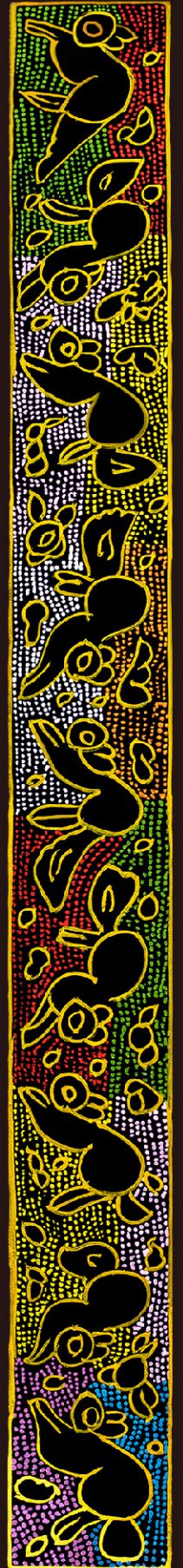




ANNUAL REPORT

Bank Deposit Insurance in

MEXICO





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MEXICO

2022

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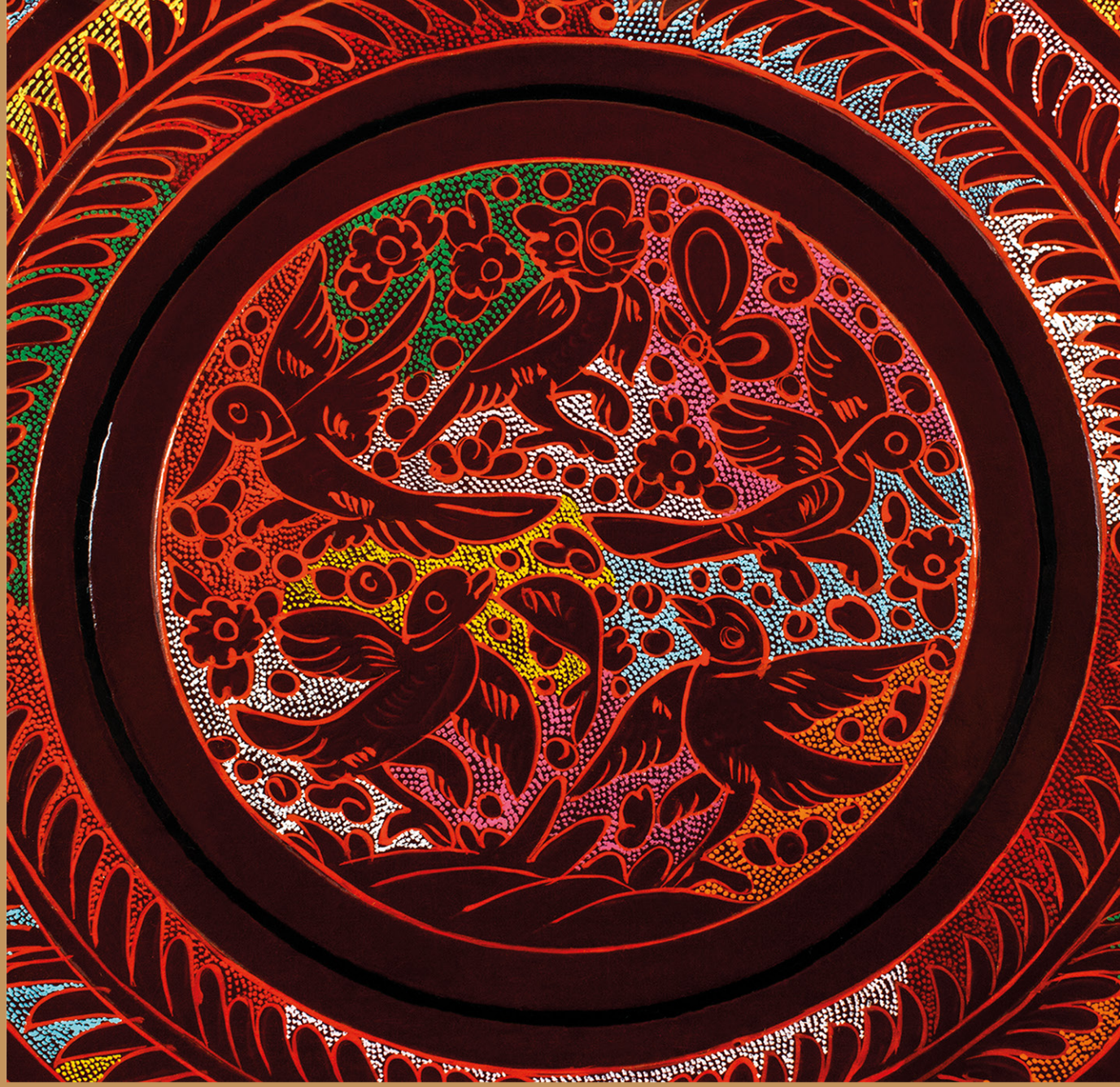


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Gabriel Yorrio González

The Government of Mexico, through the Ministry of Finance and Public Credit, aims to promote a stable financial system and an inclusive economic growth. Healthy public finances, sustainable debt and a strong and well-capitalized banking system allow for a fair and equitable economic development model.

During 2022, economic systems around the world were put to the test due to the significant challenges presented by the global environment. On one hand, the end of COVID-19 confinement revived the global economy, leading to an increased demand for goods and services. On the other hand, geopolitical conflicts caused disruptions to global supply chains, in addition to those already caused by the pandemic. These events led to considerable increases in inflation throughout the world, which prompted most central banks to respond in unison by raising interest rates.



Despite this, Mexico maintained healthy public finances and a solid and well-capitalized banking system, which allowed our nation to keep the economy in step and generate positive effects in the productive and financial sectors. Maintaining the country's financial stability in an adverse environment requires a financial safety net with strong regulators and effective supervision. As part of this network, IPAB plays a fundamental role in protecting the depositors' confidence by providing a deposit insurance scheme that offers certainty and security, thus contributing to the stability of the national financial system.

In this regard, by 2022, the coverage limit of 400,000 UDIS in bank deposit insurance offered by IPAB to depositors gradually increased to cover balances over MXN 3 million, providing one of the highest deposit insurance protections in the world. This measure covers practically all bank savings accounts and provides significant support to Mexican depositors.

Additionally, IPAB incorporated the 6-month Savings Protection Bond to the cetesdirecto on-line platform, providing investors with an additional option to diversify their resources in a safe and simple way. The democratization offered by cetesdirecto makes it easier for more Mexicans to invest in their country's development, protecting their savings from inflation and thus contributing to their inclusion to the financial environment.

At the same time, IPAB is continuously supporting comprehensive financial education efforts along with CONDUSEF and other national financial organizations and institutions. This allows the Institute to contribute with specific actions to let people be aware of and gain access to a wide range of investment and savings alternatives in an informed manner.

Year to year, IPAB strengthens its role as an agency that guarantees bank depositors' funds and as an entity that contributes to the preservation of adequate levels of liquidity and solvency of commercial banks. These conditions are undoubtedly fundamental to continue maintaining a sound and equitable national financial system.

MPP. GABRIEL YORIO GONZÁLEZ
Undersecretary for Finance and Public Credit

Message from the Undersecretary for Finance and Public
Credit, Alternate Chairman of IPAB's Governing Board

Gabriel Limón González

PAB's performance during 2022 demonstrates that it is a strong and reliable entity in Mexico, which has the capacity to offer depositors the assurance that their resources are covered up to the limit set by law.

Despite the achievements of previous years, IPAB continues to work persistently to keep itself up to date and to fulfill its mandate in an optimal manner. Along with other financial authorities, such as the Ministry of Finance and Public Credit, the National Banking and Securities Commission and Banco de México, it seeks to contribute to the stability of the financial system and ensure public confidence in Mexico's payments system.

During September 2022, the equivalence of the 400 thousand investment units' coverage limit exceeded MXN 3 million. At year-end, the total balance of more than 99% of commercial bank accounts was fully-covered, placing Mexico among the highest levels of financial protection in the world.



Throughout the year, we kept our presence in the international arena, carrying out several training and technical assistance sessions with authorities in a remote format. In addition, IPAB maintained cooperation ties and exchanges of experiences with other related organizations, in order to enrich its substantive processes and acquire the best practices that allow IPAB to consolidate its position as an entity that serves as a worldwide referent in the field of bank deposit insurance.

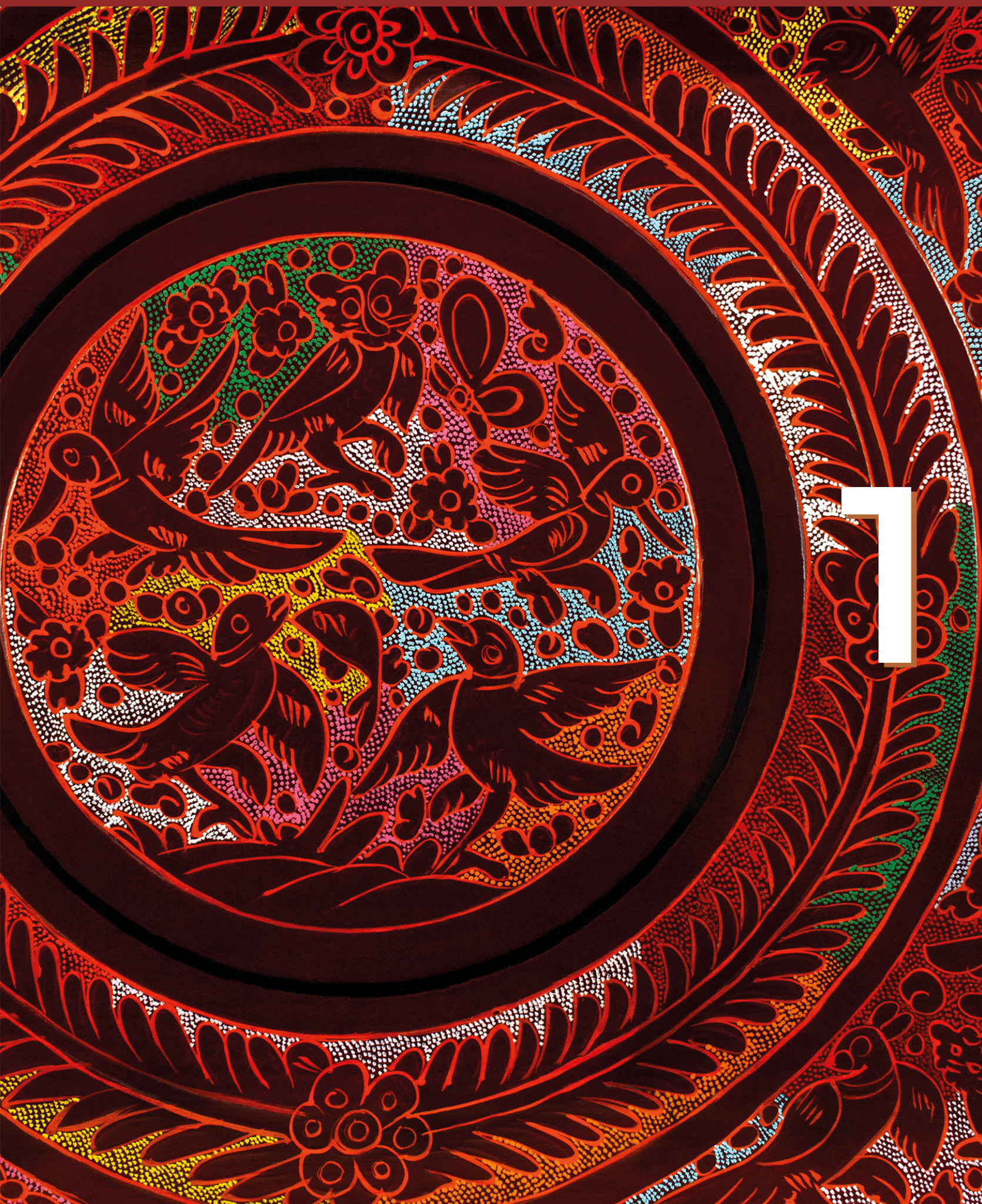
The Institute has worked on strengthening deposit insurance and making timely decisions during bank resolutions. It has also focused on honoring financial obligations and efficiently managing allocated resources; all this, while complying with applicable regulations.

“IPAB Annual Report, Bank Deposit Insurance in Mexico 2022” details the actions carried out in regard to each of the Institute’s functions in full compliance with its mandate and strategic objectives, such as providing eight technical assistance sessions to several international organizations, performing monthly analysis of the financial and operating condition of all commercial banks, completing 12 regular on-site inspection visits scheduled to verify compliance with the regulations applicable to banks, and delivering 40 national and international conferences on financial education, among other achievements.

These actions demonstrate our commitment to the consolidation of a reliable bank deposit insurance system that contributes to the stability of the national financial system.

MSF & CPA GABRIEL A. LIMÓN GONZÁLEZ
Executive Secretary of IPAB

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



1

In 2022 the Institute for the Protection of Bank Savings (IPAB or Institute) pursued a strategy dictated by a complex global environment, which was characterized by high inflation and rising interest rates, reflecting the disruptions in global supply chains due to the conflict between Russia and Ukraine, and the effects of the COVID-19 pandemic of the previous two years.

As part of the permanent activities that IPAB accomplishes to face a potential resolution of commercial banks (bank, or CB), during this year IPAB carried out several on-site inspection visits to banks, in coordination with the National Banking and Securities Commission (CNBV).

In 2022, IPAB developed twelve resolution plans which include the measures to implement if a bank's situation turns critical and if it becomes necessary to mitigate the impact of this situation on the financial system. It is important to point out that at this time, every bank of the Mexican banking system has had at least one resolution plan developed by IPAB. It should be noted that a second round of resolution plans is in development, which implies updating the previous versions of these documents.

Executive Summary



During this period, IPAB collected MXN 30,165 in fees from banks, an amount which is 7.8% higher than that of 2021. It should be noted that at the beginning of 2022, IPAB updated the methodology for calculating these fees to maintain consistency with the data used as source, in order to provide clarity, security and reliability in the application of new accounting criteria issued by the CNBV.

At the end of 2022, the Bank Savings Protection Fund (BSPF or Fund) held a balance of MXN 69.9 billion. These resources would be sufficient reimburse all insured deposits of 32 of the 51 banks currently in operation in Mexico, a fact which underpins confidence in IPAB.



Preparedness and reliance

IPAB is prepared to tackle any resolution eventuality faced by any bank in Mexico.

At year's end, IPAB's net debt balance represented 3.3% of the estimated gross domestic product (GDP) at 31 December 2022, under one-third of its peak level set at 11.3% in 1999. In this regard, the Institute has put in place appropriate measures to constantly monitor the evolution of financial markets and deploy strategies to meet its obligations by way of refinancing operations aimed at avoiding an increase in its liabilities in real terms.

Regarding the work in financial inclusion, it is noteworthy to point out that in 2022 the cetesdirecto investment platform included the Saving Protection Bond at 128 days (BPA182) as another option. This now provides depositors and the general public with access to all the IPAB-issued instruments available on this investment platform which allows diversifying their resources in a manner both simple and safe, these newly included instruments complement the wide range of government securities already available on the cetesdirecto website.



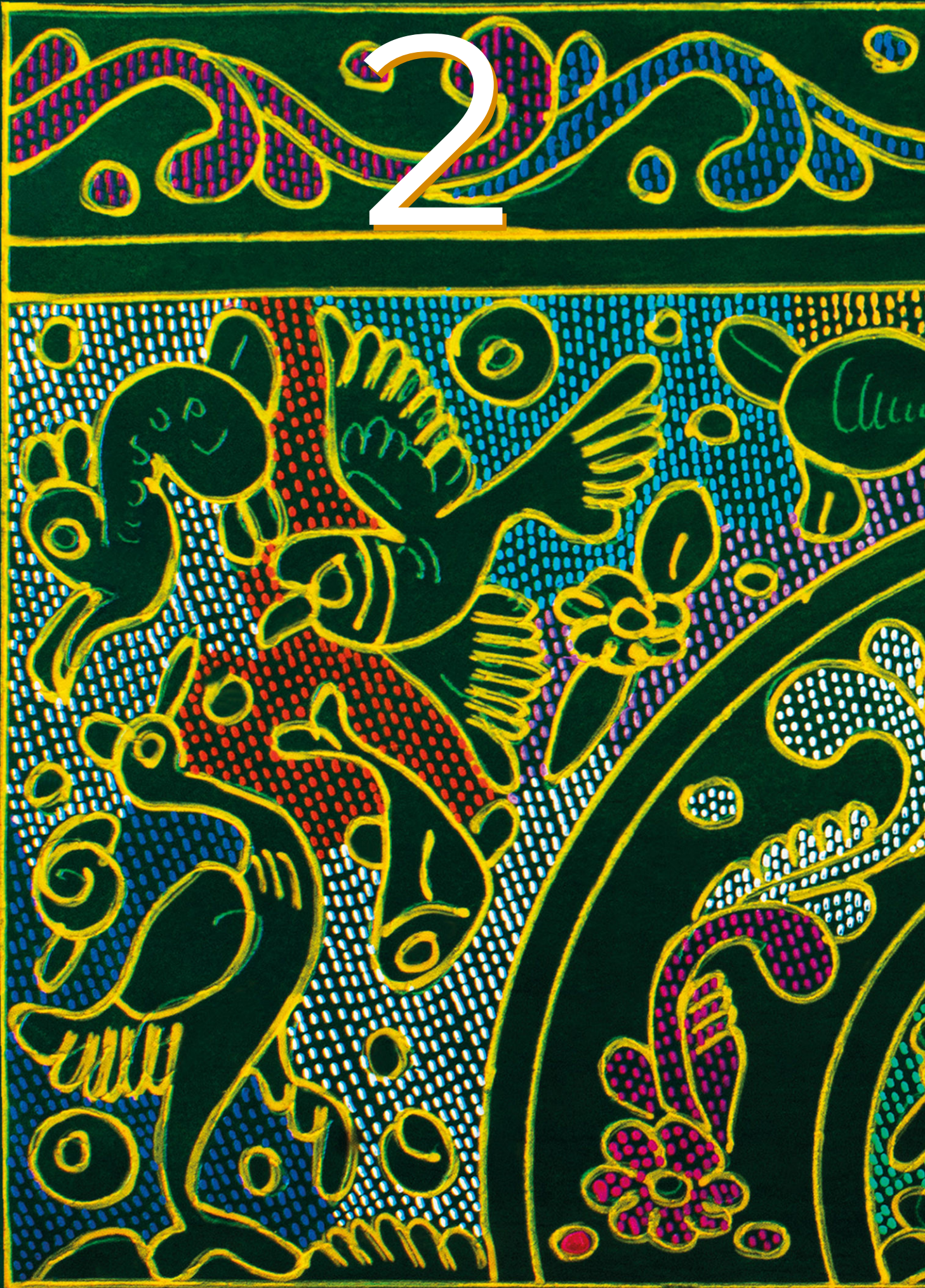
As set in this “IPAB’s Annual Report: Bank Deposit Insurance in Mexico 2022”, the activities IPAB carries out, are in line with the best international practices, and placing IPAB as a leading entity and a benchmark among deposit insurance agencies in the world.



Specialized personnel

It is crucial for IPAB to keep an experienced and competent team to analyze potential financial risks in order to keep IPAB trustworthy.

2





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". In order to fulfill its mission, the Institute acts to provide certainty to depositors, and in doing so collaborates in promoting the soundness and stability of the Mexican financial system. Furthermore, IPAB contributes to financial inclusion and financial awareness among the people by continuously informing about the scope and benefits of deposit insurance for banks and the advantages of saving through formally established means.

The Institute works permanently with the vision of "Being recognized as a trust-worthy institution, leader and promoter of best practices and international standards in the field of deposit insurance".

IPAB's strategy falls in line with the three priority goals listed below, which, in turn, contribute to the fulfillment of the National Development Plan (PND) 2019-2024 and the National Development Financing Program 2020-2024 (PRONAFIDE), and supported on the values of legality, professionalism, honesty, and transparency, among others. These goals are:

About IPAB

- To strengthen the bank savings protection system,
- To act effectively and efficiently in bank resolutions, and
- To effectively manage financial resources and the actions for refinancing the legacy debt.



Organizational Structure

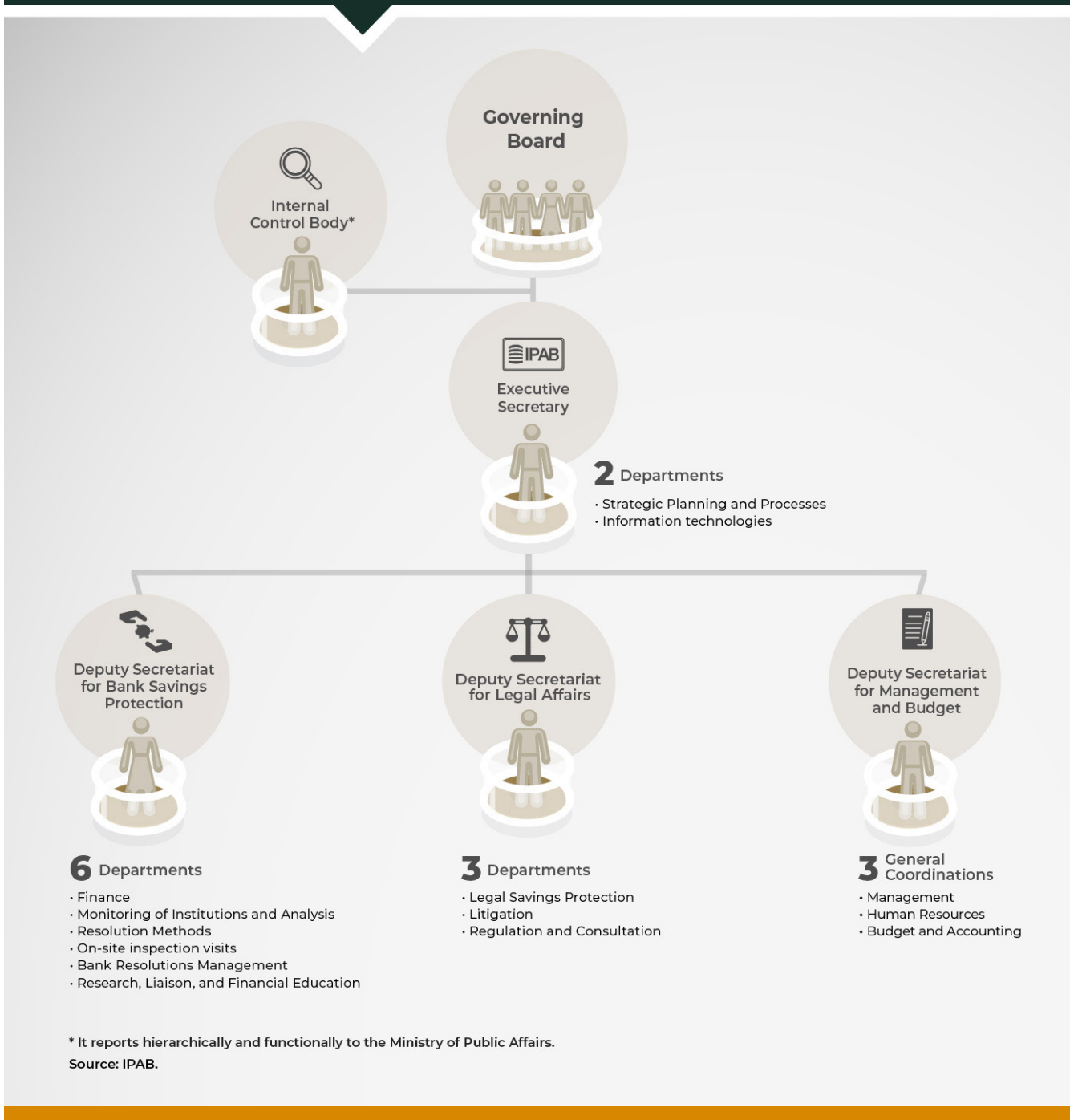
During 2022, IPAB adjusted its organizational structure¹, based on the austerity measures determined by the Head of State, which resulted in changing the title of Senior Manager positions to General Coordinators, as presented in the following simplified organizational structure:



¹ The information corresponds to IPAB's organizational structure in effect at year-end.



SIMPLIFIED ORGANIZATIONAL STRUCTURE



* It reports hierarchically and functionally to the Ministry of Public Affairs.
Source: IPAB.

Even though the lingering COVID-19 pandemic required IPAB maintain the sanitary measures to avoid contagion among the Institute’s personnel, during 2022, the



ABOUT IPAB

working environment gradually returned to in-person labor in line with the guidelines set in the “Settlement on the means of distribution of the Guidelines for the Healthy Continuity of economic activities in light of COVID-19”².



By complying with these measures, personnel resumed in-person activities responsibly and contagions were mitigated.

IPAB’s organizational structure accounted for 259 positions, 41% of which were held by women and 59% by men. Although there have been no significant changes in the size of the organizational structure over the last few years, there has been a 64% reduction compared to the number of appointed staff at the time when IPAB started operations in May of 1999.



² Published on October 17, 2022 in the Federal Official Gazette (DOF).

Governing Board

IPAB's Governing Board is the Institute's governing body. It is comprised of seven members: the Minister of Finance and Public Credit (SHCP), the Governor of Banco de México (Banxico), the Chairman of the CNBV and four members appointed by the President of Mexico and ratified by the Senate.



Source: IPAB.



Executive Secretary

Gabriel Ángel Limón González

The Executive Secretary is the Institute's highest administrative authority and the person who represents IPAB. It is also responsible of complying with the decisions of the Governing Board and of notifying the Board of the Institute's plans, activities, and relevant results.

Deputy Secretary for Bank Savings Protection

María Isabel García Guadarrama

The Deputy Secretary for Bank Savings Protection is in charge of the Institute's operating units and coordinates planning, execution and follow-up of bank resolutions, through activities such as reviewing the proposed resolution or liquidation methods for failed banks, in terms of the Credit Institutions Law (CIL) and the Bank Savings Protection Law (BSPL), and presenting these proposals to the Executive Secretary, to be then submitted to the Governing Board for consideration.



Likewise, the Deputy Secretary for Bank Savings Protection leads the management of IPAB's resources and commitments, the calculation of monthly fees collected from banks, and the assessment on the quality of information on depositors held by banks, given its importance in a resolution. Additionally, he/she represents IPAB before other entities.

Deputy Secretary for Legal Affairs

Luis Maldonado Marquínez

The Deputy Secretary for Legal Affairs provides technical legal counsel and support to the Executive Secretary and IPAB's administrative units, acts as appointed delegate in any type of legal dispute and represents the members of the Governing Board, the Executive Secretary and the Institute's public officers before the authorities. He/She reviews the draft versions of the initiatives to reform laws, regulations, organizational statutes and other general provisions under IPAB's jurisdiction³, among other legal powers.

Deputy Secretary for Management and Budget

Miguel Cuevas Reza

Among its statutory powers, the Deputy Secretary for Management and Budget plans and carries out the policies which manage IPAB's personnel, its material resources and general services. He/She leads the implementation of the professional civil service program, and enforces the applicable provisions related to IPAB's personnel regarding remuneration, social security, and taxes. This Deputy Secretary also oversees the implementation of programs which aim to improve the organizational culture, values, and talent retention at IPAB⁴.



³ Article 14 of IPAB's Organizational Statute.

⁴ Article 15 of IPAB's Organizational Statute.

3





Macroeconomic and Financial

Environment

The main supply chains of developed and emerging economies were impacted by the armed conflict between Russia and Ukraine, which resulted in price increases for energy products, agricultural products, metals, raw materials, and transportation of those used in manufacturing as well as in the services industry. This led to a process of global inflation.

Also, the COVID-19 pandemic prolonged its effects by decreasing mobility, slowing economic activity, and giving rise to adverse conditions in economic activity worldwide.

In response to inflationary effects, central banks in most countries decided to impose a restrictive monetary policy by increasing interest rates to reduce loans and spending. Banxico adhered to this same monetary policy, raising its reference rate to 10.50% at the end of fiscal year 2022.

By the second half of the year, inflation levels were lower, spending remained at adequate levels and there was a recovery in economic activity.

Regarding the perception of Mexico's credit quality, the rating agencies maintained a stable to negative outlook on Mexico's debt, as well as the investment grade.



In line with the economic recovery conditions, IPAB constantly monitored the evolution of the financial markets to meet its objective of honoring its financial obligations through refinancing operations, avoiding the growth in real terms of its liabilities and set on a sustainable trajectory, with the least possible impact on public finances and, therefore, held on reasonable expectations among financial market participants regarding the management of IPAB's legacy debt.

In this regard, the variables which were taken into account are listed below:

Economic Growth

2022 was marked by mixed trends in Mexico's economic activity, with a moderate recovery, most notable in the last quarter, which resulted in a seasonally adjusted growth of 3.1% in annual terms, according to preliminary data. Mexico's economy was boosted by industrial and manufacturing exports, mainly to the United States of America (USA).

Inflation

Mexico's headline inflation at the end of 2022 stood at 7.82%, compared to 7.36% in 2021.

On the other hand, its core component experienced an annual growth of 8.35% while the non-core price index showed an annual growth rate of 6.27%.

The increase in inflation during the first three quarters of the year put pressure on Banxico's decisions to raise the reference rate throughout the year.



At the end of 2022, faced with a more moderate inflation, Banxico opened the possibility to determine a less aggressive approach on increases in the reference rate and keeping levels with a less restrictive outlook at the end of the year towards the beginning of 2023, in regard to the ones observed throughout 2022.

4



Bank Monitoring

The constant assessment of the financial and operating condition of each of the CBs operating in Mexico allows for the timely identification of risk situations in the banking system.

IPAB has designed and developed several tools and its own systems for analysis⁵ to build a unique information model to efficiently evaluate the liquidity and solvency of banks.

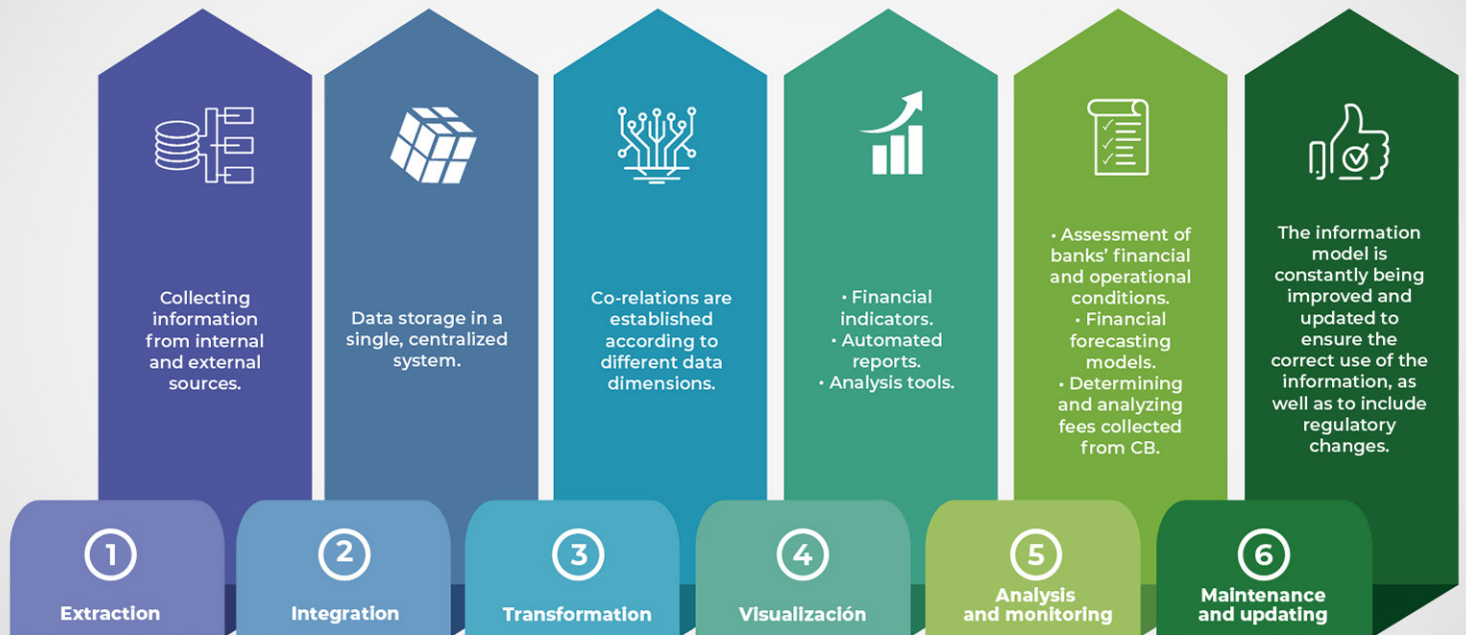


⁵ Since 2011, IPAB implemented a technological platform to efficiently manage information that banks periodically submit to the CNBV and Banxico, which is shared with IPAB for analysis.

Analysis, Early Detection and Timely Intervention



INFORMATION MODEL



Source: IPAB.

The assessment of the financial and operating conditions of banks provides the opportunity to focus on the most relevant variables, such as the level of covered deposits, the fees collected for the Fund, the non-performing loan portfolio and its reserves, the probability of default, the exposure to transactions with related parties, liquidity based on the Liquidity Coverage Coefficient (LCC) and solvency through the Capital Adequacy Ratio (CAR), among other indicators.

Additionally, financial projections are carried out using models developed by IPAB, which enable generating several scenarios, which include assessing the interaction of macroeconomic variables with the specific performance of each bank.



As a preventive measure, IPAB participates with the rest of the financial authorities (SHCP, Banxico and the CNBV) in the overview of the recovery plans, in which the CBs propose recovery strategies and actions they will carry out in adverse scenarios to recover their financial soundness.

Financial Situation of Commercial Banks

By the end of 2022, the banking system incorporated a new institution⁶ with a business approach on digital banking, thus closing the year with 51 CBs, of which 50 are in operation.



Continuous Development

IPAB has developed tools and systems **that provide a timely overseeing** of the banks.

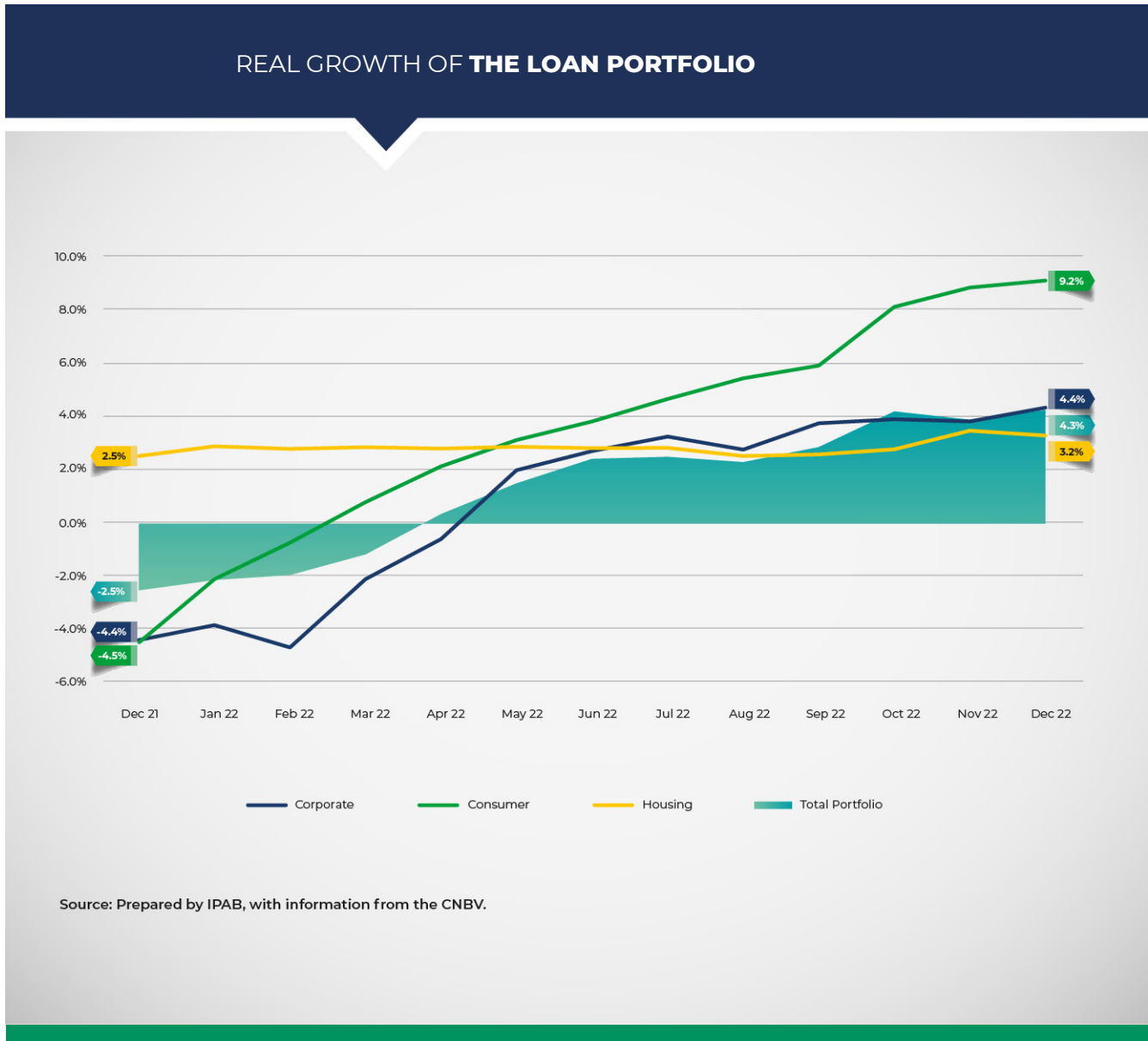
The main assets (loan portfolio) of the banking system showed a recovery and a real growth rate of 4.3% in 2022, compared to a real decline of 2.5% observed in 2021. This increase responds to the economy reactivating and a greater appetite for bank funding, reflecting the recovery in several production sectors after the restrictions imposed by the pandemic.

This performance was driven by increases in all loan categories, especially the consumer and corporate portfolios, which showed an upward trend during the year, resulting in a real growth of 9.2% and 4.4%, respectively.



⁶ On September 30, 2022, the CNBV granted Banco Bineo, S.A. the authorization to incorporate as an CB.

The housing loan portfolio continued with a stable performance during 2022 and closed the year with a real growth of 3.2%, a level 0.8 percentage points⁷ (pp) higher than the one observed at the end of 2021.



While the measures and recommendations established during the pandemic which enabled bank solvency and liquidity were phased out during 2020 and 2021, the



⁷ Percentage points are used to denote the difference between two percentages.



banks' non-performing loan portfolio remained under control during 2022, with the NPL ratio only rising from 2.05% to 2.09%.

Banks gradually released the extra credit reserves they had accumulated as a safety measure against probable losses from pandemic consequences starting in mid-2021 and through 2022, which boosted their gains and profitability levels.

In this regard, the return on equity (ROE), which closed at 17.6% in 2022, was greater than the 14.57% level observed in 2021, which indicated an upward trend in commercial banking profitability.

The improvement in results led to the accumulation of capital in the banking system. The CAR of the banking system was above the regulatory limit of 10.5%, reaching 19% at the end of December 2022. This level was lower than the 19.53% observed at the end of 2021, mainly due to the growth in banking operations which, in turn, reflected the reactivation of the economy after the pandemic.

Resolution Plans

IPAB engages in several preemptive procedures for situations that may entail a risk to the financial system in order to ensure that its actions successfully accomplish IPAB's objective. The exit from the market of a CB due to solvency or liquidity problems could generate uncertainty among clients and depositors.

In such case, IPAB's efficient and timely intervention is extremely important to protect depositor's resources, ensuring the orderly closure of the CB at the least possible cost.

IPAB, along with the CNBV, Banxico, and the SHCP, develops a resolution plan for each CB, outlining the procedures, conditions, and strategies that could be used to manage the closure of a financially troubled bank. The preparation of said docu-

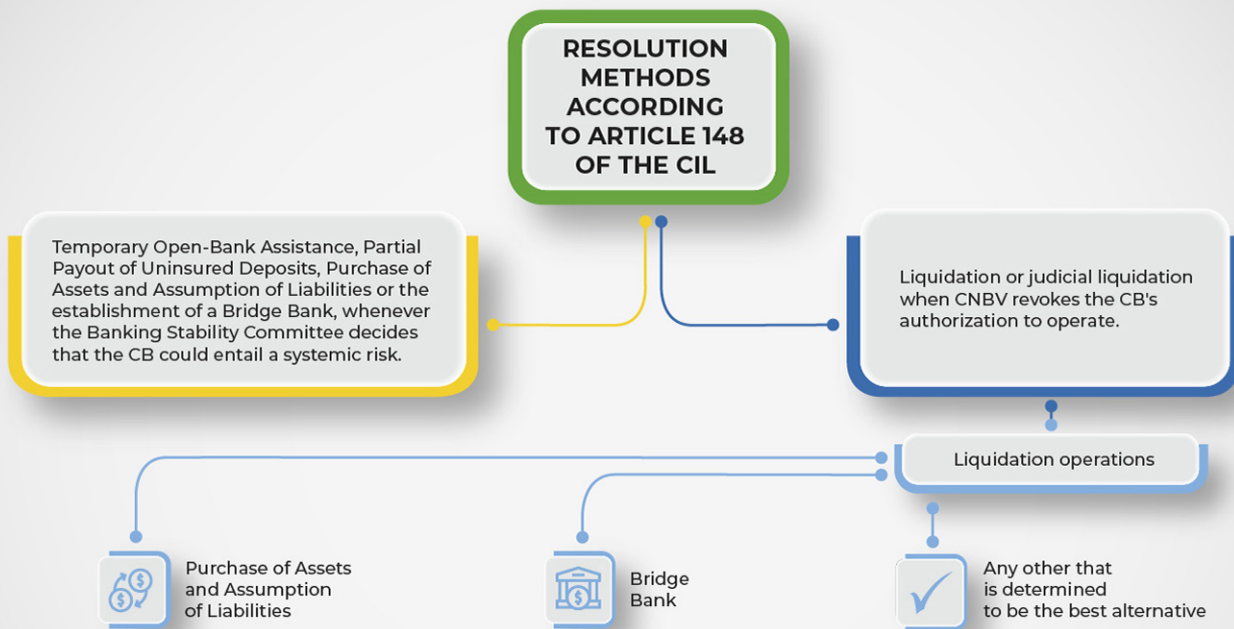
ments is considered a good preemptive practice at an international level, since these serve as guides for the authorities in times of crisis.



Resolution plans provide an overview of a bank's operational and financial situation, including a description of its business model, identification of the critical functions and relevant suppliers for its operation, enterprises and institutions with which it has a business relationship, as well as the proposed resolution method according to its level of importance and cost, as well as the barriers that could hinder the implementation of these measures.



RESOLUTION METHODS IN ACCORDANCE WITH ARTICLE 148 OF THE CIL



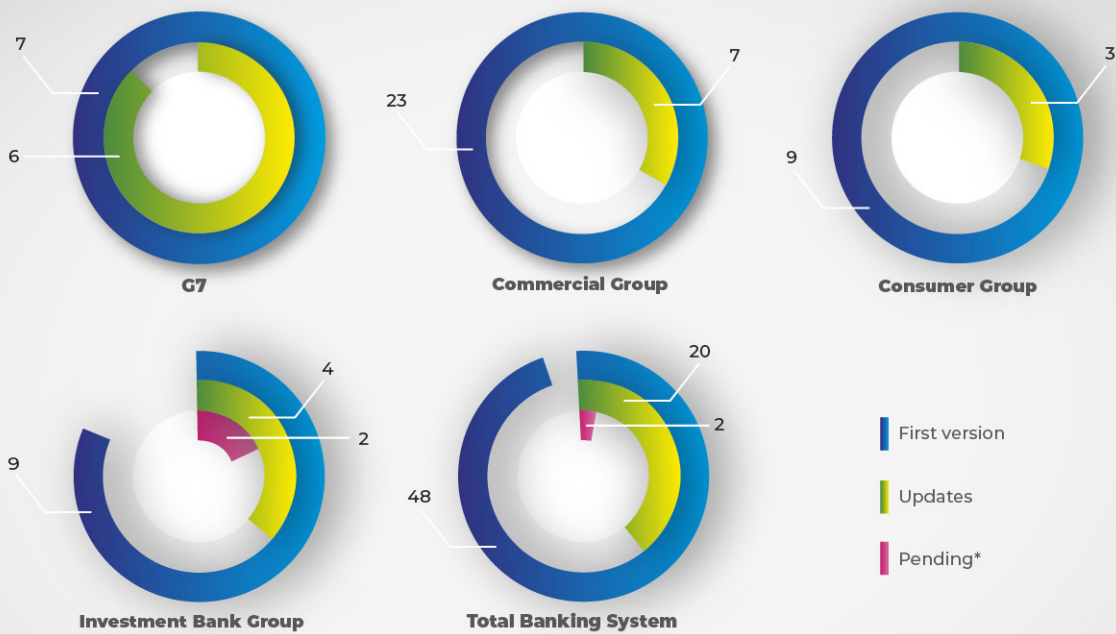
In the case of liquidation of a CB, IPAB must select the least costly transaction, when comparing the analyzed options against the estimated cost of a payout of covered deposits.

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

During 2022, IPAB developed 12 resolution plans, bringing the total to 70 over the past eight years. Of this figure, 50 plans correspond to a first version and 20 are updates of previous versions. All institutions operating in the Mexican banking system have at least one resolution plan.

IPAB has several technological tools to develop such documents which allow monitoring and executing different activities, thus contributing in making the processes more efficient.

RESOLUTION PLANS DEVELOPED FOR EACH CB'S COMPARISON GROUP



* One resolution plan corresponds to a CB in a wind-down process while another to a newly created bank.
 Note: Commercial banks grouped according to their business models' common characteristics.

Source: IPAB.

The updates of resolution plans 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, so IPAB can adjust or design new resolution strategies according to their most recent situation. Likewise, the updated documents are extremely useful in identifying new problems that could hinder IPAB's actions during the closing of the CB.

In a third stage, IPAB will begin updating resolution plans for some institutions classified by the CNBV as Domestic Systemically Important Banks. This is an important step forward in the pursuit of gathering the most recent information on the condition of the Mexico's largest banks.



Mexican financial authorities are working together to ensure that, if a bank must exit the system, it does so in an orderly and controlled manner.

As of 2022, resolution plans incorporated the assessment of several aspects to measure the resolvability of a banking institution, taking as a basis for this analysis the international guidelines and reference documents on bank resolutions. This analysis represents one of the first steps to ensure that CBs implement measures that will facilitate their orderly resolution in the future.

Bank Resolution Simulations

International best practices recommend that resolution authorities, such as IPAB, carry out periodic simulations to assess the capacity to act in the event of a bank resolution. These exercises provide the chance to anticipate a response to any real situations and evaluate improvements to the process.

Based on the above, in 2022 IPAB carried out a simulation exercise of a medium-sized bank (holding between 1,000 and 10,000 accounts covered by IPAB) which faces a liquidity problem. This, with the aim of analyzing those activities that the administrative units must execute to resolve a bank resolution scenario in an expeditious and timely manner.



It is noteworthy to draw attention to the several challenges detected during this exercise; among which one stands out in particular: the untimely deterioration of a bank when its license to operate is revoked, which would require an immediate response from the Institute to protect depositors.



Simulations

Preventive bank resolution exercises

are put into practice to improve the capacity to react to a contingency.

On-site Inspection Visits

Within its legal powers, IPAB carries out on-site inspection visits to CBs to verify compliance with regulations⁸ that allow banks to implement enhancements for the correct classification of covered deposits, the timely identification of account holders and the unification of their bank accounts by a single code. This allows IPAB's personnel to act promptly to carry out the payout of covered deposits in the event of a bank resolution.

During on-site inspection visits, IPAB also verifies compliance with the process for collecting fees from the banks in terms of the BSPL and the Legal Provisions⁹ for the payment of such fees.

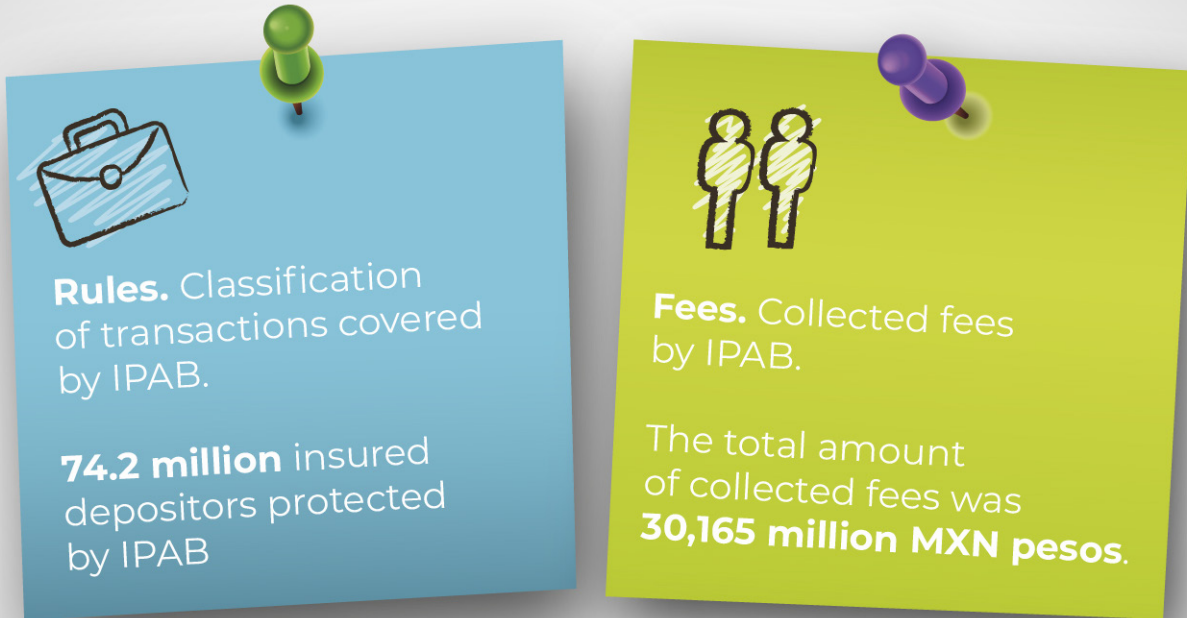


⁸ General rules to which the CB must abide to classify the information related to asset and liability transactions referred to in Article 124 of the CIL, published on January 28, 2015, in the Official Federal Gazette.

⁹ Provisions relating to the ordinary fees that CBs are required to pay to IPAB, as referred to in Article 22 of the BSPL.



PURPOSE OF THE ON-SITE INSPECTION VISITS



Source: IPAB.



Promptness and compliance

Inspection visits allow IPAB to **act promptly in reimbursing depositors during a bank resolution.**

The institutions which were subject to on-site visits during 2022 and the purpose of these reviews are listed below:

INSTITUTIONS VISITED **2022**



Source: IPAB.

Sanctions to Commercial Banks

In order to deter punishable behaviors contemplated in the regulatory framework, and in exercising its disciplinary powers, in 2022, IPAB initiated 12 administrative punitive procedures. Of these, seven were ultimately solved, which resulted in MXN 3.26 million in unexpected income to the treasury for the collection of fines applied by the Institute.

The main causes of violation were: failure to pay fees in accordance with current regulations; improper classification of information related to asset and liability



transactions; and failure to comply with the deadlines and terms for submitting information to IPAB.

The purpose of implementing these administrative processes is to encourage CBs to duly comply with the BSPL and the CIL; and if they fail to do so, the goal is to apply sanctions to those that incur in any of the infringing behaviors set forth in the legal framework.



Implementation of Improvements

On-site inspection visits carried out by IPAB's personnel allow CBs to put in place the correct classification of covered deposits.



5

Banco Accendo

On September 28, 2021, the CNBV, with prior approval of its Governing Board, and acknowledging the opinion of Banxico and IPAB, revoked the authorization of Accendo Banco, S.A. (Banco Accendo or Accendo) to operate as commercial bank, because its CAR fell below the regulatory minimum¹⁰.

Therefore, following a selection and contracting process, IPAB appointed KPMG Cárdenas Dosal, S.C. (KPMG) to serve as liquidator agent¹¹.

Judicial liquidation

Once the capital extinction assumption¹² was met, IPAB's Governing Board moved to request a Federal Judge in Civil



¹⁰ Article 50 of the CIL.

¹¹ 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".

¹² There are less assets than liabilities, according to article 226, section II of the CIL.



Matters to declare the judicial liquidation¹³ of Banco Accendo, with KPMG serving as the judicial liquidator agent.

At the end of fiscal year 2022, according to the current regulatory framework, the publication of the Judge in Civil Matters ruling on the recognition and priority of credits was still pending.

As of December 31st, 2022, IPAB took notice of 11 constitutional lawsuits related to the payout of covered deposits of Banco Accendo.

The following diagram provides a visual summary of the main activities related to the process of liquidation and judicial liquidation of Banco Accendo:



¹³ Proceeding before the 11th District Court in Civil Matters in Mexico City.



Asset Sales

From December 1st to December 31st, 2022, seven public announcements were published: two for the sale of receivables, collection rights and financial assets, four for the sale of personal property and one for the sale of real estate.

In addition, in line with current regulations, Banco Accendo's financial instruments have been sold in the Canadian capital market through the TSXV Toronto Stock Exchange Venture.

It should be emphasized that KPMG has implemented several strategies focused on maximizing the recovery value of assets in the shortest possible time.

Several measures were implemented to reduce expenses by type of asset **in order to preserve Banco Accendo's resources**; of these measures the following achievements stand out:

- The sale of assets (mainly collection rights) to an investor specializing in high-risk assets, at a price above their reference value determined by a specialized third party.
- Maximizing the value of assets in the Canadian capital markets, with the sale of 92.3% of these instruments. This strategy is dependent on the absorption capacity of the market, the low marketability of these instruments, as well as their price volatility.
- The implementation of a commission scheme through local real estate agents for the promotion and sale of the assets.



- An increase of 87.5% in the sale of various products, including furniture and equipment due to the electronically-staged auctions in 2022.

In contrast to the beginning of the liquidation process, operating expenses were reduced by 88.2%.

Follow-up of depositors' payout

As of December 31st, 2022, there was 98.85% progress in the amount collected on Banco Accendo's covered deposits, and the payout claims at year-end were fully satisfied.

Information about Banco Accendo can be found by scanning the following QR code:

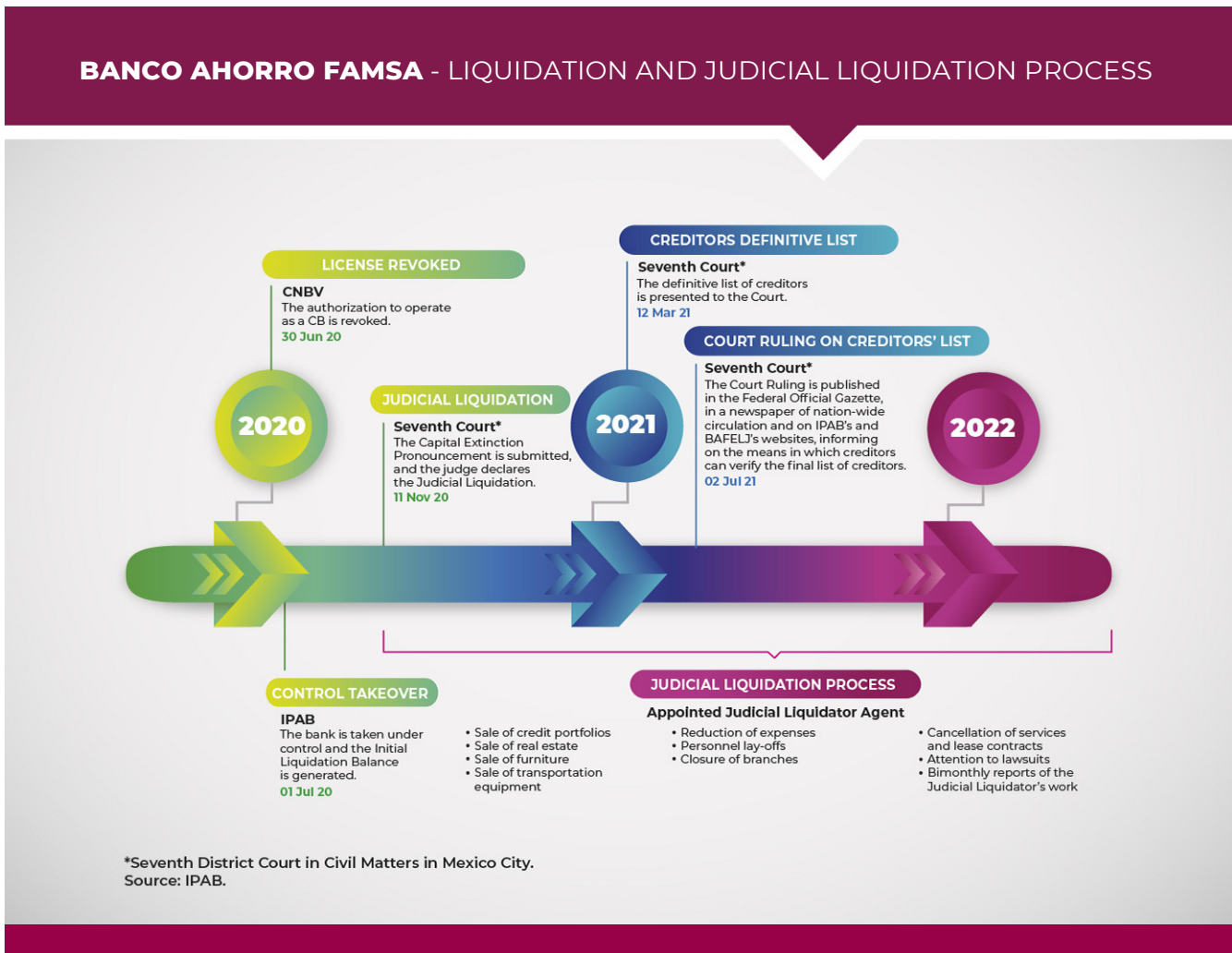




Liquidation Processes

Banco Ahorro Famsa

Following the CNBV's decision to revoke Banco Ahorro Famsa, S.A. (BAF) authorization to operate as a CB due to its failing to reach the minimum regulatory required CAR, and after the court's decision declaring Banco Ahorro Famsa in Judicial Liquidation (BAFELJ) as per the extinction of capital, the firm Alvarez & Marsal Mexico, S.C. (A&M) who, at the time, was already appointed as BAF's Liquidator Agent, is now the Judicial Liquidator Agent. Below is a visual summary of the main activities related to the liquidation and judicial liquidation process of said bank:



By the end of 2022, the judicial liquidation procedure addressed 173 injunctions against the court's decision on recognition, and credits priority. Also, during 2022 Mexico's Supreme Court of Justice (SCJN) issued a jurisprudence ruling in which it established that the priority of creditors, as stated in the CIL, is constitutional¹⁴.

Sale of assets

During 2022, there was one open bidding for the sale of the remaining loan portfolio and eight for the sale of real estate¹⁵. Sales processes are subject to valuations performed by specialized third parties.



In the specific case of personal property and transportation equipment, these processes have been carried out via electronically-staged public auctions, taking



¹⁴ Judicial bank liquidation. Article 241, sections IV and V of the CIL, which set the priority of creditors, does not violate the principle of equality and non-discrimination, provided in Article 1st of the Mexican Constitution.

¹⁵ Two of the eight biddings for the sale of real estate through auction processes were scheduled for January 2023.



into account the current market conditions and the demand for each type of asset, through specialized third parties which have in-depth experience and strong presence in the market, which has allowed to expedite the sale of a significant number of assets whose progress is more than 80% of the initial inventory.

During the year, measures were implemented to reduce BAFELJ's operating expenses, such as an orderly personnel reduction program, the cancellation of service and lease contracts no longer required, as well as the closure of branches.

Progress in the payout of covered deposits

As of December 31st, 2022, the amount already paid-out is MXN 24,561 million, which represents 99.30% of the total covered amount. In addition, 121,765 depositors covered by IPAB (DCI) have collected their funds.

Payment requests made by BAFELJ's depositors at the end of December 2022 have been fully met.



Information about BAFELJ can be found by scanning the following QR code:



Banco Bicentenario

At year-end 2022, all the institution's assets, including loan portfolios, real estate and personal property, have been disposed of allowing to continue the activities to complete the bank's judicial liquidation process.



Precedent case

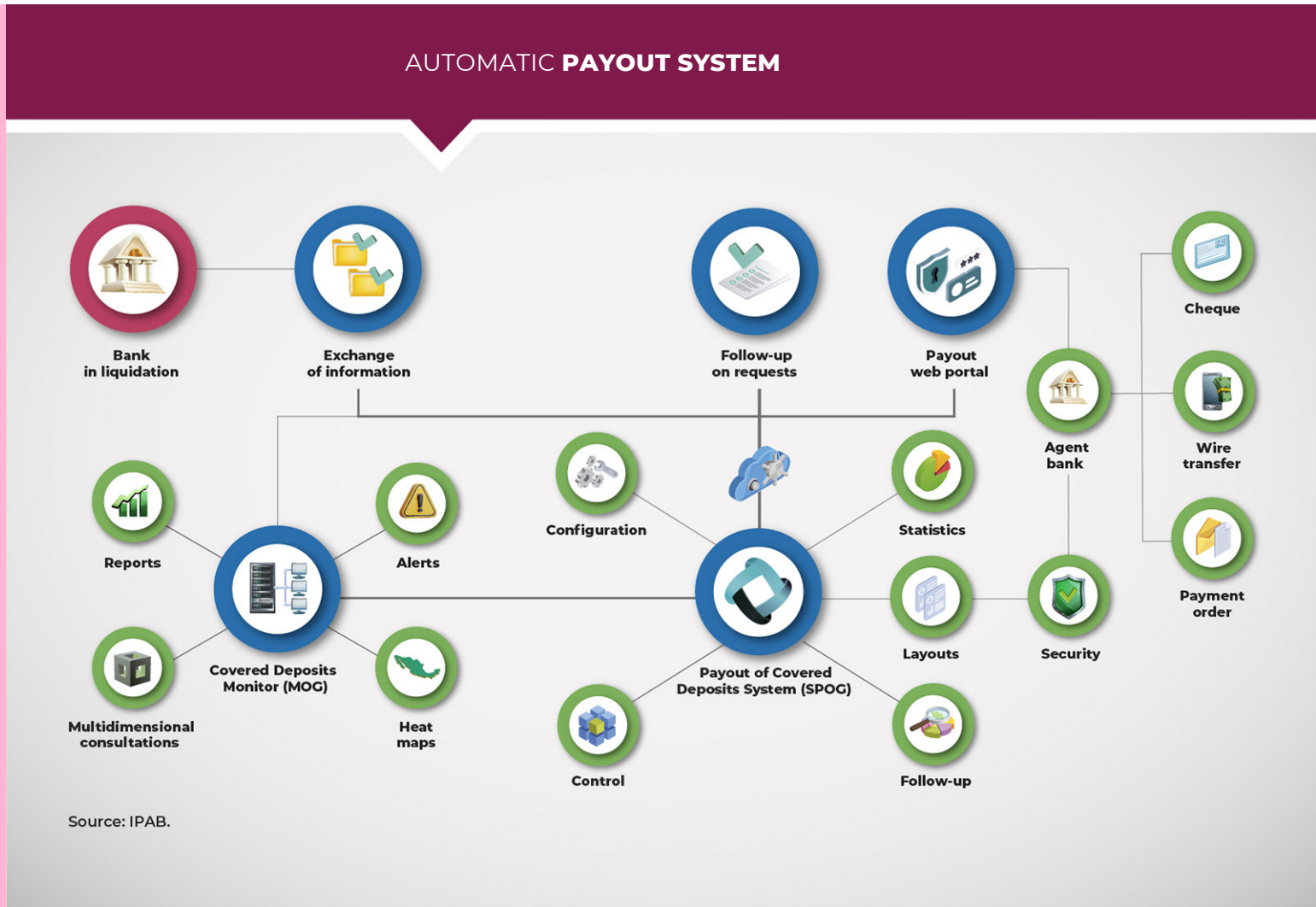
Banco Bicentenario was the first case of a bank under judicial liquidation in Mexico, a legal figure that provides greater certainty and transparency to the process.

Banco Unión

At the end of 2022, Banco Unión, S.A. in bankruptcy proceedings (Banco Unión) maintains as a remaining asset a property whose ownership is being settled in the courts. The strategy to close Banco Unión, involves a scheme which is currently being implemented to divest this entity of the litigation rights related to this property.

Technological Innovation for a Payout of Covered Deposits

In order to increase efficiency in the on-site inspection visits and in the processes of payout of covered deposits, in 2022 improvements were made to the technological solutions used in the Automatic Payout System, whose functionality is reflected in the following diagram:





In order to avoid an additional cost to the national treasury and to effectively ensure the availability of resources and the necessary funding to meet its obligations, IPAB, as stated in the BSPL, has carried out the following actions:

- 1.** Building the BSPF by collecting periodically fees from the banks in operation; and
- 2.** Implementing a financial strategy for managing and refinancing the legacy debt it is responsible for.

Furthermore, as an additional funding mechanism, in those cases where IPAB is short of the necessary resources to act in a bank resolution procedure, the Institute is empowered to obtain financing for an amount that does not exceed six percent of the total liabilities of the banking system, every three years.

Management of

Financial Resources



Fees collected from Commercial Banks

As a means to keep its deposit insurance regulatory framework up to date, IPAB issued, during the first semester of 2022, a modification of “Annex 1 of the Provisions relating to the ordinary fees that Commercial Banks are obliged to provide to the Institute for the Protection of Bank Savings referred to in article 22 of the Law for the Protection of Bank Savings”.

Get acquainted with Annex 1
of the Provisions:



Consequently, the information which is the basis for calculating the fees, is now consistent with the accounting criteria recently updated by the CNBV. This is a manner to provide clarity, security and reliability when applying said accounting criteria.

Given the adjustments to Annex 1 of the aforementioned Provisions, IPAB closely monitored the process along with the banks at all times providing them with



assistance in order to ensure a seamless and transparent transition to the new rules, which allowed to avert any negative effect on the calculation of fees.

In 2022, the amount of fees collected from banks totaled 30,165 million pesos. Although this represented an annual increase of 7.8 percent in nominal terms, when taking into account the effect of inflation, it is evident that there was a slight annual decrease of 0.1 percent in real terms. This variation represents a larger growth of fees compared to that of 2021¹⁶.

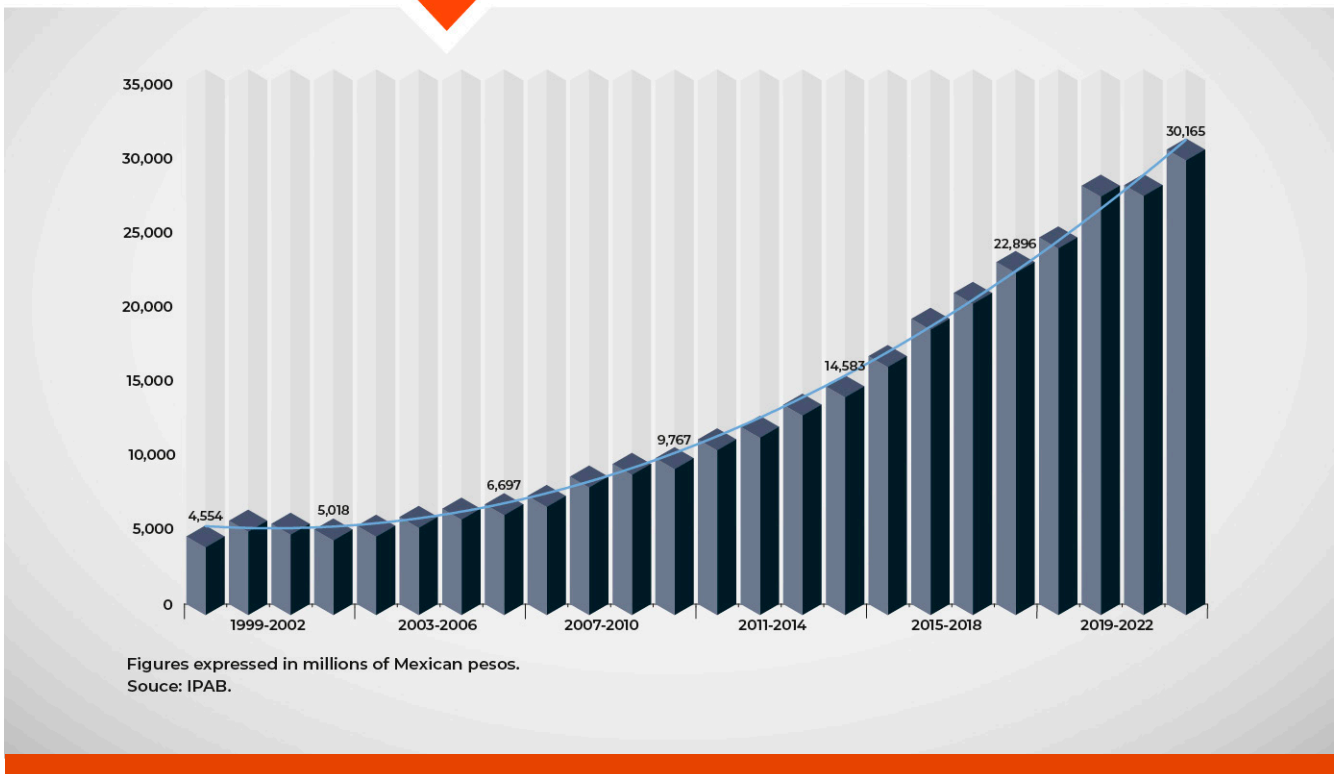
During this year, the amount of bank liabilities operations from which fees are calculated rose due to the reactivation of the economy. A phenomenon that can be traced to better conditions which prevailed in Mexico compared to the situation in 2021.

2022 marked the largest amount in fees collected by IPAB in its entire history, since its inception in 1999.



¹⁶ Increase of 0.1 percent in nominal terms and decrease of 6.8 percent in real terms.

FEES COLLECTED FROM BANKS



Bank Savings Protection Fund

As per the regulation in place, IPAB allocates a quarter of the fees paid by the banks, once its management and operational expenses have been covered, to the constitution of the BSPF. The Fund allows the Institute to count on the necessary financial resources to fulfill its role as administrator of the bank savings protection system.

By the end of 2022, the BSPF registered a balance of 69,905 million pesos. This is an increase of 44.8% in nominal terms, and 34.3 percent in real terms compared to figures at December 31, 2021.

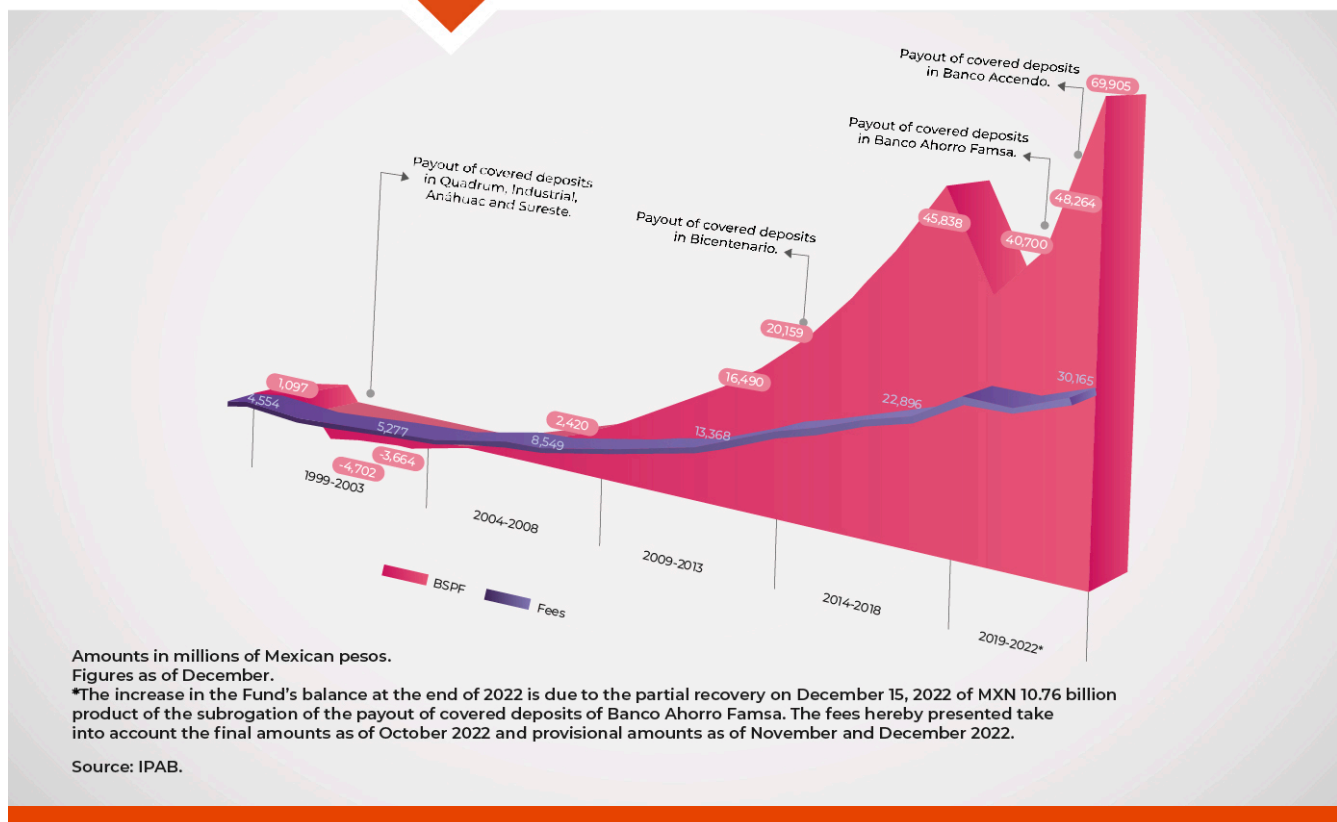


Soundness and solvency

Despite the recent resolutions, **the BSPF maintains solid levels and holds the capacity to face possible contingencies.**

The increase in the BSPF’s balance at the end of 2022 was a result of the partial recovery, on December 15 of the same year, of an amount of 10,076 million pesos from the account receivable linked to the subrogation procedure in favor of IPAB of the reimbursement process of insured deposits of BAFELJ.

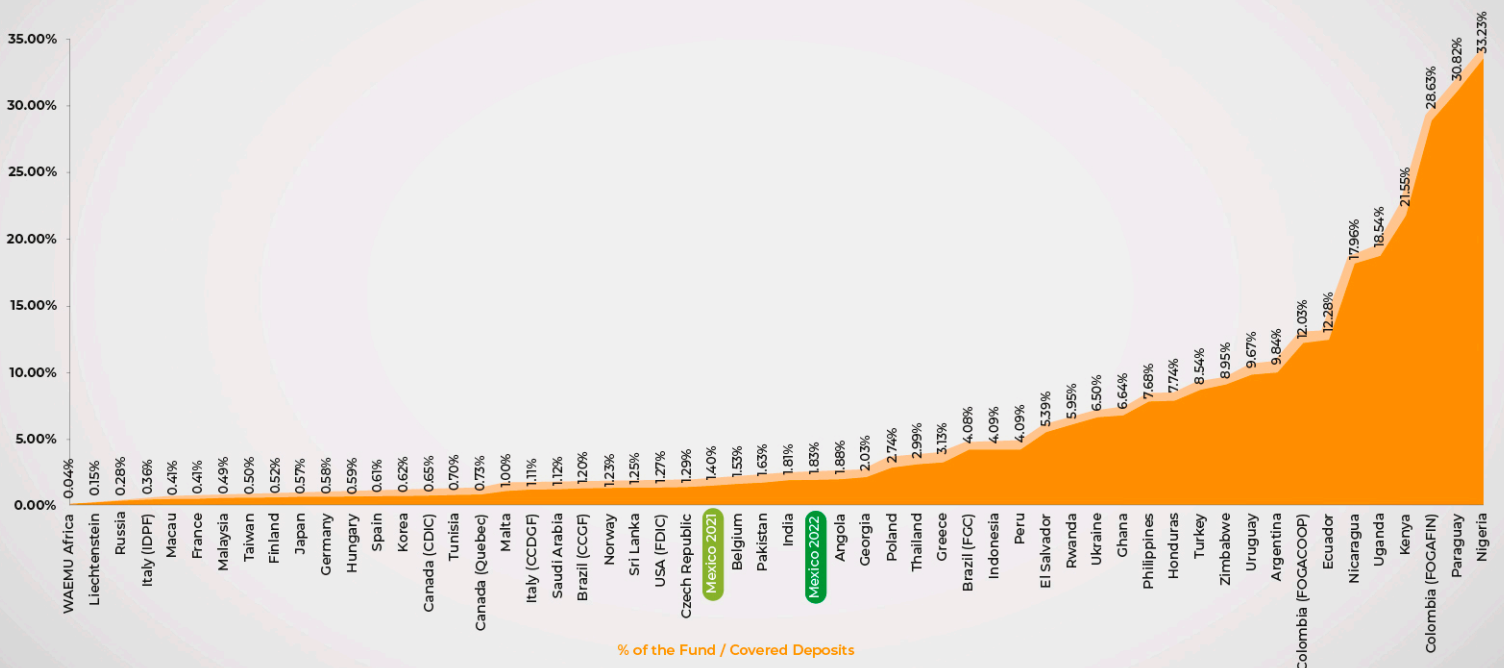
EVOLUTION OF THE BANK SAVINGS PROTECTION FUND



Compared to deposit insurers around the world, at the end of December 2022, IPAB’s coverage ratio of Totally Covered Insured Deposits (TCID) was 1.36%, a level

below the average figure of 5.5% and of the median -1.6 percent- of the sample which was taken as reference.

INTERNATIONAL COMPARISON OF **DEPOSIT FUND COVERAGE AS OF DECEMBER 2022**



Source: IADI Survey 2022, figures at December 2021.

Debt management

Since it began operations, IPAB undertook the financial obligations derived from the programs to support the financial system which were implemented since 1995. For said reason, the Institute has implemented a comprehensive strategy to manage in sustainable manner said debt. Its objectives are the following:



1. To refinance those financial obligations which precede the creation of IPAB, and
2. To avoid increasing the debt in real terms.

The refinancing strategy consists of the recurring sale within the Mexican market of debt instruments known as Savings Protection Bonds¹⁷, having the support of Banxico as financial agent on each issuance. This has allowed:

- i) To refinance the loans of these support schemes;
- ii) To improve the maturity profile;
- iii) To achieve better terms and conditions for the Institute; and
- iv) To reduce the risk of exposures and grant greater liquidity to said titles.

These actions allow IPAB to meet its short- and long-term refinancing goals through a sustainable debt management strategy that aims to prevent its increase in real terms. To this end, 75 percent of the resources deriving from the collection of fees from banks are used to pay IPAB's legacy debt; these add to other sources of funds such as fiscal transfers from the Federal Government from the Bank Savers Support Program (BSSP) of Branch 34 and the amount resources coming from the recovery of assets of failed banks.

Budgetary resources allocated through the BSSP reached an amount of 15,415 million pesos¹⁸ in 2022 –37.1% higher than the previous year–, derived from a larg-



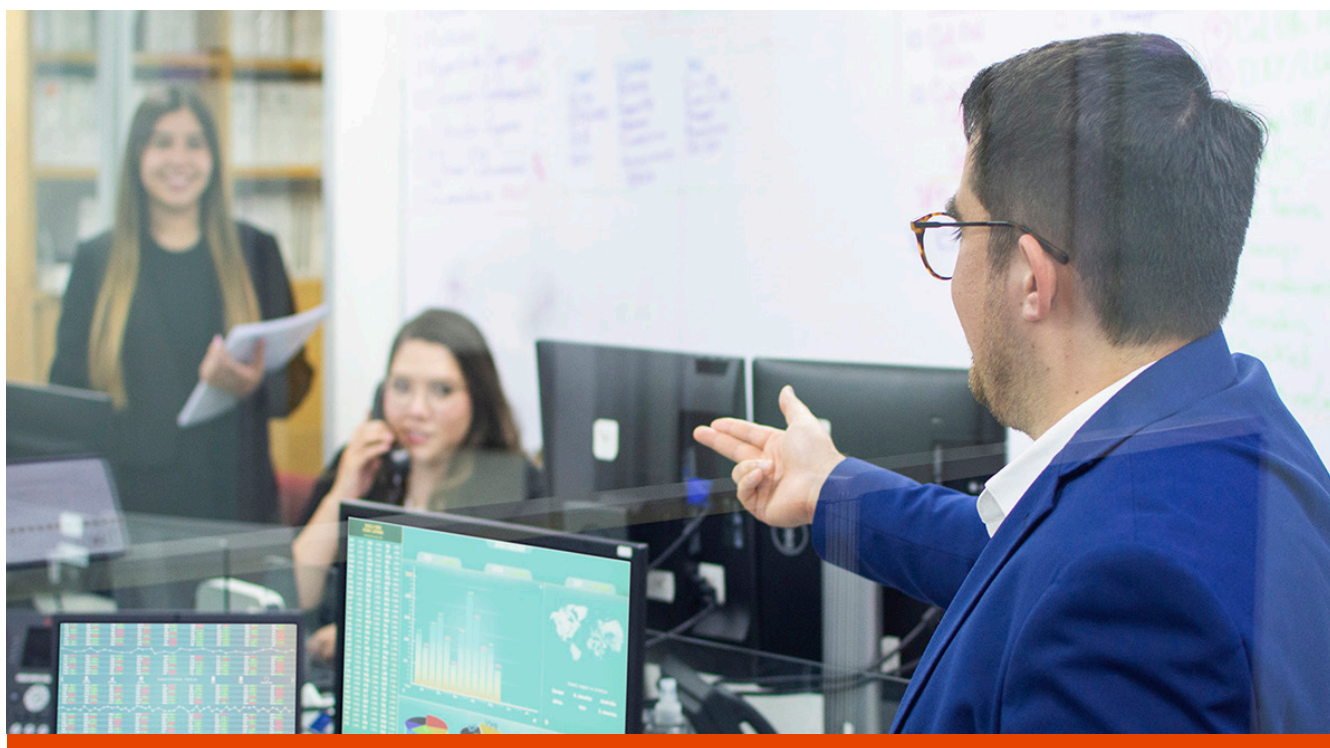
¹⁷ IPAB carries out the weekly placement of its debt instruments through primary auctions and, as of December 9, 2021, the placement and allocation of BPAG28 and BPAC91 is carried out, through the cetesdirecto Platform in non-competitive allocation, while as of August 25, 2022, the BPA182 debt instrument was added to the list of traded instruments in this platform. The placement strategy is designed to give investors certainty, as it is a fixed and known periodicity, which follows a previously established calendar. Said calendar is disclosed each quarter through the "Announcement of the Calendar of Government Securities Auctions".

¹⁸ The fiscal resources coming from the General Branch 34 "Dispenses for Support Programs for Bank Savers and Debtors" of 1999 at the end of 2022 amount to 816,931 million pesos, of which 541,762 million pesos correspond to the BSSP and are applied solely and exclusively to the payment of financial obligations derived from the debt assumed by the Institute since its creation, and, therefore, these resources hailing from the program are not part of the Expenditure Budget assigned to the Institute. On the other hand, the resources destined to the Support Program for Bank Debtors (PADB) add up to 275,168 million pesos and are administered by the SHCP and not by the Institute.

er expectation of increases in interest rate levels on nominal and real terms, as projected in the macroeconomic framework included in the General Economic Policy Criteria for 2022.

Fiscal transfers to the Institute have decreased as a percentage of GDP, from 0.30% in 1999 to 0.05% in 2022¹⁹. As a proportion of total budgeted spending, it fell from 1.75 percent to 0.55 percent between these same years.

At current prices, net liabilities in charge of IPAB went from 687,844 million pesos, in December 1999, to 962,389 million pesos in December 2022, with an increase of 39.9% in nominal terms. In that same period, an accumulated inflation was 185.27%, so the balance of IPAB's debt as of December 2022 showed an accumulated contraction of 51.0% in real terms, reaching 337,355 million pesos at prices of December 1999. As a result of the debt management strategy implemented by IPAB, the balance of its liabilities has been reduced in real terms.

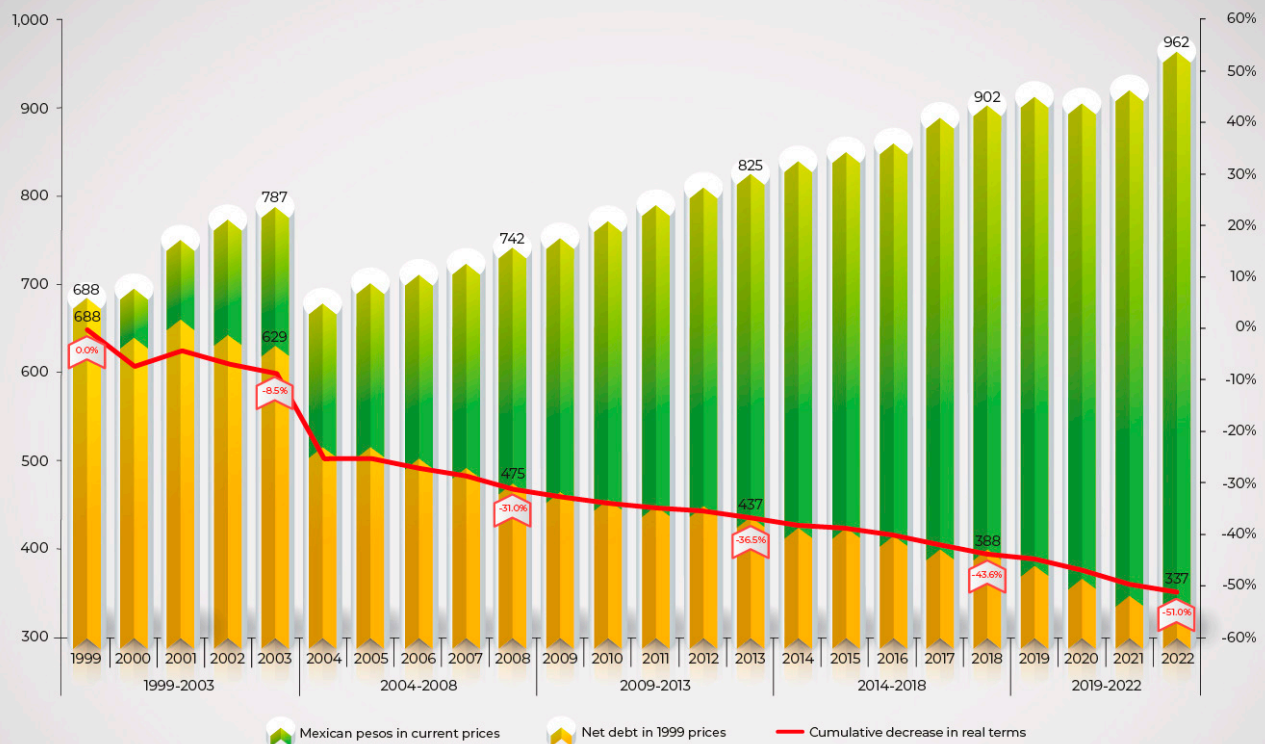


¹⁹ According to the GDP estimate for 2022 of 29,058 million pesos included in the macroeconomic framework contained in the General Economic Policy Criteria for 2023, published by the SHCP on August 31, 2022.



Likewise, the balance of IPAB's net liabilities registered a nominal annual increase of 4.6% which, once discounting inflation of 7.82% registered in 2022, meant an actual decrease of 2.9%.

EVOLUTION OF IPAB'S NET LIABILITIES



Amounts in billions of Mexican pesos.
 Cumulative inflation reached 185.27% from December 1999 to December 2022 as reported by INEGI. This figure was used to establish the debt's actual performance.
 Net debt as of December 31, 2022, which amounts to MXN 962 billion, would be equivalent to MXN 337 billion in December 1999.

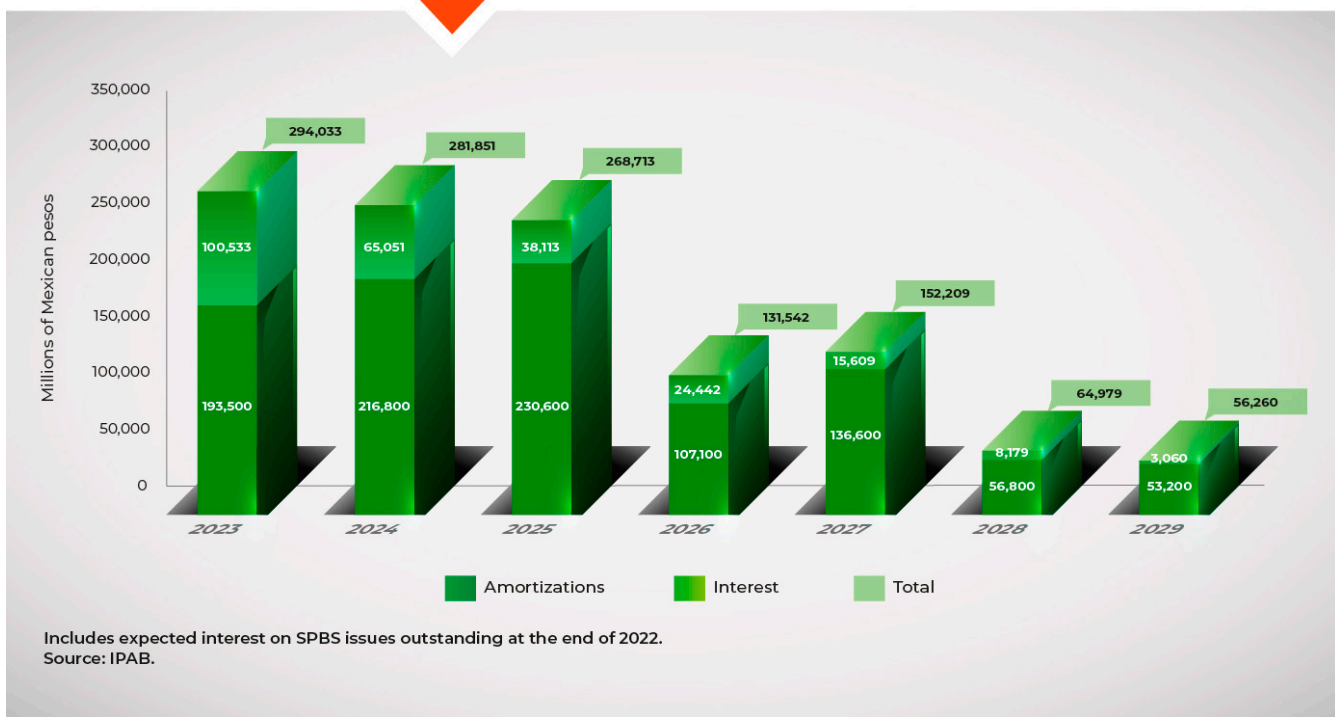
Source: IPAB

Even though the debt shows an increase in nominal terms, IPAB's strategy does not allow its growth in real terms, when applying its own and the resources coming from the Federal Budget. This means that as the economy grows, debt will gradually signify a smaller percentage of GDP, also reducing its relative impact on public finances.

At the end of September 2022, the balance of the net debt in charge of the Institute represented 3.3% of the estimated GDP²⁰, which means a reduction of 8.0% compared to the percentage reached at the end of 1999 –11.3%– and a reduction of 0.1% compared to figures at the end of 2021. This decrease is explained by the reduction in real terms of IPAB’s debt and the estimated growth of the economy in real terms in the period from January to December 2022.

This way, the Institute keeps a debt profile within a manageable trajectory, concentrating most of its maturities at different terms, with a profile comparable to that of the Federal Government. This allows IPAB to refinance sustainably without affecting the profile of government-backed debt.

MATURITY PROFILE AS OF DECEMBER 31, 2022



²⁰ A nominal GDP published by the National Institute of Statistics and Geography (INEGI) of 286 trillion 535 million 441 thousand pesos for the third quarter of 2022 is considered. The nominal amounts of GDP for previous years correspond to the data reported for the fourth quarter of each year, obtained at current prices in accordance with the methodology implemented on October 31, 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 episodes of high volatility observed during 2022 in the global financial markets and in the local debt market, as well as the increase in inflation and in the real interest rate, the Institute increased its weekly target amount to be auctioned for the third quarter, going from 4,200 to 4,600 million pesos, and kept it at that level during the fourth quarter of 2022.



IPAB reacted positively to contain the global economic effects of these past few years, derived from actions to contain the consequences of the health emergency.

This is consistent with the annual financing program of its obligations refinancing strategy, which allows for maintaining the amount of IPAB's net liabilities in real terms and ensure the debt stays on a sustainable path in the long term.

Fully-covered Insured Deposits and their Holders

At the end of December 2022, the balance of covered deposits of banks reached 6,257,713 million pesos, which signals a growth of 8.9%, compared to December 2021.

Considering IPAB's coverage limit²¹ at that date, the covered deposits reached an amount of 3,445,782 million pesos, held by 149 million depositors, of which 98 percent are individuals. This amount shows an annual increase of 8.8%.



In this sense, IPAB coverage limit allows full coverage of more than 99% of the insured accounts of banks in Mexico, with the aim that the bank savings protection system guarantees the deposits of people who entrust their resources to these institutions.

Adequacy of the Coverage Level

At the end of 2022, the resources held in the BSPF were enough to cover the reimbursement of covered deposits 32 small and medium-sized banks, provided that no resolution process would be concurrent and all would take place on a

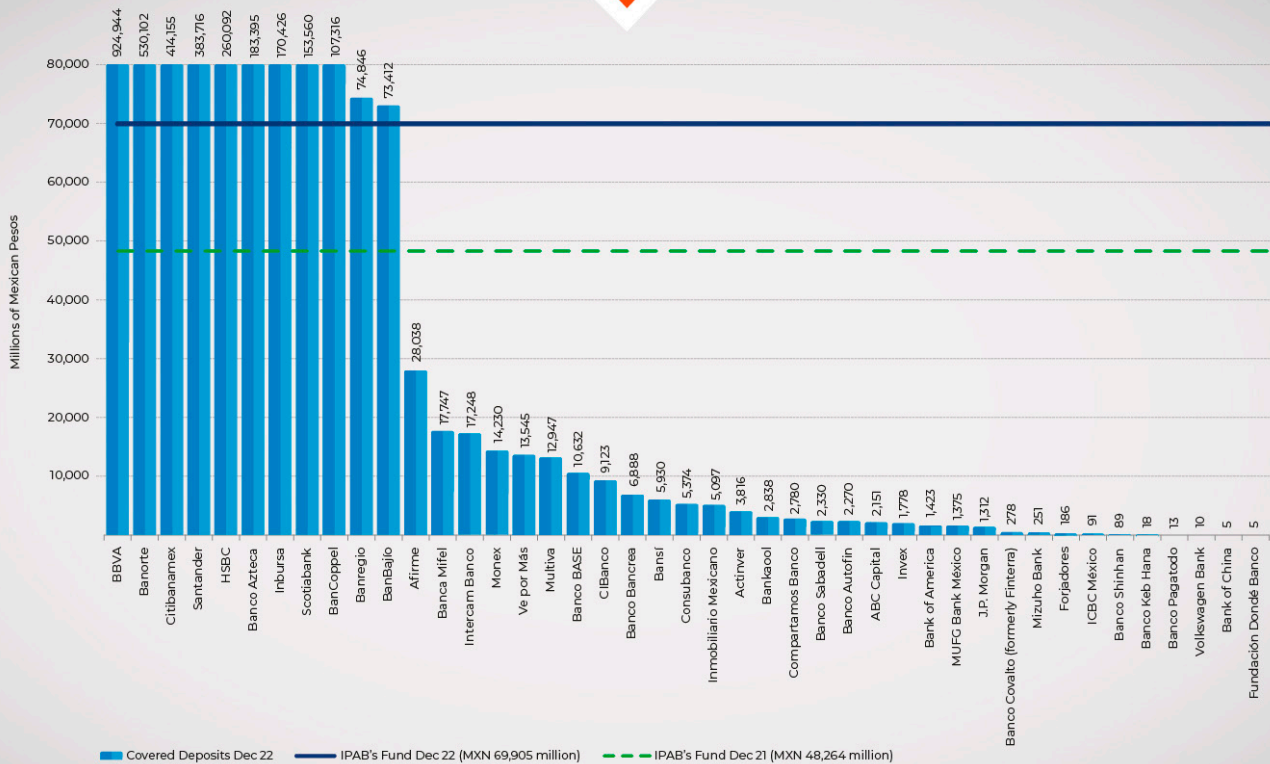


²¹ Equivalent to 400 thousand UDI.



stand-alone basis. By December 31, 2022, the BSPF covered 2.03 percent of the total balance of fully covered deposits of all the banks in the country. Such proportion registered an annual increase of 50 basis points (bp).

INSURED DEPOSITS COVERED BY BSPF IN EACH INSTITUTION

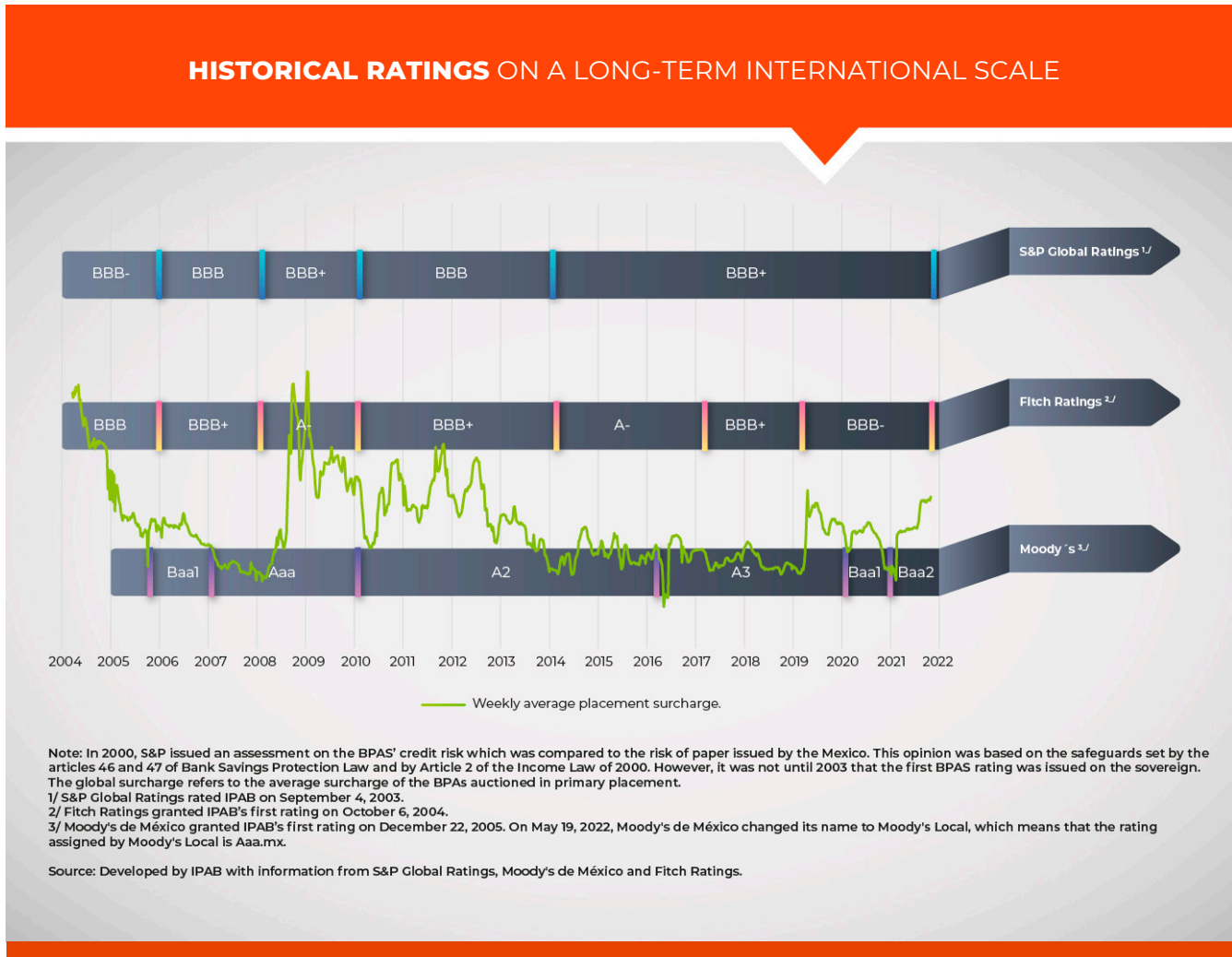


Note: Not all commercial banks would entail a payout of covered deposits in the event of a resolution process.
Source: IPAB.

Credit Ratings

According to Federal Government practices, IPAB undergoes an certification process before three of the most important international rating agencies. This has allowed IPAB to access better financing conditions, while generating investor con-

confidence in the BPA market. At the end of 2022, the Institute held the following ratings, in line with those which have been granted to the Government of Mexico:



Transparency and Accountability

In 2022, IPAB's Transparency Unit received 131 requests for access to information and personal data, of which 128 were addressed in a timely manner by year's end. The remaining 3 were still pending completion and are expected to be dis-



patched in 2023. It should be noted that most of these requests were submitted in relation to the liquidation procedures of the banks.

Likewise, IPAB complied with all established requirements to once again be awarded the acknowledgments of a “100% Trained Institution in Matters of the Federal Law of Transparency and Access to Public Information and in the General Law of Protection of Personal Data in Possession of Obligated Subjects” and of a “100% Trained Transparency Committee”; these awards correspond to the years 2021 and 2022.

Similarly, during 2022, the Transparency Obligations Portal System (TOPS) was updated regarding the transparency obligations provided for in the General Law on Transparency and Access to Public Information (GLTAPI), and the Federal Law on Transparency and Access to Public Information (FLTAPI). Regarding IPAB’s performance in terms of compliance in the publication of said transparency obligations, in the last grading status provided by the National Institute of Transparency, Access to Information and Protection of Personal Data (INAI), IPAB achieved a score of 100 percent of the Global Compliance Index in Transparency Portals, which was, at that time, the valid measure for these issues.

External Audits

During 2022, the Superior Audit Office of the Federation (ASF), the evaluating agency of Congress, performed an audit on IPAB.

On February 17, 2022, the ASF notified IPAB that it would carry out audit number 182 under the title “Debt of the Institute for the Protection of Bank Savings” as parr of the 2021 review of the Public Account; which was based on the criteria established by the ASF for compiling the Annual Audit Program for the Superior Oversight of the Public Account 2021, published in the Federal Official Gazette on February 11, 2022.



The objective of the audit was to supervise the financial management to verify the manner in which resources are obtained, as well as the authorization, issuance, placement, contracting, amortization, financial cost, registration and exposition of IPAB debt in the financial statements and in the Public Account, pursuant to the corresponding legal provisions.

In this regard, the ASF concluded that, based on the results from this audit, IPAB complied with the applicable legal and regulatory provisions by having in place all controls, mechanisms and systems for verification and monitoring of the processes in financing operations. Likewise, the Institute adequately reported its debt in the 2021 Public Account, in accordance with the legal provisions. In this sense, the ASF determined that the income for financing was indeed deposited in the corresponding accounts and that all obligations were paid on time. The debt issued in 2021 did not exceed the amount authorized by IPAB's Governing Board in the Annual Financing Plan for 2021, and the debt balance was consistent with the strategy for managing and refinancing the Institute's liabilities.



In October 2022, the Superior Auditor of the Federation submitted a report with the final results of this audit to the Deputies' Chamber of Congress.

The Institute's financial statements were reviewed by external offices designated by the Ministry of Public Administration (SFP), which issued their opinions without observations.



Verification and compliance

When auditing the financial management by the Institute, the Superior Audit of the Federation determined that IPAB complied in full with the legal provisions established.

Financial Statements

Financial statements for the year 2022 were prepared in accordance with the provisions established in the General Government Accounting Law; in the Government



Accounting Manual for the Federal Parastatal Sector issued by the Government Accounting Unit of the SHCP; and the Financial Information Standards issued by the Mexican Council of Financial Information Standards, A.C., which are applied in a supplementary manner.



Below are the statements of financial position and activities of the Institute, which include IPAB's assets, liabilities, equity, income and expenses and expressed in figures at year's end 2022.





STATEMENTS OF FINANCIAL POSITION AT DECEMBER 2021 AND 2022

 HACIENDA <small>SECRETARÍA DE HACIENDA Y CRÉDITO PÚBLICO</small>		INSTITUTE FOR THE PROTECTION OF BANK SAVINGS <small>(Decentralized Organization of the Federal Public Administration)</small> Statements of Financial Position <small>For the years ended December 31, 2022 and 2021</small> <small>(Figures expressed in millions of MXN pesos)</small>		 INSTITUTO PARA LA PROTECCIÓN AL AHORRO BANCARIO	
Concept	2022	2021	Concept	2022	2021
ASSET			LIABILITIES		
CURRENT ASSETS			CURRENT LIABILITIES		
Cash and Equivalents			Short Term Accounts Payable	\$ 10	\$ 8
Banks	\$ 1	\$ 1	Short-Term Portion of Long-Term Debt Savings Protection Bonds	210,999	228,610
Rights to Receive Cash or Cash Equivalents			Other Short-Term Liabilities	15,811	25,875
Short-term financial Investments	88,050	87,785	Total Current Liabilities	226,820	254,493
Miscellaneous Short-Term Receivables	-	-	NON-CURRENT LIABILITIES		
Total Current Assets	88,051	87,786	Long Term Debt Savings Protection Bonds	797,419	762,461
NON-CURRENT ASSETS			Long-term provisions	71,772	50,394
Long-term financial Investments			Total Non-Current Liabilities	869,191	812,855
Long Term Investments	29,793	34,090	TOTAL LIABILITIES	1,096,011	1,067,348
Investments in Financial Institutions	-	-	HERITAGE -- EQUITY		
Rights to Receive Cash or Long-Term Equivalents			Other Comprehensive Results	(161)	(52)
Resources to be Assigned - via Budget of Expenditures of the Federation	961,776	919,134	Total Equity	(161)	(52)
Notes Receivable and Sundry Debtors, net	187	174	TOTAL LIABILITIES AND EQUITY	\$ 1,095,850	\$ 1,067,296
Subrogation for the payment of Covered Deposits	15,811	25,875			
Real Estate, Infrastructure and Construction in Progress	221	226			
Movable property	11	11			
Total Non-Current Assets	1,007,799	979,510			
TOTAL ASSETS	\$ 1,095,850	\$ 1,067,296			

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

L.C. Miguel Cuevas Reza Assistant Secretary for Administration and Budget	C.P. Jose Ignacio Chan García General Coordinator of Budget and Accounting	L.C. Julio Javier Castro Martínez Financial Accounting Director
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 HACIENDA <small>SECRETARÍA DE HACIENDA Y CRÉDITO PÚBLICO</small>		INSTITUTE FOR THE PROTECTION OF BANK SAVINGS <small>(Decentralized Organization of the Federal Public Administration)</small> Activity Statures <small>For the years ended December 31, 2022 and 2021</small> <small>(Figures expressed in millions of MXN pesos)</small>		 INSTITUTO PARA LA PROTECCIÓN AL AHORRO BANCARIO	
Concept	2022	2021	Concept	2022	2021
INCOME AND OTHER BENEFITS					
MANAGEMENT INCOME					
Income from the Sale of Goods and Provision of Services					
Income from Fees Received from Institutions	\$ 30,263	\$ 27,880			
PARTICIPATIONS, CONTRIBUTIONS, TRANSFERS, ASSIGNMENTS, SUBSIDIES					
Transfers, Assignments, Subsidies and Grants, and Pensions and Retirements	15,415	11,246			
OTHER INCOME AND BENEFITS					
Financial Income	10,647	6,728			
Other Miscellaneous Income and Benefits	9,647	6,024			
	1,000	704			
Total Income and Other Benefits	56,325	45,854			
EXPENSES AND OTHER LOSSES					
OPERATING EXPENSES					
Personal services	328	298			
Materials and supplies	216	200			
General services	1	3			
	111	95			
INTEREST, COMMISSIONS AND OTHER DEBT EXPENSES					
Debt Interest	86,330	50,990			
	86,330	50,990			
OTHER EXTRAORDINARY EXPENSES AND LOSSES					
Estimates, Depreciation, Impairment, Obsolescence and Amortization	12,309	10,896			
Other expenses	705	667			
	11,604	10,229			
Total Expenses and Other Losses	98,967	62,184			
FINANCIAL YEAR DEFICIT	\$ (42,642)	\$ (16,330)			

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

L.C. Miguel Cuevas Reza Assistant Secretary for Administration and Budget	C.P. Jose Ignacio Chan García General Coordinator of Budget and Accounting	L.C. Julio Javier Castro Martínez Financial Accounting Director
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As part of its actions to communicate and promote awareness of deposit insurance and as a form of compliance with the National Policy for Financial Inclusion (NPMFI), in coordination with the rest of the authorities, IPAB participated in the following financial education events:

- Tenth edition of the Global Money Week 2022 (GMW22) “Build your future, be smart with your money”, held under the coordination of the Organization for Economic Cooperation and Development (OECD) and the Interactive Museum of Economics (MIDE), in his role as national coordinator.

IPAB was part of the joint effort of 48 institutions to reach more than 2 million 640 thousand people through 179 activities.

- Comprehensive Financial Education Week for Mexicans Abroad (SEFIME) 2022 organized by the Ministry of Foreign Affairs’ Institute for Mexicans Abroad (IME), where IPAB delivered 14 remote video-conferences aimed at nationals in Canada, USA, Guatemala and the United Kingdom.

Promotion of Financial Inclusion and

Financial Education





PROMOTION OF FINANCIAL INCLUSION AND FINANCIAL EDUCATION

- 15th Edition of the National Financial Education Week (SNEF), coordinated by the National Commission for the Protection and Defense of Users of Financial Services (CONDUSEF) and the Association of Banks of Mexico (ABM).

IPAB took part with an interactive stand at the virtual headquarters of the event, where the public had the opportunity to consult varied contents, games, videos, and information on bank deposit insurance in Mexico. Additionally, in synergy with higher level educational institutions, IPAB hosted 12 conferences in nine states of the Mexican Republic, addressing the importance of formal savings, financial planning, as well as the benefits and scope of bank deposit insurance. Likewise, in coordination with the IME, IPAB held a videoconference at the Consulate of Mexico in Fresno, California, aimed at Mexican nationals living in the United States.



Enduring commitment

In 2022, the IPAB celebrated 15 years of uninterrupted participation in the most important financial inclusion and education event in the country.

Importancia del ahorro
Características del ahorro

Riesgos del ahorro informal

- Pérdida o robo del dinero
- Engaños o estafas
- Ausencia de control y de registro
- Funcionalidad limitada
- Rendimientos inseguros ¿Quién responde?

Beneficios del ahorro formal

- Seguridad y disponibilidad
- Certeza y confianza
- Control y registro de operaciones
- Acceso a otros servicios financieros
- Seguro de depósitos bancarios

SEMANA NACIONAL DE EDUCACIÓN FINANCIERA 2022

IPAB INSTITUTO PARA LA EDUCACIÓN AL SECTOR FINANCIERO

SEMANA NACIONAL DE EDUCACIÓN FINANCIERA 2022

2022 Flores de Magón



“IPAB in your School” Program

Throughout 2022, IPAB offered 17 conferences in educational institutions, with the objective of promoting the development of financial abilities among the population by providing university students with the knowledge and tools to make better decisions regarding formal savings mechanisms and the benefits of bank deposit insurance.

These conferences were held virtually in Mexico City, and in the states of Campeche, Chiapas, Guerrero, Morelos, Puebla, Sinaloa, Tabasco, and Zacatecas.



Media Disclosure Activities



In addition to participating in financial education events, IPAB used a wide range of traditional, digital, and other complementary communication channels to spread various contents in order to inform the public about its operation and the benefits of bank deposit insurance in Mexico. As part of these efforts, the following campaigns stood out:

“Your bank savings are protected by IPAB”. In this campaign, radio spots were broadcast with coverage in 23 states of Mexico. Furthermore, IPAB spread informative content on national digital media websites, and audiovisual spots were broadcast on the screens located inside the Mexico City Metropolitan Subway Transportation System.

The execution of said campaign reached the attention of around 154,000 people on the radio, 293,000 views on websites and more than 138,000 people in Mexico City's subway.

Inclusion of BPA182 in cetesdirecto. Under NPMF's framework, the SHCP, Nacional Financiera (Nafin), Banxico and the Trust Fund for the Direct Sale of Securities to the Public (cetesdirecto) joined efforts to include the debt securities issued by the Institute as an additional investment alternative in the cetesdirecto platform.



This online platform allows the public to invest in government securities and investment funds in a useful and safe way, from affordable amounts (100 pesos) and without charging any commission on these transactions.



Since 2021, BPAs are part of the various investment products available on the cetesdirecto platform.

In 2021, this platform's investment offer was expanded by including the BPA in its BPAG28 and BPAG91 versions, with investment horizons of 3 and 5 years. During 2022, it was possible to incorporate the BPA182, with a 7-year term and a rate of return that offers protection against inflation.

In this way, IPAB implemented an organic communication campaign with the aim of informing the population about these advances, as well as to raise awareness about the benefits of formal savings, the advantages of diversifying resources and the convenience of investing in safe mechanisms such as cetesdirecto.

“Increase in deposit insurance coverage”. A communication campaign was carried out to inform the public that on September 14, 2022, the IPAB deposit insurance coverage of 400,000 UDI reached an amount of 3 million pesos²¹. This figure in coverage places the Institute among the organizations that provide the highest level of protection internationally, allowing IPAB to fully cover the balance of more than 99 percent of bank accounts in Mexico.



²² UDI value is updated daily. Mexico and Uruguay are the only countries that have this daily update feature in their coverage limit according to inflation.

8





IPAB at the Forefront

In over two decades as the institution in charge of effectively managing the bank deposit insurance scheme in Mexico, IPAB has identified and incorporated to its design and day-to-day operations those international best practices which enable it to remain at the forefront and duly fulfill its mandate.

International Liaison

Financial Sector Assessment Program

In 2022, a team of advisors from the International Monetary Fund (IMF) and the World Bank led the periodic review of the Mexican financial system as part of the Financial Sector Assessment Program (FSAP), which included IPAB and the other Mexican financial authorities²³. This assessment of Mexico's



²³ In addition to IPAB, they include the SHCP, Banxico, and the CNBV.

financial system is carried out every five years, since Mexico is considered as a player of systemic importance worldwide.

The FSAP results acknowledge the strengths of Mexico's financial system and its safety net, and recognize the authorities for the effective work performed in managing bank resolutions in recent years, while pointing out those improvements to the payout process to depositors who are insured by IPAB.

Specifically, the FSAP highlighted the fact that there are now resolution plans in place for all banks currently in operation, as well as the authorities' ability to react in the event of a bank crisis, especially within a challenging environment, such as the one created by the pandemic. In this sense, the review also deemed as noteworthy IPAB's capacity to carry out the payout process in a timely manner and to adopt innovative solutions to reimburse covered de-



Evaluation and permanent Improvement

The most recent FSAP review in 2022 acknowledged IPAB's effective management of bank resolutions and the strengths of the Mexican financial safety net and of its financial system.

posits of clients of failed banks, while maintaining an adequate communication with them.

Although the 2022 evaluation emphasized a significant progress compared to the previous one carried out in 2016, this review issued new recommendations, which were focused on the actions that authorities must undertake to continue strengthening the regulatory framework and promoting an adequate response. The 2022 assessment included a review of crisis management capabilities, for which 12 recommendations were issued (five of which refer to legislative changes that are beyond the scope of financial authorities) ²⁴. This compares favorably to the 2016 review, during which 36 recommendations were issued for this workstream.



Economic Importance

A review of the Mexican financial system is carried out every five years, since given its size and integration it is considered to be of global systemic importance.

Liaison Activities with Deposit Insurers and Resolution Authorities

As a member of the Executive Council (EXCO)²⁵ of the International Association of Deposit Insurers (IADI), IPAB took part remotely in said body's 72nd, 73rd and



²⁴ For more information, refer to: International Monetary Fund (November 2022), Financial sector assessment program technical note on selected issues in financial safety net arrangements and financial crisis preparedness, available in: <https://www.imf.org/en/Publications/CR/Issues/2022/11/04/Mexico-Financial-Sector-Assessment-Program-Financial-System-StabilityAssessment-525439>.

²⁵ Until October 2022.

74th meetings, which reviewed the progress on the projects in charge of the technical, regional and Council committees, which will contribute to the fulfillment of the Association's Strategic Plan for the period 2022-2026.

Additionally, IPAB participates in the Crisis Management Groups and Resolution Colleges of global systemically important financial institutions with relevant operations in Mexico. This allows IPAB to keep an adequate coordination with authorities in other jurisdictions, through cooperation and information exchange agreements, as well as by collaborating in the design of strategies to maintain the stability of the financial system.

In the area of bilateral cooperation, IPAB provided technical assistance both remotely and through face-to-face meetings on its institutional activities and experiences. IPAB offered sessions to nine organizations, including deposit insurance agencies, central banks and financial cooperatives in the Americas, Asia, and Europe, respectively.

Finally, the Institute took part in the meetings of the bank Cross-Border Crisis Management working group, which contributes to the development of research papers and surveys that support the expansion and update of best practices issued by the Financial Stability Board (FSB).

Research and Studies

By conducting research to identify events, trends and best practices at the international level, IPAB remains at the forefront on matters related to deposit insurance and bank resolutions which aims to generate confidence among depositors and contribute to the stability of the financial system.

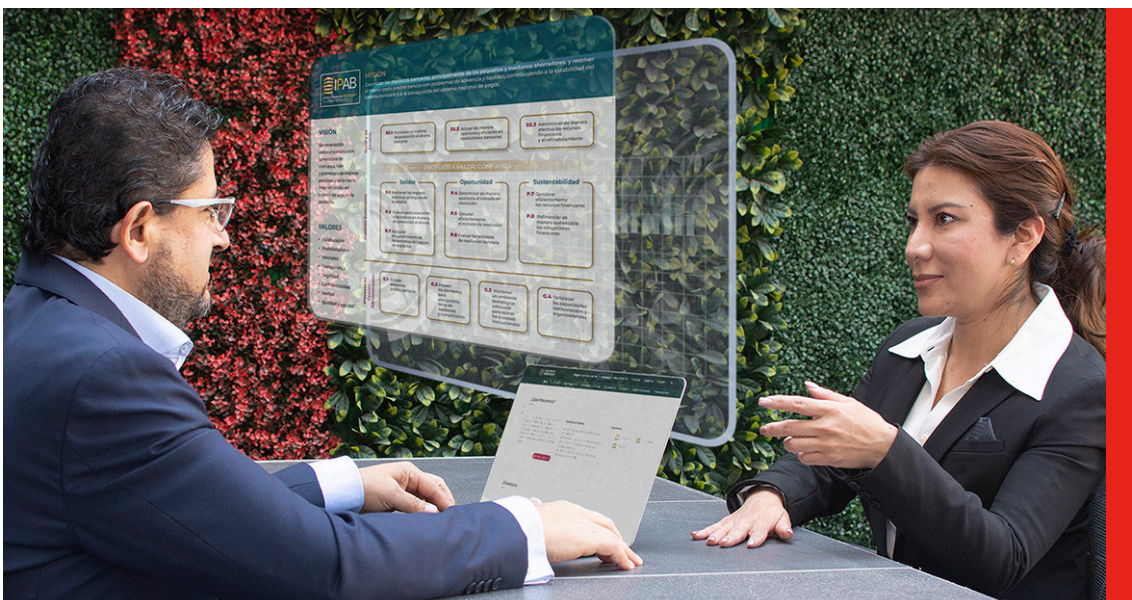
In this regard, various studies stand out, particularly those developed to compile the experiences of several entities around the world in charge of deposit insur-

ance schemes. These analyses focused on the methodologies used by said organizations to determine their funds' target size, which enables them to meet their obligations. This provided the Institute with means to keep its statistical model up to date, in order to act in a timely and efficient manner in the event of a potential bank resolution.

Derived from the international economic context generated by the conflict between Russia and Ukraine, IPAB followed up on the measures implemented by authorities and financial institutions around the world to lessen the adverse effects of this conflict on their respective economies, as well as to protect the stability of their financial systems. In this regard, throughout the year, the research team implemented a specific monitoring on bank resolutions of subsidiaries of Russian banks, which took place in several European countries.

Compliance with the Institutional Strategy

For the fiscal year 2022, IPAB reached a 97% compliance rate on the 74 indicators and goals defined for monitoring the budgetary programs authorized for the



Institute by the SHCP, as well as the operational indicators based on institutional functions and mandates.

Institutional Risks

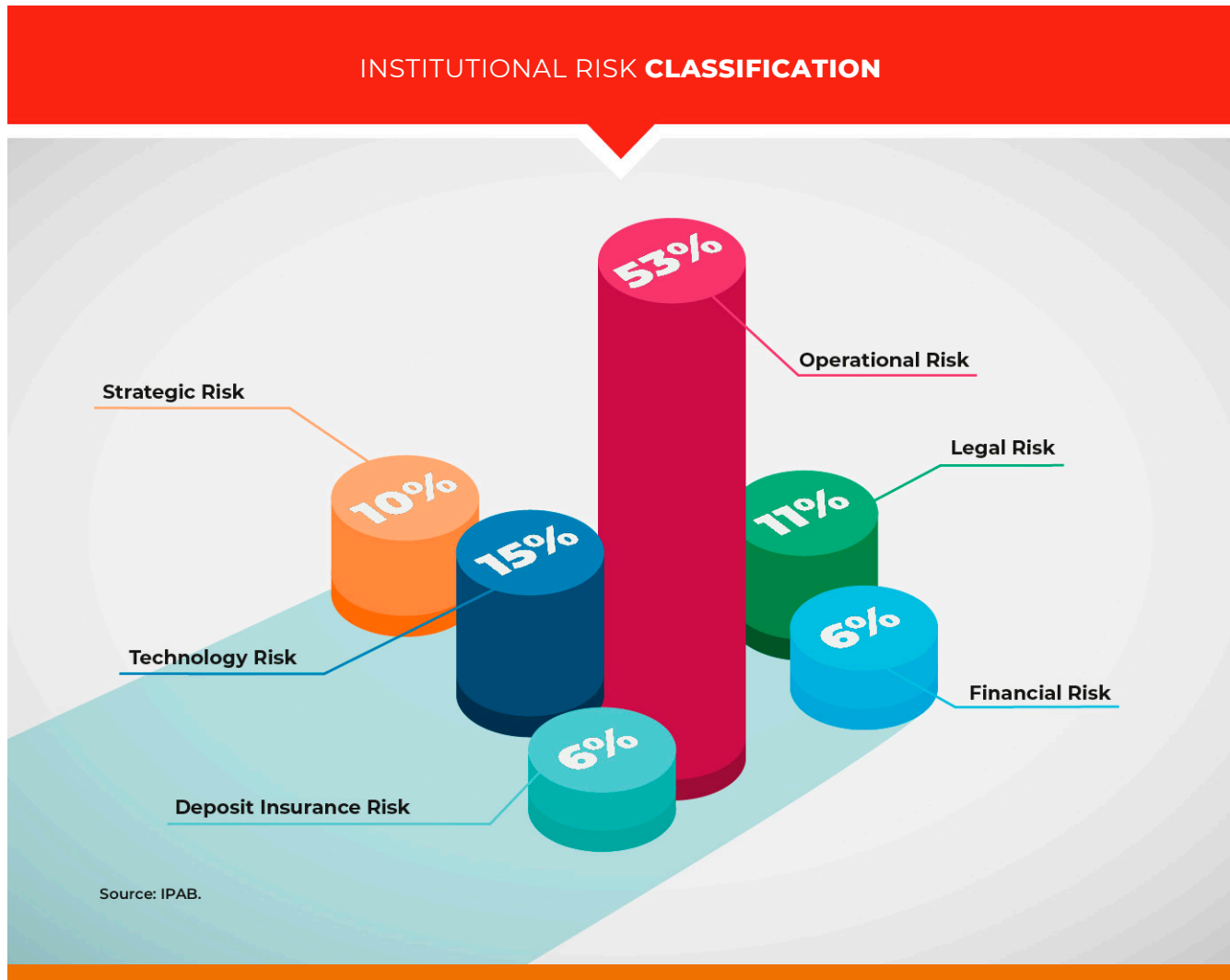
The risk management process is carried out under the Methodology for Institutional Risk Management, which is aligned with the best practices in this area at the international level and with the provisions applicable in Mexico. This is a dynamic process that constantly monitors, modifies, and manages the risks and controls to which the Institute is exposed.



Responsible Management

In order to ensure prudent and efficient management of the Institute's financial resources, the Governing Board sets limits on exposure to market and counterparty risks.

During 2022, the institutional risks identified and controlled were distributed as follows:



Financial Risks

As the institution in charge of managing the bank deposit insurance in Mexico, IPAB must efficiently and prudently manage the financial resources under its

custody. To this end, the Institute permanently monitors the financial risks to which it is exposed.

During 2022, in no instance was the limit set by the Governing Board for the market risk exceeded. Additionally, no transaction of those which generate exposure to counterparty risk was reported, so there was no need for the limits set to this end. In this regard, there was a precise monitoring on the use of market and counterparty risk limits for the financial transactions carried out and the Governing Board and those areas within the Institute which were involved in the process were promptly informed. Thus, IPAB complied with the agreements set by its Governing Board for the year being reported.

Risk Management and Internal Control

In line with the best practices and standards, IPAB's risk management process is carried out within a framework of an internal control system. This internal control system is structured based on five general standards defined by the SFP for institutions which are part of the Federal Public Administration:

- i)** Control environment;
- ii)** Risk management;
- iii)** Control activities;
- iv)** Information and communication, and
- v)** Supervision and permanent improvement

IPAB's auditing bodies periodically supervised and assessed the institutional internal control system, and specifically the institutional risk management process.

Through these supervision and evaluation mechanisms, both processes are enhanced, thus ensuring that these are targeted at strengthening the Institute's functions, contributing to the achievement of its objectives, and promoting the fulfillment of its mission.





Acronyms and abbreviations

— ABM	Association of Banks of Mexico
— Afores	Administrator of Pension Funds
— APF	Federal Public Administration
— ASF	Superior Audit Office of the Federation
— BAF	Banco Ahorro Famsa, S. A., Banking Institution
— BAFEL	Banco Ahorro Famsa, S. A., Banking Institution in Liquidation
— BAFELJ	Banco Ahorro Famsa, S. A., Banking Institution in Judicial Liquidation
— Bank	Banking Institution
— Banxico	Bank of Mexico
— bp	basis points
— BPA	Savings Protection Bonds
— BSPL	Bank Savings Protection Law
— BSSP	Bank Savers Support Program
— CAR	Capital Adequacy Ratio
— CIL	Credit Institutions Law (Banking Law)
— CNBV	National Banking and Securities Commission
— CONDUSEF	National Commission for the Protection and Defense of Users of Financial Services
— DCI	IPAB Insured Depositors
— DOF	Federal Official Gazette
— FLL	Federal Labor Law
— FLTAPI	Federal Law of Transparency and Access to Public Information

— FSAP	Financial Sector Assessment Program
— FSB	Financial Stability Board
— Fund or BSPF	Bank Savings Protection Fund
— GDP	Gross Domestic Product
— GLTAPI	General Law of Transparency and Access to Public Information
— GMW22	Global Money Week 2022
— Governing Board	IPAB's Governing Board
— IADI	International Association of Deposit Insurers
— IME	Institute of Mexicans Abroad
— IMF	International Monetary Fund
— INAI	National Institute of Transparency, Access to Information and Protection of Personal Data
— INEGI	National Institute of Statistics and Geography
— Institute or IPAB	Institute for the Protection of Bank Savings
— KPMG	KPMG Cárdenas Dosal, S.C.
— LCC	Liquidity Coverage Coefficient
— mdp	millions of MXN pesos
— MIDE	Interactive Museum of Economics
— Nafin	National Financial
— NPFI	National Policy for Financial Inclusion
— OECD	Organization for Economic Co-operation and Development
— Organizational Statute	IPAB Organizational Statute
— PCD	Payout of Covered Deposits
— PND	National Development Plan 2019-2024
— PP	percentage points
— PRONAFIDE	National Program of Financing for Development 2020-2024
— ROE	Return on Equity
— SCJN	Mexico's Supreme Court of Justice
— SEFIME	Comprehensive Financial Education Week for Mexicans Abroad
— SFP	Ministry of Public Functions
— SHCP	Ministry of Finance and Public Credit
— SNEF	National Financial Education Week
— SRE	Ministry of Foreign Affairs
— TCID	Totally Covered Insured Deposits
— TOPS	Transparency Obligations Portals System
— UDI	Unit or Units of Investment
— USA	United States of America





Creative Concept

Trunks, chests and boxes are items that most people around the world regularly keep at home. Since these came to be, we use them to store valuables, gifts, and cherished memories. Together with piggy banks, they become allies to develop and encourage habit of saving.

These items and their relationship with protection and safeguarding are the central inspiration for the design of the cover and the introductory pages for each chapter of this document, which also pays a well-deserved tribute to the beauty, relevance and tradition of the emblematic handicrafts of Olinalá, a beautiful town in the State of Guerrero, which is nationally and internationally acknowledged for its wonderful pieces of lináloe wood, meticulously crafted and decorated by its inhabitants.



On the cover of the **IPAB's Annual Report: Bank Deposit Insurance in Mexico 2022**, the reader will appreciate a symmetrical figure, formed by colorful graphic elements that replicate some of the main techniques of its elaboration, present in the aromatic lináloe wood handicrafts of the Olinalá town (gilded, striped, hollowed and stippled).

This harmonious composition is also integrated by different animals, flowers, and insects which, through their colorful strokes, represent the diversity, synergy, balance, and cooperation existing within the Mexican banking system. Regulated and supervised by the Mexican Financial Authorities, the latter is constantly evolving and adapting, allowing it to face the challenges derived from the fluctuations in the global economy in recent years.

Finally, it is important to highlight that the passion, patience, and dedication shown by the artisans of the native towns of Guerrero are characteristics that also distinguish the actions of the personnel of this Institute, who day-to-day work to maintain IPAB's position as a reference of security, trust and leadership in the protection of bank savings for the Mexican people.

Handcrafts in lináloe wood, lacquered and hand-decorated by artisans in Olinalá, State of Guerrero.





“IPAB’s Annual Report: Bank Deposit Insurance in Mexico 2022” is a support and consultation material on its institutional work. Legal aspects may be consulted directly in IPAB’s official publications.

Institute for the Protection of Bank Savings.

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IPAB's Annual Report: Bank Deposit Insurance in Mexico 2022

presents the most important facts, reforms and details of the Institute's operation during its 23 years of operation, which are aimed at protecting Mexico's depositors.



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