Grupo Financiero
Scotiabank Inverlat, S. A. de C. V.
(A foreign-owned Mexican Holding Company)
and subsidiaries

Consolidated financial statements

December 31, 2022

(With Independent Auditor's Report thereon)
(Free translation from Spanish language original)

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Independent Auditors Report

(Translation from Spanish language original)

To the Board of Directors and Stockholders
Grupo Financiero Scotiabank Inverlat, S. A. de C. V.
(A foreign-owned Mexican Holding Company):

(Millions of Mexican pesos)

Opinion

We have audited the consolidated financial statements of Grupo Financiero Scotiabank Inverlat, S. A. de C. V. A foreign-owned Mexican Holding Company and subsidiaries (the Group), which comprise the consolidated statement of financial position as of December 31, 2022, the consolidated statements of comprehensive income, changes in stockholders' equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements of Grupo Financiero Scotiabank Inverlat, S. A. de C. V. A foreign-owned Mexican Holding Company and subsidiaries, have been prepared, in all material respects, in accordance with the Accounting Criteria for Holding Companies of Financial Groups in Mexico (the Accounting Criteria), issued by the National Banking and Securities Commission (the Commission).

Basis of the opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors Responsibilities for the Audit section of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the ethics requirements that are relevant to our audit of the consolidated financial statements in Mexico and we have fulfilled the other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis paragraph

We draw attention to notes 2 (b) and 4 of the consolidated financial statements, which describe that during 2022 the accounting changes described in note 4 were made to the accompanying consolidated financial statements, which was done in response to the Resolution amending the general provisions applicable to the holding companies of financial groups and sub-controllers that regulate the matters that correspond jointly to the National Commissions Supervisors, published in the Official Gazette of the Federation on December 21, 2021, which establishes that the Holding Companies recognize the cumulative effect of such accounting changes on retained earnings, without reformulating the financial statements of years prior to January 1, 2022, and that the consolidated basic financial statements at and for the year ended December 31, 2021 are not disclosed. Our opinion has not been modified because of this matter.

(Continued)

Key audit matters

The key audit matters are those matters that, in our professional judgment, were of the most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Allowance for loan losses $16,805 in consolidated statement of financial position

See notes 3(o) and 10(g) to the consolidated financial statements

The key audit matter	**How the key audit matters was addressed in our audit**
The allowance for loan losses of consumer, residential mortgage and commercial portfolios involves significant judgments for the evaluation of the credit quality of the debtors, considering the various factors established in the methodologies prescribed by the Commission for the loan portfolio rating process, as well as to evaluate the reliability in the documentation and updating of the information that serves as input for the determination of allowance for loan losses for all loan portfolios. Additionally, on January 1, 2022, several modifications to the methodologies for determining the allowance for loan losses came into force, the impact of this change affected retained earnings for $821h. Therefore, we have determined allowance for loan losses as a key audit matter.	The audit procedures applied on the determination by Management of the allowance for loan losses and its effect on retained earnings and results for the year, included the evaluation, through selective tests, of both the inputs used and the calculation mechanics for the different credit portfolios based on the current methodologies established by the Commission for each type of portfolio. Additionally, with the participation of our specialists, at the date of the adoption of the new methodologies and December 31, 2022, we carried out: inspection of the approval of the policy and model used by the Risk Committee (or by the authorizing body), Evaluation of the model used and the relevant inputs used for the calculation.

(Continued)

Over-the counter derivative financial instruments $30,681 (assets) and $30,834 (liabilities) and hedging transactions $5,608 (assets) and $3,487 (liabilities)	
See notes 3(j) and 9 to the consolidated financial statements	
The key audit matter	**How the key audit matter was addressed in our audit**
The measurement and classification of the fair value at the date of the statement of financial position of certain over-the-counter derivative financial instruments and hedging transactions is carried out using valuation techniques that involve significant judgments of the Management, mainly when the use of inputs from various sources or data not observable in the market and complex valuation models is required. Additionally, the requirements that must be met for the accounting of financial instruments as hedges, as well as documentation and monitoring to prove their effectiveness, involve a certain degree of specialization on the part of Management. Therefore, we have considered the determination of the fair value of certain over-the-counter derivative financial instruments and hedging transactions as a key audit matter.	As part of our audit procedures, we obtained evidence of the Group's Risk Committee's approval of valuation models for over-the-counter derivative financial instruments and hedging transactions used by Management. Likewise, through selective tests, we evaluate the reasonableness of these models and the inputs used, with the participation of our specialists. Additionally, through selective tests, we evaluate the adequate measurement and classification of the fair value of over-the-counter derivative financial instruments and by hedging operations, adequate compliance with the criteria and documentation to be considered as such, as well as their effectiveness.

(Continued)

Current and Deferred Income Tax $3,060 (P&L) $6,585 (Assets) and Employee Statutory Profit Sharing (ESPS) Current and Deferred $1,161 (P&L) and $1,840 (Assets)	
See note 18 to the consolidated financial statements.	
The key audit matter	**How the key audit matter was addressed in our audit**
The determination of current and deferred Income Tax and ESPS is complex mainly due to the interpretation of current tax legislation and requires significant judgments mainly in the valuation of deferred Income Tax and ESPS assets to evaluate both present and future factors that allow estimating the realization of such assets. As a result, we view this matter as a key audit issue.	The audit procedures applied in the evaluation of the reasonableness of the calculations determined by Management for the recognition of current and deferred Income Taxes and ESPS included, among others, selective tests of both the inputs used and the nature of the items that were part of the calculation, considering the current legislation on tax matters. With the participation of our specialists, we evaluate the reasonableness of important tax assumptions, the period of reversal of temporary differences and the expiration of tax losses, as well as the reasonableness of the fiscal strategies proposed by the Management of the Group.

Responsibilities of management and those charged with governance of the entity in relation to the consolidated financial statements

Management is responsible for the preparation of the consolidated financial statements in accordance with the Accounting Criteria issued by the Commission, and for such internal control as Management determines necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the Group's ability to continue as a going concern, disclosing as applicable matters related to going concern and using the going concern basis of accounting, unless Management either intends to liquidate the Group or to cease operations, or has no realistic alternative, but to do so.

(Continued)

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities in auditing the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

(Continued)

We obtain sufficient and appropriate audit evidence with respect to the financial information of entities or lines of business within the Group to express an opinion on the consolidated financial statements. We are responsible for the administration, supervision and development of the Group's audit. We are solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, actions taken to remove threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG Cardenas Dosal, S. C.

C.P.C. Paul Scherenberg Gomez

Mexico City, March 30, 2023.

Grupo Financiero Scotiabank Inverlat, S.A. de C.V.,
(A foreign-owned Mexican Holding Company)
and subsidiaries

Lorenzo Boturini N° 202, Col. Tránsito, CP 06820, Mexico City

Consolidated statement of financial position

These consolidated financial statements have been translated from the Spanish language original solely for the convenience of foreign / English-speaking readers

December 31, 2022

(Millions of Mexican pesos)

Assets	
Cash and cash equivalents (Note 6)	$ 64,160
Margin accounts (derivative financial instruments) (Note 9)	2,137
Investments in financial instruments (Note 7):	
Negotiable financial instruments	64,270
Financial instruments held to collect or sell	64,243
Financial instruments to collect principal and interest (securities) (net)	4,717
	133,230
Securities lending (note 8)	3,377
Derivative financial instruments (Note 9):	
For trading purposes	30,681
For hedging purposes	5,608
	36,289
Valuation adjustments from hedging financial of assets	(1,380)
Loan portfolio with Stage 1 credit risk (note 10):	
Commercial loans	254,286
Consumer loans	32,612
Residential mortgage loans	186,539
Total loan portfolio with Stage 1 credit risk	473,437
Loan portfolio with Stage 2 credit risk (note 10):	
Commercial loans	160
Consumer loans	647
Residential mortgage loans	2,532
Total loan portfolio with stage 2 credit risk	3,339
Loan portfolio with Stage 3 credit risk (note 10):	
Commercial loans	9,651
Consumer loans	832
Residential mortgage loans	8,058
Total loan portfolio with Stage 3 credit risk	18,541
Loan portfolio	495,317
Add:	
Deferred orgination costs (note 10(d))	2,746
Less:	
Allowance for loan losses (note 10(g))	(16,805)
Total loan portfolio, net	481,258
Other accounts receivable, net (notes 6, 7 and 11)	16,168
Foreclosed assets, net (note 12)	292
Long-lived assets held for sale or distribution to the owners	14
Prepayments and other assets, net (note 18)	3,146
Property, furniture and equipment, net (note 13)	4,949
Assets on rights to use property, furniture and equipment, net (note 14)	2,702
Permanent investments (note 15)	121
Deferred income tax assets, net (note 18)	6,585
Intangible assets, net	4,795
Total assets	$ 757,843

Liabilities and stockholders' equity	
Deposit funding (note 16):	
Demand deposits	$ 231,307
Time deposits:	
General public	209,629
Money market	31,238
	240,867
Debt securities issued	11,845
Global deposits account without movements	979
	484,998
Bank and other borrowings (Note 17):	
Short-term	29,869
Long-term	19,649
	49,518
Traded securities to be settled (Note 7)	7,800
Creditors on repurchase/ resell agreements (note 8)	43,450
Collateral sold or pledged (note 8):	
Repurchase/resell agreements	14,481
Securities Lending	2,020
	16,501
Derivative financial instruments (Note 9):	
For trading purposes	30,834
For hedging purposes	3,487
	34,321
Valuation adjustments for hedging financial liabilities	2
Lease liability (note 14)	2,842
Other accounts payable:	
Creditors on settlement of transactions (notes 6 and 7)	6,269
Creditor for margin accounts	1,943
Creditors for collaterals received in cash (note 9)	4,135
Contributions payable	536
Sundry creditors and other accounts payable	8,463
	21,346
Financial instruments that qualify as liabilities (note 19):	
Subordinated debt issued	9,057
Income tax payable (Note 18)	2,128
Employee benefit liability (Note 20)	5,869
Deferred credits and early collections	1,057
Total liabilities	678,889
Stockholders' equity(Note 21):	
Paid-in capital:	
Capital stock	4,507
Earned capital:	
Statutory reserves	901
Retained earnings	73,545
	74,446
Other comprehensive income (OCI):	
Valuation of financial instruments held to collect or sell	(357)
Valuation of financial instruments from hedging cash flows	852
Remeasurement of defined employee benefits	(494)
Participation of OCIs from other entities	(2)
	(1)
Total controlling interest	78,952
Total non-controlling interest	2
Total stockholders' equity	78,954
Contingent commitments and liabilities (Note 25)	
Subsequent events (note 27)	
Total liabilities and stockholders' equit	$ 757,843

(Continued)

Grupo Financiero Scotiabank Inverlat, S.A. de C.V.,
(A foreign-owned Mexican Holding Company)
and subsidiaries

Lorenzo Boturini 202, Col. Transit, CP 06820, Mexico City

Consolidated statement of financial position, continued

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December 31, 2022

(Millions of Mexican pesos)

Memorandum accounts

Transactions on behalf of third parties	
Current account customers:	
Customer banks	$ 111
Settlement of customer transactions	863
	974
Custody operations (note 23a):	
Financial instruments (securities) of clients	495,246
Transactions on behalf of clients (note 23(b)):	
Repurchase / resell agreements on behalf of clients	24,652
Securities lending transactions on behalf of clients	56
Collateral received in guarantee on behalf of clients	12,332
Collateral delivered in guarantee on behalf of clients	29,877
Managed Trusts	220
	67,137
Total transactions on behalf of third parties	$ 563,357

Transactions by own account	
Credit commitments (note 23(b))	$ 264,565
Assets in trust or mandate (note 23(b)):	
Trusts	417,733
Mandates	29,278
	447,011
Assets in custody or administration (note 23(b))	897,975
Shares delivered in custody or guarantee	12,913
Collaterals received by the entity (note 23(b)):	
Government debt	6,783
Other debt securities	52
Equity financial instruments	795
Other financial instruments	4,560
	12,190
Collateral received and sold or delivered in guarantee by the entity (note 23):	
Government debt	16,075
Other debt securities	52
Equity financial instruments	110
	16,237
Accrued interest not collected derived from credit portfolio with stage 3 credit risk	1,334
Other accounts	1,670,988
Total by own account	$ 3,323,213

The historical balance of share capital as of December 31, 2022 is $3,111.

"This consolidated statement of financial position was formulated in accordance with the accounting criteria for holding and sub-holding companies, issued by the Supervisory Commissions, based on the provisions of Articles 91, 92, 94 and 101 of the Law to regulate Financial Groups, of general and mandatory observance, applied consistently, being reflected the operations carried out by the Controlling Company and the financial entities and other companies that are part of the financial group that are likely to be consolidated until the aforementioned date, which were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions.This consolidated statement of financial position was approved by the Board of Directors under the responsibility of the undersigned directors."

SIGNATURE

Adrián Otero Rosiles
General Director of Scotiabank Inverlat, S. A.,
Institución de Banca Múltiple, Grupo Financiero
Scotiabank Inverlat

SIGNATURE

Carlos Marcelo Brina
Deputy General Director of Finance

SIGNATURE

Jorge Córdova Estrada
Deputy General Director General
Group Audit

SIGNATURE

Berenice Martínez Mendoza
Chief Financial Officer

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Grupo Financiero Scotiabank Inverlat, S.A. de C.V.,
(A foreign-owned Mexican Holding Company)
and subsidiaries

Lorenzo Boturini 202, Col. Tránsito, CP 06820, Mexico City

Consolidated statement of comprehensive income

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For the year ended December 31, 2022

(Millions of Mexican pesos)

Interest income (note 24)	$ 57,572
Interest expense (note 24)	(31,583)
Financial margin	25,989
Allowance for loan losses (note 10(g))	(1,763)
Financial margin adjusted for allowance for loan losses	24,226
Commissions and fees charged (notes 22 and 24)	7,324
Commissions and fees paid	(723)
Financial intermediation income (note 24)	1,682
Other operating income (expenses), net (note 24)	488
Administration and promotion expenses (notes 22 and 24)	(17,951)
	(9,180)
Operation result	15,046
Participation in the net result of other entities	59
Result before income taxes	15,105
Income taxes (note 18):	
Income taxes caused	(3,312)
Deferred income taxes	252
Result of continuing operations	(3,060)
Net result	12,045
Other Comprehensive Results:	
Valuation of financial instruments held to collect or sell	(246)
Valuation of derivative financial instruments to hedge cash flows	473
Remeasurement of defined employee benefits	210
Participation in OCI of other entities	(2)
	435
Comprehensive result	$ 12,480
Net result attributable to:	
controlling interest	$ 12,045
Comprehensive income attributable to:	
controlling interest	$ 12,480

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

"This consolidated statement of comprehensive income was formulated in accordance with the accounting criteria for the controlling and sub-controlling companies, issued by the Supervisory Commissions, based on the provisions of Articles 91, 92, 94 and 101 of the Law Regulating the Financial Groups, of general and obligatory observance, reflecting all the income and expenses derived from the operations carried out by the Holding Company, during the aforementioned period, which were carried out and valued in accordance with sound practices and legal and administrative provisions applicable. This consolidated statement of comprehensive income was approved by the board of directors under the responsibility of the executives who sign it."

SIGNATURE

Adrián Otero Rosiles
General Director of Scotiabank Inverlat, S. A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat

SIGNATURE

Carlos Marcelo Brina
Deputy General Director of Finance

SIGNATURE

Jorge Córdova Estrada
Deputy General Director of Group Audit

SIGNATURE

Berenice Martínez Mendoza
Chief Financial Officer

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Grupo Financiero Scotiabank Inverlat, S.A. de C.V.,
(A foreign-owned Mexican Holding Company)
and subsidiaries

Lorenzo Boturini 202, Col. Tránsito, CP 06820, Mexico City

Consolidated statement of changes in stockholders' equity

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For the year ended December 31, 2022

(Millions of Mexican pesos)

	Paid-in capital				earned capital									
	Capital stock	Contributions for futures increases of capital formalized by the government body	Additional paid-in Capital	Financial instruments that qualify as equity	Statutory reserves	Retained earnings	Valuation of instruments financial held to collect or sell	Valuation of instruments financial derivatives to hedge cash flows	Income and expenses related to assets held to sell	Remeasurement for defined employees benefits	Participation in the OCI of other entities	Total Controlling interest	Non-controlling interest	Total stockholders' equity
Balance as of January 1, 2022 previously reported	$ 4,507	-	-	-	901	67,035	(111)	379	-	(704)	-	72,007	2	72,009
Retrospective adjustments for accounting changes (note 4)	-	-	-	-	-	(535)	-	-	-	-	-	(535)	-	(535)
Adjusted balance as of January 1, 2022	4,507	-	-	-	901	66,500	(111)	379	-	(704)	-	71,472	2	71,474
Owner movements:														
Dividend decree (note 21(c))	-	-	-	-	-	(5,000)	-	-	-	-	-	(5,000)	-	(5,000)
Total	-	-	-	-	-	(5,000)	-	-	-	-	-	(5,000)	-	(5,000)
Comprehensive result:														
Net result	-	-	-	-	-	12,045	-	-	-	-	-	12,045	-	12,045
Other comprehensive results:														
Valuation of financial instruments held to collect or sell	-	-	-	-	-	-	(246)	-	-	-	-	(246)	-	(246)
Valuation of derivative financial instruments to hedge cash flows	-	-	-	-	-	-	-	473	-	-	-	473	-	473
Remeasurement of defined employee benefits	-	-	-	-	-	-	-	-	-	210	-	210	-	210
Participation on the OCI of other entities	-	-	-	-	-	-	-	-	-	-	(2)	(2)	-	(2)
Total	-	-	-	-	-	12,045	(246)	473	-	210	(2)	12,480	-	12,480
Balances as of December 31, 2022	$ 4,507	-	-	-	901	73,545	(357)	852	-	(494)	(2)	78,952	2	78,954

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

"This statement of changes in consolidated stockholders' equity was formulated in accordance with the accounting criteria for holding and subholding companies, issued by the Supervisory Commissions, based on the provisions of Articles 91, 92, 94 and 101 of the Law to regulate Financial Groups, of general and obligatory observance, reflecting all the movements in the stockholders' equity accounts derived from the operations carried out by the Holding Company, during the aforementioned period, which were carried out and valued in accordance with sound practices and applicable legal and administrative provisions. This statement of changes in consolidated stockholders' equity was approved by the board of directors under the responsibility of the executives who sign it."

SIGNATURE	SIGNATURE	SIGNATURE	SIGNATURE
Adrián Otero Rosiles General Director of Scotiabank Inverlat, S. A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat	Carlos Marcelo Brina Deputy General Director of Finance	Jorge Córdova Estrada Deputy General Director of Group Audit	Berenice Martínez Mendoza Chief Financial Officer

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Grupo Financiero Scotiabank Inverlat, S.A. de C.V.,
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Lorenzo Boturini 202, Col. Tránsito, CP 06820, Mexico City

Consolidated statement of cash flows

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For the year ended December 31, 2022

(Millions of Mexican pesos)

Operating activities:	
Result before income taxes	$ 15,105
Adjustments for items associated with investing activities:	
Depreciation of property, furniture and equipment	1,061
Amortizations of intangible assets	843
Losses or reversal of losses due to impairment of long-lived assets	(35)
Participation in the net result of other entities	(59)
Other adjustments for items associated with investing activities	1,630
Adjustments for items associated with financing activities:	
Interest associated with financial instruments that qualify as liabilities	978
Total	19,523
Changes in operating items:	
Changes of bank and other borrowings	1,111
Change in margin accounts (derivative financial instruments)	(588)
Change in investments in financial instruments (securities), net	3,428
Change in repurchase /resell agreements debtors, net	(18,447)
Change in derivative financial instruments (asset)	(12,505)
Change in loan portfolio, net	(62,764)
Change in other accounts receivable, net	(5,456)
Change in foreclosed assets, net	(183)
Change in other operating assets, net	2,474
Change in traditional deposits	43,756
Change in collateral sold or pledged	26,864
Change in derivative financial instruments (liability)	12,235
Change in obligations in securitization operations	3
Change in other operating liabilities	(86)
Change in assets/liabilities for employee benefits	583
Change in other accounts payable	8,454
Change in other provisions	(105)
Income tax payments	(635)
Net cash flows from operating activities	17,662
Investment activities:	
Payments for the acquisition of property, furniture and equipment	(1,201)
Payments for acquisition of associates, joint ventures and other permanent investments	(3)
Payments for the acquisition of intangible assets	(740)
Net cash flows from investing activities	(1,944)
Financial activities:	
Lease liability and interest payments	(729)
Cash dividend payments	(5,000)
Payments associated with financial instruments that qualify as liabilities	(978)
Net cash flows from financing activities	(6,707)
Net increase in cash and cash equivalents	9,011
Cash and cash equivalents at the beginning of the period	55,149
Cash and cash equivalents at the end of the period	$ 64,160

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

"This consolidated statement of cash flows was formulated in accordance with the accounting criteria for controlling and sub-controlling companies, issued by the Supervisory Commissions, based on the provisions of Articles 91, 92, 94 and 101 of the Law for regulate the Financial Groups, of general and mandatory observance, reflecting the cash inflows and cash outflows derived from the operations carried out by the Holding Company, during the aforementioned period, which were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions. This consolidated statement of cash flows was approved by the board of directors under the responsibility of the executives who sign it."

SIGNATURE

Adrián Otero Rosiles
General Director of Scotiabank Inverlat, S. A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat

SIGNATURE

Carlos Marcelo Brina
Deputy General Director of Finance

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Chief Financial Officer

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(1) Activity and Outstanding operation-

a) Activity

Grupo Financiero Scotiabank Inverlat, S. A. de C. V., a foreign owned Mexican Holding Company (the Group), located at Lorenzo Boturini 202, piso 2, Col. Tránsito, 06820, Mexico City, is a subsidiary of The Bank of Nova Scotia (BNS) which owns 97.4% of its share capital and is authorized to acquire and manage voting shares, issued by financial institutions, stock exchanges, auxiliary credit organizations, as well as those companies that provide complementary or auxiliary services in a preponderant manner to one or more of said financial entities.

As of December 31, 2022, the Group and its subsidiaries, which have been consolidated, are integrated as follows:

- Scotiabank Inverlat, S. A., Institución de Banca Múltiple, Grupo Scotiabank Inverlat (the Bank), which is dedicated to the provision of multiple banking services under the terms of the Law on Credit Institutions and general provisions issued by the National Banking and Securities Commission (the Commission) that include, among others, the receipt of deposits, acceptance of loans, the granting of loans, the operation with securities and the conclusion of trust agreements. The Bank has three consolidating subsidiaries (a real estate bank, a complementary banking services company and an operating company in the Mexican Derivatives Market, S.A. de C. V. (MexDer). The derivatives operating company also has two liquidating partner trusts subscribers of shares of the share capital of MexDer (MexDer Trusts).

- Scotia Inverlat Casa de Bolsa, S. A. de C. V., Grupo Scotiabank Inverlat (la Casa de Bolsa), is a company authorized to act as an intermediary in securities and financial transactions under the terms of applicable laws and general provisions issued by the Commission.

- Scotia Fondos, S. A. de C. V., Sociedad Operadora de Fondos de Inversión, Grupo Scotiabank Inverlat (the Fund Management Company), is a company authorized to act as an investment fund operator under the terms of the applicable laws and general provisions issued by the Commission.

  As of December 31, 2022, Scotia Fondos operates 15 debt investment funds and 29 equity investment funds.

- Until June 30, 2022, Crédito Familiar, S. A. de C. V., Sociedad Financiera de Objeto Múltiple Entidad Regulada, Grupo Scotiabank Inverlat (Crédito Familiar), which was a company that operates under the general provisions issued by the Commission, dedicated to the granting of consumer loans, which in turn had two subsidiaries (a service company and an asset manager). All of the aforementioned companies were merged with the Bank on June 30, 2022, extinguishing these entities on that date.

(Continued)

b) Outstanding operation

a. Spin-off Scotia Inverlat Casa de Bolsa, S. A. de C. V., Grupo Scotiabank Inverlat

By letters 312-3/0389/2020 and 312-3/2511276/2022 dated 14 December 2020 and 6 April 2022, respectively, the Commission informed Scotia Inverlat Casa de Bolsa, S.A. de C. V., Grupo Scotiabank Inverlat ("la Casa de Bolsa") of the authorization of the spin-off, in order to divide part of its assets, for a total amount of $900 mainly in cash or investments in Certificates of the Treasury of the Federation or other government securities and a part of its stockholders' equity, for a total amount of $900 in a portion of the current share capital of la Casa de Bolsa, for an amount of $208 and in a portion of retained earnings attributable to prior years, for an amount of $692, which were contributed to integrate the share capital of the Spin-off Company, which was incorporated as a result of the spin-off, Esquina Ibsen S. A. de C. V. (the "Spin off Company"). The merger took effect on June 30, 2022.

(2) Authorization and basis of presentation-

Authorization

On March 30, 2023, Adrián Otero Rosiles (CEO of Scotiabank Inverlat, S. A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat), Carlos Marcelo Brina (Deputy General Director of Finance), Jorge Córdova Estrada (Deputy General Director Group Audit) and Berenice Martínez Mendoza (Chief Financial Officer) authorized the issuance of the accompanying consolidated financial statements and their notes.

In accordance with the General Law on Commercial Companies (LGSM), the Group's statutes and the General Provisions applicable to Credit Institutions (the Provisions), issued by the Commission, the shareholders and the Commission have the power to amend the consolidated financial statements after their issuance. The accompanying consolidated 2022 financial statements for 2022 shall be submitted for approval to Shareholders.

Presentation rules

a) Declaration of Compliance

The consolidated financial statements are prepared in accordance with the applicable law, and in accordance with the Accounting Criteria contained in the General Provisions applicable to holding companies of financial groups subject to the oversight of the Commission (the Accounting Criteria), which is responsible for the inspection and supervision of the holding companies of financial groups and carries out the review of their financial information.

The Accounting Criteria establish that the accounting of the financial group or groups must conform to the basic structure of the Mexican Financial Reporting Standards (NIF) defined byf the Mexican Board of Financial Reporting Standards, A.C. (CINIF) in NIF A-1 "Structure of financial reporting standards", considering in the first instance the NIF contained in Series NIF A "Conceptual framework", as well as the provisions of accounting criterion A-4 "Suppletory process in applying accounting criteria". They also establish that institutions must observe the accounting guidelines of the NIF, except when necessary, in the opinion of the Commission, to apply specific accounting criteria on the recognition, valuation, presentation and disclosure applicable to specific items of the financial statements and those applicable to their preparation.

(Continued)

The Accounting Criteria indicate that in the absence of specific accounting criteria of the Commission for credit institutions, or in a broader context, of IFRS, the supplementary bases provided for in NIF A-8 "Suppletory process in applying accounting criteria" will be applied, and only in the event that the International Financial Reporting Standards (IFRS) referred to in NIF A-8 do not provide a guidance on accounting recognition, users may opt for a supplementary standard that belongs to any other regulatory scheme, provided that it complies with all the requirements indicated in the aforementioned NIF and the same accounting criteria, and suppletory process must be applied in the following order: the accounting principles generally accepted in the United States of America (US GAAP) and any accounting standard that is part of a formal and recognized set of standards, provided that it complies with the requirements of criterion A-4 "Default application to accounting criteria" of the Commission.

b) Comparative financial information

On December 21, 2021 was published in the Official Gazette of the Federation the resolution that modifies the Provisions, which establishes that credit institutions recognize the effect of the accounting changes arising from said resolution on retained earnings, profits, without restating the financial statements of years prior to January 1, 2022, and that the consolidated financial statements as of and for the year ended December 31, 2021, are not presented.

c) Use of judgments and estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, as well as the recorded amounts of income and expenses during the period. Actual results may differ from these estimates and assumptions.

Judgements

Information on judgments made in the application of accounting policies that have the most material effect on the amounts recognized in the consolidated financial statements is described in the notes below:

- Note 7 – Investments in financial instruments: definition of the business model: Financial Instrument to Collect Principal and Interest (FITCPI), Financial Instrument to Collect or Sell (FICS), or Negotiable Financial Instrument (NFI).
- Note 9 – Derivatives: determination of whether financial instruments are trading or designated for hedging purposes.
- Note 10 – Loan portfolio: definition of the business model, either to collect principal and interest (FITCPI), or to collect or sell (FICS).
- Note 14 – Leases: determination of whether an agreement contains a lease.

Assumptions and uncertainties in estimates

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

- Note 7 – Investments in financial instruments: Market values of securities without observable market.

(Continued)

- Notes 3 and 9 – Valuation of derivative financial instruments: key assumptions to determine market value, especially those derivatives that are complex or without an active market.
- Note 10 – Determination of the allowance for loan losses and recoverability of accounts receivable: assumptions and inputs used in its determination.
- Note 18 – Recognition of deferred tax assets: availability of taxable future profits, and the reversals of deferred taxes.
- Note 20 – Measurement of defined benefit liabilities: key actuarial assumptions.

Determination of fair value

Some of the Group's accounting policies and disclosures require measurement of the fair values of both financial and non-financial assets and liabilities.

The Group has a control framework in place for the measurement of fair values. This includes the authorization by the Board of Directors of the contracting of a price vendor, in addition to the authorization by the Group Risk Committee of the internal valuation models and their modifications, the methods of estimating the variables used in these valuation models when they are not provided directly by the price vendor that the Group has contracted, and those securities and other financial instruments to which internal valuation models are applicable.

In addition, the established control framework includes a valuation team that has overall responsibility for overseeing all significant measures of fair value, including Level 3 fair values, and reports directly to the Finance Department. The valuation team regularly reviews significant unobservable input data and valuation adjustments. If third-party information, such as broker quotes or pricing services, is used to measure fair values, the valuation team evaluates the evidence obtained from the third parties to support the conclusion that those valuations satisfy the requirements of IFRS, including the fair value hierarchy level within which those valuations should be classified. Significant valuation matters are reported to the Group’s Audit Committee and Board of Directors.

In addition, the established control framework includes a valuation team that has overall responsibility for monitoring all significant fair value measurements.

When measuring the fair value of an asset or liability, the Group uses observable market data whenever possible. Fair values are classified at different levels within a fair value hierarchy based on input data (observability of inputs) used in valuation techniques, as follows:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities, corresponding to the highest level, corresponding to prices obtained exclusively with Level 1 input data.

Level 2: input data other than quoted prices included in Level 1, which are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. from prices) corresponding to prices obtained with level 2 input data.
Level 3: data or inputs to measure the asset or liability that are not based on observable market data (unobservable input data), which corresponds to the lowest level, for those previously obtained with level 3 input data.

Financial instruments that are valued through the use of an internal Group valuation model are under no circumstances considered Level 1.

(Continued)

If the input data used to measure the fair value of an asset or liability is classified at different levels of the fair value hierarchy, then the fair value measurement is classified entirely at the same level of the fair value hierarchy as the lowest observability variable that is significant for the total measurement.

Pursuant to the Provisions, the Group determines the fair value of the following financial instruments through direct vector valuation, which consists of applying to the position in Group securities or contracts the discounted valuation price provided by a price vendor:

I. Securities registered in the national securities registry regulated on markets recognised by the Commission.
II. Derivative financial instruments listed on domestic derivatives exchanges or belonging to markets recognised by the Central Bank.
III. Underlying assets and other financial instruments forming part of structured transactions or packages of derivatives, in the case of securities or financial instruments referred to in sections I and II referred to above.

The price vendor contracted by the Group that provides the prices and inputs for the determination of the valuation of the financial instruments is Valuación Operativa y Referencias de Mercado, S. A. de C. V. (VALMER).

During the year ended 31 December 2022, no significant decrease in volume (or level of activity) was observed relative to normal market activity. This considering the type of financial instruments maintained by the Group, their low complexity and the decrease in volatility in the financial markets in 2022.

As of December 31, 2022, there is no reduction in the availability of prices and inputs provided by the price vendor, so there is no evident and significant impairment of the observable conditions in the inputs used for the valuation of securities and other financial instruments that requires recognition of impairment in value. As part of the Group's controls, the evolution of the financial markets, liquidity and conditions of availability of prices and inputs for the valuation of the instruments are monitored in order to anticipate any impairment in their value.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change occurred.

The following notes include additional information on assumptions made when measuring fair values:

- Note 7 – Investment in financial instruments; and
- Note 9 – Derivative financial instruments and hedging relationships

d) Functional and reporting currency

The above-mentioned consolidated financial statements are presented in Mexican peso reporting currency, which is equal to the recording currency and its functional currency.

For disclosure purposes in the notes to the consolidated financial statements, when reference is made to pesos or "$", it is millions of Mexican pesos, and when reference is made to dollars or USD, it is millions of United States dollars.

(Continued)

(Millions of Mexican pesos)

e) Presentation of the comprehensive result

In compliance with accounting criterion D-2 "Statement of comprehensive income" established by the Commission, the Group presents the comprehensive result in a single statement that presents in a single document all the items that make up the net result, increased or decreased by the Other Comprehensive Income (OCI) of the period, as well as the participation in the OCIs of other entities, and is called the "Comprehensive Income Statement".

f) Recognition of financial assets and liabilities at the inception date

The consolidated financial statements recognize assets and liabilities arising from foreign exchange transactions, investments in securities, securities lending, and derivative financial instruments on the inception date on which the transaction is performed, regardless of its settlement date.

(3) Summary of key accounting policies

The following accounting policies shown below have been applied uniformly in the preparation of the consolidated financial statements presented, except as disclosed in note 4 which includes accounting changes recognized during the period:

(a) Recognition of the effects of inflation

The accompanying consolidated financial statements were prepared in accordance with the Accounting Criteria, which because the Group operates in a non-inflationary economic environment as established by NIF B-10 "Effects of inflation", include the recognition of the effects of inflation until December 31, 2007 based on the value of the Investment Unit (UDI), which is a unit of account whose value is determined by the Banco de Mexico (Central Bank) based on inflation. The percentage of annual inflation, accumulated in the last three years and the values of the UDI used to determine inflation, are shown below:

		Inflation	
December 31 of	UDI	the year	Accumulated
2022	7.6468	7.58%	19.50%
2021	7.1082	7.61%	14.16%
2020	6.6056	3.23%	11.31%

(b) Consolidation bases

The consolidated financial statements include those of Grupo Financiero Scotiabank Inverlat, S. A. de C. V. (the Group) and those of its subsidiaries in which it controls. Significant balances and transactions between group companies have been eliminated in the preparation of the consolidated financial statements. The consolidation was carried out based on the audited financial statements of the entities as of December 31, 2022, which were prepared in accordance with the Accounting Criteria established by the Commission.

(Continued)

Grupo Financiero Scotiabank Inverlat, S. A. de C. V.,
(A foreign owned Mexican Holding Company)
and subsidiaries

Notes to Consolidated Financial Statements

(Millions of Mexican pesos)

The consolidated subsidiaries with the Group as of December 31, 2022, are detailed below:

Subsidiary	Participation	Location	Activity
The Bank	99.99%	Mexico City	Banking operation
Casa de Bolsa	99.98%	Mexico City	Intermediation in securities and financial transactions.
Scotia Fondos	99.99%	Mexico City	Investment Fund Operation.
Crédito Familiar (1)	99.99%	Mexico City	Granting of consumer loans.

(1) Crédito Familiar was subject to consolidation until June 30, 2022.

(c) Foreign Currency Operations

Foreign currency transactions are recognized at the rate of exchange in effect on the dates they are performed, for purposes of presenting the consolidated financial statements. In the case of currencies other than the dollar, they are converted from the respective currency to dollars, as established by the Provisions applicable to credit institutions and the equivalence of the dollar with the national currency is converted at the exchange rate at the closing of the operating day determined by the Central Bank.

At the closing date of the consolidated financial statements, monetary assets and liabilities in foreign currency are translated at the closing exchange rate of the trading day published by the Central Bank and gains or losses on foreign exchange arising from the translation of foreign currency are recognized in the results of the year in which they originate.

(d) Offsetting of financial assets and financial liabilities-

A financial asset and liability shall be offset so that its net amount is presented in the consolidated statement of financial position only when the Group has the legally enforceable and existing right to offset them in all circumstances, and in turn the intention to settle them on a netted basis, or to realize the financial asset and settle the financial liability simultaneously.

(e) Cash and cash equivalents

Cash is recognized at face value. Cash includes local and foreign currency in cash, deposits in the Central Bank and deposits in financial institutions in the country and abroad, whether in checking accounts, bank drafts, telegraphic or postal and remittances in transit.

Cash equivalents are initially recognized at fair value. These include short-term, highly liquid, easily cash-convertible securities that are subject to minor risks in their value (where the latter are those whose maturity is expected within a maximum of 48 hours from their acquisition), among others, bank borrowings with maturities equal to or less than three business days ("Call Money" operations). the purchase of foreign currency that is not considered derivative financial instruments as established by the Central Bank in the applicable regulation, and other cash equivalents such as correspondents, immediate collection documents, coined precious metals and on demand investments.

(Continued)

The valuation of cash equivalents in the form of coined precious metals is made at fair value, considered as such at the price applicable at the valuation date, except those that by their nature have no fair value, which are recognized at their acquisition cost.

The foreign currency acquired that is agreed to settle at a date after the inception of the purchase and sale transaction, are recognized as cash and restricted cash equivalents, while currencies sold are recorded as an outflow of cash and cash equivalents. Rights arising from foreign exchange sales are recorded under "Other accounts receivable, net" and obligations arising from foreign exchange purchases are recorded under "Creditors for settlement of transactions".

The amount of overdrafts in checking accounts, the offset balance, of currencies to be received and currencies to be delivered, or of some concept that integrates cash and cash equivalents, when they show negative balances, is presented under "Other accounts payable".

Interest earned and valuation gains or losses are included in profit or loss for the period as accrued as part of interest income or expense. The results from valuation and sale of coined precious metals and currencies are recognized in the financial intermediation income.

(f) Margin accounts

Margin accounts are associated with transactions in derivative financial instruments held on recognized markets or exchanges, in which highly liquid financial assets are deposited to ensure compliance with the obligations relating to those instruments in order to mitigate the risk of default. The amount of deposits corresponds to the initial margin and to the subsequent contributions or withdrawals made by the Group and the clearing house during the term of the derivative financial instruments contract.

Margin cash accounts are recognized at face value and are presented under "Margin Accounts". Returns and commissions affecting margin accounts, other than fluctuations in derivatives prices, are recognized in the income for the period as accrued under the captions of "Interest Income" and "Commissions and Fees Paid," respectively.

The partial or total settlements deposited or withdrawn by the clearing house due to fluctuations in the prices of derivatives are recognized under the caption of "Margin accounts", affecting as consideration a specific account that may be of a debtor or creditor nature, as appropriate and that represents an advance received, or, A financing granted by the clearing house and that will reflect the effects of the valuation of the derivatives prior to their settlement.

(g) Investments in financial instruments

i. Initial recognition and measurement

Investments in financial instruments include equity, bonds, certificates and other receivables and documents that are issued in series or in mass, listed and unlisted, which the entity holds as its own position. In the case of financial assets or liabilities not measured at fair value with changes therein, carried through comprehensive income, the transaction costs directly attributable to their acquisition or issuance, when subsequently measured at amortized cost, are measured at fair value.

(Continued)

ii. Classification and subsequent measurement

In the initial recognition, investments in financial instruments are classified into the following categories, according to the business model and the characteristics of the contractual flows of those instruments, such as:

— *Financial instruments to collect principal and interest (FITCPI),* which aim to recover the contractual flows involved in the instrument in their holding. The terms of the contract provide for cash flows on pre-established dates, which correspond only to principal and interest payments (yield), usually on the amount of outstanding principal. The FITCPI must have characteristics of a financing granted and be administered based on its contractual performance.

— *Financial instruments held to collect or sell (FITCS),* measured at fair value with changes in other comprehensive income (FVTOCI), which aim to both collect contractual flows of principal and interest, and obtain a profit on their sale when appropriate. The Group irrevocably recognizes changes in the fair value of FITCSs through the OCI; and

— *Negotiable financial instruments (NFIs*), measured at fair value with changes in profit or loss (FVTP&L) that represent investment in debt or equity financial instruments, and which aim to obtain a profit between the purchase and sale price.

The classification of investments in financial instruments is based on both the business model and the characteristics of the contractual flows of the same. According to the business model, a financial instrument, or a class of financial instruments (a portfolio), can be managed under:

— A model that seeks to collect contractual flows (represented by the amount of principal and interest).

— A business model that seeks both the collection of contractual flows as in the previous model, as well as obtaining a profit through the sale of financial instruments, which leads to displacing a combined management model of these financial instruments.

— A model that seeks to obtain maximum performance through the purchase and sale of financial instruments.

Financial instruments are not reclassified after their initial recognition, except if the Group changes its business model, in which case all affected financial instruments are reclassified to the new category at the time the change in business model has occurred.

The reclassification of investments in financial instruments between categories is applied prospectively from the date of change in the business model, without modifying any previously recognized profit or loss, such as interest or impairment losses.

When any reclassification is carried out in accordance with the aforementioned, the Group must inform the Commission of this fact in writing within 10 working days of its determination, setting out in detail the change in the business model that justifies them. Such change shall be authorized by the Group's Risk Committee.

(Continued)

During the year ended December 31, 2022, the Group did not carry out transfers between categories.

A financial instrument is measured at amortized cost if both of the following conditions are met and is not classified as measured at fair value with changes through results:

— the financial instrument is retained within a business model whose objective is to maintain the financial instruments in order to obtain the collection of contractual cash flows; and

— the contractual terms of the financial instrument give rise, on specified dates, to cash flows that are represented only by principal payments and interest on the amount of outstanding principal (Principal and Interest Payments Only, or SPPI).

An investment in a debt instrument is measured at fair value with changes in OCI if both of the following conditions are met and is not classified as measured at fair value with changes in profit or loss:

— the financial asset is held within a business model whose objective is achieved both by obtaining the contractual cash flows and by selling the financial assets; and

— the contractual terms of the financial asset give rise, on specified dates, to cash flows which are represented only by principal payments and interest on the amount of SPPI.

All financial instruments not classified as measured at amortized cost or fair value with changes in OCI as described above are measured at fair value with changes in profit. This includes all derivative financial instruments (see point (j) of this note).

Financial instruments: Business model assessment –

The Group makes an assessment of the objective of the business model in which a financial instrument is maintained at the portfolio level, as this is what best reflects the way in which the business is managed and the information is delivered to Management. The information considered includes the following:

— the policies and objectives identified for the portfolio and operation of those policies in practice. These include whether Management's strategy focuses on collecting contractual interest income, maintaining a specific interest rate profile or coordinating the duration of financial instruments with that of the liabilities those instruments are financing or expected cash outflows, or making cash flows through the sale of the instruments;

— how portfolio performance is evaluated and reported to Group Management;

— the risks affecting the performance of the business model (and the financial instruments held in the business model) and, in particular, the way in which those risks are managed;

— how business managers are remunerated (e.g. whether compensation is based on the fair value of instruments managed or on contractual cash flows obtained); and

— the frequency, volume and timing of sales in previous periods, the reasons for those sales and expectations about future sales activity.

(Continued)

Transfers of financial instruments to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continued recognition of the instruments.

Financial instruments that are held for trading and whose performance is valued on a fair value basis are measured at fair value with changes in results.

Financial instruments: Assessing whether contractual cash flows are SPPI –

For purposes of this assessment, the principal amount is defined as the fair value of the financial instrument at the time of initial recognition. "Interest" is defined as consideration for the value of money over time and for the credit risk associated with the outstanding principal amount, over a specified period of time, and for other basic risks and costs of borrowing (e.g., liquidity risk and administrative costs), as well as a profit margin.

When assessing whether contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether a financial instrument contains a contractual condition that could change the timing or amount of contractual cash flows in a way that would not meet this condition.

In making this assessment, the Group takes into account:

— contingent events that would change the amount or timing of cash flows;

— terms that could generate leverage;

— terms that refer to the value of money over time, such as adjusting the coupon rate, including variable rate characteristics;

— terms that generate embedded derivative instruments, or changes in their terms and conditions, by indexation to variables outside the nature of the contract.

— prepayment and extension features; and

— terms limiting the Bank's right to cash flows from specific instruments (e.g., "non-recourse" characteristics).

An early payment characteristic is consistent with the criterion of only payment of principal and interest if the amount of the advance payment substantially represents the unpaid amounts of principal and interest on the principal amount, which may include reasonable additional offsets for the early termination of the contract. In addition, in the case of a financial instrument purchased at a significant discount or premium to its nominal contractual amount, a feature that allows or requires the advance payment of an amount substantially representing the nominal contractual amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for an early term) is treated as consistent with this criterion if the fair value of the Prepayment feature is negligible in the initial recognition.

(Continued)

Financial instruments: Subsequent measurement and profit and loss –

Negotiable financial instruments (NFIs)	Thereafter, and at each reporting date, securities are valued at fair value provided by an independent price vendor; the valuation effects and the results of the sale are recognized in the results of the year, under the caption "financial intermediation income". When securities are disposed of, the result per sale is determined from the differential between the purchase price and the sale price, and the result by valuation that has been previously recognized in the results of the year must be reclassified to the result by purchase and sale within that item. Accrued interest on debt securities is determined in accordance with the effective interest method and is recognized in the income for the period under "Interest income". The dividends of the equity instruments in favor are recognized in the results of the year, at the moment in which the right to receive the payment of the same is generated in the caption of "Interest income". However, see subparagraph (j) of this note for derivatives designated as hedging instruments.
Financial instruments to collect principal and interest (FITCPI)	These instruments are then measured at amortized cost using the effective interest method. Amortized cost is reduced by impairment losses. Interest income, gains and losses on foreign currency translation and impairment are recognized in income statement. Any gain or loss on the deregistration of accounts is recognized in profit or loss for the period.
Financial instruments to collect or sell (FITCS)	These instruments are then measured at fair value. Interest income calculated under the effective interest method, gains and losses on foreign currency translation and impairment are recognized in the results for the period. Other net gains and losses are recognized in other comprehensive income (FVTOCI), which is adjusted for the effect of deferred taxes. At the time of delisting, accumulated gains and losses on other comprehensive income are reclassified into earnings. The valuation of instruments in this category designated as hedged items for hedging derivatives at fair value is recognized under the caption of "financial intermediation income".
Equity investments through OCI	These assets are then measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income.

iii. Derecognition of accounts

The Group derecognizes a financial instrument when the contractual rights to the financial instrument's cash flows expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial instrument are transferred, or in which the Group does not transfer or retain substantially all of the risks and rewards related to the property, and does not retain control over financial instruments.

The Group engages in transactions in which it transfers instruments recognized in its statement of financial position but retains all or substantially all of the risks and rewards of the financial instruments transferred. In these cases, the transferred financial instruments are not written off accounts. (see subparagraphs (h) and (i) of this note).

(Continued)

iv. Impairment

The Group evaluates from its initial recognition the expected credit losses (ECL) of the FITCS and the FITCPI, which are determined considering the level of expected recoverability that corresponds to the different FITCS and recognizes the effect of the loss, based on the amortized cost of the FITCS and the FITCPI. Since the fair value of the FITCS already recognizes impairment for expected credit losses, the Group does not create an estimate that reduces the fair value of the FITCS; therefore, the effect is recognized in net profit or loss, affecting the value of the FITCS before recognizing the effect on OCI by fair value valuation. For FITCPIs, the ECL determined is recognized affecting the fair value of the FITCPI. This does not affect NFIs, since the question of collectability does not arise in the absence of the intention to collect and because the market value of the same generally captures the effects of expected credit losses of the same.

ECLs are the average weighted by the probability of credit losses and are measured as the present value of cash shortfalls. In estimating ECLs, the Group considers reasonable and sustainable information that is relevant and available without undue cost or effort. This includes quantitative and qualitative information and analysis, based on the Group's historical experience and on an informed credit assessment and including forward-looking information.

The Group monitors that the ECL for the impairment of securities issued by a counterparty is consistent with the impairment determined for loans granted to the same counterparty.

In the event that there are favorable changes in the credit quality of the FITCSs that are duly supported based on observable subsequent events, the already recognized ECL is reversed in the period in which such changes occur, against the net profit or loss of the period, as a previously recognized ECL reversal.

Value date transactions-

The acquired securities that are agreed to settle at a later date up to a maximum period of four business days following the conclusion of the purchase and sale operation, are recognized as restricted securities, while the securities sold are recognized as securities to be delivered, reducing investments in securities. The counterparty shall be a liquidating account, creditor or debtor, as appropriate. When the amount of securities to be delivered exceeds the balance of securities in its own position of the same nature (governmental, banking, equity and other debt securities), it is presented in the liability under the caption of "traded securities to be settled".

(h) Repurchase/ resell agreements

Repurchase/ resell agreements transactions that do not comply with the terms established in NIF C-14 "Transfer and derecognition of financial assets" are treated as financing with collateral according to the economic substance of such transactions and regardless of whether they are "cash oriented" or "value-oriented" repurchase/resell agreements transactions. In "cash-oriented" transactions the intention as reported is to obtain cash financing and the intention of the reporter is to invest her excess cash, and in the "values-oriented" transaction the reporter aims to access certain specific securities and the intention of the reported is to increase the returns on their investments in securities.

Acting as seller-

On the date of contracting the repurchase/ resell agreement transaction, the Group recognizes the entry of cash or cash equivalents or a debtor settlement account, as well as an account payable initially measured at the agreed price presented under the caption "Creditors on repurchase/ resell agreements", which represents the obligation to return said cash to the buyer. Throughout the term of the repurchase/ resell agreement, the account payable is valued at its amortized cost by recognizing the interest per repurchase/ resell agreement in the results of the year as accrued, according to the effective interest method, under the caption of "Interest expense". The financial assets transferred to the buyer are reclassified in the consolidated statement of financial position, presenting them as restricted, and continue to be valued in accordance with the accounting criteria that correspond to the asset.

Acting as a buyer-

On the date of contracting the repurchase/ resell agreement transaction, the outflow of cash and cash equivalents is recognized, or a creditor settlement account, registering an account receivable at the agreed price presented in the heading of "Debtors on repurchase/ resell agreements", which represents the right to recover the cash delivered. Throughout the term of the repurchase/ resell agreement, the account receivable is valued at its amortized cost, through the recognition of the interest per repurchase/ resell agreements in the results of the year as accrued, according to the effective interest method, within the caption of "Interest income". Financial assets received as collateral are recorded in memorandum accounts and measured at fair value.

In the event that the Group sells the collateral or provides it as collateral, the entry of the proceeds from the transaction is recognized, as well as an account payable for the obligation to return the collateral, which is valued, in the case of sale at fair value or, in case it is given as collateral in another repurchase/ resell agreements transaction, at its amortized cost. The differential that will result between the price received and the value of the account payable is recognized in the results of the period.

(i) Securities Lending

It is the operation in which the transfer of securities is agreed, from the lender to the borrower, with the obligation to return such securities or others substantially similar on a certain date or on request, receiving as consideration an interest. In this operation, a collateral or guarantee is requested by the lender from the borrower.

(Continued)

Acting as lender-

At the date of contracting the securities loan acting as lender, the Group records the value that is the subject to the loan transferred of the borrower as restricted, for which purpose the rules of valuation, presentation and disclosure are followed in accordance with the corresponding accounting criteria. Likewise, the collateral received that guarantees the borrowed securities is recorded in memorandum accounts.

The amount of the accrued prize is recognized in the results of the year through the effective interest method during the term of the operation, under the caption "Interest income".

Acting as a borrower-

Acting as borrower, at the date of contracting the securities loan, the Group records the value object of the loan received in memorandum accounts, following for its valuation the guidelines for the securities recognized in accounting criterion B-9 "Custody and administration of assets".

The value object of the operation is presented in memorandum accounts under the caption of collateral received by the Group. With regard to collateral received from other transactions, they must be presented under the caption of collaterals received/ sold or pledged.

The amount of the accrued prize is recognized in the results of the year through the effective interest method during the term of the operation, under the caption "Interest expenses".

(j) Derivative financial instruments and hedging transactions (DFIs)-

The Group classifies derivative financial instruments based on their intentionality into the following two categories:

— For trading purposes - Consists of the position assumed by the Group with the intention of making profits based on changes in its fair value.

— For hedging purposes - Consists of the position assumed by the Group in order to offset or transform the profile of one or more of the risks generated by a hedged item.

The recognition in the consolidated financial statements of the assets and/or liabilities arising from operations with DFIs is carried out on the date on which the transaction is completed, regardless of the date of settlement or delivery of the good.

The Group recognizes all financial assets or liabilities resulting from the rights and obligations set out in DFI contracts, initially at their fair value, which presumably corresponds to the transaction price, i.e. the price of consideration received or delivered. Transaction costs that are directly attributable to the acquisition of DFI are recognized directly in income under "financial Intermediation Income".

Subsequently, all DFIs are valued at fair value, without deducting transaction costs that may be incurred in the sale or other disposition, recognizing such valuation effect on the results of the period under the caption "financial intermediation income".

Derivatives are presented in the consolidated statement of financial position under a specific asset or liability heading, depending on whether their fair value corresponds to a debit balance or a credit balance, respectively. Such debit or creditor balances are offset as long as they comply with the rules of offsetting financial assets and liabilities.

Derivatives for trading purposes-

— *Warrants:*

  The optional securities are documents that are issued in series and are placed among the general investing public, represent a temporary right acquired by the holders in exchange for the payment of a premium for the issuance in Shares or Indices, therefore, said right expires at the end of the term of validity, so the holding of these implies the recognition that the intrinsic value and the market price of the optional title in the secondary market they may vary depending on the market price of the relevant assets.

— *Forward and futures contracts:*

  The futures contract operates with standardized terms (general contracting conditions), has a secondary market and requires the mandatory establishment of collateral in contribution accounts or daily settlement margin. The forward contract is traded privately (outside of futures or options organized markets). The balance of such DFIs represents the difference between the fair value of the contract and the stipulated forward price of the contract. If the difference is positive, it is a gain and is presented in the asset; If it is negative, it is a loss and is presented in the liabilities.

— *Options:*

  In options purchased, its debit balance represents the fair value of future flows receivable, recognizing the valuation effects on results for the period.

  In options sold, its credit balance represents the fair value of future flows to be delivered, recognizing the valuation effects on the results of the period.

— *Swaps:*

  Its balance represents the difference between the fair value of the asset and liability portion.

Hedging operations-

The Group uses derivative financial instruments in order to properly manage the interest rate and exchange rate risks inherent in credit operations, deposits, investments in securities and repurchase/ resell agreements transactions, all of which are typical of commercial banking. The most commonly used instruments are interest rate and currency swaps, through which floating rate instruments are transformed into fixed rate and fixed rate instruments into floating rate, or where appropriate, assets denominated in foreign currency are transformed into domestic currency or vice versa. Derivatives can be used to hedge cash flows or economic value of different assets and liabilities of the Group, and there are defined control policies for the designation and continuous monitoring of the effectiveness of such hedges.

(Continued)

At the beginning of designated hedging relationships, the Group documents the objective and risk management strategy for carrying out the hedging. The Group also documents the economic relationship between the hedged item and the hedging instrument, were formally designated to exposures housed in the statement of financial position, including whether changes in cash flows from the hedged item and the hedging instrument are expected to offset each other.

Hedging derivatives, which meet all conditions, are valued at fair value and the effect is recognized depending on the type of hedge, as shown below:

— Fair value hedging. They cover exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment, or a component of any of the foregoing items, or an aggregate exposure. The hedged primary position and the hedging derivative instrument are measured at fair value, with the net effect on the results of the period being recorded under the caption "financial intermediation income".

— Cash flow hedging. They cover exposure to variability in cash flows attributable to a particular risk associated with a recognized asset or liability, a portfolio or component thereof, or one or more highly probable forecasted transactions or portions thereof, or an aggregate exposure. The hedging derivative instrument is measured at fair value and the valuation corresponding to the effective part of the hedge is recorded within the "Valuation of financial instruments derived from hedging cash flows" account in the Other Comprehensive Results. The ineffective part is recorded in results of the period under the caption "financial intermediation income".

A hedging relationship should be prospectively discontinued when it no longer meets the criteria for recognizing a hedging relationship, this includes when the hedging instrument is sold, expires, terminated, or exercised, as well as after any rebalancing in the hedging ratio has been considered or carried out and the hedging relationship proves to be ineffective or does not meet the objective of the Group risk management.

Embedded derivatives-

The Group maintains embedded derivatives that are not used to hedge positions, but as a trading strategy; These derivatives are related to structures and/or notes issued under the following characteristics.

Structured notes (bank bonds): Instruments are issued in which, by means of embedded options, a guaranteed return can be offered and/or the client's rate of return is improved (see note 16).

The fair value of the derivative component is recorded under the captions "Derivatives" and "financial intermediation income". Accrued interest is recognized under "Interest expense".

Collaterals granted and received in DFI operations outside recognized markets or exchanges-

The account receivable generated by the granting of cash collateral in DFI operations not carried out in recognized markets or exchanges is presented under the caption of "Other accounts receivable, net", while the account payable generated by the receipt of cash collateral is presented under the caption "Creditors for collaterals received in cash".

(Continued)

Collaterals delivered in non-realizable assets, such as securities, are recorded as collateral-restricted securities, and collaterals received in derivative securities are recorded in memorandum accounts.

Valuation adjustment for counterparty credit risk and own credit risk

The *Credit Valuation Adjustment* (CVA) is an adjustment to the valuation of OTC financial derivative financial instruments for the risk associated with the credit exposure assumed with each counterparty.

The Group currently has implemented a methodology for calculating bilateral CVAs at the counterparty level that incorporates credit risk mitigants such as offsetting agreements and collaterals.

The exposure determination is based on market inputs consistent with those used in instrument valuation processes and loss parameters (loss given default and probability of default) are periodically reviewed and subjected to validation and stress testing (where appropriate, for counterparties that have CDS linked to market, these are used to obtain the probability of loss).

The methods of risk corresponding to the methodologies implemented to obtain the credit exposures for the derivatives portfolio.

The *Debit Valuation Adjustment* (DVA) is a valuation adjustment similar to the CVA, but, in this case, arises from the Group's own credit risk assumed by its counterparties in OTC financial derivatives.

All fair values of financial instruments are calculated on a daily basis.

(k) Offsetting of settlement accounts

The amounts receivable or payable from investments in securities, repurchase /resell agreements transactions, securities loans, virtual assets and / or operations with derivative financial instruments that reach maturity and that to date have not been settled, are recorded in settlement accounts under the captions of "Other accounts receivable, net" and "Creditors on settlement transactions", respectively, as well as the amounts receivable or payable resulting from foreign exchange purchase and sale operations in which immediate settlement is not agreed or in those of the same day value date. The balances of debtor and creditor settlement accounts are offsetting.

The estimate of expected credit losses corresponding to the aforementioned receivables shall be determined in accordance with the provisions of NIF C-16 "Impairment of financial instruments receivable".

Financial assets and liabilities are offset so that the debit or creditor balance is presented in the consolidated statement of financial position, as appropriate, provided that you have the contractual right to offset the amounts recognized and intend to settle the net amount, or to realize the asset and cancel the liability simultaneously.

(l) Loan portfolio

The loan portfolio consists of financing granted to clients by the Bank through credit agreements, discount operations and assignment of financial receivables, which are recognized when they are originated and, in the case of acquisitions, on the date of conclusion of the acquisition.

(Continued)

The loan portfolio includes:

Loan portfolio valued at amortized cost. The business model of this loan portfolio is to hold it to collect contractual cash flows and the terms of the contract provide for cash flows on pre-established dates, which correspond only to principal and interest payments on the amount of outstanding principal. It is initially recognized at fair value as the transaction price, that is, the net amount financed resulting from adding to or subtracting from the original amount of loan, insurance financed, transaction costs, commissions, interest and other items charged in advance. For subsequent recognition, the loan portfolio is valued at its amortized cost. Amortized cost corresponds to the present value of contractual cash flows receivable from the loan portfolio, plus transaction costs to be amortized, using the effective interest method and subtracting the allowance for loan losses.

The transaction costs referred to include, but are not limited to, fees and commissions paid to agents, advisors and intermediaries, appraisals, research expenses, as well as the credit assessment of the debtor, evaluation and recognition of the guarantees, negotiations for the terms of the credit, preparation and processing of credit documentation and closing or cancellation of the transaction, including the proportion of compensation to employees directly related to the time invested in the development of those activities. On the other hand, transaction costs do not include rewards or discounts, which are part of the fair value of the loan portfolio at the time of the transaction.

Both the commissions charged and the transaction costs that originate a credit line are recognized as a credit or deferred charge, respectively, presenting net and affecting the loan portfolio, which are amortized in results as they accrue, except in the case of those related to credit card or revolving credit lines, which are recognized directly in results at the time of granting.

Classification of the loan portfolio

The loan portfolio is presented in the categories of commercial, residential mortgage and consumer, as described below.

Commercial loans. It includes the loans mentioned below:

a) those granted to legal entities or individuals with business activity and intended for their commercial or financial line;
b) loans granted to financial institutions other than bank loans with a term of less than 3 business days;
c) loans coming from discount operations and assignment of receivables;
d) loans granted to trustees acting under trusts and credit schemes commonly known as "structured" in which there is a patrimonial allocation that allows the risk associated with the scheme to be assessed individually;
e) loans granted to the Federal Government, states, municipalities and their decentralized agencies and loans to productive enterprises of the state, and
f) those with express guarantee of the Federation registered with the SHCP and the Central Bank, as well as those expressly guaranteed by the states, municipalities and their decentralized agencies, established in the Single Public Registry referred to in the Law on Financial Discipline of the states and municipalities.

(Continued)

Residential mortgage loans. Direct loans granted to individuals and intended for the acquisition or construction of housing without commercial speculation, which have a mortgage guarantee on the dwelling of the borrower, are classified as residential mortgage loans. Likewise, residential mortgage loans are those destined to the construction, remodeling or improvement of housing that are backed by the savings of the housing subaccount of the borrower, or have a guarantee granted by a development banking institution or by a public trust constituted by the Federal Government for economic development (remodeling or improvement). Additionally, it includes the loans granted for such purposes to the former employees of the entities and those liquidity credits guaranteed by the borrower's home.

The residential mortgage loan portfolio includes loans originated by the Institute of the National Housing Fund for Workers (INFONAVIT), acquired by the Bank. This loan portfolio includes the so-called portfolio in Extension Regimen, which is integrated by credits that, in terms of the INFONAVIT Law, have some extension in force in the payment of amortization for capital and ordinary interest. The foregoing, provided that the entity is contractually obliged to respect said extension in the same terms as the reference bodies. At the end of the extension, the portfolio receives the treatment that corresponds to it according to whether it is "Ordinary Amortization Regimen" (ROA) or the "Special Amortization Regimen" (REA).

ROA is a payment method that is applicable to borrowers who have an employment relationship, through which it is agreed that workers pay their credits through salary discounts made by their employer, entity or dependency.

REA is a payment method that is applicable to borrowers who no longer have an employment relationship, to which the "Rules for the granting of loans to workers entitled to the Institute of the National Housing Fund for Workers" issued by the Board of Directors of INFONAVIT, which indicate the methodology for making payments of such credits, are applicable.

The obligations and rights that INFONAVIT has over the credits acquired are the following:

- The Bank was selected through the auction process to acquire the co-participation rights in the origination of the credtis of the "Second Loan" product that will be granted to the beneficiaries of INFONAVIT.

- INFONAVIT retains the administration, collection and recovery corresponding to the credits assigned to the Bank and is obliged to carry out the collection procedures necessary for the recovery of the receivables.

Consumer loans. They are direct loans granted to individuals, derived from credit card operations, personal loans, payroll of credits for the acquisition of durable consumer goods (known as ABCD), which includes, among others, automotive credit and financial leasing operations that are concluded with individuals; including those loans granted for such purposes to former employees of the entities, as well as liquidity loans that do not have a guarantee of real estate.

(Continued)

Lines of credit

In the case of credit lines and letters of credit that the Bank has granted, in which not all the authorized amount is exercised, the unused part of them is recognized in memorandum accounts.

At the time of contracting, transactions with letters of credit are recorded in memorandum accounts, under the caption of "Credit commitments", which, when exercised by the client or by his counterparty, are transferred to the loan portfolio.

Loans granted as collateral are recognized as restricted loans.

Discount transactions and assignment of receivables

The discount is an operation by which the Bank, as "discounter", is obliged to advance to a client, as "discounter", the amount of a loan, against a third party and of future maturity, in exchange for the sale in favor of the Bank of said loan, diminished by an interest in favor of the discounter.

Assignments of credit rights are financing operations through which the ownership of credit rights is transferred to the Bank, being distinct from acquisitions of loan portfolios.

For any of the operations mentioned above, the Bank initially recognizes as a loan portfolio the nominal value of the portfolio received against the cash outflow, the agreed capacity recognized under "Other accounts payable" for the amount of the nominal value of the transferred credit rights that the Bank does not finance, and the financial income to accrue.

The financial income to accrue from these operations corresponds to the difference between the value of the portfolio received deducted from the capacity and the amount financed. Its accrual in the comprehensive result is determined and recognized according to the effective interest rate of the operations.

Payments in kind

Payments in kind are recognized in accordance with the accounting policy for property awarded in note 3r.

Loan portfolio business model

The determination of the business model for the loan portfolio is based on the history of how the Bank manages it. The Bank considers the following:

a) How the performance of the loan portfolio is determined and reported.
b) The risks that affect the performance of the business model and the loan portfolio and how those risks are managed.
c) The guidelines on which the remuneration of the credit management is based, whether based on maximizing the value of the loan portfolio or collecting its contractual flows.

The Bank also considers the frequency, value and timing of loan portfolio sales in prior periods, the reasons for such sales, as well as expectations about future sales activity within the context and conditions in which they were presented, and the influence they have on the way in which the entity's objective to manage the loan portfolio is achieved, and, specifically about how cash flows are made.

(Continued)

On a quarterly basis, the Bank evaluates the characteristics of its business models to classify the loan portfolio based on its objective, in accordance with its established policies.

Renegotiations

Renegotiations are considered to be the restructurings and renewals of loan portfolio operations, which are described below:

Restructuring. It is a renegotiation from which any modification to the original conditions of the loan is derived, among which are:

- change in the interest rate established for the remaining term of the credit;
- currency or unit of account exchange (e.g. VSM, UMA or UDI);
- granting a waiting period in respect of the fulfilment of payment obligations in accordance with the original terms of the loan;
- extension of the term of the loan;
- modification to the agreed payment scheme, or
- Extension of guarantees covering the loan in question.

Renewals. It is a renegotiation in which the balance of a credit is partially or totally liquidated by the debtor, its joint and several obligors or another person who, due to its patrimonial links, constitutes common risks with the debtor, through the increase to the original amount of the loan, or with the product from another loan contracted with the same entity or with a third party that by its patrimonial links with the latter constitutes common risks.

Notwithstanding the foregoing, the Bank does not consider a loan renewed by the provisions made during the term of a pre-established credit line, provided that the borrower has settled all the payments that are due under the original conditions of the loan.

For restructurings, as well as for renewals with which the original loan is partially settled, the Bank recognizes a profit or loss for the difference between the cash flows of the new loan discounted at the original effective interest rate and the carrying value of the original loan at the date of the renegotiation, without considering its allowance for loan losses.

For the purposes of the foregoing, book value is considered to be the amount actually credited, adjusted for accrued interest, other financed concepts, the collections of principal and interest, as well as for the withdrawals and forgiveness, bonuses and discounts that have been granted, and where appropriate the income or financial expenses to accrue.

For the determination of the effective interest rate of the new loan, consequence of the restructuring or partial renewal, the result is taken as a basis to add to the amount financed the transaction costs incurred and, where appropriate, the commissions charged for its origination and the result is taken as a basis to apply the original effective interest rate. Transaction costs and fees charged are recognized as a deferred charge or credit, respectively, and are amortized over the remaining life of the loan.

In the case of total renewals, the Bank considers that there is a new loan, so it cancels the original loan.

(Continued)

Credit risk level of the loan portfolio

The loan portfolio is periodically evaluated in order to determine the credit risk, which represents the potential loss due to the non-payment of a creditor or counterparty in the operations carried out by the Bank, including the real or personal guarantees granted to them, as well as any other mitigation mechanism used by the entities. The credit risk level of the loan portfolio is classified by stages that are, in ascending order in their risk level, Stage 1, Stage 2 and Stage 3.

Stage 1

It refers to a loan portfolio whose credit risk has not increased significantly since its initial recognition until the date of the consolidated financial statements, i.e. it does not fall within the assumptions to be considered in Stages 2 and 3 below.

Additionally, in accordance with the provisions for the determination of the allowance for loan losses, the Bank considers the following criteria to define when loans are in Stage 1:

- On non-revolving consumer loans (for the acquisition of durable consumer goods or ABCD, Auto, Payroll, Personal and Others), when they are up to one month late.
- For credit card and other revolving credits, when you present up to a default in the immediately preceding consecutive periods.
- For the mortgage and residential mortgage loan portfolio, when they present delay of up to one month or delay of up to three months for portfolio that has an extension; in the case of ROA loan portfolio when it is three to six months late, if each of the payments made during that period represents at least 5% of the agreed amortization.
- In the case of commercial loan portfolio, when it presents delay less than or equal to 30 calendar days or a calendar month.

Stage 2

It includes loans that have shown a significant increase in risk since their initial recognition and until the date of the consolidated financial statements according to the models for calculating the allowance for loan losses (see note 3o).

Additionally, in accordance with the Provisions for the determination of allowance for loan losses, the Bank considers the following criteria to define when loans are in Stage 2:

- For non-revolving consumer loans, when they present delay of more than one month and up to three months.
- In the case of credit card and other revolving credits, when they present more than one and up to three defaults in immediately preceding consecutive periods.
- Mortgage and residential mortgage loan portfolio, if they have delay of more than one month and up to three months, including those classified as REA.
- Commercial loan portfolio, when it presents delay greater than 30 calendar days or one calendar month and less than 90 calendar days three calendar months.

(Continued)

Loans that being in Stage 2 have fully settled the outstanding receivable balances, or that having been restructured or renewed have complied with the sustained payment, are reclassified to Stage 1.

Stage 3

It corresponds to the loan portfolio with credit impairment originated by the occurrence of one or more of the events, which have a significant impact on the future cash flows of said loans. Specifically, the loans at this stage are considered as follows:

1. Those for which the Bank is aware that the borrower has been declared in bankruptcy.

   Without prejudice to the provisions of the foregoing, the loans that continue to receive payment in terms of the provisions of section VIII of article 43 of the Law on Commercial Bankruptcy (LCM), as well as the loans granted under article 75 in relation to sections II and III of article 224 of the aforementioned Law, are transferred to loan portfolio with Stage 3 credit risk when they incur the assumptions provided for in paragraph 2 below.

2. In the case of non-revolving consumer loans and residential mortgage loans, which have been partially paid, when the maturities of their debts are as follows:

   a. Loans with single payment of principal and interest at maturity, when they have 30 calendar days or more of overdue in capital and interest.

   b. Loans with single payment of principal at maturity and with periodic interest payments, if they have 90 calendar days or more than overdue in interest or 30 calendar days or more than overdue in capital.

3. Loans other than those mentioned in the previous paragraph, whose amortizations have not been settled in full in the terms originally agreed, when the maturities of their debts are as shown below:

   a. Loans with single payment of principal and interest at maturity, when they have 30 calendar days or more of overdue in capital and interest.

   b. Loans with single payment of principal at maturity and with periodic interest payments, if they have 90 calendar days or more than overdue in interest or 30 calendar days or more than overdue in capital.

   c. Partial periodic payments of principal and interest, when they present 90 calendar days or more of due in principal or interest.

4. Immediate collection documents referred to in the accounting policy of "Cash and cash equivalents", at the time they have not been collected.

5. Loans acquired from INFONAVIT, according to the REA or ROA payment method, and loans for the remodeling or improvement of housing, when their amortizations or payments, respectively, have not been paid in full in the terms originally agreed and have 90 calendar days or more in delay.

(Continued)

The transfer to the loan portfolio with Stage 3 credit risk of the loans referred to in paragraph 5 of the previous paragraph is subject to the exceptional period of 180 or more days of default from the date on which:

a) the resources of the loan are arranged for the purpose for which they were granted;
b) the creditor initiates a new employment relationship for which he or she has a new employer, or
c) the Bank has received partial payment of the corresponding amortization. The exception contained in this paragraph will be applicable if they are credits under the ROA scheme, and each of the payments made during said period represents, at least, 5% of the agreed amortization.

The above-mentioned exceptions are not considered mutually exclusive.

For consumer loans in which the payment conditions established in the contract establish payments with periodicity less than one calendar month, the Bank considers the following equivalences:

Periodicity for a fee contractual	Equivalence	
	30 days	90 days
Biweekly	2 fortnights	More than 6 fortnights
Fourteenth	2 fourteen	More than 6 fourteen
Decennial	3 tens	More than 9 tens
Weekly	4 weeks	More than 13 weeks

Additionally, in accordance with the Provisions for the determination of the allowance for loan losses, the Bank considers the following criteria to define when loans are in Stage 3:

- For non-revolving consumer loans when it presents delay greater than three months
- On credit card and other revolving loans, when they present more than three defaults in immediately preceding consecutive periods.
- Mortgage and residential mortgage loan portfolio. When they present delay of more than three months, in the case of ROA credits, if they are three to six months late, if any of the payments made during that period does not represent at least 5% of the agreed amortization, and for ROA credits when they present delay greater than 6 months.
- Commercial loan portfolio, if it has delay greater than or equal to 90 calendar days or 3 calendar months.

In the case of acquisitions of loan portfolio, for the determination of the calendar days of maturity, the defaults that have occurred since their origination are considered.

Loans that being in Stage 3 have fully settled the outstanding receivable balances, or that having been restructured or renewed have complied with the sustained payment, are reclassified to Stage 1.

Effect of renegotiations on the level of credit risk.

Loans with Stage 2 or Stage 3 credit risk that are restructured or renewed are not reclassified to a stage with lower credit risk because of their restructuring or renewal, as long as there is no evidence of sustained payment.

(Continued)

Loans with a single principal payment at maturity, regardless of whether interest is paid periodically or at maturity, that is restructured during its term or renewed at any time, are transferred to the next immediate category with the highest credit risk and remain at that stage until there is evidence of sustained payment.

The credit line available, which have been restructured or renewed at any time, are transferred to the next immediate category with greater credit risk, except when there are elements that justify the creditor's ability to pay, and the following has been met:

a) all interest payable has been settled, and
b) All payments to which it is obliged in terms of the contract at the date of restructuring or renewal have been covered.

In the case of credit withdrawals made under a credit facility, when they are restructured or renewed independently of that facility, they are evaluated in accordance with the applicable restructuring and renewal rules described above, taking into account the characteristics and conditions of the restructured or renewed disposition(s).

If, after the assessment described in the preceding paragraph, it is concluded that one or more loans granted under a credit facility should be transferred to the next immediate category with the greatest credit risk as a result of such restructuring or renewal and such provisions, individually or as a whole, represent at least 25% of the total balance drawn from the credit facility at the date of the restructuring, or Renewal, the total drawn balance, as well as its subsequent dispositions, are transferred to the next immediate category with greater credit risk.

Credits with stages 1 and 2 credit risk, other than loans relating to (i) loans with a single principal payment at maturity, irrespective of whether interest is paid periodically, (ii) drawn lines of credit, and (iii) credit arrangements made under credit lines, which have been restructured or renewed for which at least 80% of the original term of the loan has not elapsed; are kept in the same category only if they comply with the following:

a) the borrower has covered all interest accrued at the date of renewal or restructuring, and
b) The borrower has covered the principal of the original amount of the loan, which at the date of the renewal or restructuring should have been covered.

On the same type of loans mentioned in the previous paragraph, with Stage 1 and 2 credit risk, but which have been restructured or renewed during the final 20% of the original term of the loan, are transferred to the next immediate category, with greater credit risk, except if they meet the following:

a) all interest accrued at the date of renewal or restructuring has been settled
b) the principal of the original amount of the loan, which at the date of the renewal or restructuring should have been covered, has been covered, and
c) 60% of the original amount of the loan has been covered.

If all the conditions described in the previous two paragraphs are not met, as appropriate, the credit is transferred to the next immediate category with the highest credit risk from the time it is restructured or renewed and until there is evidence of sustained payment.

(Continued)

The requirement of subparagraphs a) of the two preceding paragraphs is considered fulfilled when, having covered the interest accrued on the last cut-off date, the period elapsed between that date and the restructuring or renewal does not exceed the lesser between half of the current payment period and 90 days.

Loans with Stage 1 and 2 credit risk that are restructured or renewed on more than one occasion, are transferred to portfolio with Stage 3 credit risk, except when the Bank has elements that justify the debtor's ability to pay. In the case of commercial portfolio, such elements are duly documented and integrated into the credit file.

When several loans granted by the Bank to the same borrower are consolidated through a restructuring or renewal, each of the consolidated loans is analyzed as if they were restructured or renewed separately and, if it is concluded that one or more of these loans would have been transferred to a portfolio with credit risk in Stage 2 or Stage 3 because of the restructuring or renewal itself, the total balance of the consolidated loan is transferred to the category that would correspond to the loan subject to consolidation with greater credit risk.

Loans classified at Stage 2 credit risk as a result of a restructuring are periodically evaluated in order to determine whether there is an increase in their risk that causes them to be transferred to Stage 3 credit risk, as described in the first paragraph of subsection "Stage 3" of this note.

The loans are not transferred to a category with greater credit risk, because of their restructuring, if at the date of or the operation they present payment compliance for the total amount of principal and interest due and only modify one or more of the original credit conditions mentioned below, they will not be reclassified to the “Stage 3” category.

Guarantees: only when they involve the extension or replacement of guarantees with others of better quality.

- Interest rate: when the agreed interest rate is improved to the creditor.
- Currency or unit of account: if the rate corresponding to the new currency or unit of account is applied.
- Payment date: only if the change does not involve exceeding or modifying the periodicity of payments. In no case does the change in the payment date allow the omission of payment in any period.
- Extension of the credit line: only in the case of consumer loans granted through revolving credit lines.

Sustained payment of the credit.

Sustained payment is deemed to exist when the creditor covers the total amount of principal and interest payable without delay, as follows:

a) In the case of amortizations less than or equal to 60 days, a minimum of three consecutive amortizations of the credit payment scheme is covered.
b) For credits with periods of between 61 and 90 calendar days, the payment of two amortizations is made.
c) In the case of loans with amortizations that cover periods greater than 90 calendar days, the payment of an amortization is made.

(Continued)

When the amortization periods agreed in the restructuring or renewal are not homogeneous, the number of periods that represent the longest term, as described above, is considered.

For restructurings in which the periodicity of payment to shorter periods is modified, for the determination of whether there is sustained payment, the number of amortizations that would correspond to the original credit scheme is considered.

In the cases of the loans acquired from INFONAVIT, the Bank is obliged to respect the terms that the reference agencies contracted with the borrowers, it is considered that there is sustained payment of the loan, when the creditor has covered without delay the total amount of principal and interest due, at least one amortization in the loans under the ROA scheme and three amortizations for the loans under the REA scheme.

In the case of consolidated loans, if two or more loans originate the transfer to the portfolio with Stage 2 or Stage 3 credit risk, to determine the amortizations required for the existence of sustained payment, the original payment scheme of the loan whose amortizations are equivalent to the longest term is considered.

In the case of loans with a single payment of principal at maturity, regardless of whether the interest payment is periodic or at maturity, it is considered that there is sustained payment of the loan when any of the following assumptions occur:

a) The borrower has covered at least 20% of the original amount of the loan at the time of restructuring or renewal, or
b) The amount of interest accrued under the 90-day restructuring or renewal payment scheme has been covered and at least that period has elapsed.

Loans that are restructured or renewed on more than one occasion, which has been agreed with a single payment of principal at maturity, regardless of whether the interest payment is periodic or at maturity, will prove sustained payment of the loan when:

a) The borrower covers at least 20% of the outstanding principal at the date of the new restructuring or renewal;
b) The amount of interest accrued under the new restructuring or renewal payment scheme for a period of 90 days has been covered and at least that period has elapsed; and
c) The entity has elements that justify the debtor's ability to pay. In the case of commercial loans, such elements are duly documented and integrated into the credit file.

The early payment of repayments of restructured or renewed credits, other than those with a single principal payment at maturity, regardless of whether interest is paid periodically or at maturity, is not considered to be sustained payment. Such is the case for repayments of restructured or renewed loans that are paid without the expiration of the calendar days equivalent to the periods required under the first paragraph of this subsection.

The loans that as a result of a restructuring or renewal are transferred to a category with greater credit risk, in all cases remain a minimum of three months in said until they prove sustained payment and consequently be transferred to the next immediate stage with less credit risk. The foregoing except for loans with payment of principal at maturity, regardless of whether the interest payment is periodic or at maturity, in which what is previously described for these cases applies.

(Continued)

In any case, for the Bank to demonstrate that there is sustained payment, in addition to ensuring that the borrower complies with the sustained payment guidelines indicated in the preceding paragraphs, it must have at the disposal of the Commission evidence that justifies that the borrower has the capacity to pay at the time the restructuring or renewal is carried out to respond to the new credit conditions. The minimum evidence to obtain is as follows:

a) probability of intrinsic non-compliance of the creditor,
b) guarantees granted to the restructured or renewed loan,
c) priority of payment over other creditors and,
d) The liquidity of the borrower before the new financial structure of the financing.

Recognition of revenues, costs and expenses

The effective interest determined by applying the effective interest rate is recognized as accrued. The effective interest includes the accrual of portfolio interest and the amortization of commissions for the granting of loan, both presented under the caption of "Interest income", as well as the amortization of transaction costs for the granting of loan presented in the heading "Interest expenses".

To determine the effective interest rate, the Bank does the following:

1. Determines the amount of estimated future cash flows to be received. It consists of adding the principal and interest that will be received according to the credit payment scheme, during the contractual term, or in a shorter term if there is a probability of payment before the due date or other circumstance that justifies the use of a shorter term, for which the Bank documents the corresponding evidence.
2. Determine the effective interest. It is the result of subtracting from the estimated future cash flows to be received, the net financed amount determined as described in numeral 1 of the second paragraph of this note.
3. Determine the effective interest rate. It represents the ratio of actual interest to net amount financed.

When, according to the terms of the contract, the interest rate is modified periodically, the effective interest rate calculated at the beginning of the period is the one used throughout the life of the loan, that is, it is not determined again for each period.

There is a presumption that future cash flows and expected credit life can be reliably estimated; however, in cases where it is not possible to reliably estimate future cash flows or the estimated life of the credit(s), the Bank uses contractual cash flows, subject to authorization by the Credit Committee.

The Bank considers that future cash flows and the expected life of the loan are reliably estimated in most circumstances, however, in those cases where it is not possible to estimate them reliably, the Bank uses the contractual cash flows, documenting the circumstances and facts that led to such a conclusion, which is authorized by the credit committee.

Transaction fees and costs are amortized against the results of the period for the period corresponding to the term of the associated credit facility. If the credit facility is cancelled, the outstanding balance to be repaid is fully recognized in earnings.

(Continued)

The commissions recognized after the granting of loan that are generated as part of the maintenance of said loans, as well as those that are charged due to unplaced loans, are recognized against the results of the year as they accrue.

The commissions charged for the credit card annuity are initially recognized as a deferred credit and are amortized over a period of 12 months against the results of the year, under the caption of "Fees and fees charged".

(m) Credit Card Loyalty Program-

Based on paragraph 3 of criterion A-4 "Suppletory Application to Accounting Criteria" issued by the Commission, the Group had adopted IFRS 15 "Revenue from contracts with customers" which incorporates the recognition of revenue derived from customer loyalty programs, and therefore IFRIC 13 "Customer Loyalty Program" is not longer applicable. According to IFRS 15, a portion of the interchange fee revenue is deferred at the time when the obligations to perform, i.e. to deliver the prizes to which customers are entitled are identified, and are amortized against results once such obligation to comply is satisfied.

(n) Deferred items

It is integrated by the net amount between transaction costs and credit commissions.

(o) Allowance for loan losses

The determination of the allowance for loan losses of each category of the loan portfolio is made based on the general methodologies established in the Provisions, which are based on the Expected Loss approach, which is determined by multiplying the Probability of Default (PD) by the product of the Loss Given Default (LGD) and Exposure at Default (ED).

In the case of undrawn committed credit lines, the Bank recognizes the estimate for the undrawn balance under the Provisions, which also applies to letters of credit that the Bank has issued.

PD is the probability expressed as a percentage that either or both of the following circumstances will occur in relation to a specific debtor determined according to the standard methodology contained in the Provisions:

a) The debtor is in delay for 90 calendar days or more with respect to any credit obligation to the Institution or said credit obligation meets the assumptions to be classified as Stage 3 credit risk, described above (see note 3l).

b) It is considered likely that the debtor will not pay all its credit obligations to the Bank.

The LGD in case of Default corresponds to the intensity of the loss in case of default expressed as a percentage of the ED, once the value of the guarantees and the costs associated with the realization processes (judicial, administrative collection and deed, among others) have been taken into account; is determined in accordance with the standard methodology contained in the Provisions.

(Continued)

The ED is the expected gross reserve position of the loan transaction if the debtor defaults. The ED may not be less than the amount drawn down from the transaction at the time of calculation of the reserve or capital requirement; is determined in accordance with the standard methodology contained in the Provisions.

Where appropriate, the Bank determines or recognizes the additional estimates ordered by the Commission, which are constituted to cover risks that are not foreseen in the different rating methodologies of the loan portfolio, and on which, prior to its constitution, the Bank informs the Commission of the following:

a) origin of estimates;
b) methodology for its determination;
c) amount of estimates to be constituted, and
d) time that is estimated to be necessary.

On the credits with Stage 3 credit risk, in which in their restructuring the capitalization of the accrued interest not previously recorded in memorandum accounts is agreed, the Bank recognizes an estimate for 100% of said interest, which it cancels when there is evidence of sustained payment.

Commercial loan portfolio

The calculation of the allowance for loan losses of the commercial loan portfolio is carried out in accordance with the general methodology established by the Commission, which initially considers the level of credit risk at which the loans are classified, as well as their previous classification into five different groups, according to whom they have been granted:

I. States and municipalities.

II. Projects with own payment source,

III. Trustees acting under trusts, not included in the previous section, as well as credit schemes commonly known as "structured".

IV. Financial Institutions.

V. Legal persons not included in the previous sections and individuals with business activity which, in turn, is divided into the following subgroups:

a) With annual Net Income or Net Sales less than the equivalent in national currency to 14 million UDIs.

b) With annual Net Income or Net Sales equal to or greater than the equivalent in national currency to 14 million UDIs.

The calculation of the PD of commercial loans is carried out in accordance with the Provisions, according to each of the groups described above, which consists of evaluating quantitative and qualitative factors of the borrower and assigning them a credit score, which is totalized and used to calculate the PD.

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For the calculation of the LGD, whether the loans are not covered by collateral, personal or credit derivatives, it is determined according to the elapsed months of delay, depending on the group to which they belong, and considering whether or not they are subordinated or syndicated loans in which the Bank is subordinated to other creditors; likewise, the determination of the LGD is considered through a differentiated calculation for the loans of borrowers that have been declared in bankruptcy. If the loans have collateral, personal guarantees, and credit insurance, these are considered in the LGD determination in order to adjust the allowance for loan losses. For the loan portfolio that has the benefit of a pass-and-measure coverage scheme, the calculation of the LGD considers such coverage.

The ED, in the case of uncommitted credit lines that are unconditionally cancelable or that allow automatic cancellation at any time and without prior notice from the Bank, corresponds to the outstanding balance of the loan. For credit lines other than those mentioned above, the determination of the ED is made in accordance with the Provisions.

Residential Mortgage loan portfolio

The allowance for loan losses of the residential mortgage loan portfolio is determined according to the general methodology established by the Commission, which initially considers the level of credit risk at which the loans are classified.

The calculation is made using the figures corresponding to the last day of each month constituting the reserve rating in loan per loan.

Likewise, factors such as: i) amount due, ii) payment made, iii) value of the house, iv) loan balance, v) delay, vi) information from credit information companies, vii) ROA, viii) REA, ix) extension are mainly considered.

In the event that the loans have credit insurance, these are considered in the LGD determination in order to adjust the allowance for loan losses.

The total amount of the reserve to be constituted for each loan is the result of multiplying the PD by the LGD and the ED or the different rules in the Provisions.

Consumer portfolio

The allowance for loan losses of the consumer loan portfolio is determined in accordance with the general methodology established by the Commission, which initially considers the level of credit risk at which the loans are classified.

Allowance for loan losses of credit cards and other revolving loans are calculated on a loan per-loan basis, using the figures corresponding to the last known payment period and mainly considering factors such as: i) balance payable, ii) payment made, iii) credit limit, iv) minimum required payment, v) non-payment, vi) amount payable to the Bank, (vii) amount payable reported to credit information societies; as well as, viii) seniority of the borrower in the Bank and ix) other variables from the credit information companies. The total amount of the reserve to be constituted for each loan is the result of multiplying the probability of default by the loss given default and exposure at default or the different rules set out in the Provisions.

(Continued)

(Millions of Mexican pesos)

The LGD, in the case of credit card and other revolving credits, is determined in accordance with the Provisions.

Additionally, the calculation of the allowance for loan losses corresponding to the non-revolving consumer loan portfolio mainly considers the following: (i) amount due, (ii) payment made, (iii) delay, (iv) seniority of the borrower in the Bank, (v) seniority of the borrower with institutions, (vi) amount to be paid to the Bank, (vii) amount payable reported in the credit information companies, (viii) balance reported in credit information societies, (ix) indebtedness (xi) original amount of loan, (xii) loan balance and xiii) other variables from credit information societies.

Degree of risk of allowance for loan losses

The allowance for loan losses constituted by the Bank are classified according to their degree of risk, as listed in the table below:

	Preventive estimation percentage ranges							
Degree	**Consumer**							
Risk	**Non-Revolving**		**Credit card and other revolving loans**		**Residential Mortgage loans**		**Commercial**	
	From	**To**	**From**	**To**	**From**	**To**	**From**	**To**
A-1	0%	2.0%	0%	3.0%	0%	0.50%	0%	0.90%
A-2	2.01%	3.0%	3.01%	5.0%	0.501%	0.75%	0.91	1.5%
B-1	3.01%	4.0%	5.01%	6.5%	0.751	1.0%	1.51	2.0%
B-2	4.01%	5.0%	6.51%	8.0%	1.001	1.5%	2.01	2.5%
B-3	5.01%	6.0%	8.01%	10.0%	1.501	2.0%	2.51	5.0%
C-1	6.01%	8.0%	10.01%	15.0%	2.001	5.0%	5.01	10.0%
C-2	8.01%	15.0%	15.01%	35.0%	5.001	10.0%	10.01	15.5%
D	15.01%	35.0%	35.01%	75.0%	10.001	40.0%	15.51	45.0%
E	35.01%	100%	75.01%	100%	40.001	100%	45.01	100%

Write-offs and recoveries of loan portfolio

The Bank has policies of write-offs for consumer and mortgage loans, according to established terms of 6 and 60 months, respectively that determine the practical impossibility of recovery. The write-off is recognized by canceling the balance of the loan determined by the Administration, against the allowance for loan losses. When the loan to be write-off exceeds the amount of the estimate, before making the write-off, the Bank recognizes an estimate up to the amount of the difference.

In any case, the Bank has evidence of the formal collection procedures that have been exercised with respect to these loans, as well as the elements that prove the practical impossibility of recovering the loan in accordance with its internal policies established in the credit manual.

Any recovery derived from loans previously is recognized in the consolidated results of the year under the caption "Allowance for loan losses", unless the recoveries come from payments in kind, whose treatment is carried out in accordance with the policies established for Foreclosed Assets in note 3r.

(Continued)

The costs and expenses incurred by the recovery of the loan portfolio must be recognized as an expense within the caption of "Other operating income, net".

Withdrawals, forgiveness, bonuses and discounts on the portfolio

The deductions on the amount forgiven from the payment of the loan in partial or total form that the Bank makes to the borrowers will be made by canceling the unpaid balance of the credit against the allowance for loan losses associated with the loan and, if this is less than the amount forgiven, the Bank previously constitutes estimates up to the amount of the difference.

The cancellation of the allowance for loan losses on the withdrawals, forgiveness, bonuses and discounts on the portfolio, is applicable to the amounts forgiven derived from increases in credit risk, otherwise they must be reduced from the income that gave rise to it.

(p) Other accounts receivable, net

It is comprised of the settlement accounts receivable for operations of sale of currencies, investments in securities, repurchase /resell agreements, securities lending, derivatives and issuance of securities, as well as the debtors of margin accounts, debtors for collateral granted in cash for operations with securities, credit and derivatives carried out in OTC markets. It also includes sundry debtors for premiums, commissions and receivables on outstanding non-credit transactions, items associated with credit operations, creditable tax balances, loans and other staff loans, amortizations of outstanding operating leases receivables and other debtors.

Allowance for doubtful/ uncollectable accounts -

The Group accounts for an allowance for doubtful / uncollectable for accounts receivable as follows:

Origin of the account receivable	Criterion for recognition of the estimate for allowance for doubtful/ uncollectable accounts
Settlement accounts.	They are classified as overdue receivables and simultaneously an estimate is constituted for the total amount.
Other accounts receivable directly related to the loan portfolio, such as legal expenses.	The same percentage of risk assigned to the associated credit for the constitution of the estimate is applied.
Immediate collection documents not collected 15 or more calendar days after being recorded as "Other accounts receivable, net".	They are classified as overdue receivables and simultaneously an estimate is constituted for the total amount.
Overdrafts of checking accounts of customers who do not have overdraft lines of credit.	They are classified, at the time of recognition, as overdue receivable and simultaneously an estimate is constituted for the total amount.
Loans to officials and employees, collection rights and other sundry accounts receivable agreed from their origin.	The Group determines a degree of unrecoverability based on its experience of past credit losses, current changes in the behavior of its customers and future economic forecasts, for which it classifies its accounts receivable by degree of late payment and assigns different amounts of ECL to each of the segments of its accounts receivable.
Amortizations of operating leases not settled in 30 calendar days after maturity.	An estimate is made for the total amount.
Other accounts receivable other than those of unidentified debtors 60 days or more after being recorded.	An estimate is made for the total amount.

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No estimate is recognized for unrecoverability or doubtful collection on the balances of recoverable taxes or for the creditable Value Added Tax (VAT).

(q) Leases

Acting as lessor

Classification of leases

The Group classifies each of its leases as an operating or capital lease. Capital leases are considered all credits granted by the entity for financial leasing operations, which are those where the Group transfers to the lessee substantially all the risks and benefits inherent in the ownership of the underlying asset, otherwise they are considered as operational.

Acting as lessee

At the beginning of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group assesses whether a contract conveys the right to control the use of an asset implicitly or explicitly identified in a contract.

At the beginning or modification of a contract containing a lease component, the Group allocates the consideration in the contract to each lease or service component on the basis of its relative independent prices.

The Group recognizes a right-of-use asset and a lease liability on the commencement date of the lease. Right of use asset is initially measured at cost, which comprises the initial amount of lease liability adjusted for any lease payments made on or before the start date, plus initial direct costs incurred and an estimate of the costs to dismantle or restore the underlying asset or the site on which it is located, minus the lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the start date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group at the end of the lease term or the right-of-use asset cost reflects that the Group will exercise a call option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if applicable, and adjusted for certain new valuations of lease liabilities such as changes in the amount of inflation adjusted rent.

Lease liabilities are initially measured at the present value of lease payments not paid at the start date, discounted using the interest rate implied in the lease or, if that rate cannot be easily determined, the Group's incremental rate of financing or the risk-free rate determined by reference to the lease term. Generally, the Group uses its incremental interest rate as a discount rate.

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The Group determines its incremental rate of financing by obtaining interest rates from various sources of external financing and makes certain adjustments to reflect the terms of the lease (such as lease term and currency in which payments are denominated) and the type of leased asset.

Lease payments included in the valuation of lease liabilities include the following:

— fixed payments, including fixed payments in substance;
— variable lease payments dependent on an index or rate, initially valued using the index or rate on the start date;
— amounts expected to be paid under a residual value guarantee; and
— the exercise price under a call option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

Lease liabilities are valued at amortized cost using the effective interest method. It is revalued when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate, of the amount expected to be paid under a residual value guarantee, if the Group changes its assessment of whether it will exercise a call option, extension, or termination or if there is a fixed substance payment of modified lease. When the lease liability is revalued in this way, an adjustment is made to the carrying amount of the right-of-use asset or recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property under "Assets for the right to use property, furniture and equipment", and lease liabilities under "Leasing liabilities", both in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has decided not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognizes lease payments associated with these leases as a straight-line expense over the term of the lease.

(r) Foreclosed assets

The assets foreclosed or received in lieu of payment that are not intended for use by the Group, are recognized on the date of the foreclosing is legally approved, or in the case of assets received in lieu of payment, on the date that the deed of lieu of payments is signed, or the transfer of ownership of the property has been formalized,

The recognition of foreclosed assets is carried out as follows:

a) the lower of the gross carrying amount of the asset giving rise to the foreclosing, i.e., without deducting the allowance for loan losses recognized up to that date, and the net realization value of the assets received, where the intention of the institution is to sell those assets to recover the amount receivable; or

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(Millions of Mexican pesos)

b) the lower of the gross carrying amount of the asset giving rise to the foreclosing or the fair value of the asset received, where the intention of the entity is to use the foreclosed asset for its activities.

On the date of registration of the foreclosed property or received in lieu of payment, the value of the asset that gave rise to the foreclosing, as well as its respective allowance for loan losses that had been constituted, are derecognized from the consolidated statement of financial position by the total net assets of the estimate, deducted from partial payments in kind in the case of loan portfolio, or collections or recoveries in the case of collection rights.

The difference between the value of the asset that gave rise to the foreclosing, net of estimates, and the value of the foreclosed property determined as described in the second paragraph of this note, is recognized in the consolidated results of the year under the caption "Other operating income, net ".

Valuation of foreclosed assets

The foreclosed assets are valued according to the type of property in question, recording their valuation against the results of the year as "Other operating income, net ".

The Group recognizes an estimate of impairment for losses in value over time in accordance with the provisions, recognizing it in results as "Other operating income, net ". The determination of the reserves for possession of property, awarded or received in payment for the passage of time, is determined, as shown below:

	Booking percentage	
Months elapsed from the foreclosing or in lieu of payment	**Real state**	**Personal property, receivables and investments in securities**
Up to 6 months	0%	0%
More than 6 and up to 12	0%	10%
More than 12 and up to 18	10%	20%
More than 18 and up to 24	10%	45%
More than 24 and up to 30	15%	60%
More than 30 and up to 36	25%	100%
More than 36 and up to 42	30%	100%
More than 42 and up to 48	35%	100%
More than 48 and up to 54	40%	100%
More than 54 and up to 60	50%	100%
More than 60	100%	100%

At the time of sale of the foreclosed assets, the differential between the sale price and the book value of the foreclosed property, net of estimates, is recognized directly in the results of the year under the caption "Other operating income, net ".

Transfer of foreclosed assets for the Group's own use

When the Group chooses to transfer the foreclosed assets for its own use, the transfer is made to the item of the consolidated statement of financial position that corresponds to it according to the asset in question, complying with the fact that the assets are used for the realization of their object and is carried out in accordance with their investment strategies and purposes that are previously established in their manuals, there is no possibility that such assets will be considered as foreclosed again.

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(s) Properties, furniture and equipment-

Property, furniture and equipment are recorded at their acquisition cost. The balances that come from acquisitions made until December 31, 2007, were updated by factors derived from the value of the UDI from its acquisition date until that date, which was when the recognition of inflation in financial information was suspended according to NIF. Components purchased in foreign currency are recorded at the historical exchange rate, i.e., those in force on the date of acquisition of the asset.

Depreciation is calculated using the straight-line method, based on the useful life estimated by Group's management of the corresponding assets.

The amount to be depreciated on property, furniture and equipment is determined after deducting from its acquisition cost its residual value and, if applicable, less accumulated impairment losses. The Group periodically evaluates the residual value, to determine the depreciable amount of property, furniture and equipment.

The Group periodically evaluates the net carrying amounts of property, furniture and equipment to determine whether there are indications that such values exceed their recoverable amount. The recoverable amount is the greater of the net selling price and the use value. If it is determined that the net carrying amounts exceed their recoverable amount, the Group recognizes the impairment against the results of the period to reduce them to the latter amount. Minor maintenance and repair costs are recorded in the results when incurred.

(t) Long-lived assets available for sale

Long-lived assets are classified as available for sale if they meet all the following requirements:

a) The Group body that approves this activity has committed itself in a sales plan.
b) The assets are available for immediate sale, under their current conditions, subject exclusively to the usual and customary terms for the sale of those assets and their sale is highly probable.
c) Actions to locate the buyer and other activities to complete the plan are initiated. If the buyer has not been located, at least the potential market has been identified.
d) The sale plan is expected to be completed in less than a year. This requirement is not met in cases where the entity enters into sales agreements that are essentially purchase options and sales-and-lease back transactions. An extension of the one-year period to complete the sale does not prevent the asset from being classified as held for sale, if the delay is caused by events or circumstances beyond the entity's control and there is sufficient evidence that the entity remains committed to a plan to sell the asset.
e) There is an adequate estimate of the prices in exchange for the asset or group of assets.
f) It is not likely that there will be significant changes to the sales plan or it will be canceled.

Long-lived assets available for sale that meet the above requirements are valued on the date of approval of the sales plan at their net book value or net sale price, whichever is lower. Where applicable, the impairment loss should be applied to the results of the period.

(Continued)

(u) Permanent investments

Permanent investments in which the Group has significant influence or control are valued using the equity method, through which the participation in the results and stockholders' equity of these entities is recognized using the consolidated financial statements at the same date and for the same period as the Group. A company is a subsidiary of the Group, when it has the power to direct its relevant activities, is exposed or is entitled to, variable returns from that participation and has the present capacity to affect those returns through its power over it.

Other permanent investments where the Group does not have control, joint control, or significant influence are classified as other investments, which are initially recognized and held valued at their acquisition cost. If there are dividends from such investments, they are recognized in results under the caption of "Other operating income, net ", except if they come from profits from periods prior to the acquisition, in which case they are reduced from the permanent investment.

Other permanent investments where you do not have control, joint control, or significant influence are classified as other investments, which are initially recognized and held valued at their acquisition cost. If there are dividends from such investments, they are recognized in results under the caption of "Other operating income, net", except if they come from profits from periods prior to the acquisition, in which case they are reduced from the permanent investment.

As of December 31, 2022, no impairment losses were recognized on the other permanent investments.

(v) Income taxes and Employee Statutory Profit Sharing (ESPS)

The current income tax and the ESPS in the year, are determined in accordance with the current tax provisions in force.

Deferred income tax and deferred ESPS are recorded according to the asset-liability method, which compares the accounting and taxable values thereof. Income taxes and deferred ESPS (assets and liabilities) are recognized for future tax consequences attributable to temporary differences between the values reflected in the financial statements of existing assets and liabilities and their relative tax bases, and in the case of income taxes, for tax losses carryforward and other tax credits to be recovered.

Deferred income tax and ESPS assets and liabilities are calculated using the rates established in the relevant law, which will be applied to taxable income in the years in which it is estimated that temporary differences will be reversed. The effect of changes in tax rates on income taxes and deferred ESPS is recognized in the results of the period in which such changes are approved.

Deferred ESPS assets are recognized under "Other assets", while the current ESPS is recognized under "Employee benefits" in the consolidated statement of financial position.

Income tax assets and deferred ESPS are assessed periodically by creating, where appropriate, a valuation reserve for temporary differences for which there may be an uncertain recovery.

(Continued)

Taxes are presented and classified in the income of the period, except those that originate from a transaction that is recognized in the OCI. The current and deferred ESPS will be incorporated under the caption "Administrative and promotion expenses" in the consolidated statement of comprehensive income.

(w) Other assets

This item mainly includes intangible assets that correspond to internally developed software, whose costs incurred in the development phase are capitalized and amortized in the results of the year once said software is ready to operate, through the straight-line method, based on the useful life estimated by the Group's management.

In the presence of any indication of impairment of the value of an asset, the possible impairment loss is determined, and if the recovery value is less than the net carrying amount, the value of the asset is reduced, and the impairment loss is recognized in the results of the period.

(x) Deposit funding-

This item includes demand deposits, time deposits from general public and those raised through operations in the money market, debt securities issued and the global account of deposits without movements in national, foreign or UDIS currency, which are integrated as described below:

a) Demand deposits. They include checking accounts, savings accounts, checking account deposits, among others.

   Overdrafts in the checking accounts of the Group's customers, who do not have a line of credit for such purposes, are classified as overdue receivables under the caption of "Other receivables, net" and the Group constitutes simultaneously to this classification an allowance for doubtful account for the total amount of said overdraft, at the time such an event occurs.

b) Time deposits. They include, among others, certificates of deposit withdrawable on pre-established days, bank acceptances and promissory notes collected from the general public and through operations in the money market, the latter referring to time deposits made with other financial intermediaries, as well as with treasuries of companies and government entities.

c) Debt securities issued. They include, among others, bank bonds and debt certificates.

d) Global account of deposits without movements. It includes the principal and interest of the deposits instruments that do not have a maturity date, or that have a maturity date are automatically renewed, as well as transfers or overdue and unclaimed investments.

   If in the course of three years from the date the resources are deposited in the global account of deposits without movements, the amount of which does not exceed on account, the equivalent of three hundred units of measurement and updating (UMAS), they will prescribe in favor of the assets of the public charity, The Group will be obliged to pay the resources corresponding to the public charity within a maximum period of fifteen days counted from the 31st of December of the year in which the foreseen assumption described above is fulfilled.

Securities placed at a discount that do not accrue interest (zero coupon) are recorded at the time of issuance based on the amount of cash received.

The Group shall determine the effective interest rate based on the provisions of NIF C-19 "Financial Instruments Payable" and evaluate whether the determined rate is within the market, comparing it with an interest rate that considers the value of money over time and the inherent risks of payment for similar financing, to which the Group has access. Only if the market interest rate is substantially different from the effective rate, should the market rate be used as the effective interest rate in the valuation of the instrument, recognizing in the net profit or loss the effects that occur in the value of the FIP by the change in interest rate.

Traditional deposit interest is recognized in income as accrued under the caption of "Interest expense".

The issuance expenses, as well as the discount or premium on the placement are recognized as a deferred charge or credit, as the case may be, which is amortized in results as accrued as expenses or interest income, as appropriate, taking into account the term that gave rise to it in proportion to the maturity of the securities.

(y) Subordinated bonds outstanding-

For the subordinated obligations that meet the characteristics established by NIF C-12 "Financial instruments with characteristics of liabilities and capital", the principal of the instrument is classified as a liability within the consolidated statement of financial position. Interest is recognized on a basis of the effective interest method on profit or loss for the year under "Interest expense".

Expenses incurred to issue a financial instrument that qualifies as a liability must be deducted from the amount of the liability and must be considered in determining the effective interest rate.

(z) Bank and other borrowings

Bank and other borrowings compromise short and long-term loans from domestic and foreign banks, loans obtained through credit auctions with the Central Bank and development fund financing. In addition, this caption includes discounted borrowings with agencies specializing in financing economic, production or development activities. Interest is recognized on an accrual basis under the caption "Interest expense".

Loans must be recognized initially at the transaction price, transaction costs must be added or subtracted, as well as other items paid in advance, such as commissions and interest, the Group must determine the future value of the estimated cash flows to be paid for principal and contractual interest, during the remaining term of the loan or in a shorter term, if there is a probability of prepayment or other circumstance that requires using a shorter term.

The Group must determine the effective interest rate, for the calculation the Group must estimate the expected cash flows considering all the contractual terms of the FIP (such as prepayment, extension, early repayment and other similar options), additionally, it must evaluate if the determined effective interest rate is within the market, comparing it with an interest rate that considers the value of money over time and the inherent risks of payment for similar financing, to which the entity has access.

(Continued)

If the Group receives a loan at a contractual interest rate that is substantially off-market, but an upfront fee is paid at the start of the loan when determining the effective interest rate based on the preceding paragraphs, and such upfront fee must be considered.

(aa) Sundry creditors and other accounts payable

Sundry creditors and other accounts payable include short and long-term employee benefit liabilities, provisions and other accounts payable for the provision of banking services, fees payable, asset acquisition creditors, dividends payable, VAT payable and other taxes and duties payable.

The Group's liabilities are valued and recognized in the consolidated statement of financial position, for this purpose they must comply with the characteristic of being a present obligation, where the transfer of assets or rendering of services is virtually unavoidable, arises as a result of a past event and its amount and maturity are clearly established.

The Group recognizes a provision when its amount(s) are uncertain and the following conditions are met: (a) there is a present obligation resulting from a past event by the entity, (b) an outflow of economic resources is likely to occur as a means of settling the obligation, and (c) the obligation can be reasonably estimated.

If the above conditions are not met, a provision is not recognized.

(bb) Employee Benefits

Direct short-term benefits

Short-term direct employee benefits are recognized in the results of the period in which the services rendered accrued. A liability is recognized in the amount expected to be paid if the Group has a legal or assumed obligation to pay this amount as a result of past services provided and the obligation can be reasonably estimated.

Direct long-term benefits

The Group's net obligation in relation to long-term direct benefits (except for deferred ESPS) - see subparagraph (v) of that note and which the Group is expected to pay after twelve months of the date of the most recent consolidated statement of financial position presented, is the amount of future benefits that employees have earned in return for their service in the current and prior periods. This benefit is discounted to determine its present value. Remeasurements are recognized in results in the period in which they accrue.

Termination Benefits

A liability and termination benefit cost or expense are recognized when the Group has no realistic alternative other than to meet payments or is unable to withdraw the offer of those benefits, or when it meets the conditions for recognizing the costs of a restructuring, whichever comes first. If they are not expected to be settled within 12 months of the close of the annual year, then they are discounted.

(Continued)

Benefits post-employee

Defined contribution plans

The Group's net obligation for benefit plans defined by pension plans and seniority premiums is calculated separately for each plan, estimating the amount of future benefits that employees have earned in the current and prior years, discounting this amount and deducting from it, the fair value of the plan's assets. The Group maintains a defined contribution plan for pensions in which the amounts contributed were recognized directly as expenses in the consolidated income statement, under the caption "Administration and promotion expenses". Contributions paid in advance are recognized as an asset to the extent that the advance payment results in a reduction in payments due to future payments or to a cash repayment (note 20).

Defined Benefit Plans

The Group only maintains a defined benefit plan for retired staff pensions, as well as obligations relating to plans for post-retirement medical benefits, food vouchers and retiree life insurance.

For pension plans and other post-retirement benefits, irrevocable trusts have been established in which the assets of retirement funds are administered, except for indemnities.

The calculation of obligations for defined benefit plans is performed annually by actuaries, using the projected unit credit method. Where the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of the economic benefits available in the form of future repayments of the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, any minimum financing requirements should be considered.

The labor cost of the current service, which represents the cost of the benefit period for retired staff for having completed an additional year of work life based on benefit plans, is recognized in administration and promotion expenses. The Group determines the net interest expense (income) on the net defined profit liability (asset) for the period by multiplying the discount rate used to measure the defined benefit obligation by the defined net liability (assets) at the beginning of the reporting period, taking into account changes in net defined profit liabilities (assets) during the period as a result of estimates of contributions and payments of benefits.

Modifications to plans that affect the cost of past services are recognized in the results immediately in the year in which the modification occurs, with no possibility of deferral in subsequent years. In addition, the effects of liquidation events or reduction of obligations in the period, which significantly reduce the cost of future services and/or significantly reduce the population subject to benefits, respectively, are recognized in the results of the period.

Remeasurements (formerly actuarial gains and losses), resulting from differences between projected and actual actuarial assumptions at the end of the period, are recognized in the period in which they are incurred as part of comprehensive income within stockholders' equity.

(Continued)

(cc) Revenue recognition

The interest generated by the loans granted, including interbank loans agreed for a term less than or equal to three business days, is recognized in results as they accrue.

Interest earned on portfolio in Stage 3 is recognized in profit or loss until it is collected.

Interest and fees charged in advance are recorded under the caption "Deferred Credits and Early Collections" and are applied to results as they accrue.

The commissions charged for the initial granting of a loan are recorded as a deferred credit, which is amortized against the results of the period as an interest income during the life of the credit. The fees for annuity and renewal of commercial portfolio, consumer and residential mortgage products are deferred over a period of 12 to 360 months, as appropriate, likewise, the costs or expenses related to the granting of credits, are recognized as a deferred charge and are deferred during the same period in which the income derived from the commissions charged for the initial granting of the credit is recognized; The insurance that may be financed is part of the loan portfolio.

The commissions charged for the granting of credit are presented net of the associated costs and expenses, presented in the category of other assets, or deferred credits and advance collections as appropriate to their debtor or creditor nature.

The commissions charged for restructuring or renewals of credit are added to the commissions originated by the granting of the credit and are recorded as a deferred credit, which is amortized as an interest income under the straight-line method during the new term of the credit. Other commissions are recognized at the time they are generated in the category of commissions and fees charged.

Interest on investments in fixed-income securities is recognized in profit or loss as accrued under the effective interest method. Interest charged on reporting transactions is recognized in profit or loss in accordance with the effective interest method, over the term of the transaction.

Commissions earned from fiduciary operations are recognized in earnest results as accrued.

Fees arising from custody or asset management services are recognized in the results as accrued.

(dd) Business and credit concentration

The Group's products are marketed to a large number of customers, without there being significant concentration on any specific customer.

(ee) Contributions to the Institute for the Protection of Bank Savings (IPAB)

The Bank Savings Protection Act, among other provisions, establishes the creation of the IPAB, which aims to protect bank savings in favor of persons who make any of the guaranteed deposits, and regulates the financial support granted to multiple banking institutions for the fulfilment of this objective. According to this Law, the IPAB guarantees bank deposits of savers up to 400,000 UDIS per natural or legal person. The Group recognizes in profit or loss for the year the mandatory contributions to the IPAB.

(Continued)

The mandatory contributions to the IPAB must be covered monthly and will be for an amount equivalent to the twelfth part of the four to the thousand, on the monthly average of the daily balances of its passive operations of the month in question.

(ff) Memorandum accounts

Memorandum accounts record assets or commitments that are not part of the Group's consolidated statement of financial position since the rights to these are not acquired or such commitments are not recognized as liabilities of the entities until such eventualities materialize, respectively.

– *Credit commitments:*

The balance represents the amount of letters of credit granted by the Group that are considered irrevocable commercial loans not disposed of by the borrowers and authorized lines of credit not exercised.

Items recorded in this account are subject to rating.

Assets in trust or mandate:

The Group records in memorandum accounts the operations of assets or trusts according to the following:

- Those that are limited to the recognition of the trust assets (contract assets), that is, the value of the assets received in trust net of the liabilities, keeping in independent records the data related to the administration of each trust.

- Those whose assets and liabilities result from the operations and whose recognition and valuation is carried out in accordance with the provisions of the specific accounting criteria applicable to the Group.

The losses incurred by the Group for the liabilities as trustee, are recognized in results in the period in which they are known, regardless of the moment in which any legal promotion is made to that effect.

The fiduciary unit maintains special accounts for each contract in the fiduciary system, and records in them and in their own accounts the money and other assets, securities or rights entrusted to them, as well as the increases or decreases, for the respective products or expenses, invariably the balances of the special accounts of each trust agreement coincide with the balances of the memorandum accounts in which the Group recognizes the trusted equity.

In no case will these assets be subject to other liabilities than those derived from the trust itself, or those that correspond against them to third parties in accordance with the Law.

When, due to the nature of the trusts established in the Group, there are assets or liabilities in charge of or in favor of it, these are recognized in the consolidated statement of financial position, as appropriate.

The mandate records the declared value of the assets covered by the Group's mandate contracts.

(Continued)

The recognition of income from the management of trusts is recognized on an accrual basis. The accumulation of said income is suspended, at the moment in which the debit for these presents 90 or more calendar days of non-payment, being able to accumulate again when the outstanding debit is settled in its entirety.

As long as the income accrued by the management of the trusts is suspended from accumulation and is not collected, the control of these is carried out in memorandum accounts. In the event that such accrued income is collected, it is recognized directly in the results of the year.

– *Assets in custody or administration:*

Cash and client-owned securities held in custody, collateral and administration are reflected in the respective memorandum accounts and are valued based on the price provided by the price vendor. With the exception of cash or virtual assets received for the payment of services on behalf of third parties and must be presented in the category of cash and cash equivalents or in that of virtual assets, as appropriate, and, the liabilities generated, in the category of other accounts payable.

The securities in custody and administration are deposited in S.D. Indeval, Institución para el Depósito de Valores, S. A. de C. V.

The income derived from custody or administration services recognized in the results of the year will be presented in the category of commissions and fees charged.

– *Collateral received by the entity:*

Its balance represents the total collateral received in securities reporting and lending operations, with the Group acting as a seller or buyer.

– *Collateral received and sold or delivered as collateral by the entity:*

Its balance represents the total collateral received and, sold or delivered as collateral, when the Group acts as a seller or buyer.

– *Accrued interest not collected derived from loan portfolio with Stage 3 credit risk:*

Uncollected accrued interest derived from loan portfolio with Stage 3 credit risk is recorded, the amount of accrued interest not collected derived from credits held in the portfolio with Stage 3 credit risk.

– *Other registration accounts:*

As of December 31, 2022, the other registration accounts have a balance of $1,670,998 that is mainly compromised of securities by the Group.

(Continued)

(gg) Contingencies

Significant contingency-related obligations or losses are recognized when their effects are likely to materialize and there are reasonable elements for quantifying them. In the absence of such reasonable elements, their disclosure is included qualitatively in the notes to the consolidated financial statements. Revenues, profits or contingent assets are recognized until such time as there is absolute certainty of their realization.

(4) Accounting changes-

i. Accounting criteria issued by the Commission

By publication in the Official Gazette dated December 4, 2020, the Commission announced the obligation as of January 1, 2022, for the adoption of the following NIF issued by the CINIF:

- NIF B-5, Segments Financial information
- NIF B-12, Compensation of financial assets and liabilities
- NIF B-17, Determination of fair value
- NIF C-2, Investment in financial instruments
- NIF C-3, Accounts receivable
- NIF C-9, Provisions, contingencies and commitments
- NIF C-13, Related Parties
- NIF C-14, Transfer and derecognition of financial assets
- NIF C-10, Derivative Financial Instruments and Hedging Relationships
- NIF C-16, Impairment of financial instruments receivable
- NIF C-19, Financial instruments payable
- NIF C-20, Financial instruments to collect principal and interest
- NIF D-1, Revenue from contracts with customers
- NIF D-2, Costs for contracts with customers and
- NIF D-5, Leases

Accounting criteria issued by the Commission

Among other relevant changes that entered into force on January 1, 2022 were those to the Accounting Criteria of Annex 33 of the General Provisions applicable to credit institutions:

- Accounting Criterion B-1 Cash and cash equivalents (formerly cash available)
- Accounting Criterion B-3 Repurchase/resell agreements
- Accounting Criterion B-6 Loan portfolio
- Accounting Criterion B-7 Foreclosed assets
- Accounting criteria are repealed B-2 Investments in securities, B-5 Derivatives and hedging operations, B-11 Receivables, C-1 Recognition and derecognition of financial assets, C-3 Related parties and C-4 Segments information.

In accordance with the transitional articles mentioned in the Provisions, and as a practical solution, credit institutions in the application of the accounting criteria contained in Annex 33 that are amended, may recognize on the date of initial application, that is, January 1, 2022, the cumulative effect of accounting changes.

(Continued)

Grupo Financiero Scotiabank Inverlat, S. A. de C. V.,
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(Millions of Mexican pesos)

The details of the changes that modify the accounting criteria are shown below:

Series A — Criteria relating to the general outline of accounts for credit institutions

A-1 Basic outline of the set of accounting criteria applicable to credit institutions	A-1 Basic outline of the set of accounting criteria applicable to credit institutions	No change.
A-2 Application of special rules	A-2 Application of special rules	The following NIF issued by the CINIF are added as applicable, establishing particularities in some of them: NIF B-5 "Segments Financial Information". The impact is not material. NIF B-11 "Disposition of long-term assets and discontinued operations" No impact. NIF B-12 "Compensation of financial assets and financial liabilities" The impact is not material. NIF B-17 "Determination of fair value". Impact on the valuation of instruments that are not valued by a price vendor. No impact. NIF C-2 "Investment in financial instruments". Impact on presentation given the classification of investments in financial instruments according to the business model and their valuation according to said model. NIF C-9 "Provisions, contingencies and commitments". No impact. NIF C-10 "Derivative financial instruments and hedging relationships". No impact. NIF C-12 "Financial instruments with equity and liabilities characteristics " No impact. NIF C-13 "Related parties". The impact is not material. NIF C-14 "Transfer and derecognition of financial assets". The impact is not material. NIF C-16 "Impairment of financial instruments receivable". It has an impact on the determination of impairment of financial instruments receivable principal and interest, in accordance with stages of credit risk 1 to 3. NIF C-19 "Financial instruments payable". Its application to deposits, bank loans and other agencies is considered. NIF C-20 "Financial instruments to collect principal and interest". Impact on the valuation of instruments that are considered under this business model and that previously applied a different valuation at amortized cost. NIF C-22 "Cryptocurrencies". No effects. NIF D-1 Revenue from contracts with customers. No impact. NIF D-2 Costs for contracts with customers. No impact. NIF D-5 Leases. Impact on leases where the Group is a lessee, because it recognizes the asset by right of use of the leased assets and recognizes the liabilities. In income, the right-of-use asset is depreciated according to the useful life, while the liability generates interest at the effective interest rate of the lease or market and liquidates it as it is paid.
A-3 Application of general rules	A-3 Application of general rules	No change
A-4 Suppletory application to accounting criteria	A-4 Suppletory application to accounting criteria	No change

(Continued)

(Millions of Mexican pesos)

Series B. Criteria relating to the items comprising the financial statements

B-1 Cash available	B-1 Cash and cash equivalents	The name of the item and the accounting criteria are changed. The definition of demand Investments is added, considering a maturity period of 48 hours from its acquisition.
B-2 Investments in securities	B-2 Repealed	It is repealed, but in the new accounting criterion A-2 establishes the application of NIF C-2 "Investment in financial instruments", NIF C-20 "Financial instruments to collect principal and interest" and NIF C-16 "Impairment of financial instruments receivable". The classification of financial instruments based on the intention of management is eliminated and a new classification of financial instruments is established according to the business model applied by the Group, which can be for negotiation to collect principal and interest, or to collect and sell.
B-3 Repurchase/ resell agreements	B-3 Repurchase/resell agreements	The obligation to offsetting collateral delivered in cash recorded as liabilities against debtors by Repurchase/ resell agreements when the instruments have been delivered as collateral in another Repurchase/ resell agreements transaction is eliminated.
B-4 Securities lending	B-4 Securities lending	The definition of amortized cost is modified.
B-5 Derivatives and hedging transactions	B-5 Repealed	It is repealed, but in the new accounting criterion A-2 establishes the application of NIF C-10 "Derivative financial instruments and hedging relationships".
B-6 Loan portfolio	B-6 Loan portfolio	The accounting criterion is substantially modified: It is established that the valuation of the loan portfolio is carried out according to the business model. They are established as business models: to collect principal and interest, to collect sell, for negotiation. The classification of the current portfolio is eliminated and a classification by risk stage is established in Stage 1, Stage 2 and Stage 3. The form of amortization of the commissions charged and transaction costs related to the granting of the credit is modified. The methodology for determining the effective interest rate for the valuation of the loan portfolio based on the applicable business model is incorporated.
B-7 Foreclosed assets	B-7 Foreclosed assets	The value of the initial recognition of the foreclosed assets is modified, depending on the intention that the Group has with these assets. The impact is non-material.
B-8 Endorsements	B-8 Endorsements	No change
B-9 Custody and administration of property	B-9 Custody and administration of property	Virtual assets are added as assets that are subject to custody and administration. The impact is non-material.
B-10 Trusts	B-10 Trusts	No change
B-11 Receivables	B-11 Repealed	It is repealed. The impact is non-material.

Series C — Criteria applicable to specific concepts

C-1 Recognition and derecognition of financial assets	C-1 Repealed	It is repealed, but the new accounting criterion A-2 establishes the application of NIF C-14 "Transfer and derecognition of financial assets". The impact is non-material.
C-3 Related Parties	C-3 Repealed	It is repealed, but the new accounting criterion A-2 establishes the application of NIF C-13 "Related parties". The impact is non-material.
C-4 Segment Information	C-4 Repealed	It is repealed, but the new accounting criterion A-2 establishes the application of NIF B-5 "Segments Financial information", establishing at least the operating segments that were already defined in the previous accounting criterion C-4. The impact is non-material.

Series D. Criteria for the basic financial statements

D-1 Balance sheet	D-1 Statement of financial position	Change of the name of the financial statement and presentation, including changes in the names of the items in accordance with the new accounting criteria.
D-2 Income statement	D-2 Comprehensive income statement	Change of the name of the financial statement and presentation, including changes in the names of the items in accordance with the new accounting criteria.
D-3 Statement of changes in stockholders' equity	D-3 Statement of changes in stockholders' equity	Change of the name of the financial statement and presentation, including changes in the names of the items in accordance with the new accounting criteria.
D-4 Statement of cash flows	D-4 Statement of cash flows	Change of the name of the financial statement and presentation, including changes in the names of the items in accordance with the new accounting criteria.

(Continued)

ii. Initial application of the cumulative effect of accounting changes

As a consequence of the initial adoption of the Accounting Criteria effective as of January 1, 2022 stockholders' equity, specifically "Retained earnings " were impacted as shown in the following table.

Concept		**Amount**
Allowance for loan losses derived from the loan portfolio rating	$	821
Assets for rights to use property, furniture and equipment		2,718
Lease liabilities		(2,718)
Deferred Income Tax and ESPS		(286)
Net effect on retained earnings	$	**535**

The total net adjustment (net of deferred Income Tax and deferred ESPS) to the initial balances of the Group's stockholders' equity as of January 1, 2022 is $535 and corresponds to the adjustment for change in methodologies for determining the allowance for loan losses.

By a confirmation letter response to criterion No. DGDR-15556/2021 dated September 30, 2021, the Commission informed the Credit Institutions that, in adopting the effective interest method of the loan portfolio to determine the initial cumulative effect, in the application of the retrospective or partial retrospective method in accordance with NIF B-1, "Accounting changes and corrections of errors", there may be institutions that conclude that it is impractical to obtain detailed historical information for the different portfolios, such as, transaction costs, commissions collected identified credit by credit, etc., so its adoption would be prospective.

Based on the foregoing, the Group, being faced with an impractical situation and having executed reasonable and justifiable efforts, implemented prospectively amortized cost using the effective interest method, since the adoption of the new accounting criterion B-6 "Loan portfolio", represented substantial changes in the core systems and complexity for identifying historical information and extracting it from supporting data sources.

(5) Foreign currency position-

Central Bank regulations set rules and limits on banks and brokerage firms holding positions in foreign currencies within certain limits. The position (short or long) allowed by the Central Bank is equivalent to a maximum of 15% of the basic capital both as a whole and in each currency. As of December 31, 2022, the Group maintained a foreign exchange risk position within the aforementioned limit.

The position in foreign currency as of December 31, 2022, expressed in millions of dollars and its appreciation in pesos, as shown in the following page.

(Continued)

(Millions of Mexican pesos)

		Long
Dollar position		
USD		64
CAD		3
EUR		5
Other currencies		1
		73
Position valued in pesos		
USD	$	1,248
CAD		58
EUR		98
Other currencies		10
	$	**1,414**

The exchange rate in relation to the dollar, as of December 31, 2022, was $19.5089 pesos per dollar and as of March 30, 2023, the date of approval of the consolidated financial statements was $18.0957 pesos per dollar.

(6) Cash and cash equivalents

The cash and cash equivalents balance as of December 31, 2022 is integrated as follows:

Cash on hand	$	7,950
Deposits in domestic banks		28,260
Deposits in foreign banks		10,259
Restricted cash equivalents:		
Monetary regulation deposits with the Central Bank		8,925
Loans with maturity less than three days (call money)		7,670
Other restricted cash equivalents		899
Other cash equivalents		197
	$	**64,160**

Of the total cash and cash equivalents as of December 31, 2022, $50,471 and $13,689 are denominated in domestic currency and valued foreign currency (mainly USD), respectively.

The restriction on the purchase of foreign currency is that such foreign currency has not yet been received by the Group and is therefore not available to the Group at the date of the consolidated statement of financial position. The currency restriction will be on the agreed settlement date of said operations which, as of December 31, 2022, is between December 28, 2022 and January 4, 2023.

As of December 31, 2022, the Group maintained an asset(liability) balance for transactions of purchase and sale of liquidable currencies at a date after the agreed date of $2,183 and $(1,913), which were recognized in settlement accounts under the caption "Other accounts receivable, net" and "Creditors for settlement of transactions", as appropriate.

(Millions of Mexican pesos)

The restriction associated with monetary regulation deposits with the Central Bank is that, by provision, the Group is obliged to maintain a specific level of monetary resources with the Central Bank for the purpose of providing liquidity to the financial system. The resources held in this type of instruments are freely available to the Group and do not have a definite date for their disposal, so they are permanently restricted.

The restriction of loans with a maturity of less than three days is that when they are resources delivered on loan to other financial institutions, the Group does not have them immediately available until their maturity, which, as of December 31, 2022, is 1 day.

Deposits in banks in the country and abroad as of December 31, 2022 are integrated below:

		MXN	**Valued currencies**	**Total**
Central bank	$	8,925	-	8,925
Domestic banks		26,942	1,318	28,260
Foreign banks		1	10,258	10,259
	$	**35,868**	**11,576**	**47,444**

As of December 31, 2022, deposits in the Central Bank correspond to monetary regulation deposits for $ 8,900, which have an indefinite duration, for which the Central Bank will inform in advance the date and procedure of the withdrawal of the balance thereof. Interest generated on deposits with the Central Bank as of December 31, 2022 was $25. The current provisions issued by the Central Bank for monetary regulation deposits establish that these may be composed of cash, securities or both. As of December 31, 2022, the Group holds reportable Monetary Regulation Bonds (BREMS-R) amounting to $3,098.

As of December 31, 2022, the currencies to be received and delivered for purchases and sales to be settled, respectively, are integrated below:

Balance in source currency		**Currencies to be received**	**Currencies to be delivered**
Dollar		98	(112)
Dollar converted to Mexican pesos	$	1,918	(2,177)

When the offset balance of the foreign currency to be delivered is greater than the foreign currency receivable, this is presented under the caption "Sundry creditors, and other accounts payable".

As of December 31, 2022, the counterpart concentration of the offset foreign currency balance is presented on the following page.

(Continued)

(Millions of Mexican pesos)

Counterpart		**Currencies to be received**	**Currencies to be delivered**
Bank of Nova Scotia	$	1,329	(606)
BNP Paribas		195	-
BBVA México S. A.		273	(273)
Operadora Comercial Internacio		-	(1)
Global Solutions Media S. A. de C. V.		-	(2)
Gore Logística, S. A. de C.V.		-	(2)
Ingeniería y Administración		-	(6)
Salchichas y Jamones de México		-	(8)
Barclays Bank PLC		60	(258)
JP Morgan Chase Bank		61	(494)
Deacero S. A. P. I. de C. V.		-	(527)
	$	**1,918**	**(2,177)**

Bank loans with a maturity of less than three days (call money) granted that have not been settled by December 31, 2022, are analyzed below:

		Balance	**Rate**	**Term**
HSBC	$	4,002	10.5%	1 day
HSBC		3,002	10.5%	1 day
HSBC		666	10.5%	1 day
	$	**7,670**		

For the year ended December 31, 2022, the call money granted by the Group accrued interest at an average rate of 7.49%, generating interest income of $135, which was recognized under the caption of "Interest income" in earnings.

As of December 31, 2022, bank account overdrafts amounts to $77, which are presented under "Sundry Creditors and Other Accounts Payable."

(7) Investments in financial instruments

a) Book value

The following is the analysis of investments in financial instruments by category and type of instrument as of December 31, 2022; based on the business models determined by the Group, including their levels in the fair value hierarchy.

(Continued)

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Negotiable financial instruments (NFIs):

		Domestic	Foreign
BONDS	$	34,823	-
IPABONOS		9,523	-
CETES		6,811	-
UDIBONOS		2,673	-
BD CEBUR CD		1,548	-
BONDS		6,119	-
CEBUR 91		104	-
51-SCOTIAG		105	-
PRLV		17	-
EQUITIES		317	1,233
SCOTIAG		997	-
Total negotiable financial instruments	$	**63,037**	**1,233**
		$ 64,270	

Fair value:				***Valuation techniques***
Level 1	$	1,314	1,233	Valmer price vendor
Level 2		61,723	-	Valmer price vendor
Total	**$**	**63,037**	**1,233**	

Debt instruments classified as NFIs have interest rates ranging from 4.17% to 11.07% and their maturities fluctuate between one month and 30 years.

As of December 31, 2022, NFIs include restricted instruments, primarily in reporting operations, for $61,508.

Financial instruments held to collect or sell (FITCS):

		Domestic	Foreign
BD CEBUR CD	$	3,946	-
BM PRLV		14,904	-
BONDES		8,041	-
BONDS		18,892	-
CETES		9,216	-
GOVERNMENT CEBUR		413	-
UDIBONOS		5,256	-
PRIVATE CEBUR 91		629	-
EUROBONDS		599	-
TBILL		-	522
UMS			1,825
Total Financial instruments held to collect or sell:	**$**	**61,896**	**2,347**
		$ 64,243	

(Continued)

(Millions of Mexican pesos)

		Domestic	Foreign	
Fair value:				***Valuation techniques***
Level 1	$	-	804	Valmer price vendor
Level 2		61,896	1,543	Valmer price vendor
Total	**$**	**61,896**	**2,347**	

Debt instruments classified as FITCSs have interest rates ranging from 4.17% to 11.67% and their maturities range from 3 months to 28 years.

As of December 31, 2022, FITCSs include restricted instruments, mainly in repurchase and/ resell agreements transactions, for $7,221.

Financial instruments to collect principal and interest (FITCPI):

		Domestic
BREMS	$	3,098
Special CETES		1,619
Total Financial instruments to collect principal and interest	**$**	**4,717**

Debt instruments classified as FITCPIs have interest rates ranging from 5.51% to 10.15% and their maturity is 3 years. FITCPIs mainly denominated in pesos.

As of December 31, 2022, the Group maintained assets (liabilities) balances for operations with liquidable securities at a date subsequent to the agreed date of $6,808 and $(4,315) which were recognized in settlement accounts under the caption of "Other accounts receivable, net" and "Creditors for settlement of transactions" as appropriate.

b) Category reclassifications

During 2022, the Group did not make category transfers.

(Millions of Mexican pesos)

c) Recognized effects on profit and loss and OCI

The net gains and losses generated by investments in financial instruments for the year ended December 31, 2022 are shown below:

Profit and loss (note 24(e)):		
NFI	$	(124)
FITCS		(6)
	$	**(130)**
Valuation result (note 24(e)):		
Recognized in results		
NFI	$	**(125)**
Recognized in OCI		
FITCS	$	**(575)**

The income and interest expense accrued on investments in financial instruments recognized in 2022 profit or loss are presented below:

Interest income (note 24(b)):		
NFI	$	5,279
FITCS		4,977
FITCPI		295
	$	**10,551**

d) Impairment

The impairment effects and impairment reversals recognized by the Group in fiscal year 2022 are shown below:

		2022
Impairment:		
FITCS	$	21
FITCPI		1
	$	**22**
Impairment reversals		
FITCS	**$**	**(9)**

As of December 31, 2022, the recognized impairment was $13.

(Continued)

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As of December 31, 2022, the fair value of securities classified as securities to be liquidated are discussed as follows:

Assigned values to be settled	**2022**
Other unrestricted debt securities – Sales value date:	
BI CETES	$ 1,580
M BONDS	4,669
S UDIBONO	488
Unrestricted equities – Sales value date:	
Equity instruments (shares)	1,063
Securities allocated to be settled, securities without restriction	**$ 7,800**

Issuers exceeding 5% of net capital

As of December 31, 2022, investments in non-governmental debt securities of the same issuer and greater than 5% of the Group's net capital are shown below:

Issuer	**Series**	**Number of Titles**	**Annual fee average**	**Days of term**	**Amount**
BANSAN	23025	14,960,262,178	10.39%	14	$14,904

(8) Repurchase and/ resell agreements and securities lending transactions-

a) Debtors and creditors on repurchase and/ resell agreements

As of December 31, 2022, debtors and creditors per repurchase and/ resell agreements are integrated as follows:

Instrument	**Debtors on repurchase/ resell agreements**	**Collateral sold or delivered**	**Creditors on repurchase/ resell agreements**
Debt instruments			
Government debt:			
BONDS	$ 2,394	8,979	28,261
IPABONOS	613	1,221	8,062
BONDS	-	835	1,676
CETES	-	1,461	3,834
UDIBONOS	-	1,933	-
	3,007	14,429	41,833
Bank debt:			
CEBUR CD	318	-	1,548
PRLV	-	-	17
	318	-	1,565
Other debt securities:			
CEBUR	52	52	52
	$ 3,377	**14,481**	**43,450**

(Continued)

(Millions of Mexican pesos)

For the Bank and the Casa de Bolsa, the term for repurchase/ resell agreements as of December 31, 2022 are 3 days acting as a buyer.

Interest and yields in favor on repurchase and/ resell agreements operations held by the Group recognized under the caption of "Interest income" amounted to $1,324 for the year ended December 31, 2022.

The average terms of repurchase/ resell agreements operations in which the Group acted as reported that are in force as of December 31, 2022 are 3 days.

Interest and income charged on repurchase and/ resell agreements operations entered into by the Group recognized under the caption of "Interest Expenses" amounted to $5,084 for the year ended December 31, 2022.

b) Collateral in repurchase and resell agreements operations

The following is the integration of collateral received for repurchase and/ resell agreements operations, as well as collateral received and sold or given as collateral as of December 31, 2022:

Instrument		**Collateral received**	**Collateral sold or delivered**
Debt instruments			
Government debt			
BONDES	$	2,394	8,979
UDIBONOS		-	1,933
CETES		-	1,461
BONDS		-	835
IPABONOS		613	1,221
		3,007	14,429
Other debt securities			
CEBUR		370	52
	$	**3,377**	**14,481**

Interest on collateral sold and given as collateral in repurchase and/ resell agreements operations recognized in results for the year ended December 31, 2022 amounted to $125.

(Millions of Mexican pesos)

Securities Lending

a) Acting as a borrower

As of December 31, 2022, securities lending is integrated as shown below:

Debt instruments		
Government debt		
CETES	$	1,198
BONDS		176
UDIBONOS		590
		1,964
Equity instruments		
1I QQQ*		3
1I SPY*		9
1I XLE*		5
1I VOO*		39
		56
	$	**2,020**

The average terms of securities lending transactions in which the Group acted as borrower that are in effect as of December 31, 2022 are 5 and 28 days.

The Group's securities lending premiums recognized under "Interest Expense" amounted to $84 for the year ended December 31, 2022.

The Group's premiums in securities lending transactions recognized under "Interest Income" amounted to $17 for the year ended December 31, 2022.

b) Acting as a lender

As of December 31, 2022, debtors on repurchase/ resell agreements are integrated as shown below:

Equity instruments		
1I QQQ *	$	3
1I SPY*		9
1I XLE*		5
1I VOO*		39
1BNAFTRACB		308
	$	**364**

The average terms of securities lending transactions in which the Group acted as lender that are in effect as of December 31, 2022 are 15 days.

(Continued)

(Millions of Mexican pesos)

c) Collateral in securities lending operations

The following is the integration of collateral delivered and received for securities lending operations, as well as collateral received and sold or given as collateral as of December 31, 2022:

		2022		
Debt instrument		**Collateral delivered**	**Collateral received**	**Collateral received and sold or delivered**
Government debt:				
CETES	$	-	-	1,198
BONDS		-	-	176
UDIBONOS		-	-	590
1B-NAFTRAC-ISHRS		308	-	-
1I-QQQ-*		3	3	-
1I-SPY-*		9	9	-
1I-VOO-*		39	39	-
1I-XLE-*		5	5	-
	$	**364**	**56**	**1,964**

d) Compensation

Below are the offset and non-offset securities lending transactions as of December 31, 2022:

i. Operations that met the conditions for offsetting:

Instrument		**Acting as a borrower**	**Acting as a lender**
1I -QQQ - *	$	3	3
1I - SPY - *		9	9
1I - XLE - *		5	5
1I – VOO - *		39	39
	$	**56**	**56**

ii. Transactions that did not meet the conditions for offsetting:

Instrument		**Acting as a borrower**
1B – NAFTRAC – ISHRS	$	308

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(9) Financial instruments

a) Derivatives for trading purposes

As of December 31, 2022, derivative financial transactions for trading purposes are integrated as follows:

		Fair value of the transaction		Net balance	
Instrument		**Purchase**	**Sale**	**Debtor**	**Creditor**
Futures	$	20	-	20	-
Options		1,943	1,753	1.936	1.747
Forwards		116,806	116,580	1,976	1,750
Swaps		139,214	139,238	26,749	26,773
Warrants		-	564	-	564
	$	**257,983**	**258,135**	**30.681**	**30.834**

The following are the DFIs by hierarchy level as of December 31, 2022:

Fair value:		**Purchase**	**Sale**
Level 1		20	564
Level 2	$	258,235	257.571
Level 3		(272)	-
Total	**$**	**257,983**	**258,135**

<u>*Measurement of fair values*</u>

i. Valuation techniques and significant unobservable input data

The following tables on the following page show the valuation techniques used to measure Level 2 and Level 3 fair values for financial instruments measured at fair value in the statement of financial position, as well as the significant unobservable input data used.

(Continued)

	Techniques of Valuation	Inputs Observable	Inputs no Observable
Derivatives for trading purposes			
Advance contracts	BNS Forex Flow discount	- Exchange rates - Futures prices quoted in the market - Market interest rates - Active prices - Underlying: equities; funds; - Volatilities observed in the market	
Options	Caps & Floor Interest Rate Options: Cap/Floor Black's Binary Interest Rate Options: Cap/Floor Black's Internal Model European Call Spread Index Option: Internal Call Spread Option Model European Basket Option: Internal Model Basket Asian AN/Alytic Multi-Factor European Equity Option: Internal Equity Option Model Equity Binary Option: Internal Equity Option Model Singular Action Autocall Option: EqOpt Autocallable Note Internal Model Barrier-type exchange rate option: Merton, Reiner and Rubinstein European Type Exchange Rate Option: Garman and Kohlhagen Binary Type Exchange Rate Option: Black-Scholes Index Future Option: Market Principles Simple Equity option: Market Practices	- Price Vendor - Valmer for price entry and market data - Volatility surface - Quanto correlation - Dividend curve	- Correlation and volatility of unobservable stocks in the market. The leveling methodology for options with target volatility is as follows:-Ratio = Abs(Correlation uncertainty*Correlation risk) +Abs(Vega uncertainty factor*Vega risk) / MTM-If Ratio >10% then the complete package (Internal + External) will be treated as Level 3, another case Level 2.
Swaps	Currency Exchange Swap: Internal Cash Flow Swap Model Interest Rate Swaps: Internal Cash Flow Swap Model Standardized Interest Rate Swaps (CME/Allocation): Internal Cash Flow Swap Model	- Interest rate and exchange rate yield curves quoted - Volatility surface	
Hedging derivatives			
Swaps	Currency Exchange Swap: Internal Cash Flow Swap Model Interest Rate Swaps: Internal Cash Flow Swap Model	- Interest rate and exchange rate yield curves quoted - Volatility surface	
Warrants	Simple Equity Option: Market Prices	- Market prices - Price vendor - Valmer	

Valuation techniques

Fair values of exchange-traded derivatives are based on unadjusted quoted market prices of an active market.

Fair value of over-the-counter (OTC) derivatives are determined using pricing models, which take into account observable valuation data, such as the current market and contract prices of the underlying instruments, as well as the time value and yield curve or volatility factors underlying the positions. Determining the fair value of derivatives includes consideration of credit risk, estimated financing costs, and ongoing direct costs over the life of the instruments.

(Continued)

Derivative products valued using a valuation technique with market-observable data mainly include interest rate swaps and options, currency swaps and forward currency contracts and advance contracts. The most frequently applied valuation techniques include forward pricing and swap models, using current value calculations. The models incorporate a variety of inputs, including exchange rates and interest rate curves. Derivative products valued using a valuation technique with significant unobservable data, such as volatility, correlation and forward curves, may include long-term securities and refer only to options contracts.

ii. Transfers between Level 1 and Level 2

The conditions for recognizing the transfer from level 1 to level 2 shall be considered in accordance with the instrument:

Investments in financial instruments: When there are no facts or positions for operations, and it is resorted to determining the price through the movement of the price of similar instruments, the price of the previous period is considered, there is no market information on the instrument, there is no fact for the minimum amount required, some theoretical adjustment is made to the surcharge or the instrument changes range, A transfer to level 2 hierarchy is considered to exist.

No transfers have been made from Level 2 to Level 1 during 2022 and there were no transfers between these 2 Levels in 2022.

Derivative Financial Instruments: During fiscal year 2022, no transfers were made between Level 1 and Level 2 of the fair value hierarchy within the assets and liabilities held by the Group.

iii. Fair Values Level 3

The following table shows a reconciliation between opening balances and ending balances of Level 3 fair values:

		Contingent consideration
Balance as of January 1, 2022	$	79
Loss included in "financial costs"		
Net change in fair value (not realized)		(351)
Balance as of December 31, 2022	**$**	**(272)**

Level 3 sensitivity analysis

The table shown in the following page sets out information on significant unobservable data used in the measurement of financial instruments categorized as Level 3 in the fair value hierarchy.

(Continued)

Derivative financial instruments	Valuation technique	Significant unobservable inputs	Composition	Range of input values for each significant non-observable input (1)		Increase/decrease in fair value based on reasonably possible alternative input assumptions
				Lowest input value	Higher input value	
Equity contracts (net of liabilities for derivative financial instruments)	Options Valuation Model	Correlation of stock volatility	European OTC Equity Options	2%	4%	$6.68

(1) The range of estimates represents the lowest and highest level actual inputs used to value financial instruments within each category of the financial statement.

The Group applies its judgment in determining the unobservable input data used to calculate the fair value of Level 3 instruments.

The following section discusses significant unobservable inputs for Level 3 instruments:

- Correlation: Correlation becomes an input in the pricing of equity derivatives when the relationship between the price movements of two or more of the underlying assets is relevant.
- Volatility: The volatility of investments in derivatives is a measure of the fluctuation of asset prices. Interest rate volatility measures the variability of the yield of a security or interest rate. Historical volatility is often calculated as the annualized standard deviation of the daily price or the variation of the yield over a given period of time. The implied volatility is such that, when entered into an options valuation model, it returns a value equal to the current market value of the option.
- Forward curves: Monthly forward curves for commodity contracts are necessary inputs for valuation. A part of the advance curves cannot be observed.

Notional amounts:

Notional amounts represent the number of units specified in DFI contracts and not the profit or loss associated with the market risk or credit risk of the instruments. Notional amounts represent the amount to which a rate or price is applied.

To determine the amount of cash flow to be exchanged, the notional amounts of derivative financial instruments by type of instrument and underlying as of December 31, 2022, are shown on the following page.

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				Fair value		Net balance	
Underlying	**Operation**	**Market**	**Notional amount**	**Asset**	**Liability**	**Debtor**	**Creditor**
Futures:							
CPI							
CPI	Long Position	Recognized	$ 428	$ 20	-	**20**	**-**
Swaps:							
Rates							
FIXED	Purchase	OTC	$ 6,365	$ 6,265	6,259		
LIBOR	Purchase	OTC	15,183	2,428	3,362		
SOFR	Purchase	OTC	7,022	3,595	3,896		
TIIE	Purchase	OTC	291,291	44,215	56,463		
LIBOR	Sale	OTC	20,957	4,944	4,059		
SOFR	Sale	OTC	9,533	6,315	6,083		
TIIE	Sale	OTC	285,781	59,496	47,208		
FIXED	Purchase	Recognized	33,420	4,926	6,154		
TIIE	Sale	Recognized	42,990	7,042	5,781		
Impairment				(12)	(27)		
				$ 139,214	**139,238**	**26,749**	**26,773**
Forwards:							
Foreign exchange							
EUR	Purchase	OTC	$ 98	$ 204	-		
GBP	Purchase	OTC	12	22	-		
USD	Purchase	OTC	61,860	116,583	-		
USD	Sale	OTC	41	-	79		
MXN	Sale	OTC	62,138	-	116,502		
Impairment				(3)	(1)		
				$ 116,806	**116,580**	**1,976**	**1,750**
Options:							
Foreign exchange							
USD	Purchase	OTC	$ 441	$ 135	-		
USD	Sale	OTC	441	-	127		
Indices							
Index	Purchase	OTC	5,344	498			
Index	Sale	OTC	6,842	-	353		
Rates							
SOFR	Purchase	OTC	658	428	-		
TIIE 28	Purchase	OTC	37,433	882	-		
SOFR	Sale	OTC	657	-	427		
TIIE 28	Sale	OTC	36,696	-	850		
Impairment			-	(1)	(4)		
				$ 1,942	**1,753**	**1,936**	**1,747**

(Continued)

(Millions of Mexican pesos)

Underlying	Operation	Market		Notional amount		Fair value Assets	Fair value Liabilities	Net balance Debtor	Net balance Creditor
Warrants:									
Equities									
	Sale	Recognized	$	648	$	-	564	-	564
					$	**-**	**564**	**-**	**564**

As of December 31, 2022, the net valuation effect on financial assets and liabilities related to trading derivatives amounted to $389. The above are part of a synthetic strategy, with operations not derived from the purchase and sale of currencies, whose profits from operations by purchase and sale and the result by valuation for the year 2022 amount to $ 1,119 and are presented within the caption "Financial intermediation income".

b) Hedging derivatives

As of December 31, 2022, financial transactions for trading purposes are integrated as follows:

Instrument	Operation		Fair value Asset	Fair value Liability	Net balance Asset	Net balance Liability
Fair Value hedging:						
Swap	Purchase	$	7,112	5,904	1,315	107
Swap	Sale		69	69	-	-
			7,181	5,973	1,315	107
Cash flow hedging:						
Swap	Purchase		4,252	3,385	4,246	3.380
Swap	Sale		4,139	4,092	47	-
			8,391	7,477	4,293	3,380
		$	**15,572**	**13,450**	**5,608**	**3,487**

As of December 31, 2022, the Group uses hedging swaps to hedge exchange rate and interest rate risk, primarily to hedge the loan portfolio, available-for-sale investments, promissory notes, repurchase and/ resell agreements, and bonds.

The hedging of a position consists of carrying out operations with derivative financial instruments denominated as hedging instruments, this in order to compensate the financial risk originated by one or more transactions associated with the position to be hedged.

The hedging relationship through the use of derivatives is applied on a basis to the exposure to the risk the Group seeking to hedge, i.e. whether it is fair value or cash flow hedge. The derivative instruments used can be interest rate swaps or currency swaps (*Cross Currency Swaps*).

(Continued)

(Millions of Mexican pesos)

Establishing the proportion of hedging and causes of ineffectiveness that are expected to affect the hedging relationship

When designating a hedging relationship of a hedged position against a hedging instrument, the relationship should not create an imbalance between the two parties that would be contrary to the purpose of hedging accounting. The process of measuring ineffectiveness is based on comparing changes in the fair value or cash flows of the hedging instrument with changes in the fair value or cash flows of the hedged position. Among the causes associated with a hedging imbalance are those related to changes in the market, that is, sudden highs or falls in reference rates or, where appropriate, when the hedge is close to maturity.

As of December 31, 2022, there is an accumulated ineffectiveness of hedging derivative transactions of $(29).

Quantitative Information

a. Fair Value Hedges

As of December 31, 2022, there are 139 contracts classified as fair value hedges for a notional amount of $38,259:

Strategy	Type	Currency	Hedged Position	Volume		Notional amount	Amounts Maturity 0-3 years	3-5 years	5-10 years
Fair Value	Interest rates	Pesos	Asset	90	$	28,522	11,551	11.022	5.949
Fair Value	Interest rates	Dollars	Asset	49		9,737	2,722	6,929	86
			Total	**139**	**$**	**38,259**	**14,273**	**17.951**	**6.035**

As of December 31, 2022, valuation gains on fair value hedge derivatives were $1.010, while the hedged valuation result attributable to hedged risk was $(1.069).

b. Cash flow hedges

As of December 31, 2022, there are 37 contracts with a notional amount of $20,562 classified as cash flow hedges:

Strategy	Type	Currency	Hedged Position	Volume		Notional amount	Maturity amounts 0-3 years	3-5 years	5-10 years
Cash Flow	Interest rates	Pesos	Liability	36	$	16,660	5,660	9,250	1,750
Cash Flow	Cross Currency	Dollars	Asset	1		3,902	3,902	-	-
			Total	**37**	**$**	**20,562**	**9,562**	**9,250**	**1,750**

The profit (loss) included in the results for the year ended December 31, 2022, derived from the ineffectiveness of instruments used for cash flow hedging, amounted to $10.

(Continued)

The effect of the valuation profit on the effective portion of the coverage for the year ended December 31, 2022, amounted to $114 less deferred taxes for $(50) and are presented within the OCI.

As of December 31, 2022, loss on cash flow hedging instruments that were reclassified from stockholders' equity to profit for the year under "Financial Intermediation Income" was $(86).

c. Cancelled cash flow and/or fair value hedges

During 2022, it was decided to discontinue fair value hedges with a nominal amount of around $3,007 mainly due to settlements or advance payments of credits from the commercial portfolio. The positions corresponded to interest rate hedges of the commercial portfolio in both pesos and dollars and to a lesser extent *cross currency swaps* that covered treasury bonds.

During 2022, it was decided to discontinue cash flow hedges with a nominal amount of around $6,100 mainly to ensure a positive margin at maximum market rates and thereby meet the hedging objective. The positions corresponded to hedges of liabilities of cash term deposits.

d. Margin accounts

As of December 31, 2022, margin accounts consist of cash collateral for derivative financial instrument transactions held on recognized markets for $2,137.

e. Embedded derivatives

The Group uses embedded derivatives in order to properly manage the interest rate, index and exchange rate risks inherent in structured bond transactions. The instruments used as of December 31, 2022 net are for index options for $497 and exchange rate options for $25.

f. Formal documentation of hedging and risk management strategy

At the time of the fair value and cash flow hedges are designated, the Group completes an individual file that includes or references the following documentation.

- The Group's strategy and objective of the entity regarding risk management to carry out the hedging operation.
- The specific risk(s) to be covered.
- Constitution of the hedging, where the derivatives contracted for the purpose of hedging and the item that originates the hedged risk are identified.
- Definition of the elements that make up the hedging and reference to the method applied to measure the effectiveness of the hedging.
- Evidence of the effectiveness of hedging at the beginning of its designation (prospective) and subsequently over the life of the hedging relationship (retrospective). These tests are carried out, at least quarterly, according to the methodology defined at the time of the constitution of the hedging file.

(Continued)

(Millions of Mexican pesos)

g. Impairment

The CVA (DVA) impairment effects recognized in 2022 were $(16) DVA.

h. Collateral received or delivered

As of December 31, 2022, the collaterals provided for derivative financial transactions that are recorded in "Other accounts receivable, net" and correspond to operations carried out in OTC markets, are integrated as shown below:

	Type of collateral	Delivered	
Other accounts receivable, net (note 11):			
Foreign financial institutions	Cash	$	646
Mexican financial institutions	Cash		531
		$	1,177

The collateral received for derivative financial operations carried out in OTC markets as of December 31, 2022, are recorded under the caption "Creditors for collateral received in cash" and are shown below:

	Type of collateral	Received	
Creditors for collateral received in cash:			
Foreign financial institutions	Cash	$	3,418
Mexican financial institutions	Cash		574
Other entities	Cash		143
		$	4,135
Memorandum accounts:			
Mexican financial institutions	Government Bonds	$	970

(10) Loan portfolio

a) Credit policies and procedures

Assessment of the credit

Critical to credit risk management is the collection of information, execution of due diligence procedures, analysis of the client's financial capacity and prosperity, and establishment of appropriate structures and interest rates.

(Continued)

The evaluation process is a logical flow of research, analysis and conclusions that is part of a Credit Presentation, which is the institutional means to present a proposal for an operation with credit risk and obtain the corresponding authorization, for which certain aspects must be met for the analysis and evaluation of a loan, aspects such as:

- Compliance management (Know Your Client, environmental and legal risk, reputational inspection and that the client is subject to credit),
- Specific guidelines for certain type of clients subject to credit,
- Determination of the customer credit quality (internal IG model),
- Limits on the granting of credit by credit/group (legal and internal),
- The admissible collaterals to the Bank,
- Integration of economic groups (common risk),
- Consultation of the quality of information (credit bureau),
- Analysis of the industrial sector, and
- Have up to date information on the collaterals, in accordance with the exhibit and their requirements:
    - Appraisal.
    - Insurance Policy.
    - In-site visit.

<u>Authorization of credit</u>

The limits of authorization and rejection of credit, refer to the maximum amount of credits to be authorized to a person or economic group by the Bank and must be applied based on the credit quality of the borrower or economic group, and the total exposure proposed or authorized.

An authorization matrix is used, which has the *Advice & Counsel* of BNS (Head Office), as well as the matters that must be referred to a certain authorized level (included in the Commercial Portfolio Loan Policy Manual in the Annex Special Levels of Authorization).

The authorization of all commercial loans must be evidenced by the credit recommendation incorporated in the credit statement or a similar document containing the authorized terms and conditions and an authorization seal that includes the names or initials of the officers designated to authorize the loan.

Any resolution shall be taken on the basis of an individual vote by the officials with assigned powers, by their vote for or against, and resolved unanimously, by joint signatures.

<u>Loan monitoring</u>

All customers and loans must be monitored on an ongoing basis to:

- Ensure that all terms and conditions have been complied with.
- Ensure that the client's financial situation is periodically reviewed.
- Update at least annually the IG of the client, or before if you have knowledge of any event that warrants it.

(Continued)

- Minimize the possibility of losses by early identification of adverse business and financial conditions to the borrower, in order to allow the Bank to take effective action immediately.

All borrowers, loans and guarantees are evaluated after their authorization on an ongoing basis, the monitoring of the assigned portfolio is the responsibility of the Business Unit that has the relationship with the client.

All lines of credit, regardless of maturity, must be reviewed by the Business Unit at least once a year based on the client's financial statements.

Business Units shall monitor all accounts and notify the Credit Unit of any impairment in customer quality, loans or guarantees, negative trends or non-compliance with credit conditions (EWS Early Warning Tracking Process).

The Bank has the follow-up process, through the Portfolio Surveillance Committee, an organization that monitors loans that present any of the following situations: increase in the level of risk, probability of unrecoverability, or that, despite the existence of an action plan authorized to correct, it is not carried out in the established time for reasons attributable to the borrower.

There is also the Early Warning process, for Business Banking borrowers with IG 70-80 and authorized risk greater than the equivalent of one million dollars, consists of frequently analyzing key information (reports of default or default in payment, credit bureau, financial conditions, delay in filing Annual Reviews), to minimize and / or avoid effects on potential problems of non-payment, so the identified findings of concern are discussed in Early Warning Committees or Vigilance Committee/Senior EWS.

<u>Loans recovery</u>

Administrative Recovery: It is carried out when there is non-payment and / or the terms and conditions that were agreed with the Bank.

There are two areas responsible for Administrative Recovery:

- Business Unit, from non-compliance; performs management or recovery actions immediately, where appropriate with SAM supervision.
- Special Accounts SAM (*Special Account Management*); from its transfer, it carries out the recovery procedures or actions, in accordance with the Credit Authorization.

At the time of non-compliance by the client and during all the time in which it remains in said status, the following actions must be carried out:

- Restrict new provisions, for the client and/or companies of the Bank, to avoid or, where appropriate, reduce the problems of loans in Stage 3.
- Carry out preventive actions to avoid as much as possible the entry into a loan Stage 3 of the next maturities, requesting the payment of the debt.
- Be in constant contact with the client, co-accredited where appropriate, guarantors and/or the jointly liable persons.

(Continued)

- Where appropriate, carry out procedures for the location and location of the accredited, co-accredited, guarantors and /or jointly liable persons in order to demand payment.
- Review the credit file, and update the information required for decision making.
- Identify possible secondary sources of payment.
- To obtain the opinion of the legal area of the Bank's position vis-à-vis the debtor.

Judicial Recovery: Recovery actions initiated and carried out by legal means, when the creditor is in a status of non-payment, once the administrative collection procedures have been exhausted, without achieving an adequate solution.

The objectives pursued by the Judicial recovery are:

- Legally pressure to achieve a negotiated recovery with the borrower.
- Obtain a recovery through the execution of the real or personal guarantees that support the debts, or through the seizure of assets owned by the debtor, obligors and / or guarantors.

Recovery must be initiated through the courts when:

- Overdue debts (capital or interest) are presented for a period exceeding 90 days and a payment negotiation has not been finalized with the borrower, or sooner if necessary.
- In special credit programs, overdue debts (capital or interest) are presented and there is an obligation on our part to sue, in which case the maximum term to file a lawsuit will be based on the program itself.
- There is non-compliance in conditions to do, not to do or some cause of early maturity and this puts at risk the recovery of debts.

Credit risk concentration

The Bank's objective is to take credit risk to maintain a healthy, diversified portfolio, with a prudent, controlled risk, and reasonable profitability. The Credit Risk Policy describes:

- The Bank's credit risk policies, as well as guidelines, processes and procedures that determine its internal governance, risk management and control structure,
- A number of essential aspects for an effective credit risk management program,
- The roles, responsibilities and mandates of those responsible for the integrity of credit risk management (Board of Directors, CEO, DGA Risks, Risk and Audit Committee), as well as the reports generated by credit risk management,
- Controls such as Risk Exposure Limits, Portfolio Rating System, Country Risk and Sector Risk.

The Bank will not enter into business relationships with clients engaged in illegal activities, nor with those engaged in improper, unlawful, or inappropriate activities that expose the Bank to legal, regulatory, or reputational risk. Collectively, these will be called "restricted businesses", and are set forth in the Credit Policy Manual, Authorization Title, Special Authorization Levels Annex.

(Continued)

Customers whose activity is identified as a "restricted business" may be subject to credit only in cases where they are justified by a demonstration of how the Bank has mitigated legal, regulatory or reputational risks; must have the favorable opinion of the Reputational Risk Committee.

- As part of the ordinary credit business, Business and Credit Units often have confidential information of a Creditor ("business") available to them. If this confidential information is relevant and not public, it is considered "inside". It is the responsibility of the Business Unit or the area responsible for the product, to evaluate whether they have received information from the client that is relevant and not public, consulting the Compliance area, and requesting that it add the client's name to the corresponding Surveillance or Restricted list. Whoever prepares the Credit Application will indicate the existence of relevant non-public information included in it.

- The credit limits are based on the needs of the projects, the viability of the credit and the financial capacity of the borrower, without exceeding the legal or internal limits defined by the Board of Directors of the Bank, which are published in Institutional Catalogs of Commercial Loan Portfolio.

The Bank has implemented policies and procedures to maintain a healthy, diversified portfolio with prudent and controlled risk, including the establishment of credit risk exposure limits, by business units, currency, term, sector, etc. The limits are authorized annually by the Risk Committee and/or by the Board of Directors; its behavior is monitored and reported monthly to the Risk Committee and, where appropriate, quarterly to the Board of Directors.

Restricted loans

The Bank maintains mortgage and commercial portfolios classified as restricted loans for which there are circumstances for which they cannot be disposed of or used.

b) Loan portfolio business model

The loan portfolio is valued at amortized cost because the Bank's business model is recovery through the collection of cash flows in accordance with the terms and conditions established in the contracts.

The Bank concludes that the loan portfolio is not valued at amortized cost when its business model is different in fact, by evaluating the existence of a history of holding frequent sales of loan portfolio, whether of a specific type of portfolio, a product or a portion thereof that meets specific criteria with which the Bank considers its collection through the contractual flows and therefore resorts to their sale, likewise, the expectation on future sales is considered, such as management plans regarding the conclusion of this type of operations, and the presence of conditions that would imply that the Bank requires sales to cover risk parameters established in its policies, such as the level of liquidity required at a date to meet its commitments, in scenarios where the Bank would be more likely to enter into loan portfolio sales.

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c) Integration and analysis of the loan portfolio

The classification of the loan portfolio in the different risk stages as of December 31, 2022 valued at amortized cost, analyzed by type of credit and monetary unit, is presented below:

		Pesos	Valued Foreign currency	UDIS	Total
Stage 1					
Commercial loans:					
Business or commercial activity	$	174,521	46,611	-	221,132
Financial institutions		17,417	9	-	17,426
Government Entities		11,820	3,908	-	15,728
		203,758	50,528	-	254,286
Consumer loans		32,612	-	-	32,612
Residential mortgage loans:					
Medium and residential		180,956	18	59	181,033
Of social interest		5	-	-	5
Loans acquired from INFONAVIT:					
Ordinary portfolio		4,825	-	-	4,825
Portfolio in extension		218	-	-	218
Special Amortization Regime (REA)		458	-	-	458
		5,501	-	-	5,501
Loan portfolio with Stage 1 credit risk		**422,832**	**50,546**	**59**	**473,437**
Stage 2					
Commercial loans:					
Business or commercial activity		160	-		160
Consumer loans		647	-	-	647
Residential mortgage loans					
Medium and residential		2,410	2	4	2,416
Loans acquired from INFONAVIT:					
Ordinary portfolio		9	-	-	9
Special Amortization Regime (REA)		107	-	-	107
		116			116
Loan portfolio with Stage 2 credit risk		**3,333**	**2**	**4**	**3,339**

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		Pesos	Valued foreign currency	UDIS	Total
Stage 3					
Commercial loans:					
Business or commercial activity		7,846	1,714		9,560
Financial institutions		91	-		91
		7,937	1,714		9,651
Consumer loans		832	-	-	832
Residential mortgage loans:					
Medium and residential		7,719	37	8	7,764
Of social interest		11	-	-	11
Loans acquired from INFONAVIT:					
Ordinary portfolio		61	-	-	61
Special Amortization Regime (REA)		222	-	-	222
		283	-	-	283
Loan portfolio with Stage 3 credit risk		**16,782**	**1,751**	**8**	**18,541**
Loan portfolio		442,947	52,299	71	495,317
Letters of Credit		15,994	23,954	-	39,948
	$	**458,941**	**76,253**	**71**	**535,265**

As of December 31, 2022, there is no portfolio measured at fair value.

As of December 31, 2022, the amount of loans to related parties amounted to $1,978. The related parties note reveals the details of these amounts.

Process of administration and recognition of coverage for credit risk.

The Bank has implemented policies for the evaluation of guarantees, which involve the review of each of the elements and related risks depending on their type, considering both the policies for guarantees and those corresponding to the analysis and evaluation of credit. The Bank applies controls in the evaluation of the guarantors/obligors identifying the detail of the corporate structure, as well as any aspect of significant subordination that affects the support granted.

The credit rating of the guarantor or obligor is determined continuously and consistently over the life of the credit.

Likewise, in the case of the mortgage portfolio and considering the indications of Articles 101,102 and Annex 25 of the Provisions, the first loss insurance scheme is applied for mitigation of credit risks, the amount covered by the scheme at the end of the fourth quarter corresponds to $51; the insurance coverage is incorporated into the calculation of the Loss Given Default.

(Continued)

(Millions of pesos)

Total value of guarantees

Type of guarantees		Standard Methodology 2022
Eligible financial collateral	$	5,306
Eligible non-financial collateral		13,059
Personal Guarantees		1,389
Insurance first losses Mortgage Portfolio		51

Undrawn lines of credit

Revocable and irrevocable undrawn credit lines as of December 31, 2022, amounted to $224,617.

Additional Information on residential mortgage loans

The Bank was selected through the auction process to acquire the co-participation rights in the origination of the loans of the "Second Loan" product that will be granted to the beneficiaries of INFONAVIT. On August 15, 2017, the contract of onerous assignment of mortgage loan administration between the Bank and INFONAVIT was signed.

INFONAVIT retains the administration, collection and recovery corresponding to the loans assigned to the Bank and is obliged to carry out the necessary collection procedures for the recovery of the loans payable under the following repayment regimes:

- ROA (Ordinary Amortization Regime) - applies as long as there is an employment relationship. The employer makes the deductions from the worker's salary, then whole and transfers these resources bimonthly via the SUA. In addition, it makes the employer's contribution of 5% calculated on the salary received by the worker.

- REA (Special Amortization Regime) - applies when the worker works on his own or does not have an employment relationship; in this case, the payment factor changes and the creditor must make his payments directly in the financial institutions indicated by INFONAVIT.

- EXT (Extension) - is a right that the worker has by law; During its validity the payment is not due, but the debit will be increased by the accumulation of interest.

During the year 2022, no loans were acquired from INFONAVIT. As of December 31, 2022, the loans that are subject to an exceptional term of 180 days or more to be considered as Stage 3 credit risk, are 440, which amount to a total of $ 283. The amount of loans that were not transferred to Stage 3, as well as the reason for not having done so, is analyzed in the following page.

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Reason		**INFONAVIT**
The Bank received partial payment of the amortization	$	5,617
	$	**5,617**

The total amount of loans to medium and residential mortgage backed by the residential mortgage subaccount of the borrowers and their representativeness over the entire residential mortgage loan portfolio are presented below:

Risk level		**2022**	
Stage 1	$	14,779	8%
Stage 2		107	-
Stage 3		190	-
	$	**15,076**	**8%**

Concentration of loan portfolio

The integration of the loan portfolio by economic activity and its percentage of concentration as of December 31, 2022, is presented below:

		2022	
Economic activity		**Amount**	**Concentration**
Commercial loans*			
Agriculture, forestry and fisheries	$	10,567	3.48%
Trade and tourism		71,169	23.41%
Construction and residential		16,338	5.37%
Factory		64,989	21.37%
Community, social and personal services		64,475	21.21%
Financial services, insurance and real estate		68,526	22.54%
Transport, storage and communication		7,981	2.62%
	$	304,045	100%
Consumer loans:			
Consumer loans	$	34,091	100%
Residential Mortgage loans:			
Construction and housing	$	197,129	100%

*The balance of the commercial portfolio includes letters of credit.

The integration of the portfolio by state* as of December 31, 2022, is presented in the following page.

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Aguascalientes	$	5,484
Baja California Norte		10,199
Baja California Sur		1,033
Campeche		483
Chiapas		1,289
Chihuahua		14,563
Coahuila		11,196
Colima		1,208
Mexico City		195,479
Durango		4,219
Guanajuato		8,909
Guerrero		1,668
Hidalgo		1,718
Jalisco		40,604
Mexico		35,345
Michoacan		2,507
Morelos		3,171
Nayarit		1,916
Nuevo Leon		65,383
Oaxaca		1,477
Puebla		11,939
Queretaro		18,516
Quintana Roo		8,424
San Luis Potosi		7,173
Sinaloa		17,851
Sonora		10,896
Tabasco		2,508
Tamaulipas		3,860
Tlaxcala		511
Veracruz		13,173
Yucatan		9,865
Zacatecas		662
Foreigner		22,036
	$	**535,265**

*Business portfolio balance includes letters of credit.

Portfolio subject to support programs

During 2022, there were no support programs.

Defaults on loans with payment periods of less than 30 days

The volume of loans with payment periods of less than 30 days that are in default, as well as the stage credit risk in which they are classified as of December 31, 2022, is presented in the following page.

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(Millions of pesos)

	Stage 1	Stage 2	Stage 3
Biweekly periodicity			
1	7	-	-
2	2	-	-
3	-	2	-
4	-	1	-
5	-	2	-
6	-	3	-
7	-	-	2
8	-	-	2
9	-	-	1
10	-	-	1
11	-	-	1
	9	8	7
Weekly			
1 to 4	2	-	-
5 to 8	-	2	-
9 to 12	-	1	-
13 to 16	-	-	1
17 to 20	-	-	1
	2	3	2

Data is included on the number of monthly defaults (average) of the portfolio with payment periods of less than 30 days.

Risk level	Type of billing	Number of Average Defaults (monthly)
Stage 1	Weekly	-
Stage 1	Biweekly	-
Stage 2	Weekly	2
Stage 2	Biweekly	2
Stage 3	Weekly	5
Stage 3	Biweekly	4

d) Income, costs and expenses on loan portfolio

The interest and commission income recorded in the financial margin for the year ended December 31, 2022, segmented by loan type is composed as shown in the following page.

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		Interests	Commissions	Total
Commercial loans				
Business or commercial activity	$	17,016	121	17,137
Financial institutions		1,479	36	1,515
Government entities		1,359	-	1,359
		19,854	157	20,011
Consumer credit		6,475	217	6,692
Residential mortgage loans				
Medium and residential		16,870	114	16,984
Loans acquired from INFONAVIT		660	-	660
		17,530	114	17,644
	$	**43,859**	**488**	**44,347**

The balance as of December 31, 2022 of the commissions for the granting of loan, as well as the costs and expenses associated with the granting of loan, and their weighted average repayment term, are analyzed below:

		Commissions	Costs and expenses	Deferred items	Term
Commercial loans					
Business or commercial activity	$	(248)	1	(247)	3.3 years
Financial institutions		(75)	-	(75)	1.1 years
Government entities		(14)	-	(14)	2.2 years
		(337)	1	(336)	
Consumer credit		(4)	595	591	3.0 years
Residential Mortgage loans					
Medium and residential		(377)	2,868	2,491	19.4 years
	$	**(718)**	**3,464**	**2,746**	

The transaction costs include those disbursed in favor of commission agents for the placement of said loans, as well as the payroll of the personnel involved in the loan granting process, as well as those related to loan evaluation systems. Costs and expenses for the granting of loan as of December 31, 2022 amounted to $3,464.

Recoveries from previously punished loan portfolios, recognized in results, amounted to $338.

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e) Integration and analysis of the portfolio with Stage 3 credit risk

The portfolio with Stage 3 credit risk as of December 31, 2022 shows the following aging:

		From 1 to 180 days	From 181 to 365 days	From 366 days to 2 years	More than 2 years	Total
December 31, 2022						
Commercial portfolio:						
Business or commercial activity	$	3,392	1,330	1,982	2,856	9,560
Financial institutions		-	44	19	28	91
		3,392	1,374	2,001	2,884	9,651
Consumer credit		699	33	-	100	832
Residential mortgage loans:						
Medium and residential		2,680	1,277	1,601	2,206	7,764
Social interest		-	-	-	11	11
Loans acquired from INFONAVIT		84	86	74	39	283
		2,764	1,363	1,675	2,256	8,058
	$	**6,855**	**2,770**	**3,676**	**5,240**	**18,541**

The following is an analysis of the movements of the portfolio with Stage 3 risk for the year ended December 31, 2022:

Balance at the beginning of the year	$	17,457
Restructuring		145
Foreclosing		(28)
In lieu of payment		(8)
Debt forgiveness		(498)
Write-offs		(2,096)
Transfers from portfolio with Stage 1 credit risk		2,059
Transfers to the portfolio with Stage 1 credit risk		(3,674)
Transfers from portfolio with Stage 2 credit risk		9,096
Transfers to the portfolio with Stage 2 credit risk		(447)
Debt settlement		(3,752)
Portfolio sale		(150)
Exchange rate fluctuation		(78)
Accrued interest not collected		515
	$	**18,541**

(Continued)

(Millions of pesos)

As of December 31, 2022, the Bank has no accredited persons declared in bankruptcy, with Stage 1 credit risk.

f) Restructuring and renewals

The restructured and renewed loans as of December 31, 2022 are integrated as shown below:

		Commercial				
		Commercial activities	Financial institutions	Consumer	Residential mortgage	Total
Previous years restructured and renewed						
Stage 2 and 3 Credit risk loans that were restructured or renewed	$	3,986	48	264	818	5,116
Restructured or renewed loans held in portfolio with Stage 1 credit risk		9,605	30	873	5,410	15,918
		13,591	78	1,137	6,228	21,034
Restructured or renewed loans renewed during the year						
Stage 2 and 3 Credit risk loans that were restructured or renewed		1,851	-	189	489	2,529
Restructured or renewed loans held in portfolio with Stage 1 credit risk		4,396	1,865	124	1,145	7,530
		6,247	1,865	313	1,634	10,059
Total restructured loans	**$**	**19,838**	**1,943**	**1,450**	**7,862**	**31,093**

The additional guarantees received for the renewal and restructuring of loans in fiscal year 2022 amounted to $47, which consists of real estate. The concessions granted by the Bank consisted mainly of the establishment of a grace period at the beginning of the loan, as well as the extension of the term of the borrowers.

Derived from the Stage 3 loan restructuring carried out by the Bank, it recognized the capitalization of interest in the amount of $22 in fiscal year 2022.

Other matters

Self-correction program for the lack of migration to Stage 3 of credit card accounts, "Scotialine" personal loans and "SME Online" loans without payment with balances from credit withdrawals for the payment of commissions and their accessories in some accounts

On September 21, 2022, through Official Letter No. 312-3/2511643/2022, the Commission authorized the Self-Correction Program, related to the lack of migration to Stage 3 of credit card accounts, "Scotialine" personal loans and "SME Online" loans without payment, with balances from loans withdrawals for the payment of commissions and their accessories in some accounts, which came from a parameterized rule in the administrative system of these loans, which maintained as Stage 1 and / or 2 loans that only had a balance generated by the collection of the annual commission generating the corresponding interest, even when the clients had not made payments to cover the balance receivable.

(Continued)

To correct this situation, the Bank made the corresponding accounting modifications affecting the results of the 2022 financial year as follows:

a) The cases in which the Bank identified that they correspond to obligations acquired by the clients, were considered forgiveness that were granted without evidence of an increase in credit risk and consequently were recorded as a debit to the item of "Interest income" for an amount of $ 13.

b) For the movements that corresponded to charges generated by an error in the system, they were considered as a loss, since it is an event generated by operational failure and not derived from a breach of the clients; the recognized loss was impacted under the caption "Other operating income, net " for an amount of $309.

The Bank did not make the correction retroactively because it considered it impractical, since it is possible that reliable historical information is no longer accessible and new developments would have been required to accurately process the amounts to be recognized in the affected accounting periods.

g) Allowance for loan losses

<u>Methodology for determining allowance for loan losses.</u>

The Bank has a credit risk rating system approved at the institutional level for commercial portfolio and scoring models and/or performance monitoring metrics for the portfolio of clients. There are also processes and systems in place to classify the portfolio by risk level and estimate its reserves according to the Commission's regulatory models.

The following rating agencies are used in the standard method: S&P, MOODY'S, FITCH, HR RATINGS and VERUM, based on Annex 1-B of the Commission "Mapping of Ratings and Risk Grades".

The rating agency rating is used by the Bank for the calculation of the Probability at Default in:

- States and Municipalities.
- Admissibility of guarantors with an overall long-term risk rating of risk grade 1 and 2.
- Customers domiciled abroad and who do not have payment experience information within the national Credit Information Companies, who have a long-term global rating of risk grade 1 and 2.

The estimates for the commercial portfolio are based on the individual assessment of the credit risk of the debtors and their classification, in accordance with the Provisions (standard methodology). The guaranteed portfolio or in charge of the Federal Government, the Central Bank and the Institute for the Protection of Bank Savings, in accordance with the Rules for the Qualification of the Loan portfolio of Multiple Banking Institutions, is exempt from qualifying.

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The calculation of reserves of the borrowers belonging to the consumer and mortgage portfolios, in addition to the commercial loan portfolio, is carried out based on the regulatory methodologies published in the CUB, which are based on the calculation of the Expected Loss for each of the credits based on Probability of Default (PD) parameters. Loss Given Default (LGD) and Exposure to Default (ED) using information and specific characteristics of the loans and/or creditors evaluated.

As explained in note 3, the Bank provides allowance for loan losses to cover risks associated with loan portfolio recovery and other credit commitments, such as irrevocable credit opening amounts and letters of credit that are recorded in memorandum accounts.

The allowance for loan losses as of December 31, 2022, integrated by the origin of its determination, is presented below:

Rating	$	14,772
For operational risks		30
For accrued interest on Stage 3 loans[1]		371
Authorized by the Commission		1,632
	$	16,805

[1] They correspond to accrued interest not collected in which in its restructuring it was agreed to capitalize them.

As a result of the application of the rating methodologies, the PD and LGD, obtained as a weighted average (unaudited), and the ED of each category as of December 31, 2022, are as follows:

	2022			
Category	**PD**	**LGD**		**ED**
Commercial loans	4.34%	47.13%	$	314,062
Consumer loans	7.37%	72.32%		51,413
Residential mortgage loans	5.63%	18.87%		197,129

The parameters are weighted on the portfolio of each of the portfolios. Default exposure shown for credit risk includes credit commitments.

As of December 31, 2022, Commercial loans for projects with a source of own payment amount to $3,726 which are not included in default exposure balances, because the rating and estimation methodology for this type of credit does not consider the factors of probability of default and loss given default for its determination.

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The integration of the assessed portfolio and the allowance for loan losses derived from the rating, classified by risk grade as of December 31, 2022, is presented below:

		Commercial*									
		Commercial activities		**Financial institutions**		**Government Entities**		**Consumer**		**Residential mortgage**	
Degree of risk		**Portfolio**	**Reserves**	**Portfolio**	**Reserves**	**Portfolio**	**Reserves**	**Portfolio**	**Reserves**	**Portfolio**	**Reserves**
A-1	$	188,576	837	27,923	63	15,695	89	21,646	680	173,634	304
A-2		43,310	483	2,807	39	33	-	4,572	213	2,537	15
B-1		9,888	170	-	-	-	-	1,913	98	1,741	15
B-2		2,042	42	1,468	31	-	-	1,447	84	4,730	59
B-3		1,850	84	-	-	-	-	711	61	3,105	53
C-1		546	40	12	1	-	-	988	114	1,534	47
C-2		16	2	46	4	-	-	843	196	2,201	196
D		2,226	769	13	3	-	-	699	381	4,608	1,149
E		7,552	6,084	42	32	-	-	1,272	1,038	3,039	1,662
Additional reserves		-	1	-	-	-	-	-	28	-	6
	$	**256,006**	**8,512**	**32,311**	**173**	**15,728**	**89**	**34,091**	**2.893**	**197,129**	**3,506**

*Commercial portfolio balance includes letters of credit.

As of December 31, 2022, there is no qualification for excepted portfolio.

Additional reserves

The allowance for loan losses as of December 31, 2022 amounts to $16,805, which includes $15,138 of estimate calculated in accordance with the methodologies approved by the Commission and $1,667 of additional reserves ($1,632 authorized by the Commission, $30 for operational risks and $5 corresponding to accrued interest on portfolio in Stage 3).

The constitution of additional preventive reserves for credit risks, were recorded as of January 2022 for an amount of $ 2,346 and there have been the following changes since that date:

Opening balance of additional reserves	$2,346
Additions	704
Releases	(1,383)
Balance as of December 31, 2022	$1,667
	====

As part of the opening balance of the additional reserves of $2,346, mentioned above, $1,855 of reserves created as a result of the impact of the COVID pandemic without specific allocation to a portfolio. As of December 31, 2022, there is a remainder of these reserves for $915.

Additionally, during the fourth quarter of 2022, the Bank informed the Commission of the decision to constitute additional reserves for the amount necessary to reserve a financial institution classified in Stage 3 at 99.94%.

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During the second quarter of 2022, the Bank informed the Commission about the need to carry out the recognition of additional reserves since adverse effects still persist as a result of the COVID-19 health emergency, which continues to affect the economic and financial environment, in order to cover incremental risks that are not currently foreseen in the different loan portfolio rating methodologies. The above, after analyzing the portfolio and characteristics of residential mortgage loans (possible impairment and provisions requirements in accordance with the internal write-off policy) that derived from the contingency by COVID-19 received a support program and the commercial portfolio mainly in Stage 3 that was directly or indirectly affected by the contingency by COVID-19 and that depending on the time it remains affected will require greater reserves.

During 2022, there was no use of different methodologies or changes in regulatory or internal criteria.

As of January 31, 2022, management recognized the initial effect of adopting the new methodology for calculating reserves within "prior year results" in the amount of $821.

Total effect on reserve:

Retail	$ 32
Commercial	787
SME	2
Total	$821

Movements of allowance for loan losses

An analysis of the movements in the allowance for loan losses for the year ended December 31, 2022 is presented in the following page.

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		Commercial					
		Commercial activities	**Financial institutions**	**Government Entities**	**Consumer**	**Residential mortgage**	**Total**
Stage 1							
Balance at the beginning of the year	$	2,010	350	210	1,310	479	4,359
Change in methodology effect		526	(195)	41	98	4	474
Addition (cancelation) of reserves		(1,004)	(89)	(159)	550	19	(683)
Forgiveness		-	-	-	(42)	(13)	(55)
Additions as per settlement		-	-	-	-	3	3
Other (merger, sales)		-	-	-	17	-	17
Fluctuation		(16)	-	-	-	-	(16)
		1,516	66	92	1,933	492	4,099
Stage 2							
Balance at the beginning of the year		5	-	3	302	100	410
Change in methodology effect		14	-	2	14	81	111
Addition (cancelation) of reserves		(12)	-	(5)	(37)	54	-
Forgiveness		-	-	-	(3)	-	(3)
Other (merger, sales)		-	-	-	12	-	12
		7	-	-	288	235	530
Stage 3							
Balance at the beginning of the year		5,253	17	-	1,708	2,283	9,261
Changes in methodology changes		394	7	-	(4)	(161)	236
Addition (cancelation) of reserves		1,515	65	-	761	739	3,080
Write-offs		(362)	-	-	(1,734)	-	(2,096)
Forgiveness		(26)	(53)	-	(126)	(232)	(437)
Condonations		(1)	-	-	-	-	(1)
Discounts		-	-	-	-	(1)	(1)
Lieu of payment		-	-	-	-	(1)	(1)
Foreclosing		-	-	-	-	(28)	(28)
Dation in payment		-	-	-	-	(8)	(8)
Addition as per settlement		4	-	-	-	18	22
Other (merger, sale)		(150)	-	-	33	-	(117)
Fluctuation		(54)	-	-	-	(1)	(55)
		6,573	36	-	638	2,608	9,855
	$	8,096	102	92	2,859	3,335	14,484
Contingent transactions and guarantees							288
Additional allowance for loan losses:							
By operational risks							30
By accrued interest							371
Recognized by the Commission							1,632
							$16,805

The Bank has not carried out credit operations eliminated for the year 2022. In that year, no appropriations to related parties were eliminated.

As of December 31, 2022, the amount of the allowance for loan losses of undrawn credit lines amounts to $248, of which $15 corresponds to commercial portfolio and $233 to consumer portfolio.

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The total amount of write-offs for the year 2022 amounted to $2,096. There were no write offs to related parties during the year.

h) Acquired loan portfolio

During September 2022, the Bank entered into a commercial portfolio acquisition contract with an unrelated financial institution, at the date of the purchase, the portfolio was classified as a portfolio with Stage 1 credit risk. The fair value of the portfolio at the date of purchase was $1,250 million.

i) Assigned loan portfolio

During November 2022, the Bank entered into a commercial portfolio assignment contract with an unrelated non-financial institution, at the date of purchase, the portfolio was classified as a portfolio with Stage 3 credit risk. The fair value of the portfolio at the date of purchase was $150 million.

(11) Other accounts receivable, net-

The other accounts receivable is integrated as shown below:

Debtors for settlement of transactions	$ 9,008
Margin account debtors	1,286
Debtors for collateral granted in cash	1,177
Sundry debtors	4,406
Recoverable taxes	366
	16,243
Allowance for doubtful accounts or difficult collection	(75)
	$ 16,168

Debtors for settlement of transactions:

Foreign exchange	$ 2,183
Investments in securities	6,808
Repurchase and/ resell agreements	14
Derivatives	3
	$ 9,008

(Continued)

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Debtors for collateral granted in cash

Other	$	1,177
	$	**1,177**

The allowance for doubtful accounts for the year ended December 31, 2022 is shown below:

Opening balance	$	(89)
Additions		(247)
Cancellations		86
Recoveries		118
Applications		57
Final balance	**$**	**(75)**

(12) Foreclosed assets

The balance of foreclosed assets as of December 31, 2022, is integrated as shown below:

Foreclosed asset		Foreclosed value	Estimation for loss of value	Net
Properties	$	350	(58)	292

The following is an analysis of the movements in the estimate for loss of value for the year ended December 31, 2022:

Balance at the beginning of the year	$	(40)
Additional provisions over time applied to profit or loss for the financial year		(46)
Application of reserves for sale of foreclosed and others		28
	$	**(58)**

(13) Properties, furniture and equipment

The following is the analysis and integration of properties, furniture and equipment as of December 31, 2022.

(Continued)

(Millions of pesos)

Investment:		
Land	$	492
Buildings		1,172
Improvements to leased premises		4.406
Transport equipment		49
Office furniture and equipment		1,771
Computer equipment		2,543
		10,433
Less:		
Accumulated depreciation:		
Buildings		(718)
Improvements to leased premises		(2,018)
Transport equipment		(42)
Office furniture and equipment		(1,272)
Computer equipment		(1,434)
		(5,484)
	$	**4,949**

For the year 2022, the Group presented additions for $1,201, as well as disposals for $26.

Sale of real estate

During 2022, the Casa de Bolsa made the sale of a property, dated November 8, 2022, through the assignment of title to an individual for a sale price of $ 250 plus $ 26 of value added tax. The gross book value of this property at the date of sale amounted to $185 canceling depreciation of $104, so a profit was obtained on the sale of $169.

During 2022, the Group did not recognize impairment effects, as well as no reversals to it.

The annual depreciation percentages are as follows:

	Annual depreciation rate
Buildings	5%
Improvements to leased premises	Several
Computer equipment in capitalizable lease	20%
Office properties	Several
Transport equipment	25% and 33%
Furniture and equipment	10%
Computer equipment	Several
Improvements and adaptations	Several

The amount charged to the results as of December 31, 2022, for depreciation amounted to $498.

As of December 31, 2022, there was no effect due to impairment of improvements and adaptations.

(Continued)

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According to the studies carried out by the Group's management, the residual value (except land) as of December 31, 2022 is minimal.

(14) Assets for rights to use property, furniture and equipment, net

The Bank, La Inmobiliaria, and the Casa de Bolsa rent land, commercial premises and office spaces for their branches, offices and ATMs mostly. Leases are generally executed for periods of 5 years, with the option to one or two extensions of 5 years each. Lease payments generally have annual increase based on the NPI and every 5 years rents are renegotiated for market adjustments and others with pre-established increases.

Some leases provide for additional rent payments, such as maintenance fees primarily in shopping malls. Some leases are restricted from entering into sublease agreements.

The leases that have been contracted for several years are of land, commercial premises and office spaces in their majority, these leases were classified as operating leases.

During 2022 the Bank, La Inmobiliaria and the Casa de Bolsa have leases and subleases with contract maturities between the years 2023 to 2032 and 2023 to 2031, respectively.

The Bank, La Inmobiliaria and the Casa de Bolsa lease branches with contract terms of less than 1 year. These leases are short-term and the Group has decided not to recognize the right-of-use assets and lease liabilities of these leases.

Below is information on leases for which the Bank, la Inmobiliaria and the Casa de Bolsa are tenants:

Leased assets (right-of-use assets)

Right-of-use assets related to leased properties that do not meet the definition of investment property are integrated as shown below.

		Buildings	Computer equipment	Transport equipment
Creation of assets by right of use by accounting change	$	2,213	-	1
Depreciation for the year		(555)	(4)	(4)
Additions		994	106	33
Disposals		(82)	-	-
Balance as of December 31, 2022	**$**	**2,570**	**102**	**30**

Amounts recognized in results:

		2022
Interest on lease liabilities	$	222
Expenses related to short-term leasing		43
Sublease income		22

Total lease cash outflows during 2022 were $729.

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Liabilities for leases

The terms and conditions of leases as of December 31, 2022 are as shown below:

Currency	Nominal interest rate	Year of expiration		Face value	Present value
Pesos	Several	Up to 1 year	$	730	513
Pesos	Several	1 to 2 years		677	513
Pesos	Several	2 to 5 years		1,325	1,040
Pesos	Several	5 to 10 years		859	773
Pesos	Several	More than 10 years		3	3
			$	3,594	2,842

(15) Permanent investments

The Group's permanent investments, represented by shares in entities, as of December 31, 2022, classified by activity, are analyzed below:

Other complementary services	$	47
Investment in Scotia Fondos		65
Other permanent investments		112
Trading in the derivatives market (associated)		9
	$	**121**

(16) Traditional deposits

As of December 31, 2022, the traditional deposits item is analyzed as shown in the following page.

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		Domestic currency	Foreign currency	Total
Demand deposits:				
With interests	$	100,301	28,009	128,310
No interest		91.924	11,073	102,997
		192,225	**39,082**	**231,307**
Time deposits:				
From the general public:				
Certificates of deposit (CEDES)		16,779	-	16,779
Promissory notes (PRLV)		192,850	-	192,850
		209,629	**-**	**209,629**
Money market:				
CEDES		28,386	783	29,169
PRLV		2,069	-	2,069
		30,455	**783**	**31,238**
Debt securities issued:				
Bank bonds		4,690	-	4,690
Securities certificates		7,155	-	7,155
		11,845	**-**	**11,845**
Global deposit account without movements		**843**	**136**	**979**
	$	**444,997**	**40,001**	**484,998**

In accordance with the provision of Article 61 of the Credit Institutions Law, as of December 31, 2022, the three-year periods of inactivity of deposits accounts of certain clients were met, counted from their concentration in the global deposits account made up of 248,281 accounts, with an individual amount or less than 300 UMAS in force in Mexico City, amounting to $ 46 which were delivered to public welfare, in accordance with the order of said article during 2022.

The weighted, unaudited average annual rates of the individual deposit contracts for the year ended December 31, 2022 are analyzed as shown on the following page.

(Continued)

(Millions of pesos)

	Domestic currency	Dollars
Demand deposits		
With interests	8.35%	1.80%
Time deposits		
CEDES	6.87%	-
PRLV	4.65%	-
Money market		
CEDES	10.63%	-
PRLV	11.04%	-
Debt Securities issued		
Securities certificates	9.95%	-

As of December 31, 2022, money market term deposits and debt securities issued to the general investing public are detailed below:

(a) Money Market Time Deposits-

As of December 31, 2022, Cedes were issued with a nominal value of 100 pesos for an amount of $28,386.

As of December 31, 2022, Cedes with a face value of $100 were issued the amount of $783.

December 31, 2022

Cedes in pesos-

Interest payments	Annual fee	Term in days		Amount	Accrued interest
28 days	TIIE 28 + .03%	50	$	2,500	2
28 days	TIIE 28 + .03%	112		8,000	20
28 days	TIIE 28 + .03%	140		2,000	7
28 days	TIIE 28 + .03%	168		4,000	20
28 days	TIIE 28 + .03%	192		300	1
28 days	TIIE 28 + .03%	196		1,500	1
28 days	TIIE 28 + .03%	308		1,500	1
28 days	TIIE 28 + .03%	350		6,000	24
28 days	TIIE 28 + .03%	364		1,500	5
28 days	TIIE 28 + .03%	365		1,000	5
				28,300	**86**
Total Cedes				**$**	**28,386**

(Continued)

(Millions of pesos)

Cedes in dollars-

Underlying	Periods	Term in years		Amount
LIBOR 1MTH +0.50	28	10	$	392
LIBOR 1MTH +0.50	28	10		391
Total cedes			**$**	**783**

Promissory notes with liquidable yield at maturity-

As of December 31, 2022, promissory notes with a payable yield at maturity with a nominal value of approximately one peso each were issued, as shown below:

Date of issue	Number of titles	Term in days	Annual fee	Amount	Accrued interest
December 2022	2,069	112	10.88%	$ 2,069	-
Total					**$ 2,069**

(b) Debt securities issued-

As of December 31, 2022, the Group has issued securities certificates with a nominal value of one hundred pesos each, under the program authorized by the Commission for up to an amount of $25,000 as shown below:

December 31, 2022

Date of issue	Number of titles	Term in years	Interest payment in days	Share of emission	Interest rate	Amount	Accrued interest
December 2019	60,000,000	3	30	9%	TIIE 28 + 0.15%	6,000	2
June 2013*	11,500,000	10	182	8%	7.30%	1,150	3
						7,150	5
Subtotal of securities certificates						$	7,155

*Issued under the program of previous years authorized by the Commission.

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Structured bank bonds

December 31, 2022

Date of issue	Number of titles	Term in days	Underlying	Amount	Accrued interest
November 2021	7,783,300	1,093	BNPUI5	778	13
November 2022	6,353,800	1,092	BNPUI5	635	5
December 2022	813,800	1,094	BNPUI5	81	1
June 2022	1,823,690	1,093	ENHFO5	182	2
June 2022	3,084,860	1,094	ENHGE5	308	3
December 2021	1,105,530	541	EZU	111	-
March 2021	120,000	1,080	FXI	10	-
May 2022	571,500	547	GLD	57	-
April 2021	4,866,500	1,093	IDBTV1	487	-
June 2021	572,300	1,093	IDBTV1	57	-
August 2021	809,300	728	IDBTV1	81	-
March 2022	369,750	546	MCHI	37	-
February 2022	543,200	1,093	MSFDV1	54	-
February 2020	1,930,500	1,094	MSFDVG	193	-
March 2020	6,460,410	1,095	MSFDVG	647	-
February 2022	545,100	729	QQQ	55	-
May 2020	7,299,300	1,093	SPXSR5	730	-
June 2020	405,850	1,093	SPXSR5	41	-
June 2022	720,100	547	USD/MXN	72	
June 2022	495,000	547	USD/MXN	50	-
				$4,666	24
Total bank bonds					**$4,690**

(c) Valuation adjustment for hedging financial liabilities-

Fair value hedges for interest rate risk of a portion of a portfolio composed of financial liabilities may result in an adjustment to the carrying amount of the hedged item, for profit or loss, which is recognized in the results of the period and is presented in the category of valuation adjustments for hedging financial liabilities.

As of December 31, 2022, the loss recognized in profit or loss for the year is presented under the caption "Valuation adjustments for hedging financial liabilities" in the consolidated statement of financial position for $2.

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(Millions of pesos)

(17) Bank and other borrowings

Bank and other borrowings as of December 31, 2022, are integrated as shown below:

		Domestic currency	Foreign currency	Total
Short term				
Banco de México	$	1,237	-	1,237
Banking institutions		-	14,768	14,768
Development banking institutions		7,511	25	7,536
Public trusts		3,556	786	4,342
Other organizations		-	1,986	1,986
		12,304	**17,565**	**29,869**
Long-term				
Development banking institutions		14,500	-	14,500
Public trusts		4,980	169	5,149
		19,480	**169**	**19,649**
Total				
Banco de México		1,237	-	1,237
Banking institutions		-	14,768	14,768
Development banking institutions		22,011	25	22,036
Public trusts		8,536	955	9,491
Other organizations		-	1,986	1,986
	$	**31,784**	**17,734**	**49,518**

The breakdown by contract of Bank and other borrowings, segregated into their different terms, as well as their characteristics, as of December 31, 2022, is presented on the following page.

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		Domestic currency	Foreign currency	Total
Short term:				
Banco de México	$	**1,237**	**-**	**1,237**
Banking institutions:				
Scotiabank (Bahamas) Ltd (Caribbean Treasury Unit) (SCTL)		-	14,768	14,768
		-	**14,768**	**14,768**
Development banking institutions:				
Nacional Financiera, S.N.C (NAFIN)		932	25	957
Sociedad Hipotecaria Federal, S.N.C. (SHF)		6,579	-	6,579
		7,511	**25**	**7,536**
Public trusts:				
Trusts Established in Relation to Agriculture (FIRA)		3,553	786	4,339
Housing Bank Operation and Financing Fund (FOVI)		3	-	3
		3,556	**786**	**4,342**
Other bodies:				
Export Development Canada (EDC)		**-**	**1,986**	**1,986**
	$	**12,304**	**17,565**	**29,869**
Long term:				
Banking institutions:				
Nacional Financiera, S.N.C (NAFIN)	$	12,500	-	12,500
Sociedad Hipotecaria Federal, S.N.C. (SHF)		2,000	-	2,000
		14,500	**-**	**14,500**
Public trusts:				
Trusts Established in Relation to Agriculture (FIRA)		**4,980**	**169**	**5,149**
	$	**19,480**	**169**	**19,649**

As of December 31, 2022, the Group obtained 5 loans with NAFIN for a total amount of $12,500 with a 2-year maturity and interest rates of 10.67%. As of December 31, 2022, the Group obtained 5 loans with SHF for a total amount of $8,500 maturing between one year, 2 years and 5 years and interest rates between 8% and 10%.

(Continued)

(Millions of pesos)

As of December 31, 2022, the maturities of long-term bank and other borrowings are shown below:

		2022
2024	$	13,122
2025		2,321
2026		1,981
More than 5 years		2,225
Total	**$**	**19,649**

Interest expense on bank and other borrowings for the year ended December 31, 2022 was $2.967.

The bank borrowings that the Group maintains correspond mainly to working capital lines that financial intermediaries, mainly from development banks or multilateral organizations, grant the Group in national currency or foreign currency at different terms.

The average weighted, unaudited rates for bank and other borrowings as of December 31, 2022, are shown below:

	Domestic currency	**Foreign currency**
Banking	-	4.52%
Development Banking	11.62%	5.68%
Development Funds	9.87%	4.75%
Central bank	6.47%	-
Other Organizations	-	3.66%

(18) Income Tax (IT) and Employee Statutory Profit Sharing (ESPS)

The IT Law in force as of January 1, 2014 establishes a rate of 30% for 2014 and subsequent years. The determination of the current ESPS was made in accordance with the limits of the Federal Labor Law in force for fiscal year 2022.

The basis for calculating the ESPS is the same that for determining the IT, with some discrepancies in terms of reduction of tax losses carryforwards, ESPS paid in the year and expenditures that represent exempt income for workers

As of December 31, 2022, the expense for current and deferred IT and ESPS, are integrated as shown in the following page.

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		IT	ESPS
In the results of the period:			
Current:			
Bank and subsidiaries	$	3,066	796
Casa de Bolsa		289	48
Scotia Fondos		94	3
Current IT and ESPS		3,449	847
Deferred IT and ESPS		(252)	347
Total taxes and ESPS		3,197	1,194
Cancellation of provision for the previous year, net		(137)	(33)
	$	**3,060**	**1,161**
In OCI of the period:			
Result from financial instruments to collect and sell	$	117	28
Remeasurement of defined employee benefits		164	38
Valuation of cash flow hedging derivative financial instruments		(223)	(48)
	$	**58**	**18**

The Group does not consolidate taxable income with its subsidiaries, so the information presented below is for informational purposes only.

The Group has not recognized a deferred tax liability relating to the undistributed profits of its subsidiaries and associates, as it does not currently expect such undistributed profits to be reversed and taxable in the near future.

Deferred IT and ESPS:

The assets for IT and deferred ESPS as of December 31, 2022, consists of the items presented in the following page.

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		IT	ESPS
Valuation of financial instruments:			
Negotiable financial instruments	$	21	5
Financial instruments or derivatives		22	8
Financial instruments held to collect or sell		172	46
Cash flow hedging swaps		(417)	(110)
Advance payments		(1,192)	(315)
Lease		21	2
Provisions and others		1,615	379
Deductible portion from property, furniture and equipment		(265)	(62)
Fees charged in advance		538	134
Pension plan		964	255
Remeasurements for defined employee benefits		243	64
Foreclosed assets		352	93
Allowance for loan losses		5,004	1,326
IT deferred from deferred ESPS		(549)	-
		6,529	1,825
Merger effects Crédito Familiar[1]		56	15
	$	**6,585**	**1,840**

[1] As of December 31, 2022, the deferred tax base transferred by Crédito Familiar because of the merger as of June 30, 2022, consists of the following: Global Allowance for loan losses $126, property, furniture and equipment $54, and other items for $4 (total deferred income tax $56 and deferred ESPS total $15).

The favorable effect on results and stockholders' equity, coming from deferred income tax and ESPS for the year ended December 31, 2022, is integrated as shown below:

		IT	ESPS
Valuation of financial instruments:			
Negotiable financial instruments	$	5	-
Financial instruments to collect or sell		11	1
Derivative financial instruments		133	34
Cash flow hedging swaps		(223)	(48)
Advance payments		(50)	53
Lease D-5		21	2
Provisions and others		648	104
Remained to be deducted from property, furniture and equipment		(648)	(211)
Fees charged in advance		(58)	(43)
Pension plan		449	89
Remeasurements for defined employee benefits		163	37
Foreclosed goods		19	(14)
Allowance for loan losses		(6)	(296)
Deferred income tax for deferred ESPS in results		88	-
	$	**552**	**(292)**

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The above movements are reflected in the consolidated financial statements for the year ended December 31, 2022 as shown below:

		IT	ESPS
In results:	$	252	(347)
In stockholders' equity:			
Result from valuation of financial instruments to collect or sell		117	28
Remeasurement of defined employee benefits		163	37
Valuation cash flow hedging instruments		(223)	(48)
Allowance for loan losses		243	38
	$	**552**	**(292)**

The rates effective for the year ended December 31, 2022 are as follows:

Entity		Expected expense (profit)	Income Tax	Effective rate
Bank	$	8,975	2,693	20%
Inmobiliaria		(55)	(16)	18%
Derivatives		134	40	22%
Casa de Bolsa		825	247	26%
Scotia Fondos		315	95	27%
Servicios de apoyo		2	1	21%
	$	**10,196**	**3,060**	**22%**

In the following page, the analysis of the effective rate of the Group’s IT and ESPS without subsidiaries for the year ended December 31, 2022 is presented for information purposes.

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December 31, 2022		**Base**	**IT at 30%**	**Effective rate**	**ESPS**
Result of the operation	$	13,764	(4,129)	(30%)	1,376
Allocation to the current tax:					
Taxable effect of inflation, net		(5,048)	1,514	11%	(505)
Valuation of financial instruments		(321)	96	1%	(32)
Depreciation and amortization		628	(188)	(1%)	63
Non-deductible expenses		1,122	(337)	(2%)	94
Allowance for loan losses		2,076	(623)	(5%)	208
Deductible write-offs		(2,839)	852	6%	(284)
Current and deferred ESPS		1,104	(331)	(2%)	110
Deduction of ESPS paid		(575)	173	1%	-
Commissions and advance payments		(292)	88	1%	(29)
Profit (loss) of financial instruments		442	(133)	(1%)	44
Other, net		(520)	156	1%	(52)
Tax profit		9,541	(2,862)	(20%)	993
ESPS assigned to workers based on legal limits		-	-	-	790
Allocation to the deferred IT and ESPSs:					
Valuation of financial instruments		(175)	53	0%	14
Provisions and others		(2,096)	629	5%	102
Advance payments		168	(50)	0%	53
Portion to be deducted from properties, furniture and equipment		2,339	(702)	(5%)	(213)
Pension plan		(1,496)	449	3%	89
Foreclosed assets		(65)	19	0%	(14)
Fees charged in advance		146	(44)	0%	(43)
Allowance for loan losses		842	(253)	(2%)	(334)
Deferred income tax for deferred ESPS in results		(301)	90	1%	-
Deferred tax		(638)	191	1%	(346)
Deferred IT/ ESPS	**$**	**8,903**	**(2,671)**	**(19%)**	**647**

In assessing the recovery of deferred assets, Management considers the likelihood that some or all of them will not be recovered. The final realization of deferred assets depends on the generation of taxable profit in the periods in which temporary differences are deductible. In conducting this assessment, Management considers the expected reversal of deferred liabilities, projected taxable profits, and planning strategies.

To carry out the determination of the current ESPS, derived from the labor reform, compliance must be given with the provisions of the Federal Labor Law (FLL) and the IT Law. Therefore, the following should be considered:

a. The Group must apply 10% to the base tax profit of ESPS, based on the provisions of the IT Law.
b. The amount determined in the previous paragraph must be assigned to each employee based on the provisions of the FLL, however, the amount assigned to each employee may not exceed the greater of the following amounts: the equivalent of three months of the employee's current salary or the average ESPS received by the employee in the previous three years.
c. If the ESPS determined in subparagraph (a) is greater than the sum of the ESPS assigned to each and every employee according to subsection (b), the latter must be considered the current ESPS by the period. Based on the FLL, it is considered that the difference between the two amounts does not generate a payment obligation either in the current period or in the future.
d. If the ESPS determined in subsection (a) is less than or equal to that determined in subparagraph (b), the ESPS of subsection a must be the current ESPS by the period.

(Continued)

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According to technical report 53, to determine the rate of the current ESPS, the current ESPS (FLL) must be divided by the ESPS determined at 10% of the fiscal profit; the quotient obtained must be multiplied by the legal rate of ESPS of 10%, in order to obtain the current ESPS.

		2022
ESPS assigned to workers based on legal limits	$	790
ESPS 10%		994
Quotient		0.7947
ESPS rate		10%
ESPS current rate		7.95%

Other considerations:

In accordance with current tax legislation, the authorities have the power to review up to five fiscal years prior to the last income tax return filed.

According to the IT Law, companies that carry out operations with related parties, resident in the country or abroad, are subject to limitations and tax obligations, in terms of determining the agreed prices, since these must be comparable to those they would use with or between independent parties in comparable operations.

(19) Subordinated debt issued-

As of December 31, 2022, the Group has made the following private issuances of subordinated senior equity bonds that cannot be converted into shares:

Date of issue	Number of Titles		Price per Title in Pesos	Term in years	Interest Period in Days	Interest Rate		Placement Amount
December 31, 2022								
18-Dec-14	20,930,000	$	100	10.11	182	7.40%	$	2,093
28-Jun-18	33,600,000		100	15.17	182	12.30%		3,360
11-Sep-18	34,550,000		100	5.06	182	11.32%		3,455
								8,908
Interest payable								149
							$	**9,057**

(Millions of pesos)

(20) Employee Benefits

The Group maintains a defined benefit plan for retiree pensions, as well as plan obligations for post-retirement medical benefits, food vouchers and retiree life insurance.

The defined contribution plan for pensions was maintained by eligible employees considering all those employees who entered to work as of April 1, 2006 and seniority in the plan greater than 6 months, being optional for employees who entered previously. This plan establishes pre-established contributions for the Group and employees, which can be withdrawn in full by the employee when he or she has reached 55 years of age.

For the year ended December 31, 2022, the income charge corresponding to the Group's contributions for the defined contribution plan amounted to $100, under Administrative Expenses in the income statement.

In addition, the Group maintains a defined benefit plan for pensions and post-retirement benefits, which is entitled to all employees who reach 60 years of age with 5 years of service or 55 years of age with 35 years of service, as established by the work collective agreement and to which they do not contribute.

The cost, obligations and assets of the funds of the defined benefit plans of pensions, seniority premium, post-retirement medical benefits, life insurance and retirement food vouchers were determined based on calculations prepared by independent actuaries as of December 31, 2022.

a) Merger

As of June 30, 2022, the Bank entered into a merger with Crédito Familiar and its subsidiaries, in which the Bank assumes all labor obligations for all active employees held by these entities until June 30, 2022.

b) Post-employment benefits

Cash flows-

The contributions and benefits paid from the funds were as follows:

	Transfer	Contributions to the funds 2022	Benefits paid from funds 2022
Seniority premium	$ 11	-	30
Pension plan	-	(25)	37
Other Post-Retirement Benefits	-	1	428
Total	$ 11	(24)	495

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The defined cost of benefit components, for the year ended December 31, 2022, are shown below:

		Seniority premium 2022	Legal indemnification 2022	Pension plan 2022	Other Post-Retirement Benefits 2022
Current Service Cost (CSC)	$	25	26	23	60
Net interest on NDBL or (NAFDB)*		30	34	216	126
Cost for early settlement of obligations		-	56	-	-
Recycling of remeasurements of NDBL or (NAFDB) in OCI*		8	9	31	17
Net cost of the period	$	63	125	270	203
Opening balance of remeasurements of NDBL or (NAFDB) in OCI*	$	109	(26)	583	162
Remeasurements		29	97	(153)	78
Remeasurements recycling		(8)	(9)	(31)	(17)
Final balance of remeasurements of NDBL or (NAFDB) in OCI*	$	130	62	399	223
Increase (decrease) of remeasurements of NDBL or (NAFDB) in OCI*	$	21	88	(184)	61
Cost of defined benefits	$	84	213	86	264
Opening balance of NDBL or (NAFDB)*	$	313	376	2,326	1,304
Cost (income) of defined benefits		84	213	86	264
Liabilities/assets transferred as at 30 June 2022		-	-	(1)	-
Contributions to the plan		-	-	25	(1)
Cancellation of restricted investments		(11)	-	-	-
Payments from NDBL or (NAFDB)*		(16)	(147)	(212)	-
Other		-	-	-	-
Final balance of NDBL or (NAFDB)*	$	370	442	2,224	1,567

(*) Net defined benefits liabilities (NDBL) or Net assets for defined benefits (NAFDB)

The financing situation of the defined benefit obligation as of December 31, 2022 is detailed below:

		Seniority premium 2022	Legal indemnification 2022	Pension plan 2022	Other Post-Retirement Benefits 2022
Amount of defined benefit obligations (DBO)	$	(372)	(442)	(2.225)	(3,255)
Plan Assets		2	-	1	1,688
Financial position of the obligation	$	**(370)**	**(442)**	**(2,224)**	**(1,567)**

(Continued)

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As of December 31, 2022, employee benefits are integrated as follows:

Short term	$	398
Long-term (labor obligation)		4,603
ESPS		868
Total employee benefits	**$**	**5,869**

The effect of the increase or decrease in the discount rate used in actuarial projections as of December 31, 2022, is shown below:

	2022
Nominal discount rate used to calculate the present value of bonds	10.50%
Expected rate of return on plan assets	10.50%
Rate of trend in change in health care costs	6.50%
Nominal rate of increase in wage levels [(1)]	4.50%
Average remaining working life of workers	15.80 years

[(1)] 2023: 8.00%, 2024:5.50%, 2025 onwards: 4.50%

The expected rate of return on plan assets is equal to the discount rate according to the current standard.

The fund's assets covering obligations for pension benefits and other retirement benefits consist of 55% debt instruments and 45% equity instruments, allocated in trusts and administered by a committee designated by the Group.

(21) Stockholders' equity

(a) Share capital structure-

As of December 31, 2022, the registered ordinary shares without par value that make up the share capital are analyzed as follows:

	"F" Series	**Series "B"**	**Total**
Subscribed and paid (*)	1,660,376,400	1,358,489,782	3,018,866,182
Unpaid in treasury	158,215,942	129,449,407	287,665,349
	1,818,592,342	**1,487,939,189**	**3,306,531,531**

(*) They represent the minimum fixed and variable share capital

(b) Other comprehensive Income (OCI)-

OCIs include:

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		2022
Result from valuation of financial instruments held to collect or sell	$	(575)
Profit from valuation of cash flow hedging instruments		1,390
Remeasurements for defined employee benefits		(814)
Participation in the OCIs of associates		(2)
Income taxes and ESPS FITCS		218
Income taxes and ESPS DFI		(538)
Income taxes and ESPS of employee benefits		320
Total	**$**	**(1)**

Below are the movements recorded in the components of the OCIs during the 2022 financial year.

Result from valuation of financial instruments held to collect or sell:

		OCI before Income Taxes and ESPS	Income Taxes and ESPS	OCI net	Controlling Interest
Balances as of December 31, 2021	$	(184)	73	(111)	(111)
Fair value valuation		(391)	145	(246)	(246)
Balances as of December 31, 2022	$	**(575)**	**218**	**(357)**	**(357)**

Result from valuation of cash flow hedging instruments:

		OCI before Income Taxes and ESPS	Income Taxes and ESPS	OCI net	Controlling Interest
Balances as of December 31, 2021	$	646	(267)	379	379
Actual portion of changes in fair value					
Exchange rate		877	(319)	558	558
Interest rate		(133)	48	(85)	(85)
Balances as of December 31, 2022	$	**1,390**	**(538)**	**852**	**852**

Employee Benefits:

		OCI before Income Taxes and ESPS	Income Taxes and ESPS	OCI net
Balances as of December 31, 2021	$	(828)	124	(704)
Movement		14	196	210
Balances as of December 31, 2022	**$**	**(814)**	**320**	**(494)**

(c) Dividends decreed-

The profits of the subsidiaries may not be distributed to the shareholders of the Group until the dividends are paid. Dividends paid from profits generated as of January 1, 2014 to individuals and residents abroad are subject to an additional tax of 10% definitively, which will be withheld by the entities that distribute said dividends.

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For the year ended December 31, 2022, dividends were decreed and paid to BNS as shown below:

Subsidiary	Date of decree		Amount	Payment date		Amount 2022
Grupo Financiero Scotiabank Inverlat, S.A. de C.V.	27-Oct-22	$	3,000	28-Oct-22	$	3,000
Grupo Financiero Scotiabank Inverlat, S.A. de C.V.	27-Dec-22		2,000	28-Dec-22		2,000
		$	**5,000**		$	**5,000**

(d) Comprehensive income-

The comprehensive income presented in the consolidated statement of changes in stockholders' equity represents the result of total activity during the year and is included by net income, effects (net of income taxes and deferred ESPS) from valuation of investments in held to collect and sell securities and cash flow hedging instruments, as well as for the remeasurements for defined benefits to employees and participation in the OCI of the associate.

(e) Restrictions on stockholders-

No natural or legal person may acquire, directly or indirectly, through one or more operations of any nature, simultaneous or successive, control of Series "B" shares for more than 5% of the paid-up capital of the Group. The SHCP may authorize, when in its opinion it is justified, the acquisition of a higher percentage, without exceeding in any case 20% of the share capital.

The General Law of Commercial Companies obliges the Group to set aside 5% of its profits annually to constitute capital reserves for up to 20% of the paid-up share capital. As of December 31, 2022, the reservation amounts to $901, a figure that has reached the required amount.

In case of reimbursement of capital or distribution of profits to shareholders, the IT is determined on the amount reimbursed or distributed, which exceeds the amounts determined for tax purposes. As of December 31, 2022, the contribution capital account (unaudited CUCA) and the net tax profit account (unaudited CUFIN), of the Group as an individual entity, amount to $13,294 and $13,206, respectively.

(f) Capitalization (unaudited)-

The Banking Commission requires brokerage firms to have a minimum percentage of capitalization on the assets at risk, which are calculated by applying certain percentages according to the risk assigned and as per the Central Bank requirements. The capitalization required by the Banking Commission has been complied with by the Casa de Bolsa. Casa de Bolsa's net capital as of December 31, 2022 amounts to $1,947.

As of December 31, 2022, the Bank's capitalization ratio was 15.50%, so it is classified in category I in accordance with Article 220 of the Provisions, which is calculated by applying certain percentages according to the risk assigned according to the rules established by the Central Bank. The following is the information corresponding to the capitalization of the Bank (Capitalization Index reported to the Central Bank and subject to its approval):

Capitalization Index (Bank)-

The Capitalization Ratio is equal to the result of the Bank's net capital ratio, between the sum of weighted assets subject to credit risk, equivalent weighted positions subject to market risk and assets subject to operational risk.

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Basic capital		
Common Shares	$	13,468
Result of previous years		42,696
Other items of comprehensive income (and other reserves)		19,117
Basic Capital 1 before regulatory adjustments	**$**	**75,281**
National regulatory adjustments:		
Deferred Charges and Prepayments	$	(8,160)
Clearing House Investments		(645)
Tax losses		(1,833)
Deferred taxes, appropriations from temporary differences		(8)
Total Capital Regulatory Adjustments	**$**	**(10,646)**
Basic capital 1	$	64,635
Non-basic, no fundamental		3,582
Total basic capital	**$**	**68,217**
Admissible reservation that count as Complementary	$	1,619
Capital instruments		3,792
Complementary capital	**$**	**5,411**
Net capital	**$**	**73,628**
Total risk-weighted assets	**$**	**475.012**
Capital ratios and supplements		
Basic Capital Index 1		13.61%
Basic Capital Index		14.36%
Complementary Capital Index		1.14%
Net Capital Index		15.50%
Institution-specific supplement		2.50%
Capital Conservation Supplement		0.00%
Local systemically important supplement		0.60%
Tier 1 common capital available to cover supplements		6.61%
Limits applicable to the inclusion of reserves in supplementary capital:		
Limit on the inclusion of provisions in supplementary capital under standardized methodology	$	4,368

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Total weighted assets at risk as of December 31, 2022

		Equivalent assets at risk	Capital requirement
Positions exposed to market risks due to risk factors:			
Operations in local currency at nominal rates	$	59,445	4,756
Operations with debt securities in domestic currency with an overrate and a revisable rate		1,051	84
Operations in domestic currency with real rate of denomination in UDI´s or UMA´s		3,590	287
Positions in UDI´s, UMA´s or with performance referred to the NPI		82	7
Foreign currency transactions with nominal rate		1,992	159
Positions in currencies or with indexed yield at the exchange rate		1,995	160
Positions in equity or with indexed yield at the price of a equity or group of shares		66	5
Vega impact capital requirement		14	1
Weighted assets subject to credit risk by risk group:			
Group I-B (weighted at 2%)		23	2
Group III (weighted at 10%)		995	80
Group III (weighted at 20%)		5,900	472
Group III (weighted at 25%)		1	-
Group III (weighted at 50%)		360	29
Group IV (weighted at 20%)		2,551	204
Group V (weighted at 20%)		218	17
Group V (weighted at 150%)		19	2
Group VI (weighted at 20%)		2,382	191
Group VI (weighted at 25%)		1,662	133
Group VI (weighted at 30%)		6,518	521
Group VI (weighted at 40%)		7,076	566
Group VI (weighted at 50%)		38,136	3,051
Group VI (weighted at 70%)		29	2
Group VI (weighted at 75%)		21,016	1,681
Group VI (weighted at 85%)		11,448	916
Group VI (100% weighted)		60,315	4,825
Group VII-A (weighted at 10%)		160	13
Group VII-A (weighted at 20%)		17,046	1,364
Group VII-A (weighted at 23%)		18	1
Group VII-A (weighted at 50%)		12,361	989
Group VII-A (weighted at 100%)		141,670	11,334
Group VII-A (weighted at 120%)		25	2
Group VII-A (weighted at 150%)		1,663	133
Group VII-B (weighted at 23%)		1,176	94
Group VIII (weighted at 115%)		7,188	575
Group VIII (weighted at 150%)		2,924	234
Group IX (100% weighted)		25,948	2,076
Risk-Grade Securitization 1		36	3
Credit Valuation Adjustment in derivative transactions		3,324	266
Exposure to the Default Fund in Clearing Houses		16	1
By the counterparty in default in mechanisms of free delivery		10	1
Risk-weighted assets and operational risk capital requirements		34,563	2,765
Total market, credit and operational risk	**$**	**475,012**	**38,002**
Average positive annual net income over the last 36 months		31,904	

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(g) Capital Management-

To assess capital adequacy, the Bank builds on its annual exposure plan to obtain a forward-looking view of the institution that allows it to identify the risks to which it is exposed and inform its decision-making by visualizing key metrics and indicators such as: capital, liquidity, profitability and credit losses.

The Exposure Plan is structured based on a vision of the country's macroeconomic scenario and the plans of the different business lines.

At the same time, to ensure compliance and continuous monitoring of Capital adequacy, an "Action Plan for the Conservation of Capital and Liquidity" has been documented, which aims to implement early warning indicators, which are the basis for the Liquidity and Capital Management Committee to carry out evaluations and follow-ups in accordance with the provisions of the corresponding Policies. according to the impact and magnitude of the stress event.

On a quarterly basis, capitalization notes are incorporated into the financial reports. These notes contain, among others, the following information: composition and integration of capital, composition of assets weighted by total risks and by type of risk, as well as estimates of the Capital Index.

Likewise, the stress tests established by the Commission are carried out annually under various scenarios, with the aim of ensuring that the Bank has sufficient capital to continue intermediating resources and granting loans in these stress scenarios, considering its business strategies. Additionally, an analysis of internal stress scenarios is carried out that, based on the Exposure Plan as a base scenario, integrate various adverse macroeconomic conditions in order to reveal the Group's exposure to the different risks.

The Bank conducted its Capital Adequacy Assessment Exercise during 2022, this exercise was carefully planned and executed to assess the adequacy of capital and liquidity under stress conditions in internal and regulatory scenarios. The result of the year led to the conclusion that the institution's liquidity and capital would allow it to face the risks derived from the defined stress scenarios, keeping its capital ratio and liquidity indicators above the regulatory minimums.

The Governing Board of the Commission ratified on May 25, 2022 as a Local Systemically Important Multiple Banking Institution to Scotiabank Inverlat, S.A., through official letter No. 141-5/1899/2022 its degree of systemic importance and the additional capital conservation supplement, the institution was classified as Grade I so it must continue with a capital supplement of 60 basis points.

Based on the above and the new requirement of total loss-absorbing capacity, the institution must have at least 6.5% of the weighted assets subject to total risks, which must be constituted during the next four years, so the minimum regulatory capital that Scotiabank must maintain is 12.73% as of December 31, 2022.

Date	Sumplement to net capital
December 31, 2022	$\frac{1}{4}$ * *Suplement to net capital*
December 31. 2023	$\frac{2}{4}$ * *Suplement to net capital*
December 21, 2024	$\frac{3}{4}$ * *Suplement to net capital*
December 31, 2025	*Suplement to net capital*

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VI. Weights involved in the calculation of institutions' countercyclical capital supplement

The institution's countercyclical capital supplement
-

VII.1 Disclosure format of the main indicators associated with the Net Capital Supplement

Reference	Concept	Dec-22*
1	Amount of the Net Capital Supplement referred to in the last paragraph of Article 2 Bis 5 of these provisions	7,719
1.a	Not applicable	-
2	Total Risk-Weighted Assets (TRWA) according to the amount recorded in row 60 of Table I.1 of this annex	475.012
3	Capital Supplement as a percentage of TRWA (%)	1.63%
3.a	Not applicable	-
4	Total exposures associated with the Leverage Ratio under row 21 of Table I.1 of Annex 1-O Bis of these provisions	807,899
5	Net Capital Supplement as a percentage of total exposures associated with the Leverage Ratio (%)	0.94%
5.a	Not applicable	-
6.a	As part of the amount of the Net Capital Supplement, are there equity instruments that are at the same level of priority of payments (i.e. pari assu), in relation to instruments that are statutorily excluded from being converted into ordinary shares or on whose amount the remission or forgiveness of the debt and its accessories in favor of the institution would operate, in a resolution process?	NO
6.b	As part of the amount of the Net Capital Supplement, are there equity instruments that are at the same priority level of payments (i.e. pari assu), in relation to instruments that, according to the General Provisions Applicable to Credit Institutions, are excluded from being converted into ordinary shares or on whose amount the remission or forgiveness of the debt and its accessories in favor of the institution would operate, in a resolution process?	NO
6.c	In the event that the assumption contained in row 6b is updated, what is the share (%) of the amount of the equity instruments considered in the net capital supplement, in relation to the amount of issued equity instruments that comply with the aforementioned priority of payments?	0%

* The Bank, being considered a Local Systemic Importance institution, must constitute the net capital supplement within four years.

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VII.2.1 Composition of the Net Capital Supplement

		Dec-22
	Net Capital Supplement regulatory capital elements and adjustments	
1	Fundamental Capital	64,635
2	Non-Core Capital before adjustments to the Net Capital Supplement	3,582
3	Ineligible Non-Fundamental Basic Capital, as a Net Capital Supplement, issued by the institution held by third parties	-
4	Other settings	-
5	Eligible Non-Core Capital instruments for the Net Capital Supplement	3,582
6	Supplemental Capital, before Net Capital Supplement adjustments	5,411
7	Amortized portion of complementary capital instruments, where the remaining maturity > 1 year	-
8	Ineligible supplementary capital, as a Supplement to Net Capital issued by the institution	-
9	Other settings	-
10	Eligible Supplementary Capital instruments, according to the rules for the Total Loss Absorption Supplement	5,411
11	Supplement to Net Capital Arising from Regulatory Capital	73,628
	Net Capital Supplement Elements of Non-Regulatory Capital	
12	External Net Capital Supplement instruments issued directly by the bank and subordinated to excluded liabilities	-
13	External Net Capital Supplement instruments issued directly by the bank which are not subordinated to excluded liabilities, but which meet all other requirements of the Net Capital Supplement term sheet	-
14	Of which: Eligible Net Capital Supplement amount, after applying upper limits.	Not Applicable
15	External Net Capital Supplement instruments issued by financing vehicles, before January 1, 2022	Not Applicable
16	Ex commitments in front eligible to recapitalize a local systemically important institution in resolution	Not Applicable
17	Net Capital Supplement Arising from Non-Regulatory Capital Instruments Before Adjustments	-
	Non-Regulatory Capital Items of Net Capital Supplement: Adjustments	
18	Net Capital Supplement before deductions	73,628
19	Deductions from exposures that correspond to accounts eligible for Net Capital Supplement (not applicable to a local systemically important institution with a single entry point).	Not applicable
20	Investment deductions on other eligible liabilities from Net Capital Supplement	-
21	Other adjustments to the Net Capital Supplement	-

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		Dec-22
22	Net Capital Supplement after deductions	73,628
	Risk-weighted assets (RWA) and leverage exposure measure for Net Capital Supplement purposes	
23	Total Risk Weighted Assets (TRWA) as shown in row 60 of Table I.1 of this annex adjusted as permitted under the Net Capital Supplement regime4	475.012
24	Total exposures associated with the Leverage Ratio under row 21 of Table I.1 of Annex 1-O Bis of these provisions	807,899
	Indicators Net Capital Supplement and supplements	
25	Net Capital Supplement (as a percentage of adjusted TRWA as permitted under the Net Capital Supplement regime)	15.50%
26	Net Capital Supplement (as a percentage of adjusted TRWA as permitted under the Net Capital Supplement regime)	9.11%
27	Fundamental Capital (as a percentage of TRWA) available after gathering minimum capital and Net Capital Supplement requirements	13.61%
28	Bank-specific surcharge requirements (capital conservation supplement plus countercyclical capital supplement requirement plus net capital supplement requirements, expressed as a percentage of TRWA)	2.23%
29	Of which: Capital conservation supplement requirement	0.60%
30	Of which: Bank-specific countercyclical capital supplement requirement	0.00%
31	Of which: Requirement for net capital supplement	1.63%

(22) Related parties

In the normal course of its operations, the Group carries out transactions with related parties such as credits, investments, deposits, provision of services, among others. In accordance with the Group's policies, certain credit operations with related parties are authorized by the Board of Directors and are agreed with market rates, guarantees and conditions consistent with sound banking practices.

As of December 31, 2022, related party transactions exceeding 1% of the Group's basic capital are listed below:

Holding company:

Revenue		
Commissions and fees charged	$	76
Other income		58
Result by intermediation		3,515
Expense		
Management Services	$	45
Interest Expense		973

In accordance with Article 73bis of the Law on Credit Institutions, the total sum of transactions with related individuals may not exceed 35% of the basic part of the net capital (see note 22). Loans granted to related parties including letters of credit by the Group as of December 31, 2022, amount to $1,978. Related individual deposits as of December 31, 2022 amount to $20.

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Receivables and related parties payable as of December 31, 2022 are integrated as follows:

Other related parties		
Receivable:		
Availability	$	723
Derivatives		56,119
Other accounts receivable		157
Payable:		
Demand and time deposits	$	71
Derivatives		7,475
Bank loans		14,768
Creditors on settlement of transactions		1,319
Creditors for collateral received in cash		3,403
Other accounts payable		169
Subordinated obligations		9,057

For the year ended December 31, 2022, there were no changes to the existing terms of balances receivable and payable with related parties.

For the year ended December 31, 2022, the benefits granted to management amounted to $296.

(23) Memorandum accounts

(a) Transactions on behalf of third parties-

The resources managed by the Group, following instructions from clients to invest in various financial instruments, are recorded in memorandum accounts. The resources from these operations as of December 31, 2022, are analyzed as follows:

Customer securities received in custody		
Investment company funds		
Government and bank securities	$	100,590
Equities and other		394,656
	$	**495,246**

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(b) Repurchase/ resell agreements on behalf of clients

As of December 31, 2022, client repurchase/ resell agreements are integrated as shown below:

	Number of titles		Fair value
BPAG28	1,913,288	$	192
BPAG91	5,402,446		549
BONDS	18,074,100		1,669
CETES	304,069,902		2,923
UDIBONOS	5,122,764		3,866
CEBURPRIVADOFLT	1,034,994		104
PRLV	16,964,972		17
BPA182	4,605,512		475
BONDES	148,200,530		14,857
		$	**24,652**

Securities lending on behalf of clients-

As of December 31, 2022, securities lending transactions on behalf of clients are integrated as shown below:

	2022		
	Number of titles		Fair Value
Equity instruments	10,440	$	56
	10,440	**$**	**56**

Collateral received as collateral on behalf of customers

The collateral represented by government, bank and private debt securities on behalf of clients collateralized in the Casa de Bolsa, as of December 31, 2022, at fair value are analyzed below:

	2022		
	Number of titles		Fair value
Government:			
BONDES	74,100,265	$	7,428
UDIBONOS	2,561,382		1,931
CETES	152,034,951		1,461
BONDS	9,037,050		835
IPABONOS	5,960,623		608
			12,263
Bank:			
PRLV	16,964,972		17
Total bring forward		$	12,280

(Continued)

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	2022		
	Number of titles		**Fair value**
Total brought forward		$	12,280
Other debt securities:			
CEBUR	517,497		52
		$	**12,332**

Collateral delivered as collateral on behalf of customers

Collateral provided as collateral on behalf of customers at fair value, as of December 31, 2022, is integrated below:

Government values	$	12,315
Shares and certificates on holding companies		61
Margin credits		17,501
	$	**29,877**

The income received for the year ended December 31, 2022, corresponding to the activity of assets in administration and custody, amounts to $99.

Collateral received and sold or delivered as collateral by the entity-

The collateral represented by government debt securities and equity instruments received and sold or delivered as collateral by the Casa de Bolsa, as of December 31, 2022, are as follows.

	2022		
	Number of titles		**Fair Value**
Government:			
BONDES	74,100,265	$	8,662
UDIBONOS	2,561,382		2,521
CETES	152,034,951		2,660
BONDS	9,037,050		1,011
IPABONOS	5,960,623		1,221
Government Subtotal			16,075
Other debt securities:			
CEBUR	517,497		52
Equity instruments: (1)			
QQQ	500		3
SPY	1,240		9
XLE	3,000		5
VOO	5,700		93
Subtotal equity instruments			110
Total		**$**	**16,237**

(Continued)

(Millions of pesos)

Credit commitments

		2022
Lines for letters of credit not exercised	$	39,948
Unexercised lines of credit:		
Commercial loans		180,124
Consumer credit		44,493
	$	**264,565**

Trust or mandate assets

The fiduciary activity as of December 31, 2022 recorded in memorandum accounts is discussed below:

Trusts		
Guarantee, investment or administration	$	417,733
Mandates		29,278
	$	**447,011**

The income accrued for the year ended December 31, 2022, corresponding to fiduciary activity, amounts to $230 and is recorded under the caption of "Commissions and fees charged".

Custody or administration:		
Assets in Custody		
Values	$	62,623
Movable and immovable property		134
Other		529,514
Client Cash (Short-Term Investments)		3
Holding of Instruments (Investments in Securities)		145,503
Debt instruments (Investment funds)		102,843
Common instruments (Investment funds)		44,394
Assets in Administration		12,961
	$	**897,975**

No commissions accrued for the year ended December 31, 2022, corresponding to assets in custody and assets under administration.

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For the year ended December 31, 2022, no dividends were received for equity instruments received in custody or administration.

Collateral received by the entity

The collateral received by the Group as of December 31, 2022, is discussed below:

Government debt	$	6,783
Other debt securities		52
Equity instruments		795
Other		4.560
	$	**12,190**

In the event that the resources are invested in the group's deposits instruments, the corresponding amount is included in the consolidated statement of financial position.

(24) Additional information on segments/ transactions-

a) Segments Information-

The Group classifies its net income into the segments of "Credit and Services" (acceptance of deposits, granting of loans), "Treasury and trading" (trading in securities, derivatives, currencies and other income) and "Other". For the year ended December 31, 2022, such segment revenue is analyzed below:

December 31, 2022		**Credit and Services**	**Trading and Treasury**	**Other**	**Total**
Interest earned, net	$	20,967	5,670	(648)	25,989
Commissions and fees charged, net, result from financial intermediation income and other income from the operation		4,336	1,584	2,851	8,771
Income, net		25,303	7,254	2,203	34,760
Allowance for loan losses		(1,763)	-	-	(1,763)
Administration and promotional expenses		(13,722)	(1,205)	(1,120)	(16,047)
Depreciation expense for the period		(949)	(80)	(32)	(1,061)
Amortization expenses for the period		(759)	(63)	(21)	(843)
Result of the operation		8,110	5,906	1,030	15,046
Share in the net income of other entities					59
Profit and loss taxes, net					(3,060)
Net result	**$**				**12,045**

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b) Financial margin-

For the year ended December 31, 2022, interest income in the consolidated income statement is comprised of the following components:

Interest income:

Interest income for the years ended December 31, 2022, is integrated as follows:

December 31, 2022		Credit and services	Trading and treasury	Other	Total
Interest on cash and cash equivalents	$	-	2,097	-	2,097
Interest and income from margin accounts		-	212	-	212
Interest and income from investments in financial instruments		-	10,322	229	10,551
Interest and income in repurchase/ resell agreements		-	346	-	346
Loan portfolio interest with Stage 1 credit risk		42,798	-	-	42,798
Loan portfolio interest with Stage 2 credit risk		616	-	-	616
Loan portfolio interests with Stage 3 credit risk		445	-	-	445
Commissions for the granting of loans		488	-	-	488
Premiums for debt placement		-	2	-	2
Premiums from securities lending operations		-	-	17	17
	$	**44,347**	**12,979**	**246**	**57,572**

Interest expense:

Interest expense for the years ended December 31, 2022 is integrated as follows:

December 31, 2022		Credit and services	Trading and treasury	Other	Total
Interest on demand deposits	$	(7,147)	-	-	(7,147)
Interest on time deposits		(15,020)	-	-	(15,020)
Interest charged associated with the global deposits account without movements		-	(69)	-	(69)
Interest on bank and other borrowings		-	(2,967)	-	(2,967)
Interest and income charged in repurchase/ resell agreements		-	(3,215)	(887)	(4,102)
Interest, transaction costs and discounts charged on issuance of financial instruments that qualify as liabilities		-	(978)	-	(978)
Premiums on securities lending		-	(80)	(4)	(84)
Interest on lease liabilities		(214)	-	(3)	(217)
Costs and expenses associated with granting loans		(999)	-	-	(999)
	$	**(23,380)**	**(7,309)**	**(894)**	**(31,583)**

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c) Balance-

For the year ended December 31, 2022, the statement of financial position is presented below:

		Credit and services	Trading & Treasury	Other	Total
Assets	$	517,309	231,534	9,000	757,843
Liabilities	$	503,867	156,759	18,263	678,889

d) Commissions and fees chargedh

		2022
Credit operations	$	1,745
Letters of Credit without refinancing		248
Acceptances on behalf of third parties		1
Purchase and sale of financial instruments		272
Account opening		19
Account Management		351
Fiduciary activities		230
Transfer of funds		112
Cashier's checks		2
Certified checks		3
Custody or administration of property		99
Electronic Banking Services		186
Other commissions and fees charged		4,056
	$	**7,324**

e) Financial intermediation income-

For the year ended December 31, 2022, the item of financial intermediation income, is integrated into the following page.

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		2022
Fair value valuation		
Result from valuation of securities and derivatives		
Negotiable financial instruments	$	(125)
Derivative financial instruments for trading purposes		(389)
Hedging derivative financial instruments		1,010
Valuation of the item covered		(1,052)
Collateral sold		2
Profit from trading of financial instruments and derivative financial instruments		
Tradable financial instruments		(124)
Financial instruments held to collect or sell		(6)
Derivative financial instruments for trading purposes		1,119
Result from currency valuation		(462)
Result from foreign exchange trading		1,727
Estimation of expected credit losses for investments in financial instruments		(12)
Transaction costs		(6)
	$	**1,682**

f) Other operating income, net -

For the year ended December 31, 2022, the item of other operating income, net, is integrated below:

		2022
Recoveries	$	19
Donations		(20)
Income from loan portfolio acquisition		53
Profit from the sale of a loan portfolio		30
Effects on the estimate of expected credit losses		(66)
Losses		(596)
Contributions to the IPAB		(2,021)
Result in sale of foreclosed assets		76
Estimate for loss of value of foreclosed property		(23)
Result in sale of properties, furniture and equipment		181
Cancellation of other liability accounts		217
Interest on loans to officials and employees		145
Rental income		4
Other items of income (expenditures) of the operation		2,489
	$	**488**

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g) Financial indicators (unaudited)

The following are the main financial indicators by quarter of the Group, for the years 2022:

	2022			
	4th Quarter	3rd Quarter	2nd Quarter	1rst Quarter
Delinquency rate	3.7%	3.8%	3.6%	3.7%
Coverage ratio of non-performing loans	90.6%	85.8%	95.2%	96.5%
Operational efficiency (administrative and promotion expenses/average total assets	2.5%	2.4%	2.4%	2.9%
ROE (annualized quarter net income / average stockholders' equity)	10.5%	15.9%	16.1%	19.8%
ROA (annualized quarter net income / average total assets)	1.1%	1.7%	1.8%	2.2%
Net Capital/Assets Subject to Credit Risk	19.78%*	20.99%	20.70%	19.87%
Net capital/Assets subject to credit, market and operational risk.	15.50%*	16.41%	16.50%	16.41%
Liquidity (liquid assets / liquid liabilities)	73.8%	70.8%	83.9%	65%
Year-adjusted credit spread/Average productive assets	2.8%	3.5%	3.6%	4.8%

* Subject to approval by the Central Bank.

(25) Contingent liabilities and commitments

a) The Scotia Fondos has entered into contracts for the provision of services with related companies, in which they undertake to provide the services of advice, distribution, custody and administration of assets, necessary for its operation. As of December 31, 2022, the total payments for this item were $1,256 and are included under the caption "Other commissions and fees paid" in the income statement.

b) The Casa de Bolsa and Scotia Fondos are involved in various lawsuits and claims, arising from the normal course of their operations, the Group which are not expected to have a material effect on their financial condition and future results.

c) In the ordinary course of business, the Group has been the subject of certain Lawsuits and claims that are not expected to have a material negative effect on the financial position and results of future operations. In cases where it represents a probable loss or makes a disbursement, such reserves as may be deemed necessary have been established.

(26) Risk Management (Unaudited)

The Group's Board of Directors is responsible for approving the Group's Desired Risk Profile, the Framework for Comprehensive Risk Management, Risk Exposure Limits, Risk Tolerance Levels and mechanisms for conducting corrective actions, as well as Contingency and Contingency Financing Plans.

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Additionally, the Board of Directors is responsible for monitoring the implementation of the Comprehensive Risk Management strategy, as well as ensuring that the Group has sufficient capital to cover the exposure of all the risks to which it is exposed, above the minimum requirements.

The Group has constituted a risk committee (the Risk Committee), whose purpose is to manage the risks to which the Group is exposed, and to monitor that the conduct of operations conforms to the Desired Risk Profile, the Framework for Comprehensive Risk Management, as well as the Risk Exposure Limits, that have been previously approved by the Board of Directors.

The Risk Committee performs the following functions:

I. To propose for approval by the Board of Directors:

  a) The objectives, guidelines and policies for Comprehensive Risk Management, as well as any modifications made to them
  b) The Global Risk Exposure Limits and, where appropriate, the Specific Risk Exposure Limits, considering the Consolidated Risk, broken down by Business Unit or Risk Factor, cause or origin thereof, taking into account, as appropriate, the provisions of Articles 79 to 86 Bis 1 of the Provisions, as well as, where applicable, Risk Tolerance Levels.
  c) The mechanisms for the implementation of corrective actions.
  d) Special cases or circumstances in which both the Global Risk Exposure Limits and the Specific Risk Exposure Limits may be exceeded.
  e) The Capital Adequacy Assessment including the capital estimate and, where applicable, the capitalization plan.
  f) The Contingency Plan and its modifications.

II. Approve:

  a) The Specific Risk Exposure Limits and Risk Tolerance Levels, when it has delegated powers of the Board to do so, as well as the indicators on liquidity risk referred to in section VIII of Article 81 of the Provisions.
  b) The methodologies and procedures for identifying, measuring, monitoring, limiting, controlling, reporting and disclosing the different types of risk to which the Bank is exposed, as well as any modifications thereof.
  c) The models, parameters, scenarios, assumptions, including those related to the stress tests referred to in Annex 12-B of the Provisions, which are used to carry out the Capital Adequacy Assessment and which are to be used to carry out the assessment, measurement and control of the risks proposed by the unit for Comprehensive Risk Management, which must be in accordance with the Group's technology.
  d) The methodologies for the identification, valuation, measurement and control of the risks of the new operations, products and services that the Group intends to offer to the market.
  e) The correction plans proposed by the Chief Executive Officer in terms of Article 69 of the Provisions.
  f) The evaluation of the aspects of Comprehensive Risk Management referred to in Article 77 of the Provisions for presentation to the Board of Directors and the Commission.

(Continued)

g) The manuals for Comprehensive Risk Management, in accordance with the objectives, guidelines and policies established by the Board of Directors, referred to in the last paragraph of Article 78 of the Provisions.

h) The report on the technical evaluation of the aspects of Comprehensive Risk Management indicated in Annex 12 of the Provisions, referred to in Article 77 thereof.

i) The level of effectiveness that the validation mechanisms of the security elements of the identifications presented by potential clients must have, as well as the technology referred to in Articles 51 Bis 6 and 51 Bis 8 of the Provisions to carry out the biometric surveys referred to in those articles.

III. Appoint and remove the head of the unit for Comprehensive Risk Management.

IV. Report to the Board of Directors on the Risk Profile and compliance with the capital estimate contained in the Group's Capital Adequacy Assessment, as well as on the negative effects that could occur in the Group's operation. Likewise, it must inform the Board of Directors about the non-observance of the Desired Risk Profile, the Risk Exposure Limits and the Risk Tolerance Levels established, as well as, where appropriate, the capitalization plan referred to in Article 2 Bis 117c of the Provisions.

V. Report to the Board of Directors on the correction actions implemented, including those on the Capital Projections Plan and, where appropriate, the capitalization plan, in accordance with the provisions of Article 69 of the Provisions.

VI. Ensure at all times that the personnel involved in risk-taking are aware of the Desired Risk Profile, the Risk Exposure Limits, the Risk Tolerance Levels, as well as the Capital Projections Plan and, where appropriate, the capitalization plan.

VII. Report to the Board, at least once a year, on the result of the effectiveness tests of the Business Continuity Plan.

VIII. Approve the methodologies for estimating the quantitative and qualitative impacts of the Operational Contingencies referred to in section XI of Article 74 of these provisions.

IX. Approve the methodology for classifying information security vulnerabilities according to its criticality, probability of occurrence and impact.

The Risk Committee, in order to carry out Comprehensive Risk Management, has a specialized unit (Unidad de Administración Integral de Riesgos or UAIR, for its Spanish acronym) whose purpose is to identify, measure, monitor and report the quantifiable risks faced by the Group in its operations, whether they are recorded on or off the balance sheet, including, where applicable, the risks of its Financial Subsidiaries.

In addition, the Risk Committee delegates to the Assets and Liabilities Committee (ALC) the responsibility for monitoring compliance with policies and procedures on market and liquidity risks. Similarly, the UAIR has policies that incorporate guidelines to report deviations from the established limits, in which case it must inform the Risk Committee and, where appropriate, the Board of Directors itself, about said deviations.

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The UAIR of the Institution is represented by the Deputy General Director of Risks (DGA Risks) and is supported for the management and administration of the different types of risk (i.e. credit, liquidity, interest rates, market and operational, technological, among others) mainly in the Corporate Risk Management, which in turn is organized into 8 areas aimed at monitoring and mitigating the risks to which the Group is exposed; the foregoing to ensure adequate risk management such that the desired risk profile defined by the Board of Directors is met, as well as to improve the quality, diversification and composition of the different portfolios, thus optimizing the risk-return ratio.

In addition, the Group has an internal audit area that is independent of the Business and Administrative Units, whose heads are appointed by the Board of Directors, which carries out a Comprehensive Risk Management audit at the end of each financial year.

j) Credit risk

The Provisions define Credit Risk as the potential loss due to the non-payment of a borrower or counterparty in the operations carried out by Credit Institutions, including the real or personal guarantees granted to them, as well as any other mitigation mechanism used by said institutions.

Qualitative information

The Group's credit risk management is based on various strategies such as centralization of credit processes, portfolio diversification, credit analysis, close monitoring and a credit risk rating model, this credit risk management incorporates financial instruments.

There are two levels of credit resolution instituted: Board of Directors and Joint Powers of the Credit Department. The distinction between levels is given according to the amount of the operation, risk classification of the borrower, type of borrower and destination of the resources.

For credit risk management, the information is extracted from the various applications and systems that the Group has, it is also through specialized systems where estimates are made, such as the expected, unexpected loss and future potential exposure for counterparty credit risk.

In the case of the commercial portfolio, the business areas constantly evaluate the financial situation of each client, carrying out at least once a year an exhaustive review and a risk analysis of each borrower. These reviews consider overall credit risk, including transactions in financial instruments and derivatives. In the case of identified risks, complementary reviews are carried out more frequently. In the case of mortgage and consumer portfolios, there are origination models that evaluate the credit quality of borrowers and there are also policies and procedures established to manage the authorization processes of new loans and monitor the credit quality of the different loan portfolios.

(Continued)

(Millions of pesos)

Credit risk concentrations- The Group has implemented policies and procedures to maintain a healthy, diversified portfolio with prudent and controlled risk, including the establishment of credit risk exposure limits, by business units, currency, term, sector, etc. The limits are authorized annually by the Risk Committee and/or by the Board of Directors; its behavior is monitored and reported monthly to the Risk Committee and, where appropriate, quarterly to the Board of Directors.

Methodology to identify, quantify, manage and control credit risk- The process of establishing exposure limits for each type of portfolio subject to credit risk includes the analysis of the information and identification of the risks inherent to each borrower, documented in policies based on a process of authorization and continuous review. All credit exposures including financial instruments and derivatives are monitored by the UAIR; the monitoring process considers informing the Risk Committee and the Board of Directors of the consumer of the limits, the excesses observed to them and the strategies implemented for the restoration of parameters. Likewise, the Board delegates to the Risk Committee the power to authorize specific limits and updates to the methodologies used for credit and counterparty risk management.

Methodology for determining preventive estimates for credit risks- The Group has a credit risk rating system approved at the institutional level for Commercial portfolio and scoring models and/or performance monitoring metrics for the Retail portfolio. There are also processes and systems in place to classify the portfolio by risk level and estimate its reserves according to the Commission’s regulatory models.

Commercial portfolio
The Group applies standard models determined by the Commission for the entire portfolio. As of December 31, 2022, the portfolio is integrated as shown below:

Group	Annex CUB	% of total portfolio
States and Municipalities	Annex 18	0.35%
Investment Projects with own payment source	Annex 19	1.63%
Financial Sector Entities	Annex 20	8.78%
Legal Entities and Individuals with Business Activity with income or sales less than 14 MM of UDI's*	Annex 21	17.80%
Legal Entities and Individuals with Business Activity with net sales equal to or greater than 14MM of UDI's	Annex 22	71.44%

**Including Trustees acting under Trusts and "structured" credit schemes with equity that allows the associated risk to be individually evaluated.*

The following rating agencies are used in the standard method: S&P, MOODY'S, FITCH, HR RATINGS, A.M. Best and DBRS, based on Annex 1-B of the Commission "Mapping of Ratings and Risk Grades".

(Continued)

The rating agency rating is used by the Group to calculate the probability of default in:

- States and Municipalities
- Admissibility of guarantors with an overall long-term risk rating of risk grade 1 and 2.
- Customers domiciled abroad and who do not have payment experience information within the national Credit Information Companies, who have a long-term global rating of risk grade 1 and 2.

The estimates for the commercial portfolio are based on the individual assessment of the credit risk of the debtors and their classification, in accordance with the Provisions (standard methodology). The guaranteed portfolio or in charge of the Federal Government, the Banco de México and the Institute for the Protection of Bank Savings is exempt from qualifying, in accordance with the rules for the qualification of the Loan portfolio of Banking Institutions.

Process of administration and recognition of coverage for credit risk. The Group has implemented policies for the evaluation of guarantees, which involve the review of each of the elements and related risks depending on their type, considering both the policies for guarantees and those corresponding to the analysis and evaluation of credit. The Group applies controls in the evaluation of the guarantors/ obligors identifying the detail of the corporate structure, as well as any aspect of significant subordination that affects the support granted.

The credit rating of the guarantor or obligor is determined continuously and consistently over the life of the credit.

Likewise, in the case of the mortgage portfolio and considering the indications of Articles 101,102 and Annex 25 of the Single Circular of Banks, the first loss insurance scheme is applied for mitigation of credit risks, the amount covered by the scheme as of December 31, 2022 corresponds to $51; insurance coverage is incorporated into the calculation of the Loss Given Default parameter.

Control mechanisms for rating systems, including an analysis of their independence, responsibility, and evaluation. The Group has several applications for the control of rating systems and the adequate and complete registration of the characteristics and requirements of each guarantee, which is defined in the institutional catalog of guarantees, as well as credit application and authorization processes.

The referred systems carry out the classification of the portfolios and qualify the credits under the standard methodology of the Commission. The calculation of reserves of the borrowers belonging to the consumer and mortgage portfolios, in addition to the commercial loan portfolio, is carried out based on the regulatory methodologies published in the CUB, which are based on the calculation of the Expected Loss for each of the credits based on Probability of Default (PD) parameters. Loss Given Default (LGD) and Exposure to Default (ED) using information and specific characteristics of the credits and/or creditors evaluated.

(Continued)

(Millions of pesos)

Constitution of additional reserves due to health emergency SARS-CoV2 virus (COVID-19)

At the end of 2022, the Group holds $915 as a remainder of additional reserves with no specific allocation to a portfolio.

Additionally, during the fourth quarter of 2022, the Bank informed the Commission of the decision to constitute additional reserves for the amount necessary to reserve a financial institution classified in Stage 3 at 99.94%.

Quantitative information

The measurement and monitoring of credit risk is based on a model of expected loss and unexpected loss, whose calculation is carried out in a specialized internal, robust and institutional-use tool.

- The expected loss represents the amount that the Group expects to lose over the next twelve months due to defaults given the characteristics of its portfolios. It is equal to the result of multiplying the Exposure to Default (ED), the Probability of Default (PD) and the Loss Given Default (LGD) of credit exposures.

- The unexpected loss is a measure of dispersion around the expected loss. It represents the economic capital necessary to keep the Institution solvent in the event of a large-scale adverse event that impacts loan portfolios.

Additionally, tests are conducted under extreme conditions to determine their impact on the expected and unexpected loss of the portfolio.

As of December 31, 2022 and 2021, and on average for the fourth quarter of 2022 and 2021, the expected and unexpected loss on the Group's total portfolio is as follows:

Metric[1]	**December 2022**	**Average Q4 2022**	**December 2021**	**Average Q4 2021**
Expected loss	4,000	3,931	4,876	4,836
Unexpected loss	21,456	21,052	21,430	21,600

[1]*Excludes Stage 3 portfolio.*

(Continued)

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Exposure of the loan portfolio by portfolio- As of December 31, 2022 and 2021, and [1]on average for the fourth quarter of 2022 and 2021, the exposure of the Group's loan portfolio corresponds to the following:

	2022		**2021**	
Total loan portfolio exposure by portfolio	**December**	**T4 Average**	**December**	**T4 Average**
Mortgage portfolio	$ 197,127	194,578	171,161	168,318
Automotive portfolio	17,822	17,865	20,760	20,899
Non-revolving personal portfolio[1]	4,387	4,469	4,269	4,298
Revolving portfolio	11,883	12,070	11,238	11,277
Commercial portfolio[2]	304,057	293,841	257,110	256,629
Total [3]	**$ 535,276**	**522,823**	**464,538**	**461,421**

1 *Incorporates non-revolving personal loans (payroll and open market) and revolving portfolio restructurings.*

2 *Includes credits from Commercial Portfolio, States and Municipalities, Federal Government, Investment Projects with own sources of payment, Financial Institutions, Letters of Credit, SMEs and Konfío portfolio.*

3 *Mortgages + Auto + Personal + SL + TC + Commercial Portfolio.*

Risk Parameters (PD, LGD and ED) of the Loan portfolio

Portfolio *(Figures as of 31 December 2022)*	**Exposure to Default (ED)[1]**	**Probability of Default (PD)[2]**	**Loss Given Default (LGD)[2]**
Mortgages	$ 183,454	1.45%	18.07%
Infonavit[3]	5,617	6.90%	22.50%
Non-revolving consumer	21,628	3.18%	71.69%
Scotialine (Revolving Consumer)	6,348	6.54%	70.88%
Credit Card	22,596	8.16%	73.16%
Commercial Portfolio[4]	301,560	1.68%	44.70%
Investment Projects[5]	$3,321	1.58%	45.00%

1 *Determined under regulatory methodology. (Excludes portfolio in Stage 3 or in default, includes SME and Konfío portfolio).*
2 *Exposure-weighted risk parameter for default. (Excludes portfolio in Stage 3 credit risk or in default).*
3 *Corresponds to MILESTONE portfolio: mortgage portfolio originated by INFONAVIT but funded by Scotiabank.*
4 *Excludes investment projects.*
5 *PD determined implicitly when considering reserve and LGD under regulatory methodology.*

(Continued)

[1] For purposes of this document, both Scotia Line's restructuring balance ($112) and Credit Card restructuring balance ($376) are presented in the Non-Revolving Personal Loans portfolio. Exposures associated with HITO portfolios (mortgage portfolio originated by the INFONAVIT but funded by the Bank) and KONFIO (loans SME acquired).

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Credit risk management information for the trading portfolio

The total amount of gross exposures with credit risk as of December 31, 2022 broken down by the main types of loan portfolio is composed as shown below.

Total Exposures Commercial Portfolio (Segment)	Exposure (amount drawn)
Government	$ 10,726
Corporate Banking	208,302
Business Banking	83,749
Consumer (Retail)	920
SME	360
Total	**$ 304,057**

Note: Includes Letters of Credit.

Distribution of exposures by economic sector

The distribution of exposures by economic sector broken down by the largest types of exposures, including the breakdown of current, overdue and troubled loans, the allowance for loan losses are broken down below:

Distribution of the Commercial Portfolio by Industrial Sector, Troubled Loans, Non-Performing Loans and Reserves										
(Figures as of 31 December 2022)										
Industrial Sector	**Portfolio**			**Troubled**			**Total Exposure**	**Reserves[1]**	**Variation of Reserves vs. Quarter Previous (Sep 22)**	**Average days past due**
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**				**Stage 3**
Financial services	$17.754	-	-	2,245	-	-	19,999	99	15	-
Consumer	11,198	-	-	69	-	271	11,538	345	(41)	1,125
Financial and Investment Intermediaries	10,563	-	-	50	-	1,675	12,288	970	173	530
Food & Beverage	25.956	-	-	-	-	905	26,861	992	54	1,481
Oil & Gas	4,316	-	-	-	-	-	4,316	34	(58)	-
Other Sectors	220,404	6	16	1,353	153	6,762	228,694	6,311	348	989
Total	**$290.191**	**6**	**16**	**3,717**	**153**	**9,613**	**303,696**	**8,751**	**491**	**1,046**

[1] *Additional reserves recognized by the Commission are not included.*
[2]*SME exposure of $360 is excluded.*

Distribution of exposures by region

The geographical distribution by region, including the detail of current, overdue and troubled loans, the allowance for loan losses are composed as shown in the following page.

(Continued)

(Millions of pesos)

Geographical distribution by region – Commercial Portfolio *(Figures as of December 31, 2022)*						
Region[2]	**Portfolio**		**Troubled[3]**		**Total Exposure[1]**	**Reserves[2]**
	Stage 1 and 2	**Stage 3**	**Stage 1**	**Stage 3**		
Center	$14,631	-	308	2,047	16,986	1,780
Metropolitan	223,366	13	2,947	4,806	231.132	4,241
North	38,874	-	495	1,282	40,651	1,371
South	12.407	3	119	1,478	14.007	1,356
Total	**$ 289.278**	**16**	**3,869**	**9,613**	**302,776**	**8,748**

1 *Excluding SME exposure for $360, and associated reserves for $23; as well as Retail for $920 with associated reserves for $3. SME Portfolio: Stage 1: $326, Stage 2: $12: Stage 3: $23 (Troubled and/or restructured portfolio), SME Reserves: Stage 1: $5, Stage 2: $3: Stage 3: $15.*

2 *Additional reserves recognized by the Commission are not included.*

3 *Troubled refers to portfolio tracking special accounts.*

Loan portfolio for remaining maturity:

Portfolio by degree of risk for remaining term – Commercial Portfolio *(Figures as of December 31, 2022)*			
Term	**Stage 1 and 2**	**Stage 3**	**Total Exposure[1]**
Stage 3 Portfolio	$ -	9,628	9,628
Up to 1 year	150,408	-	150,408
1 to 2 years	24,815	-	24,815
2 to 3 years	22,299	-	22,299
3 to 4 years	41,987	-	41,987
4 to 5 years	39,174	-	39,174
Over 5 years old	15,386	-	15,386
Total	**$ 294,069**	**9,628**	**303,697**

1 *Does not include Total SME exposure for $360.*

Portfolio by degree of risk for remaining term – SME Portfolio *(Figures as of December 31, 2022)*			
Term	**Stage 1 and 2**	**Stage 3**	**Total Exposure**
Stage 3 Portfolio	$ -	23	23
Up to 1 year	73	-	73
1 to 2 years	156	-	156
2 to 3 years	77	-	77
3 to 4 years	31	-	31
4 to 5 years	-	-	-
Over 5 years old	-	-	-
Total	**$ 337**	**23**	**360**

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Allowance for loan losses classified under Article 129

Allowance for loan losses by degree of risk of the Commercial Portfolio without SMEs *(Figures as of 31 December 2022)*	**Reserves[1]**
A1	$ 993
A2	523
B1	168
B2	68
B3	84
C1	38
C2	11
D	753
E	6,112
Total	**$8,750**

[1] *Additional reserves recognized by the Commission are not included.*

Allowance for loan losses by degree of risk of the SME Portfolio *(Figures as of 31 December 2022)*	**Reserves**
A1	$ 0.9
A2	1.8
B1	0.3
B2	0.0
B3	0.3
C1	0.5
C2	0.9
D	3.7
E	15.0
Total	**$ 23.4**

Reconciliation of changes in allowance for loan losses for credit risks for loans in Stage 3

Allowance for loan losses of Commercial Portfolio Loans *(Figures as of 31 December 2022)*	**Amount[2]**
Initial allowance for loan losses September 2022	**$8,288**
Creation of Reserves	-
Movements in Reserves by:	
Exchange rate fluctuations	(51)
Creation/ release by ratings	709
Write-offs, Condonations, Dations and Removals, etc.	(21)
Foreclosing	-
Other	(150)
Final allowance for loan losses December 2022[1]	**$8,775**
Portfolio recoveries	4

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1 *Reserves that correspond to Stage 3 are $6,805.*
2 *Additional reserves recognized by the Commission are not included.*

Financial Information of the Retail Loan portfolio

Geographical distribution of exposures by major states

The geographical distribution of exposures in the main states and major exposures is as shown as below:

Financial Information by Geographical Distribution of the Retail Portfolio *(Figures as of 31 December 2022)*	**Residential Mortgage Portfolio[1]**	**Non-Revolving Portfolio[2]**	**Revolving Portfolio**	**Total**
Mexico City	$ 145,725	20,177	2,620	168,522
State of Mexico	7,701	97	1,428	9,226
Jalisco	6,790	212	872	7,874
Nuevo Leon	5,275	245	755	6,275
Queretaro	4,775	57	237	5,069
Chihuahua	2,666	77	199	2,942
Coahuila de Zaragoza	2,801	142	451	3,394
Guanajuato	2,072	61	349	2,482
Veracruz de Ignacio de la Llave	2,092	80	449	2,621
Puebla	1,770	81	351	2,202
Other	15,460	980	4,172	20,612
Total	**$ 197,127**	**22,209**	**11,883**	**231,219**

1 *Includes the portfolio corresponding to FOVI loans.*
2 *Includes Payroll Loans, Auto Loans, Personal Loans and revolving portfolio restructurings.*

Distribution of exposures by Product

The breakdown by product of exposures is as follows:

Retail Loan portfolio *(Figures as of 31 December 2022)*	**Pesos**	**Dollars**	**Total**
Residential Mortgage Portfolio[1]	$197,071	56	197,127
Non-Revolving Portfolio[2]	22,209	-	22,209
Revolving Portfolio	11,882	-	11,883

1 *Includes the portfolio corresponding to FOVI loans.*
2 *Includes Payroll Loans, Auto Loans, Personal Loans and revolving portfolio restructurings.*

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Loan portfolio with remaining maturity

Financial Information for the remaining term of the Retail Portfolio – Stage 1 *(Average timeframe)*	**Months**	**Years**
Residential mortgage portfolio[1]	173	14
Non-Revolving Portfolio[2]	28	2
Revolving Portfolio	-	-

[1] *Includes the portfolio corresponding to FOVI loans.*
[2] *Includes Payroll Loans, Auto Loans, Personal Loans and revolving portfolio restructurings.*

Financial Information for the remaining term of the Retail Portfolio - Stage 2 *(Average timeframe)*	**Months**	**Years**
Residential Mortgage Portfolio[1]	153	13
Non-Revolving Portfolio[2]	25	2
Revolving Portfolio	-	-

[1]*Includes the portfolio corresponding to FOVI loans.*
[2]*Includes Payroll Loans, Auto Loans, Personal Loans and revolving portfolio restructurings.*

Financial Information for the remaining term of the Retail Portfolio - Stage 3 *(Average timeframe)*	**Months**	**Years**
Residential Mortgage Portfolio[1]	158	13
Non-Revolving Portfolio[2]	25	2
Revolving Portfolio	-	-

[1] *Includes the portfolio corresponding to FOVI loans.*
[2] *Includes Payroll Loans, Auto Loans, Personal Loans and revolving portfolio restructurings.*

Financial Information for the remaining term of the Retail Portfolio – Total *(Average timeframe)*	**Months**	**Years**
Residential Mortgage Portfolio[1]	172	14
Non-Revolving Portfolio[2]	27	2
Revolving Portfolio	-	-

[1] *Includes the portfolio corresponding to FOVI loans.*
[2] *Includes Payroll Loans, Auto Loans, Personal Loans and revolving portfolio restructurings.*

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Distribution of loan portfolio exposures by risk grade by Product

Financial Information Retail Portfolio Status *(Figures as of 31 December 2022)*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Residential Mortgage Portfolio[1]	$ 186,538	2,532	8,057	197,127
Non-Revolving Portfolio[2]	21,183	445	581	22,209
Revolving Portfolio	11,430	202	251	11,883

[1] *Includes the portfolio corresponding to FOVI loans.*
[2] *Includes Payroll Loans, Auto Loans, Personal Loans and revolving portfolio restructurings.*

Credit risk reserves classified under Article 129

Allowance for loan losses by degree of risk of the Retail Portfolio *(Figures as of 31 December 2022)*	**Residential Mortgage Portfolio[1]**	**Non-Revolving Portfolio[2]**	**Revolving Portfolio**	**Total**
A-1	$304	102	579	985
A-2	15	28	185	228
B-1	15	37	61	113
B-2	59	46	39	144
B-3	53	19	42	114
C-1	47	29	84	160
C-2	197	26	170	393
D	1,154	47	334	1,535
E	1,662	638	427	2,727
Total	**$ 3,506**	**972**	**1,921**	**6,399**

[1] *Excludes FOVI credit reserve, $12*
[2] *Includes Payroll Loans, Auto Loans, Personal Loans and revolving portfolio restructurings.*

Change in allowance for loan losses and write-off loans during the period

Retail Portfolio Reserve Variations	**December 2021**	**December 2022**	**Variation**
Residential Mortgage Portfolio[1]	3,027	3,506	479
Non-Revolving Portfolio[2]	1,274	972	(302)
Revolving Portfolio	2,078	1,921	(157)

[1] *Excludes the reserve corresponding to FOVI loans.*
[2] *Includes Payroll Loans, Auto Loans, Personal Loans and revolving portfolio restructurings.*

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Loans in Stage 3 risk broken down by significant states

Financial Information by geographical distribution of the Stage 3 Portfolio *(Figures as of 31 December 2022)*	**Residential Mortgage Portfolio[1]**		**Non-Revolving Portfolio[2]**		**Revolving Portfolio**	
	Balance	**Reserve**	**Balance**	**Reserve**	**Balance**	**Reserve**
Mexico City	$ 5,264	1,940	407	315	61	54
Jalisco	362	107	19	12	15	13
State of Mexico	357	98	20	13	29	25
Veracruz	207	66	11	6	13	12
Nuevo Leon	213	49	16	10	15	13
Puebla	152	49	12	7	8	8
Tamaulipas	81	30	11	6	9	8
Queretaro	153	51	8	4	5	4
Coahuila de Zaragoza	131	35	12	7	8	7
Sinaloa	69	22	9	4	5	4
Other	1,068	331	56	67	83	71
Total	**$8,057**	**2,778**	**581**	**451**	**251**	**219**

1 *Excludes reserve for $12 FOVI loans.*
2 *Includes Payroll Loans, Auto Loans, Personal Loans and revolving portfolio restructurings.*

Reconciliation of changes in allowance for loan losses for Stage 3 credit risks for loans

Stage 3 Portfolio Reserve Variations	**Residential Mortgage Portfolio[1]**	**Non-Revolving Portfolio[2]**	**Revolving Portfolio**
Book as of September 30, 2022	**$2,612**	**493**	**205**
Releases[3]	(181)	(213)	(183)
Transfer of Current Portfolio to Stage 3	150	77	135
Transfer of Past Due Portfolio to Stage 1, 2	(106)	(29)	(8)
Decreases in the balance of reserves (includes Write-offs and forgiveness)	(32)	(17)	(1)
Increases in the balance of reserves	335	140	71
Book as of December 3, 2022	**$2,778**	**451**	**219**

1 *Includes the portfolio corresponding to FOVI loans.*
2 *Includes payroll loans, auto loans, personal loans, Fairmont, overdrafts, Scotialine restructurings.*
3 *They are all the loans that in the quarter no longer appeared for some reason such as change of status on the card, settled the credit, etc.*

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Stage 3 Portfolio Reserve Variations	Residential Mortgage Portfolio[1]	Non-Revolving Portfolio[2]	Revolving Portfolio
Book as of December 31, 2021	**$ 2,446**	**772**	**312**
Releases[3]	(572)	(486)	(298)
Transfer of Current Portfolio to Stage 3	75	25	25
Transfer of Past Due Portfolio to Stage 1, 2	(240)	(137)	(11)
Decreases in the balance of reserves (includes write-offs and forgiveness)	(62)	(30)	(1)
Increases in the balance of reserves	1,131	307	192
Book as of December 31, 2022	**$2,778**	**451**	**219**

1 *Includes the portfolio corresponding to FOVI loans.*
2 *Includes payroll loans, auto loans, personal loans, Fairmont, overdrafts, Scotialine restructurings.*
3 *They are all the loans that in the quarter no longer appeared for some reason such as change of status on the card, settled the credit, etc.*

Scotiabank Recoveries of write-offs loans and fully reserved (Figures in millions of Mexican pesos)	Q4 2022
Residential Mortgage Portfolio	$9
Non-Revolving Portfolio	35
Revolving Portfolio	22

Credit Risk Mitigation Techniques

The Group has policies and processes in place that allow it to carry out a valuation of guarantees. It can generally be considered that there are no restrictions on the acceptance of guarantees; However, prior to its acceptance, it is necessary to assess the impacts that will be had in terms of profitability, and as a mitigator in risk measurements and regulatory calculations of allowance for loan losses and capital requirements.

Most of the Group's concentration of guarantees to mitigate credit risk correspond to non-financial collateral.

As of December 31, 2022, the coverage of the guarantees reported by the Group by standard methodology are the following, which apply to the Commercial Portfolio:

The Group has no credit derivatives, as of December 31, 2022.

(Continued)

Guarantee amount[1]	
Coverage	**Methodology Standard**
Eligible Financial Security Interests	$5,306
Admissible Non-Financial Collateral	13,059
Personal Guarantees	1,389
Insurance first losses Mortgage Portfolio	51

Policies for securing security rights and establishing allowance for loan losses

The guarantees that cover the credits, depending on their type and characteristics, can improve the level of credit risk and, consequently, the amount of reserves required. For these purposes, two types of guarantees are considered: personal and real.

Guarantees used to improve the credit rating, in addition to the specific requirements for its type (personal or actual), should generally cover the following:

- The guarantee is granted and constituted in the manner and terms established in the applicable legal provisions and the internal policies of the Group.

- When a loan is covered by guarantees of the real and personal type: and they are granted simultaneously by the same personal guarantor, only one of them can improve the rating.

In loans syndicated with other Credit Institution(s), the Group may agree on the following rights, in the corresponding credit agreement: The first place in the order of collection on the guarantee; or the same priority in the order of recovery as the other participants, in cases where the guarantee is allocated proportionately among all the institutions participating in the loan.

Credit Risk of Financial Instruments

The financial situation of each client, issuer and counterparty is constantly evaluated and at least once a year a thorough review and risk analysis is carried out. These reviews consider overall credit risk, including transactions in financial instruments, derivatives and foreign exchange.

Credit Risk in Securities Investments- The following is summary of the exposures, credit quality and concentration by risk level of securities investments as of December 31, 2022 and 2021.

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Rating of the financial instrument[1]		**Financial instruments to collect principal and interest**	**Financial instruments held to collect or sell**[6]	**Negotiable financial instruments**	**Total by risk**	**% Concentration**
mxAAA[2]	$	4,717	61,625	43,805	110,147	-
AA+[3]		-	522	-	522	-
A-[3]		-	-	9,523	9,523	-
BBB[3]		-	1,825	-	1,825	-
No rating[4]		-	-	17	17	-
The Bank		**4,717**	**63,972**	**53,345**	**122,034**	97.3%
Casa de Bolsa		**-**	**271**	**2,129**	**2,400**	1.9%
Other subsidiaries[5]		**-**	**-**	**997**	**997**	0.8%
Total December 2022	**$**	**4,717**	**64,243**	**56,471**	**125,431**	**100%**
Concentration	**%**	**3.8%**	**51.2%**	**45.0%**	**100%**	
Total December 2021	**$**	**5,136**	**62,066**	**67,203**	**134,405**	**100%**
Concentration	**%**	**3.8%**	**46.2%**	**50.0%**	**100%**	

1 *Includes direct sales and repurchase/ resell agreements operations.*
2 *Local S&P ratings*
3 *Global S&P ratings*
4 *Includes equities and investment funds.*
5 *Includes Scotia Funds.*
6 *Figures may vary against those of Financial Statements, as it does not include offsets.*

At the end of December 2022 and on average during the fourth quarter of 2022, the expected loss on the exposure of the securities investment portfolio (excluding direct sales and value date sales, includes only Bank and Casa de Bolsa position) was 0.02% and 0.02% respectively, while the unexpected loss was 0.64% and 0.69% respectively.

Credit risk in derivative transactions

In addition to the risk measures mentioned above and for derivative operations, the Group quantifies its credit exposures in order to control the use of lines granted to its counterparties for the operation of derivative instruments. This control is carried out by calculating the potential future exposure (PFE) at the counterparty level through specialized tools, incorporating risk mitigating elements such as compensation agreements, guarantee contracts and collateral. There are counterparty risk policies and monitoring of established limits that contemplate the process to be followed in case of excesses in them.

(Continued)

(Millions of pesos)

The following table presents the potential future counterparty credit risk exposure and concentration by counterparty type as at December 31, 2022 and 2021:

Counterparty type	Future Potential Exposure	Concentration (%)
December 2022		
Financial institutions	$5,604	67%
Corporate	2,716	33%
Total maximum exposure	$8,320	**100%[1]**
December 2021		
Financial institutions	$4,437	60%
Corporate	2,975	40%
Total maximum exposure	**$ 7,412**	**100%**

[1] *The three largest counterparty exposures represent 20% of the total.*

Methodology for setting credit limits for counterparties and capital allocation

The Group, through the establishment of operating policies, defines the allocation of capital based on business criteria and risk appetite, that is, through the Credit Committees, the criteria for customer eligibility are defined and the establishment of maximum exposure limits, considering as the main risk parameter the potential future exposure of each counterparty, estimated in accordance with the methodology approved by the Risk Committee.

It is important to note that prior to any operation that involves credit risk, there is a review process of the borrowers / counterparties to evaluate their risk profile and define the exposure limit accepted with each one.

Once the limits are approved, they are monitored by the UAIR and reviewed annually by the Credit area or more frequently in case any potential risk is detected or the line of business so requests.

The capital requirement for derivative transactions is calculated under regulatory methodology, such as the value adjusted by credit valuation or CVA.

BNS also has guidelines to identify the risk of adverse correlation during the credit authorization process for transactions with counterparties.

(Continued)

(Millions of pesos)

The following table shows the gross fair value, compensation benefit and offset exposure as of December 31, 2022 and 2021:

Counterparty type	Gross fair value[1]	Compensated exposure
December 2022		
Financial institutions	$ 20,986	$6,362
Corporate	1,096	718
Total	**22,082**	**7,080**
December 2021		
Financial institutions	$12,072	$2,655
Corporate	1,185	815
Total	**13,257**	**3,470**

1 *Refers to the positive value of the market valuation and also represents the current potential exposure*

Likewise, the guarantees in deposits and/or securities held by the Group as of December 31, 2022 and 2021 amount to $5,108 and $1,364, respectively.

k) Liquidity and interest rate risk

Under the Provisions, Liquidity Risk is defined as:

i. The inability to meet present and future cash flow needs affecting the daily operation or financial conditions of the Institution.
ii. A potential loss due to the impossibility or difficulty of renewing liabilities or contracting others under normal conditions for the Institution, by the advance or forced sale of assets at unusual discounts to meet their liabilities or by the fact that a position cannot be disposed of in a timely manner, acquired or hedged by establishing an equivalent contrary position, or
iii. The potential loss due to the change in the structure of the Institution's statement of financial position due to the difference in terms between assets and liabilities.

Qualitative information

The Group manages its exposure to liquidity risk to applicable regulatory provisions and best market practices, considering positions for structural balance sheet management.

For liquidity risk management, limits have been established, which are reviewed at least annually and monitored periodically so that risk mitigants are updated and accurate. Among the applicable limits are those related to liquid assets and liquidity gaps, which are aligned with the Group's risk appetite. The structure of liquidity risk limits includes notional amounts, as well as term and concentration; The Assets and Liabilities Committee, Risk Committee and the Board of Directors are regularly informed about the performance of these limits, as well as the liquidity risk indicators.[2]

(Continued)

[2] Depending on the nature of the limits these are monitored on a daily, weekly or monthly basis.

Likewise, the information is extracted from the various applications and systems that the Group has, also through specialized systems estimates related to liquidity risk are made. In addition, it is important to note that for liquidity risk management there are prospective metrics, which are incorporated into the annual exercise of the Exposure Plan, Capital Sufficiency Exercises Under own and regulatory scenarios, as well as the Contingency Plan (for solvency and liquidity risks) of the Group; and with tests under extreme scenarios and *"backtesting*" tests. It should be noted that the models used for liquidity risk management are reviewed at least annually.

The Group assumes liquidity risks as an intrinsic part of its intermediation function. Liquidity risk is the result of mismatches in cash flows. The objective of the liquidity risk management process is to ensure that the Group can cover all of its obligations as they become due, for which the Group applies controls to liquidity gaps, monitors key liquidity indicators, maintains diversified sources of funding, establishes limits and maintains a minimum percentage of liquid assets.

Liquidity risk is monitored and controlled through accumulated liquidity gaps. These gaps are constructed through the maturities and flows for payments of the different instruments of the statement of financial position, both assets and liabilities, thus creating a daily gap that corresponds to the difference in payment obligations and collection rights generated day by day. Liquidity gaps include the Group's contractual maturity flows (cash inflows and outflows). Liquidity gaps are estimated under corporate guidelines that consider normal market conditions and are different from those gaps calculated for the estimation of the Liquidity Coverage Ratio, since the latter include stress factors for both inflows and outflows.

On the other hand, the interest rate risk of the structural balance sheet derives from the uncertainty in the profits and/or value of the portfolio as a result of movements in interest rates, and occurs when there are lags (gaps) in the review of assets and liabilities with contractual maturity or subject to rate revision within a certain period of time, or when there are different reference rates for assets and liabilities. This risk appears as a result of the Group's funding, placement and investment activities and materializes in the event of a change in interest rates as a variation in the financial margin.

Indicators such as economic value sensitivity and margin sensitivity are used to measure structural balance sheet interest rate risk. For the calculation of these indicators, repricing gaps are used, constructed based on the reference rates of assets and liabilities; In the case of fixed-rate positions, they are modeled according to their amortizations and contractual maturities, while those positions referenced to a floating rate are modeled according to their next reprice date. The methodology for calculating the indicators considers assumptions of stability of deposits of immediate enforceability and prepayment of mortgages. The first consists of a crop analysis in order to evaluate the permanence of deposits while the second considers segmentation by age of the credit in order to assign a prepayment rate.

Both economic value sensitivity and margin sensitivity contemplate an impact of ± 100 basis points on interest rates and consider the maximum expected loss per scenario. This measurement is carried out on a weekly basis and is reported to the members of the Assets and Liabilities Committee, the Risk Committee and the Board of Directors in their respective sessions.

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Economic value sensitivity incorporates the impact of the change in interest rates on total expected flows over a 30-year window and provides a measure of the long-term impact of these variations, while the time window for estimating margin sensitivity is 12 months.

Quantitative information

To measure liquidity risk, the liquidity gaps at the end of December 2022 and the annual average of 2022 are as follows:

Group		**December 2022**	**Average 2022**
Cumulative gap 30 days	$	60,080	52,657
The Bank			
Cumulative gap 30 days	$	60,080	55,366
Casa de Bolsa			
Cumulative gap 30 days	$	-	436

Accumulated liquidity gaps implicit contractual maturities, including hedging derivative positions. In addition, liquidity risk exposures are within approved limits.

As can be seen in the table above, it is highlighted that the Group has maintained a solid liquidity position, with an average CCL during 2022 of 139%, remaining above 100%; as well as an ample reserve of liquid assets.

Downgrade

As a conservative measure and in order to be prepared for a possible increase in liquidity requirements as a result of a possible downgrade in the Group rating (this associated with the fact that a downgrade of the Group would trigger an increase in the collateral required in derivatives operations), the risk management group periodically carries out the impact that this scenario would have and the consequences on liquidity and asset measures. liquids. The impact of the downgrade on the Group's rating at 3 levels for the end of December 2022 and the average for 2022 were $3,435 and $3,026, respectively.

The estimated economic value and margin sensitivity at the end of December and on average for 2022, as shown below:

		2022	
Economic value (+100bps)		**December**	**Average**
Group	$	(1,067)	(856)
The Bank		(1,066)	(854)
Contribution Casa de Bolsa		(1)	(1)

(Continued)

Margin sensitivity (-100bps)		December	Average
Group	$	(282)	(406)
The Bank		(277)	(398)
Contribution Casa de Bolsa		(4)	(9)

The financial instruments to collect or sell, being an integral part of the management of the Group's balances, are monitored under the sensitivity measures described above (economic value and margin sensitivity) and therefore are exempt from the calculation of VaR.

The Group carries out derivative financial instruments for hedging purposes, either interest rate or exchange rate. These positions are excluded from the calculation of VaR and seek to cover the evolution of the financial margin of its structural portfolios of the bank exposed to adverse movements of interest rates and exchange rates, their sensitivity to risk factors is measured within the economic value and the sensitivity of the Group's margin.

On the other hand, it is required to show that hedging positions effectively meet their objective. This sample of effectiveness assumes that the coverage must meet a range of deviation between 80% and 125% or, where appropriate, that there is an economic relationship between the hedged item and the hedged instrument.

I) Market risk

The provisions define Market Risk as the potential loss due to changes in Risk Factors that affect the valuation or expected results of contingent or asset/liability operations, such as interest rates, exchange rates and price indices, among others.

Qualitative information

Market risk management consists of identifying, measuring, monitoring, and controlling risks arising from fluctuations in interest rates, exchange rates, stock market prices, indices and other risk factors in the money, exchange, capital and derivative markets to which trading positions belonging to the Group's own account are exposed.

The Group's risk positions include fixed and floating rate money market instruments, stocks, foreign exchange positions and derivatives such as interest rate futures, futures, advance contracts and currency options, interest rate swaps, interest rate options and foreign currency swaps. There are limits established and approved for each of the portfolios.

The structure of market risk limits contemplates volumetric or notional amounts of value at risk, sensitivity, concentration, stress and term limits, among others.

Market Risk Management includes monitoring that risk mitigants are updated and accurate, in this sense, the limits established and approved for each of the portfolios are reviewed annually and monitored daily. The models used for market risk management are reviewed at least bi-annually; and the Risk Committee and the Board of Directors are regularly informed about the performance of the limits and indicators regarding Market Risk. The limits approved by the Risk Committee and Board of Directors are aligned with the Group's Risk Appetite.

Market risk is managed through specialized systems where estimates are made, such as value at risk, sensitivities and stress testing.

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The Group's trading activities are aimed at serving clients, so that, for this purpose, an inventory of financial instruments of shares, interest rates and currencies is maintained, access to market liquidity is maintained through offers of purchase and sale to other intermediaries. Additionally, Group Treasury positions invested in the money market are maintained so that surplus cash generates the maximum return on the Group's results. The portfolios of instruments for negotiation (fixed income, equities and derivatives) as well as the Treasury positions are valued at the market daily, this information is included daily in the corresponding market reports.

Quantitative information

Value at Risk (VaR)

It is an estimate of the potential loss, based on a certain level of statistical confidence and over a given period of time (observed horizon), under normal market conditions. This is calculated on a daily basis for all instruments and portfolios at risk of the Group within the trading portfolio.

For its calculation, the methodology of historical simulation with 300 days is used. The institution's policy uses as a reference a 99% level of trust and one day as a period of time (holding period).

The global overnight VaR during the fourth quarter of 2022 was $17.61. The average and closing VaR of a day broken down by risk factor of the Bank during the fourth quarter of 2022, is as follows:

Risk Factor	December 2022 Average VaR 1 day	December 2021 Average VaR 1 day
IR (Interest Rate)	11.32	14.28
EQ (Equity)	1.42	1.47
FX (Foreign Exchange)	9.79	8.99
	17.01	16.03

The distribution of market risk exposure (Position vs Value at Risk) for trading portfolios at the close of December 2022 are as follows:

		Position		Var	
		Closing	Average	Closing	Average
Money market	$	52,172	57,225		
Derivatives market:					
SC Swaps (MXN / USD)		743,040	750,570		
CC Swaps		40,511	36,347		
Caps & floors (MXN / USD)		99,764	93,325		
Market portfolio of interest rates and interest rate derivatives		935,487	936,467	10.39	11.32
Cash capital		433	441		
Capital derivatives		24,206	24,028	-	-
Equities portfolio	$	24,639	24,469	9.52	9.79

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		Position		Var	
		Closing	**Average**	**Closing**	**Average**
Spot FX	$	5,202	4,924		
FX Derivatives		151,412	180,678		
FX FWD		137,878	166,819		
FX Options		13,534	13,858		
Foreign exchange portfolio, foreign exchange derivatives	$	156,614	185,602	0.90	1.42

They only include positions in negotiation
Capital derivatives include local and foreign underlying
The money market section (bonds) is expressed in net figures (long and short).

The distribution of market risk exposure (Position vs Value at Risk) for trading portfolios at the end of December 2021 are as follows:

		Position		Var	
		Closing	**Average**	**Closing**	**Average**
Money market	$	57,437	56,944		
Derivatives Market:					
SC Swaps (MXN / USD)		768,725	779,915		
CC Swaps		38,391	30,960		
Caps & floors (MXN / USD)		61,835	58,419		
Market portfolio of interest rates and interest rate derivatives	$	926,388	926,238	16.99	14.28

		Position		Var	
		Closing	**Average**	**Closing**	**Average**
Cash equity		173	159		
Equity derivatives		22,436	21,377		
Equity portfolio	$	22,609	21,536	9.57	8.99

		Position		Var	
		Closing	**Average**	**Closing**	**Average**
Spot FX		299	102		
FX Derivatives		175,603	166,748		
Foreign exchange portfolio, foreign exchange derivatives	$	175,902	166,850	1.46	1.47

(Continued)

They only include positions in negotiation
Capital derivatives include local and foreign underlying
The money market section (bonds) is expressed in net figures (long and short).

Figures expressed in value added
They only include positions in negotiation
Capital derivatives include local and foreign underlying
The money market section (bonds) is expressed in net figures (long and short).

Likewise, tests are carried out daily under extreme conditions ("*stress testing*") in order to determine risk exposure considering large abnormal fluctuations in market prices (changes in volatility and correlations between risk factors). The Risk Committee has approved the "stress" limits.

The extreme conditions test "*stress testing*" at the end of December 2022 shows a maximum loss of $28.34, which compared to the limit of $130 Canadian dollars ($1,876 expressed in pesos), is within tolerable parameters. The hypothetical scenarios used for this test are based on 3 relevant systemic scenarios: the 2008 crisis for emerging markets, Mexico 1994 due to the so-called "December error" and Mexico 1997 due to the effect of the "Ruble crisis" and the Asian financial crisis.

On the other hand, monthly "*backtesting*" tests are carried out to compare the theoretical losses and gains with the observed value at risk and, consequently, calibrate the models used. The efficiency level of the model is based on the approach established by the BIS.

For valuation and risk models, references to updated prices, interest rate curves and other risk factors from the price vendor called Valuation Operating and Market References, S. A. de C. V. are used.

Sensitivities

Qualitative sensitivity information

Market risk sensitivities are calculated daily for each portfolio to which the Group is exposed. During 2022, no changes were made to the assumptions, methods or parameters used for this analysis.

Below is a description of the methods, parameters and assumptions used for the portfolio of stocks, currencies, interest rates and derivative products.

Interest Rate Portfolio

The sensitivity measures that occur for fixed income instruments (bonds) are based on estimating what the behavior of the portfolio value would be in the event of a change in market interest rates.

The sensitivities of the portfolio of fixed income instruments are based on the durations and convexities depending on the type of instrument that corresponds, producing 2 types of measurements: (i) the expected change in the value of the portfolio before a change of 1 basis point (0.01%) in the yield curve and (ii) the expected change in the value of the portfolio before a change of 100 basis points (1%) in the yield curve. For purposes of this disclosure, only changes in 1 basis point are reported.

In the case of floating rate bonds, two types of sensitivities are calculated: the one related to the risk-free rate and the sensitivity to the surcharge or "spread". In zero-coupon bonds, the computation of the sensitivity of non-coupon instruments, as duration is used their maturity term, expressed in years.

Interest rate derivatives

TIIE and CETE futures: This type of derivative instruments is modeled for purposes of calculating sensitivities such as the future of a zero coupon rate and therefore its duration is considered to estimate its sensitivity.

M-bond futures: Sensitivity considers the duration and convexity on the deliverable bonds of these contracts.

Interest rate swaps: For the purpose of determining the sensitivity to changes in the yield curve of TIIE Swaps, a change of 1 basis point is made at each of the relevant points of the yield curve, in addition to a change of 1 and 100 basis points in parallel, valuing the portfolio with the different curves and calculating the change in the value of the portfolio with each of those changes. For purposes of this disclosure, only changes in 1 basis point are reported.

Stock portfolio and CPI derivatives

Actions

Operations are carried out through the Casa de Bolsa and the Bank. For shareholder position purposes, sensitivity is obtained by calculating the delta per issue within the portfolio. Delta is defined as the change in the value of the portfolio in the face of a 1% change in the value of the underlying.

(Continued)

Equity derivatives

Its sensitivity is calculated by the Delta, this portfolio has limits expressed in notional terms.

Delta risk is defined as the change in the value of the option before a change of a predetermined magnitude in the value of the underlying (for example 1%). Its calculation is made by valuing the option with levels other than the underlying one (one original and one with a "shock" of +1%), keeping all other parameters constant.

In the case of nonlinear products such as warrants and options, measures known as "Greek" measures are considered as measures of sensitivity to the Delta: The calculation of sensitivities is based on the valuation model of options on futures, known as Black 1976.

Dividend Risk. The valuation of index or stock options assumes a compound dividend rate continues to be known. Dividends, however, are an estimate and therefore an unknown variable, representing a risk factor for the valuation of profit and loss of option trading.

The risk of dividends does not have a "Greek" letter associated with its sensitivity, and in the case of options on indices and shares in the Group, the measurement is made by increasing the dividend rate by 0.01% (i.e. from 1% to 1.01%).

Portfolio of currencies and foreign exchange derivatives

Foreign exchange

Sensitivity is calculated as the Delta per currency as the change in portfolio value to a 1% change in the value of the underlying.

Currency derivatives

Forwards and currency futures: For this portfolio, the sensitivity to movements in the interest rate is calculated for each currency, as the result in the present value before parallel and non-parallel changes of 1 basis point along the respective yield curves, keeping all other factors constant.

Currency options: For the case of exchange rate options, the sensitivity calculation applies the sensitivities known from their Greek letters: Delta, Gamma, Vega, Theta, and Rho.

Cross Currency Interest Rate Swap (CCIRS): For purposes of determining sensitivity to changes in the yield curve, a change of one basis point is made along the respective yield curves, valuing the portfolio with the different curves and calculating what is the change in the value of the portfolio with each of those changes. The analysis is also performed with a movement of 100 basis point in parallel. Additionally, a change is made not parallel to the yield curves of a basis point by time gaps, keeping everything else constant. For the purposes of this report, only the sensitivity of one basis point is presented.

(Continued)

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Quantitative information on sensitivities.

Interest rates

The following table shows the sensitivity of a basis point (bp) at the end of December 2022 and 2021:

Sensitivity 1 bp		**December 2022**	**December 2021**
Money market	$	0.800	0.572
Derivatives Market:		(0.139)	(0.078)
SC Swaps (MXN / USD)		(0.161)	(0.081)
CC Swaps		0.022	0.001
Caps & floors (MXN / USD)		0.000	0.002
Market portfolio of interest rates and interest rate derivatives	$	0.661	0.622

At the end of December 2022, the Bank has a sensitivity in the interest rate portfolio of $0.661.

Shares and derivatives of the CPI

The following table presents the sensitivity (Delta), at the end of December 2022 and 2021:

Delta		**December 2022**	**December 2021**
Naftrac	$	416.643	320.64
CPI Futures		(407.311)	(319.346)
Warrants		-	-
Total	$	9.332	1.293

As for the positions on CPI, a dynamic *hedge* strategy is followed between the *Naftrac* ETF that replicates the CPI in a large percentage and CPI futures.

The Group's capital portfolio consists of shares and derivatives on equity. At the end of December 2022, the group presented a close Delta sensitivity of 10.7 for all underlying, due to market movements. Below are the statistics for the quarter of 2022.

Delta		**December 2022**	**December 2021**
Options	$	264.731	7,902.19
Warrants		(264.66)	(7,680.80)
Equities		1.3	-
IPC Portfolio		9.332	-
Total	$	10.703	0.071

The following page presents the sensitivity measures for nonlinear instruments for the end of December 2022, it is important to note that the informative report includes Bonds and Warrants based on Structured Notes.

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Underlying	Delta EQ	Vega EQ	Gamma EQ
AAL. OQ	-	-	-
AAPL. OQ	-	-	-
AMD. OQ	-	-	-
AMD. OQ	-	-	-
AMZN. OQ	-	-	-
DROOL. N	-	-	-
BNPUI5. INDX	0.06	-	0.01
DIS. N	-	-	-
DIS. N	-	-	-
ENHFO5. INDX	-	-	-
ENHGE5. INDX	-	-	-
EZU. P	-	-	-
FXI. P	-	-	-
FXI. P	-	-	-
GLD. P	-	-	-
ICLN. OQ	-	-	-
ICLN. OQ	-	-	-
IDBTV1. INDX	-	-	-
MCHI. OQ	-	-	-
MSFDV1. INDX	-	-	-
MSFDVG. INDX	0.01	-	-
NVDA. OQ	-	-	-
QQQ. OQ	-	-	-
REGN. OQ	-	-	-
SOXX. OQ	-	-	-
SPXSR5. INDX	-	-	-
Total	**0.07**	**-**	**0.01**

At the close of December 2022 the position is fully hedged (BtB) with other counterparties.

Sensitivity for "Greek" warrants and equity options

Greek	Delta	Range	Vega	Dividend risk	Rho
Total	0.07	-	0.02	-	-

From the FX portfolio and Exchange Rate derivatives

Below are the sensitivities of the Exchange desk (spot / forward) and the portfolio of currency options at the end of December 2022 and 2021:

Sensitivity 1 bp		2022	2021
Spot FX	$	(20.559)	298.560
FX Derivatives		6.271	(274.000)
FX FWD		6.271	24.561
FX Options		0.000	0.000
Foreign exchange portfolio, foreign exchange derivatives		(14.288)	24.561

(Continued)

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At the end of December 2022 and 2021, the trusts that settle their own and third-party accounts maintain positions in contracts in MEXDER; the market risk of these positions for the own account is monitored by the limit called "Pledging of Assets" approved by the Board of Scotia Inverlat Derivatives.

The use of this own account limit as of December 31, 2022 and 2021, respectively, is as follows:

	2022		**2021**	
	Exposure	Limit	Exposure	Limit
Casa de Bolsa	41		38	
The Bank	594		692	
Total	635	2,000	730	2,000
US Exchanges (USD)	-	0.368	-	0.368

This limit monitors the market risk inherent in these operations, since its use is measured through the minimum initial contributions (AIM's) requested by the Clearing House (Asigna).

For the third-party position, each client operating within the trust for a third-party account, has an operating limit which is monitored on a daily basis, as of December 31, 2022 and 2021, the exposure in contracts and the total AIM's of the third party account is summarized as follows:

	2022	**2021**
	Exposure	Exposure
AIM's	5,284	7,765
Short Futures (number of contracts)	313,208	442,027
Long Futures (number of contracts)	566,334	241,196
Short options (number of contracts)	11	13
Long options (number of contracts)	0	13
Short Swaps (number of contracts)	3,157,690	4,087,411
Long Swaps (number of contracts)	2,237,169	2,789,494

m) Operational risk

Within the Provisions, operational risk is defined as the potential loss due to failures or deficiencies in internal controls, errors in the processing and storage of operations or in the transmission of information, as well as adverse administrative and judicial resolutions, fraud or theft, and includes, among others, technological risk and legal risk, which are also defined as described below.

Technological risk. It is defined as the potential loss due to damage, interruption, alteration or failure arising from the use of or reliance on hardware, software, systems, applications, networks and any other channel of distribution of information in the provision of banking services with the Group's customers.

Legal risk. It is defined as the potential loss due to non-compliance with the applicable legal and administrative provisions, the issuance of unfavorable administrative and judicial rulings and the application of sanctions, in relation to the operations that the Group carries out.

(Continued)

The Group has implemented policies and procedures that allow it to have an adequate operational risk management process, which are detailed below:

Policies for operational risk management

They aim to establish the principles and management framework to identify, measure, monitor, limit, control, disclose and manage the operational risks inherent in their daily activities, in addition to promoting a culture of risk management throughout the Group.

Operational Risk Assessment

The Group has a structured methodology of operational risk assessment, which allows it to identify, evaluate and mitigate the risks inherent in its processes and its business activity itself that applies to its entire structure, the evaluation is based on the identification of the inherent operational risk, the evaluation of the effectiveness of the controls of said risks. This determines a level of residual risk based on which mitigation actions are established on the identified risks.

Manual for the collection and classification of operational risk data

It defines the requirements for reporting the information that supports the measurement processes, as well as the scope of the information collection process, the roles and responsibilities of the business units to collect and report loss data, and the specific requirements of this.

Operational risk tolerance levels

It is an operational loss management tool, which allows each area of the Group to know the loss tolerance levels applicable to each loss event assumed, as well as to encourage improvements in the operational risk management process and to adopt the necessary actions to minimize the risk of future losses.

Key Risk Indicators (KRI)

This process allows the Group to establish indicators based on variables extracted from the processes, whose behavior is related to the level of risk assumed. By monitoring each indicator, trends are identified that allow the values of the indicator to be managed over time; Permissible thresholds are established for each of the selected indicators.

Calculation of the capital requirement for operational risk

The Institution calculates its capital requirement for operational risk using the Alternative Standard Method. For the purposes of the brokerage house, the calculation of capital for operational risk is carried out by the basic indicator method. Scotia Inverlat Derivados does not constitute capital requirements for its exposure to operational risk.

Average exposure value

During the period of January - December 2022, the Group recognized losses for operational risk of $311.0, also the operational risks at the end of December 2022, which if materialized would cause a negative impact total $251.8 ($8.1 correspond to operational risk and $243.7 to legal risk), the exposure has provisions.

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Technological risk

Technology risk management is documented in the Technology and Cybersecurity Risk Management Policy and the Cybersecurity and Information Technology Risk Management Framework, which describe the guidelines and general principles for managing and monitoring risks associated with Information Technology and Cybersecurity and include the functions, responsibilities and obligations of stakeholders, as well as oversight of the various bodies in each line of defense and the tools, practices and deliverables required for risk management activities effectively.

In addition, the usual audits performed on the different IT management domains by a specialized, independent and experienced IT internal audit team include reviews of the design, implementation and operation of internal control systems in all business and support areas, new products and systems, and the reliability and integrity of data processing operations.

Legal risk

The Group has a methodology for estimating expected and unexpected losses of legal risk, through which probable losses as a result of an adverse outcome of its ongoing judgments are estimated. This methodology is based on the experience of losses from previous years, with which, through a statistical analysis of severity and occurrence, the probability of loss of ongoing legal matters is determined.

Annex 5. Liquidity Coverage Ratio (CCL) Disclosure Form
Reporting Period: October 22 - December 22
Table 1.1 Liquidity Coverage Ratio disclosure format[3]

		Individual Calculation Q4 2022		Consolidated Q4 2022	
	(Figures in millions of pesos)	Unweighted amount (average)	Weighted amount (average)	Unweighted amount (average)	Weighted amount (average)
COMPUTABLE LIQUID ASSETS					
1	Total Computable Liquid Assets	Not applicable	93,424.80	Not applicable	93,424.80
CASH OUTFLOWS					
2	Unsecured retail financing	175,084.86	14,110.35	175,084.86	14,110.35
3	Stable financing	99,354.07	6,537.27	99,354.07	6,537.27
4	Less stable financing	75,730.79	7,573.08	75,730.79	7,573.08
5	Unsecured wholesale financing	226,138.51	83,637.43	226,138.51	83,637.43
6	Operational deposits	101,259.56	24,615.01	101,259.56	24,615.01
7	Non-operational deposits	122,610.44	56,753.92	122,610.44	56,753.92
8	Unsecured debt	2268.501418	2268.501418	2268.501418	2268.501418
9	Guaranteed wholesale financing	Not applicable	36.06932692	Not applicable	36.06932692
10	Additional requirements:	254,735.84	19,772.14	254,735.84	19,772.14
11	Outflows related to derivative financial instruments and other collateral requirements	8,289.89	6,143.07	8,289.89	6,143.07
12	Outflows related to losses from financing debt instruments	0	0	0	0
13	Lines of credit and liquidity	246,445.95	13,629.06	246,445.95	13,629.06

(Continued)

[3] Annex 5 of the general provisions on liquidity requirements for multiple banking institutions.

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Annex 5. Liquidity Coverage Ratio (CCL) Disclosure Form
Reporting Period: October 22 - December 22
Table 1.1 Liquidity Coverage Ratio disclosure format[4]

		Individual Calculation Q4 2022		Consolidated Q4 2022	
	(Figures in millions of pesos)	**Unweighted amount (average)**	**Weighted amount (average)**	**Unweighted amount (average)**	**Weighted amount (average)**
14	Other contractual financing obligations	257.1055604	257.1055604	257.1055604	257.1055604
15	Other contingent financing obligations	2,407.61	2,407.61	2,407.61	2,407.61
16	TOTAL CASH OUTFLOWS	Not applicable	120,220.71	Not applicable	120,220.71
CASH INFLOWS					
17	Cash inflows from secured transactions	1,851.79	334.2847143	1,851.79	334.2847143
18	Cash inflows from unsecured transactions	44,842.29	31,201.31	44,842.29	31,201.31
19	Other cash inflows	16,763.16	16,763.16	16,763.16	16,763.16
20	TOTAL CASH INFLOWS	63,457.24	48,298.75	63,457.24	48,298.75
					Adjusted amount
21	TOTAL COMPUTABLE LIQUID ASSETS	Not applicable	93,424.80	Not applicable	93,424.80
22	TOTAL NET CASH OUTFLOWS	Not applicable	71,921.95	Not applicable	71,921.95
23	**LIQUIDITY COVERAGE RATIO**[1]	**Not applicable**	**129.07**	**Not applicable**	**129.07**

a) The calendar days contemplated by the quarter that is being revealed are 92 calendar days
b) The main causes of the results of the Liquidity Coverage Ratio (LCR) and the evolution of its main components.

During December 2022, the main changes that affected the LCR are the following (considering a time window of 30 days):[5]

Main Cash Outflows:

Weighted outflows for deposits of immediate receivables of $50,131 and traditional term deposits of $41,833, outflows derived from the estimate of Look Back Approach (considering the facilities issued by Banco de México) and the estimate regarding the impact on liquidity due to the possible impairment of the institution's rating in 3 levels for $1,699 and $3,435 respectively, outflows for undrawn credit commitments of $15,185.

Main Cash Inflows:

Portfolio flow inflows of $18,129 and call money operations of $18,227 and maturity of securities rated less than 2B for $15,274.

(Continued)

[4] Annex 5 of the general provisions on liquidity requirements for multiple banking institutions.

[5] Weighted outflows and inflows for the next 30 days considering the factors defined in the Provisions on Liquidity Requirements for Multiple Banking Institutions.

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Liquid Assets:

Total Liquid Assets of $88,816 mostly concentrated in Tier 1; $42,605 in Tier 1 debt securities, $36,943 in Monetary Regulation Deposit, single account in BANXICO and active TIIE auctions, it is worth mentioning that this position does not include the BREMS because they are reported as level 1 debt securities; Additionally, cash available for $7,946 and $1,323 in Tier 2 securities

c) Changes in the main components within the quarter being reported;

Third quarter 2022 average: 140% – fourth quarter 2022 average: 129% The liquidity coverage ratio decreased 11% compared to the third quarter of 2022, mainly due to:

- In cash inflows, portfolios grew by $23,010 and bank deposits decreased by MXN $8,202.
- Liquid assets grew by $5,811.
- Finally, traditional funding of the bank grew by $ 19,949, in addition, professional, bank and external funding grew by $ 21,860.

d) The evolution of the composition of Eligible and Computable Liquid Assets;[6]

Evolution of Liquid Assets Q4-2022	October	November	December
Cash	9%	9%	9%
Reserves at the Central Bank	17%	42%	42%
Level 1	73%	47%	48%
Level 2	1%	2%	1%
Level 2B	-	-	-
Total Weighted Liquid Assets	100%	100%	100%

e) The concentration of their sources of financing;

Concentration of funding sources	October	November	December
Traditional deposits			
Demand deposits	45%	45%	43%
Time deposits			
From the general public	42%	42%	40%
Money market	1%	1%	5%
Debt securities issued	3%	2%	2%
Global deposits account without movements	-	-	-
Bank and other borrowings			
On demand	-	-	-
Short-term	5%	6%	6%
Long-term	4%	4%	4%
Total	100%	100%	100%

(Continued)

6 Liquid assets eligible under the guidelines established by Banco de México.

f) Exposures in derivative financial instruments and possible margin calls;

The Bank trades derivative products on behalf of its clients and takes positions on its own account, carries out transactions in derivative financial instruments, for hedging and/or trading purposes in accordance with established policies.

The general objectives of the derivative products operated by Scotiabank Inverlat are to:

- Offer derivative financial instruments in the market, with a specific risk-return profile, to meet the needs of clients according to their risk profile.
- Offer solutions to clients that allow them to meet their objectives of reducing, eliminating or modifying the risks assumed respecting the risk profile of each client.
- Conduct trading or arbitrage with derivative products for the purpose of generating higher revenue.
- Cover specific products or general risks, as well as optimize funding management.

Traded derivatives may be classified as trading, hedging or arbitrage.

The Bank has policies and manuals, where the guidelines and procedures related to the operation and administration of derivatives. Among the applicable procedures for the monitoring and mitigation of the risks associated with derivatives, the potential future exposure is calculated, the associated collateral is monitored, possible margin calls and as a conservative measure and to be prepared for a possible increase in liquidity requirements as a result of a possible downgrade in the Bank's rating, the potential impact on collateral increases is periodically calculated.

(Figures in millions of pesos)

Future Potential Exhibition (December 2022)	
With offsetting contract	3,249
No offsetting contract	5,017
Possible margin calls (December 2022)	
Collateral in transit	582
Downgrade (December 2022)	
Low rating 3 levels	3,435

The Bank's exposure in derivative financial instruments at the end of December 2022 is as follows:

Scotiabank-Derivatives Exposure (figures in millions of pesos)	Closing Position
Risk Factor	
Interest rates	883,315
Exchange rate	151,411
Capital	19,753
Total	1,054,479

(Continued)

g) The mismatch in foreign currency;

The general policy is to fund the assets with the same currency in which they are granted.

h) A description of the degree of centralization of liquidity management and the interaction between group units;

Within the group there is a unit responsible for liquidity management, Group Treasury, whose responsibility is to cover the surpluses and shortfalls of the institution's liquidity, for which it receives information on a daily basis about the contractual flows that will take place on a current market day, as well as the short/ medium-term liquidity expectations expected for the main products.

The different areas of the bank generating business have to inform in advance at least 24-48 hours in the different committees (pipeline) or directly to the Group Treasury their short/ medium/ long-term strategy, so that it can program its funding structure to meet these commitments.

i) Outflow and inflow cash flows which, where applicable, are not captured in this framework, but which the Institution considers relevant to its liquidity profile.

It is relevant to mention that for the calculation of the liquidity coverage ratio, outflow and inflow at the contractual level are recorded; However, the institution calculates liquidity gaps on a daily basis considering not only the cash flows from and from the contractual level but also considers estimated flows, in addition it extends the programming of flows to a period of more than 30 days, so the institution has the possibility to anticipate and take measures in order to meet the commitments after this period.

j) The impact on the Coefficient of the incorporation of the Entities Subject to Consolidation, as well as the outflows derived from the financial support to entities and companies that are part of the same financial group, consortium or business group that, in accordance with the Policies and Criteria, the board of directors of the Institution has authorized to grant.

The impact on the Liquidity Coverage Ratio derived from the Consolidation for the Bank is less than 1% throughout the fourth quarter of 2022, in addition, the outflows caused by the financial support granted to entities that are part of the same financial group were -5.60% at the end of December 2022 and on average during the fourth quarter of 2022 was -5.24%.

Likewise, the Institutions must at least disclose the information corresponding to the quarter immediately preceding the one disclosed, in accordance with the following:

I. Quantitative information

(a) Concentration limits for different groups of guarantees received and the main sources of financing;

Within the policies approved by the institution in terms of liquidity, it is established that the institution will have a low dependence on the wholesale market, as well as maintaining diversified funding sources and a low concentration of resources in specific depositors. This diversification is not only carried out by sources of funding, but by terms and variety of products.

In addition, the minimum credit quality of the guarantees received is also established. These guarantees shall not be lower than a level A credit rating.

Additionally, the institution establishes deposit concentration limits in order to ensure the diversification of its funding sources among its relevant currencies.

Concentration of Deposits[7]

Concept	MM limit
Deposit Concentration (MXN)	9,000 MXN
Deposit Concentration (USD)	150 USD

On the other hand, the institution monitors the potential future exposure (PFE) at the counterparty level for the operation of derivative financial instruments and on the other hand has credit limits to monitor counterparty credit risk exposure.

Liquidity risk exposure and funding needs are monitored taking into account possible legal, regulatory and operational constraints; for this, the Bank assumes a prudent policy of liquidity management risks; Additionally, internal limits on liquidity gaps and liquid assets have been established. The liquidity mismatches are shown in the following section.

Liquidity risk exposures are hedged from the point of view of funding with local, authorized counterparties; which is also in line with the established limits.

Currently the calculation of the LCR incorporates positions of the legal entity bank and its subsidiaries.

(b) Exposure to liquidity risk and financing needs at the level of the Institution, taking into account the legal, regulatory and operational limitations to the transferability of liquidity.

In addition to the controls described throughout this bulletin, Scotiabank also has metrics designed to measure exposure in different scenarios where liquidity may be compromised; within these scenarios are contemplated in those situations in which legal, regulatory and operational limitations limit the normal flow of the institution's sources of financing and represent a liquidity risk, these metrics are the Cash Gap, the survival horizon and liquid assets in a period of stress, which have the following exposures at the end of December 2022.

(Continued)

[7] Exceptions subject to some names.

(Millions of pesos)

Description	Average Q4 2022	December 2022
Cash GAP 30 d - Group – stressed (MXN MM)	6,066	9465
Cash GAP 90 d - Group – stressed (MXN MM)	38,352	51899
Survival Horizon – Bank (days)	42	40
Survival Horizon - Bank – stressed (days)	35	38
Survival Horizon – Group (days)	42	40
Survival Horizon - Group – stressed (days)	35	39

(c) Balance sheet transactions broken down by maturity and resulting liquidity gaps, including off-balance-sheet transactions.

To have control over the mismatch generated by the nature of the Statement of Financial Position between assets and liabilities, Scotiabank establishes limits for its liquidity gaps in different maturities. Likewise, the bank monitors the daily gaps during the next 360 days, in order to have a broader picture of the obligations that the institution has more than 30 days; Gaps incorporate asset and liability positions from the statement of financial position, as well as positions outside the statement of financial position.

The results at the end of December 2022 and the average for the fourth quarter of 2022 are as follows:

Scotiabank	Position (Closing)[8]	Position (Average)
30-day cumulative gap (MXN+UDIs+USD)	60,080	56,798
Liquidity Buffer (under LCR metric)	88,816	85,281

Likewise, the bank monitors daily gaps during the next 360 days, in order to have a broader picture of the obligations that the institution has for more than 30 days.

II. Qualitative information

(a) The way in which liquidity risk is managed in the Institution, considering for this purpose the tolerance to said risk; the structure and responsibilities for liquidity risk management; internal liquidity reports; liquidity risk strategy and policies and practices across business lines and with the board of directors;

One of Scotiabank's main objectives is to generate value for its shareholders while maintaining the stability and solvency of the organization.

The principles of the Liquidity Risk Management process are:

- Ensure governance and oversight of liquidity risk, including clear guidelines of roles and responsibilities to ensure that monitoring, valuation, accounting, risk measurement, and risk management processes are conducted and reported independently.
- Identify, measure and manage the risk/return ratio, within the limits of risk tolerance and appetite established by the Board of Directors, ensuring that these activities are carried out in a prudent manner.

(Continued)

[8] Figures prior to the end of December 2022.

Within the Financial Group there is a unit responsible for liquidity management, the Group Treasury area, whose responsibility is to cover the surpluses and shortfalls of liquidity of the institution, for which it receives information on a daily basis about the contractual flows that will take place on a current market day, as well as the short/ medium term liquidity expectations expected for the main products. On the other hand, the Liquidity Risk Management area is responsible for ensuring that the main liquidity indicators are under the approved limits and in turn are aligned with the risk appetite of the institution, for this purpose the Liquidity Risk Management area produces periodic information regarding liquid assets and liquidity gaps; in the event of any deviation, must notifies the Treasury Group and area involved in order to correct any deviation that could impact the structural liquidity of the institution.

Subsequent sections set out the internal liquidity reports, as well as the policies put in place that aim to Comprehensive Liquidity Risk Management.

(b) The financing strategy, including diversification policies, and whether the financing strategy is centralized or decentralized;

The funding strategy is determined by the institution's Treasury Group, but agreed and authorized by the Assets and Liabilities Committee. Where various areas of the bank participate, including business areas.

(c) The liquidity risk mitigation techniques used by the Institution;

The institution monitors liquidity risk through different metrics and reports aligned with risk appetite which include:

- Calculation of LCR (Liquidity Coverage Ratio)
- Calculation of NSFR (Net Stable Funding Ratio)
- Computation of Liquid Assets
- LDR (Loan to Deposit Ratio) calculation
- Monitoring of the concentration of professional anchoring
- Monitoring Liquidity Gaps
- Deposits Concentration Monitoring
- Monitoring Deposits with Banks
- Investment Portfolio Monitoring
- Monitoring of assigned credits as funding guarantee
- Liquidity Stress Tests
- Liquidity Contingency Financing Plan
- Periodic reports to the Institution's Assets and Liabilities Committee
- Periodic reports to the Risk Committee
- Reports to the Board of Directors
- Policies and Manuals referring to Liquidity Risk Management
- Contingency Plan for Solvency and Liquidity Risks

(Continued)

In order to mitigate liquidity risk, the Bank has established prudent guidelines, policies and procedures, with particular attention to:

- Measurement, oversight and forecasting of commitments involving cash flows for the main currencies managed by the Bank (MXP+UDIs and USD).
- Ensure a uniform distribution of cash flows, minimizing liquidity gaps between assets and liabilities, considering the potential impact of renewals, prepayments, withdrawals of deposits, granting of loans and default in loan payments.
- Maintain diversified sources of funding.
- Establish correspondent and bank lending programs to help maintain market access.
- Implement and maintain available programs for the issuance of liabilities, and portfolio discount with specialized funds.
- Maintain operational capacity in the settlement systems established by Banco de México, considering for this the guarantee requirements and limits established for this purpose.
- Maintain liquid asset reserves to meet operating needs and unforeseen events of liquidity needs.

The Liquidity Contingency Financing Plan incorporates the corrective actions that the institution would have to implement in case of contingency.

(d) An explanation of how stress tests are used; and

In accordance with the current standard stipulated in Annex 12-B of the Single Circular for Banks, which requires liquidity exercises in stress scenarios, the bank periodically conducts tests in order to ensure its ability to face adverse scenarios and be able to honor its short-term obligations based on a survival horizon of 30 days.

These stress scenarios include, among others, the following assumptions:

- Increase in expected loss of loan portfolios
- Increase in withdrawal of deposits
- Provision of lines of credit
- Increase in the Bank's obligations due to the downgrade of the institution's rating.
- Exit of the Bank's main depositors
- Loss of Market Value of the Institution's Liquid Assets

The institution's liquidity stress tests contemplate different scenarios (i.e. idiosyncratic, systemic and combined) with 3 levels of severity each. The results of the stress tests are presented periodically to the collegiate bodies of the institution.

Stress scenarios indicate a view on liquidity gaps, liquid assets and the survival horizon of the institution, this information is fundamental for decision-making in order to maintain a strong position around liquid assets, as well as its short-term obligations in adverse scenarios. It is relevant to note that the institution has the Liquidity Contingency Financing Plan which incorporates the corrective actions that the institution would have to implement in case of contingency.

(Continued)

(e) A description of contingent financing plans.

Periodically, Grupo Financiero Scotiabank Inverlat, S. A. de C. V. reviews all aspects of liquidity for the management of potential risks. The Liquidity Contingency Financing Plan is a comprehensive component of this review and provides a reference framework to determine the actions to be taken in the event of a crisis and to be able to restore the Group's financial situation.

The general objectives of the Contingency Financing Plan are:

- Identify potential threats that may seriously affect the liquidity of the Group and subsidiaries.
- Adhere to the early warning systems, described in the Capital and Liquidity Conservation Action Plan.
- Establish action plans to address the liquidity risks that the Group may face during the crisis period.
- Propose actions that ensure that the Group's global liquidity risk is within the tolerance limits approved by the Board of Directors.
- Ensure the availability of personnel, information and sources necessary in the event of crisis to allow good decision making.
- Ensure that information is provided to the Liquidity and Capital Management Committee in a timely manner.

In case of requiring additional liquidity to the ordinary one, Banco de México may grant financing through any of the following operations or combination of these: (i) simple credit operations guaranteed with deposits of monetary regulation or deposits in dollars that the Financial Group maintains in the Banco de México, or (ii) reports on eligible securities. This financing is subject to the procedure indicated in Banxico circular 10/2015.

Considering the levels of Liquidity Coverage Ratio recorded during the fourth quarter of 2022, which were above 100%, and in accordance with the provisions of the General Provisions on liquidity requirements for banking institutions, Scotiabank during the 3 months of the fourth quarter 2022, is located in Scenario I (i.e. Scenario I, when the Liquidity Coverage Ratio corresponding to each day of the immediately preceding calendar month is at least 100 per cent).

(Continued)

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Annex 10. Net Stable Funding Ratio (NSFR) disclosure format
Reporting Period: Fourth quarter of 2022
Table I.2 Net Stable Coefficient disclosure format[9]

	(Figures in millions of pesos)	Individual figures					Consolidated Figures				
		Unweighted amount per residual term				Weighted amount	Unweighted amount per residual term				Weighted amount
		No expiration	< 6 months	From 6 months to < 1 year	>1 year		No expiration	< 6 months	From 6 months to < 1 year	>1 year	
ELEMENTS OF THE AMOUNT OF STABLE FINANCING AVAILABLE											
1	Capital:	79,422.50	0.00	0.00	0.00	79,422.50	79,422.50	0.00	0.00	0.00	79,422.50
2	Core capital and non-core core capital.	79,422.50	0.00	0.00	0.00	79,422.50	79,422.50	0.00	0.00	0.00	79,422.50
3	Other equity instruments.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4	Retail deposits:	0.00	210,328.98	915.96	71.11	194,954.53	0.00	210,328.98	915.96	71.11	194,954.53
5	Stable deposits.	0.00	94,677.93	581.44	35.91	90,532.31	0.00	94,677.93	581.44	35.91	90,532.31
6	Less stable deposits.	0.00	115,651.05	334.52	35.20	104,422.21	0.00	115,651.05	334.52	35.20	104,422.21
7	Wholesale financing:	0.00	325,399.01	21,707.49	22,038.81	149.233.35	0.00	325,399.01	21,707.49	22,038.81	149,233.35
8	Operational deposits.	0.00	13,071.34	0.00	0.00	6,535.67	0.00	13,071.34	0.00	0.00	6,535.67
9	Other wholesale financing.	0.00	312,327.66	21,707.49	22,038.81	142,697.68	0.00	312,327.66	21,707.49	22,038.81	142,697.68
10	Interdependent liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
11	Other liabilities:	0.00	2,418.00	0.00	12,167.56	12,167.56	0.00	2,418.00	0.00	12,167.56	12,167.56
12	Derivative liabilities for Net Stable Funding Ratio purposes	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
13	All liabilities and own resources not included in the above categories.	0.00	2,418.00	0.00	12,167.56	12,167.56	0.00	2,418.00	0.00	12,167.56	12,167.56
14	Total Amount of Stable Financing Available	79,422.50	538,145.99	22,623.45	34,277.47	435,777.94	79,422.50	538,145.99	22,623.45	34,277.47	435,777.94
ELEMENTS OF THE AMOUNT OF STABLE FINANCING REQUIRED											
15	Total liquid assets eligible for the purposes of the Net Stable Financing Ratio.	Not Applicable	Not Applicable	Not Applicable	Not Applicable	5,597.99	Not Applicable	Not Applicable	Not Applicable	Not Applicable	5,597.99
16	Deposits with other financial institutions for operational purposes.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
17	Current loans and securities:	0.00	116,579.15	40,832.20	299,171.87	331,390.20	0.00	116,579.15	40,832.20	299,171.87	331,390.20
18	Guaranteed financing granted to financial institutions with eligible liquid assets of level I.	0.00	2,350.75	0.00	0.00	235.08	0.00	2,350.75	0.00	0.00	235.08
19	Guaranteed financing granted to financial institutions with non-tier I eligible liquid assets.	0.00	9,336.14	4,702.06	2,166.77	5,918.22	0.00	9,336.14	4,702.06	2,166.77	5,918.22
20	Guaranteed financing granted to counterparties other than financial institutions, which:	0.00	86,898.38	33,227.71	135,296.32	168,516.27	0.00	86,898.38	33,227.71	135,296.32	168,516.27
21	They have a credit risk weighting less than or equal to 35% according to the Basel II Standard Method for Credit Risk.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
22	Housing Credits (in force), of which:	0.00	3,147.18	3,338.33	184,154.21	147,655.25	0.00	3,147.18	3,338.33	184,154.21	147,655.25
23	They have a credit risk weighting less than or equal to 35% according to the Standard Method established in the Provisions.	0.00	411.03	435.90	24,135.44	16,111.50	0.00	411.03	435.90	24,135.44	16,111.50
24	Debt securities and shares other than Eligible Liquid Assets (which are not in default).	0.00	15,257.73	0.00	1,690.01	9,065.38	0.00	15,257.73	0.00	1,690.01	9,065.38
25	Interdependent assets.	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
26	Other Assets:	0.00	52,125.42	860.61	3,331.51	43,592.18	0.00	52,125.42	860.61	3,331.51	43,592.18
27	Physically traded commodities, including gold.	0.00	Not Applicable	Not Applicable	Not Applicable	0.00	0.00	Not Applicable	Not Applicable	Not Applicable	0.00
28	Initial margin granted on transactions in derivative financial instruments and contributions to the loss-absorbing fund of central counterparties	Not Applicable	1,726.12	0.00	0.00	1,467.20	Not Applicable	1,726.12	0.00	0.00	1,467.20
29	Derivative assets for purposes of the Net Stable Funding Ratio.	Not Applicable	0.00	0.00	0.00	3,072.02	Not Applicable	0.00	0.00	0.00	3,072.02
30	Derivative liabilities for Net Stable Funding Ratio purposes before deduction for changes in initial margin	Not Applicable	0.00	0.00	0.00	3,385.72	Not Applicable	0.00	0.00	0.00	3,385.72
31	All assets and operations not included in the above categories.		50,399.30	860.61	3,331.51	35,667.23	0.00	50,399.30	860.61	3,331.51	35,667.23
32	Off-balance sheet operations.	Not Applicable	251,387.23	0.00	0.00	12,569.36	Not Applicable	251,387.23	0.00	0.00	12,569.36
33	Total Amount of Stable Financing Required.	Not Applicable	Not Applicable	Not Applicable	Not Applicable	393,149.73	Not Applicable	Not Applicable	Not Applicable	Not Applicable	393,149.73
34	**Net Stable Funding Ratio (%).**	**Not Applicable**	**Not Applicable**	**Not Applicable**	**Not Applicable**	**110.84**	**Not Applicable**	**Not Applicable**	**Not Applicable**	**Not Applicable**	**110.84**

(a) The main causes of the results of the Net Stable Financing Ratio and the evolution of its main components.

(Continued)

[9] Annex 10 of the general provisions on liquidity requirements for multiple banking institutions. Figures Previous.

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During December 2022, the main items that determined the level of the NSFR are the following:

- **Stable funding available:**

  Funding Weighted by deposits of immediate payability for $166,274 and traditional term deposits for $140,540, Capital (fundamental and complementary) for $82,671, bank funding and professional funding for $24,827 and $7,975 respectively; and finally collateralized funding for $8,385.

- **Stable Funding Required:**

  Funded Required weighted by portfolios of $337,606 and by money market operations of $14,757, credit commitments and estimated support to financial institutions of the group for $15,825, capital deductions for $10,479 and finally, requirement for derivative operations for $6,442.

(b) The changes of the main components within the quarter that is reported.

Third quarter 2022 average: 111.70% % – Fourth quarter 2022 average: 110.84% (decrease: 86bps). The net funding ratio decreased 86bp compared to the third quarter of 2022, mainly due to:

a. The Stable Available anchoring had the following changes: The traditional anchoring increased by MXN 17,254 MM. Professional funding increased by MXN 5,160 MM.
b. Stable Required funding had the following changes: Weighted loan portfolios grew $16,476.

(c) The evolution of the composition of the Amount of Stable Financing Available and the Amount of Stable Financing Required.

Amount (MXN M M)	September	December
Available stable funding	415,063	433,648
Required stable funding	383,918	396,282
Net stable funding ratio	**108.11%**	**109.43%**

(d) The impact on the Net Stable Financing Ratio of the incorporation of the entities subject to consolidation.

The entities subject to consolidation in accordance with the accounting rules, and with the approval of the board of directors are the following:

- Inmobiliaria Scotia Inverlat, S.A. de C.V.
- Scotia Servicios de Apoyo, S.A. de C.V.
- Scotia Inverlat Derivados

(Continued)

(Millions of pesos)

Due to the fact that its activities are limited either to client positions, or a reduced volume, the impact on the NSFR is less than 1%.

(27) Subsequent events

On February 8, 2023, the Financial Group received dividends from the Bank for $2,850, also on the same date, through the Ordinary General Shareholders' Meeting, the distribution of dividends up to the amount of $2,850 from the "Retained earnings" account was authorized, which were paid to shareholders on February 8, 2023.

The collection of dividends is shown below.

Subsidiary	Date of decree		Amount	Collection date		Amount
Bank	08-Feb-23	$	2,850	08-Feb-23	$	2,850
		$	**2,850**		$	**2,850**

The dividend payment is shown below.

Subsidiary	Date of decree		Amount	Payment date		Amount
The Bank of Nova Scotia and non-controlling shareholders	08-Feb-23	$	2,850	08-Feb-23	$	2,850
		$	**2,850**		$	**2,850**

(28) Recently issued regulatory pronouncements

The Mexican Council of Financial Reporting Standards, A. C. (CINIF) has issued the following NIF and Improvements:

Improvements to the NIF 2023

In December 2022, the CINIF issued the document called "Improvements to the NIF 2023", which contains specific modifications to some existing NIFs. The main improvements did not generate accounting changes for the Group.