity Provisions¹⁴ were issued, including temporary exceptions to some of the corrective measures set in the regulation, exceptions for the selection of liquid assets and facilities for the calculation of liquidity reserves. These measures favored the efficient management of banks' resources.



¹⁴ General Provisions on Liquidity Requirements for Commercial Banks.

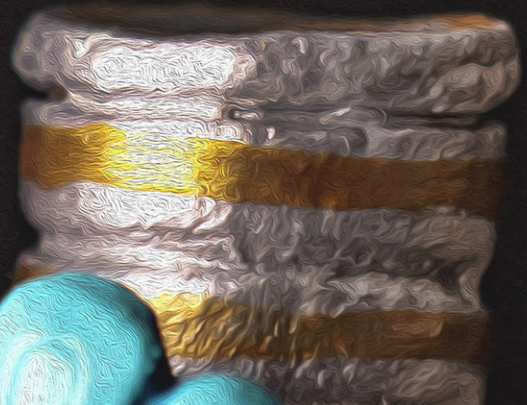


As a result of the measures listed above, the banks' non-performing loan portfolio (IMOR) with a rate of 2.56% at the end of the year, only 0.36 pp higher than the observed at the end of 2019. Likewise, the solvency was strengthened, as the Capital Adequacy Ratio was above the regulatory minimum, reaching 17.70%, higher than the 15.98% observed in 2019.

Banks responded to the uncertainty in a prudent manner by creating additional credit reserves, which pressured on their profits and profitability levels, but strengthened their loss-absorbing capacity to face the upcoming impacts of the pandemic. The return on equity (ROE) of commercial banks closed the year at 8.93%, a profitability indicator lower than 15.47% observed in 2019.



4



Banking system monitoring

In an environment of global health crisis caused by the COVID-19 disease, IPAB intensified the quantity and quality of the monitoring of the financial and operational condition of commercial banks in operation.

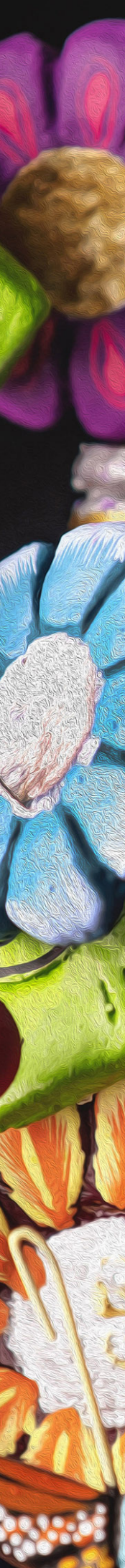
For this reason, the Institute, through various tools and analysis systems¹⁵ designed to evaluate the liquidity and solvency of banks, analyzes in a homogeneous manner the detailed information on the financial and operating condition of each commercial bank, allowing the timely issuance of automated reports, and the operation of an early warning system based on an updated estimate of the risk of default and a prospective diagnosis of such institutions.

This monitoring exercise enables the Institute to provide timely intervention, in its capacity as bank deposit insurer and bank resolution authority, which translates into stability for the operation of the Mexican banking system.

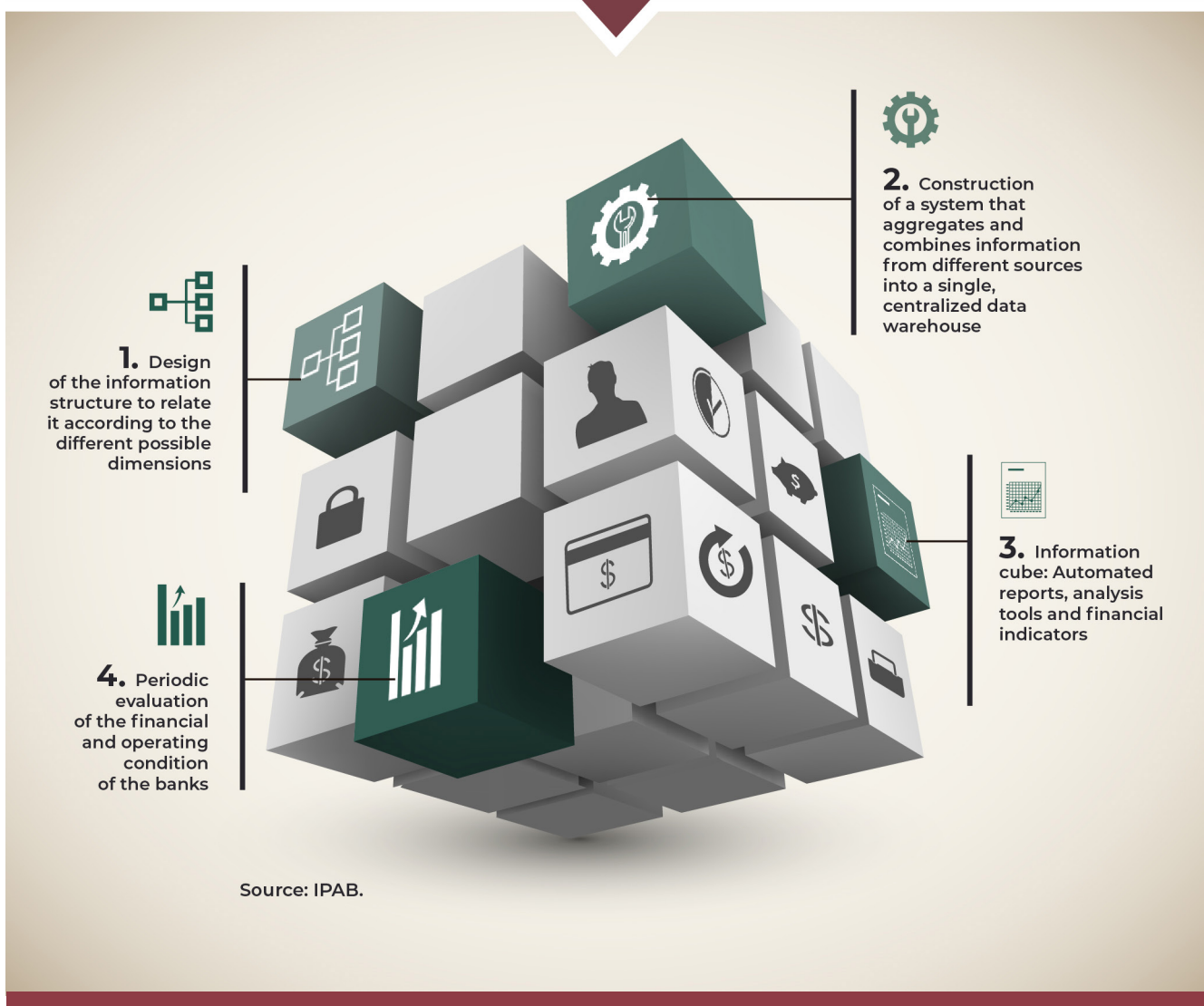


¹⁵ Since 2011, the Institute implemented a technological platform that allows it to efficiently manage of the information that banks periodically submit to the CNBV and BANXICO, which is shared with IPAB for analysis.

Analysis, early detection and timely intervention



**PROCESS FOR MONITORING THE FINANCIAL AND OPERATING
CONDITION OF THE BANKING SYSTEM**



As a member of the financial safety net and in accordance with international best practices, IPAB participates in the assessment of recovery plans developed by the banks.

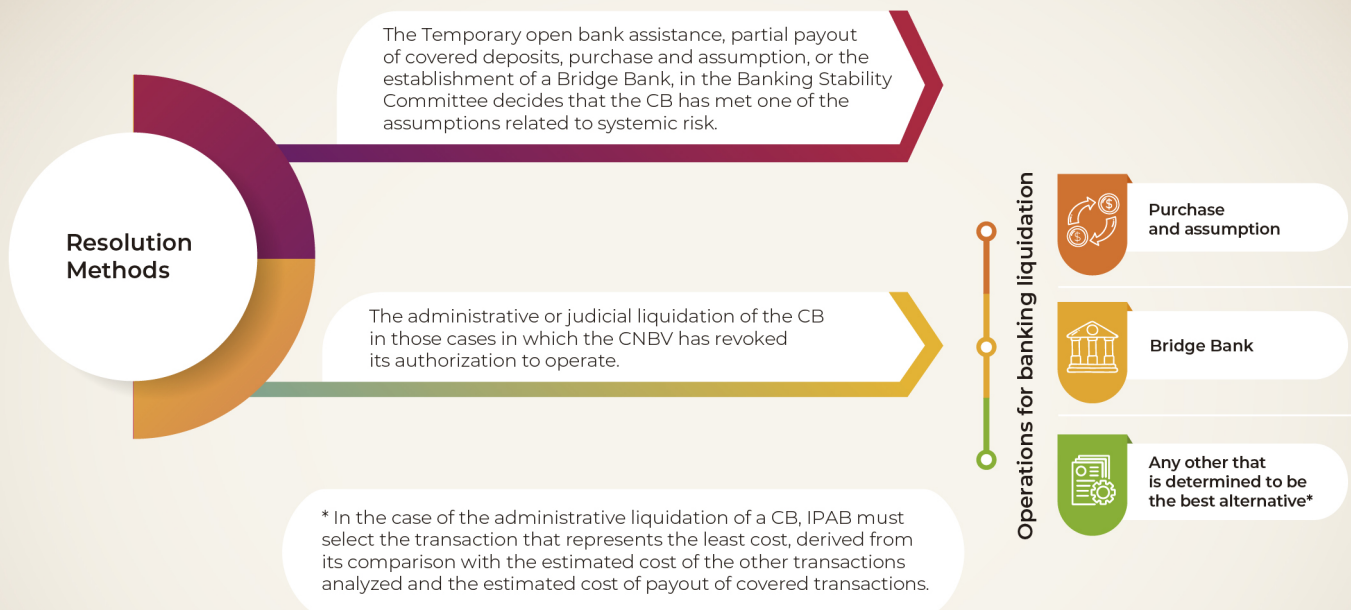
The plans mentioned above, incorporate the recovery strategies and actions that allow banks the resilience required for their finances to face adverse scenarios that affect their solvency and liquidity. These plans are periodically updated by the banks, in order to identify changes in their operation and updated market conditions.



Resolution plans

To act in a timely manner if any bank has problems that affect its financial stability and solvency, IPAB develops and updates the procedures to design bank resolution strategies based on the least cost for society and to determine, where appropriate, the way out of a bank from the financial system in an efficient and orderly manner, in coordination with other financial authorities.

RESOLUTION METHODS



Source: Prepared by IPAB, with information from Article 148 of the CIL.

The resolution plans contain an analysis of the institution's operational and financial structure; a description of its business model and divisions; a mapping of relevant interconnections with other entities; the identification of its critical functions and the services necessary for its development.

OBJECTIVES OF RESOLUTION PLANS



Source: IPAB.

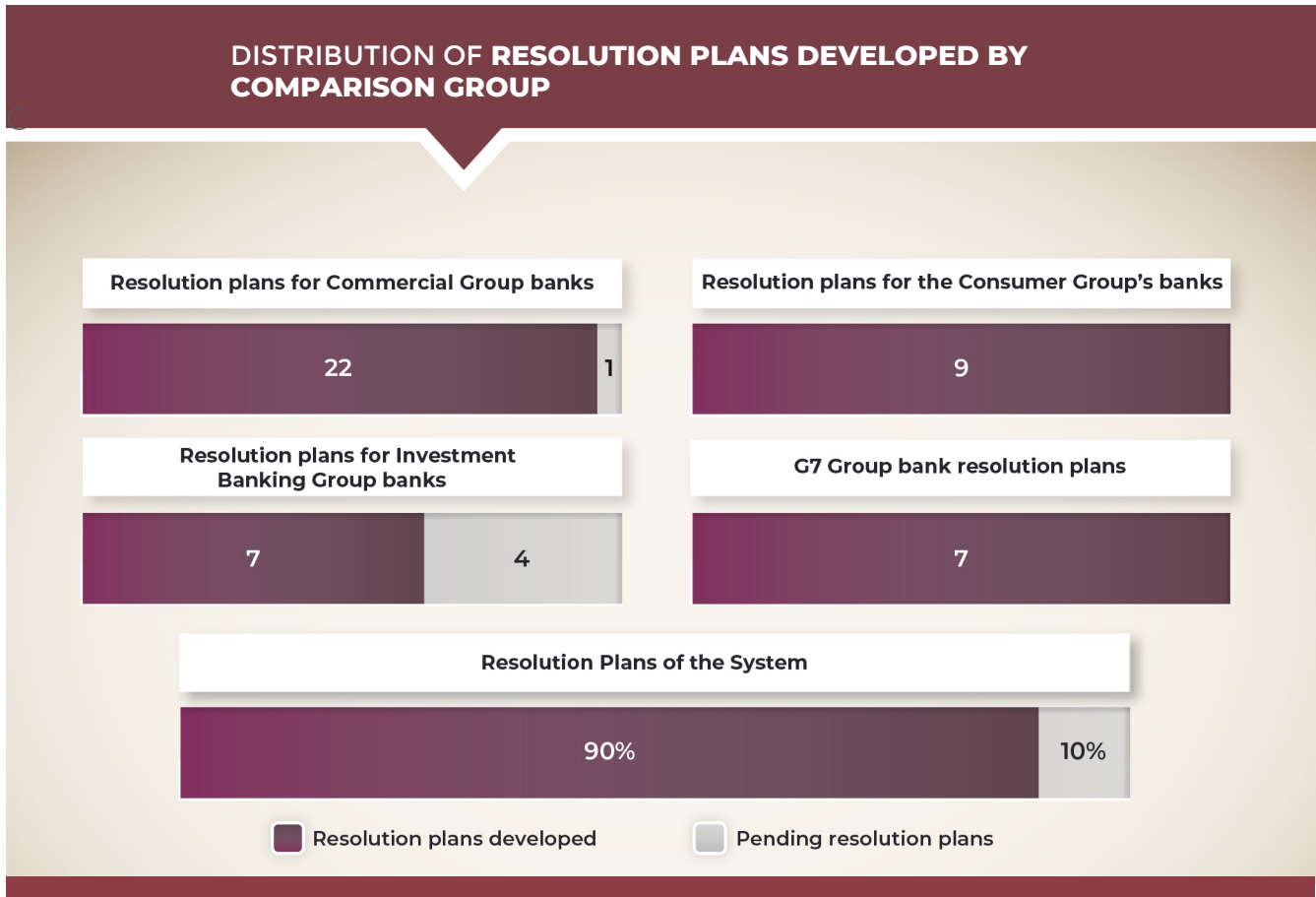
During 2020, IPAB developed 12 resolution plans bringing a total of 46 of these documents; this represents that 90% of the commercial banks operating in the Mexican banking system have a resolution plan¹⁶.



¹⁶ As a result of the revocation of Banco Ahorro Famsa's authorization to operate as a commercial bank, the Mexican banking system was comprised of 50 commercial banks at the end of 2020. To date, 46 Resolution Plans have been developed for 45 commercial banks in operation and one in the process of liquidation.



DISTRIBUTION OF RESOLUTION PLANS DEVELOPED BY COMPARISON GROUP



Prepared for an eventuality

Resolution plans consider strategies that involve the least cost.

The remaining resolution plans are expected to be developed during 2021¹⁷.

In the event of a situation that jeopardizes the viability and operation of any commercial bank, the resolution plans provide a first reference to support a real situation.



¹⁷ Although a resolution plan for Deutsche Bank Mexico, has not been developed to date, it is not expected to be developed because it is in the process of exiting the Mexican market.



In 2021, some of the previously developed resolution plans will be updated, starting with two domestic systemically important banks. The updates will eliminate, to the extent possible, barriers or obstacles identified in the previously developed plans.

Banking resolution simulations

To act in a timely and efficient manner in the event of a possible bank resolution, deposit insurers conduct simulations that allow them to evaluate resolution procedures in advance of real conditions.

Since 2011, IPAB has been conducting bank resolution simulations to strengthen the processes and anticipate its action in the event of a possible banking contingency.

In 2020, the experience derived from these anticipatory exercises allowed IPAB to solvently face a real situation. Its actions were aimed at resolving the situation through the payout of covered deposits through an agent bank to the depositors of Banco Ahorro Famsa, when the latter went into a liquidation process.

The execution of these activities later made it possible, the following events:

- i.** Describe and evaluate the activities performed in an event related to the payout of covered deposits;
- ii.** Evaluate the effectiveness and efficiency of IPAB's response to a bank resolution scenario in accordance with the applicable regulations and operating procedures, and
- iii.** Detection of areas of opportunity in bank resolution procedures, with respect to the method of payout resolution and updating of current procedures.



On-site inspection visits

An important part of IPAB's supervisory activities consists of carrying out on-site inspection visits to the Institutions to verify compliance with the applicable regulations:



Supervision

IPAB is legally empowered to conduct on-site inspection visits to commercial banks in order to verify the compliance with regulations.

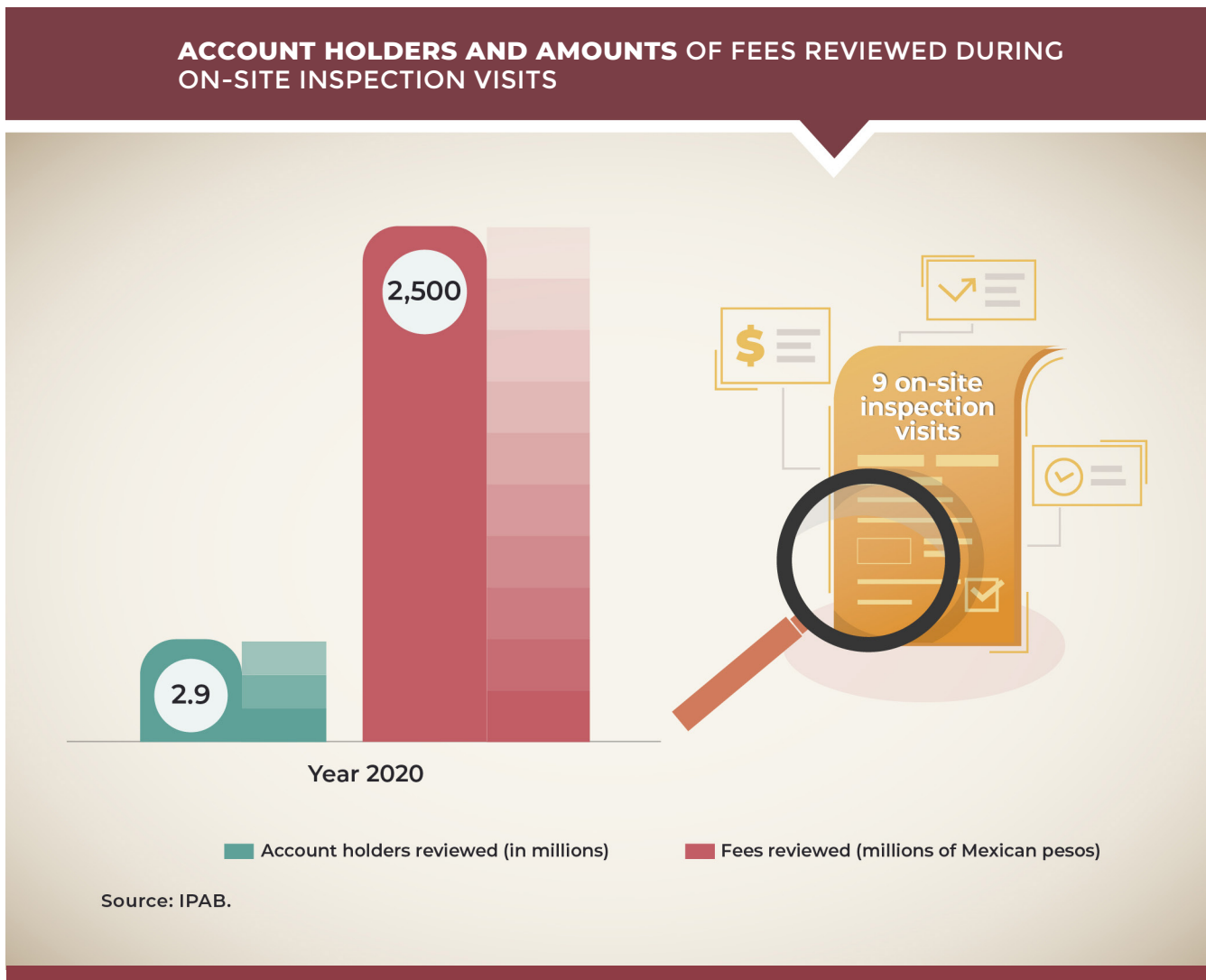
- The correct classification of asset and liability transactions, with respect to covered deposits by IPAB¹⁸, and
- Verification of the estimates made to determine the amount of the monthly fees from the Commercial Banks to the Bank Savings Protection Fund.



¹⁸ According to the General Rules to which Commercial Banks must abide to classify the information related to asset and liability transactions referred to in Article 124 of the Credit Institutions Law.

As a result of Banco Ahorro Famsa’s liquidation procedure and the payout of covered deposits, the on-site inspection visits scheduled for the second half of 2020 were suspended, in order to attend instead to the activities related to this process.

Therefore, during 2020, nine on-site inspection visits were carried out, in which information on 2.9 million covered account holders by IPAB and an approximate amount of fees of MXN 2,500 million were reviewed with selective tests.



In 2020, five procedures were notified for non-compliance with the applicable regulation; two for the correct classification of asset and liability transactions; and three for the calculation of fees.



Sanctions

Pursuant to IPAB's legal powers, in 2020 15 administrative sanctioning procedures were initiated; 13 were resolved, which meant an extraordinary income to the treasury of MXN 2.8 million for the collection of fines imposed by the Institute.

The main causes of infringement were:

- Failure to pay fees in accordance with current regulations;
- Failure to comply with the provisions in force regarding the collection of fees, and
- Undue classification of information related to asset and liability transactions in accordance with the Rules.



Background

In July 2006, Banco Ahorro Famsa obtained authorization to operate as a Commercial Bank. In January 2007, it began operations aimed at providing retail and consumer banking services, complementing Grupo Famsa, S.A.B. de C.V.¹⁹

Before 2019, BAF made different capital contributions to sustain its solvency, which allowed, until July 2019, its CAR to show a stable behavior. In August and September 2019, this indicator showed significant variations due to changes in the Institution's financial structure to deal with transactions with related parties, for which it made additional capital contributions.

In February 2020, the level of its CAR decreased to 10.51%. In March of the same year, the CNBV determined several inconsistencies in the integration of net capital, including the lack of deductions to capital. During this period, BAF increased its exposure to related parties, therefore continuing to exceed regulatory limits in contravention of risk capitalization rules, to the extent that its CAR reached levels below the regulatory minimum.

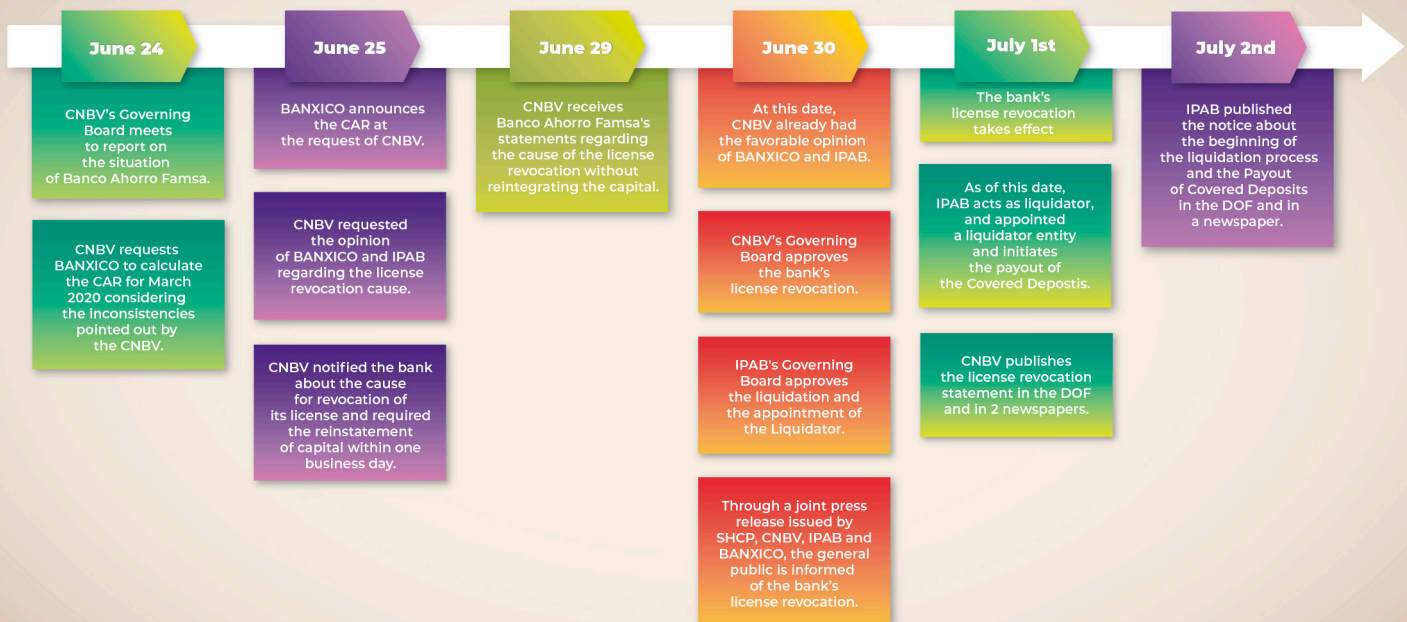


¹⁹ Business group dedicated in the wholesale and retail of consumer goods such as household appliances, furniture, white goods and clothing, among others.



The actions taken in the revocation of BAF's authorization are detailed below:

CHRONOLOGY OF THE EVENTS OF BANCO AHORRO FAMSA'S REVOCATION



Source: IPAB.

On June 30, 2020, the CNBV, with the approval of its Governing Board, with the opinion of Banco de México and IPAB, declared the revocation of BAF's authorization to operate as a Commercial Bank due to the the non-compliance²⁰ with the minimum CAR required by regulation²¹.

On the same date, IPAB's Governing Board held the 90th Extraordinary Session, in which it approved, among others, that IPAB would:



²⁰ Article 28, section V of the LIC.

²¹ Article 50 of the LIC.



- i.** Payout of covered deposits²², up to the limit set in the regulation²³, authorizing the provision of the necessary resources for such payment;
- ii.** Manage with BAF in liquidation (BAFEL) the reimbursement of expenses associated with the payout of covered deposits²⁴;
- iii.** Appoint Alvarez & Marsal Mexico, S.C. (A&M) as BAF's Liquidator Agent²⁵, and
- iv.** Carry out the necessary acts for the hiring of A&M as BAF Liquidator²⁶.

On June 30, 2020, IPAB and A&M entered into a mandate agreement whereby A&M accepted the assignment to carry out, as IPAB's representative, the necessary and convenient acts to accomplish the liquidation procedure.

Therefore, on July 1, 2020, IPAB initiated the liquidation of BAF.

Comprehensive analysis of the financial and operational situation

Given the deterioration observed in BAF's main indicators since April 2020 IPAB considered it necessary to prepare a "Comprehensive Analysis of its Financial and



²² Stated in article 6 of the BSPL.

²³ Article 11 of the BSPL.

²⁴ In accordance with Article 180 of the CIL.

²⁵ In terms of Article 167 of the CIL.

²⁶ In accordance with the technical and economic proposals presented in such session, which were more favorable than those of other bidders, as well as to grant the necessary powers so that in terms of the provisions of Article 167 of the CIL, he can perform the functions of Liquidator in such Institution.

Operational Situation"²⁷, in order to prepare the implementation for the resolution method and estimate the cost of the payout of the covered deposits and liquidation operations if the CNBV would revoke the authorization granted to such Institution.



This analysis was prepared in accordance with the “General Guidelines that set the elements to be included in the technical study referred to in article 187 of the Credit Institutions Law” and based on the following sources:

- BAF's financial and operational information;
- BAF regulatory reports and CNBV data;
- the websites of BAF and its group of companies;
- the information provided during the special on-site inspection visit to BAF, and
- the information held by IPAB.



²⁷ In accordance with Article 187 of the CIL.



The analysis included a general description of the Institution, the business model, the organizational and operational structure, the interrelationships with other companies, and the resolution method proposed to be implemented based on the results of the least cost rule. Likewise, the different operations to liquidate a bank set in the regulation were considered²⁸.

Finally, upon revocation of BAF's authorization in accordance with the aforementioned analysis, the Governing Board approved that IPAB's Administration proceed to the payout of covered deposits²⁹, up to the limit stated in the regulations³⁰, and authorized the disposition of resources necessary for such payout procedure.

Control takeover

IPAB, in its capacity as Liquidator, carried out a bidding process to select BAFEL's Liquidator Agent, in which the following firms participated: Mancera, S.C. (Ernst & Young); D&T Case, S.A. de C.V.; FTI Consulting Mexico, S. de R. L. de C.V.; Ramírez Gómez y Asociados, S.C.; and A&M. A&M submitted the best economic and technical proposals and was therefore awarded the respective mandate.

The main activities carried out by A&M during BAFEL's control takeover, are listed below:

- **Information technology: disabling of technology systems:** backup of the bank's information and key systems; inventory of systems and applications; revocation of staff access and permissions to systems and applications.



²⁸ Article 186 of the CIL and the proposal of the least cost method, according to Article 187 of the CIL.

²⁹ Stated in Article 6 of the BSPL.

³⁰ Article 11 of the BSPL.

Deputy Secretary for Legal Affairs

He represents the Institute in any type of legal controversy, and coordinates with other areas in matters related to the determination of the method of resolution, as well as in those cases in which the request for judicial liquidation is appropriate.



- **Human resources:** implementation of a new payroll distribution mechanism; identification of personnel and companies in which they work, and preparation of the initial personnel reduction strategy to avoid any impact on the liquidation operation.
- **Treasury:** inventory of bank accounts and investments in securities as of the date of the bank's revocation; custody of the digital keys of the bank accounts; taking control over any operation carried out through such accounts; reconciliation of cash flow at the date of revocation and of immediate collection operations through the CECOBAN clearinghouse and cashier's cheques previously issued by BAFEL; establishment of a compensation mechanism to recover the amounts withheld by the clearinghouse for transactions with PROSA cards, for sales made as of June 30, 2020, by payment aggregators.

In addition, the necessary actions were carried out for the bank's repo issuance by arranging for the counterparties to be able to take



the securities backing such issuance as payment and recover the collateral, in excess of repo issuances.

In addition, the remittance transfer companies were hired to request payment of outstanding commissions in favor of BAFEL.

- **Portfolio and real estate:** analysis of credit databases to identify the different credit portfolios, balances, interests, payment dates; inventory of collection means such as: i) cash desks in branches, ii) bank accounts in the bank's name, iii) correspondent accounts, among others; ensuring the continuation of the main collection activities; the location of the credit portfolio files and custody of the promissory notes of the most relevant loans of the commercial portfolio of the institution in liquidation.

The inventory of owned and foreclosed real estate was identified.

- **Accounting:** identification of key activities for the generation of financial reports; obtaining internal financial statements and trial balances; establishment of user control filters in the systems to prevent accounting records prior to the revocation date; control of monthly accounting closing activities; control of access to the bank's accounting systems; generation of a communication protocol between the accounting area and the rest of the functional areas for the approval and follow-up of recurring transactions, and the conclusion of the financial closing; control of access to the bank's accounting systems; generation of a communication protocol between the accounting area and the rest of the functional areas for the approval and follow-up of recurring transactions, and the conclusion of the preliminary financial-accounting closing at the date of the revocation with the help of the Institution's personnel.
- **Tax:** identification of the work processes, scope and responsibilities of the internal team in charge of the bank; change of address before the Department of Tax Administration (SAT); review and implementation of the authorization process for the payment of the bank's payroll tax;

review of the calculation and processing of tax payments as of the revocation date; identification of the status of SAT audit procedures for 2015 and 2016, and the response to requests for information from the General Attorney for Taxpayer Defense (PRODECON), and the analysis the tax payment projection for 2020.

- **Legal:** identification of lease, sublease and rendering contracts; attention to requests from judicial authorities, public notaries and offices related to the blocking of accounts; payout of covered deposits and surpluses; payment of subordinated obligations; identification of attorneys-in-fact with powers, general attorneys-in-fact with acts of ownership and acts of administration; determination of the legal contingencies for the bank derived from the lawsuits against it, as well as the lawsuits in which it is plaintiff, and safekeeping of the corporate books, minutes of shareholders' meetings and of the board of directors from 2011 to 2020, and its subsidiary CEFINPRO.
- **Notice to authorities:** as of the revocation date, on behalf of BAFEL, A&M informed several authorities of the Mexican financial system about the liquidation procedure of the Institution and its appointment as Liquidator Agent.

An initial downsizing strategy was developed to avoid affecting the liquidation operation.





Payout to depositors

On April 7, 2020, as part of a project in which it had been working for some years, IPAB entered into an agreement with BBVA Bancomer, SA, (BBVA), the bank with the most extensive infrastructure in the country, to provide of the service of "Agent Bbank" for covered deposits and liability transactions.

Due to the pandemic, on March 24, 2020, the health authorities decreed phase 2 of the contingency³¹, which included: i) the suspension of certain economic activities; ii) the restriction of massive congregations; and iii) the sheltering of the general population at home.

On March 30, 2020, a "force majeure health emergency" was declared as a result of the confirmed cases and deaths reported, which led to the implementation of additional actions to control and prevent infections. On April 21, 2020, phase 3 of



³¹ For the spread of the disease.

the contingency began, in which those disease control and prevention activities were updated.

Given the prevailing health conditions, banks kept 50% of their branches and customer service open, with restrictions on the number of people hours of operation, which represented an operation of approximately 35%. This situation also affected the operation of the courier companies, which were not exempt from limitations in their operations.

In this context, IPAB designed a strategy for the payout of covered deposits, in order to promptly reimburse the deposits, without jeopardizing the health of more than 630 thousand BAFEL depositors. Through this strategy, payout to IPAB covered depositors by IPAB (DCI) was made in the following ways:

- I. For clients with deposits of up to MXN \$9,000, payout was made through the “Mass Cardless Withdrawal” banking service at BBVA's ATMs³².

For this purpose, IPAB, through the Payout website (Portal), provided a four-digit security code. Subsequently, BBVA assigned a 12-digit withdrawal code sent in a SMS to the telephone number registered by the DCI in the Portal; with the 16-digit registration code. This type of DCI withdrew their resources from BBVA's ATMs. This type of DCI received a payment order to go to the BBVA counter and request the payout of their deposits.

- II. For individuals with deposits of more than MXN 9,000 and up to the equivalent of 400 thousand UDIS, the payout was made by a deactivated, non-negotiable nominative cheque for credit to the beneficiary's account.

Additionally, at the convenience of the depositors themselves, IPAB offered them the service of payout through wire transfer to an account previously contracted in their name with BBVA.




³² Automatic teller machine that allows the user to make deposits and withdrawals of money in cash, among other operations.

This kind of account holders received a payment order so that they could obtain a non-negotiable cashier's cheque from BBVA that could only be credited to an account in which the DCI is the beneficiary.


When it has not been possible to make the funds available through the above mechanisms, the payout has been made through wire transfer.

- For corporations with deposits of up to the equivalent of 400 thousand UDIS, the payout was made through non-negotiable nominative cheque issued by BBVA to be credited to the beneficiary's account.

Menos de \$9,000 pesos: Retiro sin tarjeta



Más de \$9,000 pesos: Cheque a domicilio



Payout Mechanisms

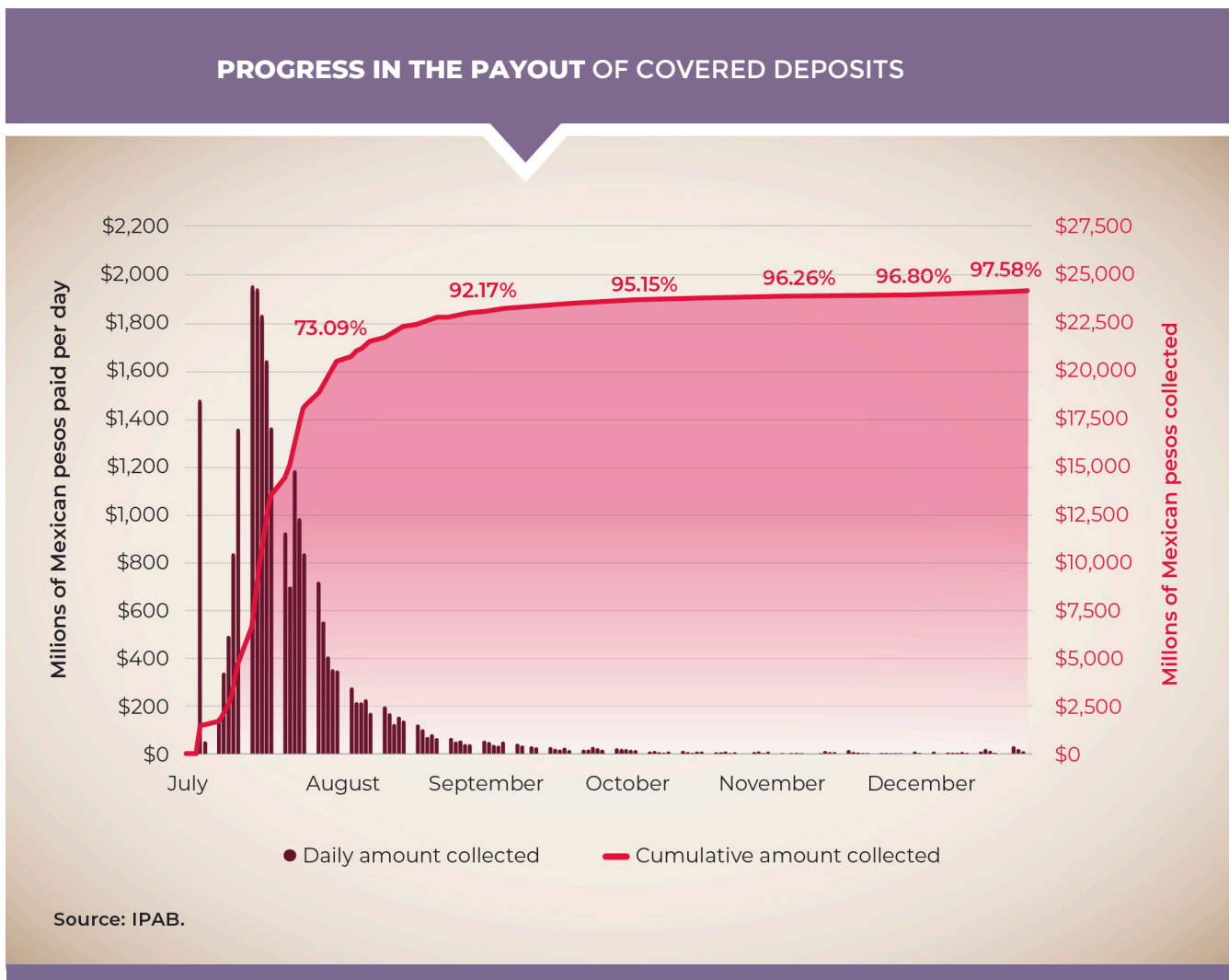
The payout strategy implemented by IPAB considered the reimbursement of deposits without jeopardizing the health of the depositors.

In addition, IPAB implemented a computer platform called the Payout website, hosted on the institutional website, through which depositors carried out a registration and authentication process and subsequently obtained the following information:

- Informative letter on BAFEL's situation, deposits, nonperforming loans, if any, and IPAB's guarantee for their deposits.

- Summary of payout and detail of operations.
- Information on the means of payout –ATMs; four-digit security code; cheque's number and courier company's waybill; activation of the cheque, and payment order–.

The following is a detail of the progress of the payout of covered deposits as of December 31, 2020, highlighting that the amount paid to the DCI represents 97.58% of the total amount³³, totaling MXN 24,131 million:

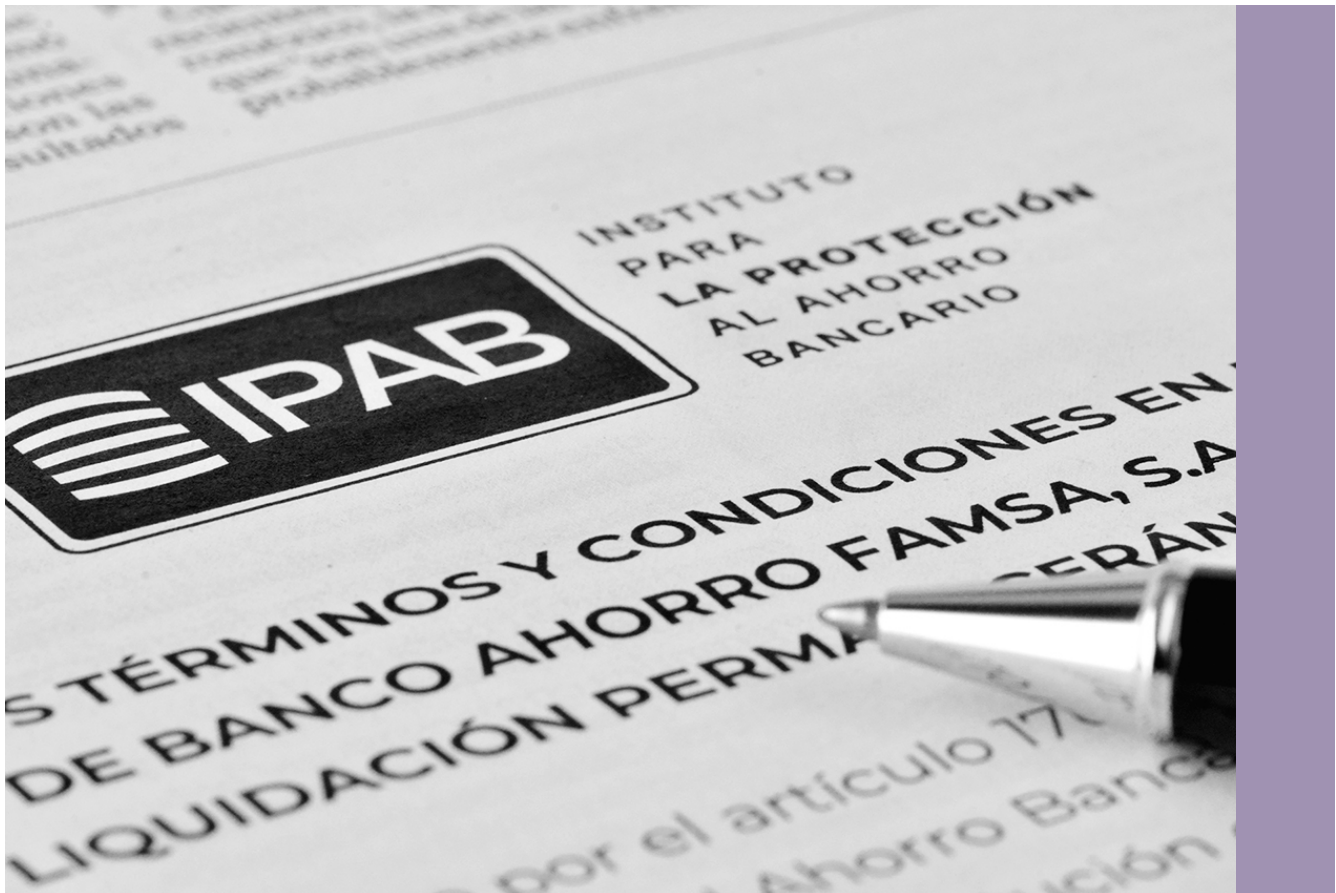


³³ 24,732 mdp.



Attention to Account Holders

IPAB kiosks at BAFEL and customer service modules at IPAB's auditorium



In BAFEL's 314 branches, 1,099 kiosks were set up to serve the public, for which several technological adjustments were made.

The customer service modules provided information related to the payout of covered deposits by IPAB, the delivery and activation of the cheque, and the processing of the payment request.

In addition, IPAB's auditorium was set up to provide personalized attention to the public by IPAB officials.



Provide information

A space was set up at the Institute's auditorium to provide information and guidance to BAFEL's depositors.

Payout requests

If the depositors had not received the payout, or disagreed with the amount, they were provided with detailed and timely information on the process to request IPAB the payout.

To manage the depositors' payout in a timely manner, the Institute took the necessary steps as a result of the control takeover process to implement the use of its computer platform called Payout Request Service System (SASP), which was installed and put into operation in BAFEL's various branches, providing timely service to the public.



To this end, IPAB staff trained more than 1,000 branch executives through video-conferences, audiovisual materials, and operating manuals designed by IPAB for the effective use of SASP.

Communication activities to the public

As of July 1, 2020, IPAB implemented a strategy aimed at providing timely attention to more than 630 thousand depositors regarding the initiation of BAF's bank resolution procedure and the ways and terms of the covered deposits payout. This IPAB's public information strategy had three main objectives:

- 1.** Provide clear, consistent and timely information to depositors and borrowers;
- 2.** Provide certainty to depositors on the procedure to recover their funds, and
- 3.** Disseminate information on IPAB as the institution in charge of managing the bank savings protection system

The Institute developed a comprehensive attention plan based on the profile of BAFEL's depositors, which was adapted to the development of the payout. For its execution, IPAB implemented the following actions in both traditional and digital media, appropriate to the geographic distribution and profile of BAFEL's clients, in order to maximize the dissemination of messages:

- 1.** Dissemination of content of interest to clients, creditors and general public through IPAB's website (www.gob.mx/ipab) and institutional social network accounts.

2. Automated dissemination of advertisements in the main Internet search engine, through the identification keywords of key words for text searches on the Internet, as well as dissemination on the five digital platforms with the largest audience.
3. Placement of informative content in television, radio and print media with regional and national coverage, including publications in newspapers with wide circulation.
4. Dissemination through informative flyers and printed posters, distributed at BAFEL and BBVA branches.
5. Attention to national and regional press and media, as well as specialized financial media.
6. Information to the public through different call centers, including the institutional switchboard.
7. Attention to emails and messages received through social networks.





Media center

In order to boost the scope of the communication strategy and inform the greatest number of depositors in the shortest possible time, IPAB used a specialized media agency to develop and execute the dissemination strategy (media center) for the placement of the the information content prepared by the Institute.

In the execution of the communication strategy, a detailed analysis was carried out to identify and segment the groups of depositors, according to their geographic location in the country. Likewise, in conjunction with the media center, a media plan was developed to generate a greater impact in those cities with a greater number of DCIs, with special emphasis on the northern region of the country. The information dissemination strategy with different traditional and digital media remained active for several weeks.



Banco Ahorro Famsa

Derivado del inicio de la liquidación de Banco Ahorro Famsa,

Accessible and inclusive

IPAB designed and implemented a timely, accessible and inclusive communication strategy.

Call centers

In order to have an efficient and widely available telephone service for the public, the Institute had four support points:

- i)** a specialized company;
- ii)** a BAFEL user service center;
- iii)** a BBVA call center, as the “Agent Bank”; and
- iv)** telephone assistance to depositors by IPAB's officials.

Through training material designed and prepared by IPAB, in audiovisual and printed formats, different telephone operators were trained in a short time to provide information on the payout process and to answer calls from the public.





Customer Service

The Institute **implemented different telephone services** to assist BAFEL's depositors.

Although IPAB had the support of 120 operators from a specialized company, since July 1, 2020, IPAB was able to use BAFEL's call center, taking advantage of its installed infrastructure. This unit had approximately 70 operators for customer service and 300 operators for collection activities. Thus, following the control takeover, IPAB took advantage of the willingness and particularly the knowledge of the products offered by BAFEL of this personnel, to provide information to the public.

In addition, IPAB had the support of a BBVA call center, which provided information on: i) the location of the branches for deposit withdrawals; ii) the operation of the ATMs for cash withdrawals without a card, and iii) the procedure for cashing cheques issued by IPAB.

Likewise, the Institute's staff implemented a call center that, jointly with the BAFEL call center, provided service to the public until the end of 2020.



It should also be noted that, under the direction of IPAB, the BAFEL's call center actively searched for depositors through telephone calls and SMS, which made it possible to contact more than 40,000 clients for registration in the Payout website and start the procedure for the collection of their funds.

Scope and impact of the communication strategy

The information provided through the various media, allowed IPAB to inform on the control takeover of BAFEL and the terms and conditions of the payout of covered deposits, in order to provide clarity, certainty and confidence to the DCIs, creditors and the general public, as well as the use of the Payout website and the adjustments implemented throughout the process.

The placement of institutional information content in the different media with the media center achieved an estimated reach about 56 million contacts with the public.





The Institute provided the respective attention to more than 15,000 emails sent to IPAB by the interested parties. In addition, almost 650,000 telephone calls from the public were answered, providing timely information to those interested in the reimbursement of their funds and other relevant aspects of BAFEL's liquidation procedure.

The media attention strategy included the participation of several Institute officials, through 34 interviews in national media, national radio programs, specialized financial media, and well-known news programs in the country's northern region.

Liquidation and sale of assets

Five invitations to tender for the sale of loan portfolio packages and three invitations to tender for the sale of real estate issued.

These sales processes are subject to valuations by specialized third parties, considering the prevailing market conditions and the demand for each asset.

- Sales of loan portfolios completed as of December 31, 2020: Impulsora Promobien, S.A. de C.V. portfolio, Mexican Social Security Institute (IMSS) and commercial portfolio.
- Sales of rescheduled credit portfolios: consumer portfolio (Blue Card and Visa), mortgage and microcredits portfolio, and personal, automotive and other loan portfolios³⁴.
- Sale of real estate completed as of December 31, 2020: Package 4 (agricultural property).



³⁴ They are rescheduled because no bids have been submitted or the bids submitted are considerably below the minimum reference value. The collection of portfolios continues, to subsequently find the appropriate conditions to initiate new sales procedures.

- Rescheduled real estate sales: Package 1 (stores and foreclosed assets), Package 2 (real estate development), Package 3 (industrial) and Package 5 (local real estate).³⁵

From July to December 2020, BAFEL's operating expenses were reduced by 37%, due to the implementation of the following actions:

- Execution of an orderly personnel reduction program. As of December 31, 2020, 2,859 workers resigned, who were terminated in accordance with the Federal Labor Law (FLL), which represented an average monthly reduction of 12% in payroll expenses. Further reductions will depend on the branch closure program.
- Detection and cancellation of service and lease contracts not necessary to carry out the liquidation procedure.
- The closure of 147 branches called “equity”, “pawn” and “bank” (41.5% of a total of 354 initial branches); this implied the closure of the branches in the places with the largest number of branches and in those with the lowest percentage of portfolio recovery. Some branches remained open to continue collecting credit portfolios and providing information to more than 630,000 thousand depositors and one million borrowers.

Judicial liquidation

IPAB's Governing Board approved to request before the Federal Judge the declaration of BAFEL's judicial liquidation. Once the Judge's decision was published, the



³⁵ They are rescheduled because no bids were submitted, or bids were submitted below the minimum reference value. At the end of 2020, the conformation of the real estate packages was being reevaluated to carry out the new sale procedures.

judicial liquidation procedure began 4 months and 11 days after the revocation of the authorization to operate as a commercial bank.

On November 11, 2020, the judicial liquidation stage³⁶ began as the "capital extinction" event provided for in the regulation³⁷ publishing in the means for interested parties to consult the provisional list of creditors as of November 17, 2020.



The judicial liquidation procedure of a Commercial Bank is a notable advance in Mexico's financial legislation as it sets a special procedure under the jurisdiction of a Federal Judge, with simple terms and procedures that maximize the recovery value of the assets and provide legal certainty to the interested parties.

The liquidation procedure includes several essential elements such as the following listed below:

- A reduced term –five days– for the preparation of the provisional list of creditors, which may be consulted within 30 days for the interested



³⁶ Liquidation procedure managed through a Federal Judge.

³⁷ Assets less than liabilities, according to Article 226, section II of the LIC.

parties to request the modifications or clarifications, if applicable, to establish the definitive list of creditors.

- The judgment of recognition and priority of credits is issued within a period of 10 days based on the definitive list of creditors.
- The procedures of auction or liquidation of the Institution's assets are carried out directly by the judicial liquidator based on the principles of economy, efficiency, impartiality and
- Clear definition of the resolutions that can be contested in the judicial liquidation procedure.
- In no case may the Federal Judge suspend the execution of the resolutions issued in the judicial liquidation procedure unless it is requested by the judicial liquidator.
- The obligation of the judicial liquidator to submit to the Federal Judge a bimonthly report on the status of the procedures for the disposal of assets, payment of creditors and, if applicable, the status of the reserves established.
- Protection of the assets and rights of BAF in judicial liquidation (BAFELJ), derived from the suspension of the seizure order or execution against such Institution, except for labor matters and secured loans.
- The power of the Federal Judge to declare the end of the judicial liquidation procedure, after issuance of the final balance sheet, when: i) the payment has been made to all creditors and there are no more assets to be sold; ii) a payment agreement has entered into with the recognized creditors; or iii) the assets of the institution are insufficient to cover the recognized credits.
- The possibility of concluding the judicial liquidation procedure, even if the final resolution of the litigation procedures against BAFELJ is pending.



- Intervention of CONDUSEF, with the powers granted to it by the regulation in representation of the collective interests of the creditors of the institution in liquidation.



The judicial liquidation of a bank in resolution provides certainty, transparency and fairness to the parties involved.

With the start of the judicial liquidation procedure, on November 11, 2020, IPAB and A&M entered into the Mandate Agreement, whereby A&M accepted the assignment to perform on behalf of BAFELJ and in representation of the Institute, the necessary and convenient acts to carry out the judicial liquidation.

6



Resolution of financial institutions

As part of the support programs for the banking system implemented as a result of the 1994 crisis, the Institute acquired the flow rights from the recovery of assets from the Bank Savings Protection Fund (FOBAPROA) and the Fund for Support to the Market of Values (FAMEVAL).

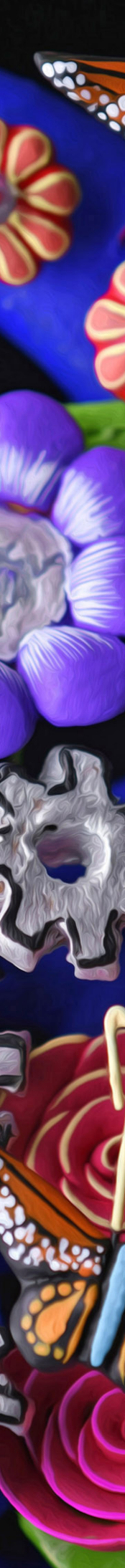
Liquidation and bankruptcy procedure

In liquidation or bankruptcy procedures, the Institute has acted as trustee, liquidator and judicial liquidator in 15 commercial banks³⁸, of which only the three shown below are still in process:

- **Banco Ahorro Famsa:** on June 30, 2020, the CNBV declared the revocation of its authorization to operate as a Commercial Bank.



³⁸ As of December 31, 2020, the liquidation of 99.9% of the total assets of banks in liquidation or insolvency procedures, including loan portfolios, real and personal property and equity interests has been completed.



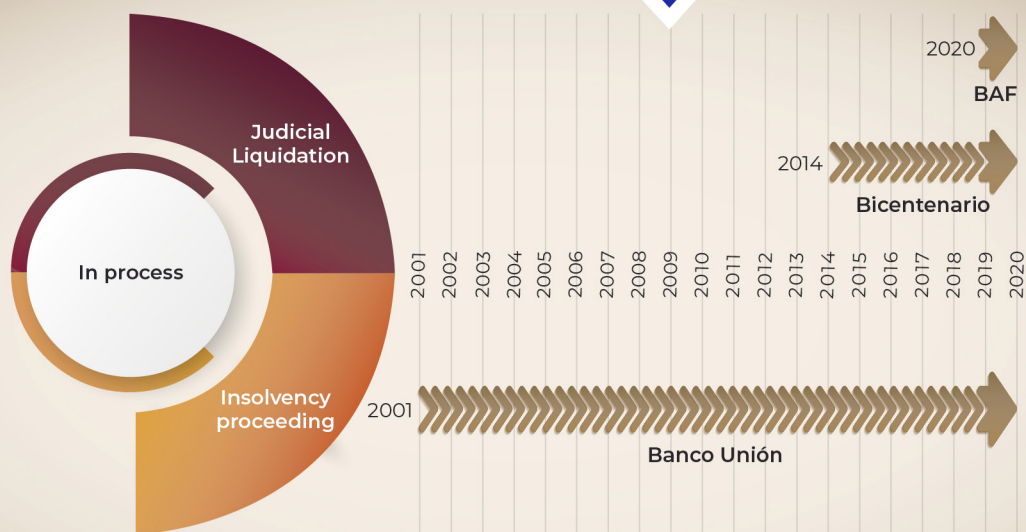
- **Banco Bicentenario:** during 2017 IPAB sold most of its assets, paid 100% of the recognized creditors up to the fourth priority level and to 63.39% of the recognized creditors up to the fifth level related to the covered deposits exceeding the coverage limit.

In 2021, it is expected to sell the remaining assets, such as: i) two pieces of land located in the state of Querétaro; ii) the rights related to two simple loans (one secured by a mortgage and the other secured by a pledge), and iii) 11 judgment enforcement rights.

Once the public auction procedures for the acquisition of such assets have been carried out, the steps related to the final closing of the Institution will be taken.

- **Banco Unión:** the bankruptcy procedure of this Institution is in its final stage, due to several legal issues associated with the divestment of a remaining asset.

STATUS OF LIQUIDATION PROCESSES



Source: IPAB.



Since its establishment, IPAB has acted as liquidator and receiver of 15 commercial banks.

Asset recovery

IPAB has implemented several strategies for the liquidation of the assets under its control, ensuring that the disposal procedures are carried out under the most convenient economic and financial terms and for the benefit of the interested parties.

During 2020, MXN 51 millions were recovered, resulting in a total amount of MXN 102,460.³⁹ millions, which has been allocated to the payment of the Institute's financial obligations.



³⁹ The number of recoveries of the assets of the banks in liquidation and bankruptcy entered the assets of these Institutions.

7



In order to avoid an additional cost to the treasury, and to have an effective availability of resources and the necessary financing to meet its obligations, historically, IPAB has arranged to:

1. Establish the FPAB through the periodic fees contributed by the banks in operation; and
2. Implement a financial strategy for the management and refinancing of the debt for which it is responsible.

As an additional funding mechanism, IPAB is empowered to contract financing and act in a bank resolution procedure, for amounts not exceeding 6% of the total liabilities of commercial banks, every three years.

Financial Resources

Management



Fees paid by commercial banks



IPAB
INSTITUTO PARA LA PROTECCIÓN AL AHORRO BANCARIO

El Instituto para la Protección al Ahorro Bancario, con fundamento en los artículos 8, fracciones I y II; 10; 12; 17, fracción VIII y 25, fracción VI del Estatuto Orgánico de la Protección al Ahorro Bancario, de conformidad con lo establecido en el acuerdo que publica los pagos efectuados por las instituciones de banca múltiple por concepto de comisiones del periodo comprendido entre el 1 de abril de 2020 y el 30 de junio de 2020.

Institución	(Cifras en Pesos)		
	Abril-2020	Mayo-2020	Junio-2020
ABC CAPITAL, S.A.		1,889,350.77	1,841,536.24
ACCENDO BANCO, S.A.		61,436.86	1,681,053.90
AMERICAN EXPRESS BANK (MÉXICO), S.A.		1,440	2,725,783.11
BANCA AFIRME, S.A.			18,965,671.91
BANCA MIFEL, S.A.			18,028,402.69
BANCO ACTINVER, S.A.	1,706,072.50		11,194,281.33
BANCO AHORRO FANSA, S.A.	56,279,325.18		11,283,299.80
BANCO AUTOFIN MÉXICO, S.A.	5,551,259.05		1,667,628.00
BANCO AZTECA, S.A.	6,452,817.63	5,693,336.50	59,033,051.45
BANCO BANCREA, S.A.	7,047,662.18	7,458,736.50	5,848,051.15
BANCO BASE, S.A.	5,439,559.95	5,374,467.97	782,910.71
BANCO COMPARTAMOS, S.A.	423,658.65	355,988.00	21,810.52
BANCO CREDIT SUISSE (MÉXICO), S.A.	63,796,059.49	66,170,475.93	7,454.01
BANCO DE INVERSIÓN AFILIADA, S.A.	684,550.27	690,995.44	7,065.61
BANCO DEL BAJÍO, S.A.	139,571.73	147,102.45	2,292.71
BANCO FINTEERRA, S.A.	94,509,862.86	94,298,442.74	944.11
BANCO FORJADORES, S.A.	2,165,968.12	2,187,123.33	421.41
BANCO INBURSA, S.A.	10,660,324.69	10,157,032.45	352.11
BANCO INMOBILIARIO MEXICANO, S.A.	19,148,120.50	19,466,604.72	3,359.11
BANCO INVEX, S.A.	86,292.10	97,918.45	1,944.11
BANCO J.P. MORGAN, S.A.	306,896,141.51	312,581,305.54	8,531.11
BANCO KEB HANA MÉXICO, S.A.	21,118,964.49	21,145,001.60	33,051.11
BANCO MERCANTIL DEL NOROCCIDENTE, S.A.	21,365,549.44	21,820,048.19	1,899.01
BANCO MONEX, S.A.	302,423,446.89	320,445,323.32	6,553.21
BANCO MULTIVA, S.A.	15,316.99		101.61
BANCO NACIONAL DE MÉXICO, S.A.	36,799,712.00	16,733.07	18.11
BANCO PAGATODO, S.A.		905,807.54	35,613.11
BANCO REGIONAL, S.A.		35,980.00	78.11
BANCO S3 MÉXICO, S.A.			29,751.11
BANCO SABADELL, S.A.			342,021.11
BANCO SANTANDER MÉXICO, S.A.			5.11
BANCO SHINHAN DE MÉXICO, S.A.			16,114.11
BANCO VE POR MÁS, S.A.			23,814.11
BANCO WPPPEL, S.A.			
BANCO OF AMERICA MÉXICO, S.A.			
BANCO OF CHINA MÉXICO, S.A.			
BANCO VOL, S.A.			
BANCO A.		1,252,880.21	4,374,286.96
BANCO BANK MÉXICO, S.A.	3,977,480.42	3,559,220.06	
BANCO COMER, S.A.	562,227,813.21	557,169,754.86	
BANCO S.A.	10,617,505.67	10,724,039.04	
BANCO, S.A.	1,888,967.54	1,947,664.06	
BANCO BANK MÉXICO, S.A.	0.00		0.00

In accordance with international best practices⁴⁰, Mexican regulation states the obligation of the commercial banks to finance the FPAB through an ex-ante collection mechanism. This allows IPAB to have a resource base to face the costs associated with a bank resolution procedure.

By obtaining the aforementioned resources and in the event of a bank resolution, IPAB acts in a timely manner, guaranteeing the resources of the small and



⁴⁰ Principle 9. Source and uses of funds, of the Core Principles for Effective Deposit Insurance Systems published by IADI.



medium depositors, thus generating public confidence in the Mexican banking system.

Banks in operation are required by the applicable regulations to cover the ordinary and extraordinary monthly fees previously established by IPAB's Governing Board. It should be noted that the ordinary monthly fees correspond to one-twelfth of four times one thousand of the average daily balances of the banks' deposit operations. Furthermore, if these contributions are insufficient, IPAB also has the power to establish extraordinary monthly fees of one-twelfth of three times the average monthly operations.

As a complement, the Institute maintains the responsibility of collecting the necessary information from the Institutions through the CNBV, which allows it to make the calculations of the fees to be paid by each Institution.

In the event that any Institution fails to pay such fees, IPAB will initiate the collection process with its updates and, if applicable, will initiate the administrative sanction procedure.

During 2020, the amount of fees charged to banks totaled MXN 27,973 millions, representing an annual increase of 14.1% in nominal terms and 10.7% in real terms. This growth was higher than the 7.0% in nominal terms and the 4.1% in real terms recorded a year earlier.

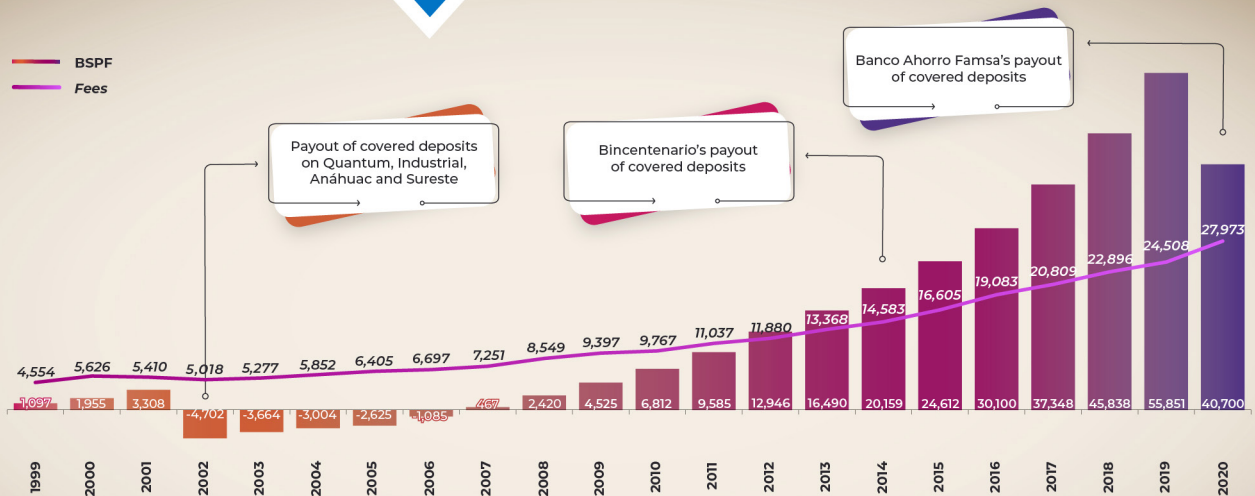
Bank Savings Protection Fund

IPAB allocates a quarter of the fees paid by the commercial banks, once their administrative and operating expenses have been paid to the Bank Savings Protection Fund.

The Fund provides the Institute with the financial resources necessary to fulfill its role as manager of the bank savings protection system.

At the end of 2020, the FPAB recorded a balance of MXN \$40.7 billions. Compared to the end of December 2019, the Fund presented a decrease of 27.1% in nominal terms due to the application of resources destined to BAFELJ's payout, in the amount of MXN 24.732 billions. These figures do not consider the recoveries **that IPAB will obtain through the liquidation of BAFELJ's assets.**

EVOLUTION OF THE BANK SAVINGS PROTECTION FUND AND OF THE FEES COLLECTED FROM THE COMMERCIAL BANKS



Amounts in millions of Mexican pesos.
 Figures as of December.

In 2020, the payout of BAFELJ's covered deposits is equivalent to MXN 24,732 millions as of December 31, 2020.

Source: IPAB.

Covered deposits and Account Holders

As part of its forecasting task, IPAB makes monthly estimates of the amounts of covered deposits in the Mexican banking system, as well as the number of CDs.



At the end of 2020, covered deposits of commercial banks reached a balance of MXN 5,184,424 millions, with an annual growth of 8.4%.

Considering IPAB's coverage limit⁴¹, as of that date, covered deposits amounted to MXN 2,730,483 millions, in the hands of 125 million depositors, of which 97.9% of whom are individuals. This amount represents an annual increase of 4.1%.

In this regard, IPAB's coverage limit allows it to fully cover more than 99.0% of the covered accounts of commercial banks in Mexico.

Coverage level adequacy

The FPAB's resources at the end of 2020 would be sufficient to cover the payout of covered deposits of 36 commercial banks, considering that each process would be carried out individually.

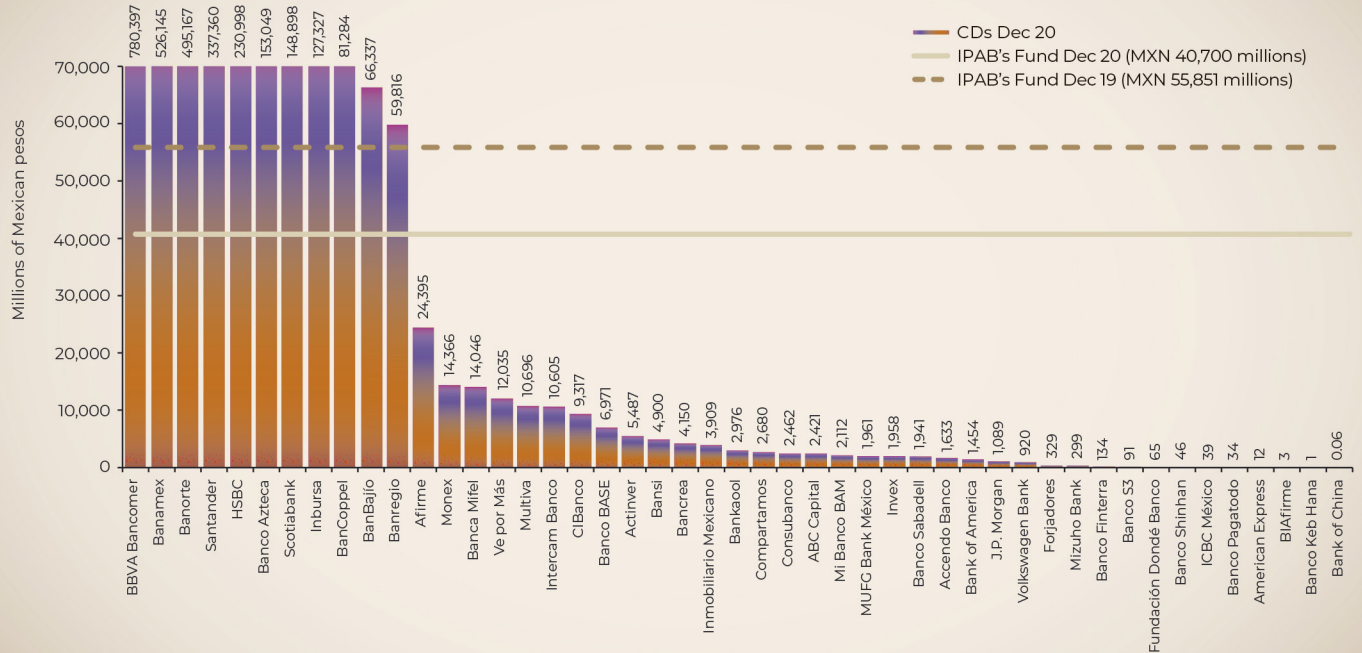


⁴¹ Equivalent to 400 thousand UDIS.

FINANCIAL RESOURCES MANAGEMENT

In relative terms, the FPAB covered 1.29% of the total balance of the covered deposits. This proportion represents an annual decrease of 71 bp.

ELIGIBLE DEPOSITS COVERED BY BSPF IN EACH INSTITUTION

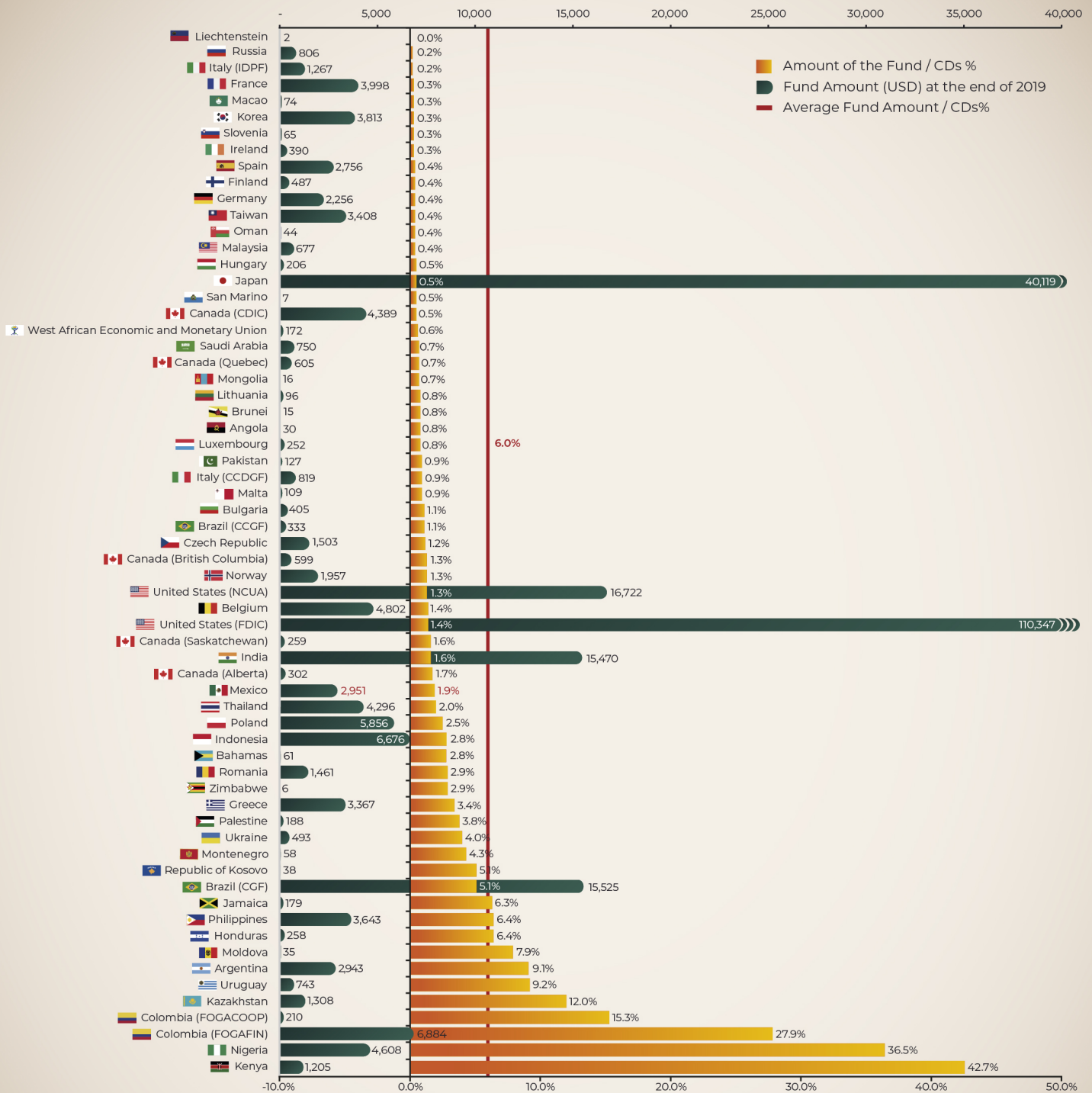


Source IPAB.

In a comparative analysis with deposit insurers in the rest of the world, at the end of December 2019, the coverage ratio of IPAB's fully covered deposits was 1.9%, which is below the average –6.0%– and the median –2.0%– of the sample considered.

It is important to note that this ratio does not yet include the 2020 BAFELJ's payout of covered deposits.

INTERNATIONAL COVERAGE COMPARISON AS OF DECEMBER 2019



Figures in USD millions with an exchange rate from **Bloomberg** at the close of 2019.

Source: Prepared by IPAB with information obtained from *the 2020-IADI Annual Survey*.

Debt management by IPAB

Since its creation, IPAB assumed the financial obligations of the financial system support programs implemented since 1995, designing a comprehensive strategy for the sustainable management of such debt, with the following objectives:

- 1) Refinancing of financial obligations prior to the creation of IPAB, and
- 2) Avoid an increase in debt in real terms.

The financial strategy consists of the recurring sale of debt instruments in the domestic market called Saving Protection Bonds (SPBS)⁴², with the support of Banco de México as financial agent for each issue.

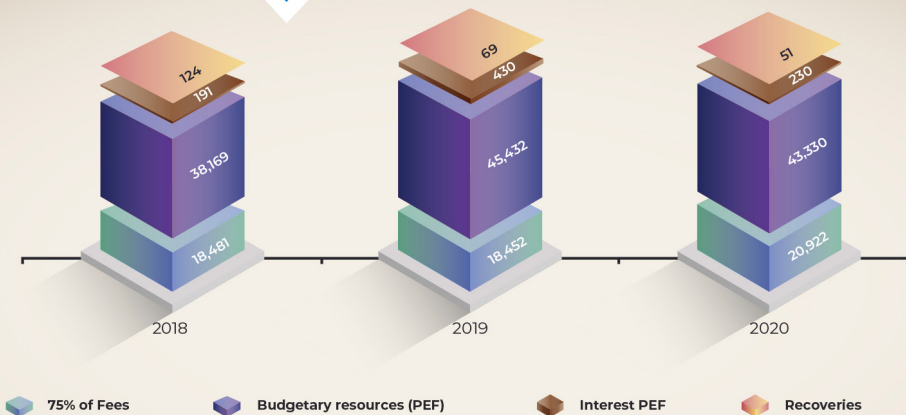


⁴² IPAB conducts weekly placements of its instruments. The placement strategy is designed to provide certainty to investors, as it is a fixed and known periodicity, which follows a previously established calendar. This calendar is disclosed on a quarterly basis through the “Announcement of the Government Securities Auction Calendar”.



This allows IPAB to: i) refinance the credits of the support schemes; ii) improve the maturity profile; iii) achieve better terms and conditions for the Institute, and iv) reduce the risk of the exposures and provide greater liquidity to such securities. With these actions, IPAB meets its short and long-term refinancing goals, responding to a sustainable strategy in the management of its debt that seeks to avoid its increase in real terms. To do this, 75% of the resources obtained from the payment of commercial banks' fees is allocated to the payment of the Institute's remaining debt, in addition to fiscal transfers from the Federal Government through the Program to Support Bank Depositors of Section 34.

APPLICATION OF RESOURCES TO LEGACY DEBT



Amounts in millions of Mexican pesos.
Interest generated by the investment of resources while they are being applied is considered.
The resources for 75% of the fees correspond to those applied in the year of reference.

Source: IPAB.

Budgetary resources allocated through this program amounted to MXN 43,330 millions⁴³ in 2020, 4.6% lower than the previous year.

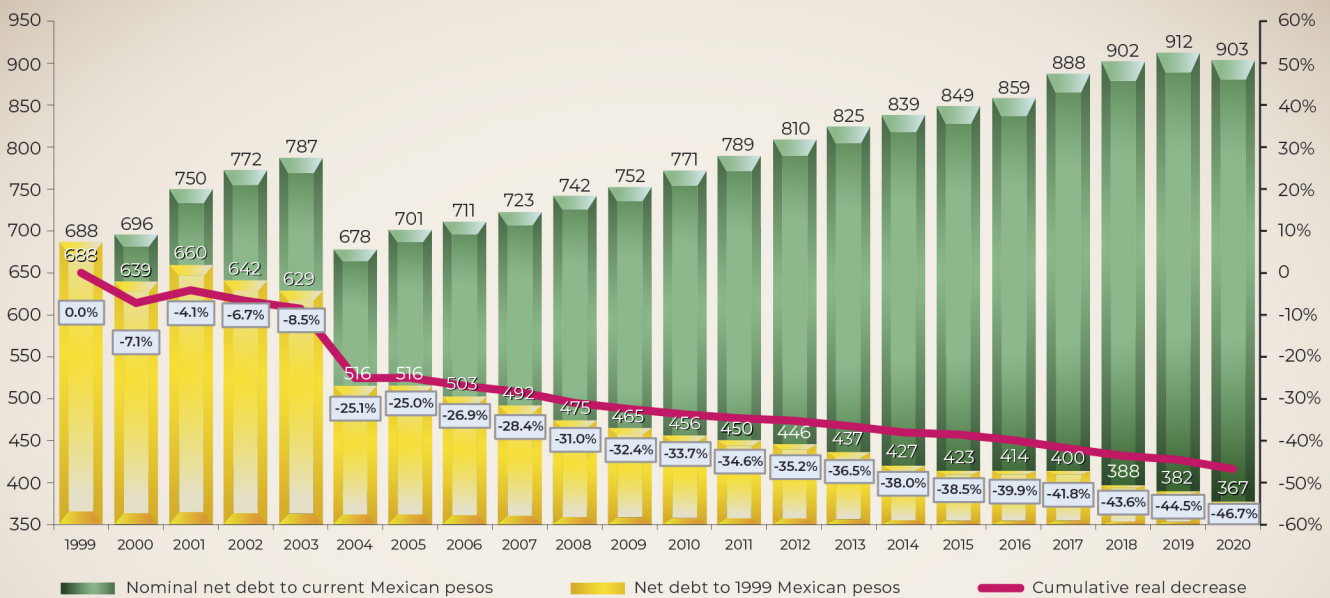


⁴³ The fiscal resources received by IPAB from the Section 34 "Expenditures for Programs to Support Depositors and Bank Debtors" at the end of 2020 amounted MXN 767,001 millions, of which MXN 515,101 millions correspond to the Program to Support Bank Depositors (PAAB) and are applied solely and exclusively to the payment of financial obligations derived from the debt assumed by the Institute since its creation therefore, the resources of the program are not part of the Expenditure Budget assigned to the Institute. On the other hand, the resources allocated to the Program to Support Bank Debtors (PADB) total MXN 251,900 millions, which are managed by the SHCP. The Institute's participation in this program is limited to receiving these resources and immediately channeling them to the banks participating in this program, in accordance with the rules set by the SHCP and the CNBV.

The amount of fiscal transfers received by the Institute has decreased as a percentage of GDP, from 0.3% in 1999 to 0.17% in 2020⁴⁴. As a percentage of total budgeted expenditure, this proportion fell from 1.75% to 0.72% between these same years.

Due to the debt management strategy implemented by IPAB, the balance of its liabilities has been reduced in real terms, so that, at current prices, the net liabilities of IPAB went from MXN 687,844 millions in December 1999 to MXN 903,321 millions in December 2020, which implies an increase of 31.3% in nominal terms.

EVOLUTION OF IPAB'S NET LIABILITIES



Amounts in billions of Mexican pesos.

To determine the real behavior of the debt, we used the cumulative inflation from December 1999 to December 2020 of 146.46% reported by INEGI.

Net debt as of December 31, 2020, amounting to MXN 903 billions, would be equivalent to MXN 367 billions as of December 1999.

Source: IPAB.



⁴⁴ According to the GDP published by INEGI as of the fourth quarter of 2020.



During the same period, cumulative inflation was 146.5%, so IPAB's debt balance as of December 2020 showed a cumulative contraction of 46.7% in real terms, reaching MXN 366,513 millions at December 1999 prices.

Likewise, the balance of IPAB's net liabilities recorded a nominal annual reduction of 0.9% which, after discounting for inflation of 3.2% in 2020, meant a real decrease of 4.0%.



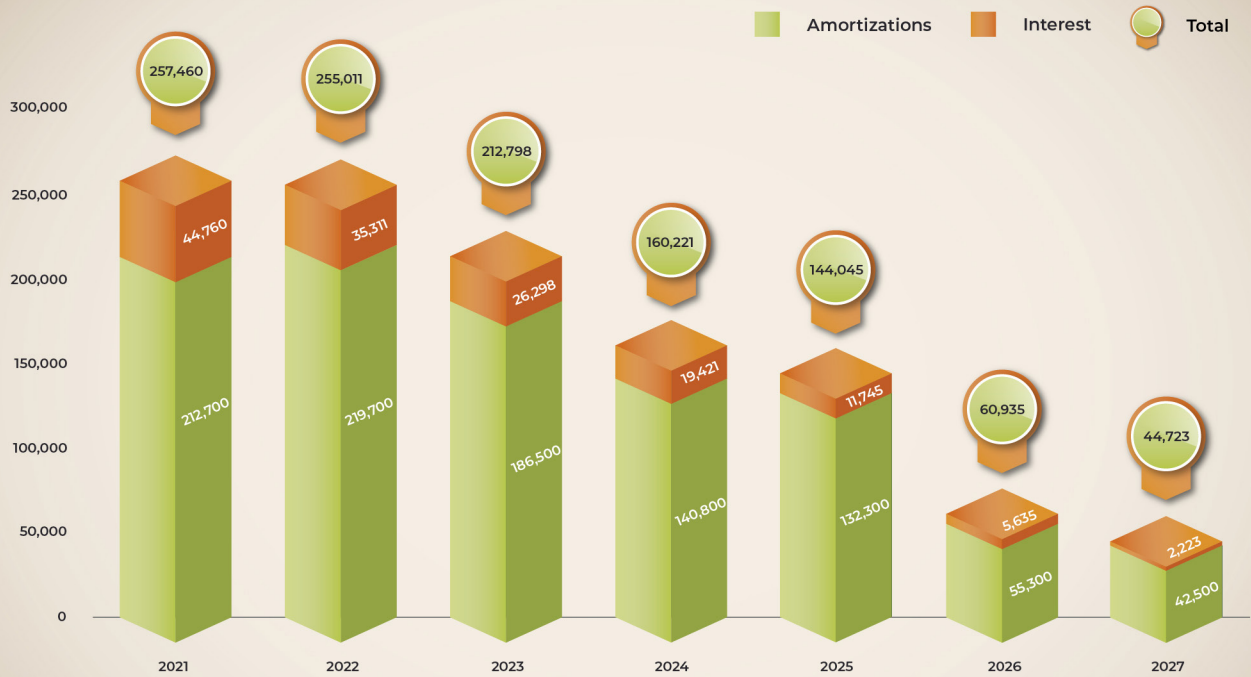
Eventhough the debt shows an increase in nominal terms, IPAB's strategy of not allowing it to grow in real terms by applying own and budgetary resources implies that, as the economy grows, the debt will represent a smaller percentage of GDP, also reducing its relative impact on public finances.

At the end of December 2020, the Institute's net debt balance stood at 3.6% of estimated GDP⁴⁵, which represents a reduction of 7.66 pp compared to the percentage reached at the end of 1999 -11.3%- and a reduction of 0.03 pp compared to the end of 2019.



⁴⁵ A nominal GDP published by INEGI of MXN 24 trillion 861 million 588 thousand as of the fourth quarter of 2020 is considered. Nominal GDP amounts for previous years correspond to the data reported as of the fourth quarter of each year, obtained at current prices according to the methodology implemented on October 31, 2017 by INEGI, which considers 2013 as the base year.

MATURITY PROFILES AS OF DECEMBER 31ST, 2020



Includes expected interest on SPBS issues outstanding.

Source: IPAB.

This decrease is explained in 0.15 pp by the reduction of the Institute's debt in real terms, which is partially offset, in 0.12 pp, by the estimated decrease of the economy in real terms in the period from January to December 2020.

The Institute maintains a debt profile with a manageable trajectory, focusing most of its maturities in the short and medium terms, with a profile comparable to that of the Federal Government. This allows it to refinance itself in a sustainable way without affecting the profile of the debt backed by the Federal Government.



Deputy Secretary for Bank Savings Protection

She is in charge of dealing with issues related to the fees payable by the commercial banks, the disposition of funds derived from such fees and the subscription of debt instruments, contractual documents and instruments through which direct or contingent liabilities are generated by IPAB.



Due to the impact of the measures to contain the economic effects of the pandemic and the episodes of high volatility observed in the global financial markets, and in the local debt market, since March 2020 there has been a significant decrease in the levels of demand and significant increases in the surcharges of the instruments issued by the Institute.

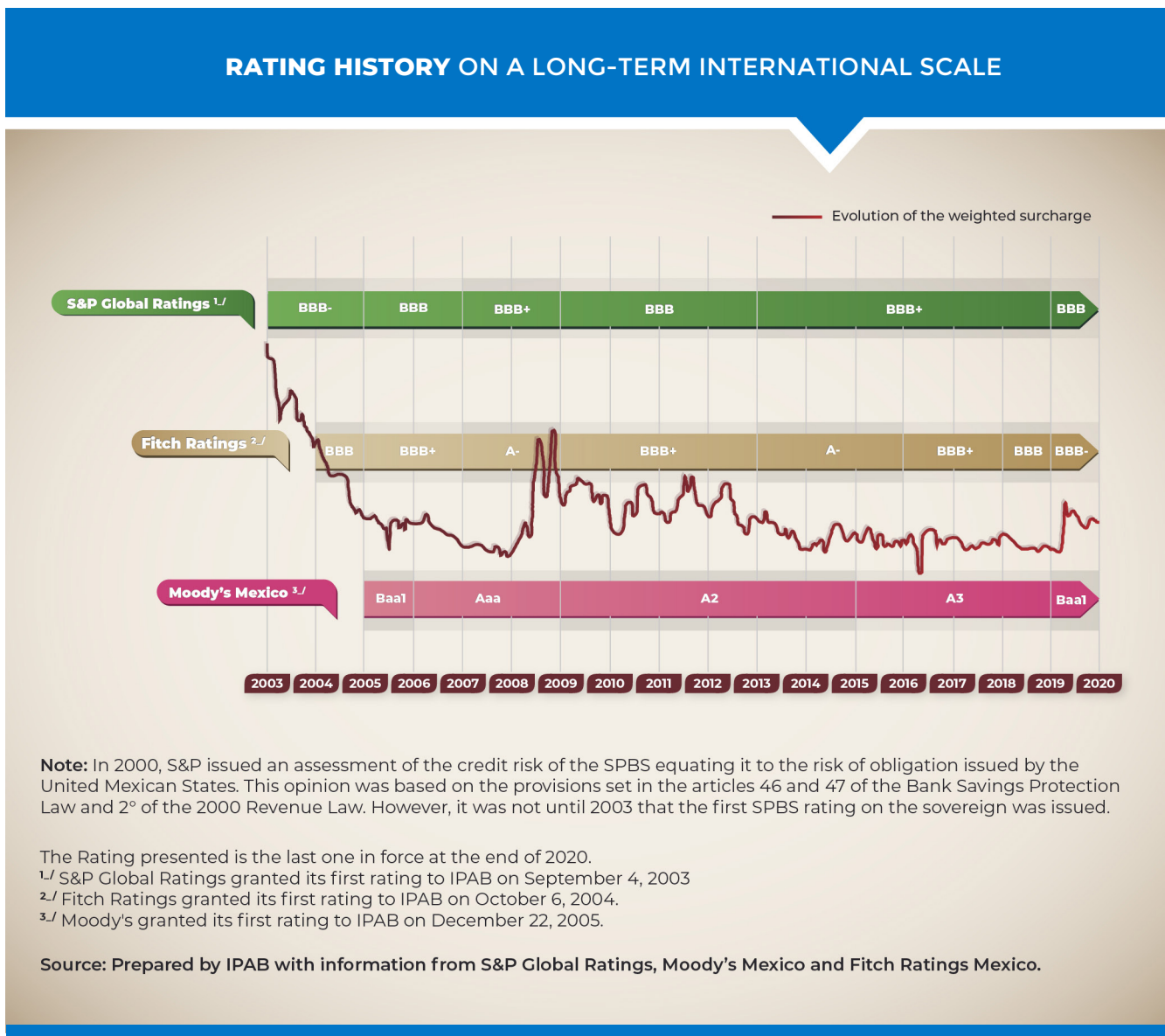
To provide greater certainty to market participants in the SPBS auction corresponding to the last week of the first quarter of 2020, IPAB reduced the placement amount by MXN 700 millions, from MXN 4,200 millions to MXN 3,500 millions. This remained the same during the second and third quarters of 2020 and then increased to MXN 3,800 millions during the last quarter of 2020, given the lower volatility of the financial markets.

This is consistent with the strategy of refinancing for financial obligations, which consists of maintaining the amount of the Institute's net liabilities in real terms, while ensuring a sustainable debt trajectory in the long term.

Credit ratings

IPAB has undergone a process of accreditation by the three most important agencies at the global level, in accordance with the Federal Government practices. This has given it access to better financing conditions, while at the same time it boosts investors' confidence in the BPAS market.

At the end of 2020, IPAB maintained the following ratings, in line with those granted to the Federal Government:

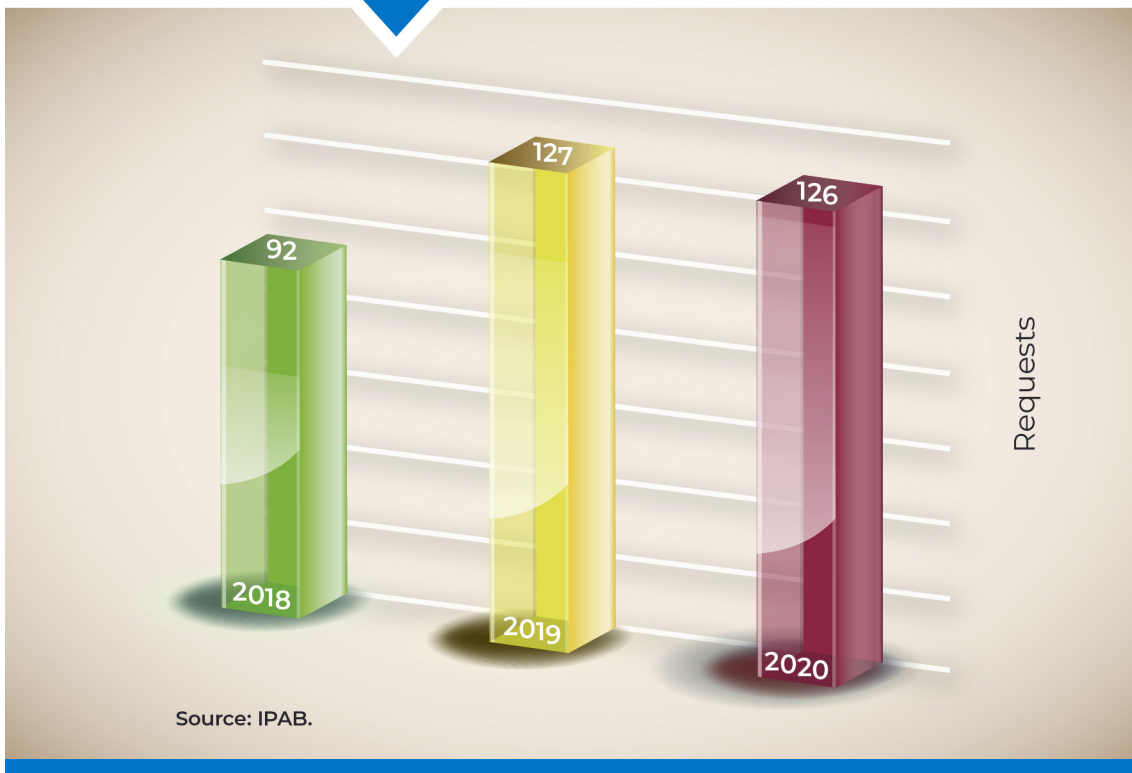




Transparency and accountability

In 2020, IPAB's Transparency Unit received 126 requests for information, which were responded in a timely manner. It is worth noting that most of the requests were related to the liquidation procedures of various commercial banks. Since 2003⁴⁶, IPAB's Transparency Unit has responded to 2,550 requests for information.

EVOLUTION OF TRANSPARENCY REQUESTS



In 2020, IPAB endorsed its acknowledgments as “Institution 100% Trained in the Federal Law of Transparency and Access to Public Information and in the General Law for the Protection of Personal Data in Possession of Obligated Entities” and “Transparency Committee 100% Trained”.



⁴⁶ Year in which the transparency regulation came into force.

External audits

During 2020 IPAB was not audited by the Federal Superior Audit Office.

In the review of the Institute's financial statements by the external firms appointed by the Ministry of Public Affairs (SFP), these were issued an unqualified opinion.



Deputy Secretary for Management and Budget



He is responsible for submitting the preliminary draft budget for the Institute's administrative expenses, as well as participating in budget programming, budgeting and evaluation activities.

Financial statements

In accordance with governmental financial reporting requirements, the statements of financial position and the statement of activities, comprised of IPAB's assets, liabilities, equity, income and expenses as of the end of 2020, are shown below:



STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, AND 2020



					
HACIENDA <small>SECRETARÍA DE HACIENDA Y CRÉDITO PÚBLICO</small>		INSTITUTE FOR THE PROTECTION OF BANK SAVINGS <small>(Decentralized Organism of the Federal Government)</small> Statements of Financial Situation <small>For the years ended December 31, 2020 AND 2019</small> <small>(Amounts expressed in millions of Mexican pesos)</small>			
Concept	2020	2019	Concept	2020	2019
ASSET			LIABILITIES		
CURRENT ASSETS			CURRENT LIABILITIES		
Cash and cash equivalents			Short Term Payable Accounts	\$ 9	\$ 11
Banks	\$ 1	\$ 20	Short-Term Portion of Long-Term Debt		
Rights to Receive Cash or cash equivalents			Savings Protection Bonds	220,025	216,783
Short-Term Financial Investments	100,991	104,738	Derivative Financial Instruments	8	44
Miscellaneous short-term receivables	-	-	Other Short-Term Liabilities	24,732	-
Total Current Assets	100,992	104,758	Total Current Liabilities	244,774	216,838
NON-CURRENT ASSETS			NON-CURRENT LIABILITIES		
Long-Term Financial Investments	31,342	46,010	Long-term debt		
Rights to Receive Long-Term Cash or Cash Equivalents			Savings Protection Bonds	774,247	789,306
Resources to be Allocated – through the Federal Expenditure Budget	902,804	911,414	Derivative Financial Instruments	-	7
Notes Receivable and Sundry Accounts Receivable, net	167	161	Long-Term Provisions	41,309	56,298
Subrogation for the Payout of Covered Deposits	24,732	-	Total Non-Current Liabilities	815,556	845,611
Derivative Financial Instruments Property, Infrastructure and Construction in Progress	230	74	TOTAL LIABILITIES	1,060,330	1,062,449
Property, Plant and Equipment	6	6	HERITAGE		
Total Non-Current Assets	959,281	957,665	Other Comprehensive Income	(57)	(26)
TOTAL ASSETS	\$ 1,060,273	\$ 1,062,423	Total Equity	(57)	(26)
			TOTAL LIABILITIES AND HERITAGE	\$ 1,060,273	\$ 1,062,423

Under oath we declare that the Financial Statements and their notes are reasonably correct and are the responsibility of the issuer.

M. In F. Gabriel Ángel Limón González
Executive Secretary

CPA José Ignacio Chan García
Deputy General Director for Budget and Accounting

CPA Julio Javier Castro Martínez
Manager of Financial Accounting

					
HACIENDA <small>SECRETARÍA DE HACIENDA Y CRÉDITO PÚBLICO</small>		INSTITUTE FOR THE PROTECTION OF BANK SAVINGS <small>(Decentralized Organism of the Federal Government)</small> Statements of Activities <small>For the years ended December 31, 2020 and 2019</small> <small>(Amounts expressed in millions of Mexican pesos)</small>			
Concept	2020	2019	Concept	2020	2019
INCOME AND OTHER BENEFITS					
MANAGEMENT INCOME					
Revenues from Sale of Goods and Services					
Revenues from fees received from institutions	\$ 27,991	\$ 24,502			
FEDERAL CONTRIBUTIONS, TRANSFERS, ALLOCATIONS, SUBSIDIES, GRANTS, ETC.	43,330	45,432			
Transfers, Allocations, Subsidies and Grants, and Pensions and Retirements	43,330	45,432			
OTHER INCOME AND BENEFITS	10,038	13,292			
Financial Income	9,291	12,889			
Other income and miscellaneous benefits	747	403			
Total Revenues and Other Benefits	81,359	83,226			
EXPENSES AND OTHER LOSSES					
OPERATING EXPENSES					
Personal Services	280	319			
Materials and Supplies	196	234			
General Services	2	1			
	82	84			
INTEREST, COMMISSIONS AND OTHER DEBT EXPENSES	62,373	82,528			
Interest on Debt	62,373	82,528			
OTHER EXTRAORDINARY EXPENSES AND LOSSES	10,096	10,332			
Allowances, Depreciation, Impairment, Obsolescence and Amortization	317	310			
Other Expenses	9,779	10,022			
Total Expenses and Other Losses	72,749	93,179			
SURPLUS (DEFICIT) FOR THE YEAR	\$ 8,610	\$ (9,953)			

Under oath we declare that the Financial Statements and their notes are reasonably correct and are the responsibility of the issuer.

M. In F. Gabriel Ángel Limón González
Executive Secretary

CPA José Ignacio Chan García
Deputy General Director for Budget and Accounting

CPA Julio Javier Castro Martínez
Manager of Financial Accounting

8



To promote the dissemination of Institutional financial education programs and materials on bank deposit insurance, during 2020 the Institute was in permanent contact with public and private organizations, media, and coordinated various activities with institutions at the secondary and higher education levels institutions.

Several informative and dissemination activities were carried out so to make small and medium-size depositors and the general public aware of the importance of savings, the benefits of formal savings and the advantages of having a bank savings protection system. It also provided information related to institution's activities through the media.

Promotion of inclusion and financial education

IPAB, as a member of the National Council for Financial Inclusion (CONAIF) and the Financial Education Committee (CEF), actively participated in various working groups with other pu-

Information and Disclosure

Activities





INFORMATION AND DISCLOSURE ACTIVITIES

blic and private sector entities, and in coordination with such entities, contributed to the development and issuance of the National Financial Inclusion Policy (PNIF) 2020-2024, with defined objectives and goals to promote financial inclusion and education in the population.

During 2020, didactic and informative materials were developed for the general public, aligned with the PNIF 2020-2024 and the National Financial Education Strategy (ENEF), to promote financial inclusion and education among the population, and inform about IPAB's important institutional work and the benefits of saving. The Institute actively participated in various national and international working groups, forums and events.



Financial inclusion and education

Aware of the importance of promoting inclusion and financial education among the population, IPAB contributed to the development of the PNIF 2020-2024.



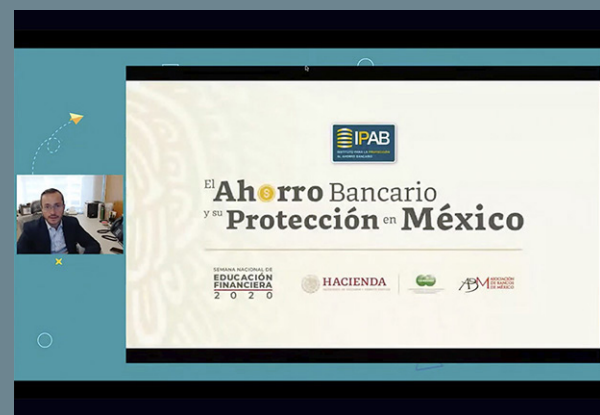
National Financial Education Week

In 2020, IPAB participated in the XIII edition of the National Financial Education Week (SNEF), organized by CONDUSEF and the Association of Banks of Mexico (ABM). It also took part in the Financial Education Week (SEF) –organized by the Institute of Mexicans Abroad (IME)-, held virtually due to the health contingency. Both events were scheduled jointly.

During SNEF 2020, held from November 4 to 18, 2020, IPAB had a virtual kiosk and published various audiovisual materials and digital content on the portal set up for this purpose, in order to provide information on the importance and benefits of formal savings, as well as the advantages of having a bank deposit insurance managed by the Institute.

In coordination with CONDUSEF, ABM and IME, IPAB's staff participated in 10 videoconferences –six at the SNEF and four at the SEF- to provide information on the importance of bank deposit insurance and the specific role of IPAB in protecting savings.

These videoconferences were attended by students from various educational institutions in the country, the general public, and Mexicans living in the United States.



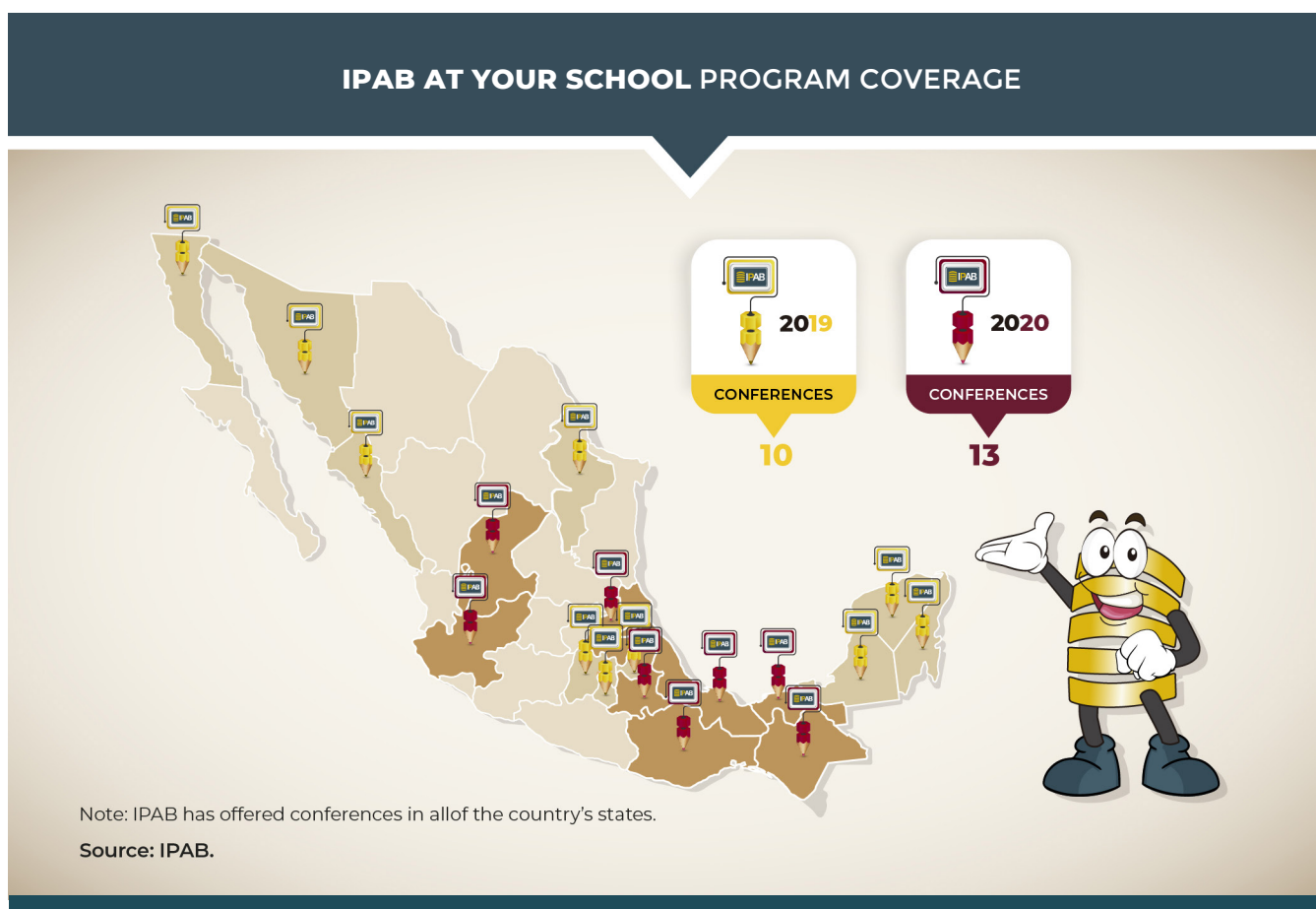


“IPAB at your School” Program

As part of the activities of the “IPAB at your School” program, aimed at disseminating the benefits of formal savings and bank deposit insurance among students of middle and high schools, in 2020 IPAB held 13 in the states of Chiapas, Hidalgo, Jalisco, Oaxaca, Puebla, Tabasco, Veracruz and Zacatecas.

As part of the program’s dissemination strategy, it planned, designed and produced a variety of informative support materials -flyers, infographics, and presentations- for the staff who spoke at the videoconferences.

In addition, informative multimedia materials related to the benefits of bank deposit insurance were prepared and published on IPAB’s website and in the different social networks for consultation by participants and the general public.

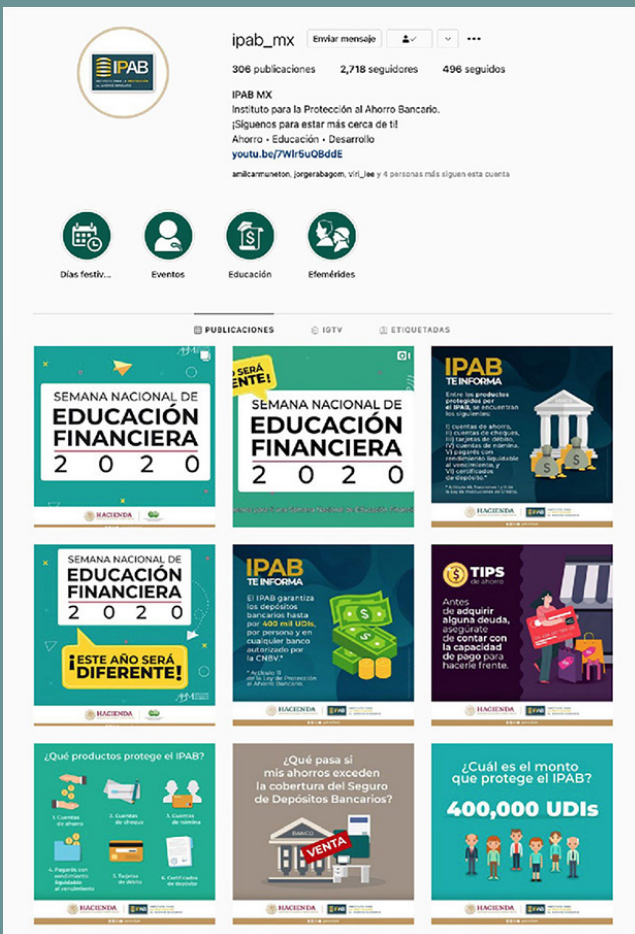




Other disclosure activities

In 2020, other complementary dissemination activities were carried out, such as the distribution of messages, notices and communications posted on social networks about IPAB’s institutional activities, with 513 publications disseminated through these communication channels.

The campaigns “Know More”, “IPAB Glossary for children”, “IPAB informs you”, “IPAB Challenge”, “Savings Tips”, “Savings Quiz”, “IPAB Trivia” and “Ricky Seguro and Gastón Pérez” are worth mentioning. In these, through images, infographics and other graphic and audiovisual materials, information on bank deposit insurance was provided.



Through the institutional accounts in social networks, 513 publications on IPAB’s activities were disseminated.



IPAB

9



In its 21 years, IPAB has consolidated itself as an effective administrator of bank deposit insurance applying the best international practices, at the forefront, with global acknowledgement and characterized by the fulfillment and institutional collaboration.

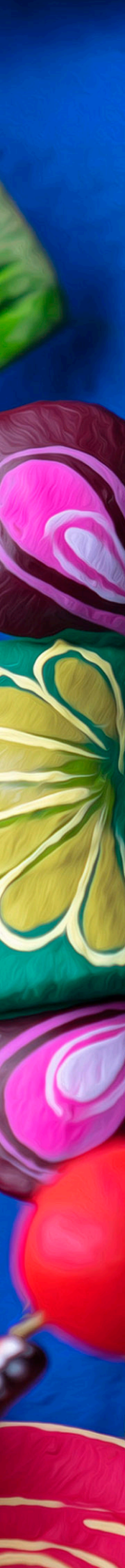
International affairs activities

IPAB seeks to collaborate and play a relevant role in the global development of deposit insurance and bank resolutions. For this reason, as a founding member of the International Association of Deposit Insurers (IADI), it participates in various priority projects.

During 2020, the Institute as a member of the IADI Core Principles and Research Council Committee participated in the development of the following research documents⁴⁷:



⁴⁷ For more information, consult: <https://www.iadi.org/en/core-principles-and-research/papers/>





- i) “Risk Management and Internal Control System of Deposit Insurers”;
- ii) “Evaluation of Differential Premium Systems for Deposit Insurance”;
- iii) “Public Policy Objectives for Deposit Insurance Systems”, and
- iv) “Deposit Insurance and Financial Inclusion: Current Trends in Insuring Digital Store-Value Products”.

In addition, IPAB, as a member of the IADI’s Regional Committee of North America, collaborated in the development of a research document related to the evaluation activities of the plans developed by the deposit insurance companies to face possible contingencies. This document is focused its analysis on the various actions executed in this matter by the competent authorities in Canada, the United States and Mexico.



International Affairs

IPAB, **as a founding member of IADI**, collaborates in the development of priority projects.

Additionally, the Institute jointly with the IADI’s Latin American Regional Committee, in particular with Colombia’s Financial Institutions Guarantee Fund (FOGA-FIN), collaborated in the preparation of the research document to analyze existing methodologies for measuring and evaluating the level of public awareness of deposit insurance in Latin America.

During 2020, IPAB responded to several surveys, among which the following stand out: i) COVID-19 Implications for Deposit Insurers; ii) payout and reimbursement processes for depositors; iii) public awareness of bank runs; iv) resolution plans; v) callcenters, and vi) foreign currency deposits.

IPAB attended and participated in the annual meetings of the Crisis Management Groups of the Citigroup, HSBC and Santander Groups, in which the parti-



icipating authorities analyzed the possible strategies in the face of a bank resolution procedure.



Within the framework of Article IV activities of the Agreement between Mexico and the International Monetary Fund (IMF), a group of public servants of the Institute met with IMF experts to report on: i) the financing of IPAB in relation to the debt originated prior to its incorporation; ii) the progress in the payout of BAFELJ's covered deposits, and iii) strategies to face possible problems in an environment marked by the impacts of the pandemic.

Likewise, IPAB, as a member of IADI, provided technical assistance to the following deposit insurance agencies:

- a)** Malaysia Deposit Insurance Corporation, on the Institute's experience in the Institute in the payout of covered deposits and BAFELJ's communication strategy;
- b)** Uruguay Bank Savings Protection Corporation, about the methodology used by IPAB to analyze the information provided by the banks and the IT platform developed by the Institute for this purpose;



- c)** FOGAFIN of Colombia, to provide information related to the on-site inspection visits to banks carried out by IPAB, and
- d)** Deposit Insurance Corporation, Liquidity Fund and Private Insurance Fund of Ecuador (COSEDE), regarding the purpose and operation of the BPAS issued by IPAB.

To this effect, with the participation of the World Bank, IPAB received and provided technical assistance to a delegation comprised by officials of the Deposit Guarantee Fund and the Central Bank of Mozambique. In these sessions, a variety of information was presented related to the Institute's experience as deposit insurance agency and resolution authority.

Finally, IPAB participated as a speaker in the workshop called "Core Principle No. 15: Effective Deposit Insurance" organized by IADI and COSEDE, in which IPAB shared its experience in the BAFELJ's bank liquidation procedure, focusing on the challenge of making the payout to depositors during the aforementioned health contingency.

Research and studies

In order to remain at the forefront of deposit insurance, the Institute conducts research studies aimed at identifying current trends in deposit insurance systems and bank resolutions.

In the context of the pandemic, several reports were prepared related to: i) the main measures implemented by the financial authorities of various jurisdictions at the international level in order to mitigate the negative effects of the pandemic; ii) maintaining the stability of the financial system, and iii) promoting economic recovery.



IPAB published a “Comparative study on the scope of financial products coverage offered by the deposit insurers” in the research journal prepared by COSEDE. The purpose of this study was to identify best practices on the scope of product coverage offered by deposit insurers around the world, particularly for financial products and services other than the deposit taking operations covered by traditional coverage.



Risk Management

IPAB participated in the annual meetings of the Crisis Management Groups of Global Systemically Important Banks.

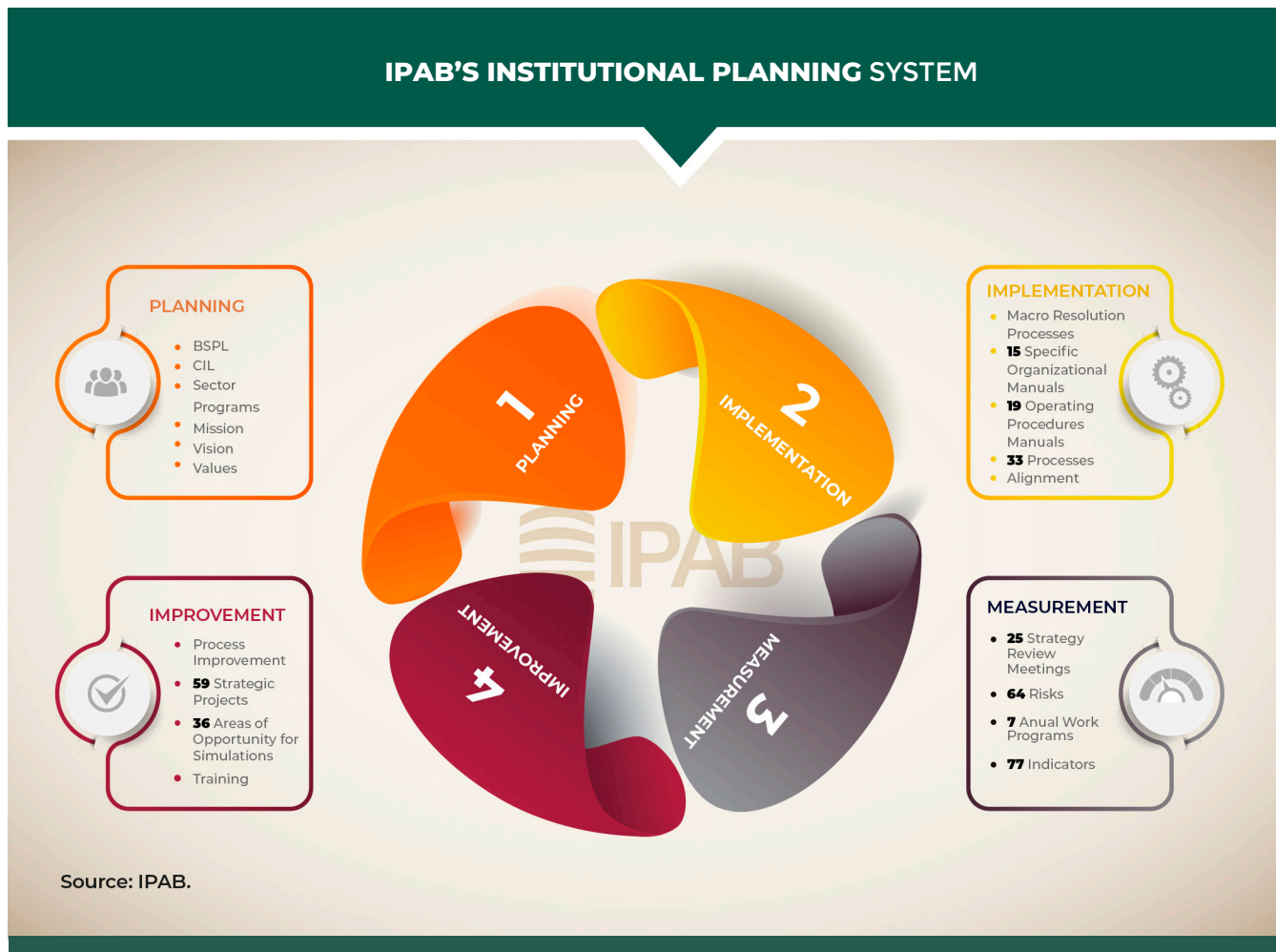
Compliance with the institutional strategy

Based on the Balanced Scorecard methodology, IPAB has a unified institutional strategy management system to align the activities, processes and projects of



the administrative units and focus them on achieving the institutional mandate, mission and vision.

The relationship between the execution of the strategy and the development of operations is presented below:



The Institutional Planning System includes a detailed definition of processes; the establishment of annual work programs; the monitoring of compliance indicators, and the management of a risk management system. This action framework has been established to continuously evaluate institutional performance and ensure compliance with the objectives, and to promote continuous improvement in the different areas of opportunity when potential risks are detected in the development of activities.



Institutional risks

Through a dynamic process to analyze and identify possible events that may diminish the institutional capacity to achieve its objectives, IPAB continuously monitors institutional risks.

Once these risks have been identified, the respective control mechanisms are determined and stated to anticipate possible obstacles and optimize the institutional response capacity.

This follow-up is carried out based on the Institutional Risk Management Methodology, which is aligned with best practices.

The risks that IPAB identifies and continuously monitors are distributed as follows:





During the third quarter of 2020, a review of institutional risks was carried out to identify possible effects on the Institute's processes as a result of the sanitary contingency.

This review made it possible to: i) strengthen the risk management process; ii) mitigate the effects of the pandemic on institutional objectives; and iii) prevent possible non-compliance with the goals of IPAB administrative units.

Financial risks

IPAB, as the authority in charge of managing the bank deposit insurance in Mexico, must effectively manage the financial resources in custody; for this reason, it performs a daily monitoring of the financial risks to which it is exposed, particularly market and counterparty risks. This monitoring is carried out through several methodologies and exposure limits previously authorized by the Governing Board, based on the risk profile and IPAB's institutional objectives.

Risk management and internal control

IPAB has a specific comprehensive risk management process aimed at strengthening its functions, guaranteeing the achievement of its objectives and promoting the fulfillment of its mission.

Through a duly defined and formalized process, IPAB sets, identifies and monitors the risks to which it is exposed to ensure compliance with the applicable internal control management provisions set by the SFP and internationally recognized best practices.



Institutional Program 2020–2024

In compliance with the Federal Law of Parastatal Entities and the Planning Law, the Institutional Program 2020–2024 (PI-IPAB 2020-2024)⁴⁸ was prepared, a document aligned with the social policy objective called “Building a country with well-being” of the National Development Plan 2019-2024 and with priority objective number 5 of the National Development Financing Program 2020-2024 called “Promote sustainable development, inclusion and deepening of the financial system in favor of the well-being of the population and efficient allocation of the resources”.

In keeping with the above objectives, the PI-IPAB 2020-2024 states three priority objectives that coincide with the institutional strategy:

- Strengthen the bank savings protection system;
- Act in a timely and efficient manner in bank resolutions, and
- Effectively manage financial resources and refinancing.

IPAB will monitor the program through eight substantive processes and nine indicators.



⁴⁸ Pending publication in the DOF.

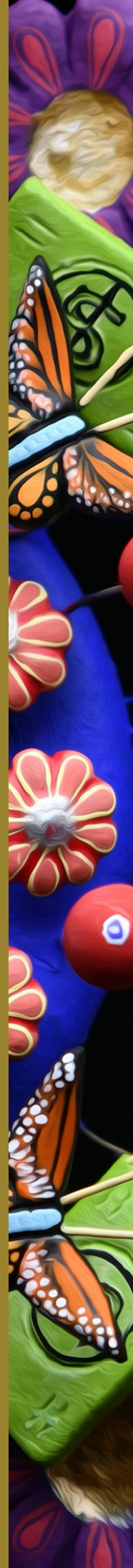
Annexes



Acronyms and abbreviations

– A&M:	Alvarez & Marsal Mexico, S.C.
– ABM:	Association of Mexican Banks
– ASF:	Federal Superior Audit Office
– BAF:	Banco Ahorro Famsa, S.A.
– BAFEL:	Banco Ahorro Famsa, S.A., in Liquidation
– BAFELJ:	Banco Ahorro Famsa, S.A., in Judicial Liquidation
– Bank, Institution or CB:	Commercial banks
– BANXICO:	Bank of Mexico
– BBVA:	BBVA Bancomer, L.td., Commercial Bank, BBVA Bancomer Financial Group
– BSPL:	Bank Savings Protection Law
– CAR:	Capital Adequacy Ratio
– CEF:	Financial Education Committee
– CIL:	Credit Institutions Law
– CNBV:	National Banking and Securities Commission
– CONAIF:	National Financial Awareness Council
– CONDUSEF:	National Commission for the Protection and Defense of Financial Services Users

– CONEVAL:	National Council for the Evaluation of Social Development Policy
– COSEDE:	Deposit Insurance Corporation of Ecuador
– DCI:	Depositors covered by IPAB
– DOF:	Federal Official Gazette
– ENEF:	National Financial Education Strategy
– FAMEVAL:	Securities Market Support Fund
– FOBAPROA:	Bank Savings Protection Fund
– FOGAFIN:	Guarantee Fund for Financial Institutions of Colombia
– Fund or FPAB:	International Monetary Fund
– GDP:	Gross Domestic Product
– Governing Board:	IPAB's Governing Board
– IADI:	International Association of Deposit Insurers
– IME:	Institute for Mexicans Abroad
– IMF:	International Monetary Fund
– IMOR:	Default Index
– IMSS:	Mexican Social Security Institute
– INEGI:	National Institute of Statistics and Geography
– INPC:	National consumer price index
– Institute or IPAB:	Institute for the Protection of Bank Savings
– LFT:	Federal Labor Law
– mdd:	Millions of dollars
– mdp:	Millions of Mexican pesos
– OECD:	Organization for Economic Co-operation and Development
– OG:	Eligible deposits
– OGC:	Covered deposits





– Organic Statute:	Organic Statute of the Institute for the Protection of Bank Savings
– pb:	percentage points
– PCD:	Payout of covered deposits
– PNIF:	National Financial Inclusion Policy
– Portal:	Payment Portal
– pp:	percentage points
– PRODECON:	Taxpayers’ Defense Attorney Office
– ROE:	Return on Equity
– SASP:	Payout Request Management System
– SAT:	Tax Administration Service
– SEF:	Financial Education Week
– SFP:	Ministry of Public Affairs
– SHCP:	Ministry of Finance and Public Credit
– SNEF:	National Financial Education Week
– SPBS:	Savings Protection Bonds
– TLAC:	Total Loss Absorption Capacity
– U.S. Federal Reserve Board:	Federal Reserve Board of the United States of America
– UDI:	Investment Units
– USA:	United States of America



Creative concept

Made by master potters from the municipality of Metepec, State of Mexico, this traditional handicraft commonly called **“Tree of life”**, depicts the Genesis and the Garden of Eden and has a designation of origin.

From this traditional concept, the **“Tree of Bank Savings Protection”** was developed in collaboration with the master craftsman Saúl Ortega, a unique piece that integrates motifs related to savings such as: coins, banks, bills, piggy banks and a couple of depositors, elements that are protected by IPAB’s bank deposit insurance. In the center of this work of popular art, the representation of the institutional morphotype and a pair of hands that detach from the logo and cover a piggy bank stand out, as a metaphor symbolizing the function of the Institute, whose growth has been multidisciplinary. Other elements can be found such as typical flowers of the Mexican flora, in the center of which are coins, gears, butterflies, the sun and the moon, whose context refers to the interconnection, synergy, coexistence and stability of the Mexican banking system.

The composition used communicates soundness, maturity, stability and confidence in the operation of IPAB, an organization that has been consolidated through 21 years of existence, demonstrating that it duly fulfills its function as an insurer of bank deposits, which has been evidenced in the cases that have required IPAB’s action.

ANNUAL REPORT

Bank Deposit Insurance

2020

Annual Report 2020

MEXICO

MEXICO

2020

PAB's Annual Report: Bank Deposit Insurance in Mexico 2020

is an exercise in transparency and accountability, making available to the public the most important facts and details of the Institute's operations during the year reported, for the benefit of the depositors in the Mexican banking system.

gob.mx/ipab

“IPAB’s Annual Report: Bank Deposit Insurance in Mexico 2020” is a support and consultation material on the institutional work. Legal aspects may be consulted directly in the official publications.

Institute for the Protection of Bank Savings.

Editorial coordination: Executive Secretariat; Deputy Secretary for Bank Savings Protection; Deputy Secretary for Legal Affairs; Head of Strategic Planning and Processes and Head of Research, Liaison and Financial Education.

December 2021.

Varsovia 19, Colonia Juárez, Cuauhtémoc, Mexico City, 06600.



2020

**PAB's Annual Report: Bank
Deposit Insurance in Mexico 2020**

is an exercise in transparency and accountability, making available to the public the most important facts and details of the Institute's operations during the year reported, for the benefit of the depositors in the Mexican banking system.

gob.mx/ipab

