



ANNUAL REPORT

Bank Deposit Insurance in

MEXICO



2023



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Gabriel Yorrio González



Message from
the Undersecretary
of Finance and
Public Credit

During 2023, Mexico has exceeded economic expectations, registering a 3.2% growth that surpasses our historical average. This dynamism is not only a reflection of the fortitude and potential of our nation, but also a result of solid economic policies and the vital contribution of institutions such as the Institute for the Protection of Bank Savings (IPAB).

IPAB's role has, and continues to be, fundamental in this context of economic dynamism. Its work guarantees the stability and confidence in the finan-

cial system, both crucial aspects that allow investors and depositors to be certain that their assets are protected. This support is a driving force, not only for economic growth, but also for the expansion of financial inclusion in Mexico.

As the guarantor of bank deposits, IPAB protects more than 99.88% of accounts, ensuring that Mexican depositors' resources are safeguarded against any outcome. This protection is tangible evidence that Mexico's Government provides security to every citizen who trusts our banking system.

This year, IPAB has kept honoring its mission to strengthen the financial environment, effectively protecting national savings and promoting a culture of sensible investment. Its contribution is a pillar in the architecture of our financial stability, which in turn has facilitated the sustained and robust growth of our economy.

In its 24 years of existence, IPAB has played a strategic role in supporting this dynamism, providing peace of mind to bank customers, and contributing to the construction of a solid and reliable economic future. It is because of IPAB that depositors in Mexico can gaze into the future with confidence, knowing that their money is protected and that they are an integral part of our economic growth.

With a stable financial system and a growing economy, we are laying the foundation for Mexico to not only maintain this momentum but also to open new doors to opportunities for all Mexicans. IPAB will remain the guardian of this commitment, guaranteeing savings are protected for Mexicans all around.

MPP GABRIEL YORIO GONZÁLEZ
Undersecretary of Finance and Public Credit

Message from the Undersecretary of Finance and Public
Credit, Deputy Chairman of the Governing Board

Gabriel Limón González

Message from IPAB's Executive Secretary



In the past five years, the Institute for the Protection of Bank Savings has solidified its position as an institution that fosters certainty in savers, ensuring them that their bank deposits are protected, particularly for small and medium-sized depositors.

As part of a transparency exercise that reaffirms IPAB's commitment to accountability and which contributes to the stability of our country's financial system, we are pleased to present the Institute's 2023

annual report, which compiles relevant activities, data, and figures from IPAB's work.

Throughout this report, the reader will find the milestones achieved by the Institute in managing debt, the Bank Savings Protection Fund (Fund), resolution plans, and inspection visits, as well as bear witness of its discipline in the control and use of resources.

Among other topics, it is important to highlight that by the end of 2023, the Fund reached a historic balance of MXN 87.12 billion, representing a growth of 90.06% over the past five years, which has allowed the Fund to regain solvency after the bank resolutions of 2020 and 2021.

This report also confirms that the results achieved by the Institute during this period demonstrate the thorough execution of its mandate by covering the entirety of deposits of small and medium-sized depositors automatically and free of charge, thus benefitting Mexican families.

Finally, these activities reinforce the notion that IPAB has duly consolidated its position as bank deposit insurer in Mexico.

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



Since it began operations, the Institute for the Protection of Bank Savings (IPAB or Institute) has fulfilled its mandate to insure bank deposits and efficiently implement the resolution of banks facing financial problems, therefore contributing to the stability of the banking system in Mexico.

During these past years and under complex circumstances characterized by high volatility, inflation, and high interest rates, IPAB maintained a strategy to strengthen its substantive processes, which includes, among other activities, the constant updating and continuous improvement of its mechanisms for preventing and responding to potential banking crises, as well as the consolidation of the tools for transparency and accountability.

In this context, the Institute continuously develops and updates resolution plans for each bank currently operating in Mexico. It also reviews information on millions of depositors and has made significant progress in the sale of assets of the banks placed under judicial liquidation. Additionally, IPAB has gained recognition for the transparency and efficiency of its operations.

IPAB fully insures over 99.88% of the people who entrust their resources to any of the commercial banks (CB or bank). The Bank Savings Protection Fund (FPAB or Fund), managed by

Executive Summary

the Institute, holds sufficient resources to protect depositors. Over the past five years, the net balance of the debt managed by IPAB has seen a decrease of 14.24% in real terms, and as a ratio of the Mexican Gross Domestic Product (GDP), it fell by 0.6 percentage points, to 2.99% from 3.59%.

The results achieved by IPAB in fiscal year 2023 prove that Mexico has a solid, reliable organization capable of providing depositors with the certainty that their resources are duly protected.

Relevant Facts



The number of insured bank depositors increased by 45.49% over the past five years, and in 2023 alone, the number rose by 3.05%.

For over two decades, IPAB has fulfilled its mandate to ensure bank savings, primarily for small and medium-sized depositors, and to implement the resolution, at the lowest possible cost, of those banks facing financial problems, thus contributing to the stability of the banking system and the safeguarding of the national payment system.



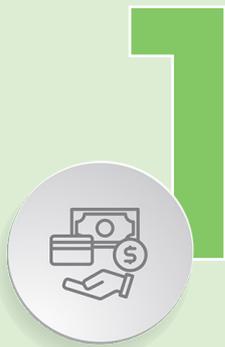


IPAB fully covers 99.88% of individuals who keep deposits in the banks operating in Mexico. Meanwhile, the remaining 0.12%, those who have balances exceeding IPAB's coverage limit are covered up to 400,000 investment units (UDIs).

99.88



OF DEPOSITORS ARE FULLY COVERED



1 DAY FOR REIMBURSING COVERED DEPOSITS

On the next day after a bank is placed in liquidation IPAB makes the total amount of insured deposits available to the bank's depositors. This is achieved through advanced infrastructure and cutting-edge processes.

At the end of 2023, the Fund reached a historic balance of MXN 87.12 billion, representing a growth of 90.06% over the past five years.

MORE THAN

87.12



AVAILABLE TO PROTECT INSURED DEPOSITORS

During 2023, IPAB collected more than 32.18 billion pesos in income from fees paid by banks, which amounts to an annual increase of 6.67%. In the past five years, 142.82 billion pesos have been collected under this concept.

OVER

142.80

IN FEES COLLECTED FROM BANKS IN THE PAST FIVE YEARS

OVER

880

mn
MXN

IN COME FROM FEE ADJUSTMENTS

In 2023, IPAB registered more than 568 million pesos in income due to preemptive and corrective adjustments to the fees collected from banks. From 2019 to 2023, these revenues totaled 880.99 million pesos, strengthening resources to address a potential banking resolution event.

Under a hypothetical scenario of financial system stress, the FPAB's resources would be enough to fully cover the payment of insured deposits for 40 out of the 49 banks currently operating.

40

BANKS FULLY INSURED WITH RESOURCES FROM THE FUND





In 2023, IPAB conducted onsite inspections on 33% of banks in the financial system, involving more than 38 million depositors.

Over the past five years, the Institute assessed the quality of information held in all operating banks, which involved more than 173 million depositors and over 105.638 billion pesos related to fees.

IPAB ASSESSED THE INFORMATION ON

173



MILLION DEPOSITORS

IPAB DEVELOPED

76.83



OF THE RESOLUTION PLANS IN THE LAST FIVE YEARS.

IPAB has produced 82 resolution plans throughout its history. Of these, 63 have been developed in the last five years and 12 of them in 2023 alone. With these plans, IPAB can design specific resolution strategies according to the situation of each bank.

In the last five years, there has been over a 90% progress in asset sales from banks undergoing judicial liquidation.

OVER

90



PROGRESS IN THE SALE OF ASSETS FROM BANKS IN LIQUIDATION OVER THE LAST FIVE YEARS

OVER THE PAST 5 YEARS, IPAB'S DEBT DECREASED BY

14.24
AS A PROPORTION OF GDP



As a result of IPAB's financial strategy, the balance of its debt showed a cumulative decrease of 14.24% in real terms over the last five years. As a ratio of GDP, IPAB's debt decreased from 3.59% in 2018 to 2.99% at the end of 2023.

As part of the financial inclusion strategy, the cetesdirecto.com platform incorporated the Savings Protection Bonds as investment options in its offerings, which is a way to incentivize formal savings, promote economic development, and contribute to the well-being of the population.

THE PLACEMENT OF BPAS IN THE CETESDIRECTO PLATFORM INCREASED MORE THAN

4
TIMES IN 2023



4

1.5
MILLION PEOPLE WERE INFORMED ABOUT BANK DEPOSIT INSURANCE



During 2023, IPAB offered 28 training conferences through varied means and at different fora, in 18 states and 27 Mexican embassies and consulates worldwide. Thus, in the last five years, the Institute held 185 conferences which complement IPAB's informational campaigns, and which have reached more than one and a half million interested parties.



**IN THE LAST 5 YEARS,
IPAB HELD**

27



**BILATERAL TECHNICAL
ASSISTANCE SESSIONS**

Over the last five years, IPAB has provided 27 technical assistance sessions to a wide range of deposit insurers, central banks, and financial authorities from the United Kingdom, Spain, Türkiye, Colombia, Pakistan, Malaysia, Chile, Ukraine, Ecuador, Guatemala, Uruguay, Costa Rica, El Salvador, Kenya, and Mozambique.

IPAB has complied with Transparency, Access to Information, and Personal Data Protection requirements, all of which have been confirmed over the past five years.

**OF THE STAFF TRAINED
AND CERTIFIED
IN TRANSPARENCY**

100 %



34



**INTERNALLY
DEVELOPED
SOFTWARE TOOLS**

The timeframe for generating reports has been reduced by approximately 80% due to actions taken over the past few years to standardize and automate processes with software tools, allowing IPAB to mitigate the risk of operational errors and facilitating a more detailed analysis.

2



Mission and Vision

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”.

The Institute permanently follows its vision of “Being acknowledged as a trust-worthy institution, leader and promoter of best practices and international standards in the field of deposit insurance”.

MISSION AND VISION

 **Mission**

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.

 **Vision**

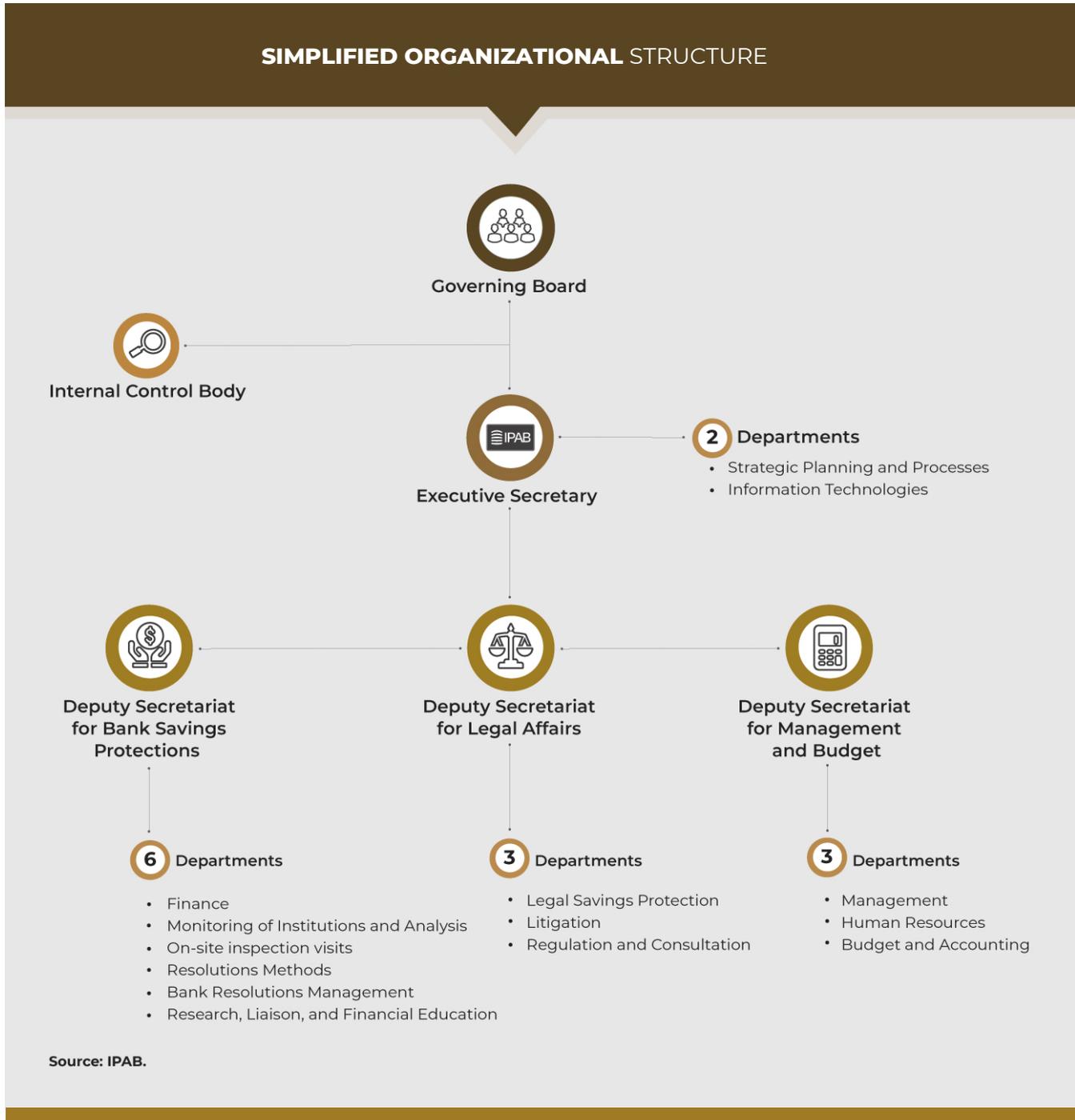
“To be acknowledged as trust-worthy institution, leader and promoter of the best practices and international standards in the field of Deposit Insurance”.

Source: IPAB.

About IPAB

Organizational Structure

Currently, IPAB has 259 positions, of which 198 make up the substantive units. 48 of them are appointed to administrative areas and 13 to the Internal Control Body.





Governing Board

The Governing Board is IPAB's leading body and supervisor. It is comprised of seven members: the heads of the Ministry of Finance and Public Credit (SHCP), the Central Bank of Mexico (Banxico), and the National Banking and Securities Commission (CNBV), as well as four independent members appointed by the President of Mexico, who are ratified by the Senate.



Fundamental decisions

As IPAB's highest authority, the Governing Board is responsible for analyzing, authorizing and taking fundamental decisions regarding bank savings' protection and bank resolutions in Mexico.



Executive Team



Executive Secretary

Gabriel Ángel Limón González

The Executive Secretary is the Institute's highest administrative authority and is responsible for defining and coordinating mechanisms to ensure IPAB achieves its objectives in an effective manner. Additionally, the Executive Secretary is IPAB's representative before other entities and instances and is responsible for notifying the Governing Board about plans, activities, and relevant matters, which allow to fulfill the Board's determinations.

According to the Bank Savings Protection Law (BSPL), the Executive Secretary holds the broadest powers to carry out acts of ownership, administration, and collection, coordinate any type of judicial, extrajudicial, and administrative management, without exceeding the attributions granted to the Governing Board. Simi-

larly, this role holds the Institute's legal responsibility and therefore is allowed to grant and distribute all sorts of powers to the structure within IPAB.

The Executive Secretary proposes individuals to act as appointed conservators, liquidators or judicial liquidator agents. Likewise, in this capacity, the Executive Secretary is bound to comply with and enforce the determinations of the Governing Board, as well as to submit reports and present matters before it related to IPAB's management for the Board's consideration and, where appropriate, approval.

Deputy Secretary for Bank Savings Protection

María Isabel García Guadarrama

The Deputy Secretary for Bank Savings Protection heads IPAB's operating units, and it ensures that the Institute has adequate processes and capabilities in place to act in a timely and efficient manner in the event of bank resolutions.

In particular, the Deputy Secretary for Bank Savings Protection leads the management of IPAB's resources and financial obligations, the calculation of the monthly fees collected from banks, the assessment on the quality of the information on depositors held by banks, the resolution method to be applied to failing banks, the identification of international best practices, the disclosure and public awareness activities regarding bank deposit insurance, and the promotion of financial education.

Deputy Secretary of 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. The Deputy Secretary for Legal Affairs reviews the draft versions of the initiatives to reform laws, regulations, organizational statutes, and other general provisions under IPAB's responsibility.

Deputy Secretary for Management and Budget Elizabeth González Garduño

The Deputy Secretary for Management and Budget plans and directs the policies to manage IPAB's services and its human, material, and financial resources, in terms of remuneration, social security, and taxes, to guarantee the Institute's operation. Likewise, the Deputy Secretary for Management and Budget supervises the programs that improve the organizational climate, the promotion of values, and talent retention at the Institute.



3

In 2023, several events impacted the financial markets:

- Silicon Valley Bank's failure, due to liquidity problems, meant depositors played a significant role by swiftly withdrawing resources in high volumes, leading to the bank's inability to meet its short-term commitments, ultimately resulting in its bankruptcy. During the same period, similar issues were observed in two regional banks: Silvergate Bank and Signature Bank.
- Following a series of scandals and corporate missteps, investors at Credit Suisse triggered a bank run between the fall of 2022 and the spring of 2023, totaling approximately 123 billion Swiss francs, which led to the bank's failure. The Swiss Financial Market Supervisory Authority, the Swiss National Bank, the Ministry of Finance, and lawmakers resolved to facilitate the purchase of the entity by UBS in March 2023.
- The world's stock markets experienced high volatility as a result of the restrictive policies of central banks. In Mexico, the Price and Quotation Index (IPC) saw an annual variation of 20.6%, while in the United States of America (USA) the Standard & Poor's stock index¹ showed an annual variation of 24.2%.



¹ The Standard & Poor's 500 index, also known as the S&P 500, is a stock market index that includes 500 US companies selected for their size, liquidity, and significance across various economic sectors. This includes 400 industrial companies, 20 transportation companies, 40 service companies, and 40 financial companies.



- The volatility generated by speculation about the end of the central banks' interest rate hike cycle decreased due to inflation's slowdown and improving economic conditions. The amount of debt issued by many governments worldwide reached a historical record, resulting in a higher cost of money in local and international markets.
- Finally, as a consequence of the deteriorating trade relations between the USA and the People's Republic of China, and weakened trade exchanges between these two nations, domestic consumption and demand led to the use of mechanisms such as nearshoring, which has sped up the adoption of new investment and development projects in Mexico.

Economic Growth

Mexico's Gross Domestic Product (GDP) achieved a real growth of 3.2% at the end of 2023, closer to the upper limit of 3.5% forecasted by the Ministry of Finance and Public Credit (SHCP). Following the 0.3% contraction observed in the third quarter of 2021, the GDP has recorded nine consecutive quarterly increases, which proves the resilience and recovery of a sustained economic dynamism.

After the downturn in 2020 and the subsequent recovery in the following year, the US economy maintained a stable real growth of 1.9% in 2022 and 2.5% in 2023.

In monetary matters, Banxico responded by increasing its reference rate by 75 basis points (bps)² throughout 2023, reaching 11.25% at the end of the fourth quarter. Meanwhile, the USA Federal Reserve Bank kept a restrictive monetary policy, increasing the reference rate from 4.25 - 4.5% to 5.25 - 5.5%, an increase of 100 bps.



² Basis points are a measurement unit used in the financial sector to express percentage changes in interest rates, yields, or other financial values. One basis point is equivalent to one-hundredth of a percentage point or 0.01% (1/100 of 1%).



Furthermore, most central banks adopted a similar strategy, with the exception of the People's Bank of China.

Inflation Behavior

The pace of price increases globally decelerated after reaching historical highs during the pandemic and subsequent years. General inflation in the USA was 3.4% in 2023, while in Mexico it stood at 4.7%.

The restrictive policy by Banxico yielded the expected results, achieving a change in the observed inflation trend, which opens up room for possible reductions in the reference rate.

4



Characteristics of IPAB's Deposit Insurance

IPAB's protection scheme provides coverage to the people who deposit their resources in commercial banks. Specifically, the Institute's insurance scheme protects depositors' assets if a bank faces financial problems which prevent it from operating. This protection covers up to a limit of 400,000 UDIs, which is calculated by adding all balances of any payroll, savings, and investment accounts held by the same person in the aforementioned bank.

CHARACTERISTICS OF IPAB'S DEPOSIT INSURANCE

Bank deposit insurance is provided per person and per bank.



With IPAB's bank deposit insurance, you can trust that your savings are protected.

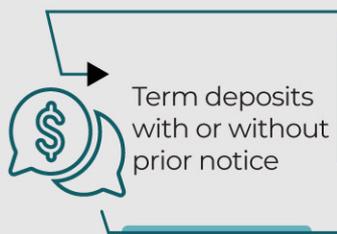
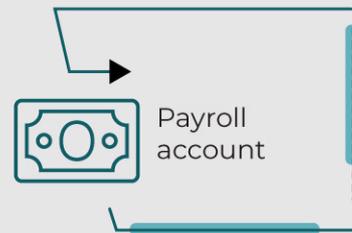
Source: IPAB.

Analysis, Early Detection, and Timely Intervention

Currently, IPAB's coverage limit is equivalent to over 3 million MXN pesos which completely covers 99.88% of insured deposits in Mexico, demonstrating its scope in protecting small and medium-sized depositors. Additionally, it has the advantage of being updated daily in line with inflation, thereby protecting depositors' purchasing power. Only three countries have coverage limits that are updated daily: Mexico, Uruguay, and Bolivia.

PRODUCTS PROTECTED BY IPAB

IPAB protects:



Source: IPAB.



HOW DO I KNOW IF I AM PROTECTED?

 Verify that your contract or statements contain IPAB logo and protection legend.



Directly ask your bank if your financial products are insured by IPAB.



Check IPAB's website at www.gob.mx/ipab and follow its social networks.

Source: IPAB.

Covered Deposits and Depositors

Over the past five years, there has been an increase in resources deposited in commercial banks, mainly due to demand deposits³. Particularly, in 2023, there was a duly noted boost in term deposits, encouraged by a high interest rate environment.



³ A demand deposit account allows the account holder to withdraw the money deposited in a bank at any given time.

ELIGIBLE DEPOSITS AND DEPOSITORS

Insured depositors

The number of insured depositors increased by **3.05%** compared to December 2022 and by **45.59%** compared to December 2018.

2018



105 million depositors

2023



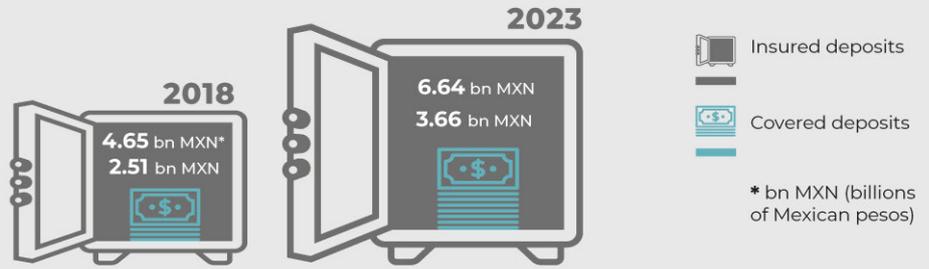
153 million depositors

Note: Fully-insured deposits in banks are also known as covered deposits.

Source: IPAB.

Insured deposits.

The balance of insured deposits increased **42.55%** in the last five years, while covered deposits rose **45.56%**.



Coverage limit

(Equivalent to 400 thousand UDIs)



Objective: the bank savings protection system guarantees the deposits of people who entrust their resources to these institutions.

Considering IPAB's coverage limit, the covered deposits are distributed among **153 million** depositors, of which **98%** are individuals or natural persons.

100%

of depositors are insured.

99.88%

of depositors are fully covered.

0.12% are partially covered up to the coverage limit.

Bank Monitoring

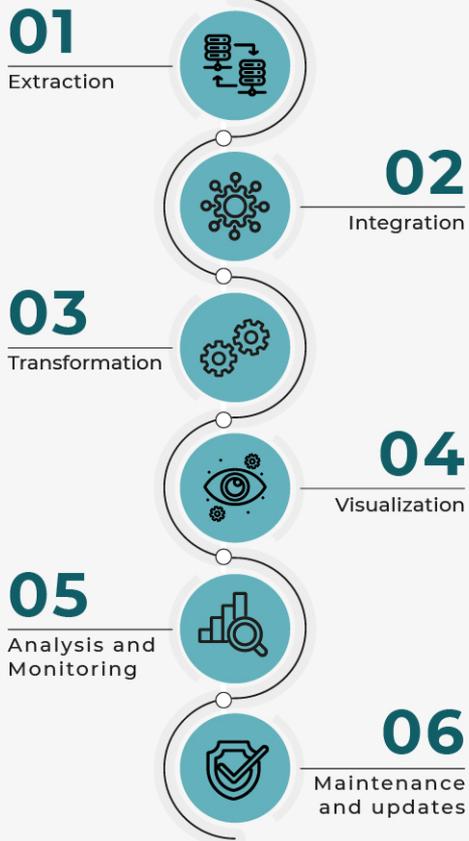
IPAB carries out timely assessments on banks focusing on deposit protection. To this end, it has designed and developed a unique model that allows analyzing financial indicators and generating automated reports. This enables the recurring evaluation of the financial and operational condition of banks operating in Mexico⁴.



⁴ The comprehensive analysis report is an information consultation tool developed by IPAB to facilitate a complete and timely analysis of each bank's financial performance from a deposit insurance perspective.



INFORMATION MODEL



Source: IPAB.

ACHIEVEMENTS OF THE INFORMATION MODEL

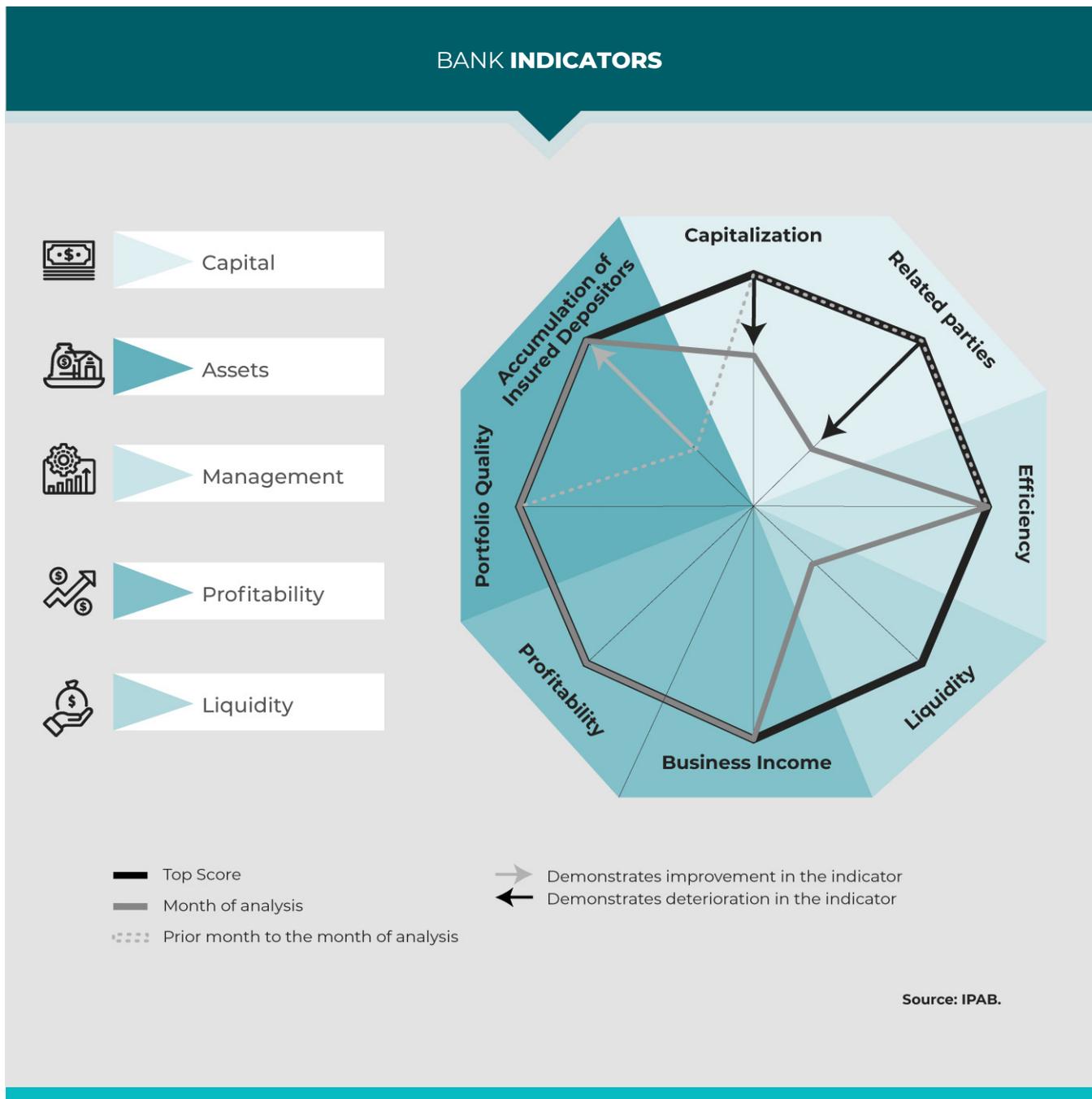


Source: IPAB.



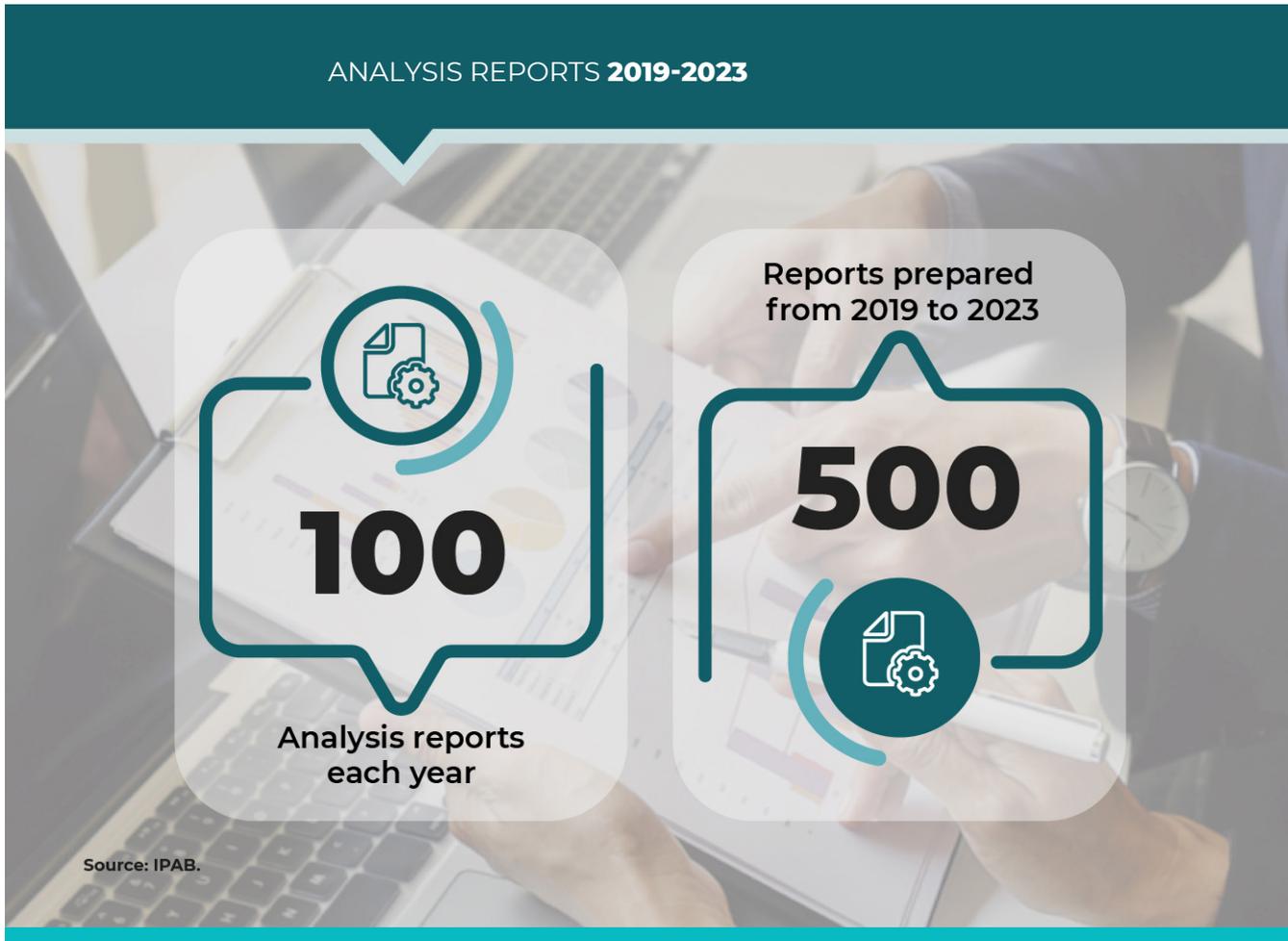
Constant monitoring of bank performance allows IPAB to effectively and promptly identify risks related to solvency and liquidity from a deposit insurance perspective.

IPAB’s monitoring of each bank involves reviewing certain indicators that reflect its solvency, asset quality, management efficiency, profitability, and liquidity. These indicators serve to diagnose the financial health of every bank and estimate its probability of default. In this way, IPAB can also estimate the risk profile and foresee vulnerability situations of banks from the deposit insurer’s perspective.





ANALYSIS REPORTS 2019-2023



In this regard, IPAB generates statistical and analytic reports on a monthly basis, which reflect the financial condition of banks and simplify the analysis of the geographical distribution of eligible account holders, the amount of their deposits, and the fees each bank contributes to IPAB, among other elements.

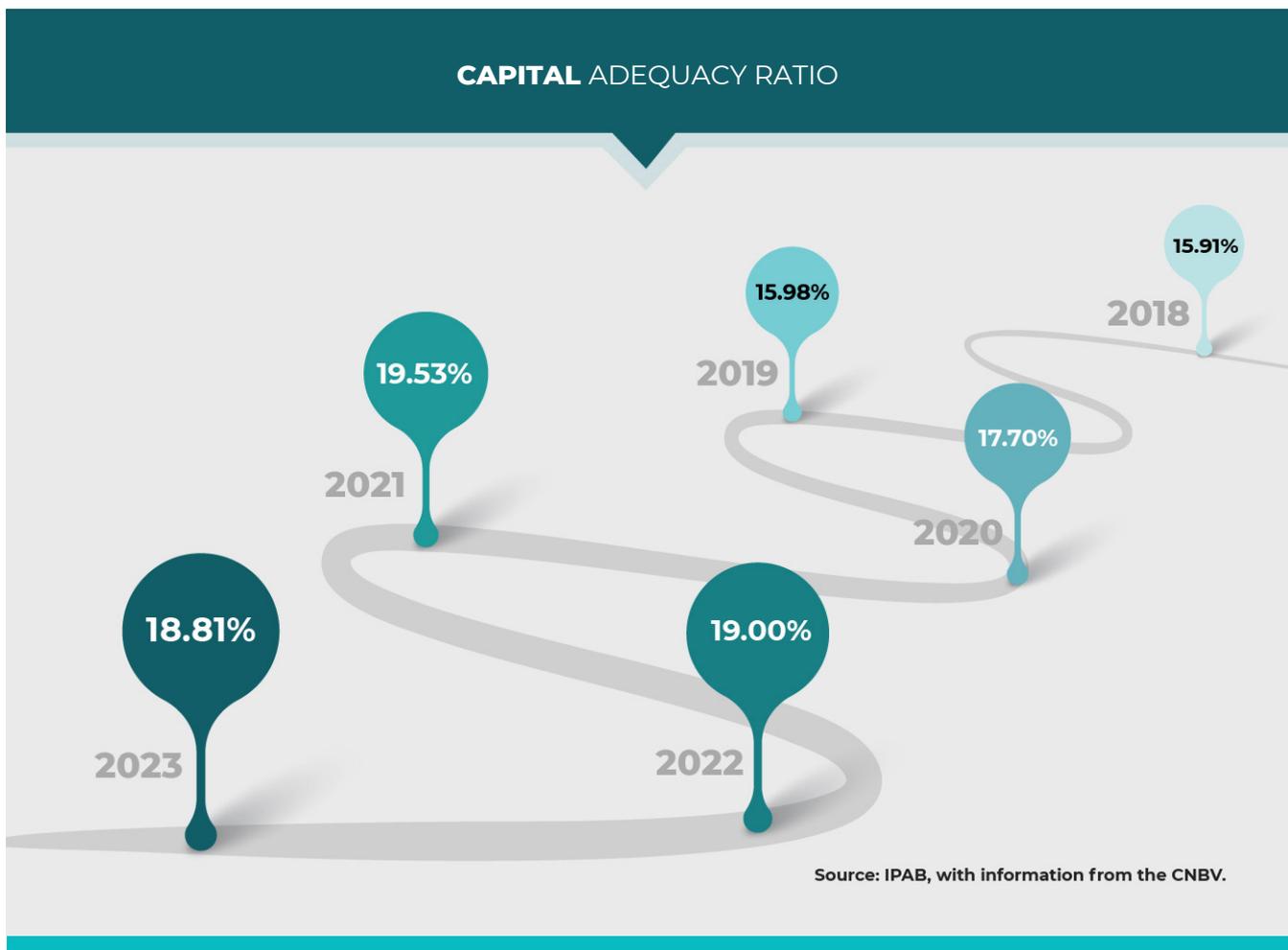
Likewise, periodical financial projections are included as part of these analysis and monitoring tasks, which focus on the interaction between macroeconomic variables and the performance of each bank. This way it is possible to identify risks that could affect the banks' solvency, liquidity, or operation.

Furthermore, IPAB carries out quarterly simulation exercises to estimate the resolution cost as a result of a potential payout of covered deposits of several

banks, considering the feasibility of these scenarios. These exercises help to measure the Institute's exposure to a possible event of this type.

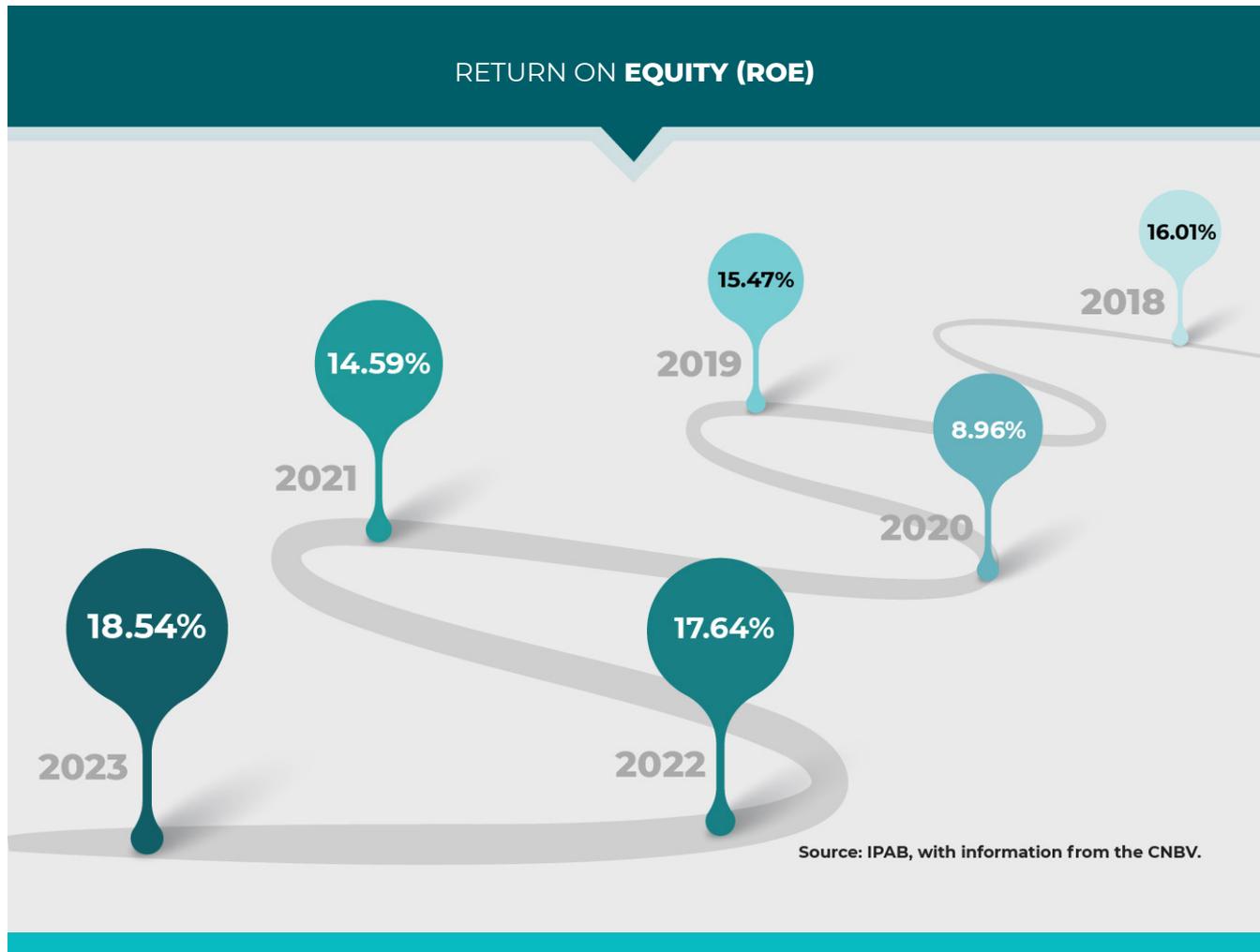
Financial Situation of Commercial Banks

By the end of 2023, the banking system had 52 authorized banks, 49 of which were operational. Banco Bineo, Hey Banco, and Openbank México were the three banks yet to begin operations at the close of 2023. On the other hand, in July 2023, American Express requested the cancelation of its license to operate as a commercial bank.





The Capital Adequacy Ratio (CAR) is the measure that reflects the sturdiness and resilience of the banking system. To date, banks in Mexico hold a wide margin above the minimum required operating threshold of 8%. The positive evolution of the CAR over the past five years is due to the growth of banking capital supported by profit accumulation⁵.

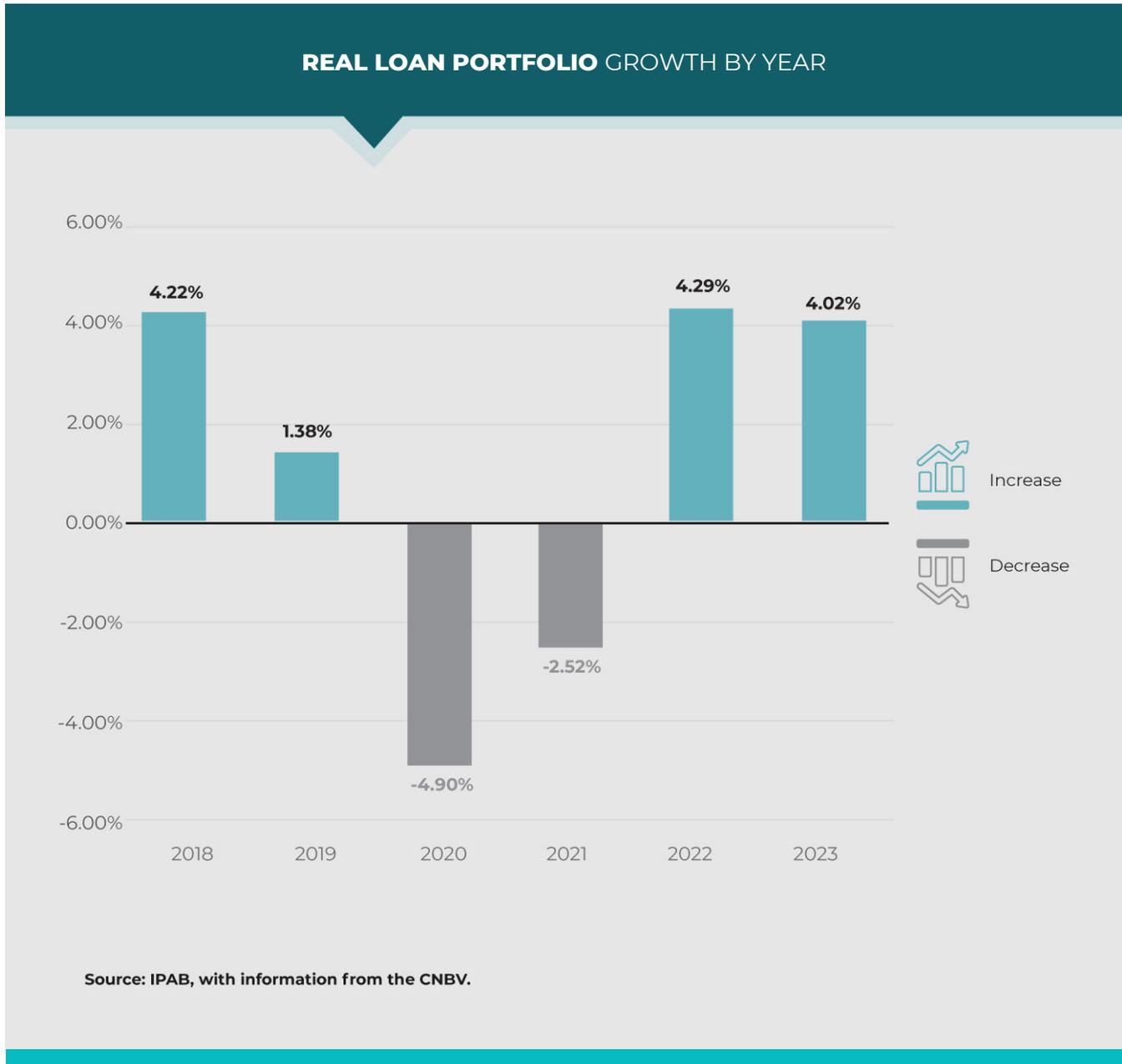


Similarly, over the past five years, banks' profitability has experienced a growing trend, in terms of Return on Equity (ROE)⁶, driven by an increase in the banks' income.



⁵ The banking system's CAR has remained above the preventive regulatory limit of 10.50%.

⁶ ROE, or "Return on Equity," is a metric used to measure the relationship between net profit and shareholders' equity.



The loan portfolio, a fundamental asset of banks, kept an upward trajectory in 2023, closing with a 4.02% annual real growth which reflects an expansion of banking operations as well as an economic recovery after the restrictions imposed by the Covid-19 pandemic. In line with greater demand for bank financing from companies and households, notable real growth was seen in the main segments of the loan portfolio: consumer, mortgage, and commercial, with increases of 12.36%, 4.44%, and 2.17%, respectively.



Assessment of Market Value of the Banks' Assets

Asset value estimation

Monitoring
of the valuation of
bank assets.



To monitor the financial and operational condition of banks, IPAB designed a methodology to classify assets according to each type of loan portfolio and the assets it contains, thereby estimating the range of value at which these assets could be sold on the market.

80% reduction in
processing time
for approximately
360 million loans,
achieved through
the implementation
of a system that
employs an established
methodology.



IPAB's tools are flexible enough to put forward diverse scenarios, including stress conditions in the market, to estimate potential discounts on the value that could be obtained from the sale of these assets.

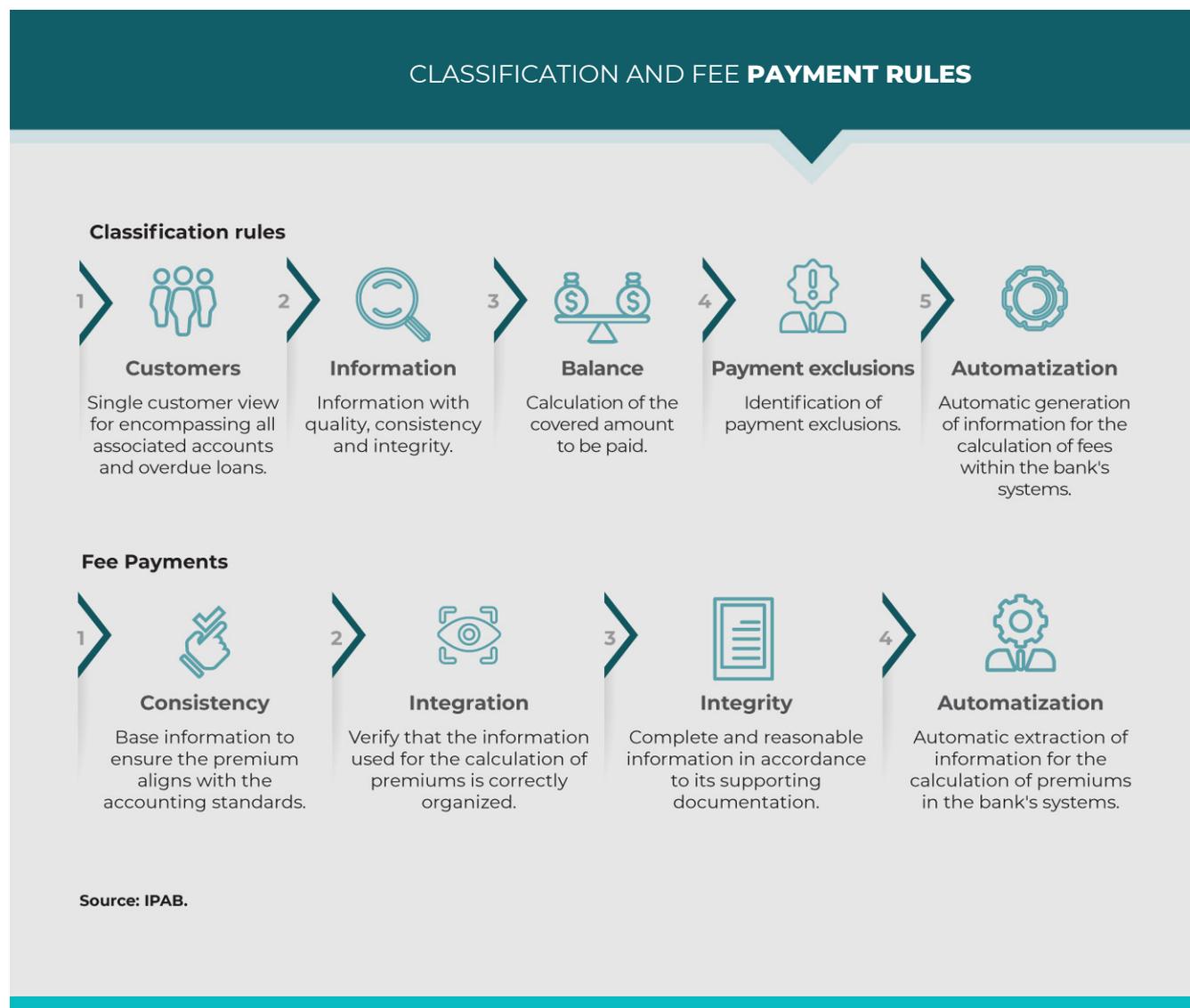


Secondary Asset Market Analysis

For the last five years, IPAB has prepared, at least twice a year, a detailed and thorough report on the secondary market and the manner in which the banking assets could be marketed. The report also envisions the potential interest of external buyers of these assets.

On-site Inspection Visits

IPAB carries out on-site inspection visits to banks as part of its substantive processes to timely evaluate banks' compliance with deposit insurance regulations.



During the on-site inspection visits, IPAB performs a thorough review of the way banks classify those clients who are eligible for deposit insurance protection (classification rules), as well as verifying fee payments that banks contribute to IPAB.

ON-SITE INSPECTION VISITS 2023

33%

of the
banking
system

- | | |
|--------------------------|----------------------------|
| 1) Banco PagaTodo | 9) CIBanco |
| 2) Fundación Dondé Banco | 10) Banco Bancrea |
| 3) Bank of China México | 11) Banca Afirme |
| 4) Intercam Banco | 12) BI Afirme |
| 5) Banco Compartamos | 13) Consubanco |
| 6) Banco Ve por Más | 14) Bank of America Mexico |
| 7) Banco Base | 15) Banco Azteca |
| 8) Banco Sabadell | 16) MUFG Bank México |
| | 17) Banco Autofin México |

38.49 million
customers reviewed

25%
total
customers.

10,207 million
of Mexican pesos of
verified fees

32%
total
fees.

Source: IPAB.



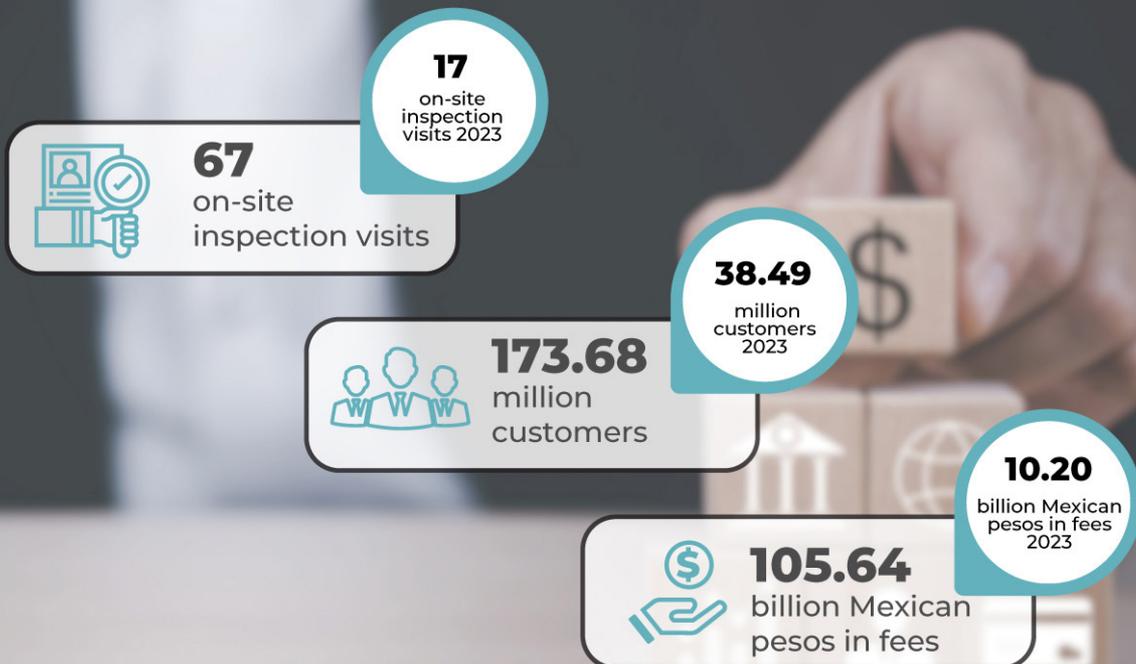


Guiding Principle

During on-site inspection visits to banks, **IPAB reviews information on depositors and on the calculation of fees paid** for building the deposit insurance fund (FPAB).

In 2023, IPAB performed on-site inspection visits to 17 banks in operation (which represent one-third of the banking system), with more than 38 million clients, roughly 25% of the total clients of Mexican banks. Likewise, in these on-site visits IPAB verified the information for the collection of fee which amount to MXN 10,207 million and represent 31.73% of the total fees paid by the banks to build the Bank Savings Protection Fund.

ON-SITE INSPECTION VISITS 2019-2023



Source: IPAB.

IPAB has conducted 67 on-site inspection visits over the past five years, approximately 1.34 times the size of the banking system.



IPAB reviewed the consistency of information in banks' records for over 173 million covered depositors, as well as the amount of fees paid to the Institute for a total of MXN 105,638 million.

Reimbursement to depositors

In 2020 and 2021, IPAB carried out the payout of covered deposits of Banco Ahorro Famsa and Accendo Banco, respectively. It achieved a 99.31% progress for the former and 99.16% for the latter. It is important to highlight that the process of reimbursement to depositors of both institutions was promptly implemented, starting the day after the revocation of these banks' licenses took place.



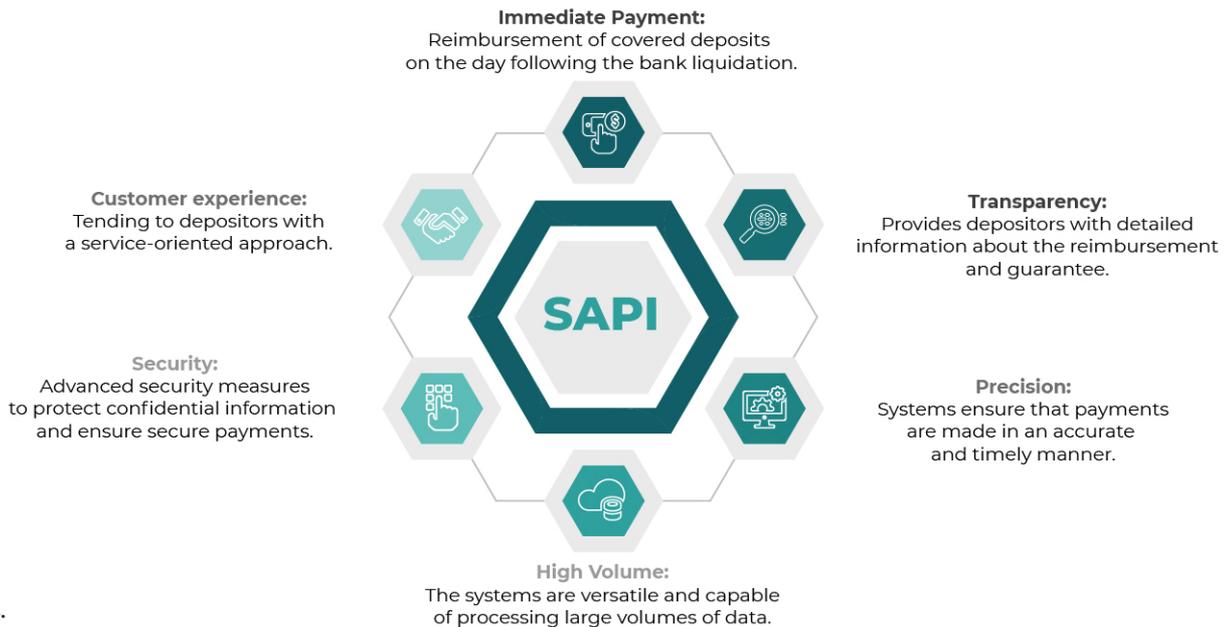
PAYOUT OF COVERED DEPOSITS



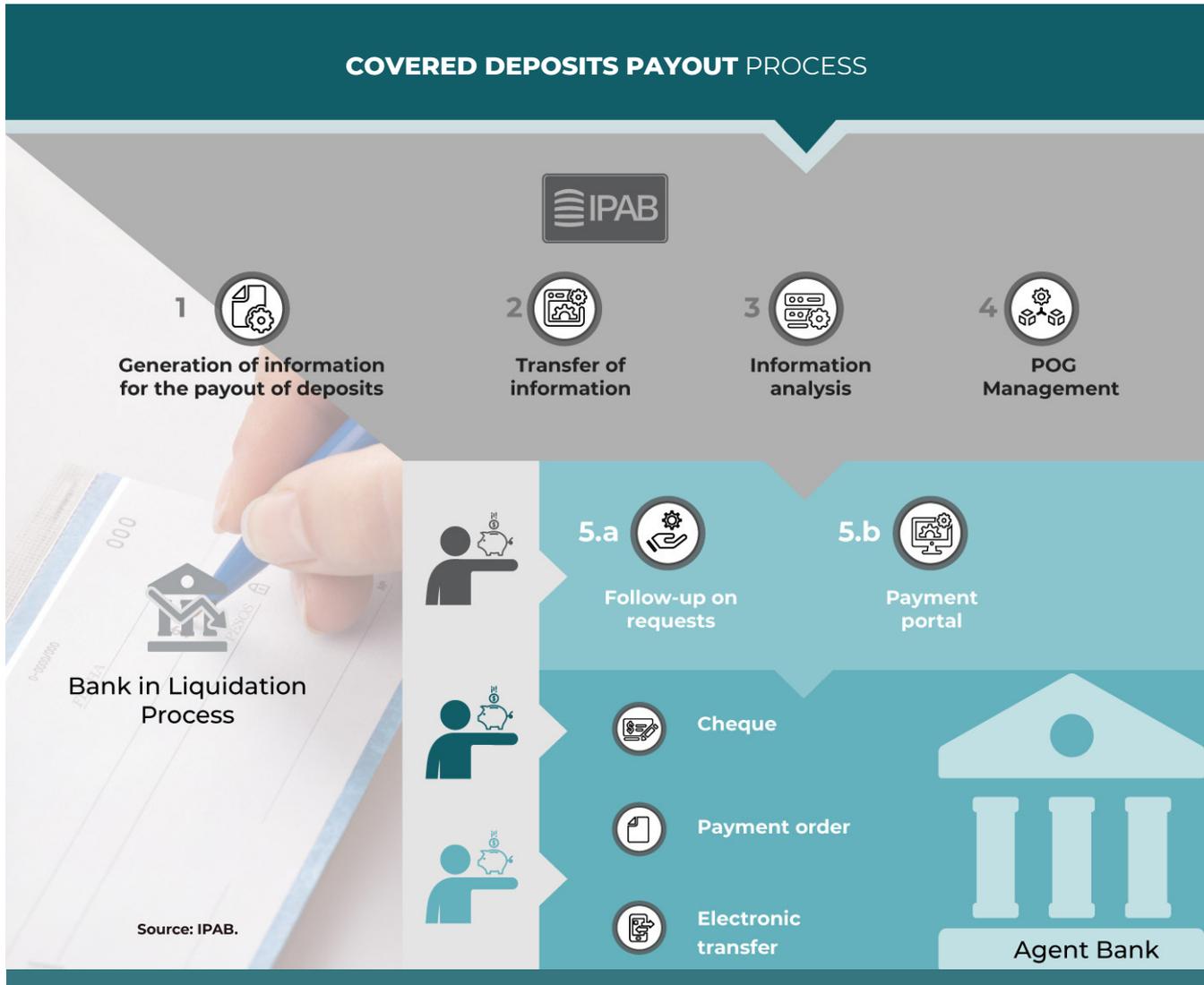
Source: IPAB.

INFRASTRUCTURE AT THE FOREFRONT

IPAB's cutting-edge infrastructure, enabled the payout process of covered deposits to Famsa and Accendo customers, to be characterized with the following features:



Source: IPAB.



Sanctions for regulatory non-compliance

From 2019 to 2023, IPAB initiated 54 administrative sanction proceedings to banks: 23 for the late payment of fees, 27 for the improper classification of depositors' information, and the remaining four given the banks' did not comply with a requirement to provide information to the Institute.



ADMINISTRATIVE SANCTIONING PROCEDURES 2019-2023



Total amount collected **\$15,612,737.51**

■ In process ■ Completed

Source: IPAB.



Administrative Sanctions

In the last 5 years, IPAB **initiated 54 administrative sanctioning procedures** against banks, primarily for failing to pay fees on time.

During the 2023 fiscal year, IPAB initiated 10 administrative sanction proceedings issued 17 sanction determinations, made 13 collections for the concept of uses to the Federal Treasury which resulted in income amounting to MXN 1.35 million⁷. Likewise 16 open cases were concluded by reaching agreements that



⁷ The resources derived from sanctions are not incorporated into the FPAB; they are considered revenues of the State.

put an end to the corresponding administrative sanction procedure. The progress and details of these proceedings can be found in the following graph:



Resolution Plans

If a bank faces a severe solvency or liquidity problem that prevents it from operating, it could significantly affect its clients and even impact the economy of a country.

As a preemptive measure for such situations, IPAB has developed resolution plans since 2015, in coordination with the Ministry of Finance and Public Credit (SHCP),



the Central Bank of Mexico (Banxico), and the National Banking and Securities Commission (CNBV). These plans detail how and under what terms IPAB close a bank or could carry-on operating the bank through financial support.

These documents include simulated stress situations where banks face financial problems that prevent them from continuing operations; this way IPAB can decide the most appropriate strategy to resolve them at the least possible cost, ensuring that depositors retain the value of their assets and avoiding the use of public resources.

Developing resolution plans is recognized as an international best practice, as they represent the primary source of guidance for authorities if a bank faces a situation that jeopardizes its permanence in the banking system.

OBJECTIVES OF RESOLUTION PLANS



- 1 Act promptly** to benefit bank users, the financial system, and the national payment system.



- 2 Strengthen IPAB's knowledge as well as its capacity** to adapt to new products and business models.



- 3 Identify the method** which allows IPAB to manage the orderly resolution of a bank, thus protecting bank users' savings.

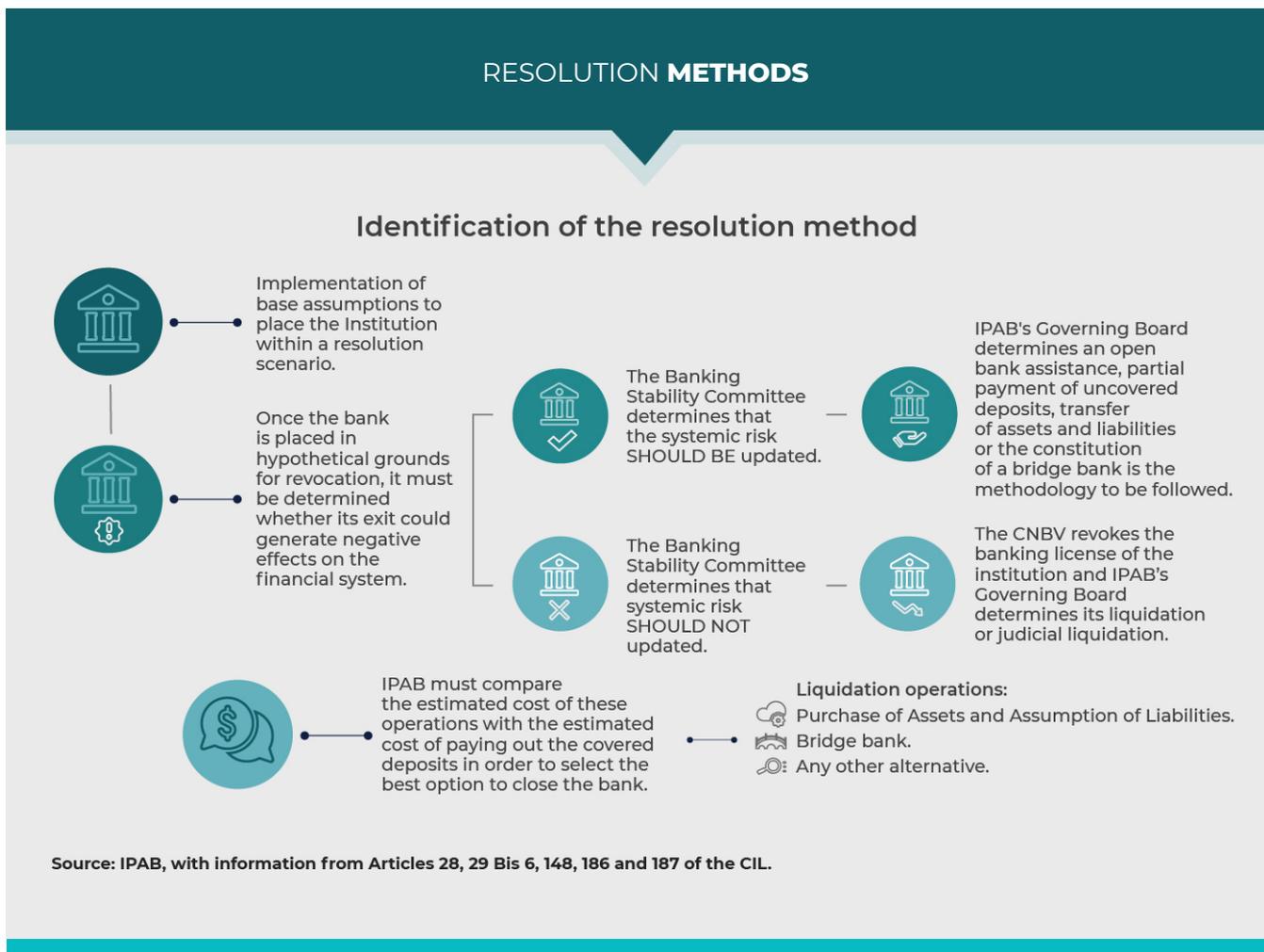


- 4 Have an initial reference** on a bank in case its operational and financial viability becomes compromised.



Source: IPAB

Resolution plans provide a general description of the overall situation of each bank. These also include a description of its business model, identification of its critical functions, the relevant providers of goods and services for its operation, companies and institutions with which the bank maintains a business relationship, as well as the proposed resolution method and the barriers that could complicate or impede the implementation of said method.



In recent years, the regulation on developing resolution plans has been modified to incorporate elements based on international guidelines and standards, and to get in line with best practices adopted in other countries on bank resolutions. Since 2022, these documents include an assessment of bank's capacity to be resolved without much disruption, analyzing aspects related to the bank's management that could facilitate its orderly resolution if necessary.



ASPECTS EVALUATED TO MEASURE A BANK'S RESOLUTION CAPACITY

Assessment of a bank's resolution capacity

This evaluation analyses the financial, legal and operational structure of a bank, to identify whether it complies with and/or presents the necessary elements to facilitate the implementation of the resolution strategy, without generating a significant impact on third parties.

To conduct the analysis, IPAB uses international guidelines adapted to the Mexican legal framework as a reference.

Source: IPAB.

Aspects evaluated



Governance



Loss absorption capacity



Liquidity and financing



Communication



Operational continuity



Systems



Separability and restructuring

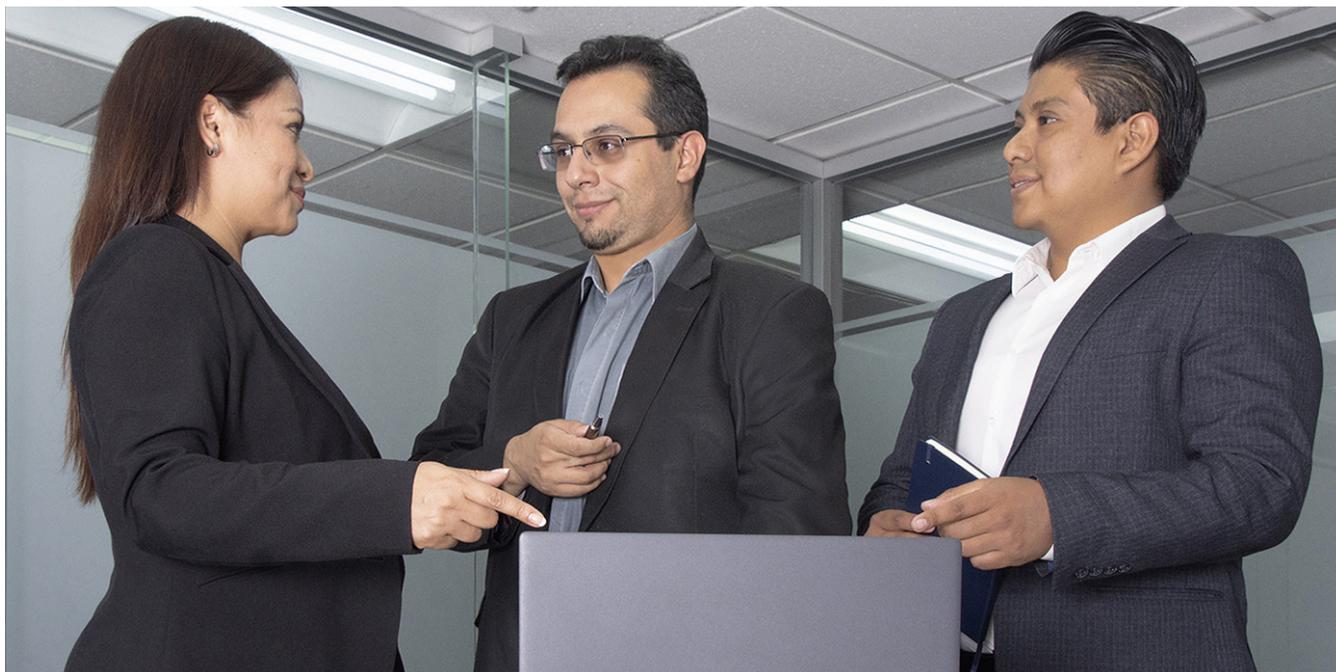
In other jurisdictions, this analysis represents a process to monitor and evaluate how banks are progressing in the implementation of the conditions that ensure their resolution strategy is credible and viable.

In Mexico, resolution plans are developed for all banks in operation, unlike in other jurisdictions around the world, where these plans are only required for large and complex banks. This allows IPAB to have a comprehensive understanding of the entire banking system and to act promptly should any issue arise in the financial environment.

During 2023, IPAB developed 12 resolution plans. Over the past 5 years, the accumulated figure has reached 63 plans, which represent 76.83% of the 82 plans that IPAB has developed. Of these 50 plans are first versions and 32 are updates, which

involve a complete review of all sections of the resolution plans. This process is crucial for IPAB to understand the strategic changes implemented by banks in their business models and operational infrastructure since the last plan was prepared. It enables IPAB to adjust or design new resolution strategies according to the banks' current situation and identify new barriers that could hold back its closure or, if applicable, its operational continuity with financial support.

To date, all banks operating within the Mexican banking system have at least one resolution plan developed by IPAB⁸, reflecting the Institute's work over the past years as preparation for the potential failure of any bank.



Advantages of developing resolution plans

Resolution plans serve as a reference in the event of a crisis, as important decisions must be made within a short timeframe.



⁸ In the case of BNP Paribas México, the development of its resolution plan is scheduled for 2024. Regarding CBM Banco, a member of Grupo Financiero Citibanamex (formerly Deutsche Bank México), market conditions and the institution's own conditions will be assessed to determine the feasibility of developing its resolution plan in the coming years, as it is undergoing restructuring due to Grupo Financiero Citibanamex's acquisition of 99.90% of its shares.



This is particularly relevant for banks classified by the CNBV as domestic systemically important, consisting of Mexico’s largest banks and serving 80% of covered depositors. The period for updating the resolution plans for these systemic banks’ is shorter than the timeframe for the rest of the banks.



A resolution plan for each bank

IPAB has developed a resolution plan for all banks operating in Mexico, not just for large or complex institutions.

With the update of these plans, IPAB keeps up with the evolution of banks’ businesses. Their update frequency is determined according to the classification of banks into four groups:

FREQUENCY OF RESOLUTION PLAN UPDATES

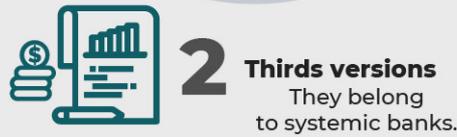
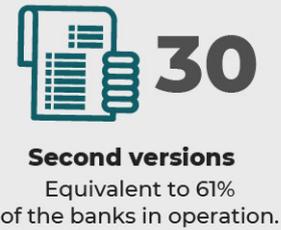


Source: IPAB.

ANALYSIS, EARLY DETECTION, AND TIMELY INTERVENTION

DEVELOPMENT OF RESOLUTION PLANS

With the development of these resolution plans, IPAB has turned the banking system around.



Source: IPAB.

RESOLUTION PLANS



Analysis Scope

Finance, operations,
legal, accounting, risks,
communications,
technology.



Time frame

for the development of each
resolution plan
96 business days
per document.



60 people

participate in
the development of
resolution plans.

Source: IPAB.

To develop resolution plans, IPAB designed several technological tools for monitoring and executing different activities, thereby contributing to a more efficient processed.

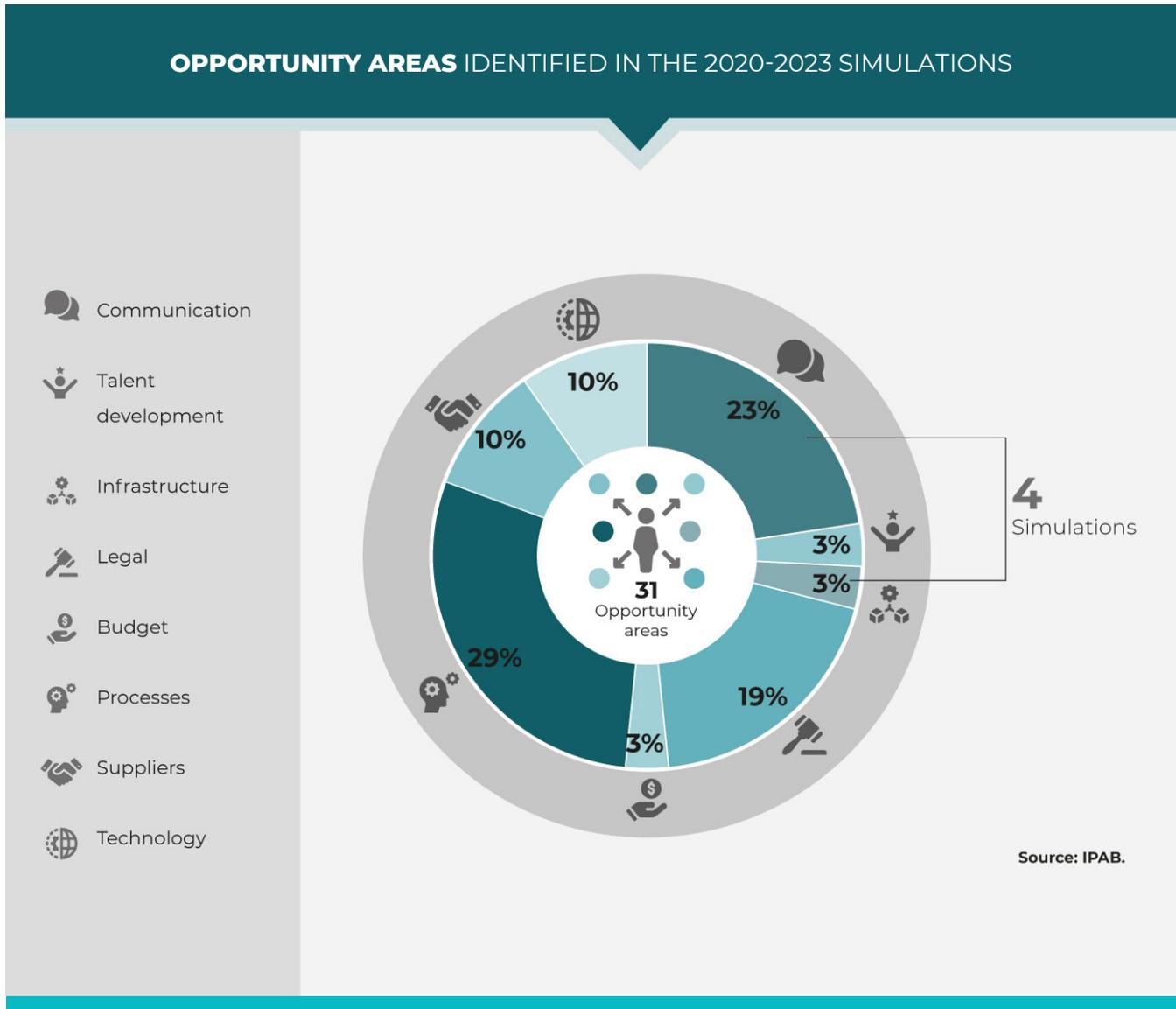


These tools include systems for estimating the cost of resolving a bank, web portals for secure and reliable information exchange, applications for tracking the progress of developing a resolution plan, and repositories with key information from previous developments.

Bank resolution simulations

To act promptly and efficiently in the event of a bank resolution, to anticipate its staff's response capacity and evaluate resolution processes, deposit insurance agencies must conduct simulations periodically, following international best practices.

Since 2011, IPAB has carried out at least one simulation exercise each year as a permanent practice. In 2023, the exercise focused on communication activities to the public during a resolution, using an internally developed IT infrastructure. The results determined that IPAB has the capacity to act promptly in the event of a banking contingency.



The benefits of conducting bank resolution simulations include:

- Identifying challenges and issues that the Institute might face during a banking contingency.



- Developing contingency plans for those areas of opportunity which have been identified to strengthen IPAB's processes and infrastructure.
- Improving the capabilities of IPAB's officers and training new staff.

5



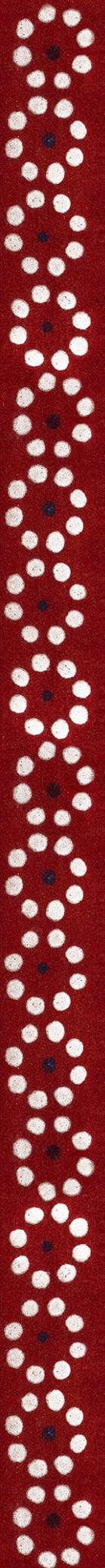
PAB follows a protocol for taking control over banks whose license to operate has been revoked by the CNBV. This procedure groups banks according to their operational model to identify critical or substantive areas within a liquidation or judicial liquidation process. The appointed liquidator⁹ must establish a specific action plan from the moment the bank's revocation takes effect.

In 2023, IPAB undertook various activities to continue progressing in the processes of four banks in liquidation or bankruptcy, seeking recoveries from their original assets.



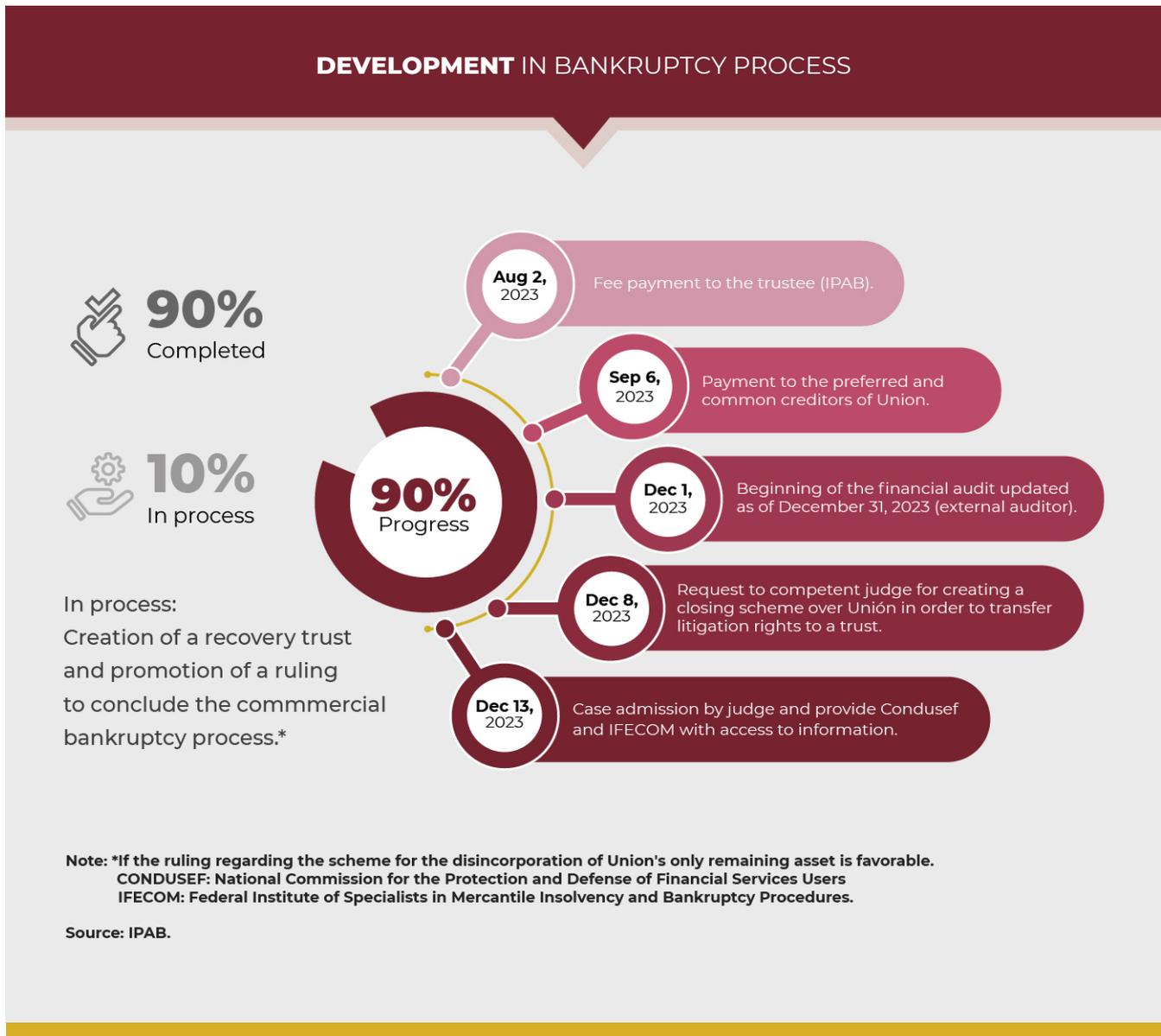
⁹ Liquidator, judicial liquidator, or designated attorney according to article 167 of the Credit Institutions Law.

Management of Bank Resolutions



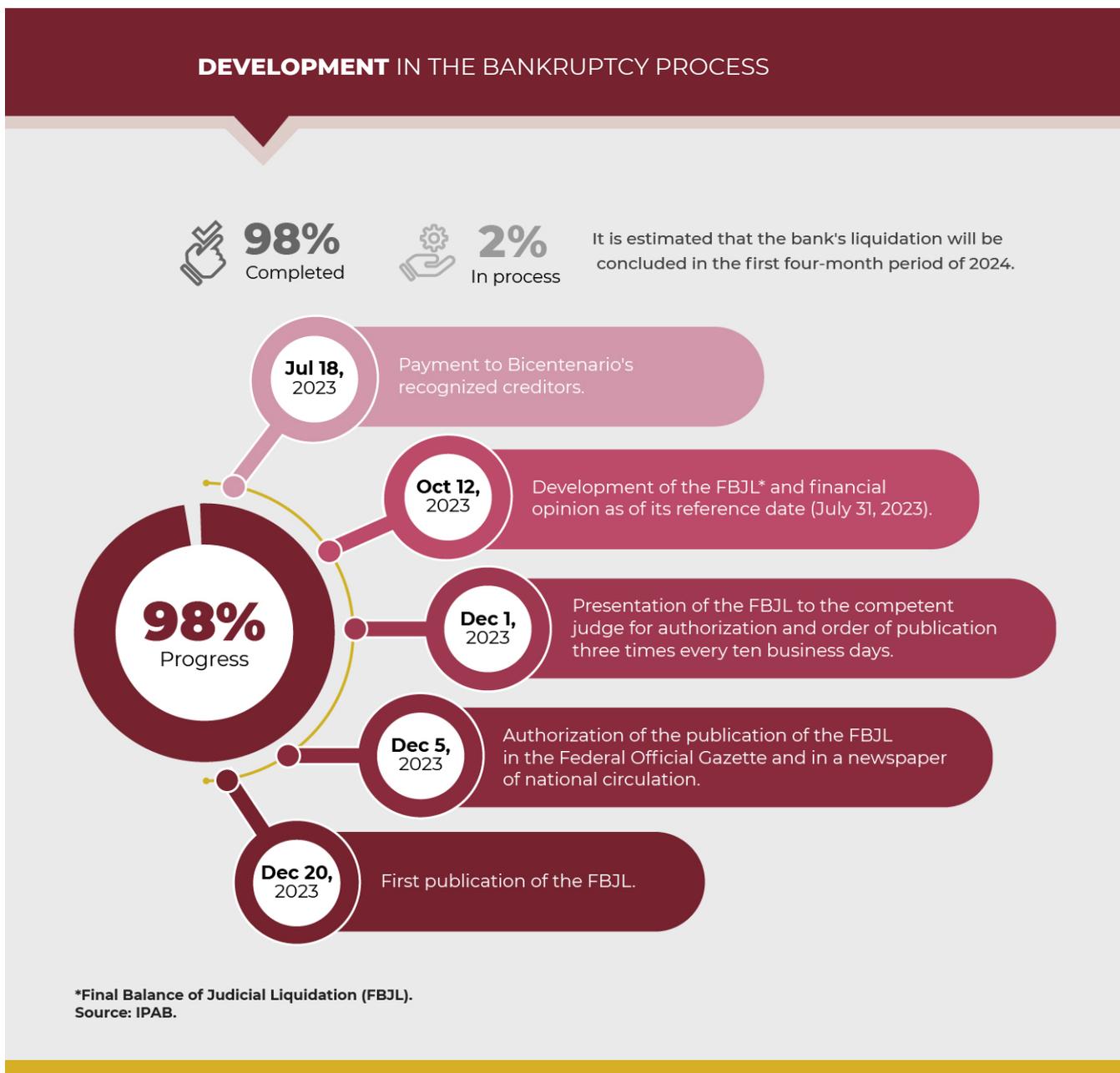
Banco Unión, S.A., in bankruptcy proceedings

Bank Union, S.A.'s bankruptcy proceedings have progressed to 90%. There is only one remaining asset, which refers to litigation rights regarding the ownership of a property in the state of Quintana Roo. To move ahead in the institution's closure, IPAB has put forward a request to the judge overseeing the case to authorize the transfer of said litigation rights to a trust.



Banco Bicentenario, S.A., in judicial liquidation

IPAB has carried out several actions to conclude Banco Bicentenario's judicial liquidation process, which shows a progress rate of 98%. The main activities are presented below:



Banco Ahorro Famsa, S.A., in judicial liquidation

IPAB¹⁰ has taken the necessary steps to reduce operating expenses and swiftly sell assets for Banco Ahorro Famsa, S.A. in judicial liquidation (BAFELJ).

In 2023, IPAB held **21 auctions to sell** the remaining assets:

- 10 for real estate, achieving 30.91% of sales;
- 3 for movable assets and equipment, which reached a 8.67% success.
- 8 for transportation equipment, which sold 1.54% of the lot.

From 2020 to date, IPAB has conducted 96 auctions, achieving a 90.91% sales progress for real estate, 99.56% for movable assets and equipment, and 99.44% for transportation equipment.

These activities have sped up BAFELJ's judicial liquidation, which is evident in the evolution of the asset divestment process. At the end of 2023, 77.07% of total assets correspond to Cash and Cash Equivalents.

Since the beginning of the liquidation process, IPAB took action to manage collections of the loan portfolios and was able to sell them through four public bidding processes and auctions.



¹⁰ Through its appointed liquidator Alvarez & Marsal México, S.C.



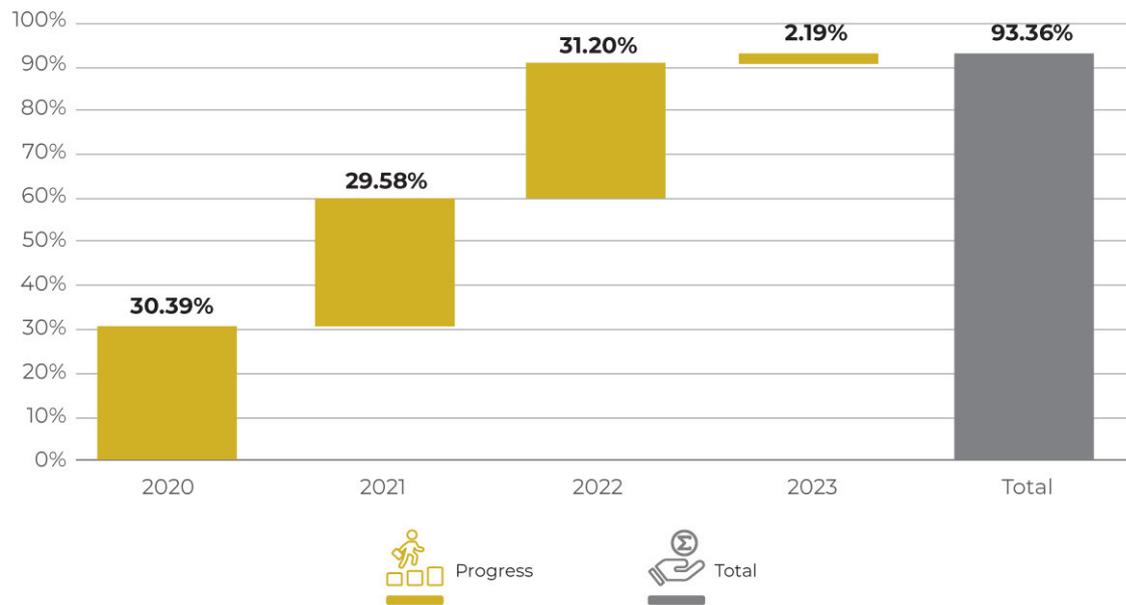
Progress in Judicial Liquidation

Reimbursement of covered deposits shows a **99.31% progress**. The judicial liquidation runs along under court supervision.

Operating expenses decreased due to an orderly workforce reduction program. Thus, at year's end 2023, the accumulated decrease in job positions has reached 99.6% from the start of the liquidation process.

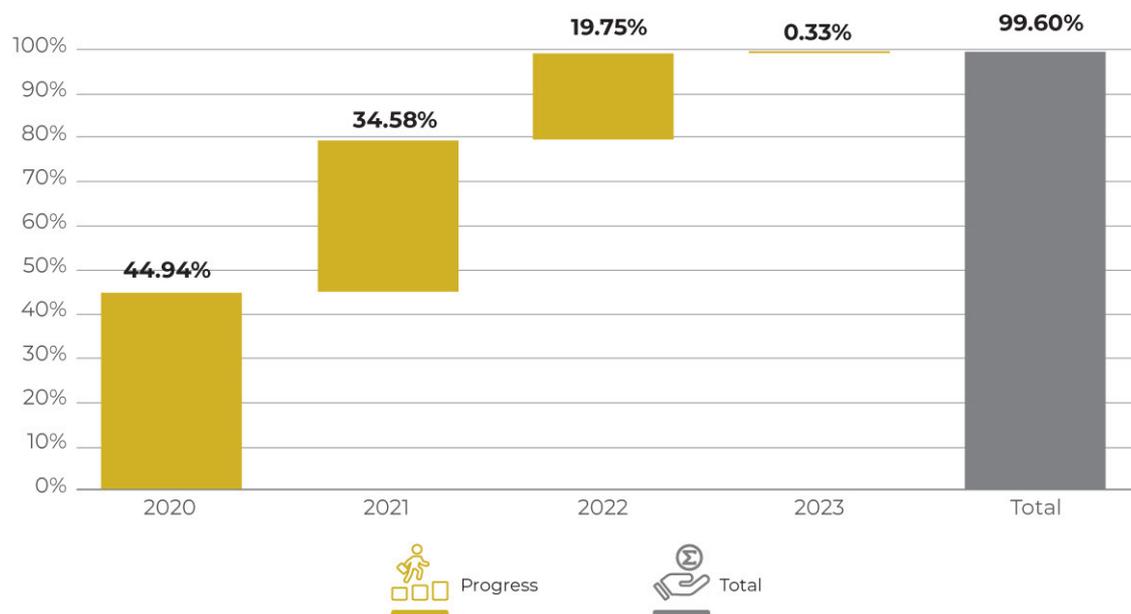
MANAGEMENT OF BANK RESOLUTIONS

PROGRESS IN OPERATING EXPENSE REDUCTION



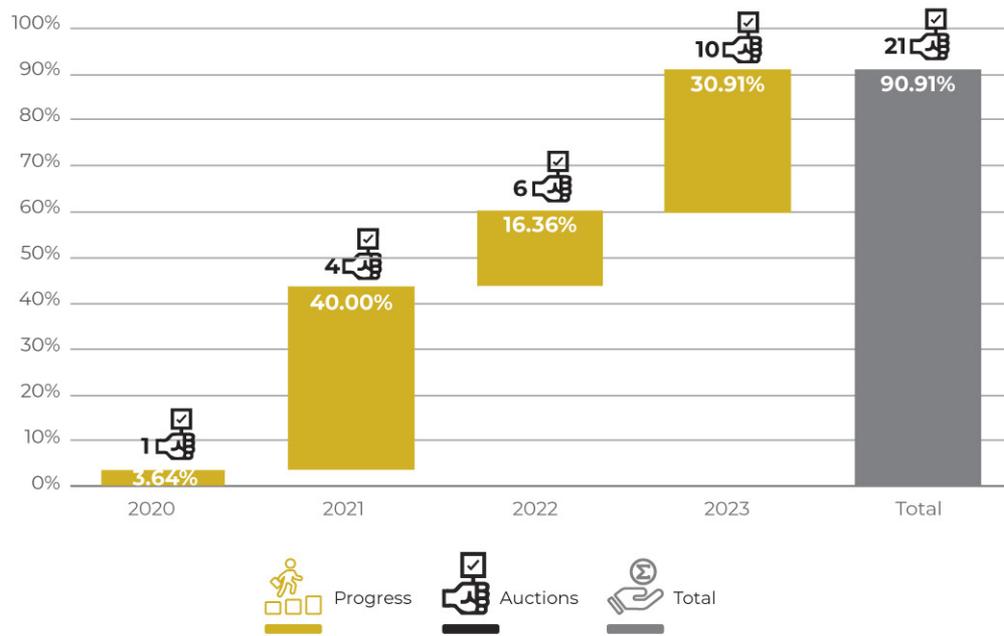
Source: IPAB.

PROGRESS IN WORKFORCE REDUCTION



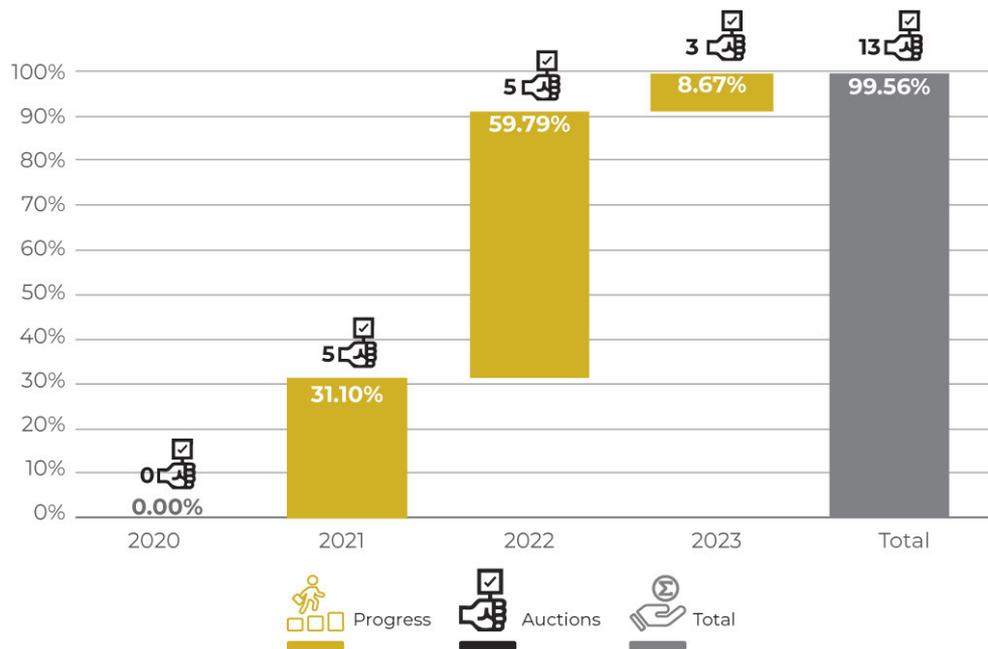
Source: IPAB.

PROGRESS IN REAL ESTATE SALES



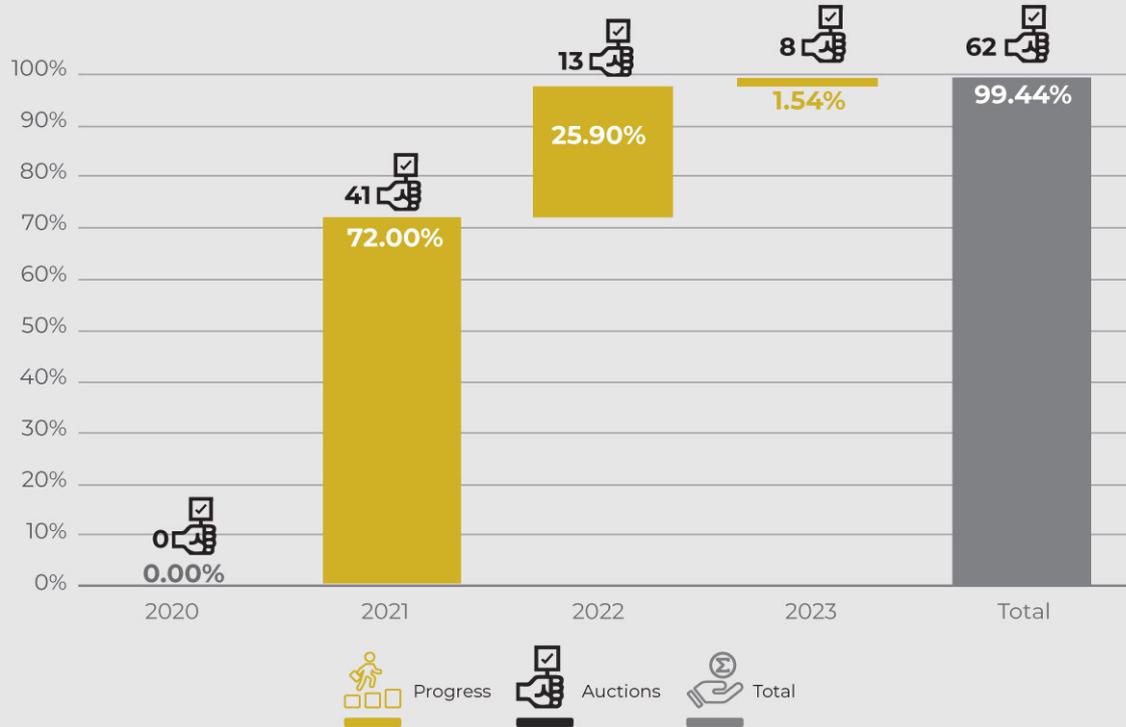
Source: IPAB.

PROGRESS IN MOVABLE ASSETS SALES



Source: IPAB.

PROGRESS IN **TRANSPORTATION EQUIPMENT SALES**



Accendo Banco, S.A., in judicial liquidation

By December 2023, Accendo Banco's (Accendo) Cash and Cash Equivalents represented 89.72% of total assets, up from 5.97% in 2021, when the liquidation process began. The asset sale strategies implemented by IPAB have led to these results.

Financial assets in global markets:

In 2023, IPAB managed to divest all assets placed abroad (specifically in Canada), which were allocated as financial instruments.

Loan portfolios, real estate, and movable assets and equipment:

IPAB held three auctions in 2023 for movable assets and equipment sales. To date, seven auctions and five bidding processes have taken place to sell Accendo's assets, with a cumulative 96.72% progress since the liquidation process for this bank began.

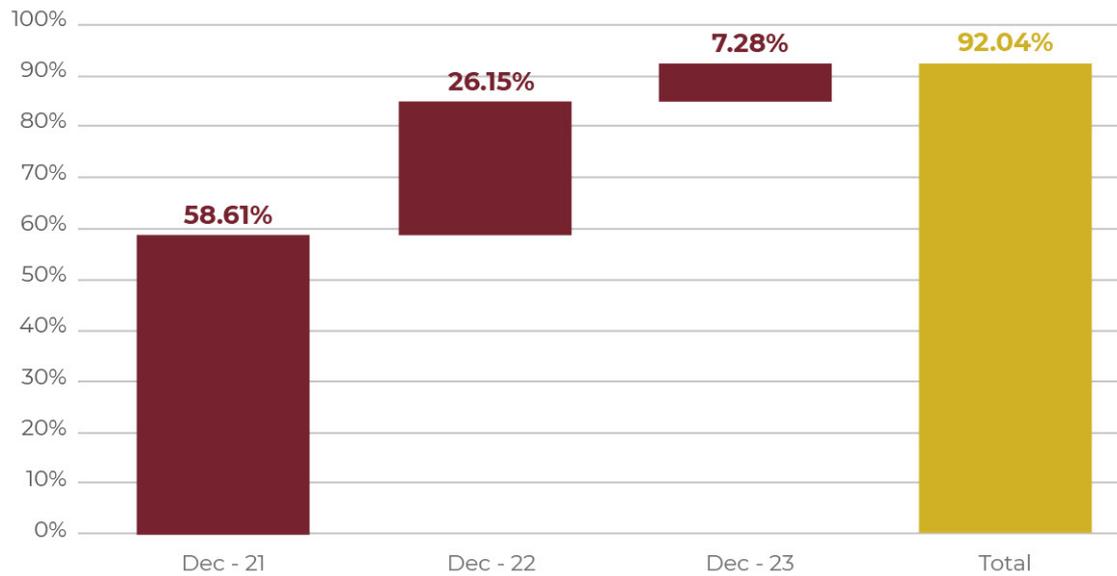
Trusts:

As an on-going business, Accendo held 44 fiduciary deals and common representations. In 2023, IPAB managed to replace or extinguish 26 of these, and 16 in prior years, therefore reaching an accumulated 95.45% progress.

Furthermore, given that the swift reduction of operating expenses represents one of the most relevant aspects of a liquidation process, IPAB has reached a 92.04% reduction since liquidation began, with a 7.96% achieved in 2023 alone. In this sense, workforce reduction accumulates a 94.12% progress so far.

MANAGEMENT OF BANK RESOLUTIONS

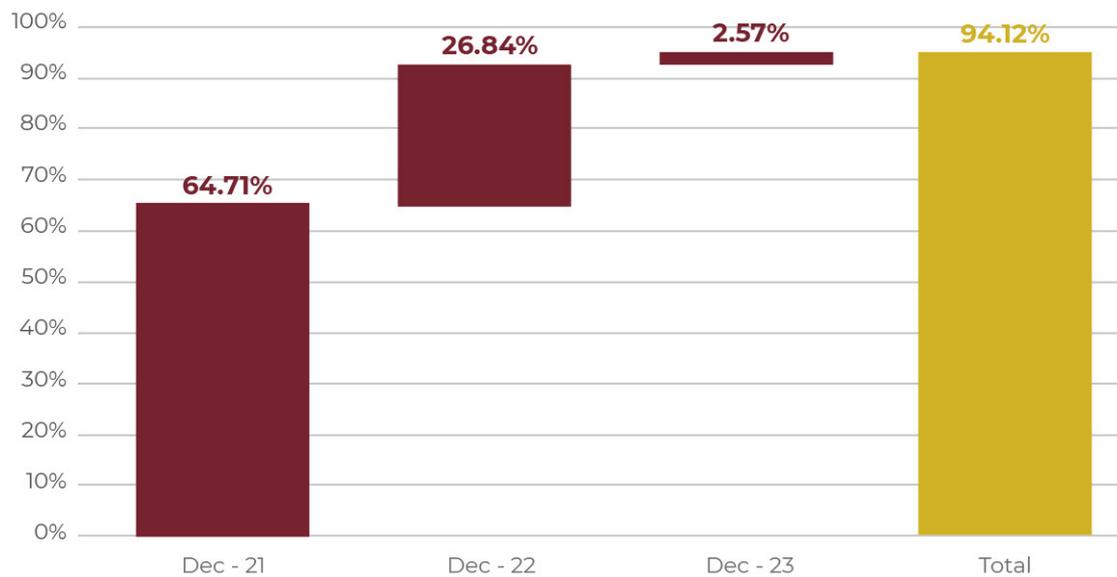
PROGRESS IN OPERATING EXPENSE REDUCTION



Source: IPAB.



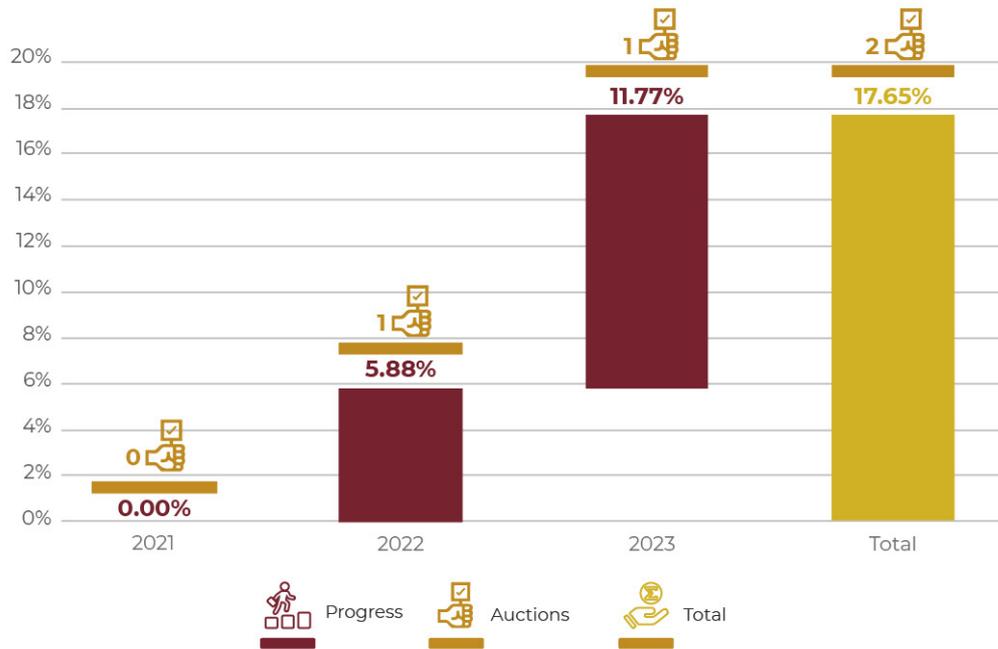
PROGRESS IN WORKFORCE REDUCTION



Source: IPAB.

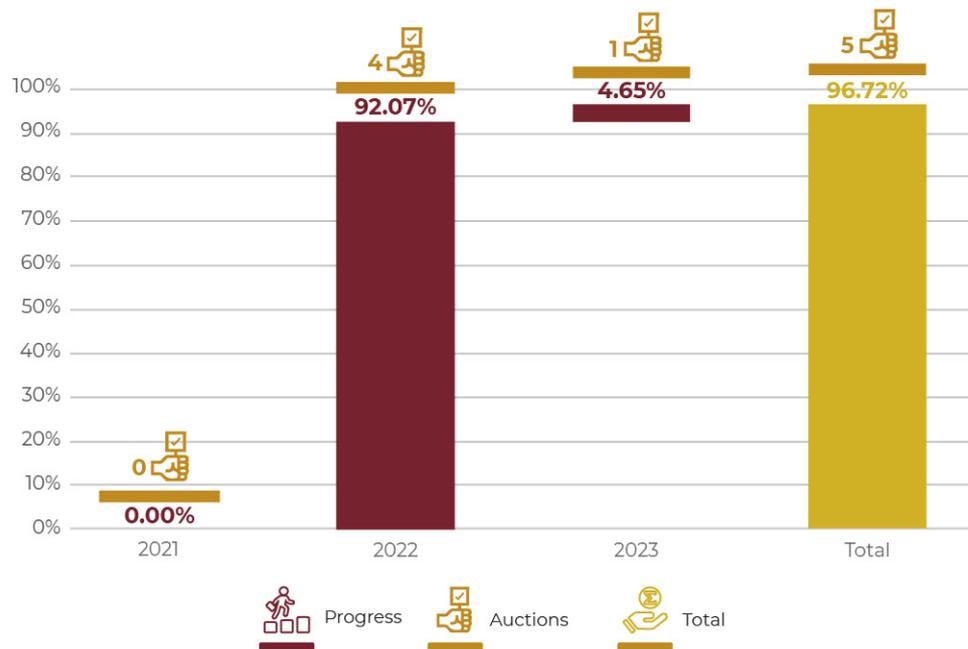


PROGRESS IN REAL ESTATE SALES



Source: IPAB.

PROGRESS IN MOVABLE EQUIPMENT SALES



Source: IPAB.

6



In order to have the necessary funding to meet its obligations and ensure the availability of resources in the most effective manner, IPAB:

- 1.** Managed financial resources efficiently according to the investment regime set forth in regulation, including strengthening the FPAB and collecting fees from banks operating in Mexico.
- 2.** Implemented a financial strategy to manage and refinance its debt, in order to prevent its growth in real terms.

Fees collected from banks

Following international best practices¹¹, deposit insurance in Mexico establishes the obligation for banks to make prior contributions to the FPAB through a mechanism of collection

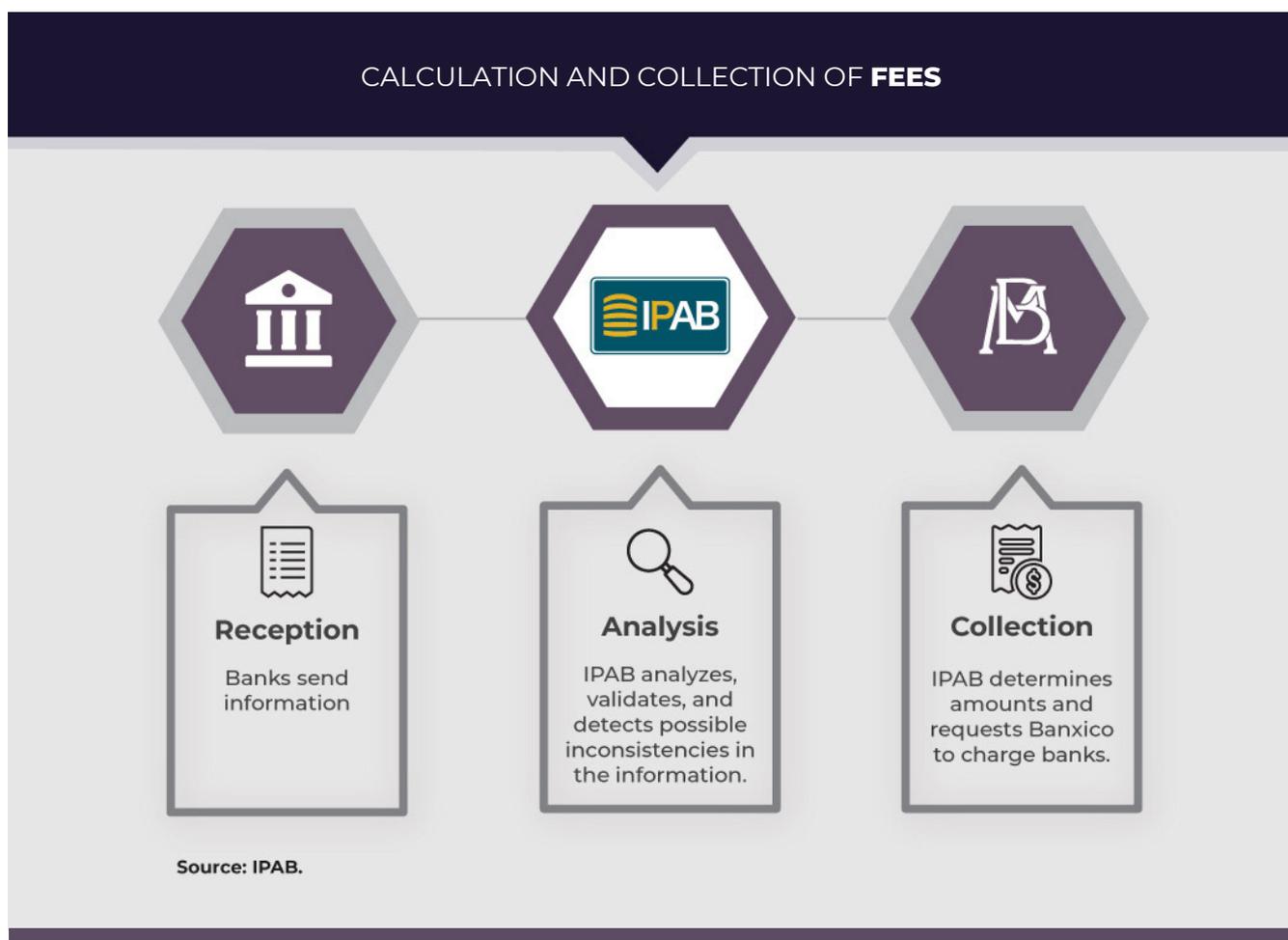


¹¹ Principle 9, Origin and Uses of Funds, Core Principles for Effective Deposit Insurance Systems, IADI.

which takes place before a bank fails¹², allowing IPAB to maintain sufficient financial resources when facing potential costs associated with a bank resolution procedure.

Thus, in the event of a bank failure, this fund management strategy prioritizes the availability of financial resources, allowing the Institute to act promptly and effectively. This ensures that IPAB can provide certainty and promote public trust in the stability of the Mexican banking system.

Calculation and collection of fees

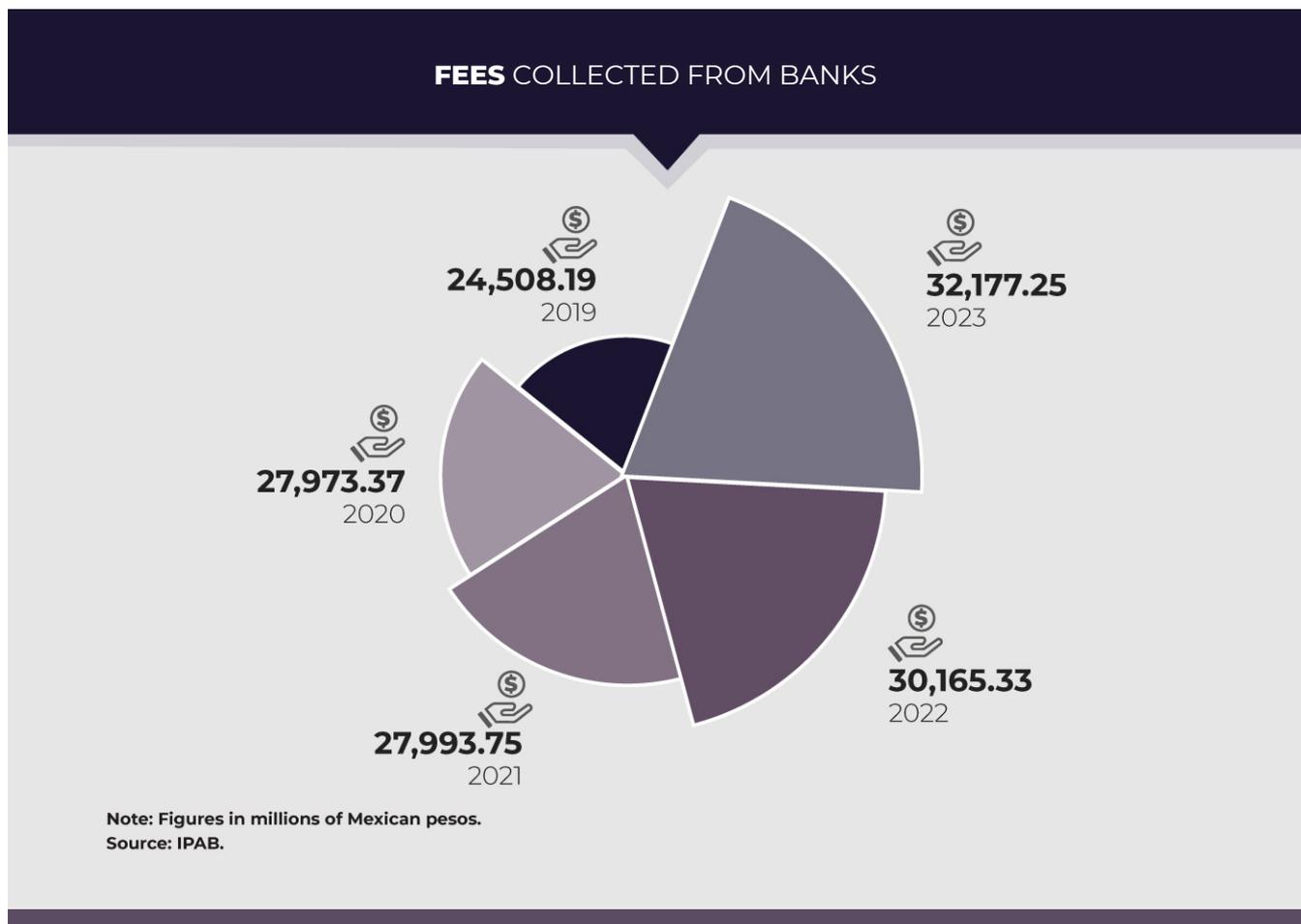


¹² This is also known as ex-ante financing.



The calculation of the fees that banks must contribute to IPAB’s fund relies on the review and validation of the information they provide, in compliance with respective regulations. To this end, the Institute makes use of several automated tools designed to analyze the information provided by banks on a monthly basis¹³.

In 2023, the fees collected from banks amounted to over 32,177 million pesos. This figure represents an annual increase of 6.67% in nominal terms, which was adjusted to 1.92% in real terms once considering the effect of inflation. As shown in the following graph, the amount of fees collected from banks has increased continuously from 2019 to 2023, resulting in the highest fee amount ever collected by IPAB.



¹³ The analysis covers structure, consistency, trends, comparison, and evolution of information over time.

Preventive and Corrective Reviews

As part of the calculation of fees, during each collection period, and when inconsistencies are detected in the information provided by banks, IPAB requests a review, clarification, and correction to ensure compliance with current regulations. Consequently, there can be preventive adjustments to the amount that banks pay to the deposit insurance fund every month.

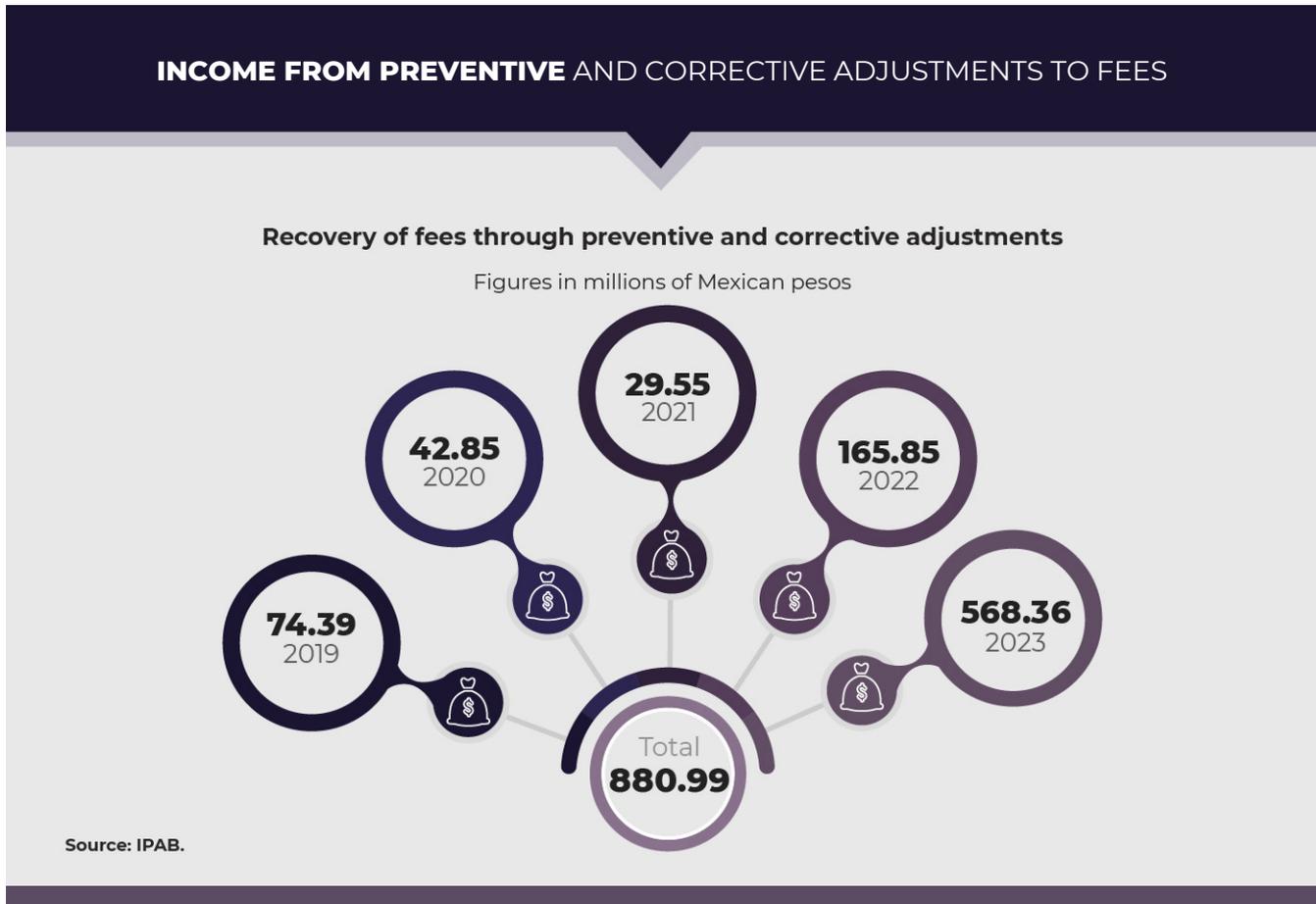
On the other hand, as IPAB conducts reviews through on-site visits to banks, there can be corrective adjustments after the monthly payment of fees. Additionally, the banking institutions themselves can request a review of the fees that have already been paid. If an advanced payment made by a bank is determined by IPAB to be below the established fee, the bank will be sanctioned for an omission in payment. However, if IPAB determines that the latter payment exceeds the established fee, the surplus amount is offset against future fees.



As a result of the thorough review of the information submitted by banks, income from this concept totaled 568.36 million pesos in 2023.



From 2019 to 2023, these adjustments represented an amount of 880.99 million pesos in recovered fees, strengthening the resources of the Fund to face a possible bank resolution event.



Bank Savings Protection Fund

As per the regulation in place, IPAB allocates one-fourth of the fees paid by banks to the constitution of the FPAB once its own administrative and operational expenses are covered. This achieves the purpose of counting on the necessary financial resources for the Institute to fulfill its role as administrator of the bank savings protection system.



Strength and Solvency

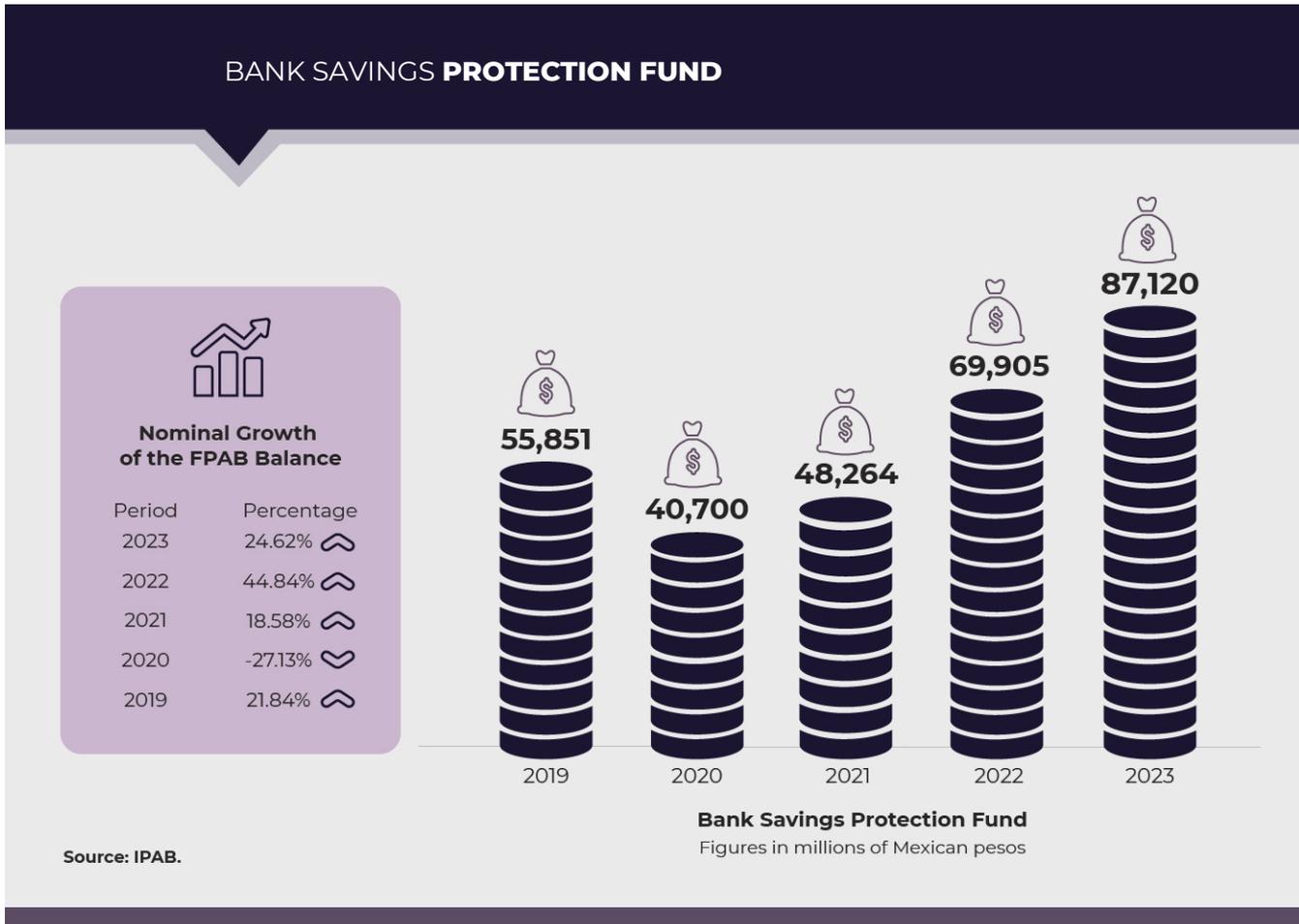
The FPAB maintains enough financial resources to face potential contingencies.

The consolidation of the Fund managed by IPAB offers certainty to depositors and investors alike, by ensuring there are resources to deal with contingencies in the event of a bank resolution. This Fund has gained strength over the past five years, showing an increase in its balance, despite the recent bank resolutions which involved expenditures of more than 25,880 million pesos.

At the end of 2023, the FPAB recorded a balance of 87,120 million pesos, representing a nominal increase of 24.62% and of 19.08%¹⁴ in real terms, compared to the figures at the end of 2022.



¹⁴ The Fund's real growth is calculated against the nominal growth at year's end, not counting the accumulated inflation of the period.

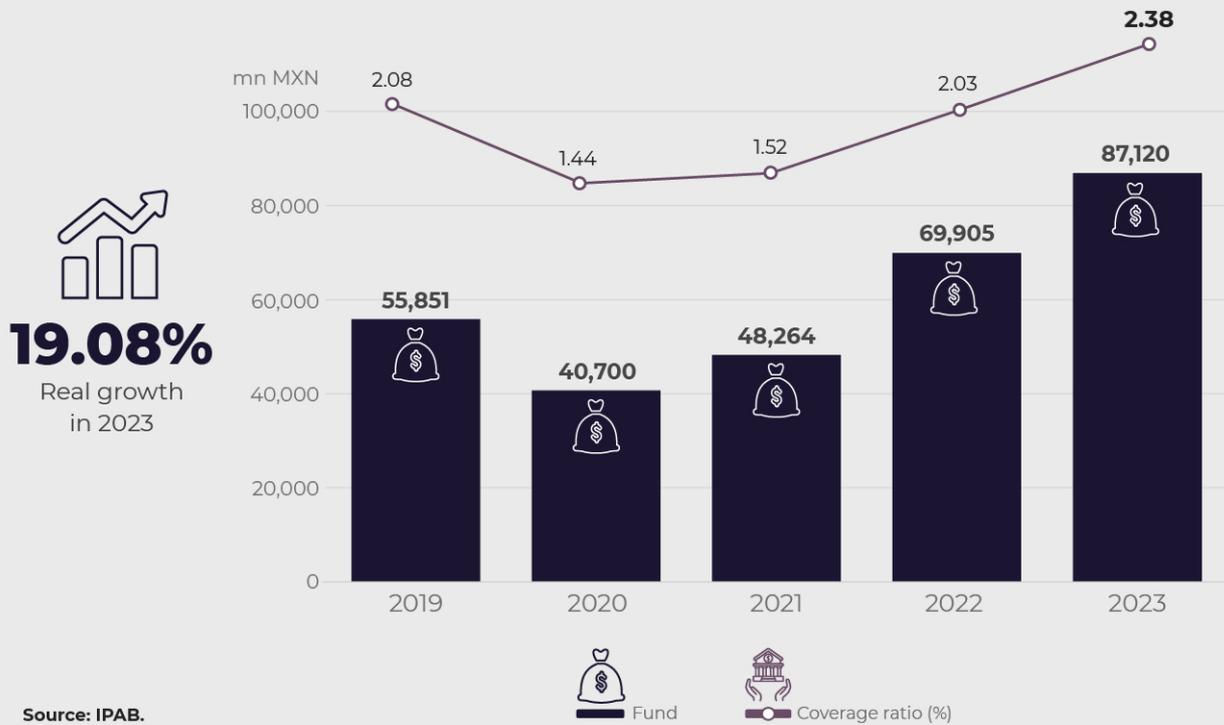


Sufficiency of Coverage Level

IPAB carries out a periodic review of the FPAB’s coverage capacity, which is measured as a ratio of the total covered deposits in the Mexican banking system, which is its greatest exposure. These reviews are aligned with the objective of the bank savings protection system to guarantee people’s resources.

By the end of 2023, this coverage capacity reached a historic high point, placing this indicator at a 2.38 % level, following an annual increase of 35 basis points, which is a reflection of the sufficiency of the deposit insurance reserve.

REAL GROWTH OF **COVERED DEPOSITS AND FPAB**



Guaranteed protection

The coverage capacity of the FPAB

is measured periodically to ensure sufficient resources to face a resolution.

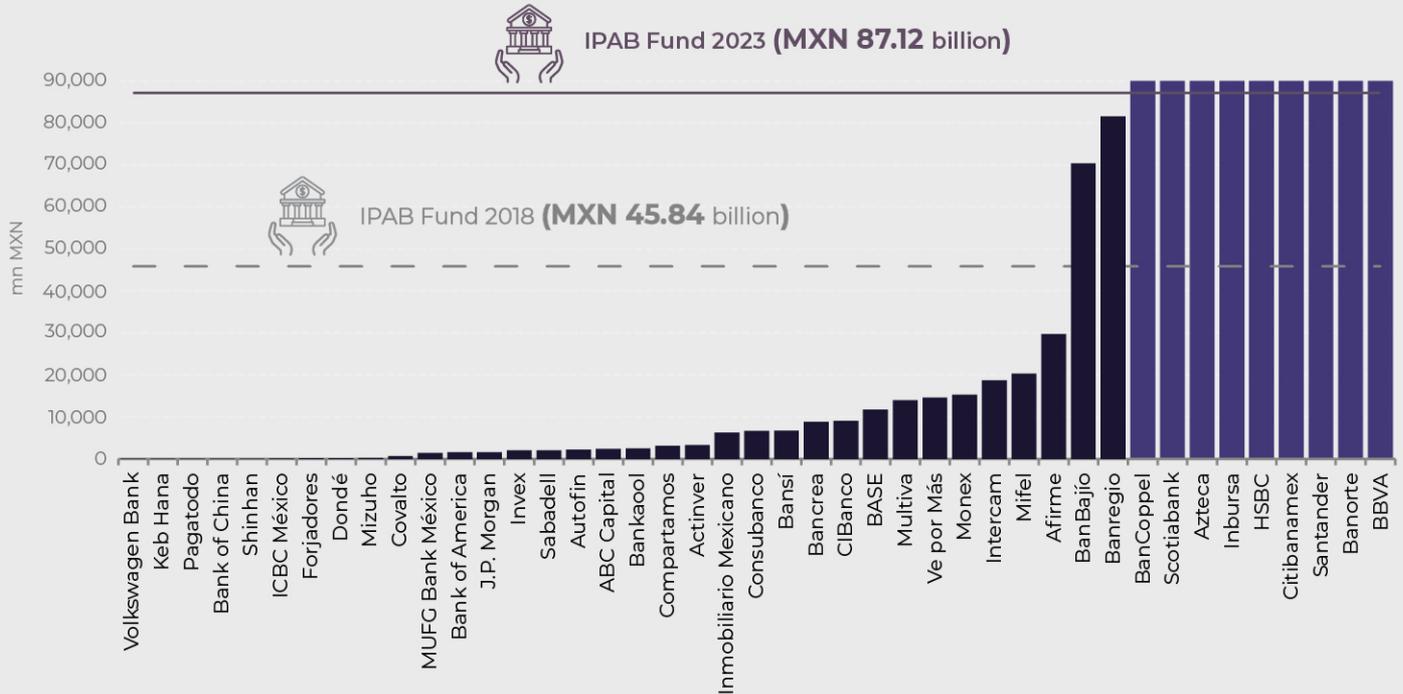
Considering the amount of covered deposits held in each bank, the 87,120 million pesos of the Fund at the end of December 2023 are enough to face a massive failure event and simultaneously pay depositors of 32 small to medium-sized banks up to the covered amount. On an individual basis, the FPAB exceeds each of the balances of covered deposits held in 40 banks.



LEVEL OF DEPOSITS COVERED BY FPAB

Level of deposits covered by the Fund in each bank

IPAB Fund resources at the end of 2023 are enough to finance the payout of covered deposits of 40 banks, assuming that each resolution process would occur individually.



Note: In addition to a payout of covered deposits, IPAB has other methods to face a bank resolution process.
Source: IPAB.

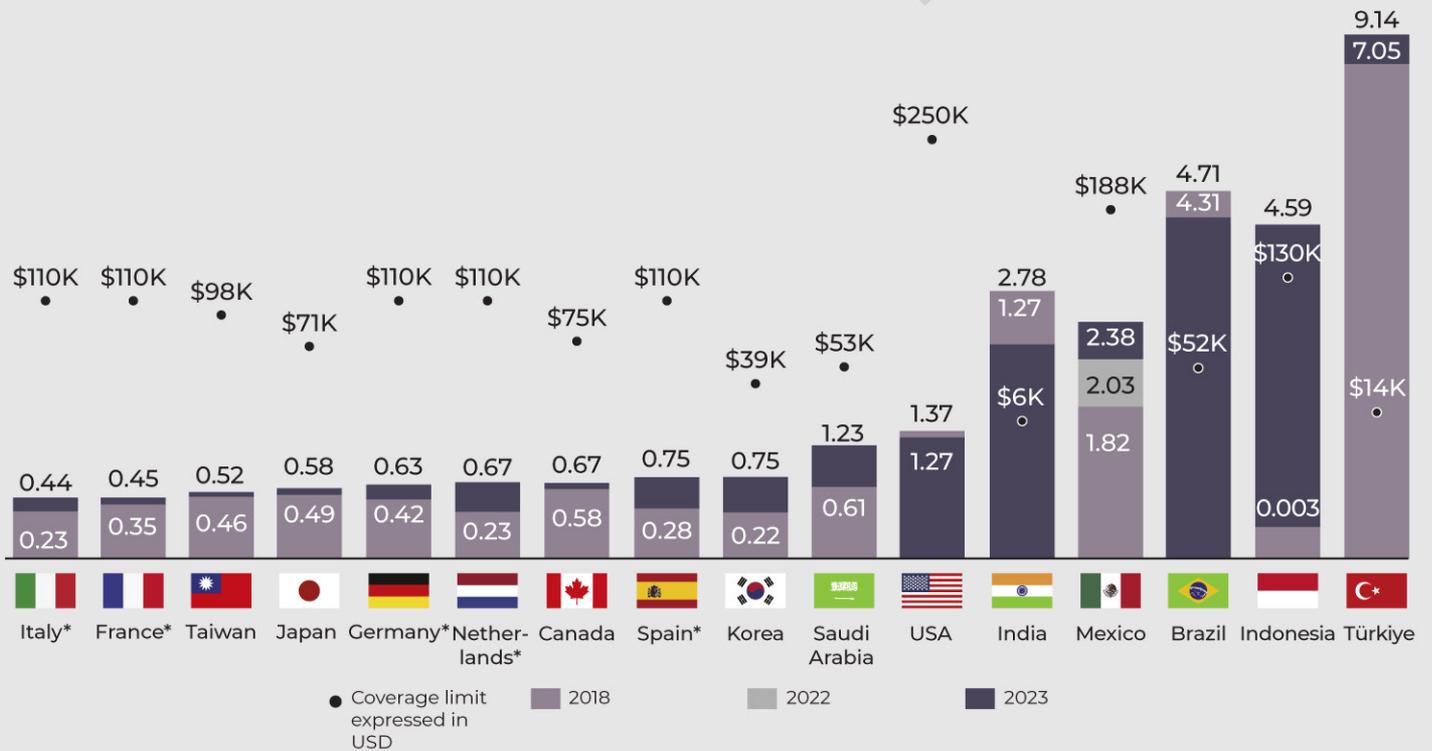
In the last five years, the scope of the FPAB’s coverage experienced significant growth, and reached, at year’s end 2023, 2.38% of total covered deposits.

At the same time, the coverage limit guaranteed by IPAB increased in line with inflation, ranking third, on a global scale, for the level of protection provided¹⁵. The combination of a solid FPAB coverage ratio and a prominent guaranteed limit places IPAB in a position where it would be able to face any eventuality.



¹⁵ After the USA (which is USD 250,000) and Norway (NOK 2 million, which is approximately USD 196,600). Although the coverage limit of IPAB reached USD 187,990 at the end of 2023, it should be considered that the purchasing power of these two countries is much higher.

INTERNATIONAL COMPARATIVE OF COVERAGE LEVELS



*It only considers the fund for the payout of covered deposits.

Source: IPAB, with information from the International Association of Deposit Insurers' Annual Survey.

Debt Administration

Since its inception, IPAB implemented a comprehensive strategy in debt management, with the following main objectives:

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



The Institute's refinancing strategy consists of periodically issuing debt instruments in the national market called Savings Protection Bonds (BPAs)¹⁶. Banco de Mexico acts as a financial agent on each issuance.



IPAB has successfully met short and long-term refinancing goals sustainably, thus avoiding real growth in the legacy debt.

To prevent the legacy debt from increasing, IPAB allocates 75% of the fees collected from banks, as well as fiscal transfers from the Federal Government, sourced from the Bank Savers Support Program (PAAB), along with recoveries from asset sales of failed banks. These resources are entirely destined to the payment of the Institute's existing debt.

In 2023, budgetary resources allocated through the PAAB amounted to 54,216 million pesos¹⁷. This increase was driven by higher anticipated nominal and real interest rates, as outlined in the macroeconomic framework detailed in the General Economic Policy Guidelines for the fiscal year 2023.

The amount of fiscal transfers IPAB received decreased in nominal terms, as a ratio of the total budgeted expenditure, from 0.72% to 0.6% in the 2018-2023 period.



16 IPAB conducts the weekly placement of its instruments through primary auctions, and since December 9, 2021, the placement and allocation of BPAG28 and BPAG91 are made through the cetesdirecto platform in non-competitive allocation, while as of August 25, 2022, the BPA182 instrument was added. The placement strategy is designed to provide certainty to investors, as it involves a fixed and known periodicity, following a previously established schedule. This schedule is disclosed every quarter through the "Announcement of Government Securities Auction Calendar".

17 As of the end of 2023, fiscal resources from General Fund 34 "Dispenses for Support Programs for Bank Savers and Debtors" of 2019 amounted to 199,822 million pesos, of which 169,640 million pesos correspond to PAAB and are solely used for paying financial obligations derived from the debt assumed by IPAB since its creation, without being part of the budget allocated to the Institute. On the other hand, resources from Support Program for Bank Debtors amounted to 29,182 million pesos and are managed by the SHCP, not IPAB.

FISCAL TRANSFERS FOR DEBT PAYMENT ADMINISTERED BY IPAB
AS A PROPORTION OF BUDGETED SPENDING

Fiscal transfers for the payment of debt managed by IPAB as a proportion of budgeted expenditure.



0.72%

2018

0.6%

2023

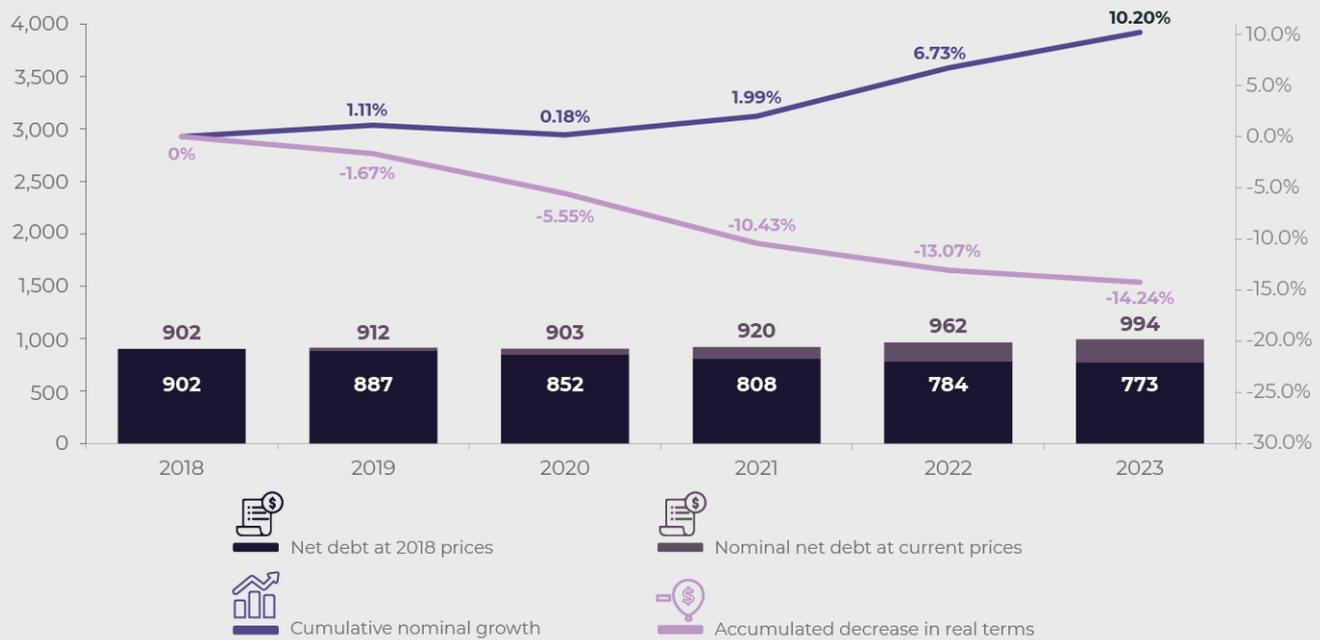
Source: IPAB.





In the last five years, the net liabilities borne by IPAB decreased by 14.24% in real terms, amounting to 993,704 million pesos at the end of 2023, as a result of the debt management strategy implemented by IPAB.

NET DEBT ADMINISTERED BY IPAB



To determine the actual behavior of the debt, IPAB used data on the cumulative inflation from December 2018 to December 2019 of 2.83%, to December 2020 of 6.07%, to December 2021 of 13.87% and to June 2022 of 19.34% as per the National Institute of Statistics and Geography (INEGI). The Institute's net debt as of July 31, 2022, which amounts to 934 billions Mexican pesos, would be equivalent to 783 billions Mexican pesos as of December 2018.
 Source: IPAB.

Despite the debt showing an increase in nominal terms, it will consecutively represent a progressively smaller percentage of the GDP, thus reducing its relative impact on public finances. At the end of 2023, the net debt balance borne by the Institute represented 2.99 % of the estimated GDP¹⁸, which signals a reduction of 13 basis points compared to figures from 2022.



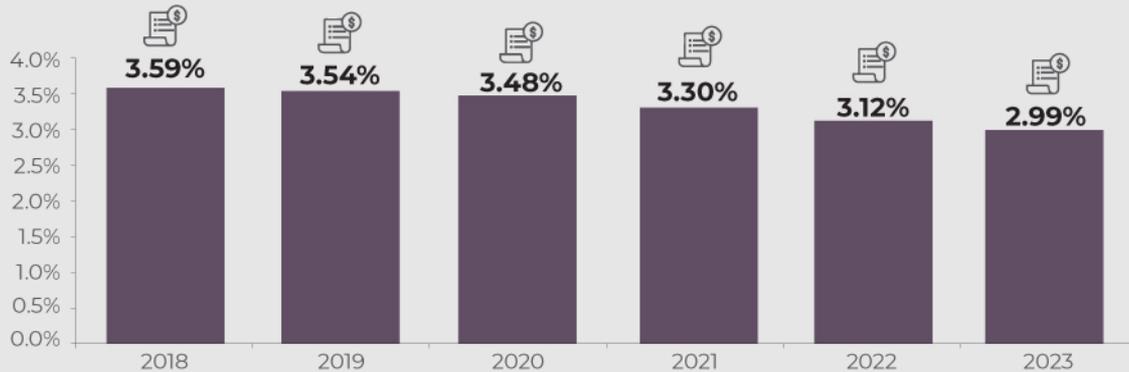
¹⁸ A nominal GDP published by the National Institute of Statistics and Geography, of 33,287,687 million pesos for the last quarter of 2023, is considered. Nominal GDP amounts for previous years correspond to data reported in the fourth quarter of each year, obtained at current prices according to the methodology used, considering 2018 as the base year.



Certainty and Confidence

IPAB's placement strategy is designed to **provide certainty to investors**, as it involves a fixed and known periodicity.

NET DEBT ADMINISTERED BY IPAB AS A PROPORTION OF GDP



1./ The nominal GDP amounts correspond to those obtained at current prices according to the methodology that uses 2018 as the base year.

Likewise, the figures of the Institute's net liabilities are considered in accordance with the 2018 Financial Reporting Standards.

**Percentage determined with the data presented by the INEGI for the fourth quarter of 2023 of MXN 33.28 billion (annualized).

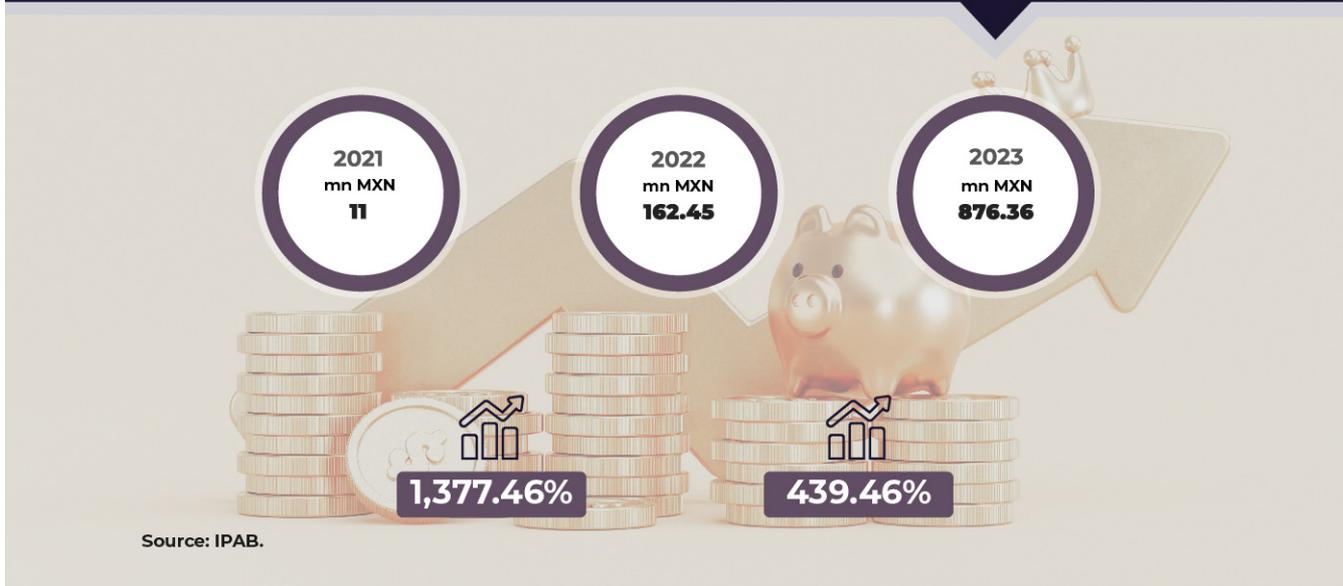
Note: The GDP results include the most recent information from the Goods and Services Accounts 2022 preliminary version, as well as the latest statistical information available from the last two years of the Mining and Metallurgical Industry Statistics, the National Survey of Construction Companies, the Monthly Survey of the Manufacturing Industry, the Monthly Survey of Commercial Companies, the Monthly Survey of Services, Administrative Records, and primary data. As a result of incorporating this information, differences in levels of values and variations that were timely published during the last two years are identified.

Source: IPAB and INEGI.

During 2021 and 2022, the Institute included the BPAs as investment alternatives on the cetesdirecto platform. These government instruments are now available to depositors, allowing them to become investors. The growth of BPAs on this platform consolidates the role of these instruments as an investment alternative for depositors.

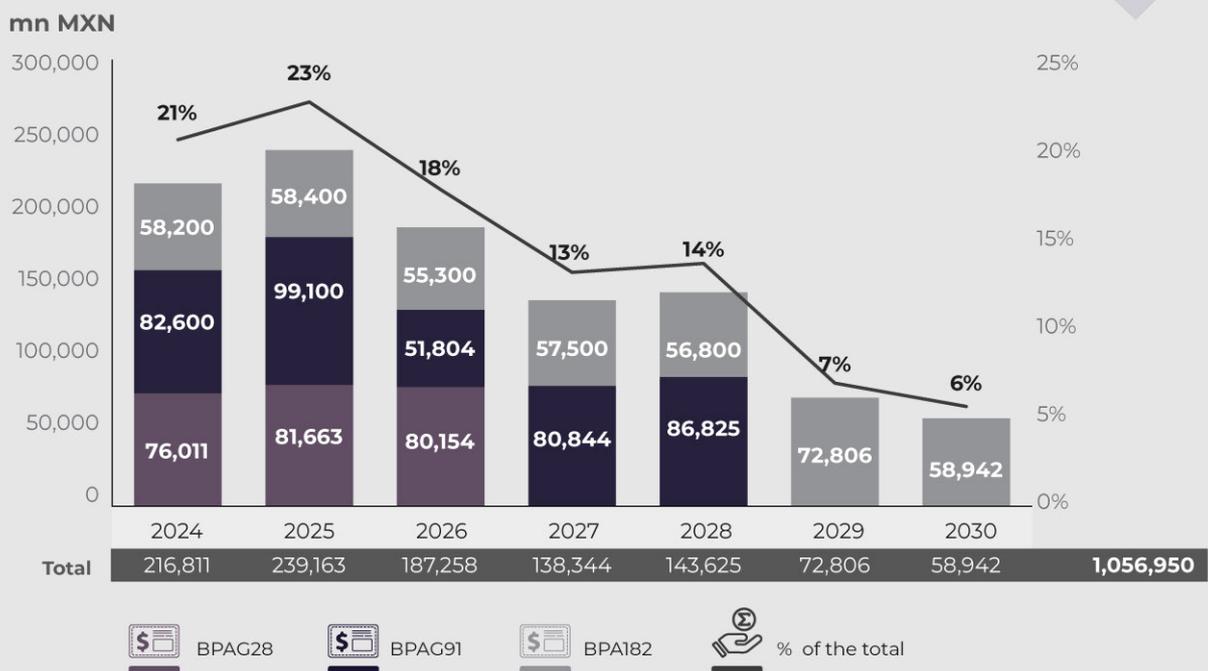


PUBLIC INVESTMENT IN **BPAS IN CETESDIRECTO**



Additionally, the Institute maintains a balanced debt profile by distributing its maturities across various terms, thus avoiding concentrations and facilitating refinancing.

MATURITY PROFILE OF **IPAB PORTFOLIO**

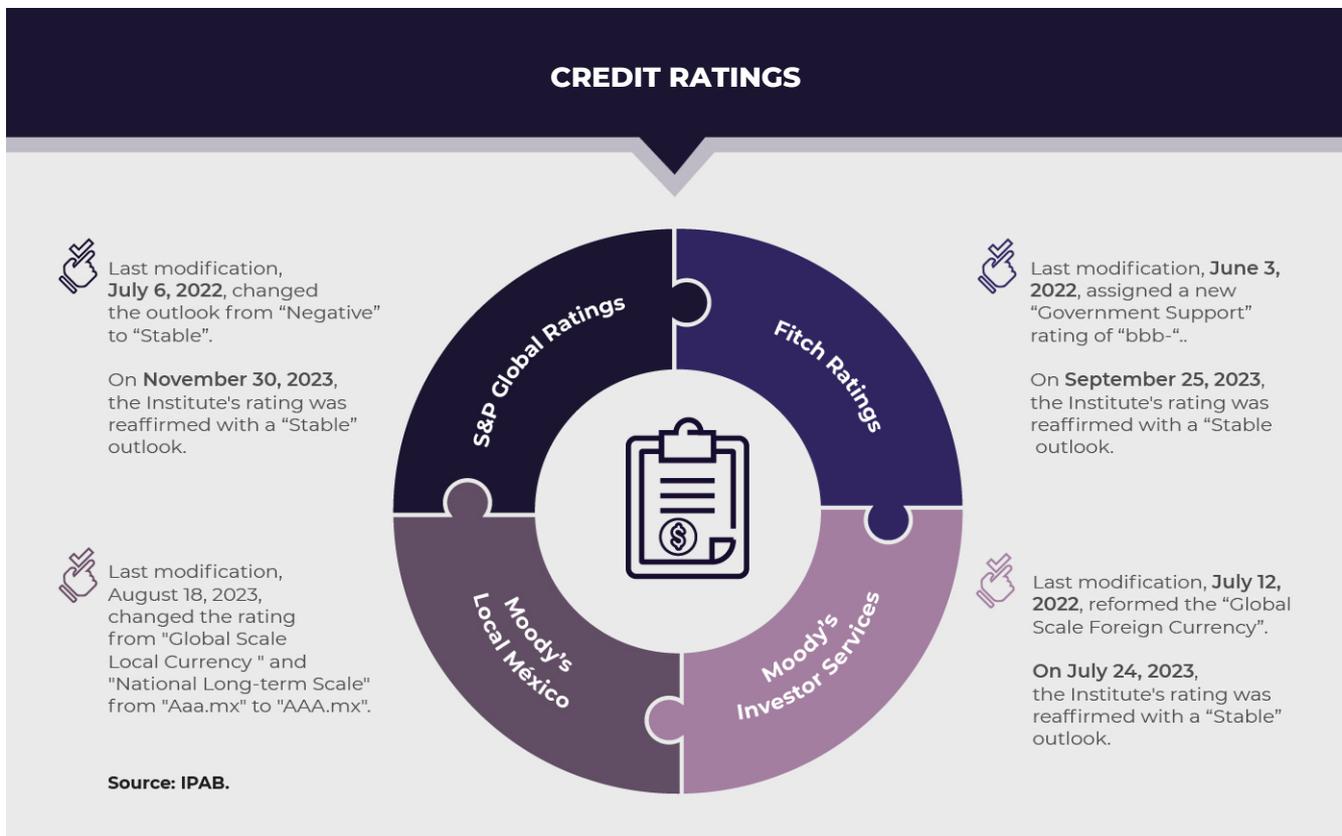


Note: The total figure appears rounded.
Source: IPAB.

Throughout 2023, the Institute maintained the weekly target amount to be auctioned at 4,900 million pesos, thereby mitigating the economic effects of the high volatility observed during 2023 in global financial markets and in the local debt market, as well as the increases in inflation and real interest rates.

Credit Ratings of IPAB

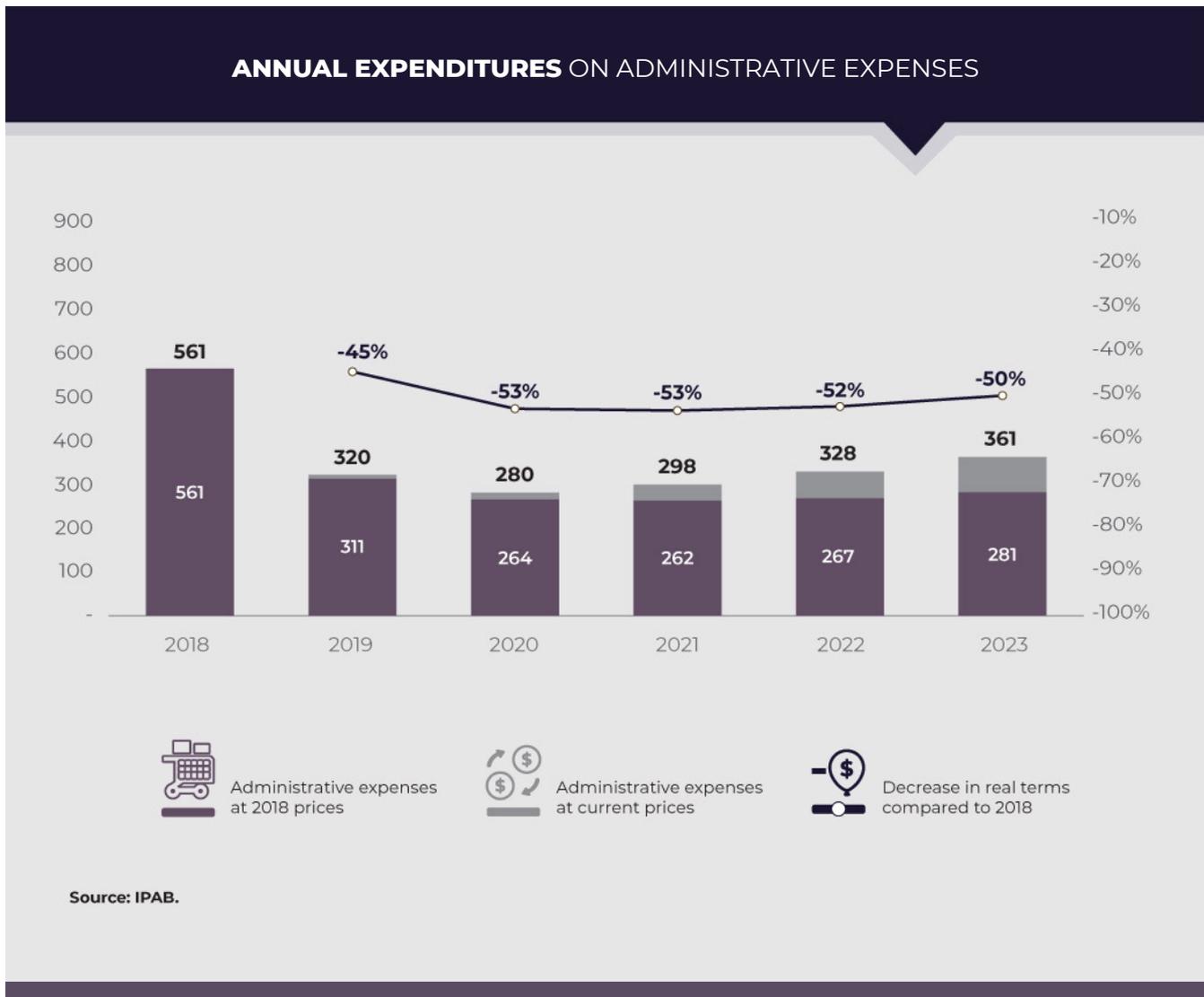
Like the Federal Government, IPAB undergoes a certification process with the most important international rating agencies. This has enabled IPAB to access better financing conditions while fostering investor confidence in the BPA market. The ratings and outlooks assigned to the Institute by rating agencies are aligned with those assigned to the Federal Government and its debt issuance. In recent years, the following changes have been observed in the credit ratings of the Institute:





Responsible Expenditure

In line with the austerity measures that must be observed by the entities of the Federal Public Administration, starting from the 2018 fiscal year, IPAB reduced its workforce by 10%.



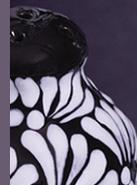
In 2023, the Institute’s administrative expenditure totaled over 360 million pesos, marking a 35.71% decrease from 2018. This highlights IPAB’s commitment to the austerity measures issued by the Executive Branch. Since 2019, average annual administrative expenses have fallen to just 56.58% of those incurred in 2018.

Financial Statements

The financial statements for the fiscal year 2023 were prepared as per the provisions established in the General Government Accounting Law; in the Governmental Accounting Manual for the Federal Parastatal Sector, issued by the Governmental 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 financial position and activities statements of the Institute, which include IPAB's assets, liabilities, equity, income, and expenses expressed in figures at year's end 2023.



FINANCIAL POSITION STATEMENTS

 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 For years ended December 31, 2023 and 2022 <small>(Figures expressed in millions of MXN pesos)</small>		 IPAB <small>INSTITUTO PARA LA PROTECCIÓN AL AHORRO BANCARIO</small>	
Concept	2023	2022	Concept	2023	2022
ASSETS			LIABILITIES		
CURRENT ASSETS			CURRENT LIABILITIES		
Cash and Equivalents	\$ 2	\$ 1	Short Term Accounts Payable	\$ 11	\$ 10
Banks			Short-Term Portion of Long-Term Debt		
Rights to Receive Cash or Cash Equivalents			Savings Protection Bonds	237,715	210,999
Short-term financial investments	104,167	88,050	Other Short-Term Liabilities	15,253	15,811
Miscellaneous Short-term Receivables	-	-	Total Current Liabilities	252,979	226,820
Total Current Assets	104,169	88,051	NON CURRENT LIABILITIES		
NON CURRENTS ASSETS			Long Term Debt		
Long-term financial investments			Savings Protection Bonds	835,889	797,419
Long-term investments	64,796	29,793	Long-Term Provisions	89,024	71,772
Investments in Financial Institutions	-	-	Total Non-Current Liabilities	924,913	869,191
Rights to Receive Cash or Long-Term Equivalents			TOTAL LIABILITIES	1,177,892	1,096,011
Resources to be Assigned-via Budget of Expenditures of the Federation	993,295	961,776	HERITAGE -- EQUITY		
Notes Receivable and Sundry Debtors, net	92	187	Other Comprehensive Results	(31)	(161)
Subrogation for the payment of Covered Deposits	15,253	15,811	Total Equity	(31)	(161)
Real Estate, Infrastructure and Construction in Progress	244	221	TOTAL LIABILITIES AND EQUITY	\$ 1,177,861	\$ 1,095,850
Movable property	12	11			
Total Non-Current Assets	1,073,692	1,007,799			
TOTAL ASSETS	\$ 1,177,861	\$ 1,095,850			

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

Elizabeth González Garduño Deputy Secretary for Management and Budget	José Ignacio Chan García General Coordinator of Budget and Accounting	Julio Javier Castro Martínez Financial Accounting Manager
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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 For the years ended December 31, 2023 and 2022 <small>(Figures expressed in millions of MXN pesos)</small>		 IPAB <small>INSTITUTO PARA LA PROTECCIÓN AL AHORRO BANCARIO</small>	
Concept	2023	2022	Concept	2023	2022
INCOME AND OTHER BENEFITS					
MANAGEMENT INCOME					
Income from the Sale of Goods and Provision of Services					
Income from Fees Received from Institutions	\$ 32,218	\$ 30,263			
PARTICIPATIONS, CONTRIBUTIONS, TRANSFERS, ASSIGNMENTS, SUBSIDIES	54,216	15,415			
Transfers, Assignments, Subsidies and Grants, and Pensions and Retirements	54,216	15,415			
OTHER INCOME AND BENEFITS	17,677	10,647			
Financial income	17,214	9,647			
Other Miscellaneous Income and Benefits	463	1,000			
Total Income and Other Benefits	104,111	56,325			
EXPENSES AND OTHER LOSSES					
OPERATING EXPENSES	361	328			
Personal services	235	216			
Materials and supplies	6	1			
General Services	120	111			
INTEREST, COMMISSIONS AND OTHER DEBT EXPENSES	118,121	86,330			
Debt Interest	118,121	86,330			
OTHER EXTRAORDINARY EXPENSES AND LOSSES	17,149	12,309			
Estimates, Depreciation, Impairment, Obsolescence and Amortization	406	705			
Other expenses	16,743	11,604			
Total Expenses and Other Losses	135,631	98,967			
FINANCIAL YEAR DEFICIT	\$ (31,520)	\$ (42,642)			

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

Elizabeth González Garduño Deputy Secretary for Management and Budget	José Ignacio Chan García General Coordinator of Budget and Accounting	Julio Javier Castro Martínez Financial Accounting Manager
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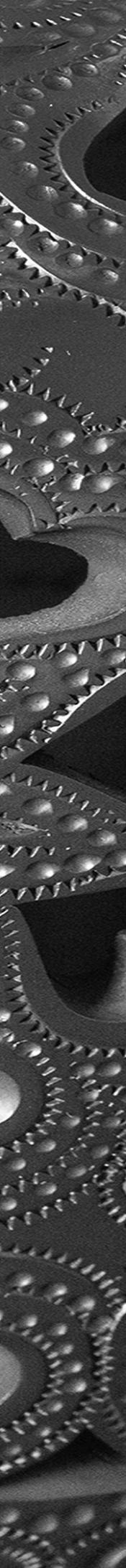


According to international best practices, deposit insurers, such as IPAB, must coordinate with other members of the financial safety net to raise awareness about the terms and conditions of their protection schemes through public communication activities.

Through these activities, IPAB complies with the National Policy for Financial Inclusion, which outlines the guiding principles of the National Financial Education Strategy.

Financial Education Events

In 2023, IPAB's staff delivered 27 virtual conferences in several forums, engaging with over five thousand participants from 18 Mexican states and 27 Mexican representations worldwide: 3 in Latin America, 1 in Europe, 2 in Canada, and 21 in the USA.



DATA ON **CONFERENCES DELIVERED BY IPAB**



Conferences



Thousand
attendees



States of
the Mexican
Republic



Mexican
Consulates

Source: IPAB.

Seventeen of these conferences were held under the “IPAB at Your School” program, aimed at informing young people from high school and university level about the benefits of formal saving mechanisms, how deposit insurance works, and how to develop financial skills to make better decisions about their money.

From 2019 to 2023, IPAB delivered a total of 82 virtual and live conferences under this program which involved education institutions from every state in Mexico.

Other forums included the National Financial Education Week, organized by the National Commission for the Protection and Defense of Users of Financial Services, and the Association of Mexican Banks, where IPAB offered a total of 50 conferences in the past five years on the general topic of “Bank Savings and its Protection in Mexico”.



Likewise, through the Comprehensive Financial Education Week for Mexicans Abroad and the Financial Inclusion Temporary Program organized by the Institute for Mexicans Abroad, IPAB officials delivered 48 virtual and live conferences in different Mexican representations in the USA, Canada, Latin America, and Europe, between 2019 and 2023.



IPAB at Your School

During the last five years, within this program, **IPAB delivered 83 conferences** for educational institutions throughout the **32 Mexican States**.

Over the past five years, IPAB has held 180 training conferences for more than 40,000 people in Mexico and abroad, sharing information on formal saving mechanisms, financial planning, how to diversify resources through investment instruments, and handling remittances, as well as the benefits and scope of deposit insurance schemes.

Mass Outreach Activities

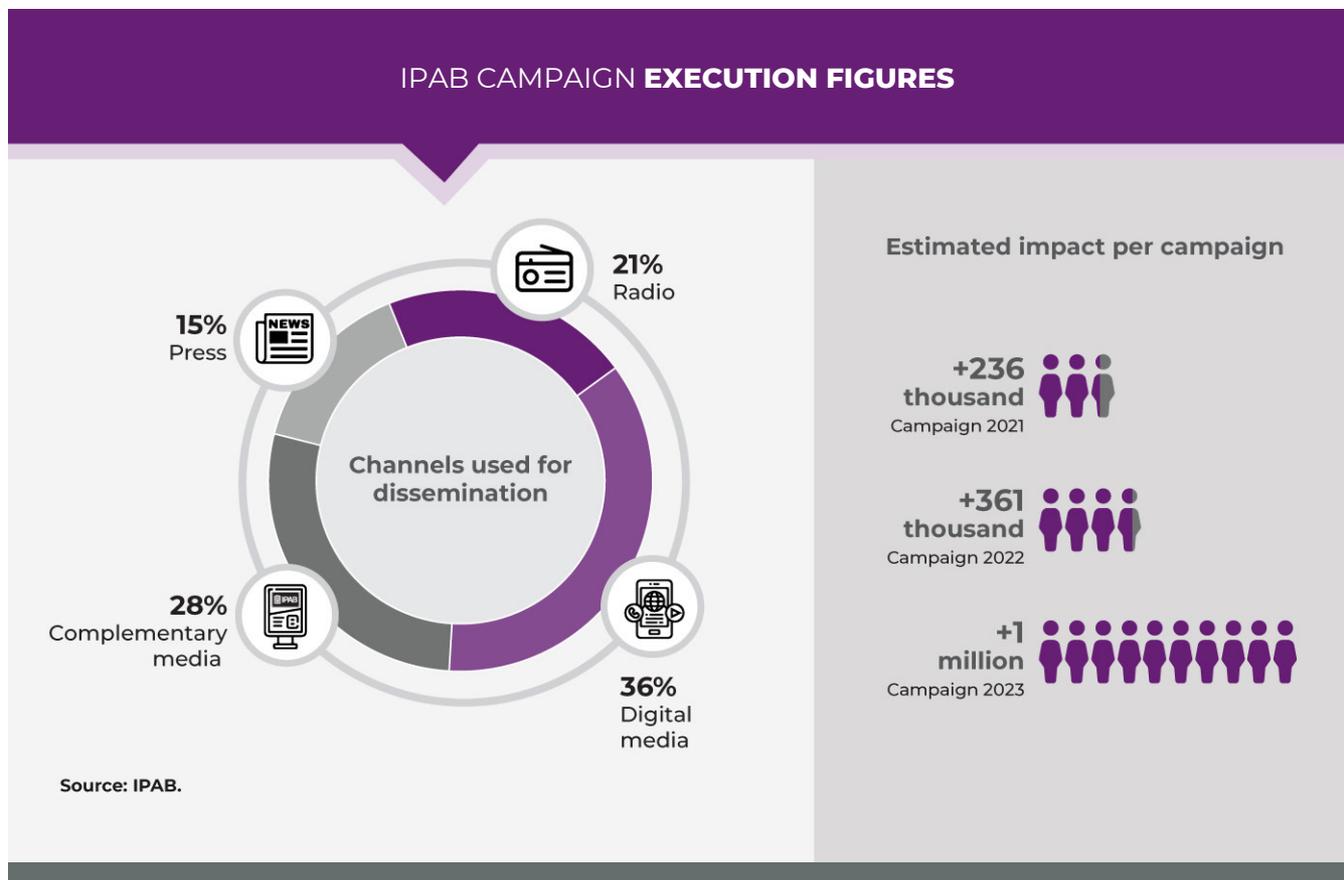
These activities take advantage of the potential that new digital technologies offer to reach a larger number of depositors. The widespread use of social networks derives a significant increase in the speed at which information is disseminated among the public, making them effective tools for broadcasting the scope and benefits of the deposit insurance system.

Campaign: “Your Bank Savings Are Protected by IPAB”

The Institute developed a strategy to involve the media in disseminating messages that empower citizens to make sound financial decisions, thereby positively impacting their well-being. The “Your Bank Savings Are Protected by IPAB” campaign distributes content through various media outlets to enhance access to financial education.



By optimizing resources to achieve the widest possible reach, IPAB placed messages in traditional media (such as newspapers and radio), digital media (particularly websites), and complementary media (audiovisual spots in public transportation¹⁹). As a result of these efforts, from 2021 to 2023, the media displayed IPAB's content to a potential reach of over 80 million people, with an estimated direct interaction of one million six hundred forty-two thousand individuals.



Social Media with Organic Outreach

Social media has become a highly valuable tool facilitating both the timely distribution of information as well as a large-scale reach. Furthermore, it encourages



¹⁹ Such as the Metropolitan Underground Transportation System of the Mexico City and the Suburban Train that connects Mexico City with the State of Mexico.

user interaction with institutional communications and enables the receipt of relevant feedback. This has helped IPAB identify valuable content not only regarding the deposit insurance scheme but also about personal finance, savings, and investment-related topics.



Massive outreach

As a result of broadcasting IPAB's contents in the media, from 2021 to 2023 there has been a potential outreach of **more than 80 million people**.

Through IPAB's official platforms on Instagram, Facebook, YouTube, and X (formerly Twitter), those interested in these topics can access materials on financial education and learn about the benefits of bank deposit insurance. It is worth noting that, thanks to these channels, the number of subscribed users has increased since 2019, totaling more than 52 thousand people.

AUDIENCE GROWTH / CONVERSATION STRATEGY

The beginning of organic growth

Social networks represent an important dissemination channel for the Institute, since it is possible to organically reach millions of users with knowledge about the Institute's activities.



Source: IPAB.



Increased interaction of the young audiences (18.2%)

We implemented accessible content called "financial memes", cartoonish images that show the most common mistakes in our personal finances.

Save and Invest Safely

The strategy focused on providing users with concepts and terms to understand the use of financial services, such as investments through cetesdirecto.



EduTIPAB: Financial Education Tips

In the second half of 2023, as part of financial education activities, IPAB added the blog-like section “EduTIPAB: Financial Education Tips” to the institutional website www.gob.mx/ipab, which provides the general public with useful information on saving, investing, and personal finance.

From its first publication in mid-July until the end of 2023, this section recorded 14,176 visits.



Financial Education Tips

The “EduTIPAB: Financial Education Tips” space aims to promote knowledge about the importance of saving, personal finance, and financial education among the population.



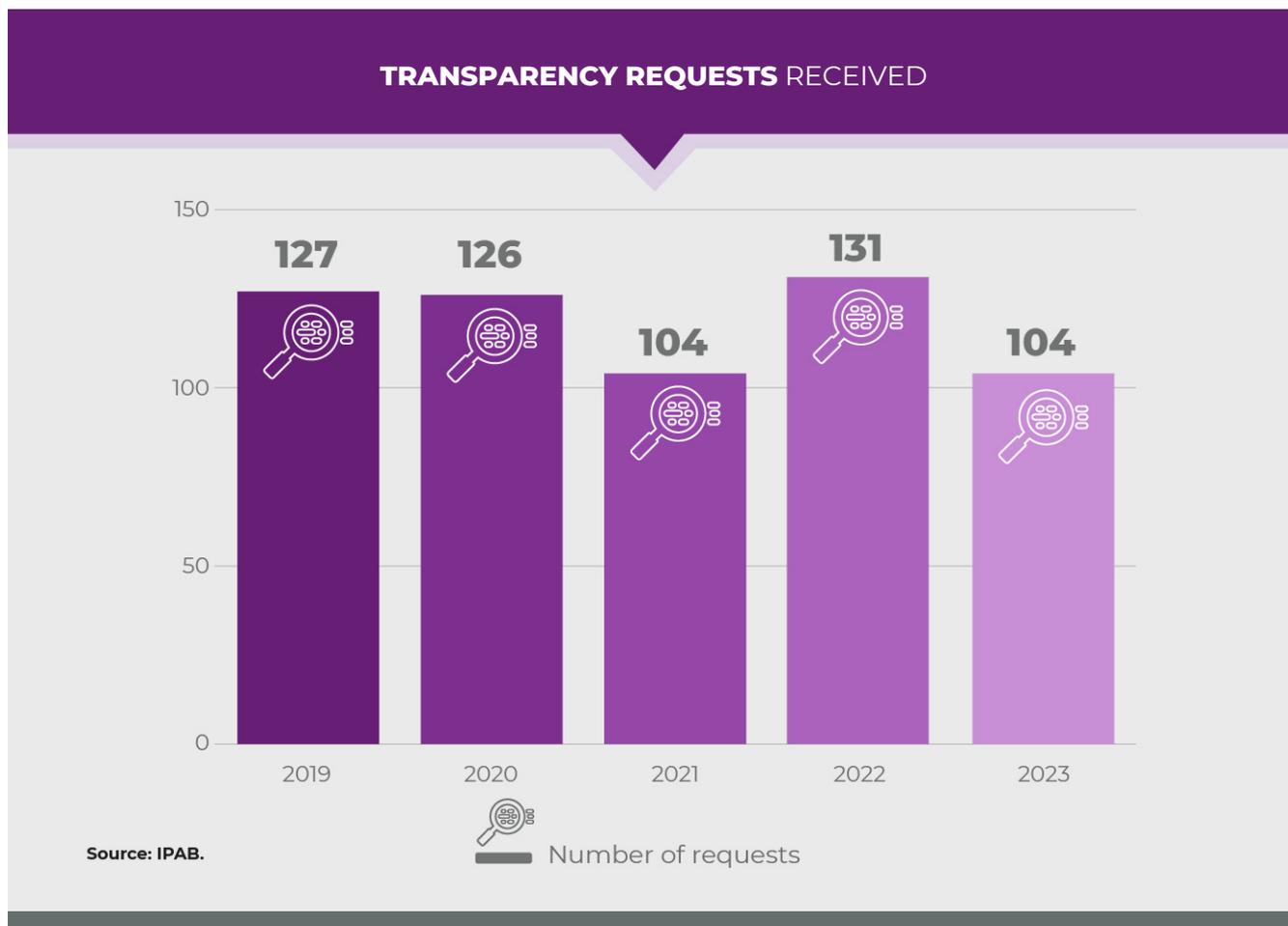


Transparency and Accountability

Transparency Actions

In 2023, IPAB received 104 requests for access to information and personal data, and in over 95 percent of them, the applicants expressed satisfaction with the response provided by this Institute.

From 2019 to 2023, IPAB addressed 592 requests for access to information and personal data, as follows:



In recent years, IPAB made arrangements to provide a suitable space that guarantees a private and accessible environment for those visiting the Institute's facilities to request assistance, advice, or guidance to process requests for access to information or personal data.

Since the implementation of the National Transparency Platform of the National Institute for Transparency, Access to Information and Protection of Personal Data (INAI), IPAB has uploaded and verified information in a timely manner. In 2023, INAI carried out a special evaluation on the Institute, which resulted in a one-hundred-percent compliance status.

IPAB has complied with INAI's requirements to obtain and revalidate the acknowledgements "100% Trained Institution" and "100% Trained Transparency Committee", which have been consistently obtained over the past five years.

100% TRAINED INSTITUTION



INAI verified IPAB's compliance with the Training Actions Dimension of the Institutional Verification and Accompaniment Annual Program for the year 2023 which qualified a Training Actions Index of 100%. IPAB arranged capacity building in-person sessions by an INAI instructor for the Institute's personnel to be educated in transparency matters.

Since 2021 and until the end of 2023, IPAB has complied with the actions of the Transparency, Open Government, and Open Data Policy of the Federal Public Administration, 2021-2024.

Handling Petition Rights

During 2023, IPAB addressed 13 requests on matters related to IPAB's work, providing timely responses.



In the past five years, 91 requests of this kind have been addressed without incident, meaning no appeals or means of defense have been filed against IPAB's responses, which demonstrates the conformity of the applicants with the responses of the Institute.

External Audits

On April 21, 2023, the Federal Auditor's Office (ASF) notified IPAB that it would perform a performance audit on "Bank Savings Protection", to assess the strengthening of the Bank Savings Protection System, to analyze its contribution to protecting the interests of the saving public. The audit began on April 26, 2023, with information requests and clarifications that were promptly addressed by the Institute. On December 8, 2023, ASF delivered the results to IPAB, without any observations being raised.



8

International liaison and cooperation

The Institute maintains its standing as an international reference on bank deposit insurance, not only due to its experience but also to its ongoing commitment to innovate and adopt the best practices.

As a founding member of the International Association of Deposit Insurers (IADI), IPAB has actively contributed to the consolidation of said organization over more than 20 years. IPAB has played a key role in the development of research documents and guidelines aimed at promoting the adoption of best practices in deposit insurance.

Additionally, IPAB has collaborated as a member of the Bank Cross-Border Crisis Management Working Group under the Financial Stability Board (FSB), affiliated with the Bank for International Settlements (BIS). In this capacity IPAB has been constantly contributing to research on best practices for managing bank resolutions.



Crisis management working groups

IPAB actively takes part in cross-border forums with other international resolution authorities, such as Crisis Management Groups and Resolution Colleges, for financial groups of systemic global and domestic importance which have relevant operations through subsidiaries in Mexico.

These liaison efforts have enabled IPAB to engage in agreements and establish coordination channels for sharing knowledge and experiences. The latter ensures updated insights into the business models, interconnections, functions, and critical services of these groups. IPAB also contributes to assessing their resolvability capacity²⁰ and develops strategies to address challenges that could potentially lead to the resolution of their entities. These contributions are reflected in the analyses included in their own resolution plans.

Review of the Financial Sector Assessment Program

In the evaluation exercise conducted in 2022²¹, the International Monetary Fund and the World Bank conducted an evaluation of Mexico's financial system as part of its Financial Sector Assessment Program (FSAP) in which IPAB took part alongside other Mexican financial authorities. The results of this review acknowledged the strengths of the financial safety net and the overall financial system.

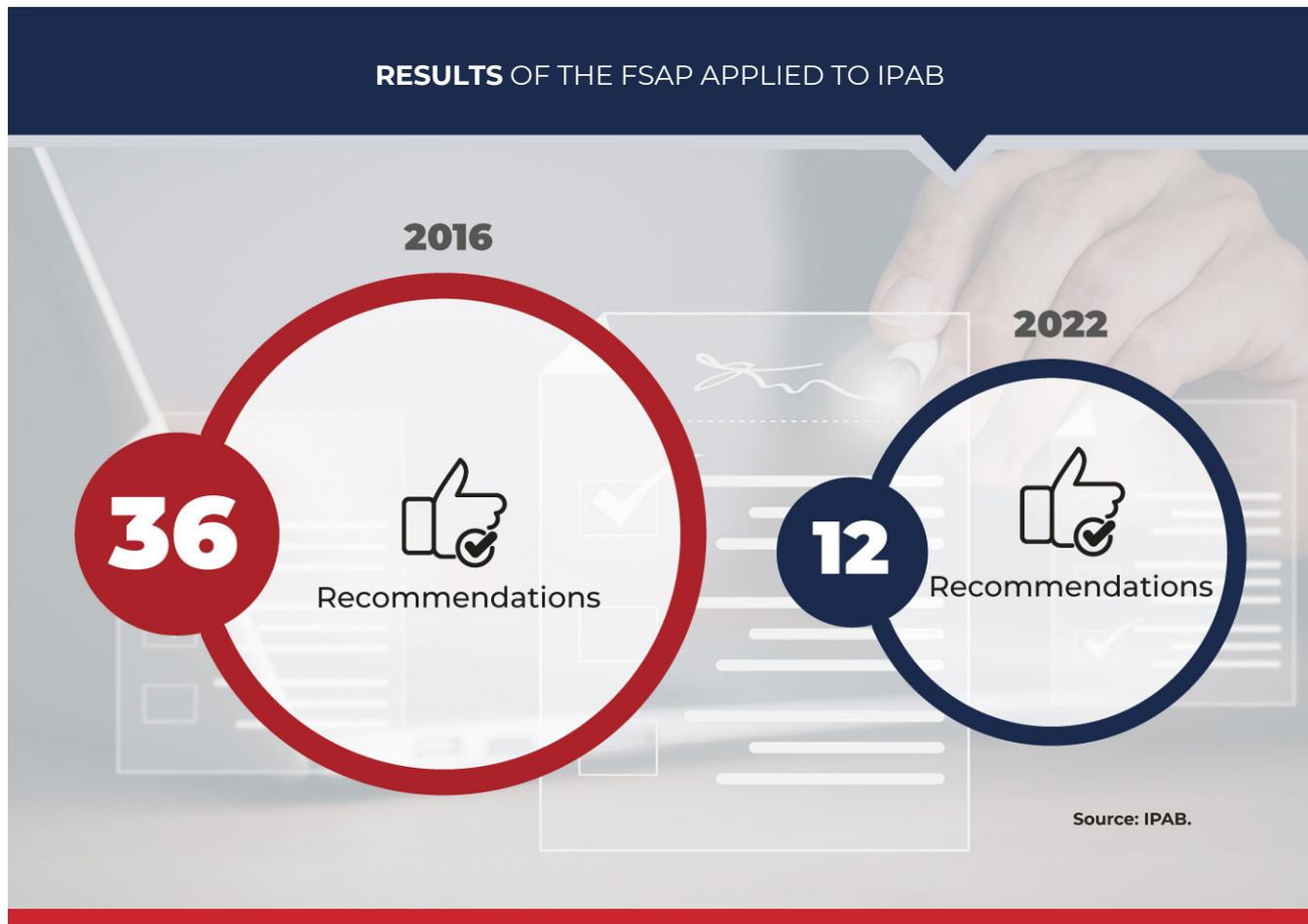
While 36 recommendations were made in 2016, only 12 were issued in 2022. Although some of them require legislative modifications which fall outside the direct scope of financial authorities. In 2023, the Institute worked on diagnostics,



20 This refers to the assessment of a bank or financial group's capacity to undergo a process of sale or closure of its operations in the event of serious problems preventing normal operation. The aim is to maintain stability among other financial institutions and avoid the need for public funds in case financial support is necessary.

21 This evaluation is held every five years due to the global importance of the Mexican financial system.

alternatives, and work plans to address areas of opportunity identified by the FSAP, aiming to enhance its processes and position itself at the forefront of international standards.



Exchange of Experiences

During 2023, IPAB was invited to share its experiences as a deposit insurer and bank resolution authority in various international forums.

■ World Bank FINSAC

IPAB took part in the seminar “The Use of Deposit Guarantee System Funds and Backup Financing Mechanisms” organized by the World Bank’s Financial Sector Advisory Center.



■ **International Association of Deposit Insurers**

For a second time, IPAB was invited to deliver a presentation in the virtual seminar “Cross-Border Coordination during Resolution Planning and Implementation,” as part of the online banking resolution course organized jointly by the BIS, the International Monetary Fund, and IADI.

■ **Basel Committee on Banking Supervision and the Association of Supervisors of the Americas**

IPAB offered a presentation during the virtual seminar “Dealing with Weak Banks: Resolution Options,” as part of the High-Level Meeting for the Americas, organized by the Basel Committee on Banking Supervision and the Association of Supervisors of the Americas.

■ **Other International Organizations**

IPAB strengthened its bilateral ties for cooperation with other deposit insurance agencies and banking resolution authorities by sharing its experiences and lessons learned.

BILATERAL COOPERATION WITH OTHER DEPOSIT INSURERS

 **27** technical assistance sessions provided by IPAB to 15 countries and 1 multilateral organization between 2020 and 2023.



In 2023, IPAB carried out eight sessions to exchange experiences with peer organizations from America, Asia, Africa, and Europe.

Over the last five years, IPAB provided 27 technical assistance sessions to a wide range of institutions, including deposit insurers, central banks, and financial authorities from: the United Kingdom, Spain, Türkiye, Colombia, Pakistan, Malaysia, Chile, Ukraine, Ecuador, Guatemala, Uruguay, Costa Rica, El Salvador, Kenya, and Mozambique.

In particular, the most frequently addressed topics during these working sessions included: analysis of the legal framework for banking resolutions, the design of IT tools at the Institute, and its experience in key topics, such as reimbursement of insured deposits, coverage regime, assessment of the Fund’s target size, funding



sources, its role as a debt issuer, and the process for bond issuance, among other relevant aspects.

Likewise, as part of its ongoing commitment to permanent improvement, over the last five years IPAB held ten technical assistance sessions with prominent international authorities and multilateral organizations, including the Federal Deposit Insurance Corporation of the USA, the Single Resolution Board of the European Union, the Deposit Guarantee Fund of Credit Institutions of Spain, the Credit Guarantee Fund of Brazil, the Deposit Insurance Corporation of Malaysia, the Deposit Insurance Corporation of Kenya, the World Bank, and the Toronto Centre.

These meetings covered a variety of essential topics, from the bank resolution framework to the development of mobile applications for depositor reimbursement, as well as the design and execution of bank resolution simulations and crisis management.

Furthermore, over the last five years, IPAB negotiated and formalized three Memoranda of Understanding to facilitate the exchange of information and experiences between the Institute and several foreign authorities. In this regard, two of these were signed with deposit insurers from Ecuador and Spain, while the last one was renewed with the USA's deposit insurer.

The aforementioned activities allow IPAB to have an active participation in the development, modernization, and implementation of best practices on an international scale.

Research and Studies

IPAB develops research projects to remain at the forefront and to ensure the effective fulfillment of its functions.



During 2023, IPAB prepared **50 weekly monitoring reports**, summarizing the most relevant international events in the field of deposit insurance and bank resolutions.

The monitoring and analysis reports specifically highlighted bank resolution procedures undertaken by the USA and Switzerland in 2023. These reports were instrumental for IPAB in identifying best practices for implementing various resolution strategies aimed at proactively addressing adverse scenarios.

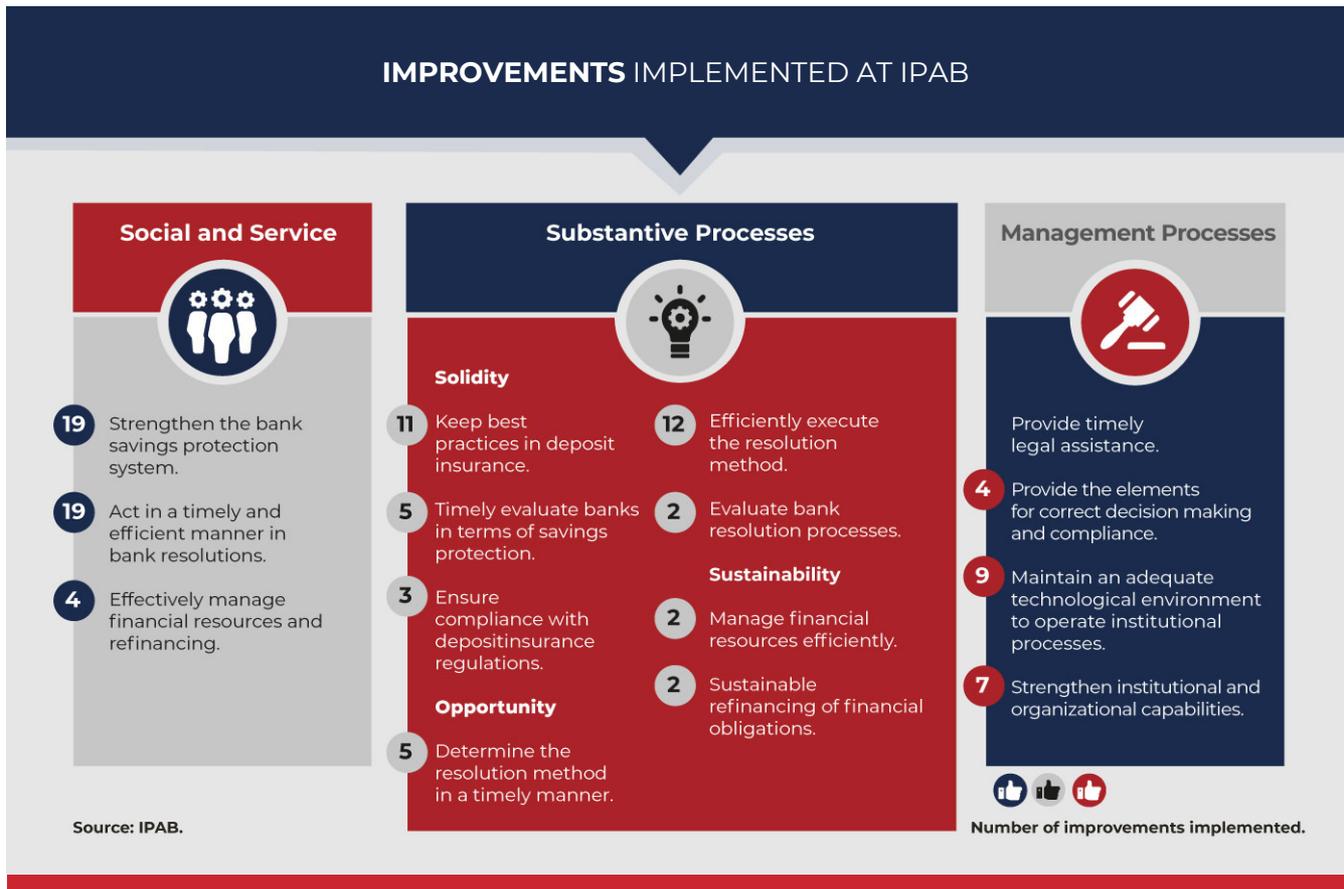


Compliance with the Institutional Strategy

Strategic Planning

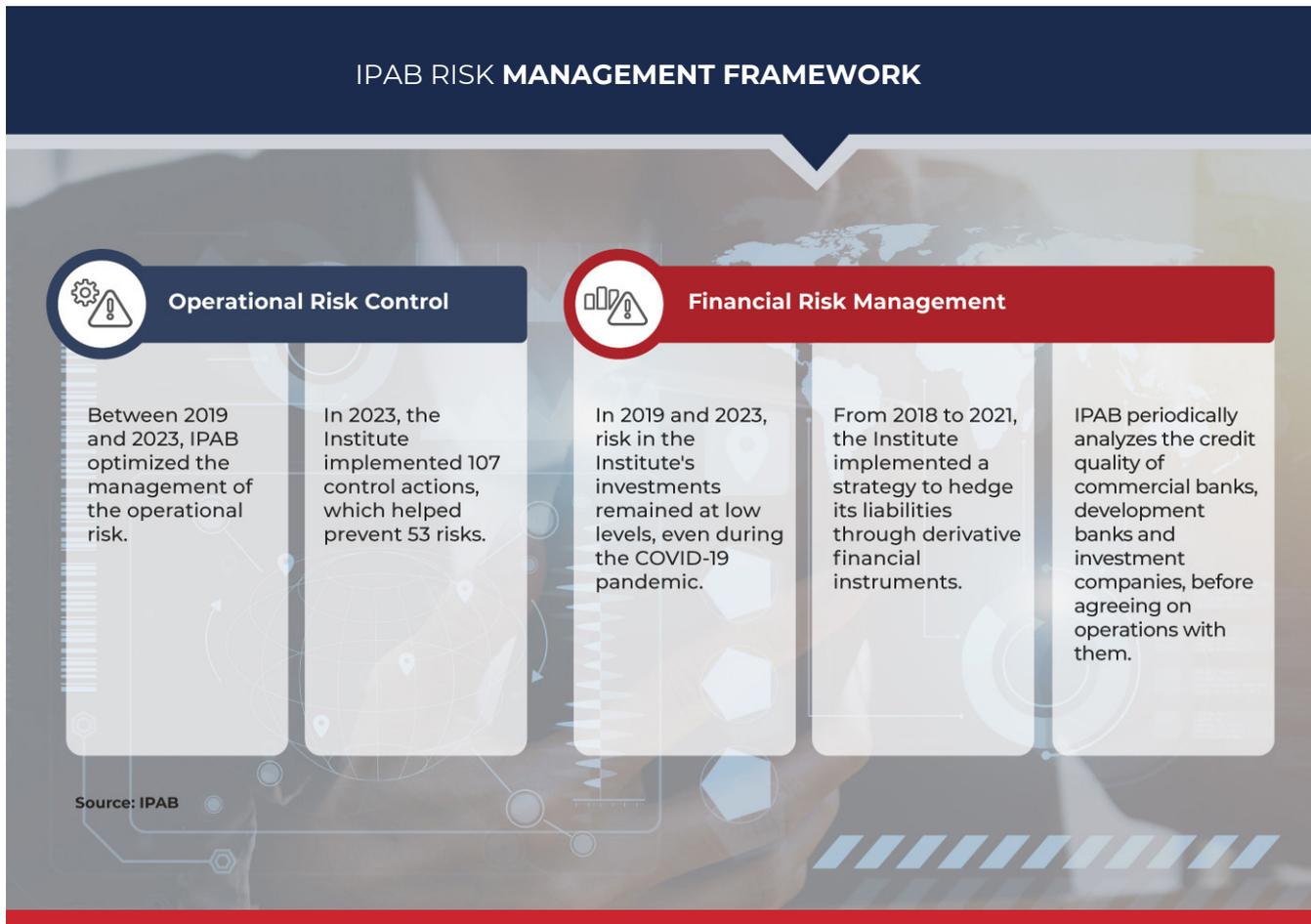
Thanks to strategic planning and a commitment to continuous improvement, from 2019 to 2023, the Institute has developed and overseen the progress of 32 strategic

projects. These initiatives have significantly enhanced IPAB's capabilities and successfully met institutional objectives, as depicted below:





Institutional and Financial Risks





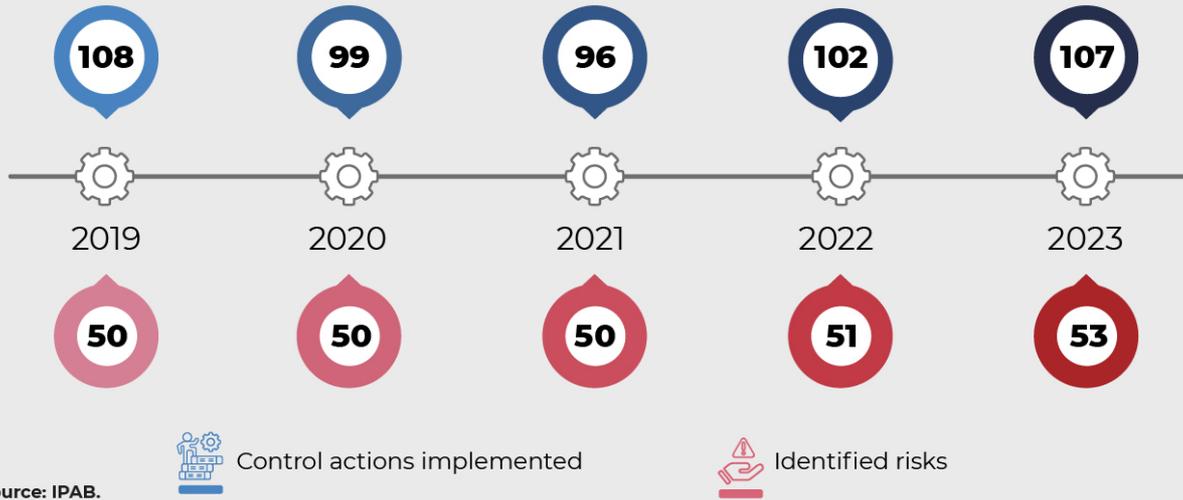
Timely Surveillance

To uphold institutional stability, **IPAB performs a daily monitoring** of the financial risks it faces.

IPAB maintains a framework for managing and controlling institutional and financial risks. Through these activities, in the past five years, an average of 51 risks per year were identified, with 102 corresponding control actions subsequently implemented.

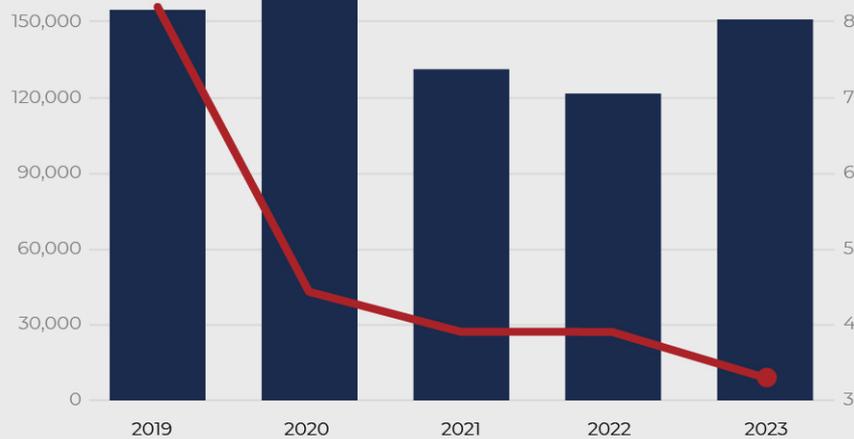
IPAB AT THE FOREFRONT

IMPLEMENTED CONTROL ACTIONS AND IDENTIFIED RISKS



IPAB performs a daily monitoring of the financial risks it faces, particularly market and counterparty risks. An independent area monitors the financial operations of IPAB, and over the last five years, there has been an evident decrease in the risks to which these operations are subject to, without exceeding the established limits.

PORTFOLIO VALUE AND RISK VALUE PER YEAR



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

Portfolio value

Value at risk



Information Security

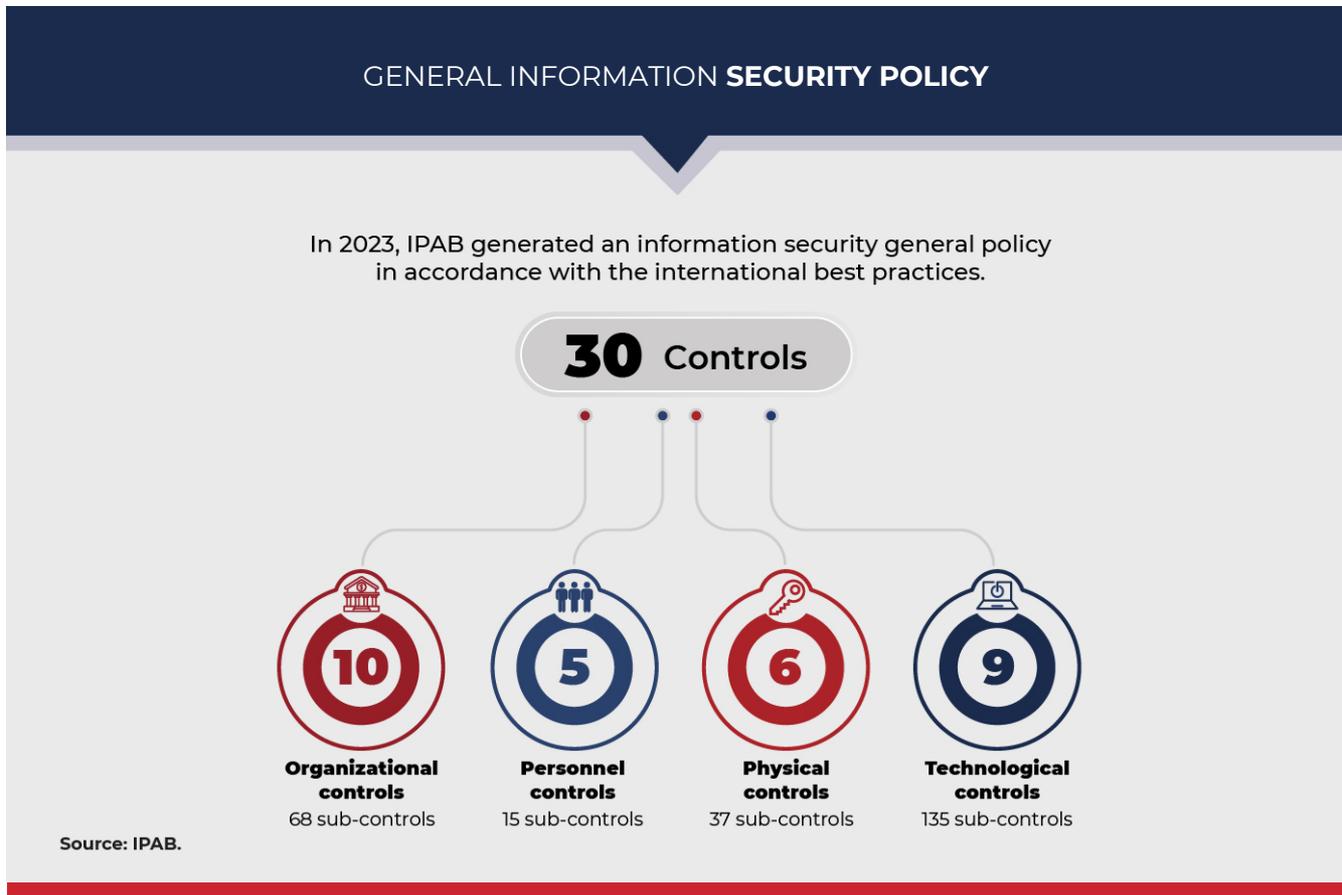
Derived from regulations on information technologies, communications, and information security, in 2022 IPAB commissioned a specialized third party to conduct a diagnosis to assess the maturity level of IPAB’s capacity in this area.

Based on the recommended initiatives, in 2023, the Institute’s Organic Statute was amended, assigning information security functions to an independent area distinct from the business units and the information technology department.

Additionally, as a result of this diagnosis, IPAB developed a new management framework along with a strategic plan, and an information security awareness program was launched among the Institute’s staff.



IPAB implemented an information security policy, following international best practices, regarding organizational, physical and logical security aspects, as well as human resources controls. Additionally, the policy aided in strengthening cybersecurity controls on information systems.

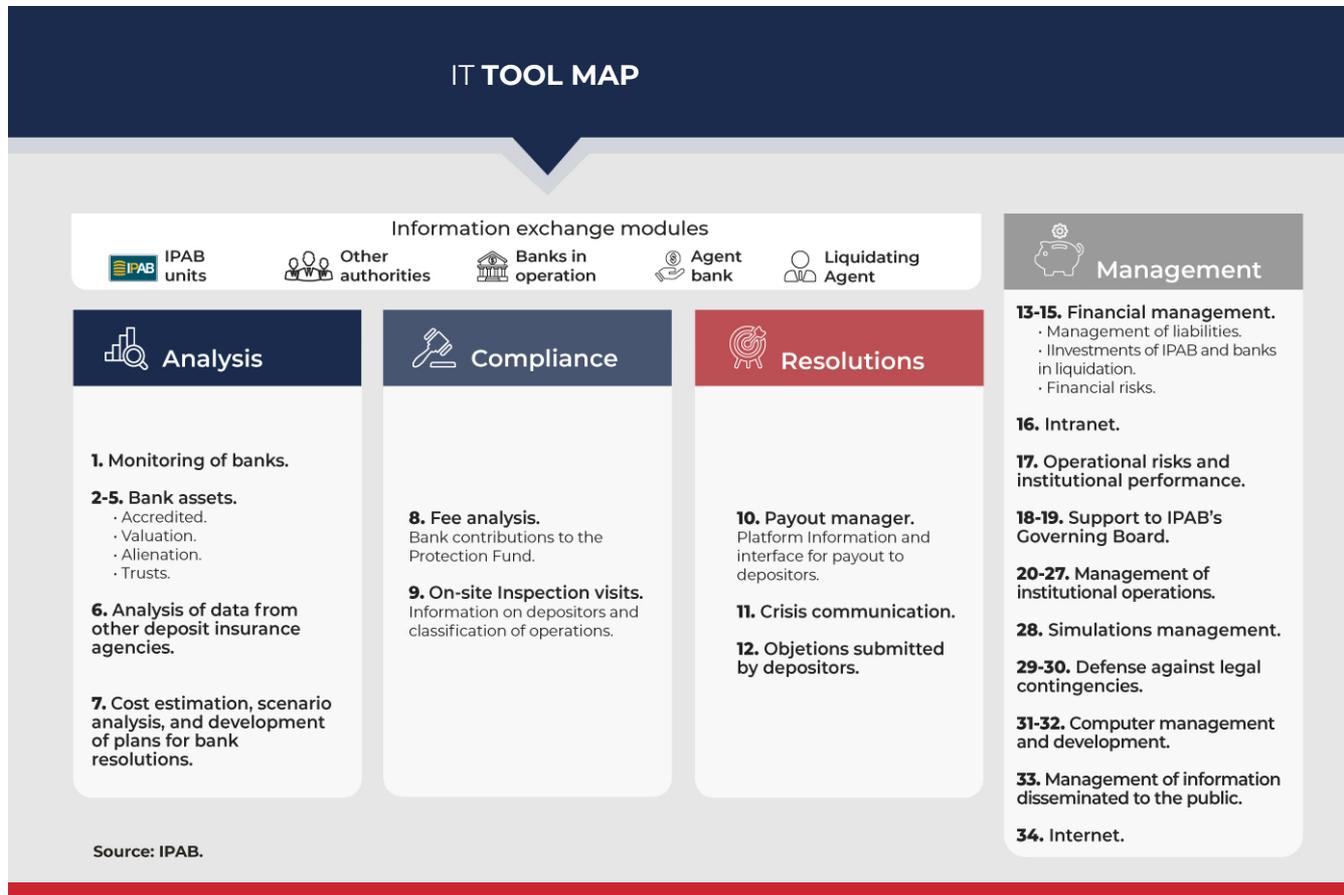


Information Technology

To ensure the smooth and efficient running of its administrative units, IPAB created 26 cutting-edge technological solutions from its inception and up to 2018. In the last five years, eight more have been developed, achieving a total of 34 IPAB-created tools to date. These technological resources have enabled IPAB to reduce response times and enhance information security, ensuring confidentiality, integrity, and



availability through encryption mechanisms. In-house development of technological tools allows IPAB to operate with customized systems tailored to its needs. This enhances the Institute’s ability to adapt to operational and regulatory changes with greater flexibility and responsiveness. Additionally, it enables IPAB to swiftly implement updates for new operating platforms.

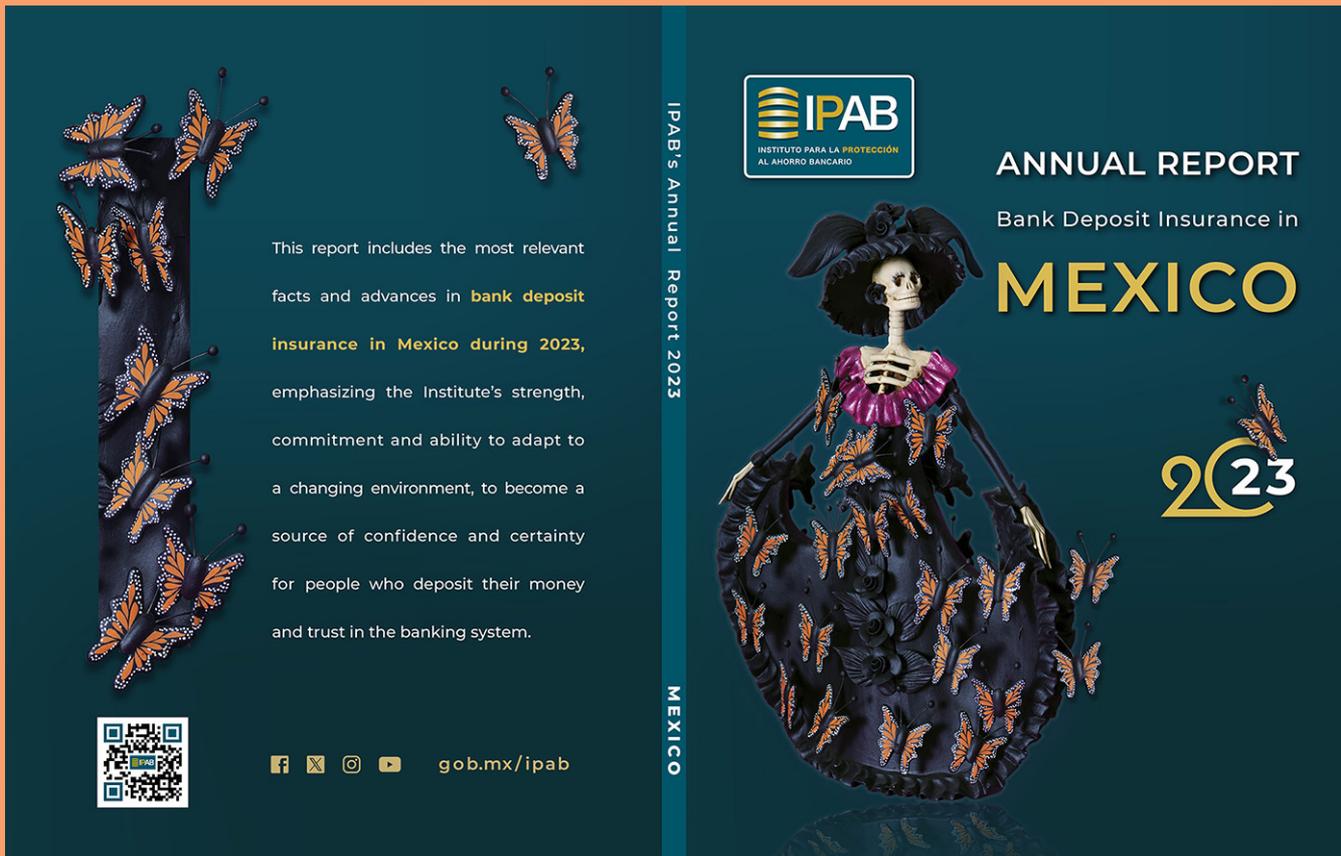


Acronyms and abbreviations

– Accendo	Accendo Banco, S.A., Banking Institution in Judicial Liquidation
– ASF	Superior Audit Office of the Federation
– BAFELJ	Banco Ahorro Famsa, S.A., Banking Institution in Judicial Liquidation
– Banxico	Bank of Mexico
– BIS	Bank for International Settlements (BIS)
– bn MXN	billions of Mexican pesos
– BPA s	Savings Protection Bonds

– CB or bank	Commercial Banks
– CNBV	National Banking and Securities Commission
– Fund or FPAB	Bank Savings Protection Fund
– GDP	Gross Domestic Product
– Governing Board	IPAB's Governing Board
– IADI	International Association of Deposit Insurers (IADI)
– INAI	National Institute for Transparency, Access to Information and Personal Data Protection
– IPAB or Institute	Institute for the Protection of Bank Savings
– mn MXN	millions of Mexican pesos
– BDSP	Bank Depositors Support Program
– Pb	basis points
– SHCP	Ministry of Finance and Public Credit
– UDIs	Unit or Units of Investment
– USA	United States of America





Creative concept

Originally created in the early 20th century by the print artist and illustrator José Guadalupe Posada, “La Catrina” –as depicted by Diego Rivera in his mural “Dream of a Sunday Afternoon in the Alameda Central (1947)” – is part of Mexican popular culture and is acknowledged worldwide as one of the elements that adds special color to the celebration of the Day of the Dead.

In turn, monarch butterflies, as a symbol of strength, perseverance, and transformation, are used as a metaphorical representation of the ideals that guide IPAB



staff in their efforts to remain at the forefront as a committed entity at the service of the Mexican people and particularly savers.

The graphic elements displayed on the cover, back cover, and within this “IPAB Annual Report: Bank Deposit Insurance in Mexico 2023” merge these symbols with the intention of representing the transition experienced by banks entering a resolution process and the multiple activities that IPAB implements, as per its mandate, to generate trust and certainty among people subject to coverage.

Adorned with her characteristic feathered hat and displaying an elegant dress from which monarch butterflies are emerging, “La Catrina” depicted in this publication was achieved from a pottery piece crafted by master artisans from San Pedro Tlaquepaque, Jalisco, a magical town known for its family workshops which produce high-end crafts out of materials such as clay, cotton, brass, wood, papier-mâché, leather, and glass.





The “IPAB Annual Report: Bank Deposit Insurance in Mexico 2023” serves as guidance and consultation material on its institutional work. Legal aspects can be consulted directly in IPAB’s official publications.

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This report includes the most relevant facts and advances in **bank deposit insurance in Mexico during 2023**, emphasizing the Institute's strength, commitment and ability to adapt to a changing environment, to become a source of confidence and certainty for people who deposit their money and trust in the banking system.



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