



# ANNUAL REPORT

## Bank Deposit Insurance in

# MEXICO



200 YEARS  
OF THE INDEPENDENCE CONSUMMATION





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# MEXICO

**2021** 200 YEARS  
OF THE INDEPENDENCE CONSUMATION

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# Gabriel Yorrio González

Access to the financial system is a mechanism for empowerment and economic opportunity that contributes to achieving inclusive economic development in our country. The COVID-19 pandemic accelerated the use of digital technology in financial services, which resulted in greater financial inclusion and in more and more people leaving behind informal savings options and turning to more secure mechanisms to keep their resources safe. To continue this upward trend, IPAB is a key element in providing greater certainty to the operation, stability, and soundness of the national banking system, by giving confidence to small and medium-sized Mexican depositors by protecting their money in case of a potential solvency and liquidity problems in commercial banks.

Twenty-two years after its establishment, IPAB has proven to be an institution that has acted in a timely and efficient manner in bank resolution



processes, safeguarding the assets of the public that uses banking services, covering their resources of depositors in these eventualities.

For this reason, IPAB has consolidated its position as one of the deposit insurance agencies that internationally remains a benchmark in the generation of stability and certainty in the financial system.

In addition, IPAB has a relevant role to play in promoting financial education, so that more Mexicans know the advantages and importance of formal savings. In December 2021, on the occasion of the 11<sup>th</sup> anniversary of cetesdirecto, a platform that helps convert depositors into investors, the incorporation of Savings Protection Bonds (SPBs), which, until then, could only be acquired through stock market intermediaries by large investors, began. In this way, IPAB will promote financial inclusion by offering a new investment option with amounts starting at MXN 100.00.

For the Mexican Government and the Ministry of Finance and Public Credit, financial inclusion and financial education are crucial activities to encourage the country's economic development. The commitment of these two areas is to provide the basis of to strengthen people's financial capabilities, allowing them to develop their potential and generating wellbeing for the population.

**MPP. GABRIEL YORIO GONZÁLEZ**  
Undersecretary of Finance and Public Credit

# Gabriel Limón González

The activities carried out by the Institute for the Protection of Bank Savings during fiscal year 2021, as reported in the “IPAB’s Annual Report”, is an example of our commitment to transparency and accountability with the depositors. The actions described in the report highlight the importance for this institution to remain at the forefront of technology to meet our goal of strengthening the bank savings protection system.

During the year, the uncertainty generated by the persistent COVID-19 pandemic was extended, which continued to be mitigated by the intensive use of new communication and digital media in our activities. The adoption of digital technology during this health emergency presented the opportunity to boost the mechanisms to work remotely and thus maintain the continuity of activities to fulfill our commitment to guarantee the protection of bank deposits and the disclosure of the deposit insurance.





Once again, we had to intervene for protecting the depositors in a contingency due to the resolution of Banco Accendo, Ltd., in September 2021. The prompt response of the Institute to take control and pay covered deposits, immediately after the revocation of its authorization, resulted in a prompt payout of the deposit insurance, which as of December represented 96.87% of the total covered amount. A data validation website was used to quickly execute the remote payout, which allowed Bancos Accendo's clients to remotely validate their information and activate the cheque as the payout mean.

With the development of our activities and the fulfillment of our work program, we were able to maintain fulfillment with our Mission and Vision and set important milestones for the Institute. Upon concluding the development of the resolution plans for all the commercial banks operating in Mexico, we proceeded to update them. The judicial liquidation of Banco Ahorro Famsa was managed, while the liquidation of Banco Accendo was initiated. On-site inspection visits continued, as well as the collection of fees from the banks and the disclosure of the deposit insurance, among other actions, which demonstrate the strength of institutional processes and foster confidence in the system for protecting the Mexican bank savings.

The modernization of our processes, as well as the adoption of international best practices in savings protection, consolidate our Institute as an international benchmark and confirm our commitment with the depositors.

**M. IN F. GABRIEL A. LIMÓN GONZÁLEZ**

Executive Secretary of IPAB

Message from the Executive Secretary of  
the Institute for the Protection of Bank Savings

1



In 2021 witnessed, both nationally and internationally, the reactivation of economic conditions, thanks to the gradual regularization of labor activities, after almost a year and a half of confinement established by the health authorities. This return to a new normality led to a notable improvement in the solvency<sup>1</sup> and liquidity levels of the Mexican banking sector, thanks to a higher level of funding from the public and a better quality of the banks' credit portfolios.

In this context and in compliance with the federal government's austerity policies, the Institute for the Protection of Bank Savings (IPAB or Institute) implemented innovative strategies aimed at optimizing its human, technical and financial resources, strengthening its substantive processes, and updating its regulatory actions to face a changing reality.

During this year, the Institute made significant efforts in planning and prevention in order to be adequately prepared for any contingency. In accordance with the best practices in



<sup>1</sup> At the end of 2021, the banking system recorded a Capital Adequacy Ratio of 19.53%, an increase of 1.83% points over the recorded a year earlier.

# Executive summary



## EXECUTIVE SUMMARY

this area, twelve resolution plans were developed, covering all of the commercial banks (commercial banks) in operation.<sup>2</sup>

2021 once again demonstrated the Institute's response capabilities and the effectiveness of the prevention and supervision mechanisms it uses to strengthen public confidence in the financial system and avoid disruptions in banking services. On September 28, the Governing Board of the National Banking and Securities Commission (CNBV) revoked the authorization to operate Banco Accendo, Ltd., (Banco Accendo or Accendo) as a commercial bank. In the early hours of the following day, and as required by law, the Institute took control of this institution and promptly initiated the procedures for the liquidation and payout of the covered deposits to the bank's depositors.

In addition, several disclosure activities were carried out through the institutional communication channels, to keep the bank's depositors and the general public informed in a timely manner and within a framework of transparency and accountability. One month after starting the payout process to depositors, they had collected 92.3% of the amount deposited in the institution before the liquidation began.

This isolated event did not represent a risk to the stability of the banking system, nor it had a substantial impact on the Bank Savings Protection Fund (BSPF), which, in this case, proved to be sufficient, representing more than 31 times the amount needed to pay the covered deposits of the more than 1,500 depositors of this bank.

This fund is composed with the monthly contributions from the commercial banks, so no public resources were spent in the process previously described. During 2021, the information requirements addressed to banks for the calculation of these fees were updated.



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<sup>2</sup> This document was not developed for an institution with plans to exit the Mexican market or for an institution that recently began operations.



On the other hand, due to the strategy that the Institute followed to manage its legacy debt, it was possible to contain the growth in real terms<sup>3</sup> of the balance of liabilities, based on continuous refinancing and the application of its own and budgetary resources. At the end of fiscal year 2021, the Institute's net liabilities totaled MXN 919.7 billion.

The Institute, acknowledged as a leading institution, it continued to strengthen national and international cooperation ties, identifying synergies with related organizations, and participating in technical assistance sessions with several authorities and deposit insurer agencies. Likewise, research documents were developed to identify new trends and areas for improvement in the Institute's core activities, to implement the best practices in the different departments.

With these and other activities described throughout this IPAB's Annual Report: Bank Deposit Insurance in Mexico 2021, the Institute for the Protection of Bank Savings continued to evolve constantly in order to confirm its character as guarantor of Mexican bank deposits, to be recognized as a worldwide reference, thus contributing to the generation of trust among the saving public, to boost the credibility of the financial safety net and to maintain the stability of the financial system itself.



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<sup>3</sup> That is, discounting the effect of inflation.

2



Since the Bank Savings Protection Law came into force (BSPL), the Institute became the manager of Mexico's deposit insurance system. This system protects the money that people, mainly small and medium-sized depositors, deposit in banks, thereby guaranteeing their assets up to 400 thousand UDIS, equivalent to MXN 2,843,293.20.<sup>4</sup>

The bank deposit insurance is provided per person, per bank, automatic and free of charge. Its purpose is to insure the deposits that individuals have entrusted to banking institutions. Thereby, mitigating any loss resulting from the eventual revocation of an commercial bank's authorization to operate.

Another IPAB's goal is to design, assess and implement strategies to act appropriately and in a timely manner if a commercial bank faces financial problems. To this end, the Bank Savings Pro-



<sup>4</sup> Equivalent to the end of 2021. The value of the UDI is updated in accordance with inflation. The limit allows full coverage of the balance of more than 99% of the country's bank accounts, in protection of small and medium-sized depositors.

# About IPAB





## ABOUT IPAB

tection Fund is composed with the contributions from the banks, which means that public resources are not used for this purpose in the first instance.

IPAB has a dual mandate: on the one hand, to manage the Bank Savings Protection System, and on the other hand, to be the authority in charge of designing and implementing bank resolution strategies at the least possible cost.

The actions aimed at promoting financial inclusion and financial education carried out by IPAB as a member of the Financial Education Committee (FEC) and the National Financial Inclusion Council (NFIC) are also added. Both bodies are responsible for ensuring the compliance with the National Financial Inclusion Policy (NFIP) and the National Financial Education Strategy (NFES).

IPAB plays a fundamental role as a member of the financial safety net, in coordination with the Ministry of Finance and Public Credit (SHCP), the Bank of Mexico (Banxico) and the National Banking and Securities Commission (CNBV) in the execution of various actions aimed at financial stability and maintaining the confidence of depositors and investors in the Mexican financial system.



### Financial safety net

In coordination with the SHCP, Banxico and the CNBV, IPAB carries out several actions aimed **at maintaining financial stability.**

## 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 safeguarding the national payments system”.



*Managing the bank savings protection system in favor of small and medium-sized depositors is one of the Institute's main responsibilities.*

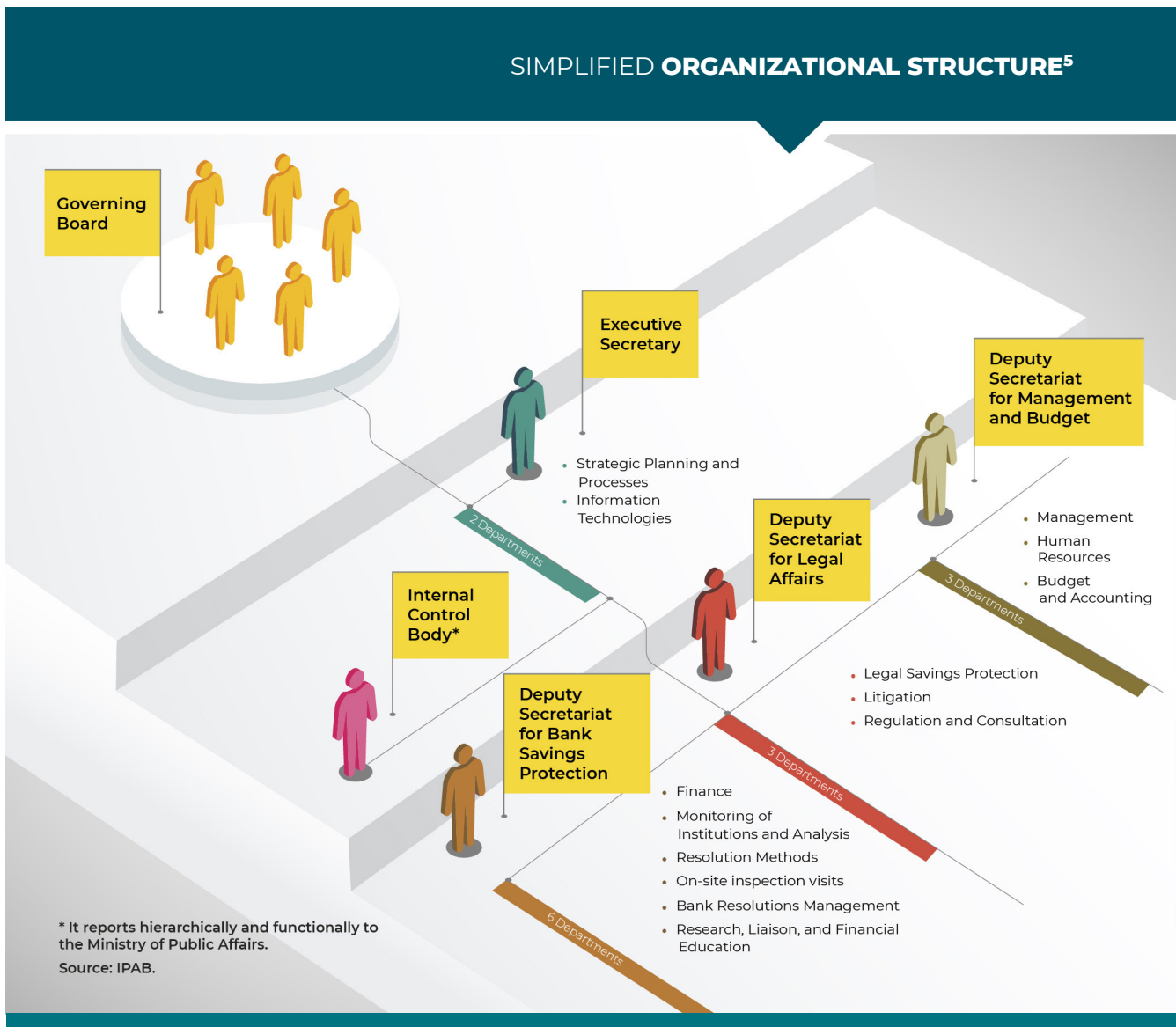
Its vision is: “To be acknowledged as a trust-worthy institution, a leader and promoter of the best practices and international standards in the field of Deposit Insurance”.

**IPAB focuses its efforts on achieving three priority goals**, contributing to the higher goal of the National Development Program (NDP) 2019-2024 and the National Development Financing Program (PRONAFIDE) 2020-2024. These goals are:

- Strengthen the bank savings protection system;
- Act effectively and efficiently in bank resolutions; and
- Effectively manage financial resources and refinancing.

# Organizational Structure

At the end of 2021, IPAB modified its organic structure in accordance with the austerity measures ordered by the Head of the Federal Executive legal Power. This modification was intended to change the occupational group of the Senior Managers to Managers, with the following simplified structure:



<sup>5</sup> The information corresponds to IPAB's organizational structure in effect at the close of fiscal year 2021.

2021 was a year in which there was a gradual return to face-to-face work, thanks, among other factors, to the national vaccination scheme against COVID-19. Even so, the persistence of the pandemic made it necessary to maintain some health measures implemented to reduce infections.



In this way, the Institute continued to adapt its internal processes to develop its functions through a primarily remote work scheme, prioritizing the health and integrity of its staff. In this sense, we made use of new technologies, setting effective measures for planning, organizing, and coordinating the work from home to be more efficient.

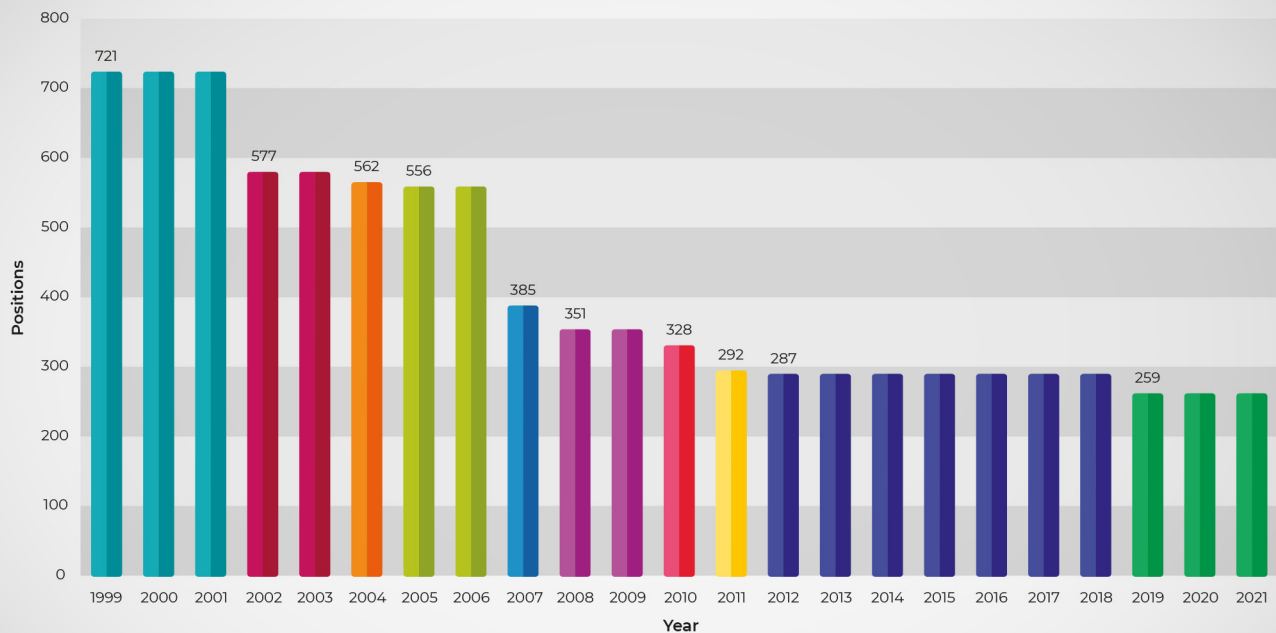
## IPAB's Staff

At the end of 2021, the Institute's organic structure comprised of 259 positions. This structure shown a gradual reduction of 64% compared to the one approved

## ABOUT IPAB

at the beginning of its operations in May 1999, in line with a lower number of ongoing bank liquidation processes. Likewise, despite the greater complexity of the macroeconomic environment and the operations carried out by the commercial banks, and with two bank resolution processes in the last two years, IPAB has managed to maintain the downward trend in the size of its organic structure, adopting measures to increase the efficiency of its processes and keeping its staff duly trained.

### AUTHORIZED STAFF POSITIONS

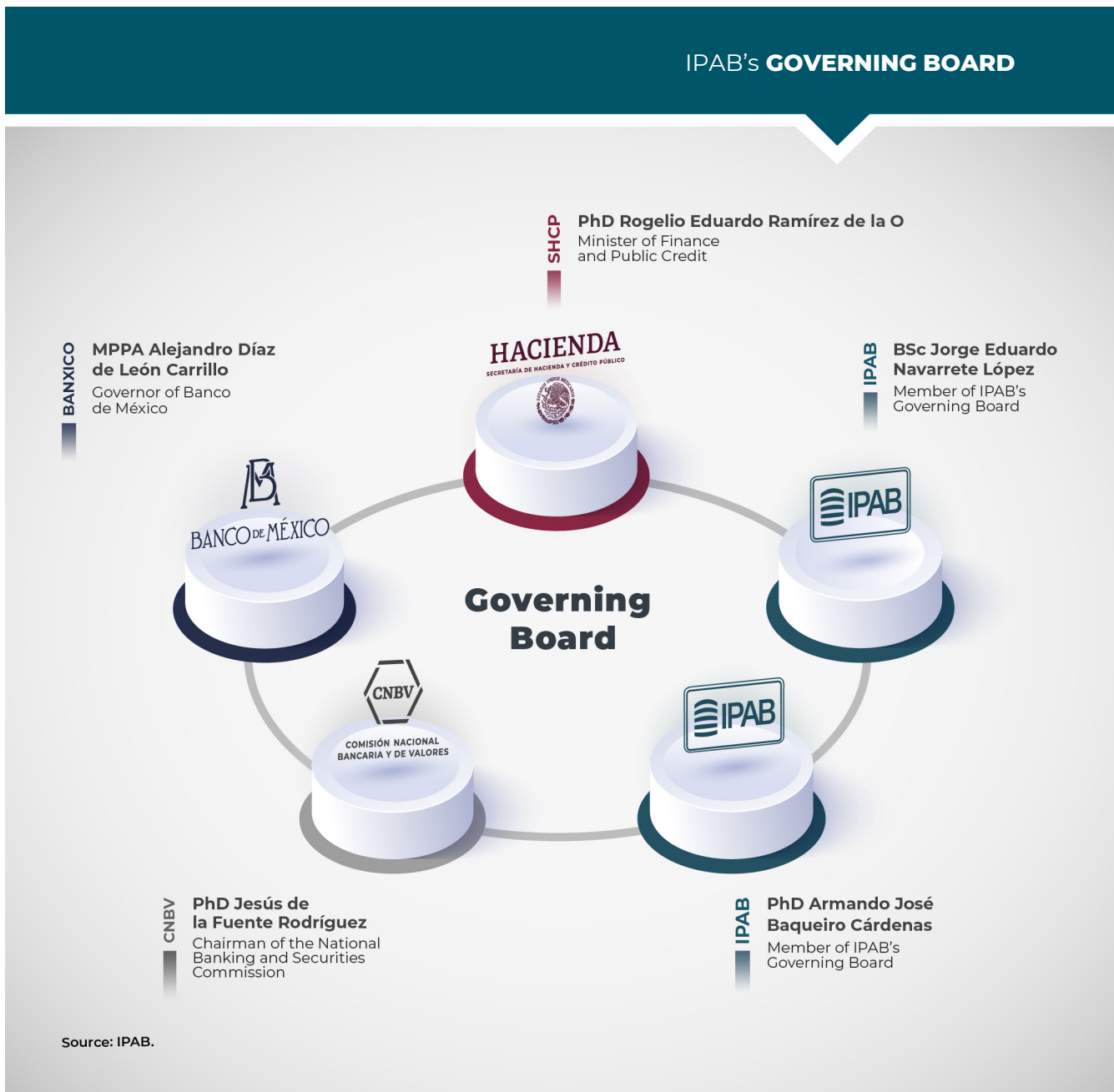


Source: IPAB.

It is worth noting that, with policies of inclusion and gender equity in its hiring and promotion processes, in 2021, IPAB's organic structure was composed with 58% men and 42% women

# Governing Board

IPAB's Governing Board is composed with seven members. Three ex officio: the Minister of the SHCP, the governor of Banco de México, and the president of the CNBV, and four members appointed by the President of Mexico. At the end of 2021, the Governing Board was composed as follows:





## Management team

### **Executive Secretary**

Gabriel A. Limón González

Under the LPAB, the Executive Secretary is responsible for managing the Institute and for executing the actions ordered from the Governing Board, with the support of the administrative structure determined by this collegiate body.

His main function is to lead the Institute, i.e., he is in charge of providing security to depositors who have hired a banking financial product, so they can trust that their assets are protected if a bank faces financial solvency problems.

### **Deputy Secretary for Bank Savings Protection**

María Isabel García Guadarrama

The Deputy Secretariat for Bank Savings Protection (DSBSP) is the area that, among other duties, devotes its efforts to matters related to inspection visits, the fees payable from the commercial banks, the disposition of funds derived from the fees obtained and the subscription of credit instruments, contracts and instruments through which direct or contingent liabilities are generated by IPAB, or serve to refinance the Institute's financial obligations.



## Deputy Secretary for Legal Affairs

### Luis Maldonado Marquínez

The Deputy Secretariat for Legal Affairs (DSLAs) is responsible for providing technical legal support to the Executive Secretary and the Institute's administrative units. Together with the DSBSP, he participates in the selection of the method of resolution, liquidation or judicial liquidation of a commercial bank that is proposed to the Governing Board.

Likewise, he participates in the review of law initiatives, regulations and other general provisions related to the Institute, such as the Organic Statute; he is also in charge of coordinating the responses provided to the requests of information and personal data, in order to comply with transparency obligations, among other legal powers.

## Deputy Secretary for Management and Budget

### Miguel Cuevas Reza

The Deputy Secretariat for Management and Budget (DSMB) is responsible for planning and organizing the Institute's administrative policies related to the management of human, material and financial resources, such as the application of the Professional Career Service<sup>6</sup>, the hiring process and internal accounting, with the purpose of using resources efficiently and obtaining better results.



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<sup>6</sup> Mechanism to guarantee equal opportunities in access to public service.

3





The economic impact of the pandemic caused by the SARS-CoV2 virus, and its different variants prevented a full recovery of the world economy and led, once again, to close various activities in several countries.

In this regard, industrial production levels in the United States of America (USA) were closed to those observed prior to the onset of the pandemic. Oil prices continued their upward trend, due to increased demand and geopolitical tensions in Europe. The prices of the raw materials also increased due to the disruption of various global supply chains and the high cost of energy, which led to higher global inflation.

Banxico opted, in line with the trend of the world's main central banks, to adopt more restrictive monetary policies. The benchmark interest rate reached 5.5% at the end of 2021.

In relation to the appreciation of Mexico's credit quality, the rating agencies operating in our country perceived an outlook ranging from "stable" to "negative", but maintained at all times the "investment grade".

# Macroeconomic and financial

environment



In addition, the exchange rate between the Mexican peso and the US dollar remained stable. At the end of 2021, it stood at MXN 20.53 per US dollar, with a forecast for 2022 of MXN 21.32 per US dollar.<sup>7</sup>

### MEXICO: EVOLUTION OF THE MEXICAN PESO – US DOLLAR EXCHANGE RATE IN 2020 AND 2021



Considering the conditions of the global and local economic recovery, IPAB continuously monitored the evolution of the financial markets, with a special focus on its own financial obligations, mainly in refinancing operations, to avoid the growth of its liabilities in real terms. With the least possible impact on public finances, the balance of these liabilities was kept on a sustainable trajectory and, therefore,



<sup>7</sup> Survey of Expectations of Private Sector Economic Specialists February 1st, 2022.



reasonable expectations were maintained among financial market participants regarding the Institute's debt management.

In this regard, the variables that most affected its performance were economic growth, inflation, and monetary policy.



### Global situation

During 2021, IPAB managed to keep the balance of its liabilities on a sustainable trajectory despite the financial conditions marked by the global environment.

## Economic growth

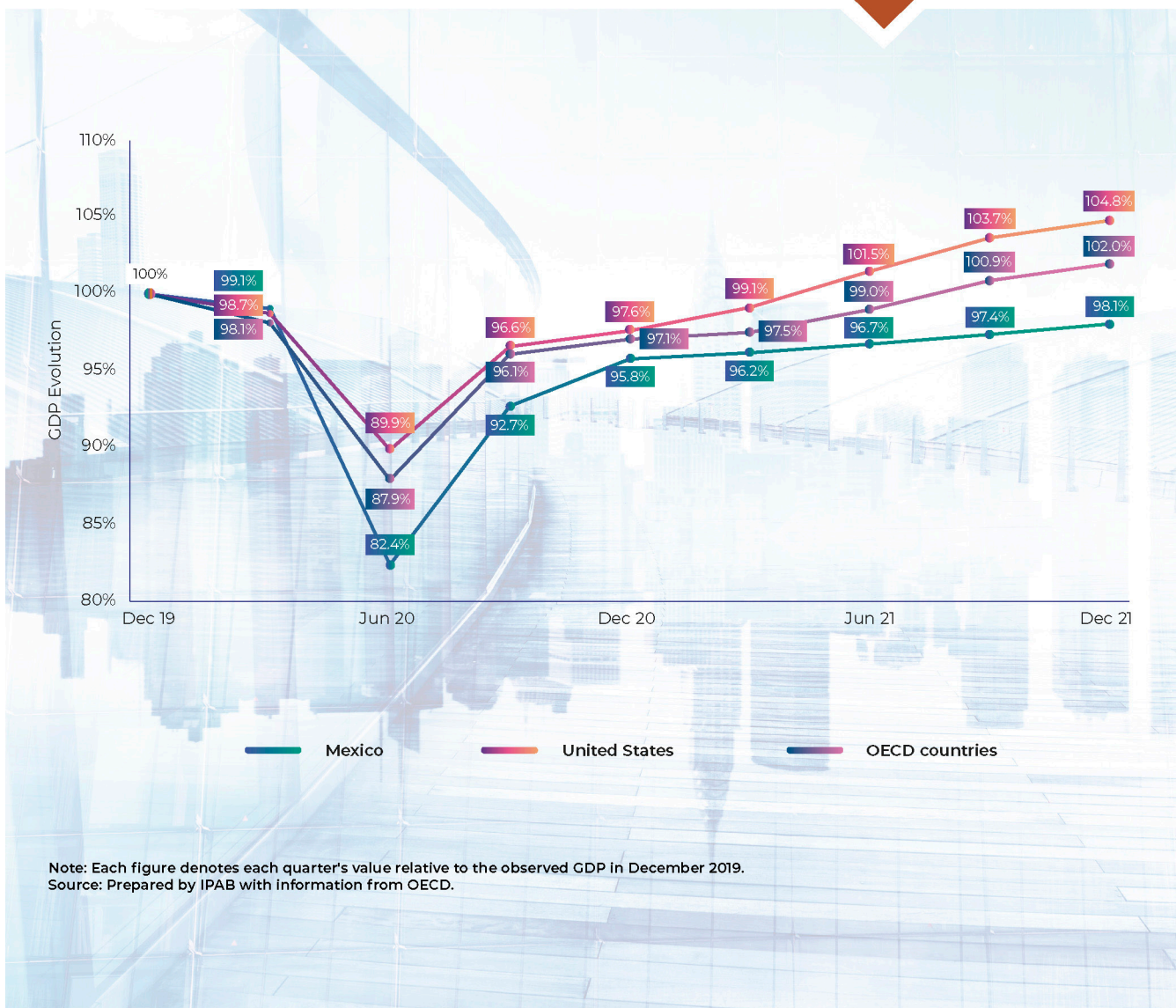
The year 2021 was marked by two main trends:

1. The first two quarters of the year showed a strong rebound in Mexico's gross domestic product (GDP), helped by the U.S. government's expan-

sionary fiscal policy. This boosted aggregate demand for goods and services, which led the U.S. economy to grow 6.3% in the first quarter of the year and 6.7% during the second quarter, at an annual rate.

2. The trajectory of the U.S. economy materially influenced Mexico's economic growth, due to the strong bilateral trade relationship, especially in the industrial and manufacturing sectors.

## MEXICO: GROSS DOMESTIC PRODUCT COMPARISON (DECEMBER 2019 = 100%)





In Mexico, after registering an increase of 7.3% in the second quarter of the year, the third and fourth quarters showed a deceleration, resulting in a real annual change in GDP of 5.0% in 2021 compared to the previous year.<sup>8</sup>



## Inflation

Mexico's year-end headline inflation stood at 7.36% from an estimate<sup>9</sup> of 6.28% at the beginning of the fourth quarter. By the end of 2022, an increase of 4.3% was estimated<sup>10</sup> since the last surveys published at the end of 2021.



<sup>8</sup> As published in the timely estimate of this indicator released by the National Institute of Statistics and Geography (INEGI).

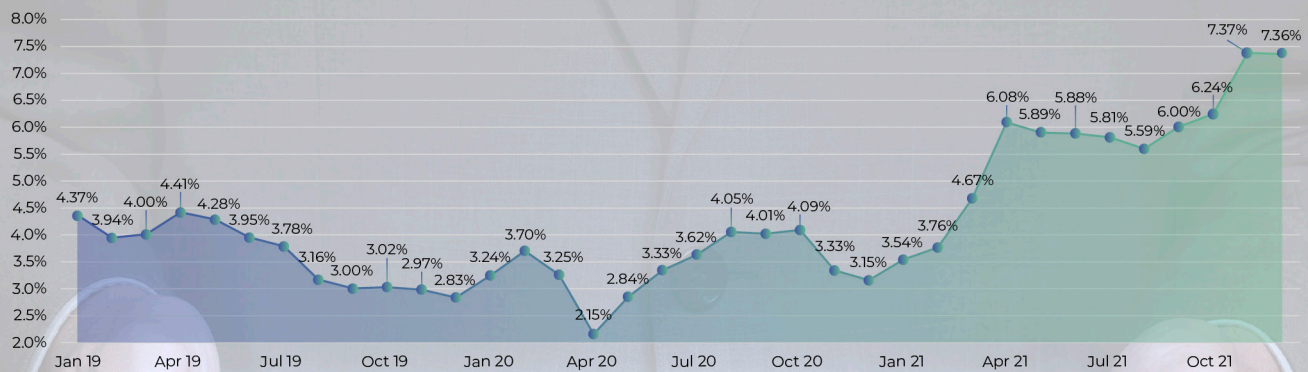
<sup>9</sup> Private Sector Economic Specialist Expectations Surveys as of September and November 2021 published by Banxico on October 1<sup>st</sup>, 2021 and December 1<sup>st</sup>, 2021, respectively.

<sup>10</sup> Survey on Expectations of Private Sector Economic Specialists as of January 2022, published by Banxico on February 1<sup>st</sup>, 2022.

## MACROECONOMIC AND FINANCIAL ENVIRONMENT

For 2021 as a whole, the core component had an annual increase of 5.94% and the non-core price index showed a rise of 11.74%.

### MEXICO: INFLATION TRAJECTORY



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

Moderate rises in inflation in most of 2020 and the first quarter of 2021 led to reductions in the benchmark interest rate decided by Banxico. However, with the subsequent increase in the inflationary pace, doubts arose about the feasibility of keeping it close to the set annual target and, consequently, the monetary authority decided to significantly increase the benchmark rate in the second half of the year.



### Financial monitoring

Continuous monitoring of the evolution of the financial markets allowed IPAB to reduce the risk to its finances.

4





## Banking system monitoring

One of IPAB's priority goals is to strengthen the bank savings protection system. To this end, the financial and operating condition of each of the institutions operating in Mexico is continuously assessed to identify in a timely manner any risk situations that may exist in the system. With this, the probability of occurrence and severity of each possible event is estimated, according to the complexity of the operations and the interrelation between the banking entities in operation.

Over the time, the Institute has developed several systems to carry out the analyzes<sup>11</sup> to build a unique information model, which allows an efficient evaluation of the liquidity and solvency of banks through the analysis of their financial and operating condition. These systems allow the generation of follow-up reports and dynamic query modules that facilitate the identification of the strengths and weaknesses of the commercial banks.



<sup>11</sup> Since 2011, the Institute implemented a technological platform that allows it to efficiently manage the information that banks periodically submit to the CNBV and Banxico and that is shared with IPAB for analysis.

Analysis, early detection  
and timely intervention





## ANALYSIS, EARLY DETECTION AND TIMELY INTERVENTION

The constant update of the status of banks, through the aforementioned reports and analyzes, makes possible to observe the most relevant variables for timely detection, such as the level of covered deposits, fees contributed to the BSPF, levels of default and portfolio reserves, probability of default, exposure in transactions with related parties, liquidity based on the Liquidity Coverage Ratio (LCR) and solvency through the Capital Adequacy Ratio (CAR), among other indicators.

### PROCESSES OF IPAB's INFORMATION MODEL

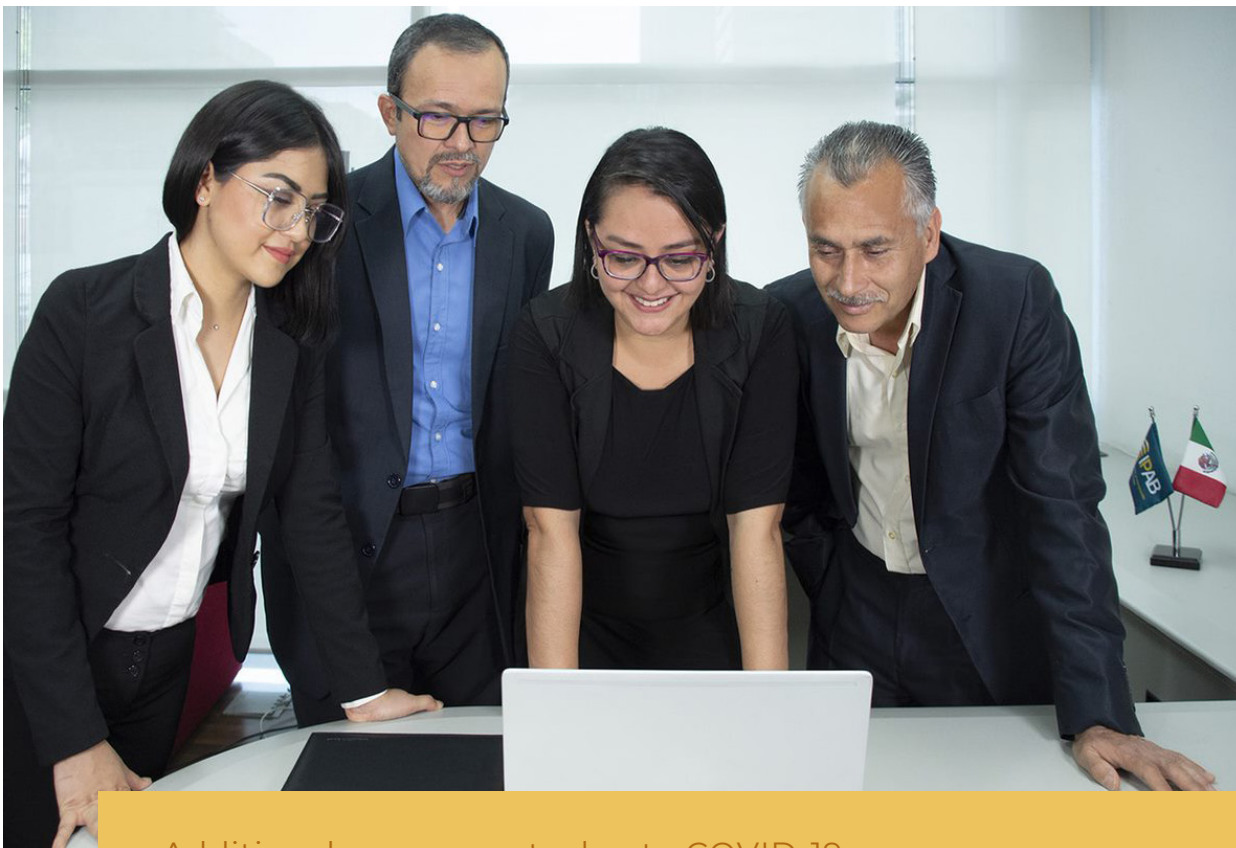




### Single reporting model

IPAB has designed an analysis model to **efficiently assess** the liquidity and solvency of banks.

In view of the persistence of COVID-19 presented in 2021, IPAB conducted additional assessments on the impacts that the health contingency could generate on the financial condition, with the purpose of timely alerting on any event that could cause a deterioration of capital or liquidity of any bank. During the year, it was observed that most of the Institutions presented sufficient solvency levels to face the risks to which they were exposed due to the pandemic.



### Additional assessments due to COVID-19

Additional assessments of the impact of the health contingency on the financial condition of the banks led to the conclusion that most of them had sufficient solvency levels to face risks.



These analyzes were performed with models developed by IPAB's staff, to get the financial projections, which generate a comparison of different scenarios, allowing the identification of weaknesses in the short and medium term of some banks. In addition, the models are also used for the development of hypothetical scenarios that are proposed in the resolution plans.

The maintenance of preventive controls allows IPAB, as a member of the financial safety net, to support the stability of the banking system, providing certainty to people who save formally in a commercial bank and collaborating with the soundness and stability of the Mexican financial system.

In addition to the above, the Institute is constantly working to identify areas of opportunity for the deposit insurance system, through research and studies of international best practices to incorporate them into its substantive processes.

## Financial situation of commercial banks

The banking system ended 2021 with 50 institutions in operation, after Accendo's authorization to operate as a commercial bank was revoked in September of that year.

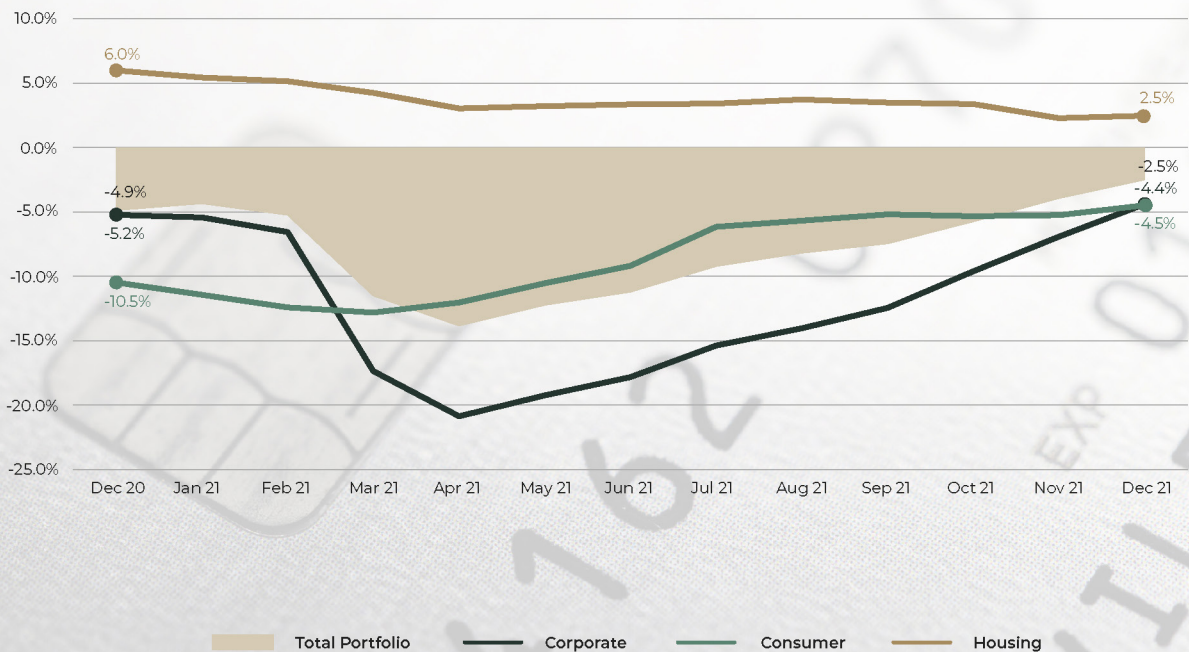
The credit portfolio (the commercial bank's main asset) closed 2021 with a negative real growth rate of 2.5%, lower than the 4.9% growth rate observed in 2020. Although negative rates could indicate the stagnation of the credit portfolio, this variation maintained an upward trend in line with the reactivation of the economy and the increase in demand for bank financing.

This performance was driven by recoveries in the corporate and consumer portfolios, which, although they closed with annual declines of 4.4% and 4.5%, respectively, showed an upward trajectory as of the second quarter of 2021.



On the other hand, the housing loan portfolio continued to grow during the year, although with a downward trend, registering a real growth rate of 2.5% at the close of the period, a level 3.5% percentage points<sup>12</sup> lower than that observed in 2020.

REAL GROWTH OF THE **LOAN PORTFOLIO**



Source: Prepared by IPAB, with information from the CNBV.



<sup>12</sup> Percentage points are used to denote the difference between two percentages.



Banks faced different challenges derived from the uncertainty and restrictions caused by the pandemic. The support measures and recommendations issued by the SHCP, Banxico, and the CNBV in 2020, still in effect in 2021, contributed to preserve the stability of the financial system.

The main measures, facilities and recommendations implemented by the financial authorities in terms of regulation, solvency and liquidity, which remained in force during 2021, were as follows:

- Postpone the entry into force of international standard regulations and other prudential provisions contained in the Single Rule Book.
  
- For capital strengthening:
  - Recommendations regarding dividend payments and share repurchases were made;
  - Measures related to the calculation of reserves and credit risk requirements were implemented to increase the lending capacity of banks, and
  - Loans were restructured for customers who so requested during 2020, maturing on January 31<sup>st</sup>, 2021.
  
- The issuance of exceptions to the liquidity provisions,<sup>13</sup> including temporary exceptions to some of the corrective measures set forth in such regulation, exceptions for the selection of liquid assets and facilities for the calculation of liquidity reserves.

The gradual elimination of these measures, which favored the efficient management of the banks' resources, ended on February 28, 2022.



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<sup>13</sup> General Provisions regarding Liquidity Requirements for Commercial Banks.



As a result of the above, the non-performing loans portfolio was controlled, with a probability of default (PD) of 2.05% at the end of 2021, 0.51 pp lower than the level observed at the end of 2020. Likewise, the solvency of the commercial banks was strengthened, as the CAR was above the regulatory minimum, reaching 19.54%, higher than the 17.70% observed at the end of 2020.



### **Maintain the stability**

The recommendations issued by the financial authorities in 2020 and 2021, **contributed to preserve the stability of the financial system.**

In response to the control of non-performing loan portfolio, by mid-2021, banks began to gradually release the additional loan reserves they had built up to strengthen their loss absorption capacity in the face of potential pandemic impacts, which benefited their profits and profitability levels.

As a result, the return on equity (ROE) of commercial banks closed the year at 14.60%, a healthy indicator of profitability and higher than the 8.96% observed in 2020.

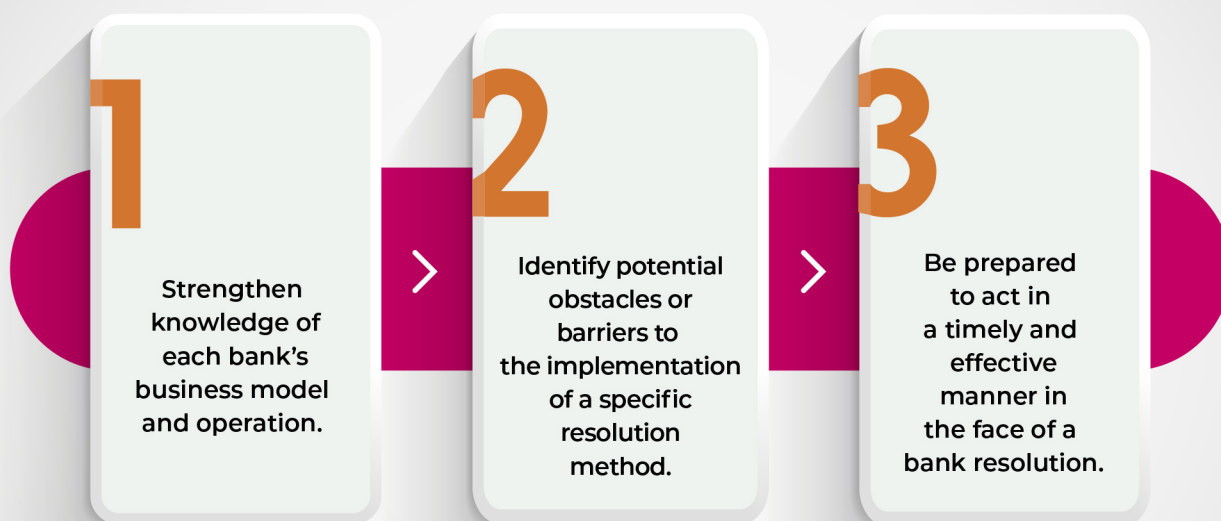
## Resolution plans

To resolve in a timely manner the situation of a commercial bank that presents solvency or liquidity problems, IPAB must be prepared to act in a timely and efficient manner, with the purpose of minimizing the impact on depositors and ensuring the expeditious and orderly liquidation of the Institution.

IPAB, with the participation of other sectorial authorities, develops resolution plans, which present the form, terms and strategies by which the closure of a bank could be managed.



## OBJETIVES OF **RESOLUTION PLANS**



Source: IPAB.

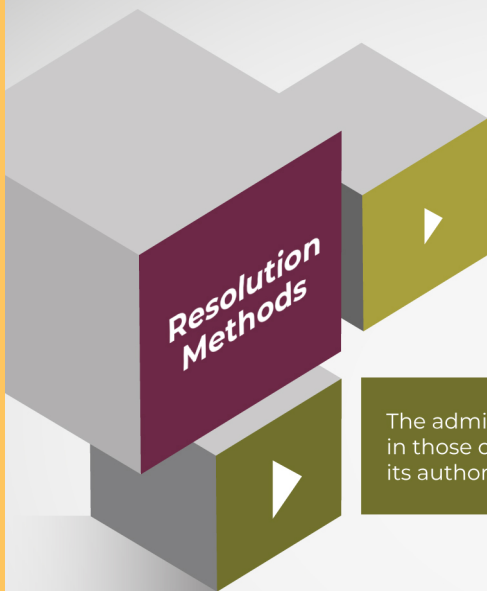
Resolution plans include an analysis of the operating and financial structure of the bank. This document presents the description of the Institution's business model and lines of business, the mapping of relevant interconnections with other entities, the identification of its critical functions and the services and suppliers necessary for its development, and the resolution method proposed to be implemented to minimize the impact on the financial system, as well as the identification of the barriers or obstacles that could prevent its orderly closure.





*The selection of the resolution method applicable to each institution is determined by considering its systemic importance and the least cost rule.*

## RESOLUTION METHODS



The Temporary open bank assistance, partial payout of covered deposits, purchase and assumption, or the establishment of a Bridge Bank, if the Banking Stability Committee decides that the CB has met one of the assumptions related to systemic risk.



Purchase and assumption



Bridge Bank



Any other that is determined to be the best alternative\*

The administrative or judicial liquidation of the CB in those cases in which the CNBV has revoked its authorization to operate.

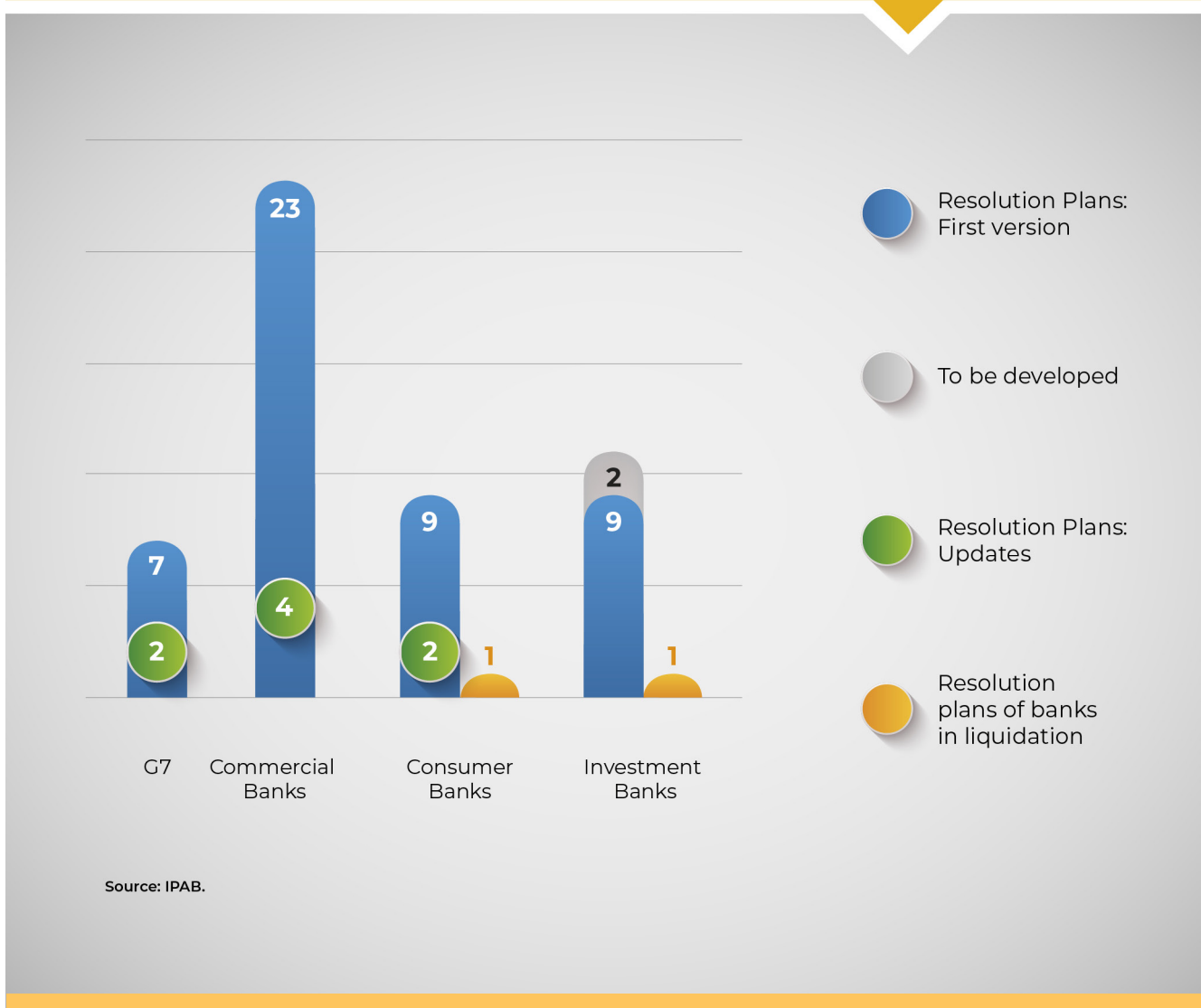
\*In the case of the administrative liquidation of a CB, IPAB must select the transaction that represents the least cost, derived from its comparison with the estimated cost of the other transactions analyzed and the estimated cost of payout of covered transactions.

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



During 2021, IPAB developed twelve resolution plans, bringing a total of 58 of these documents, corresponding to 50 in their first version and eight updates over the last seven years. These plans cover practically all the entities that compose the Mexican banking system.<sup>14</sup>

### RESOLUTION PLANS DEVELOPED BY COMPARATIVE GROUP



<sup>14</sup> At year-end 2021, the Mexican banking system was comprised of 50 commercial banks. In the case of 2 institutions, there is no resolution plan, since one of them is in the process of exiting the Mexican market (and therefore the development of a resolution plan is not foreseen), while the other one does not have a reasonable period to allow its analysis and study, since it began operations in May 2021.



After the initial stage of developing a resolution plan for each bank was completed, IPAB has moved on to a second stage of updating these plans. These updates provide information on the strategic changes implemented by the banks in their business models and operating infrastructure, as well as the evolution of their financial indicators, in order to adjust or design new resolution strategies according to their most recent situation.



*In the event of a situation that compromises the viability and operation of a bank, resolution plans provide an initial reference for dealing with a real situation.*

From 2022, resolution plans will be developed based on new regulations that incorporate elements that will allow for an in-depth analysis of the institutions' resolution strategy and an assessment of whether their closure is feasible, in accordance with the international criteria and practices in this field.

The improvements implemented in these guidelines are the result of the accumulated experience and the areas of opportunity detected by IPAB during the development of the resolution plans.

In addition, studies and guidelines issued by international regulatory and resolution agencies were considered, as well as feedback obtained from other authorities under the framework of IPAB's participation in Crisis Management Groups and Resolution Colleges.



## Banking resolution simulations

To act in a timely and efficient manner in the event of a possible banking contingency, international best practices recommend conducting simulations of a banking resolution to assess the processes and prepare a timely and effective institutional response.

In 2021, the experience of these preventive exercises allowed IPAB to efficiently face, during the month of September 2021 the resolution of Accendo.

The execution of these activities led to a study, the objective of which was to identify the pertinent areas of opportunity to validate and/or adjust current procedures and systems, or, if necessary, implement new procedures and systems for future resolution processes.

Additionally, the simulations are a consultation tool to maintain the response capacity of the Institute's officials, and to train new staff.

## On-site inspection visits

To ensure the compliance with the deposit insurance regulations, IPAB carries out inspection visits to the institutions in order to evaluate and quantify the impact of the resolution on the banking system, considering not only the size of the institution to be resolved and the complexity of its operations, but also the existing interrelationship with the rest of the institutions.

OBJECTIVE OF ON-SITE **INSPECTION VISITS**

### Rules and Regulations

Classification of transactions covered by IPAB.



### Fees

Assessment of the information on the calculation of fees to the Bank Savings Protection Fund.

Source: IPAB.

During 2021, nine on-site inspection visits were carried out, in which the information of 37.4 million account holders covered by IPAB and the payout of an approximate amount of fees for MXN 43,746 million were reviewed. The institutions visited and the goal of the reviews carried out were the following:

**INSTITUTIONS VISITED AND OBJECT OF THE REVIEWS**

No.	Financial Institution	Rules and Fees	Fees	Special on-site inspection visit
1	Forjadores	✓		
2	Banco Accendo	✓		✓
3	HSBC México	✓		
4	Banco JP Morgan	✓		
5	Mizuho Bank México	✓		
6	Finterra	✓		
7	BBVA México	✓		
8	Bansí		✓	
9	Banamex		✓	

Source: IPAB.



## Sanctions

The purpose of implementing administrative processes is to verify that the commercial banks duly comply with the provisions of the BSPL and the CIL and, if not, to apply possible sanctions to those institutions that incur in any of the infringing conducts set in the “General Rules to which commercial banks must adhere in order to classify the information related to asset and liability transactions referred to in Article 124 of the Credit Institutions Law” (Rules) as well as the provisions contained in the Guidelines.<sup>15</sup>



### On-site inspection visits

The information of about **37.4 million covered account holders** was reviewed by IPAB’s staff during 2021.

In accordance with IPAB’s sanctioning legal powers, three administrative sanctioning procedures were initiated in 2021. During the year, 21 were finally resolved, which meant an extraordinary income to the treasury<sup>16</sup> of MXN 9.7 million for the collection of fines imposed by the Institute.

The main causes of infringement are listed below:

- Failure to pay fees in accordance with the current regulations;
- Failure to comply with the provisions in force regarding the calculation and payment of fees;



<sup>15</sup> Provisions related to the ordinary fees that Commercial Banks are required to pay to the Institute for the Protection of Bank Savings referred to in Article 22 of the BSPL.

<sup>16</sup> Financial resources of the State Management, whether in money, securities or credits obtained through budgetary or extra-budgetary operations.



- Improper classification of information regarding to asset and liability transactions in accordance with the Rules; and
- Non-compliance in the delivery of information in accordance with current regulations.





5





One of the main objectives of bank resolution management is to act quickly and efficiently to preserve financial stability and minimize the impact on depositors, to maintain confidence in the financial system and thus avoid the risk of contagion to the economy.

IPAB can apply several tools for the resolution of a bank, to guarantee bank deposits and resolve at the least possible cost those banks with solvency and/or liquidity problems.

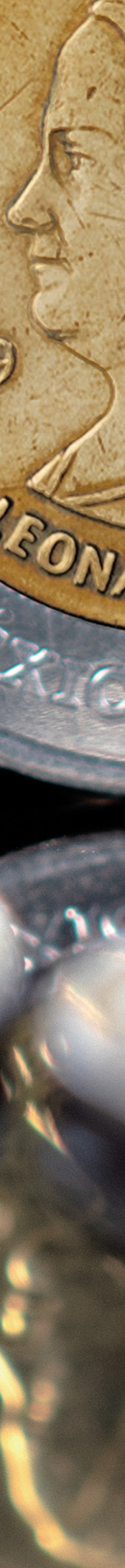
Accendo's liquidation process, which began in 2021, is detailed below.

## Banco Accendo

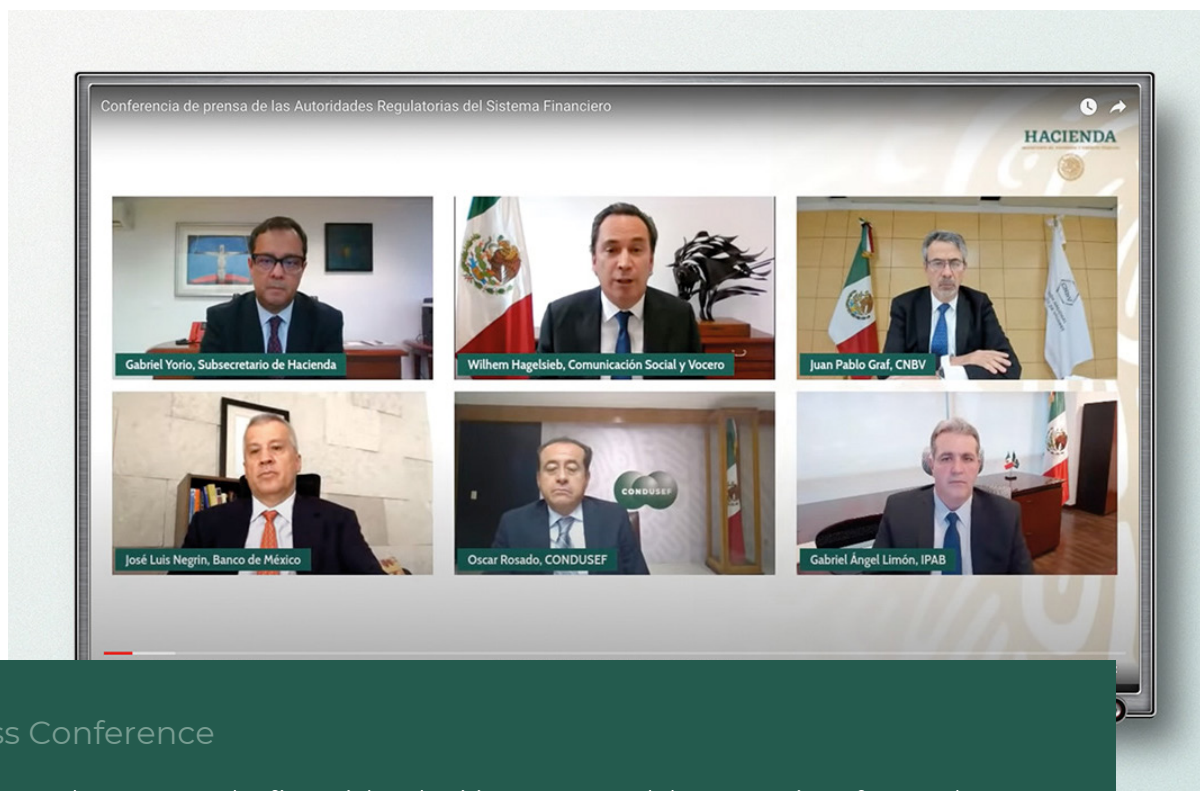
### Background

In March 2018, the CNBV approved the amendment to the by-laws of Investa Bank, Ltd., Commercial Bank, in connection with the change of its name to Banco Accendo, Ltd., Commercial Bank, and the increase in its capital stock.

# Resolution of Banco Accendo



Accendo's activities and operations included, among others, taking deposits, accepting loans, extending credit and brokering securities.



### Press Conference

On September 28, 2021, the financial authorities announced the revocation of Accendo's license to operate as a commercial bank.

Although Accendo sought to diversify its business model, it had a high capital consumption, as it recorded losses in its last years of operation and therefore its solvency was highly dependent on new capital contributions.

By 2020, even though it received certain capital contributions, the bank experienced liquidity weaknesses, which were observed through daily monitoring of its LCR. These complications were accentuated in 2021, along with a high concentration of large depositors, which increased its liquidity risk.

Given the foregoing, and as a result of several supervisory actions by the CNBV, during September 2021, the CNBV notified Accendo of various observations that could have a possible impact on its CAR.



In view of the deterioration observed in Accendo's main indicators, IPAB considered it necessary to prepare a "Comprehensive Financial and Operating Situation Analysis"<sup>17</sup> in order to prepare for the implementation of the resolution method and estimate the cost of the payout, and of the liquidation operations, in the event that the CNBV revoked the authorization granted to such Institution.

Finally, on September 28, 2021, with the approval of its Governing Board, the opinion of Banxico and the Institute, the CNBV declared the revocation of Accendo's authorization to operate as commercial bank. The CNBV required adjustments to the accounting records of that institution for certain transactions contrary to the regulations, including those with relevant related parties. These adjustments reflected a deterioration in its capitalization level, placing it below the minimum regulatory levels.<sup>18</sup>

Following such determination, IPAB's Governing Board approved the commencement of Accendo's liquidation, based on the Comprehensive Analysis of its Financial and Operating Situation and the least-cost rule set in Article 187 of the CIL.

IPAB analyzed the different liquidation options and concluded that the least costly option to liquidate it was the payout, up to the limit set in Article 11 of the BSPL.

Likewise, a Liquidator Agent was appointed<sup>19</sup> to act in the processes of taking control and bank liquidation. With the approval of IPAB's Governing Board, KPMG Cárdenas Dosal, S.C. (KPMG) was appointed through a mandate agreement, in which the company accepted the assignment so that, on behalf of the Institute, it would perform the necessary acts to carry out the liquidation of Accendo.



<sup>17</sup> According to Article 187 of the CIL.

<sup>18</sup> This scenario was the cause for revocation the license to operate as a commercial bank, as mentioned in Article 28, Section V, of the CIL.

<sup>19</sup> The appointment of the Liquidator Agent was made according to the FOURTH Guideline of the "Guidelines that the Institute for the Protection of Bank Savings must observe to submit to the consideration of the Governing Board the appointment of the Liquidator Agent and Judicial Liquidator Agent of Commercial Banks".



At the 93<sup>rd</sup> extraordinary session, on September 28, 2021, IPAB's Governing Board adopted, among others, the following resolutions:

- i)** The Institute's staff proceeded with the payout referred to in Article 6 of the BSPL, up to the limit set in Article 11 of the same law, and authorized the availability of the resources necessary for the payout;
- ii)** Request reimbursement from Accendo for the expenses associated with the payout, as indicated in Article 180 of the CIL;
- iii)** The Executive's Secretary proposal for appointing KPMG as Accendo's Liquidator Agent, under the terms of Article 167 of the CIL; and
- iv)** To carry out the necessary acts for hiring KPMG as Accendo's Liquidator Agent, in terms of the technical and economic proposals presented at such meeting, as well as to grant the necessary powers so that in terms of the provisions of Article 167 of the CIL it may perform the functions of Liquidator in such bank.



## Comprehensive analysis of the financial and operating situation

This analysis was prepared based on 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 on the following sources:

- Accendo's financial and operating information;
- Regulatory reports and CNBV data;
- The bank's website;
- Information provided by the Institution in the special on-site inspection visit carried out by IPAB, and
- Information held by IPAB.

The analysis included a general description of Accendo, its business model, its organizational and operational structure, the interrelationships it had with other financial companies, and the suggested resolution method, considering the liquidation operations set in the regulation.<sup>20</sup>

Finally, upon revocation of Accendo's authorization in accordance with the aforementioned analysis, IPAB's Governing Board approved that the Institute's staff proceed with the payout,<sup>21</sup> up to the limit set in the regulations, which is 400 thousand UDIS per depositor,<sup>22</sup> and authorized the availability of the necessary resources for such payout procedure.



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<sup>20</sup> Article 186 of the CIL and the proposal of the least cost method, in accordance with Article 187 of the CIL.

<sup>21</sup> Set in Article 6 of the BSPL.

<sup>22</sup> Article 11 of the BSPL.

## Control takeover

As of September 29, 2021, the date on which the revocation took effect, IPAB assumed the position of Liquidator through its Liquidator Agent, carrying out the necessary procedures to take control of Accendo's management activities.<sup>23</sup>

On the same date, the minutes of the delivery of Accendo's management to the Liquidator Agent were signed, with the participation of the Bank's legal representative, representatives of KPMG, IPAB and a notary public. The minutes include information related to: i) the Bank Savings Protection System; ii) accounting; iii) loan portfolio; iv) legal information; v) operations; vi) treasury; vii) real estate and personal property; and viii) information technology.

The screenshot shows the Accendo Banco website with a prominent white box containing the following text:

**IPAB** INSTITUTO PARA LA PROTECCIÓN AL AHORRO BANCARIO

### Información Importante

El Instituto para la Protección al Ahorro Bancario (IPAB) informa:  
**Al PÚBLICO USUARIO de ACCENDO BANCO**

Derivado de la revocación de la autorización para organizarse y operar como Institución de Banca Múltiple a Accendo Banco S.A., por parte de la Comisión Nacional Bancaria y de Valores, el IPAB inició el 29 de septiembre de 2021 el Pago de las Obligaciones Garantizadas a las personas ahorradoras de Accendo Banco.

**El público ahorrador de Accendo Banco S.A., puede tener la confianza de que sus depósitos están protegidos hasta por 400 mil UDIs por persona en este banco, que al día de la revocación equivalen a \$2,768,169.20 pesos.**

Centro de Atención Telefónica: **55 5257-7860** de lunes a viernes de 09:00 a 18:00 hrs. (tiempo del centro).

Para más información visite: **[www.gob.mx/ipab](http://www.gob.mx/ipab)**

The main activities carried out by KPMG in the control takeover of Accendo consisted of:



<sup>23</sup> In terms of the provisions of Article 167 of the CIL.



- Cancellation of technology services to suppliers, leaving only those essential for the operation.
- Identification of staff and preparation of the initial downsizing strategy to avoid any impact on the liquidation operation.
- Classification of bank accounts and investments in securities as of the date of revocation; custody of bank account tokens; taking control over any transactions made through such accounts; reconciliation of cash flow as of the date of revocation and immediate collection transactions; establishment of a clearing mechanism to recover amounts withheld by the transaction clearing house.
- Classification and analysis of credit databases to verify the concordance of balances, interest, payment dates; inventory of collection means such as: bank accounts on behalf of the bank, correspondent accounts, among others. This ensured the continuation of the main collection activities; the location of the loan portfolio files and custody of the promissory notes of the most relevant loans in Accendo's commercial portfolio. The inventory of personal property, works of art and foreclosed assets were identified.
- Detection of key activities for the generation of financial reports; obtaining internal financial statements and trial balances; setting 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.
- Identification of the work processes, scope and responsibilities of the internal team in charge of the bank; address change before the Tax Administration Service (SAT); review of the calculation and processing of the payment of federal taxes as of the revocation date, and analysis of the tax payment projection for 2021.
- Classification of leasing and service agreements; response to requests from judicial authorities, public notaries and offices related to the

blocking of accounts; the payout and surpluses; identification of attorneys-in-fact, general attorneys-in-fact with legal powers of attorney and acts of management; determination of legal contingencies for the bank derived from lawsuits filed against it, as well as lawsuits in which it is a plaintiff, and safekeeping of corporate books, minutes of shareholders' meetings and of the board of directors' meetings.

## Payout to depositors

According to the analysis process and the least cost rule, IPAB concluded that the best option for the Accendo resolution process was to liquidate the commercial bank and the payout, up to the limit set in the law.<sup>24</sup>

The screenshot shows the registration page for the IPAB (Instituto para la Protección al Ahorro Bancario) portal. The page title is "Portal de Pagos IPAB Accendo Banco". The main heading is "Registro" with a link for "Ayuda". The form fields include: "Nombre o Razón Social:", "Primer apellido:", "Segundo apellido:", "Correo electrónico actual:", and "Confirmación de correo electrónico actual:". There is a reCAPTCHA checkbox labeled "No soy un robot" and a "Seleccione una imagen" button with a grid of images.



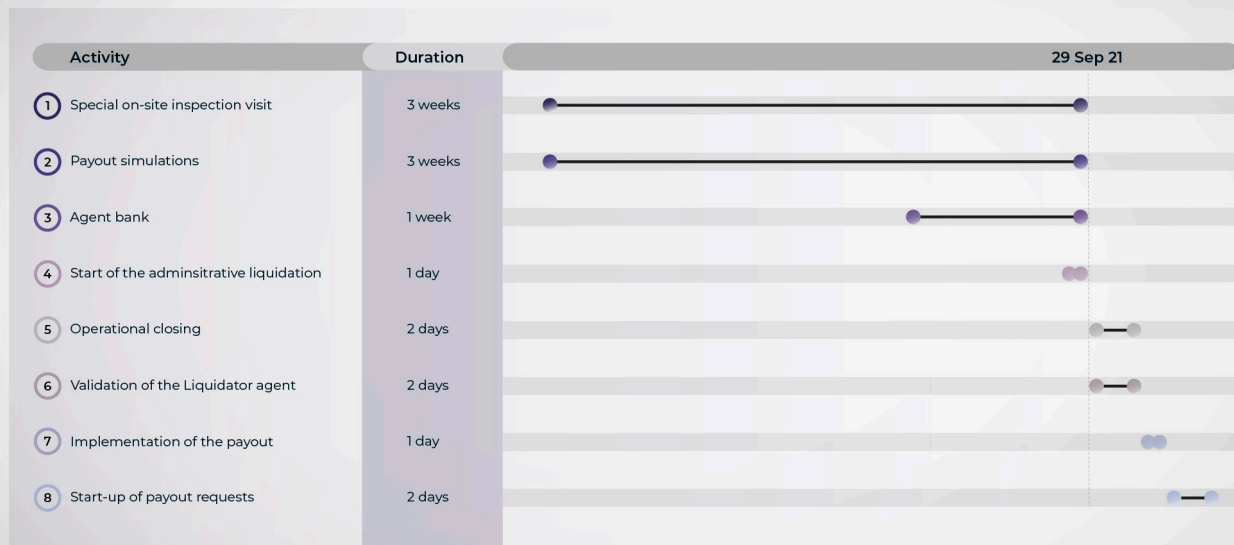
<sup>24</sup> Payout of Covered Deposits up to the coverage limit set in Article 11 of the BSPL, which is 400 thousand investment units.





This decision made it possible to protect Accendo's depositors and contribute to financial stability and the national payments system.

### ACTIVITIES FOR THE PAYOUT OF COVERED DEPOSITS



Source: IPAB.



### Geographical distribution

Mexico City, State of Mexico, Jalisco, Coahuila and Nuevo León were the states **with the highest concentration of Banco Accendo's depositors.**

The payout developed by IPAB to reimburse the funds to covered depositors (CD or depositors) was carried out by sending a non-negotiable nominative cheque to be credited to the beneficiary's bank account. This instrument was sent to the registered address of the clients in Accendo's systems.



## RESOLUTION OF BANCO ACCENDO

### Banking resolution management

During a bank resolution process, IPAB aims to protect depositors by covering their deposits, to maintain trust in the Mexican financial system, and thus, avoid the risk of contagion to the economy.

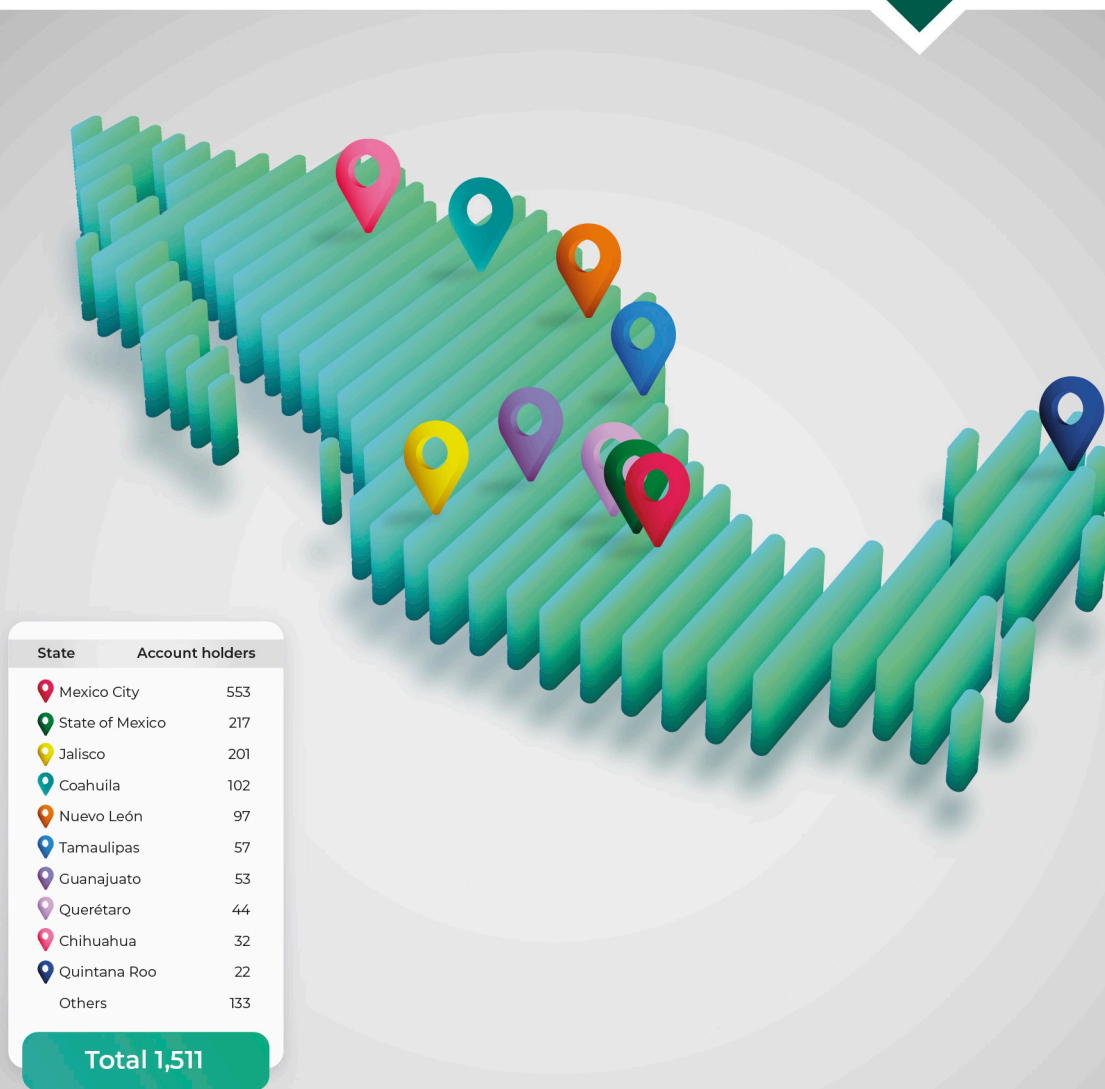


### Payout of covered deposits

IPAB's staff developed an IT platform named "IPAB's payout web platform" to streamline the payout process for depositors.



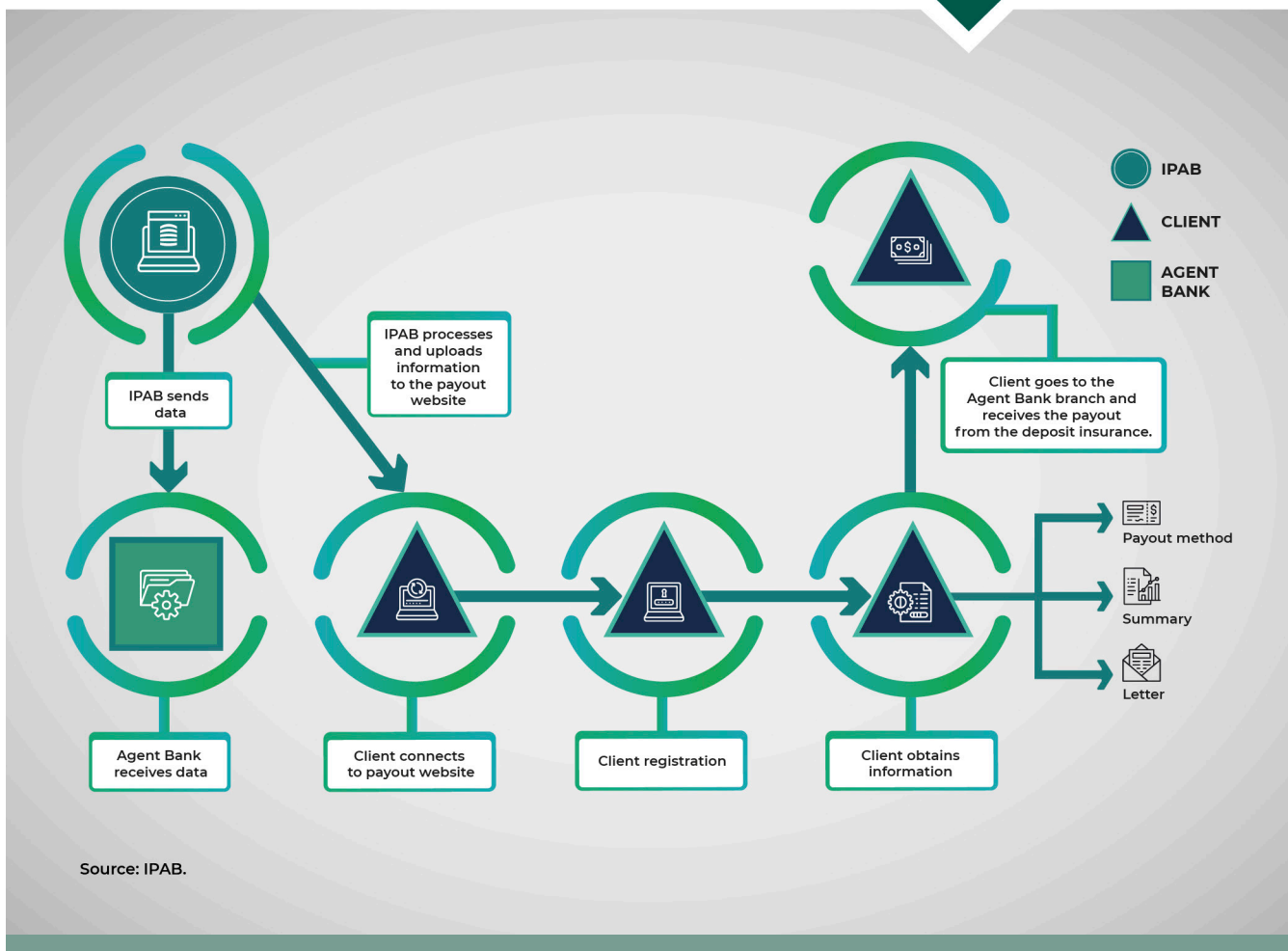
**ACCENDO'S ACCOUNT-HOLDERS BY STATE**



Source: IPAB.

To streamline the payout process, IPAB developed a payout web platform, which was available on the Institute's website ([www.gob.mx/ipab](http://www.gob.mx/ipab)). Through this platform, depositors were able to carry out a convenient registration and authentication process to access and obtain information about their accounts, without being physically present at any office or branch.

OPERATIONAL DIAGRAM OF IPAB'S PAYOUT WEB PLATFORM



## Services to depositors

### Progress in payout of covered deposits

In order to: "guarantee bank deposits, mainly from small and medium-sized depositors, and to resolve banks with solvency and liquidity problems at the least possible cost, contributing to the stability of the banking system and safe-



guarding the national payments system", IPAB developed a strategy to implement the payout.

As of December 31<sup>st</sup>, 2021, only three months after Accendo's liquidation began, IPAB had paid 96.87% of CDs. This percentage amounted to MXN 1.256 billion, as shown in the following table:

### PROGRESS IN THE PAYOUT OF COVERED DEPOSITS

#### Total base

Balance Range	Account holders	Amount	% Account holders	% Amount
01 - Balance between 0.01 and 1.00	75	32	4.96%	0.00%
02 - Balance between 1.01 and 5.00	69	167	4.57%	0.00%
03 - Balance between 5.01 and 50.00	91	1,941	6.02%	0.00%
04 - Balance between 50.01 and 100.00	25	1,790	1.65%	0.00%
05 - Balance between 100.01 and 1,000.00	64	26,600	4.24%	0.00%
06 - Balance between 1,000.01 and 10,000.00	83	420,326	5.49%	0.03%
07 - Balance between 10,000.01 and 50,000.00	110	2,760,667	7.28%	0.21%
08 - Balance between 50,000.01 and 100,000.00	41	2,792,090	2.71%	0.22%
09 - Balance between 100,000.01 and 250,000.00	126	20,834,314	8.34%	1.61%
10 - Balance between 250,000.01 and 500,000.00	114	39,580,999	7.54%	3.05%
11 - Balance between 500,000.01 and 750,000.00	112	64,765,103	7.41%	5.00%
12 - Balance between 750,000.01 and 1,000,000.00	55	47,443,538	3.64%	3.66%
13 - Balance between 1,000,000.01 and 1,250,000.00	107	114,435,767	7.08%	8.83%
14 - Balance between 1,250,000.01 and 1,500,000.00	32	42,642,287	2.12%	3.29%
15 - Balance between 1,500,000.01 and 1,750,000.00	45	71,828,645	2.98%	5.54%
16 - Balance between 1,750,000.01 and 2,000,000.00	28	51,893,269	1.85%	4.00%
17 - Balance between 2,000,000.01 and 2,500,000.00	98	213,980,826	6.49%	16.51%
18 - Balance between 2,500,000.01 and 2,600,000.00	67	168,003,790	4.43%	12.96%
19 - Balance between 2,600,000.01 and 2,700,000.00	67	174,818,943	4.43%	13.49%
20 - Balance between 2,700,000.01 and 2,768,169.19	41	110,986,129	2.71%	8.56%
21 - Balance equal or greater than 2,768,169.20*	61	168,917,705	4.04%	13.03%
<b>Total</b>	<b>1,511</b>	<b>1,296,134,929</b>	<b>100.00%</b>	<b>100.00%</b>

#### Collected

Account holders	Amount Paid	% Account holders	% Amount
1	0	1.33%	0.03%
1	2	1.45%	1.36%
4	95	4.40%	4.89%
1	60	4.00%	3.36%
16	6,924	25.00%	26.03%
61	303,131	73.49%	72.12%
82	2,114,956	74.55%	76.61%
32	2,126,031	78.05%	76.14%
115	19,086,650	91.27%	91.61%
108	37,557,972	94.74%	94.89%
108	62,348,804	96.43%	96.27%
54	46,452,861	98.18%	97.91%
104	110,968,157	97.20%	96.97%
31	41,391,450	96.88%	97.07%
43	68,572,243	95.56%	95.47%
27	49,893,269	96.43%	96.15%
98	213,980,826	100.00%	100.00%
66	165,502,230	98.51%	98.51%
67	174,818,943	100.00%	100.00%
41	110,986,129	100.00%	100.00%
54	149,515,777	88.52%	88.51%
<b>Total</b>	<b>1,114</b>	<b>1,255,626,511</b>	<b>73.73%</b>

Source: IPAB.

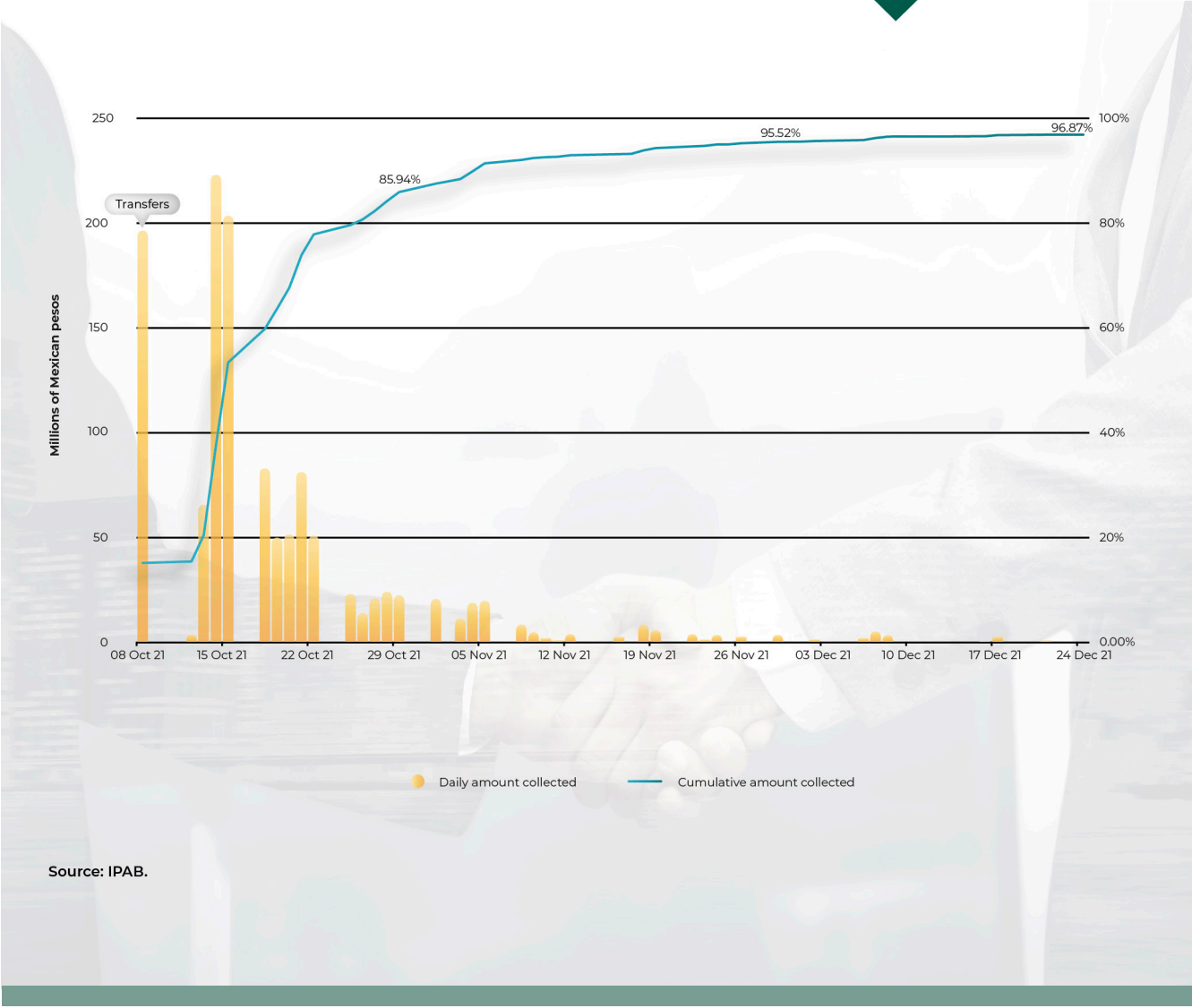
Balance figures in Mexican pesos.

\* IPAB's coverage limit (400 thousand Investment Units) reached 2,768,169.20 Mexican pesos for Accendo's payout.

The following graph shows that, 60 days after Accendo's liquidation started, 95% of its clients had already collected their resources by activating a cheque sent to their home address.



PROGRESS IN THE PAYOUT OF COVERED DEPOSITS OVER TIME



## Liquidation and sale of assets

The liquidation and sale of assets is a process carried out through the Liquidator Agent.



KPMG implemented actions to maximize the recovery value of assets and sell them in the shortest possible time in three categories:

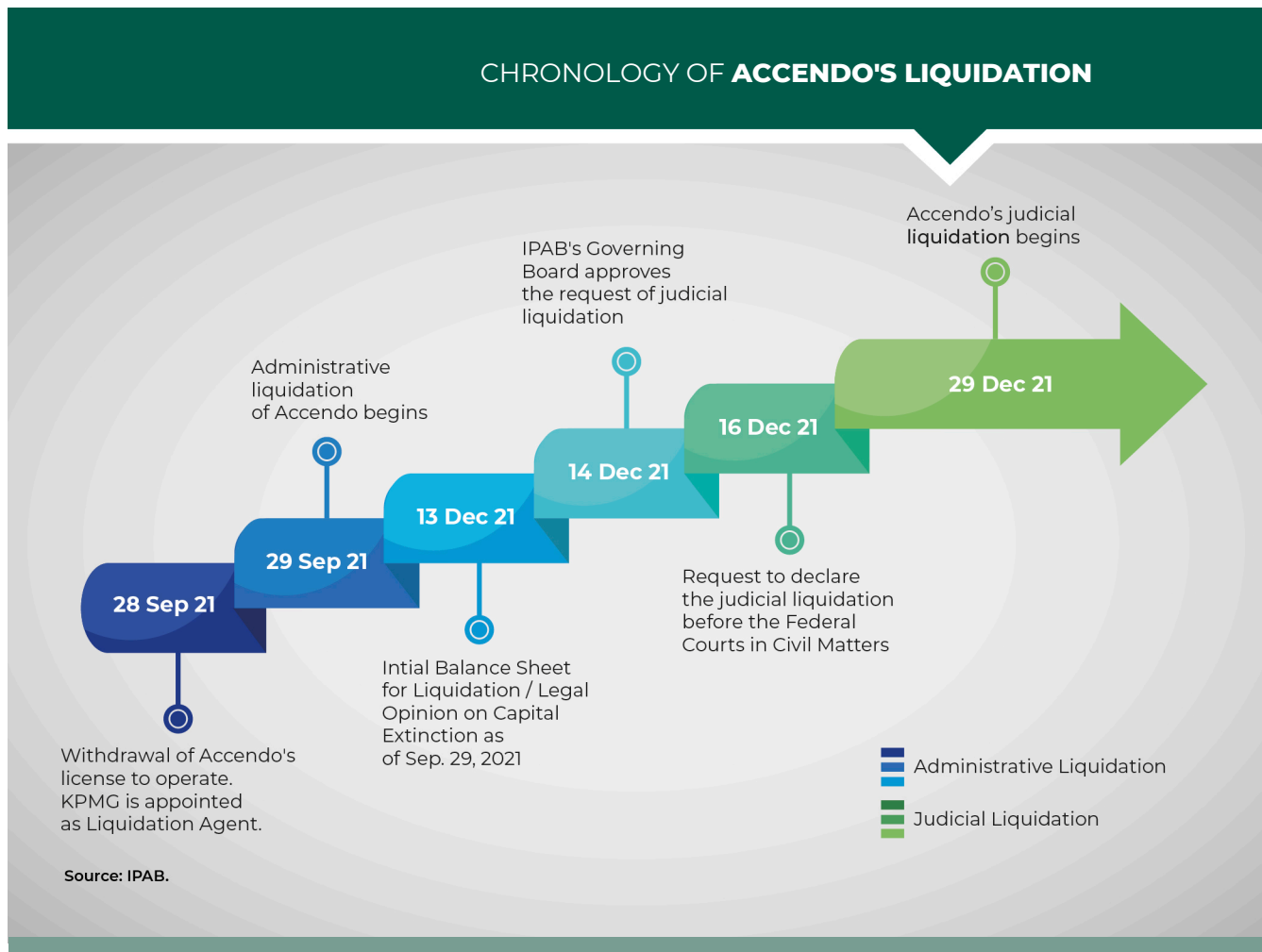
- **Loan portfolio.** The loan portfolio maintains a high concentration of balances in a small number of borrowers. In addition, significantly high rates of migration from performing to non-performing loans have been observed as the liquidation process has developed. Most of the portfolio was commercial loans for which a specialized third party provided the required appraisals. The portfolio placement process was expected to take place during the first quarter of 2022.
- **Real estate and furnishing:** Specialized third parties were hired to perform the valuation of real estate, furnishing, equipment and works of art. These assets were sold during the first quarter of 2022.
- **Financial assets:** Investments in securities are concentrated in mining assets whose market value is highly volatile and has a downward trend. The Liquidator Agent will be in charge of designing a strategy to carry out the disposal of these assets.

The Liquidator Agent acts under strict cost-cutting measures to safeguard Accendo's resources. Together with the strategies implemented in the areas of Human Resources and Information Technology, also aimed at minimizing the bank's expenses, and carrying them out in the shortest possible time.

## Judicial liquidation

The judicial liquidation is a particular process of the banking resolution regime in Mexico that allows maximizing the recovery of the value of the assets of a banking institution that facing solvency problems, and at the same time it includes an accountability procedure, which provides legal certainty and a clear definition of the process, as it is governed by a Federal Judge located in Mexico City.

The main actions for the liquidation of Accendo are detailed below, as well as the main events to be followed for the judicial liquidation:



In its 94<sup>th</sup> extraordinary session, the members of IPAB's Governing Board approved the assessment of capital extinction of Banco Accendo, as well as the request to begin with its judicial liquidation. Such request is based on the assumption foreseen in Article 226, section II of the CIL and on the information provided by the bank. Therefore, as of December 14, 2021, Accendo's judicial liquidation process began.

On December 16, 2021, IPAB requested, before a Federal Court in Civil Matters located in Mexico City, the declaration of judicial liquidation of Accendo, for being in the situation referred to in Article 226, section II of the CIL. This request was sent to the Tenth District Federal Court in Civil Matters located in Mexico City.





## Certainty

Judicial liquidation **maximizes the recovery of the value** of the assets and provides greater legal certainty during the process.

Finally, on December 28, 2021, the Federal Judge ruled in favor of IPAB declaring the judicial liquidation of Accendo, and therefore, as of December 29, 2021, the judicial liquidation stage began, and on the same date, the Institute appointed KPMG as the Judicial Liquidator Agent.<sup>25</sup> The latter prepared the provisional list of creditors to be submitted to the Federal Judge.

Once the Judicial Liquidation starts, the Judicial Liquidator Agent is legally powered to take the pertinent actions to defend Accendo's interests, to make the best effort to recover its assets and operations. As stipulated in the regulation, these defense actions are carried out with the financial and human resources of the Institute, with a conservative and responsible approach.

Within the first quarter of 2022, the following activities were planned to be carried out as part of the Judicial Liquidation:

- Presentation of the Provisional List of Creditors before the Federal Judge;
- Publication of the notice and means to consult the Provisional List of Creditors;
- Auction processes for portfolios, real estate, furnishing and equipment, and
- Change of corporate offices.



<sup>25</sup> According to Article 226, Section II of the CIL.



## Communication with the public

International best practices require deposit insurers, such as IPAB, to carry out communication activities with the public in order to raise awareness of the existence of protection schemes when a bank faces financial problems.

For this reason, the Institute develops public awareness campaigns in times of financial stability, and also carries out communication activities aimed to those affected during a bank resolution. In the latter case, it is important to make known the accounts that are covered by the deposit insurance, as well as to inform about the terms and conditions of the deposit insurance collection process to the holders of covered accounts.



### Trust

It was possible to maintain the confidence and ease of the depositors in the banking system through IPAB's and the Banco Accendo's communication channels.



*Deposit insurers around the world carry out communication activities to raise public awareness of the existence and scope of their protection schemes.*

In the case of Accendo, IPAB initially informed the general public through a conference and a press release jointly prepared with the SHCP, Banxico, and the CNBV, announcing that a payout process would be carried out in a timely manner. This information was disseminated through print and digital media (including the Institute's website), with a nationwide reach and focused on the geographic areas where this bank's depositors were located.

As a complement, Accendo's official channels were used to disclose information in a timely manner on the steps to obtain the payout of covered deposits, as well as to continue paying the loans previously hired with this bank. This helped to maintain the trust and peace of mind in more than 1,500 covered depositors.

Consequently, the following actions were implemented through the following digital disclosure channels:

- Dissemination of content through IPAB's and Accendo's institutional websites;
- Targeted e-mails with detailed information to users registered in Accendo's database. Personalized attention to the public by telephone, email and social networks, using IPAB's and Accendo's channels;

- Design and dissemination of digital content (images and videos) to assist the public in using IPAB's Payout website and to provide information regarding the conditions of the protection provided by IPAB through its deposit insurance scheme; and
- Publication of relevant information in newspapers and replicas in several media with national circulation.

The constant contact between the general public and IPAB, through the aforementioned media, allowed for a timely dissemination of information on the con-

Una vez que lo reciba deberá **registrarse** en el “Portal de Pagos del IPAB” y **activarlo**

Te recomendamos **no activarlo y acudir a las oficinas del IPAB** para tramitar una “Solicitud de Pago”

Encuentra el Portal de Pagos del IPAB en **www.gob.mx/ipab**

**¡Mensaje exclusivo a las personas ahorradoras de Accendo Banco!**

**El IPAB te informa que derivado de la liquidación de Accendo Banco, se han recibido alertas de personas que buscan lucrar con tu información.**

**El IPAB no cuenta con delegaciones ni gestores y el trámite es personal y gratuito.**

**¡No te dejes engañar!**

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IPAB



trol takeover of Accendo and IPAB's payout, generating clarity, certainty and confidence among the bank's depositors.

It should be noted that the Institute implemented two telephone service channels:

- i) A call center operated by Accendo's staff, and
- ii) A call center comprised of a specialized internal group of IPAB's staff.

Before the call centers started operating, IPAB produced audiovisual material to train the teams in charge of providing customer support in an expeditious and efficient manner.

The infrastructure of Accendo's customer support unit was used, as well as the knowledge of its 120 operators, to provide information on covered banking products, loan payments and support to suppliers.

An internal group consisting of 45 members of IPAB assisted the public on the steps to follow during the reimbursement of their covered deposits.

6



## Asset recoveries

Since the establishment of IPAB, it has managed 99.9% of encumbered assets (loan portfolios, real estate, and stock holdings), obtaining an accumulated recovery of MXN 126,086.49 billion, of which 87.8% corresponds to the support granted by the Federal Government to various institutions and the remaining amount has derived from the recovery and sale of assets of Banco Bicentenario, Banco Ahorro Famsa and Accendo, all of which are in Judicial Liquidation.

## Banco Ahorro Famsa

### Background

On June 30, 2020, the CNBV, with the approval of its Governing Board, with the opinion of Banxico and the Institute for the Protection of Bank Savings, declared the revocation of Banco

Management of  
**other banking resolutions**



Ahorro Famsa, Ltd.'s authorization to operate as a commercial banks, due to the non-compliance<sup>26</sup> with the minimum CAR required by the regulation.<sup>27</sup>

### Asset management history

Since 1999, IPAB has managed 99.9% of the total –assets, credit portfolios, real estate and personal property and stock holdings– of commercial banks in liquidation, which has resulted in an accumulated recovery of MXN 126,086.49 million.



On the same date, IPAB's Governing Board approved, among other matters: i) the payout and the authorization for the use the necessary resources for such reimbursement, and ii) the appointment of Álvarez & Marsal México, S.C. (A&M) as Liquidator Agent under the terms of Article 167 of the CIL. Therefore, IPAB and A&M entered into a mandate agreement on June 30 in order that, on behalf of Banco Ahorro Famsa in liquidation (BAFEL) and the Institute, it performs all the necessary and convenient acts to carry out the liquidation.

On August 31st, 2020, A&M delivered to IPAB the Liquidation Operating Program, which included the initial liquidation balance sheet.<sup>28</sup> This document was prepared



<sup>26</sup> Article 28, Section V of the CIL.

<sup>27</sup> Article 50 of the CIL.

<sup>28</sup> According to Article 169 of the CIL.



by a third party hired for such purpose, as well as for the preparation of the tax and accounting report for the irregular period from January 1st to June 30, 2020, and the capital extinction report, in accordance with Article 226, Section II of the CIL. The specialized third party prepared such reports corroborating that BAFEL's capital had been extinguished.

On October 29, 2020, under the provisions of the CIL,<sup>29</sup> IPAB requested before a Federal Court to declare BAFEL's Judicial Liquidation. Such request was sent to the Seventh District Federal Court in Civil Matters located in Mexico City, which ruled in favor of IPAB on November 10, 2020. On the following day, the Institute entered into a mandate agreement with A&M to perform the powers of the Judicial Liquidator Agent in Banco Ahorro Famsa, Ltd., Commercial Bank now in Judicial Liquidation (BAFELJ).

## Follow-up of depositors' payout



<sup>29</sup> Articles 227 and 228.

## MANAGEMENT OF OTHER BANKING RESOLUTIONS

The progress of the payout as of December 31st, 2021, is presented below, highlighting that the amount paid to the CD by IPAB represents 99.17% of the total amount and totaled MXN 24,528 million:

### FOLLOW-UP OF DEPOSITORS' PAYOUT

#### Total base

Balance Range	Account holders	Amount	% Amount holders	% Amount
01 - Balance between 0.01 and 5	169,258	288,377	26.70%	0.00%
02 - Balance between 5.01 and 30	101,467	1,446,285	16.01%	0.01%
03 - Balance between 30.01 and 50	100,757	4,705,831	15.90%	0.02%
04 - Balance between 50.01 and 100	60,616	4,653,591	9.56%	0.02%
05 - Balance between 100.01 and 400	54,141	11,089,410	8.54%	0.04%
06 - Balance between 400.01 and 2,000	44,918	41,741,929	7.09%	0.17%
07 - Balance between 2,000.01 and 5,000	18,222	59,559,065	2.87%	0.24%
08 - Balance between 5,000.01 and 7,000	6,379	37,326,455	1.01%	0.15%
09 - Balance between 7,000.01 and 9,000	4,107	32,600,042	0.65%	0.13%
10 - Balance between 9,000.01 and 20,000	13,257	183,704,924	2.13%	0.74%
11 - Balance between 20,000.01 and 50,000	14,531	469,252,069	2.29%	1.90%
12 - Balance between 50,000.01 and 100,000	9,753	678,174,647	1.54%	2.74%
13 - Balance between 100,000.01 and 200,000	11,937	1,609,056,831	1.88%	6.51%
14 - Balance between 200,000.01 and 300,000	5,618	1,339,759,708	0.89%	5.42%
15 - Balance between 300,000.01 and 500,000	5,635	2,149,868,548	0.89%	8.69%
16 - Balance between 500,000.01 and 1,000,000	5,521	3,829,754,037	0.87%	15.48%
17 - Balance between 1,000,000.01 and 1,500,000	2,552	3,045,796,632	0.40%	12.31%
18 - Balance between 1,500,000.01 and 2,578,066.39	2,633	5,267,358,209	0.42%	21.30%
19 - Balance equal or greater than 2,768,169.20*	2,314	5,966,691,593	0.37%	24.12%
<b>Total</b>	<b>633,886</b>	<b>24,732,828,183</b>	<b>100.00%</b>	<b>100.00%</b>

#### Collected

Account holders	Amount Paid	% Account holders	% Amount
320	634	0.19%	0.13%
227	3,741	0.22%	0.26%
418	18,930	0.41%	0.40%
751	61,356	1.24%	1.32%
3,940	980,433	7.28%	8.84%
20,847	21,581,283	46.41%	51.70%
14,033	46,613,749	77.01%	78.26%
5,512	32,240,441	86.41%	86.37%
3,643	28,918,557	88.70%	88.71%
12,509	170,300,596	92.47%	92.70%
13,919	450,599,010	95.79%	96.02%
9,560	665,118,345	98.02%	98.07%
11,876	1,602,086,324	99.49%	99.57%
5,584	1,331,369,389	99.39%	99.37%
5,611	2,140,962,127	99.57%	99.59%
5,519	3,825,984,346	99.96%	99.90%
2,550	3,044,240,363	99.92%	99.95%
2,627	5,254,609,768	99.77%	99.76%
2,293	5,912,533,582	99.09%	99.09%
<b>121,739</b>	<b>24,528,222,705</b>	<b>19.21%</b>	<b>99.17%</b>

Source: IPAB.

Balance figures in Mexican pesos.

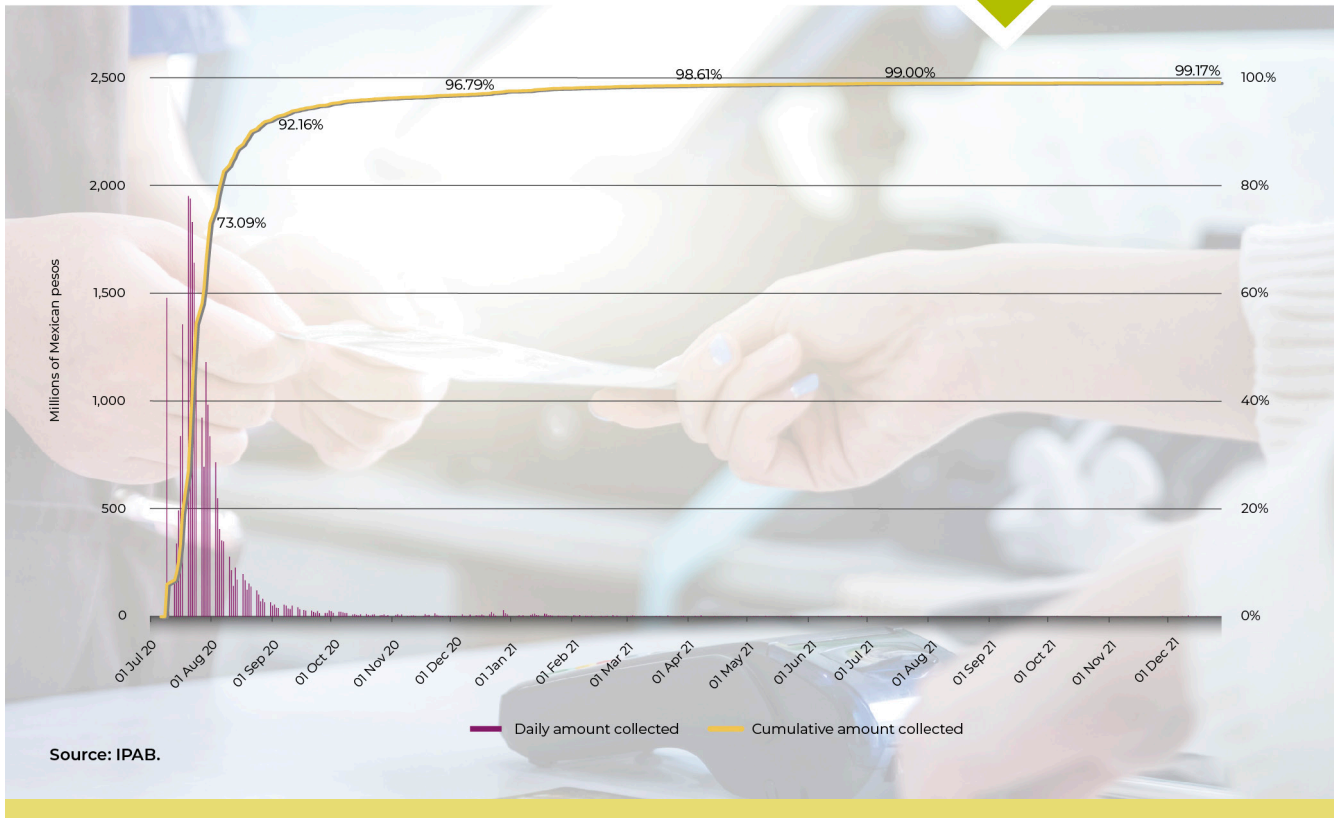
\* IPAB's coverage limit (400 thousand Investment Units) reached 2,768,169.20 Mexican pesos for Accendo's payout.





In 2021, monitoring the collection of covered deposits from BAFELJ's depositors continued.

PROGRESS IN THE PAYOUT OF **COVERED DEPOSITS OVER TIME**



*The Institute paid MXN 24,528 million to the covered depositors of Banco Ahorro Famsa, representing 99.17% of the total amount.*

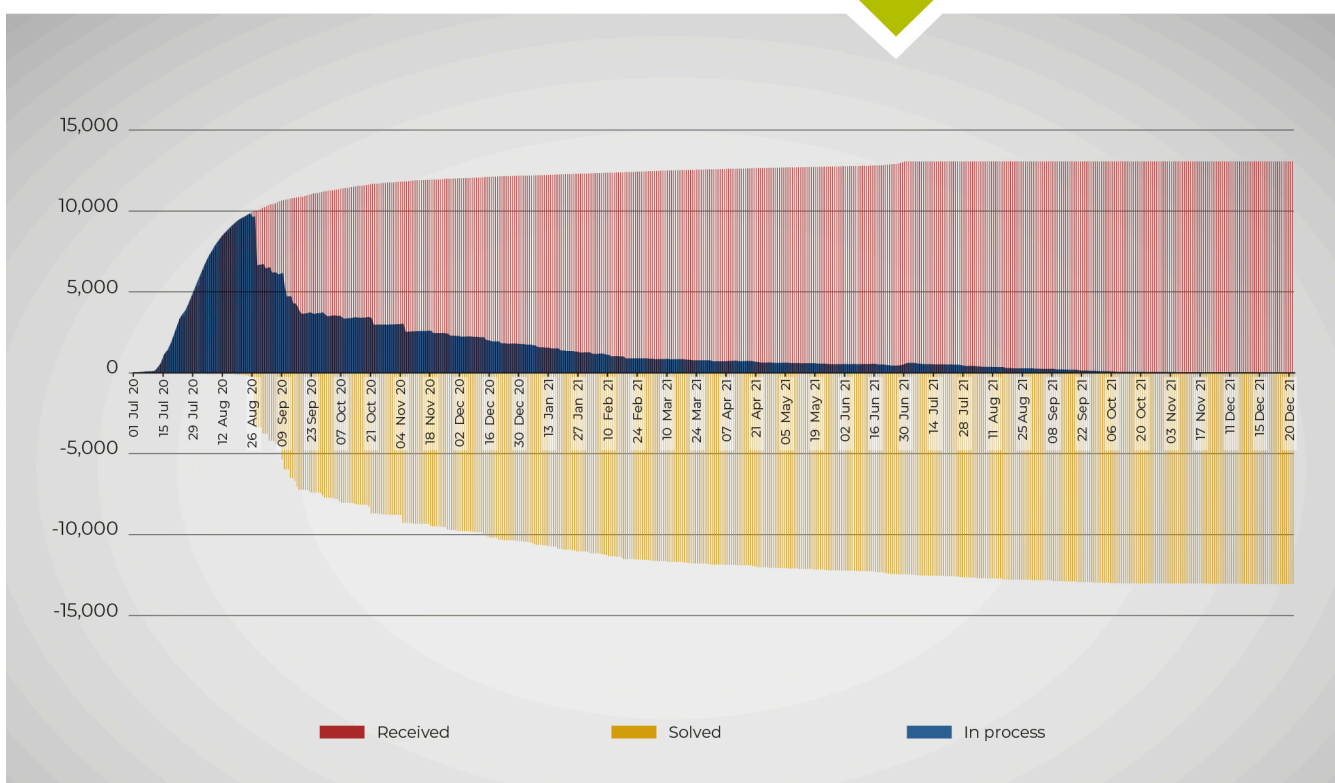


### Technological innovation

IPAB has **various technological tools** with which it expeditiously fulfills the payout of covered deposits.

On July 1st, 2021, the deadline for CDs to submit the payout request to IPAB expired. From the beginning of the payout until the end of 2021, IPAB received 13,062 payout requests. A payout request is a clarification tool related with the covered deposits, and the deadline to submit it was one year after BAF went into liquidation.

### APPLICATIONS



Source: IPAB.

## Automatic Payout System

IPAB has developed technological tools that allow it to expeditiously comply with the payout.

### AUTOMATIC PAYOUT SYSTEM



- **MOG:** The Covered Deposits Monitor helps to determine the validity and quality of bank's information;
- **SPOG:** The Payout of Covered Deposits System manages the payout process;
- **SASP:** The Payout Request Tracking and Management helps to manage the payout requests;

- **Payout Website:** Interface between the depositor and IPAB to obtain information regarding the payout process, and
- **Agent Bank:** Financial Institution with nationwide coverage in charge of reimbursing the funds to depositors, in coordination with IPAB.

## Judicial liquidation

Once the judicial liquidation has started, the “Provisional List of Creditors” was prepared and published on November 17 and 18, 2020 in a newspaper of national circulation and in the Federal Official Gazette (FOG). The notice was addressed to the general public and contained the places where such list could be consulted. Also, under the current regulations, the period for creditors to submit requests for clarification to the Liquidator Agent.



### BAFELJ'S sale of assets

From July 1st, 2020 to December 31st, 2021, 15 processes for the sale of assets of Banco Ahorro Famsa in Judicial Liquidation were carried out.

After the deadline to request modifications to the provisional list expired, on March 12, 2021, A&M submitted the “Final List of Creditors” to the Federal Judge.<sup>30</sup> On April 7, the “Judge’s Rule on Recognition and Priority of Credits” was issued in favor of Banco Ahorro Famsa, Ltd., Commercial Bank, in Judicial Liquidation (rule), published on June 30 in the Court’s Gazette.

Therefore, on the first two days of July, a notice was published in a national newspaper and in the FOG informing BAFELJ’s creditors of how they could verify the “Final List of Creditors” recognized in the Judge’s rule. The notice was also published on IPAB’s website and on the website of the bank in liquidation.

### ACTIVITIES RELATED TO THE START OF THE LIQUIDATION AND JUDICIAL LIQUIDATION



<sup>30</sup> According to Article 239 of the CIL.

Since the publication of the Judge's rule, as of December 31st, 2021, 150 constitutional suits were filed against the judicial liquidation process, of which 73 have been resolved by denying the constitutional protection to the persons who filed the suits. The Judge dismissed 54, and 23 are pending resolution.

### Liquidation process and sale of assets

From July 1<sup>st</sup>, 2020, to December 31<sup>st</sup>, 2021, six calls for applications were made for the sale of loan portfolios; seven for the sale of real estate, one for the sale of personal property and one for the sale of transportation equipment.

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

- Sales of loan portfolios as of December 31<sup>st</sup>, 2021: Impulsora Promobien, Ltd., portfolio, Mexican Social Security Institute (IMSS) portfolio and commercial portfolio.
- Sales of rescheduled loan portfolios: consumer portfolio (blue card and Visa), mortgage portfolio, microloans, personal, automotive, and other credit portfolios.<sup>31</sup>
- Real estate sales completed as of December 31<sup>st</sup>, 2021: Agricultural Package (two plots of land) in 2020; the following sales were completed in 2021: Development Package (four urban lots); Industrial Package (two urban lots and one warehouse); Retail Package (nine commercial properties and one parking lot); Country Package (two lots); two commercial properties; and one residential house.



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**31** These are rescheduled because no bids were submitted or because bids were submitted considerably below the minimum reference value. The collection of the portfolios continues, to subsequently find the appropriate conditions to initiate new sales procedures.





- Sale of personal property: during 2021, through electronic public auctions, 259 lots were sold, comprising approximately 22,500 assets such as ATMs, office equipment, as well as jewelry from the pawn business, among others.
- Sales of transportation equipment: during 2021, 41 electronic public auctions were held in which 1,165 transportation units (automobiles and motorcycles) were sold.



### **In search of the best conditions**

**The asset sale processes** are subject to valuations performed by third parties specialized in such matters.

From July 2020 to December 2021, BAFELJ's operating expenses were reduced by 60%, due to the implementation of the following actions:

- Execution of an orderly staff reduction program. During this period, there was a reduction of 4,074 employees -of which 1,215 correspond to the 2021 reduction-. This represented a 50.4% reduction in payroll expenses. It is important to note that the liquidation of BAFELJ's workers was carried out according to the Federal Labor Law (FLL), and subsequent 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 228 branches (64.4% of 354 branches), of which 81 closed during 2021. Some branches still remain open to continue the collection of loan portfolios, as well as to provide information to depositors and borrowers.

# Banco Bicentenario

## Background

On July 22<sup>nd</sup>, 2014, the CNBV revoked Banco Bicentenario's (Bicentenario) authorization to operate as a commercial bank, and IPAB assumed the role of liquidator as of July 23<sup>rd</sup>, 2014. In 2015, as the extinction of the company's capital was accredited, the institution was declared in judicial liquidation.

Under the Judge's rule on recognition, and priority of credits, the payment of first-, second-, third and fourth-degree creditors has been carried out, and in relation to the fifth degree, the pro rata payment amounted to 63.39% of the excess over the limit covered.

As of July 1<sup>st</sup>, 2017, IPAB operates through its administrative units the judicial liquidation process of Bicentenario.

## Liquidation process and sale of assets

At the end of 2021, practically all of the Institution's assets, including loan portfolios and real estate and personal property, had been disposed of.

The sale of two pieces of land located in the state of Querétaro was completed, and during 2022, the sale of the remaining assets is expected to be completed, such as: i) the rights related to two simple loans (one secured by mortgage and the other secured by pledge), and ii) eleven rights of execution of judgments.

Once the public auction procedures for the acquisition of these assets have been completed, steps will be taken to close the Institution.



## Banco Unión

### Background

On September 28, 2001, the SHCP revoked Banco Unión's authorization to operate as a commercial bank; consequently, and in accordance with the provisions in effect at that time, IPAB assumed the role of liquidator and, subsequently, receiver.<sup>32</sup>

As of August 1st, 2019, the Institute operates through its various administrative units and acts as trustee in the insolvency proceedings of Banco Unión.

### Liquidation process and sale of assets

To date, Banco Unión maintains as its only remaining asset the land called "El Caracol", located in the Municipality of Solidaridad, Quintana Roo, the sale of it is linked to the resolution of an agrarian lawsuit, in which the ownership of such land is disputed, declaring the absolute nullity of the property title issued by the Government of that entity in favor of the then Housing Institute of the State of Quintana Roo.



<sup>32</sup> The trustee is a person appointed by a community or corporation to look after its interests.

# 7



The management of financial resources is focused on meeting IPAB's financial obligations under the best possible terms and conditions, while maintaining a prudent level of risk. In this path, the value sought to be generated by the objectives that comprise it is "sustainability", which translates into the efficient management of the deposit insurance resources, necessary to face a bank resolution, and to set a long-term financing strategy for the Institute's liabilities. In this regard, IPAB has provided:

1. Establish the BSPF by periodic fees contributed by the commercial banks;
2. Implement a sustainable refinancing strategy developed in coordination with the SHCP and Banxico, as its financial agent, for the management and refinancing of the debt under its responsibility and avoid possible distortions in the money market, and
3. Effectively manage the financial resources of the deposit insurance under a financial planning and programming process.

As an additional funding mechanism, IPAB has the legal power - in accordance with the provisions of the BSPL- to hire financ-

# Management

of Financial Resources





ing and act in a bank resolution procedure, for amounts not exceeding 6% of the total liabilities of commercial banks, every three years.



### Sustainable strategy

In order to meet its commitments and obligations, the Institute focuses **its resource management strategy on three main axes.**

## Fees paid by commercial banks

In accordance with international best practices,<sup>33</sup> Mexican regulation states the obligation of the commercial banks to finance the BSPF through an ex-ante collection mechanism.<sup>34</sup> This allows IPAB to have a resource base to face the costs associated with a bank resolution procedure.

In the event of a bank resolution, the availability of these resources guarantees IPAB's protection, thus generating public confidence in the Mexican banking system.

Banks in operation are required by the applicable regulation to pay ordinary and extraordinary monthly fees previously established by the Governing Board. The ordinary monthly fees correspond to one-twelfth of four times one thousand of the monthly average of the daily balances of the banks' deposit operations. Furthermore, if these contributions are insufficient, IPAB's Governing Board may es-



<sup>33</sup> Principle 9. Source and uses of funds, Core Principles for Effective Deposit Insurance Systems published by IADI.

<sup>34</sup> Before the event.

establish extraordinary monthly fees not exceeding three times one thousand the amount of the institutions' deposit transactions in any one year.



IPAB is responsible for collecting the necessary information from the Institutions through the CNBV, which allows it to calculate the fees to be paid by each commercial bank operating in Mexico. In the event that any institution fails to pay such fees, the collection process will be initiated with the corresponding updates and, if applicable, the appropriate administrative sanction procedure will be initiated.

On the other hand, in order to keep the regulatory framework on savings protection updated, during the second half of 2021<sup>35</sup> a resolution was issued to modify Annex 1 of the Provisions (a regulation that rules the collection of fees), to maintain consistency in the information that integrates the basis for calculating the fees, in view of the update of the accounting criteria by the CNBV due to the introduction of International Financial Reporting Standards 9 (IFRS9).



**35** On December 8, 2021, the "Resolution modifying Annex 1 of the Provisions related to the ordinary fees that commercial banks are required to pay to the Institute for the Protection of Bank Savings" referred to in Article 22 of the BSPL was published in the DOF, which, in accordance with the provisions of its First Transitory Article, became effective as of January 1st, 2022.



## MANAGEMENT OF FINANCIAL RESOURCES

Likewise, in that year, the amount of fees collected from commercial banks totaled MXN 27,994 billion<sup>36</sup>, which represented an annual increase of 0.1% in nominal terms and an annual decrease of 6.8% in real terms. This variation contrasted with the increase of 14.1% in nominal terms and 10.7% in real terms recorded in 2020.

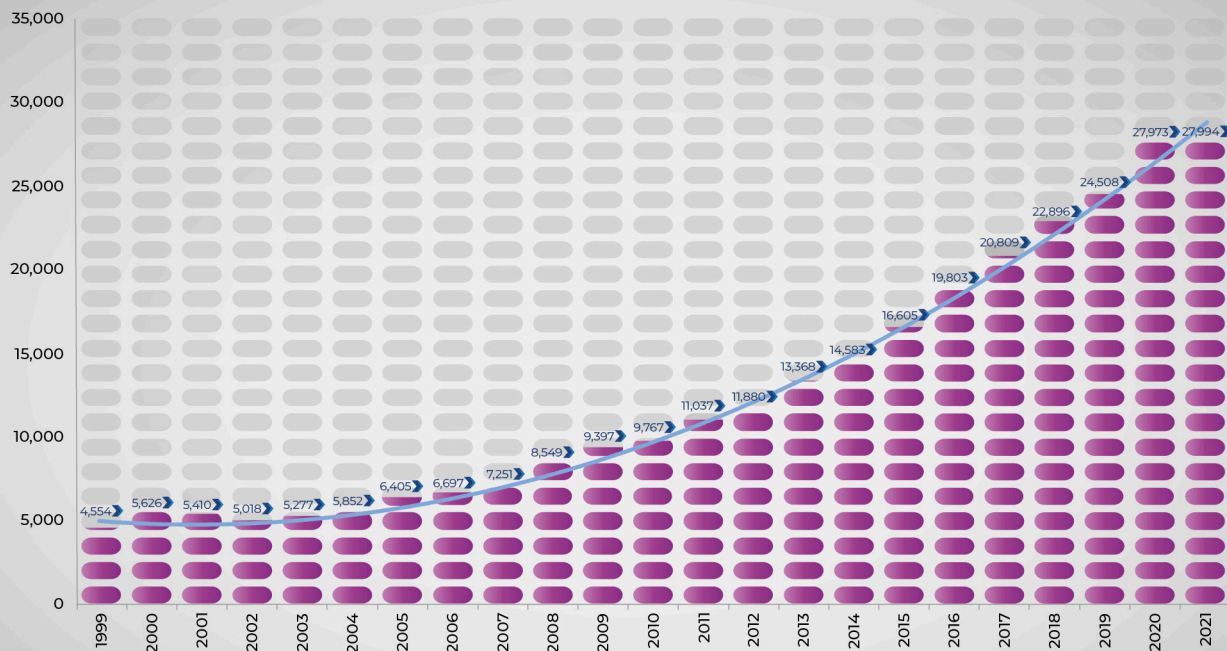
The amount of fees collected from the banks in 2021 was practically the same as collected in 2020 (MXN 27,973 billion) due to the fact that it was an atypical year in terms of bank deposits. In the face of the COVID-19 pandemic, since 2020 there was a precautionary behavior from the depositors, who opted to keep their resources in the banks, which boosted the growth of fees in that year. In 2021, on the other hand, there was a slowdown in the growth rate of bank liabilities from which the fees are calculated.



<sup>36</sup> Cumulative figure with final fees as of December 2021.



## FEES COLLECTED FROM COMMERCIAL BANKS



Figures expressed in millions of Mexican pesos.  
Source: IPAB.

## Bank Savings Protection Fund

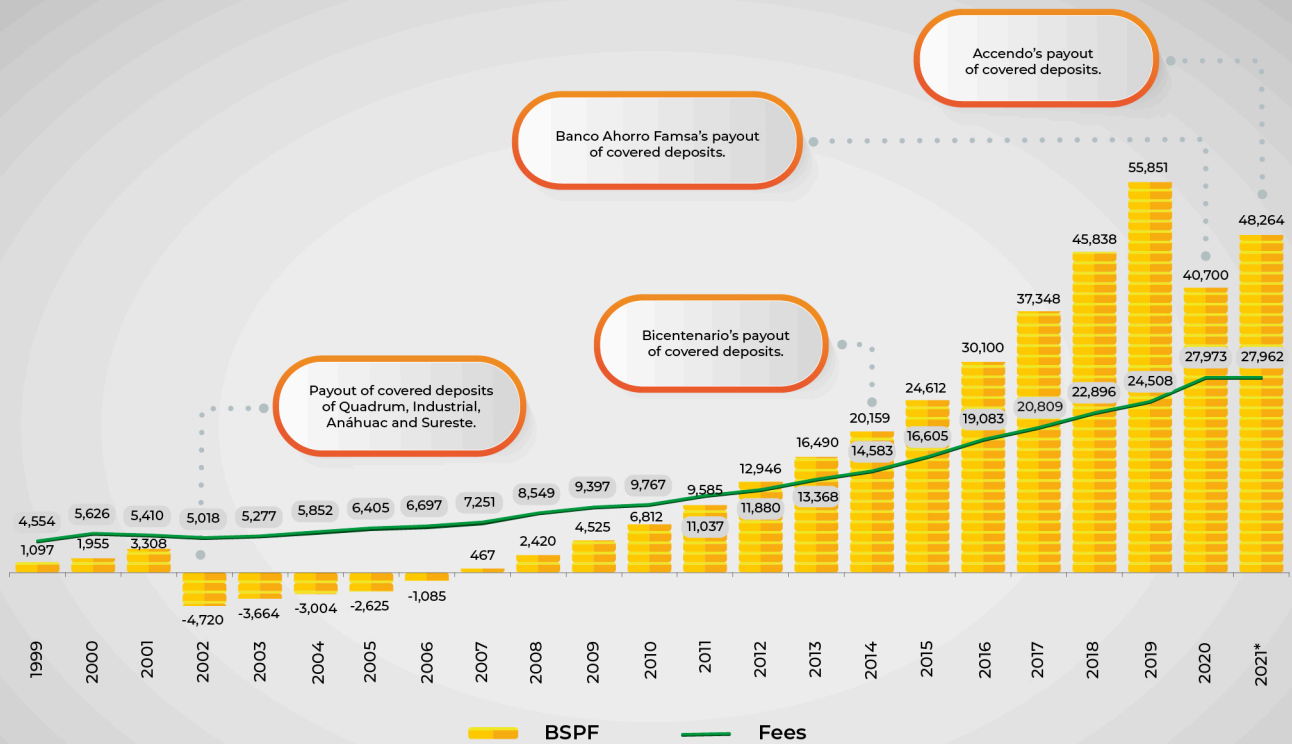
The BSPF is comprised of one-fourth of the fees paid by the commercial banks to the Institute. The Fund provides IPAB with the necessary financial resources to act as manager of the bank savings protection system.

By the end of 2021, the BSPF recorded a balance of MXN 48,264 billion. Compared to the previous year, the Fund increased 18.58% in nominal terms and 10.46% in real terms.



## MANAGEMENT OF FINANCIAL RESOURCES

### 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 2021, the payout of Accendo's covered deposits is equivalent to MXN 1,296.1 millions as of December 31, 2021.

Fees presented consider final amounts as of November 2021 and provisions as of December 2021.

Source: IPAB.

## Covered deposits and account-holders

Month after month, IPAB makes estimates of the amounts of covered deposits in the Mexican banking system, as well as the number of covered depositors. At the end of 2021, covered deposits of commercial banks reached a balance of MXN 5,747,995 million, with an annual growth of 9.0%.



*More than 99% of the covered accounts of commercial banks in Mexico are covered by the bank deposit insurance managed by IPAB.*

Considering IPAB's coverage limit<sup>37</sup>, as of that date, Covered Deposits (CDs) reached a balance of MXN 3,165,711 million, in the hands of 135 million depositors, of which 97.9% are individuals. This amount represents an annual increase of 12.1%.



<sup>37</sup> Equivalent to 400 thousand UDIS.



## MANAGEMENT OF FINANCIAL RESOURCES

In this sense, IPAB's coverage limit allows it to fully cover more than 99% of the covered accounts in commercial banks in Mexico, thus fulfilling the objective of the bank savings protection system to guarantee the funds of people who deposit their resources in banking institutions.

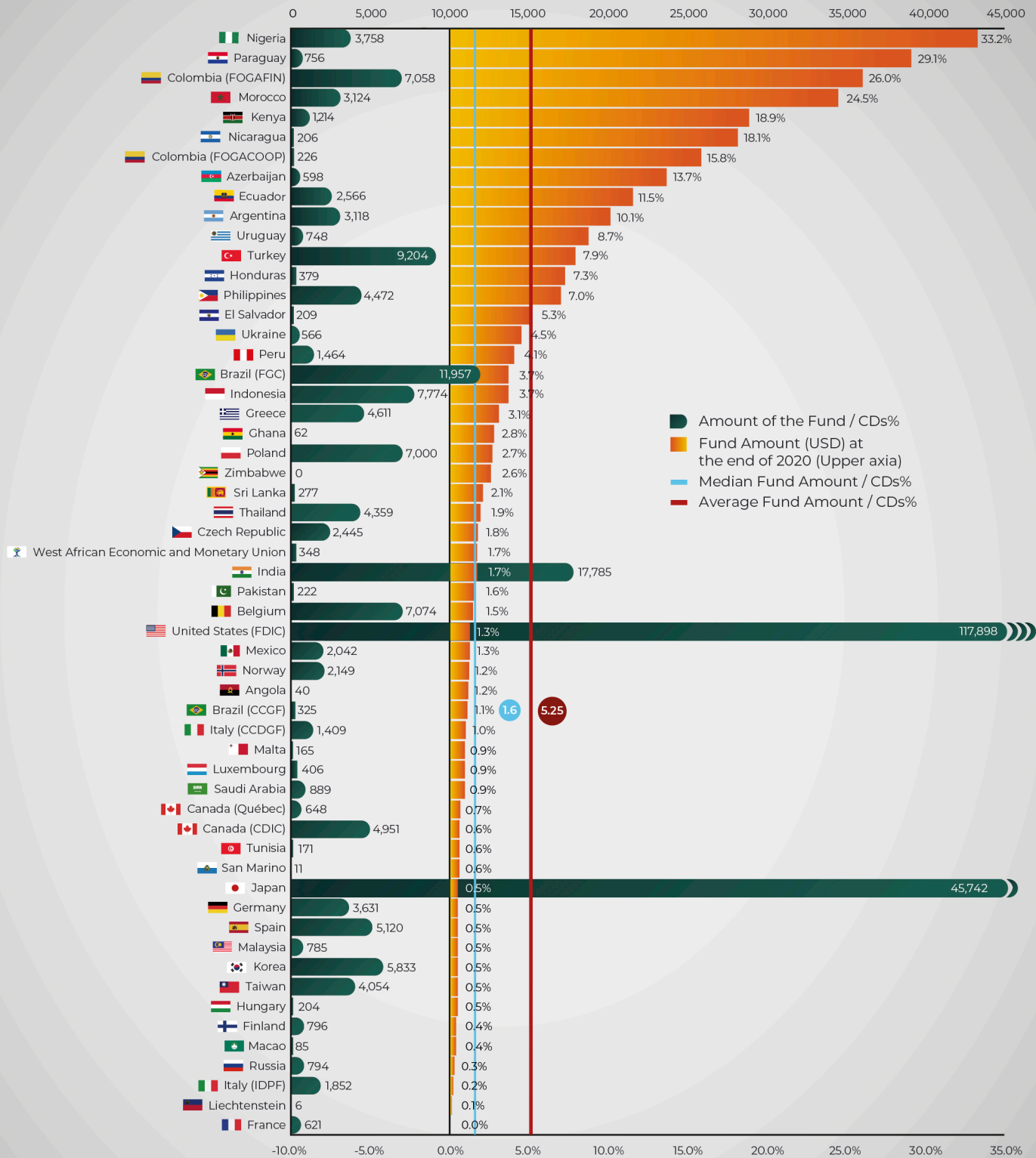
### Coverage level adequacy

The BSPF's resources at the end of fiscal year 2021 would be sufficient to cover the payout of 34 commercial banks CDs, considering that each process would take place individually. The BSPF covered 1.40% of the total balance of the CDs of all banks in the country. This proportion represents an annual increase of 11 bps.

#### ELIGIBLE DEPOSITS COVERED BY BSPF IN EACH INSTITUTION



# INTERNATIONAL COMPARISON OF COVERAGE AS OF DECEMBER 2020



Figures in USD millions with an exchange rate from *Bloomberg* at the close of 2020.  
 Source: Prepared by IPAB with information obtained from *the 2021-IADI Annual Survey*.



# Debt management by IPAB

IPAB's financial obligations include the financial system support programs implemented since 1995. To this end, the Institute has designed a comprehensive strategy for the sustainable management of such debt, with the following objectives:

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

The financial strategy consists of refinancing the obligations through the placement of debt instruments in the domestic market, called Savings Protection Bonds (SPBS),<sup>38</sup> with the support of Banxico as the financial agent for each issue. In this way, IPAB achieves the following objectives:

- i) Improve the maturity profile;
- ii) Achieve better terms and conditions for the Institute; and
- iii) Reduce the risk of exposures and provide greater liquidity to such securities.

With these actions, IPAB complies with its short and long-term refinancing goals, responding to a sustainable debt management strategy that seeks to avoid an increase in debt in real terms.

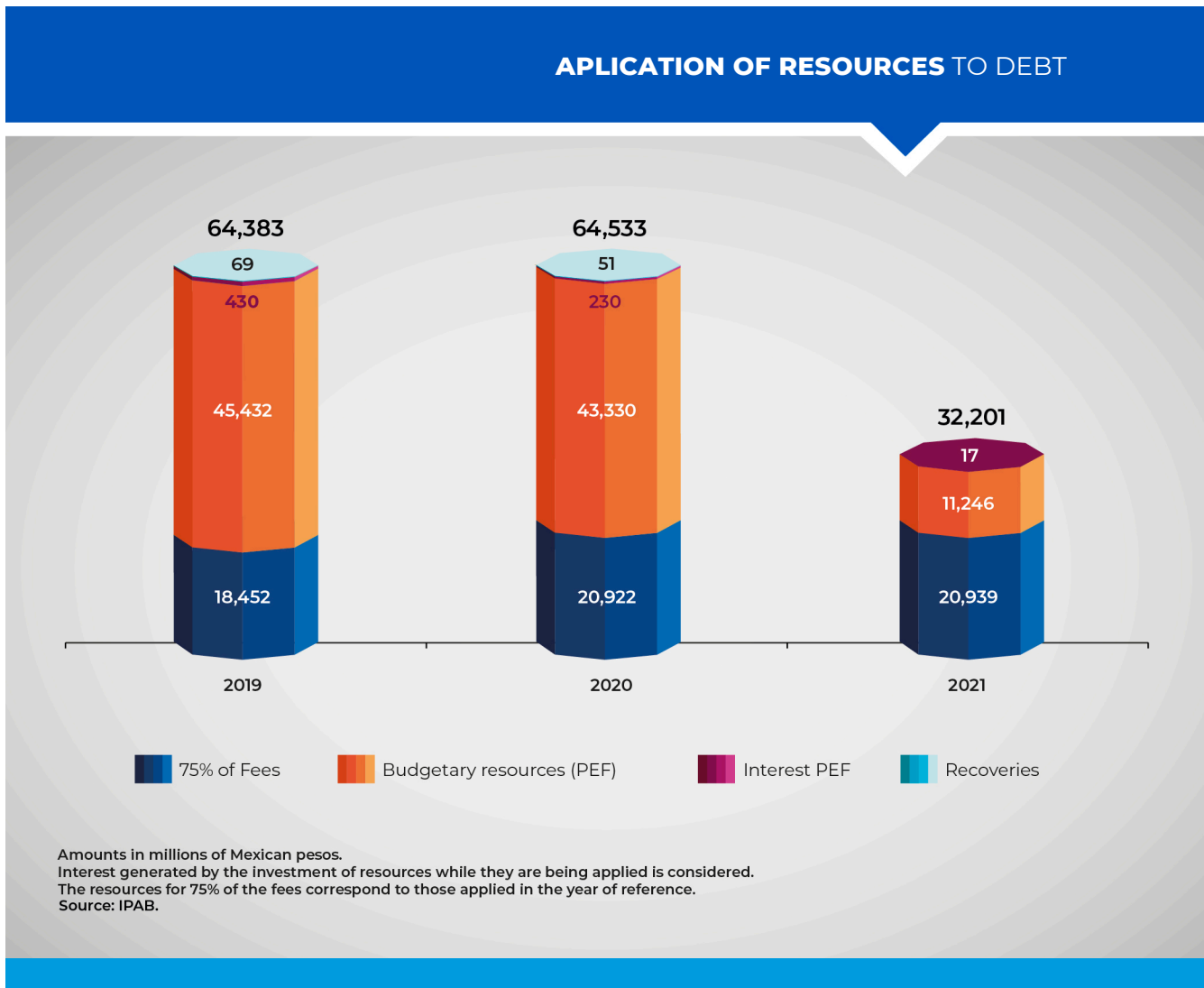
Seventy-five percent of the resources obtained from the fees paid by the commercial banks are destined to the payment of the remaining debt managed by IPAB, to which are added fiscal transfers from the Federal Government named Program to Support Bank Depositors of Section 34.



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**38** IPAB conducts weekly placements of its instruments through primary auctions and, as of December 9, 2021, through the cetesditecto platform in non-competitive allocation. 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 by IPAB on a quarterly basis through the "Announcement of the Government Securities Auction Calendar" jointly with the SHCP.

Budgetary resources allocated through this Program amounted to MXN 11,246 millions in 2021<sup>39</sup>, 74% less than the previous year.



The amount of fiscal transfers received by IPAB has decreased as a percentage of GDP, from 0.3% in 1999 to 0.04% in 2021<sup>40</sup>. As a percentage of total budgeted expenditure, this proportion fell from 1.75% to 0.18% between these same years.



<sup>39</sup> The fiscal resources received by IPAB from the Section 34 "Expenditures for Programs to Support Depositors and Bank Debtors" at the end of the fiscal year amounted MXN 526,347 million correspond to the Program to Support Bank Depositors (PSBD) 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 (PSBD) total MXN 251,900 million, which are managed by the Ministry of Finance and not by the Institute.

<sup>40</sup> According to the nominal GDP published by INEGI for the fourth quarter of 2021 of MXN 27,553.4 million on May 25, 2022.



## MANAGEMENT OF FINANCIAL RESOURCES

Due to the debt management strategy implemented by IPAB, the balance of its liabilities has been reduced in real terms by 49.5%. On the other hand, at current prices, IPAB's net liabilities increased from MXN 687.844 million in December 1999 to MXN 919.669 million in December 2021, which implies an increase of 33.7% in nominal terms.



### Responsible management

IPAB **is meeting its refinancing goals** as a response of a sustainable debt management strategy.

During the same period, cumulative inflation was 164.6%, so IPAB's debt balance as of December 2021 showed a cumulative contraction of 49.5% in real terms reaching MXN 347.581 million at December 1999 prices.

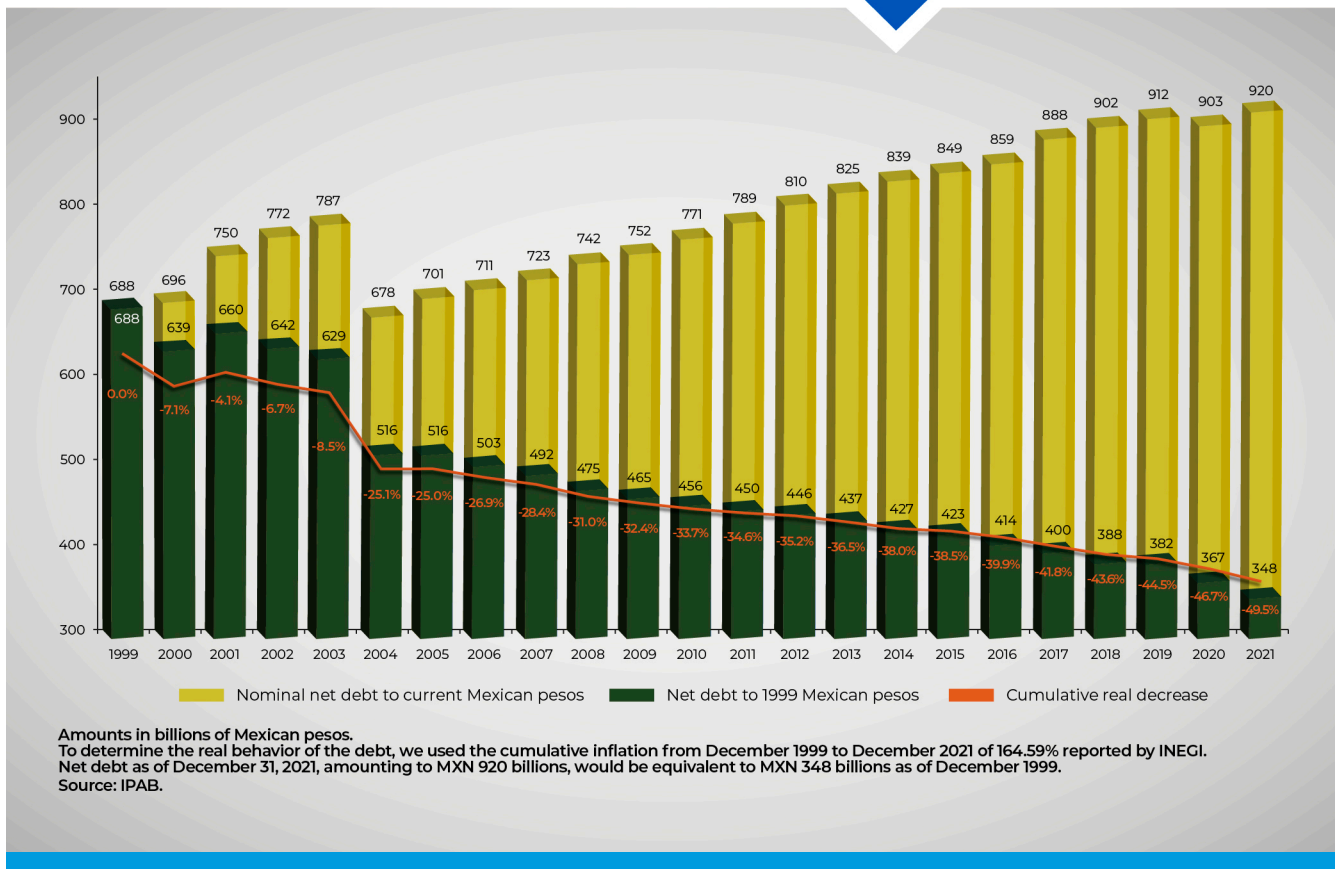


Likewise, the balance of IPAB's net liabilities recorded a nominal annual increase of 1.8% compared to the previous year, which, after discounting for inflation of 7.36% for 2021, represented a decrease in real terms of 5.17%.



Even though 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, thus reducing its relative impact on public finances.

**EVOLUTION OF IPAB'S NET LIABILITIES**



At the end of December 2021, the Institute's net debt balance stood at 3.35% of nominal GDP<sup>41</sup>, which represents a reduction of 7.95% compared to the percentage reached at the end of 1999 -11.3%- and a 0.23% reduction compared to the end of 2020.



<sup>41</sup> A nominal GDP published by INEGI of MXN 27 trillion 553 million 391 thousands as of the fourth quarter of 2021 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 31st, 2017 by INEGI, which considers 2013 as the base year.

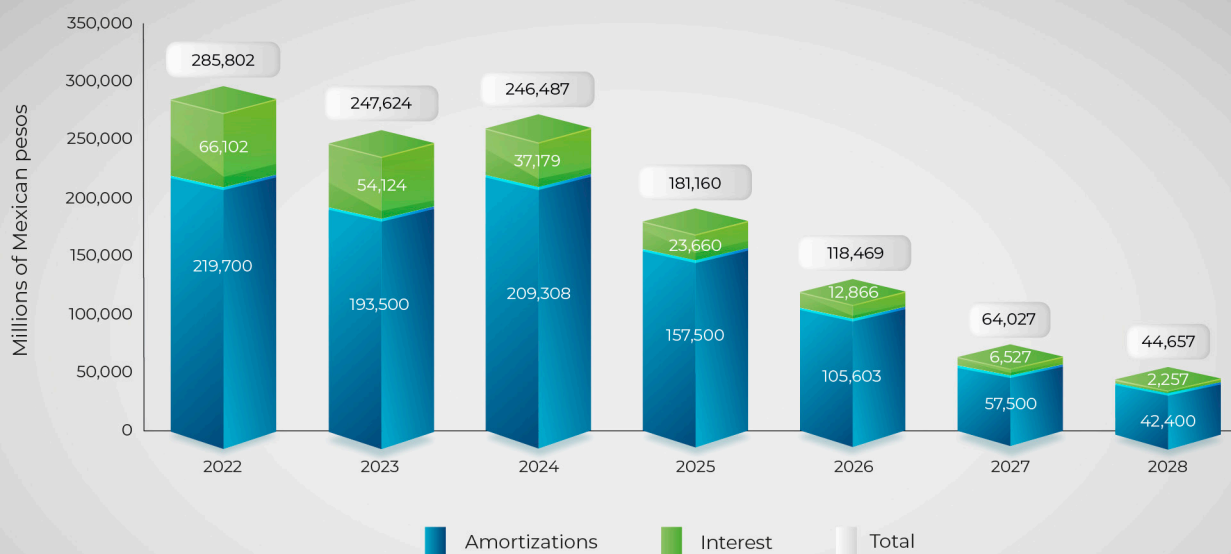


## MANAGEMENT OF FINANCIAL RESOURCES

This decrease is explained by 0.30% of the estimated growth of the economy in nominal terms in the period from January to December 2021, which is partially offset by 0.07% of the increase in debt in nominal terms during the same period.

The Institute has maintained a debt profile with a manageable trajectory, focusing most of its maturities in the medium and long terms, through the placement of instruments with maturities of 3, 5 and 7 years, with a stable placement pattern throughout each year, which avoids having to face large payments that put the Institute's finances at risk. This allows it to refinance itself in a sustainable way without affecting the profile of the debt backed by the Federal Government.

### MATURITY PROFILES AS OF DECEMBER 31st, 2021



Includes expected interest on SPBS issues outstanding at the end of 2021.  
Source: IPAB.



**41** A nominal GDP published by INEGI of MXN 27 trillion 553 million 391 thousands as of the fourth quarter of 2021 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 31st, 2017 by INEGI, which considers 2013 as the base year.

Due to the impact of the measures to contain the economic effects of the pandemic and the volatility episodes observed in the global financial markets and in the local debt market, as well as the increase in inflation and in the real rate, IPAB increased the weekly target amount to be auctioned for the third quarter of 2021, from MXN 3.8 million to MXN 4.2 million, maintaining it at that level until the end of the year.



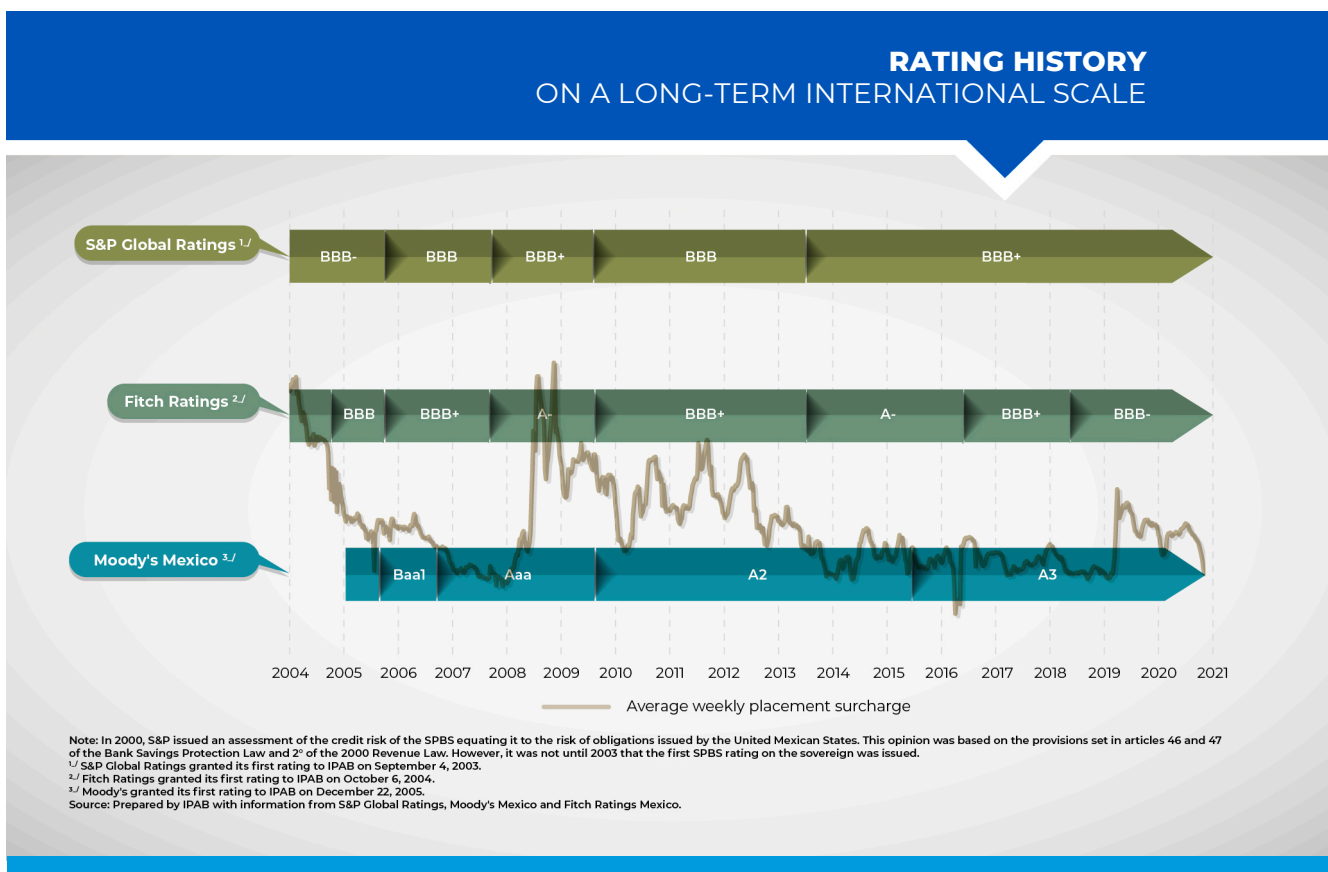
This is consistent with the strategy of refinancing financial obligations, which consists of maintaining in real terms the amount of the Institute's net liabilities while ensuring a sustainable debt trajectory in the long term.

## Credit ratings

Each year, IPAB undergoes an accreditation by the three most important global agencies, 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 SPB's market.



At the end of 2021, IPAB maintained the following ratings, in line with those granted to the Federal Government:



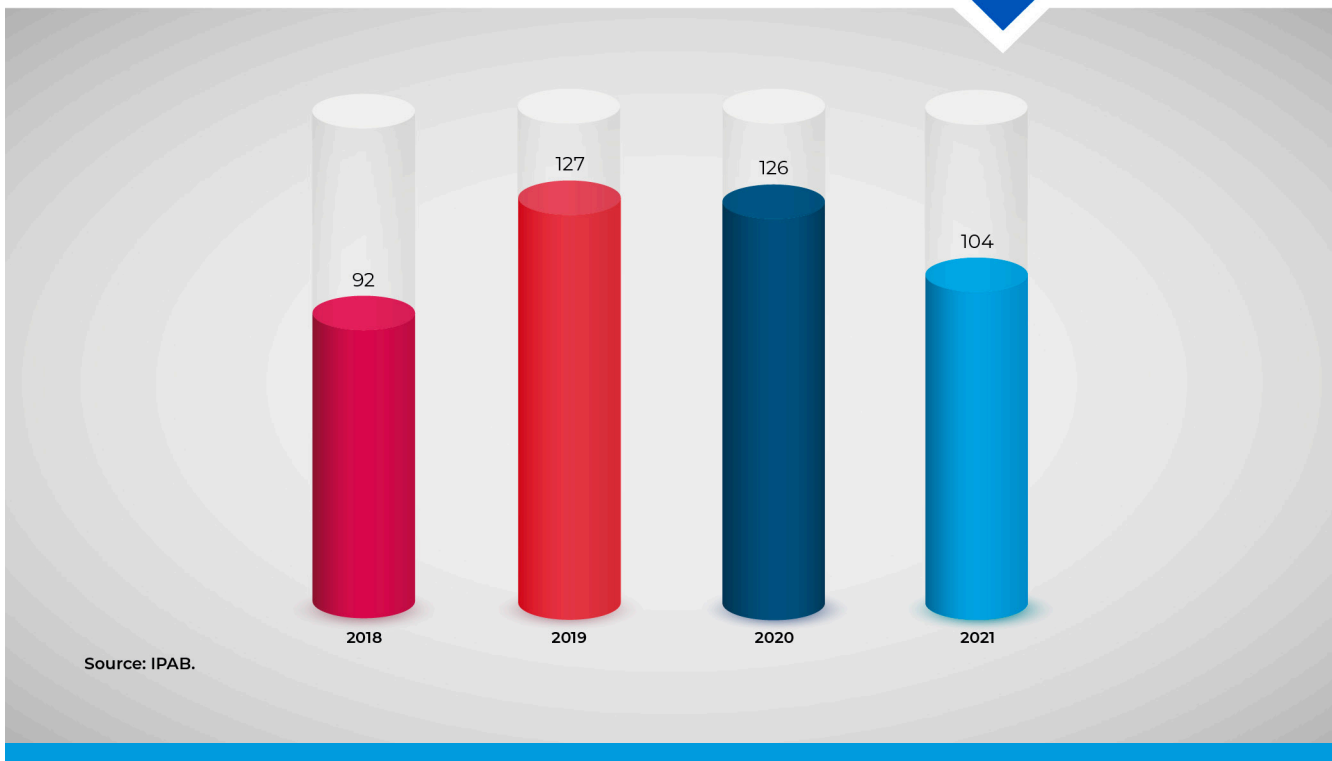
## Transparency and accountability

During fiscal year 2021, IPAB's Transparency Unit received 104 requests for information and personal data: 92 were answered and the remaining will be concluded during 2022. It should be noted that most of the requests were related to the liquidation procedures of banking institutions.

Since 2003<sup>42</sup>, the Transparency Unit has responded 2,654 requests for information.



<sup>42</sup> Year in which the transparency regulation came into force.

EVOLUTION OF **TRANSPARENCY REQUESTS**

The Institute for the Protection of Bank Savings complied with the requirements stated for the recognition as an “Institution 100% Trained in the Federal Law of Transparency and Access to Public Information (FLTAPI) and in the General Law for the Protection of Personal Data in Possession of Obligated Entities (GLPPD-POE)” and “Transparency Committee 100% Trained”.

In addition, the Transparency Obligations Portal System (TOPS) was updated with regard to the transparency obligations set forth in the General Law of Transparency and Access to Public Information and the GLTAPI.

In relation to the performance in compliance with the publication of transparency obligations, the last rating submitted by the National Institute for Transparency, Access to Information and Protection of Personal Data (INAI) for IPAB, reached a score of 100% of the global index of compliance in transparency portals, granted on June 16, 2021, at the close of the year remains in force.



## External audits



During 2021, no audits were conducted by the Federal Superior Audit Office. On the other hand, the Institute's financial statements, audited by the external firm appointed by the Ministry of Public Affairs, were audited without qualification.

## Financial statements





In accordance with governmental financial reporting requirements, the statements of financial position and statement of activities, comprised of IPAB's assets, liabilities, equity, income and expenses as of the end of 2021, are shown below:

## STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2021 AND 2020

 <b>HACIENDA</b> <small>SECRETARÍA DE HACIENDA Y CRÉDITO PÚBLICO</small>		INSTITUTE FOR THE PROTECTION OF BANK SAVINGS <small>(Decentralized Organism of the Federal Government)</small> <b>Statements of Financial Situation</b> <small>For the years ended December 31, 2021 AND 2020            (Amounts expressed in millions of Mexican pesos)</small>		 <b>IPAB</b> <small>INSTITUTO PARA LA PROTECCIÓN AL AHORRO BANCARIO</small>	
Concept	2021	2020	Concept	2021	2020
<b>ASSET</b>			<b>LIABILITIES</b>		
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
Cash and cash equivalents	\$ 1	\$ 1	Short Term Payable Accounts	\$ 8	\$ 9
Banks			Short-Term Portion of Long-Term Debt		
Rights to Receive Cash or cash equivalents	87,785	100,991	Savings Protection Bonds	228,610	220,025
Short-Term Financial Investments			Financial Derivative Instruments	-	8
<b>Total Current Assets</b>	<b>87,786</b>	<b>100,992</b>	Other Short-Term Liabilities	25,875	24,732
<b>NON-CURRENT ASSETS</b>			<b>Total Current Liabilities</b>	<b>254,493</b>	<b>244,774</b>
Long-Term Financial Investments	34,090	31,342	<b>NON-CURRENT LIABILITIES</b>		
Rights to Receive Long-Term Cash or Cash Equivalents			Long-term debt		
Resources to be Allocated - through the Federal Expenditure Budget	919,134	902,804	Savings Protection Bonds	762,461	774,247
Notes Receivable and Sundry Accounts Receivable, net	174	167	Long-Term Provisions	50,394	41,309
Subrogation for the Payout of Covered Deposits	25,875	24,732	<b>Total Non-Current Liabilities</b>	<b>812,855</b>	<b>815,556</b>
Real Estate, Infrastructure and Construction in Progress	226	230	<b>TOTAL LIABILITIES</b>	<b>1,067,348</b>	<b>1,060,330</b>
Property, Plant and Equipment	11	6	<b>HERITAGE</b>		
<b>Total Non-Current Assets</b>	<b>979,510</b>	<b>959,281</b>	Other Comprehensive Income	(52)	(57)
<b>TOTAL ASSETS</b>	<b>\$1,067,296</b>	<b>\$1,060,273</b>	<b>Total Equity</b>	<b>(52)</b>	<b>(57)</b>
			<b>TOTAL LIABILITIES AND HERITAGE</b>	<b>\$1,067,296</b>	<b>\$1,060,273</b>

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

<b>CPA Miguel Cuevas Reza</b> <small>Deputy Secretary for Management and Budget</small>	<b>CPA José Ignacio Chan García</b> <small>Deputy General Director for Budget and Accounting</small>	<b>CPA Julio Javier Castro Martínez</b> <small>Manager of Financial Accounting</small>
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 <b>HACIENDA</b> <small>SECRETARÍA DE HACIENDA Y CRÉDITO PÚBLICO</small>		INSTITUTE FOR THE PROTECTION OF BANK SAVINGS <small>(Decentralized Organism of the Federal Government)</small> <b>Statements of Activities</b> <small>For the years ended December 31, 2021 and 2020            (Amounts expressed in millions of Mexican pesos)</small>		 <b>IPAB</b> <small>INSTITUTO PARA LA PROTECCIÓN AL AHORRO BANCARIO</small>	
Concept	2021	2020	Concept	2021	2020
<b>INCOME AND OTHER BENEFITS</b>					
<b>MANAGEMENT INCOME</b>					
Revenues from Sale of Goods and Services					
Revenues from fees received from Institutions	\$ 27,880	\$ 27,991			
<b>FEDERAL CONTRIBUTIONS, TRANSFERS, ALLOCATIONS, SUBSIDIES, GRANTS, ETC.</b>					
Transfers, Allocations, Subsidies and Grants, and Pensions and Retirements	11,246	43,330			
<b>OTHER INCOME AND BENEFITS</b>					
Financial Income	6,728	10,038			
Other income and miscellaneous benefits	6,024	9,291			
	704	747			
<b>Total Revenues and Other Benefits</b>	<b>45,854</b>	<b>81,359</b>			
<b>EXPENSES AND OTHER LOSSES</b>					
<b>OPERATING EXPENSES</b>					
Personal Services	298	280			
Materials and Supplies	200	196			
General Services	3	2			
	95	82			
<b>INTEREST, COMMISSIONS AND OTHER DEBT EXPENSES</b>					
Interest on Debt	50,990	62,373			
	50,990	62,373			
<b>OTHER EXTRAORDINARY EXPENSES AND LOSSES</b>					
Allowances, Depreciation, Impairment, Obsolescence and Amortization	10,896	10,096			
Other Expenses	667	317			
	10,229	9,779			
<b>Total Expenses and Other Losses</b>	<b>62,184</b>	<b>72,749</b>			
<b>(DEFICIT) SURPLUS FOR THE YEAR</b>	<b>\$ (16,330)</b>	<b>\$ 8,610</b>			

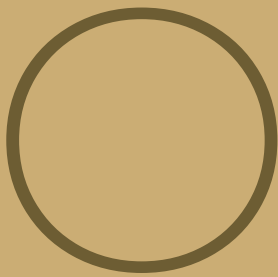
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One of the main objectives of the Institute is the protection of the deposits of people who trust their money to a banking institution. This commitment lies not only in safeguarding

part of their assets, but also in providing information to expand their knowledge and skills in the field of financial education, such as the importance of saving part of their income, the benefits of formal savings and the advantages of a bank savings protection system.

During 2021, the Institute continued with the implementation of an institutional program focused on financial education for high school students, with various promotional activities, dissemination, and media attention.

## Financial inclusion and financial education

IPAB, as a member of the National Council for Financial Inclusion (CONAIF) and the Financial Education Committee (CEF),

# Promotion of financial inclusion

and financial education



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

During 2021, IPAB, as part of the FEC's working group, provided support in the progress and activities of the ENEF 2021-2022 implementation plan, with the purpose of promoting financial inclusion and education among the population, and informing about IPAB's institutional work and the benefits of formal savings.

For this purpose, the Institute actively participated in various national and international working groups, forums, and events, such as:

### *Global Money Week 2021*



The *Global Money Week 2021* (GMW 2021), a worldwide event organized by the Organisation for Economic Co-operation and Development (OECD) in



collaboration with the Interactive Museum of Economics (MIDE), was held from March 22<sup>nd</sup> to 28 under the slogan *“Take care of yourself, take care of your money”*.

Within the framework of this event, in which the inauguration was attended simultaneously by more than 45 countries and the interventions of the Queen Máxima of the Netherlands and the Secretary General of the OECD, IPAB provided two virtual conferences in public and private academic institutions of middle and higher education, aimed at promoting knowledge about the bank deposit insurance.

## 14<sup>th</sup> edition of the National Financial Education Week



For the second consecutive year, in compliance with COVID-19's preventive recommendations, IPAB participated virtually in the 14<sup>th</sup> edition of the National Financial Education Week (SNEF), organized by the National Commission for the Protection and Defense of Financial Services Users

(CONDUSEF) and the Association of Banks of Mexico (ABM), held from October 4<sup>th</sup> to 15.

The event was held at a virtual stand and with the use of audiovisual materials and digital content. Thirteen videoconferences provided to students from high school and higher education institutions in different states of the country; two of them were aimed at Mexicans living in other countries, in collaboration with the Institute for Mexicans Abroad (IME) and the Mexican consular network abroad.

According to preliminary figures from the organizers, the event reached approximately 383,000 children, young people, adults and senior citizens, as well as nationals living mainly in the United States and Canada.



### **Collaboration**

During 2021, IPAB provided support in the progress and activities of **the ENEF 2021-2022** implementation plan.

## Comprehensive Financial Education Week for Mexicans Abroad

From June 14<sup>th</sup> to 21<sup>st</sup>, 2021, the 9<sup>th</sup> edition of the Comprehensive Financial Education Week for Mexicans Abroad 2021 (SEFIME), organized by the IME of the Ministry of Foreign Affairs, took place, in which IPAB provided 23 videoconferences to Mexicans through some of the Mexican Consulates in the United States and Canada.

During this event, a dissemination strategy was developed to invite the Mexican population living outside of the country, as well as the general public,



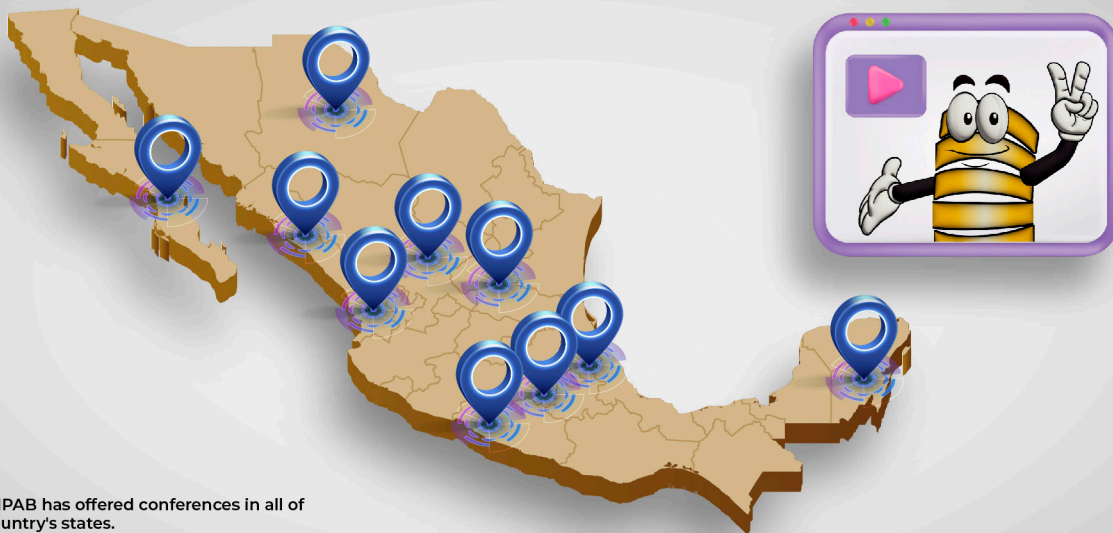
to attend the virtual conferences projected live through the Facebook platforms of each participating Consulate, as well as that of the Institute.

According to preliminary figures from the organizers, the event reached approximately 383,000 children, young people, adults and senior citizens, as well as nationals living mainly in the United States and Canada.

### “IPAB at your School” Program

As part of the “IPAB at your School” program, the Institute held 14 remote lectures at middle and high school educational institutions in the states of Baja California Sur, Chihuahua, Guerrero, Morelos, Nayarit, Puebla, Quintana Roo, San Luis Potosí, Sinaloa, and Zacatecas. Each presentation entitled “Bank Savings and their Protection in Mexico”, with more than 1,000 attendees, alluded to the benefits of formal savings and bank savings deposit insurance.

#### IPAB AT YOUR SCHOOL PROGRAM COVERAGE



Note: IPAB has offered conferences in all of the country's states.

Source: IPAB.

In addition, multimedia materials related to IPAB's work were prepared and published on the institutional website and institutional social media accounts, for consultation by participants and the general public.

## Inclusion of Savings Protection Bonds in cetesdirecto

IPAB jointly with the SHCP, Banxico, Nacional Financiera (Nafin) and the Trust Program for the Direct Sale of Securities to the Public (cetesdirecto), aligned efforts to include SPBs in the cetesdirecto internet platform.

The versions BPAG28 and BPAG91 of the SPBs were registered in cetesdirecto<sup>43</sup> with the objective of expanding investment alternatives in government securities, encouraging savings and increasing investment confidence for the general public.

The inclusion of this type of securities favors the diversification of investments through a practical and safe environment for those who wish to obtain returns without exposing their resources to great risks.

**SPBs have very particular characteristics for those savers and investors** who are interested in reliable instruments that provide a return on their assets. Some of these characteristics are listed below:



<sup>43</sup> The cetesdirecto platform allows any person to acquire government securities without the intermediation of banks, brokerage firms or other institutions and is operated by Nafin. This platform is free of charge and does not generate any type of commissions to encourage savings and investment by the Mexican population.



- Weekly auction, in accordance with the quarterly placement calendar published by the Institute;
- Low-risk financial instruments, widely known and accepted by investors;
- Reviewable rate instruments, i.e., they generate an interest every 28 or 91 days and are updated with a reference rate, which is determined by the highest rate between the highest Cetes rate at the coupon term and the weighted government funding rate published by Banxico, and
- They offer an additional surcharge on the interest rate paid by the Treasury Certificates.

It is important to note that prior to December 8, 2021, investors could only acquire SPBs through broker-dealers and large investors. Now, for the first time, SPBs are available on the cetesdirecto platform, which at the close of 2021 has more than 700,000 depositors and investors.

**cetesdirecto**

**Diversifica con cetesdirecto e IPAB**

IPAB  
INSTITUTO PARA LA PROTECCIÓN  
AL AHORRO BANCARIO

#### A new investment option

The cetesdirecto platform has enabled the population to acquire SPBs as a safe and accessible investment option.

## Annual campaign “Your Bank Savings are Protected by IPAB”

To protect depositors and contribute to financial stability, IPAB implemented an dissemination campaign to inform the general public about the benefits and limitations of the deposit insurance system.



### Disclosure activities

The Institute promotes financial inclusion and financial education by informing about **the benefits of formal savings and bank deposit insurance.**

Thus, from October 15<sup>th</sup> to November 14<sup>th</sup>, 2021, the communication campaign called “Your Bank Savings are Protected by IPAB” was activated in its version “Deposit Insurance Dissemination Activities”, through media communication.

Among the developed activities, it is worth mentioning the placement of 18 radio messages and 7 Internet radio messages; likewise, 56 spots programmed through the community radio and 7 visual contents (banners) were placed on websites with a greater reach of media users at a national level.

As a result of this campaign in 2021, we achieved an impact of 4,083,904 people on internet radio and digital content on websites.

During 2021, more than 800 contents, messages and press releases were disseminated on IPAB’s official social networks on institutional activities, the promotion of formal savings, banking penetration, financial education, and the benefits and scope of the bank deposit insurance.

Among the most relevant digital strategies are: “Time is running out”, “Saving Tips”, “IPAB Informs you”, “Know More”, “Savings Benefits” and “IPAB Trivia”. In





In addition, several external events and messages were promoted, such as: “Global Money Week”, SNEF, SEFIME.

*With the aim of integrating new technologies, part of the communication efforts on deposit insurance are focused on the use of digital platforms and social networks.*



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**A**s manager of bank deposit insurance and as the resolution authority, IPAB constantly seeks to learn and apply the best international practices in order to remain at the forefront and comply with its commitments.

## International affairs activities

During 2021, the Institute, as a member of the Executive Council of the International Association of Deposit Insurers (IADI), assisted in the preparation of the following documents:

- 1.** A new system of differential premiums for IADI Members and Associates, applicable as of 2022-2023. This system takes GDP and GDP per capita as the basis for calculating annual contributions to the Association, and
- 2.** IADI's Strategic Plan for 2022-2026 based on four objectives: i) promote compliance with the core principles; ii) foster deposit insurance research and policy development; iii) provide training and technical assistance; and iv) improve IADI's governance.

IPAB at the forefront





*During 2021, the Institute collaborated in the development of several documents as a member of the IADI's Executive Council.*

In addition, IPAB, as a member of the IADI Core Principles and Research Council Committee, participated in the development and approval of the following research papers:<sup>44</sup>

- 1.** Ways to resolve a financial cooperative while keeping the cooperative structure;
- 2.** Core Principles for Effective Islamic Deposit Insurance Systems;
- 3.** IADI Core Principles Thematic Assessment on Organisational Structure;
- 4.** Deposit Insurance Coverage Level and Scope, and
- 5.** Various Policy and Fintech Briefs.

Additionally, the Institute, as a member of the North American and Latin American Regional Committees, participated in the 5th Americas Deposit Insurance Forum with two presentations on:



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<sup>44</sup> For more information see: <https://www.iadi.org/en/core-principles-and-research/papers/>



- i) The role of deposit insurers in contingency planning and crisis management – Lessons learned in Mexico.
- ii) IPAB's collaboration in the Regional Research paper on Contingency Plan Testing in North America.



### International Best Practices

IPAB as the resolution authority and manager of bank deposit insurance, remains at the forefront by applying international best practices.

Similarly, during 2021, IPAB participated in several virtual technical assistance sessions with the following organizations:

- 1. The Commission for the Financial Market of Chile, which discussed the technical aspects and the legal framework regarding the development of Resolution Plans in Mexico;

- 2.** Deposit Insurance Corporation, Liquidity Fund, and Private Insurance Fund (COSEDE) of Ecuador, on the purchase and assumption resolution method in Mexico. This session was provided as part of the technical assistance program organized by IADI;
- 3.** Financial Sector Advisory Center (FINSAC) of the World Bank Group (WB), in which the following topics were discussed:



### **Preparatory meetings**

Jointly with other authorities, IPAB participated in several preparatory meetings for the **Financial Sector Assessment Program** for Mexico.

- i)** Crisis simulations in Mexico and exercises carried out by FINSAC;
  - ii)** Bank resolution planning in Mexico. FINSAC presented an analysis of the main resolution tools implemented in several jurisdictions, and
  - iii)** Resolution planning process in Mexico and the main resolution tools implemented around the World.
- 4.** Malaysia Deposit Insurance Corporation (PIDM), sharing IPAB's experience on BAFELJ's liquidation, control takeover and payout to depositors.

In this regard, the following institutions provided technical assistance sessions to IPAB's staff:

- 1.** PIDM, regarding the technological tools developed payout to depositors through the use of a digital platform, and
- 2.** Toronto Centre, on best practices on recovery and resolution planning.



IPAB participated in the International Monetary Fund's (IMF) annual mission under the Article IV Consultation framework, focusing on: i) IPAB's funding strategy; ii) management of the legacy debt; iii) access to emergency financing in case of a major resolution, and iv) progress in the payouts to BAFELJ's depositors.

IPAB jointly with the SHCP, Banxico and the CNBV participated in several preparatory meetings with the IMF as part of the Financial Sector Assessment Program (FSAP) for Mexico, to be carried out in 2022.

Finally, two Memoranda of Understanding were signed with the following authorities: i) Deposit Insurance Corporation, Liquidity Fund, and Private Insurance Fund of Ecuador, and ii) Deposit Guarantee Fund for Credit Institutions (FGD) of Spain. The purpose of both documents is to exchange experiences and knowledge among the institutions.

The Institute always seeks to maintain the best international practices in deposit insurance to strengthen its work and communicate the benefits and scope of the deposit insurance to society in a preventive manner.

## Research and studies

The Institute continuously monitors global trends and relevant events in deposit insurance and bank resolutions. These activities have allowed IPAB to remain at the forefront by identifying international best practices, which contribute to strengthening the deposit insurance system in Mexico.

As part of its research activities, the Institute has compiled and analyzed the international experience of deposit insurance companies on the dissemination of information to the public during a bank resolution. This helps the Institute to be prepared and able to act in a timely manner during a resolution process, by generating timely information strategies aimed at increasing the confidence of depositors, creditors, borrowers, suppliers, and the public.



### Highly trained

IPAB's staff is under a constant training to act in a timely manner during a resolution process, in benefit of the financial system and the depositors.

In addition, as a result of the COVID-19 pandemic, several reports were prepared on the measures implemented by financial authorities around the world to promote economic recovery and maintain the stability of their financial systems.

## Fulfillment of 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 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

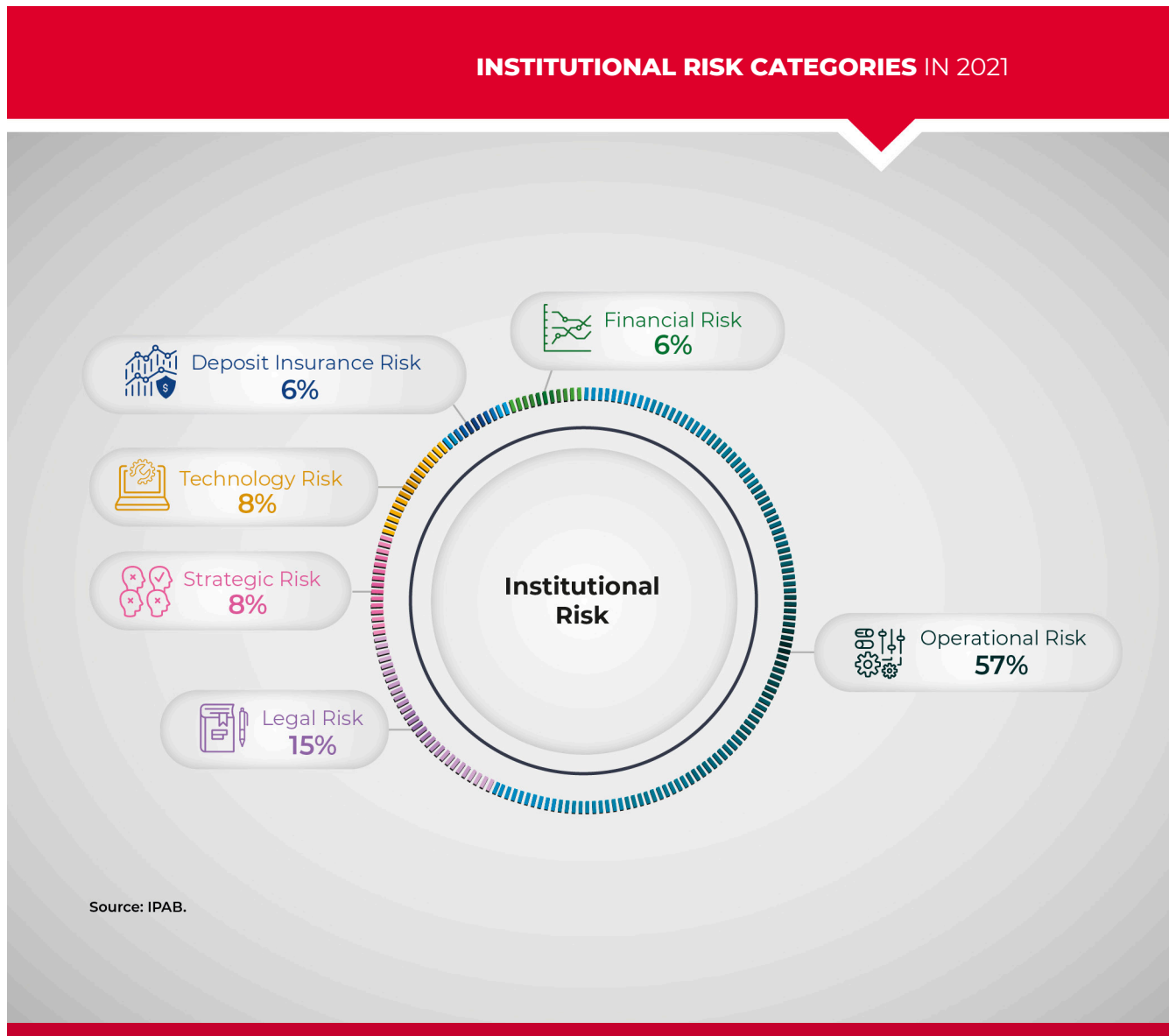
IPAB has a specialized department for institutional risk management. Through this department, an annual process of analysis and identification of possible events that, if they were to occur, could hinder the execution of the Institute's activities and, thus, affect the fulfillment of its objectives.



The risk management process at IPAB is carried out based on the Institutional Risk Management Methodology, which is aligned with the best practices in this area at the international level and with the provisions applicable in Mexico. This is a dynamic process, since it is continuously reviewed to ensure that the risks managed, as well as the respective controls implemented, reflect the structure, context and changes to which the Institute is exposed.



During 2021, the institutional risks identified and controlled presented the following distribution:



Institutional risks are constantly reviewed to identify possible effects on processes as a consequence of internal or external changes. During 2021, this review was carried out considering the implications of the health contingency, and thus allowed: i) strengthening the risk management process; ii) mitigating the effects of the pandemic on institutional objectives, and iii) preventing possible non-compliance with the goals of IPAB's administrative units.

## Financial risks

As the institution in charge of managing the bank deposit insurance in Mexico, IPAB must efficiently and prudently manage the financial resources in custody. For this reason, together with the institutional risk management, it continuously monitors the financial risks to which it is exposed.

Specifically, institutional exposure to market risk and counterparty risk is monitored on a daily basis. This monitoring is performed through methodologies and exposure limits previously authorized by the Governing Board, based on IPAB's risk profile and institutional objectives. Disclosure of the monitoring performed is made on a daily, weekly, monthly, and semiannual basis, with the objective of favoring timely and informed decision making.

## 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)<sup>45</sup> 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 “Promoting sustainable development, inclusion and deepening of the financial system in favor of the well-being of the population and the efficient allocation of 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;



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<sup>45</sup> Pending publication in the DOF.



- Act in a timely and efficient manner in bank resolutions, and
- Effectively manage financial resources and refinancing.

In compliance with Articles 6, section XV of the Internal Regulations of the SHCP and 29, third paragraph of the Planning Law, IPAB's Institutional Program 2020 - 2024 was approved and published in the DOF on September 8, 2021.

IPAB monitors this program through nine indicators:

**INSTITUTIONAL PROGRAM 2020 - 2024 INDICATORS**

Indicators	Area in charge	Annual Target	Unit of measure
Monitoring of commercial banks	Department of Monitoring of Institutions and Analysis	100	%
Calculation of fees of commercial banks	Department of Monitoring of Institutions and Analysis	100	%
On-site inspection visits to banks regarding the classification of information on asset and liability operations	Department of on-site inspection visits	92	%
Follow-up of the work program for resolution plans	Department of Resolution Methods	100	%
Implementation and/or supervision of administrative liquidation and judicial liquidation processes	Department of Bank Resolutions Management	100	%
Carrying out bank resolution simulations	Department of Strategic Planning and Processes	1	Simulation
Fund-raising for debt refinancing	Department of Finance	95	%
Management of fees collection	Department of Finance	24	Events
Follow-up of third-party operations on behalf of third parties	Deputy General Director of Budget and Accounting	90	%

Source: IPAB.

# Annexes



## Acronyms and abbreviations

- <b>mdd</b>	million of US dollars
- <b>mdp</b>	million of Mexican pesos
- <b>mmp</b>	billions of Mexican pesos
- <b>pb</b>	basis points
- <b>pp</b>	percentage points
- <b>ABM</b>	Association of Mexican Banks
- <b>A&amp;M</b>	Álvarez & Marsal Mexico, S.C.
- <b>ASF</b>	Federal Superior Audit Office
- <b>BAF</b>	Banco Ahorro Famsa, Ltd., Commercial Bank
- <b>BAFELJ</b>	Banco Ahorro Famsa, Ltd., Commercial Bank in Judicial Liquidation
- <b>BANXICO</b>	Bank of Mexico
- <b>BBVA</b>	BBVA Bancomer, Ltd., Commercial Bank, BBVA Bancomer Financial Group
- <b>Bank, Financial Institution or CB</b>	Commercial Bank(s)
- <b>BSPL</b>	Bank Savings Protection Law
- <b>CAR</b>	Capital Adequacy Ratio
- <b>CD</b>	Covered deposits
- <b>CEF</b>	Financial Education Committee
- <b>CIL</b>	Credit Institutions Law
- <b>CNBV</b>	National Banking and Securities Commission
- <b>CONAIF</b>	National Financial Inclusion Council
- <b>CONDUSEF</b>	National Commission for the Protection and Defense of Financial Services Users

- <b>COSEDE</b>	Deposit Insurance Corporation of Ecuador
- <b>DCI</b>	Depositors covered by IPAB
- <b>ENEF</b>	National Financial Education Strategy
- <b>FOG</b>	Federal Official Gazette
- <b>FOGAFIN</b>	Guarantee Fund for Financial Institutions of Colombia
- <b>Fund or BSPF</b>	Bank Savings Protection Fund
- <b>GDP</b>	Gross Domestic Product
- <b>Governing Board</b>	IPAB's Governing Board
- <b>LCR</b>	Liquidity Coverage Ratio
- <b>IADI</b>	International Association of Deposit Insurers
- <b>IMF</b>	International Monetary Fund
- <b>IME</b>	Institute for Mexicans Abroad
- <b>IMSS</b>	Mexican Social Security Institute
- <b>INAI</b>	National Institute for Transparency, Access to Information and Protection of Personal Data
- <b>INEGI</b>	National Institute of Statistics and Geography
- <b>Institute or IPAB</b>	Institute for the Protection of Bank Savings
- <b>Organic Statute</b>	Organic Statute of IPAB
- <b>PD</b>	Probability of default
- <b>PNIF</b>	National Financial Inclusion Policy
- <b>ROE</b>	Return on Equity
- <b>SASP</b>	Payment Request Management System
- <b>SAT</b>	Tax Administration Service
- <b>SEFIME</b>	Comprehensive Financial Education Week for Mexicans Abroad
- <b>SFP</b>	Ministry of Public Affairs
- <b>SHCP</b>	Ministry of Finance and Public Credit
- <b>SNEF</b>	National Financial Education Week
- <b>SPBS</b>	Savings Protection Bonds
- <b>UDIS</b>	Investment Unit(s)
- <b>USA</b>	United States of America
- <b>U.S. Federal Reserve Board</b>	U.S. Federal Reserve Board: Federal Reserve Board of the United States of America



## Creative concept

For the design of the front cover, back cover and chapter pages of this report, a multicolored grid that focuses on an emblem that identifies us as Mexicans, our National Coat of Arms. This graphic representation synthesizes the diversity and complexity of the activities involved in the management of the bank deposit insurance in Mexico, which are merged into a single entity that adapts dynamically to a continuously changing reality.

In addition, as part of the commemoration of the 200th anniversary of the consummation of Mexico's Independence, with the objective of honoring the heroic individualism of the mothers and fathers of the country, who overcame various conflicts to lay the foundations of our nation, some of the most emblematic pieces of the collection of five-peso coins minted by the Mexican Mint during 2008, 2009 and 2010 are included.

Finally, highlighting the cultural diversity of the native people of our country, the word Mexico includes a graphic synthesis of Quetzalcoatl, one of the most important deities in the mythology of the Mesoamerican people and identified as the creator and organizing wind of the cosmos.

All monetary pieces are 5-peso coins, commemorating the beginning of Mexico's Independence, with the following general characteristics:

### Coin of 5 pesos, commemorating the beginning of the Mexican Independence.

Family: C.

Measurements: 10.6 cm x 10.6 cm approx.

Diameter: 25.5 mm.

Weight: 7.07 grams.

Composition: Bronze-aluminum alloy for the central part and stainless-steel alloy for the perimetric ring.

**1. Front: The National Coat of Arms with the legend "ESTADOS UNIDOS MEXICANOS" (UNITED MEXICAN STATES).**

**2. Back: Bust of Josefa Ortiz de Domínguez;** inscription "BICENTENARIO DE LA INDEPENDENCIA"; inscription "MEXICO 2010"; symbol "\$"; number "5"; character's name; year of minting and symbol of the Mexican Mint "M°".

**3. Back: Bust of José María Morelos y Pavón;** inscription "BICENTENARIO DE LA INDEPENDENCIA"; inscription "MEXICO 2010"; symbol "\$"; number "5"; character's name; year of minting and symbol of the Mint of Mexico "M°".



**4. Back: Bust of Miguel Hidalgo y Costilla;** inscription "BICENTENARIO DE LA INDEPENDENCIA"; inscription "MEXICO 2010"; symbol "\$"; number "5"; character's name; year of minting and symbol of the Mint of Mexico "M°".

**5. Back: Bust of Vicente Guerrero;** inscription "BICENTENARIO DE LA INDEPENDENCIA"; inscription "MEXICO 2010"; symbol "\$"; number "5"; character's name; year of minting and symbol of the Mint of Mexico "M°".

**6. Bust of Ignacio Allende;** inscription "BICENTENARIO DE LA INDEPENDENCIA"; inscription "MEXICO 2010"; symbol "\$"; number "5"; character's name; year of minting and symbol of the Mexican Mint "M°".

**7. Back: Bust of Agustín De Iturbide;** inscription "BICENTENARIO DE LA INDEPENDENCIA"; inscription "MEXICO 2010"; symbol "\$"; number "5"; character's name; year of minting and symbol of the Mint of Mexico "M°".

**8. Back: Bust of Ignacio López Rayón;** inscription "BICENTENARIO DE LA INDEPENDENCIA"; inscription "MEXICO 2010"; symbol "\$"; number "5"; character's name; year of minting and symbol of the Mint of Mexico "M°".

**9. Back: Bust of Francisco Xavier Mina;** inscription "BICENTENARIO DE LA INDEPENDENCIA"; inscription "MEXICO 2010"; symbol "\$"; number "5"; character's name; year of minting and symbol of the Mint of Mexico "M°".

**10. Back: Bust of Mariano Matamoros;** inscription "BICENTENARIO DE LA INDEPENDENCIA"; inscription "MEXICO 2010"; symbol "\$"; number "5"; character's name; year of minting and symbol of the Mexican Mint "M°".

**11. Back: Bust of Leona Vicario;** inscription "BICENTENARIO DE LA INDEPENDENCIA"; inscription "MEXICO 2010"; symbol "\$"; number "5"; character's name; year of minting and symbol of the Mint of Mexico "M°".

**12. Back: Bust of Servando Teresa de Mier;** inscription "BICENTENARIO DE LA INDEPENDENCIA"; inscription "MEXICO 2010"; symbol "\$"; number "5"; character's name; year of minting and symbol of the Mint of Mexico "M°".

**13. Back: Bust of Nicolás Bravo;** inscription "BICENTENARIO DE LA INDEPENDENCIA"; inscription "MEXICO 2010"; symbol "\$"; number "5"; character's name; year of minting and symbol of the Mint of Mexico "M°".

**14. Back: Bust of Guadalupe Victoria;** inscription "BICENTENARIO DE LA INDEPENDENCIA"; inscription "MEXICO 2010"; symbol "\$"; number "5"; character's name; year of minting and symbol of the Mint of Mexico "M°".

**15. Back: Bust of Miguel Ramos Arizpe;** inscription "BICENTENARIO DE LA INDEPENDENCIA"; inscription "MEXICO 2010"; symbol "\$"; number "5"; character's name; year of minting and symbol of the Mint of Mexico "M°".

## Chapter photographs

**Chapter 1:** Bust of Miguel Hidalgo y Costilla; inscription "BICENTENARIO DE LA INDEPENDENCIA"; inscription "MEXICO 2010"; symbol "\$"; number "5"; character's name; year of minting and symbol of the Mexican Mint "M°".

**Chapter 2:** Bust of José María Morelos y Pavón; inscription "BICENTENARIO DE LA INDEPENDENCIA"; inscription "MEXICO 2010"; symbol "\$"; number "5"; character's name; year of minting and symbol of the Mexican Mint "M°".

**Chapter 3:** Bust of Josefa Ortiz de Domínguez; inscription "BICENTENARIO DE LA INDEPENDENCIA"; inscription "MEXICO 2010"; symbol "\$"; number "5"; character's name; year of minting and symbol of the Mexican Mint "M°".

**Chapter 4:** Bust of Vicente Guerrero; inscription "BICENTENARIO DE LA INDEPENDENCIA"; inscription "MEXICO 2010"; symbol "\$"; number "5"; character's name; year of minting and symbol of the Mexican Mint "M°".

**Chapter 5:** Bust of Leona Vicario; inscription "BICENTENARIO DE LA INDEPENDENCIA"; inscription "MEXICO 2010"; symbol "\$"; number "5"; character's name; year of minting and symbol of the Mexican Mint "M°".

**Chapter 6:** Bust of Agustín De Iturbide; inscription "BICENTENARIO DE LA INDEPENDENCIA"; inscription "MEXICO 2010"; symbol "\$"; number "5"; character's name; year of minting and symbol of the Mexican Mint "M°".

**Chapter 7:** Bust of Vicente Guerrero; inscription "BICENTENARIO DE LA INDEPENDENCIA"; inscription "MEXICO 2010"; symbol "\$"; number "5"; character's name; year of minting and symbol of the Mexican Mint "M°".

**Chapter 8:** Bust of Servando Teresa de Mier; inscription "BICENTENARIO DE LA INDEPENDENCIA"; inscription "MEXICO 2010"; symbol "\$"; number "5"; character's name; year of minting and symbol of the Mexican Mint "M°".

**Chapter 9:** Bust of Guadalupe Victoria; inscription "BICENTENARIO DE LA INDEPENDENCIA"; inscription "MEXICO 2010"; symbol "\$"; number "5"; character's name; year of minting and symbol of the Mexican Mint "M°".

**Annexes.** Bust of Mariano Matamoros; inscription "BICENTENARIO DE LA INDEPENDENCIA"; inscription "MEXICO 2010"; symbol "\$"; number "5"; character's name; year of minting and symbol of the Mint of Mexico "M°".



“IPAB’s Annual Report: Bank Deposit Insurance in Mexico 2021” is a support and consultation material on the institutional work. Legal aspects may be consulted directly in the official publications.

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The Institute committed to Transparency and Accountability, through its **IPAB's Annual Report: Bank Deposit Insurance in Mexico 2021**, discloses the most relevant aspects of its operation and management of the banking deposit insurance scheme, aimed at protecting depositors in the Mexican banking system.



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