Grupo Financiero Scotiabank Inverlat, S.A. de C.V.,
(Sociedad Controladora Filial)
and subsidiaries

Consolidated financial statements

December 31, 2023 and 2022

(With Independent Auditors’ Report Thereon)

(Translation from Spanish Language Original)

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Independent auditors' report

(Translation from Spanish Language Original)

To the Board of Directors and Shareholders of
Grupo Financiero Scotiabank Inverlat, S.A. de C.V.
Sociedad Controladora Filial:

(Millions of Mexican pesos)

Opinion

We have audited the consolidated financial statements of Grupo Financiero Scotiabank Inverlat, S.A. de C.V., *Sociedad Controladora Filial* and subsidiaries (the "Group"), which comprise the consolidated statements of financial positions as at December 31, 2023 and 2022, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes, including 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., *Sociedad Controladora Filial* and subsidiaries, have been prepared, in all material respects, in accordance with the Accounting Criteria for Financial Groups' Holding Companies in Mexico (*Criterios de Contabilidad para las Sociedades Controladoras de Grupos Financieros en México*) (the "Accounting Criteria"), issued by the National Banking and Securities Commission (the "Commission").

Basis for 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 of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Mexico, and we have fulfilled all 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters have been 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.

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Allowance for expected credit loss (ECL) of $13,209 in the consolidated statement of financial position	
See notes 3(p) and 10(g) to the consolidated financial statements	
The key audit matter	**How the matter was addressed in our audit**
The allowance for ECL for consumer, residential mortgage, and commercial loan portfolios involves significant judgments in assessing the credit quality of debtors, considering the various factors established in the methodologies prescribed by the Commission for the credit portfolio rating process, as well as to assess the reliability of the documentation and updating of the information that serves as input for the determination of the allowance for ECL for all credit portfolios. Therefore, we have determined the allowance for ECL as a key audit matter.	The audit procedures applied to the determination by management of the allowance for ECL in the profit or loss for the year included the assessment, through selective testing, of both the inputs used and the calculation mechanics for the different loan portfolios based on the current methodologies for each type of portfolio established by the Commission. Additionally, with the participation of our specialists at December 31, 2023, we conducted an assessment of the model used and the relevant inputs used for the calculation.

Derivative financial instruments for trading purposes over-the-counter $31,603 (asset) and $32,216 (liability) and hedging transactions $11,153 (asset) and $9,015 (liability)	
see notes 3(j) and 9 to the consolidated financial statements	
The key audit matter	**How the 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 management judgment, particularly when inputs from different sources or unobservable market data and complex valuation models are required. Additionally, the requirements that must be met for the accounting of financial instruments as hedges, as well as the documentation and monitoring to prove the effectiveness thereof, involve a certain degree of specialisation by 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 matter in our audit.	As part of our audit procedures, we obtained evidence of the approval, by the Group's Risk Committee, of the valuation models for over-the-counter derivative financial instruments and hedging transactions used by management. Moreover, by conducting selective tests, we assessed fairness of such models and the inputs used, with the participation of our specialists. Additionally, through selective tests, we evaluated the proper measurement and classification of the fair value of over-the-counter derivative financial instruments in recognised markets and for hedging operations, the proper compliance with the criteria and documentation to be considered as such, as well as their effectiveness.

(Continued)

Current and deferred income tax $4,368 (profit or loss for the year) $6,214 (asset) and current and deferred employee profit sharing (PTU) $1,281 (profit or loss for the year) and $1,556 (asset)

See note 18 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
The determination of current and deferred income taxes and PTU is complex mainly due to the interpretation of current tax legislation, and requires significant judgments mainly in the valuation of deferred income tax and PTU assets to assess factors both present and future that may allow estimating the realisation of such assets. As a result of the above, we consider this matter to be a key audit matter.	The audit procedures applied in assessing the fairness of the calculations determined by management for the recognition of current and deferred income taxes and PTU included, among others, selective tests of both the inputs used and the nature of the items that were part of the calculation, considering current tax legislation. With the participation of our specialists, we assess the fairness of the significant tax assumptions, the period of reversal of temporary differences, and the expiration of tax losses, as well as the fairness of the tax strategies proposed by the Group's management.

Responsibilities of Management and of Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation of the accompanying consolidated financial statements in accordance with the Accounting Criteria issued by the Commission, and for such internal control as management determines is 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 for the Audit of 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 scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and 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, 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 and conditions may cause the Group to cease to continue as a going concern.

(Continued)

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain 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 eliminate 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 Cárdenas Dosal, S.C.

Paul Scherenberg Gomez

Mexico City, March 2, 2024.

Grupo Financiero Scotiabank Inverlat, S.A. de C.V.,
(*Sociedad Controladora Filial*)
and subsidiaries

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

Consolidated statements of financial position

December 31, 2023 and 2022

(Millions of Mexican pesos)

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

Assets	**2023**	**2022**
Cash and cash equivalents (note 6)	$ 47,852	64,160
Margin accounts (Derivative financial instruments) (note 9)	1,382	2,137
Investments in financial instruments (note 7):		
Negotiable financial instruments	82,948	64,270
Financial instruments to collect or sell	102,399	64,243
Financial instruments to collect principal and interest (securities)(net)	4,903	4,717
	190,250	133,230
Debtors on repurchase/resale agreements (note 8)	8,002	3,377
Derivative financial instruments (note 9):		
For trading purposes	31,603	30,681
For hedging purposes	11,153	5,608
	42,756	36,289
Valuation adjustments related to financial assets hedged	(650)	(1,380)
Loan portfolio with Stage 1 credit risk (note 10):		
Commercial loans	245,529	254,286
Consumer loans	36,351	32,612
Residential mortgages	209,828	186,539
Total interest from loan portfolio with Stage 1 credit risk	491,708	473,437
Loan portfolio with Stage 2 credit risk (note 10):		
Commercial loans	235	160
Consumer loans	923	647
Residential mortgages	3,653	2,532
Total interest from loan portfolio with Stage 2 credit risk	4,811	3,339
Loan portfolio with Stage 3 credit risk (note 10):		
Commercial loans	6,415	9,651
Consumer loans	937	832
Residential mortgages	9,709	8,058
Total interest from loan portfolio with Stage 3 credit risk	17,061	18,541
Loan portfolio	513,580	495,317
Plus:		
Deferred items (note 10(d))	3,093	2,746
Less:		
Allowance for expected credit losses (note 10(g))	13,209	16,805
Total loan portfolio, net	503,464	481,258
Other accounts receivable, net (note 11)	27,258	16,168
Foreclosed assets, net (note 12)	585	292
Long-lived assets held for sale or for distribution to shareholders	14	14
Advance payments and other assets, net	2,636	3,003
Property, furniture and equipment, net (note 13)	5,436	4,949
Assets for right-of-use of property, furniture and equipment, net (note 14)	2,449	2,702
Permanent investments (note 15)	375	121
Deferred income tax assets, net (note 18)	6,214	6,585
Intangible assets, net	4,785	4,795
Total assets	$ 842,808	757,700

Liabilities and equity	**2023**	**2022**
Deposits funding (note 16):		
Demand deposits	$ 275,582	231,307
Time deposits:		
General public	208,686	209,629
Money market	44,504	31,175
	253,190	240,804
Negotiable instruments issued	10,941	11,765
Global deposit account without movements	1,297	979
	541,010	484,855
Banks and other borrowings (note 17):		
Short-term	30,302	29,869
Long-term	6,502	19,649
	36,804	49,518
Securities assigned to be cleared up (note 7)	11,770	7,800
Creditors on repurchase/resale agreements (note 8)	50,552	43,450
Sold/pledged collaterals (8):		
Repurchase/resale transactions (credit balance)	24,782	14,481
Securities lending	1,439	2,020
	26,221	16,501
Derivative financial instruments (note 9):		
For trading purposes	32,216	30,834
For hedging purposes	9,015	3,487
	41,231	34,321
Valuation adjustments related to financial liabilities hedged	-	2
Lease liabilities (note 14)	2,591	2,842
Other accounts payable, net (note 19):		
Creditors on settlement of transactions	13,203	6,269
Creditors on margin accounts	1,655	1,943
Creditors on cash received as collateral	3,217	4,135
Taxes payable	633	536
Sundry creditors and other accounts payable	13,567	8,463
	32,275	21,346
Financial instruments that qualify as liabilities (note 20):		
Subordinated obligations outstanding	9,060	9,057
Income tax liabilities (note 18)	476	2,128
Employee benefit liability (note 21)	6,559	5,869
Deferred credits and advance payments	1,071	1,057
Total liabilities	759,620	678,746
Equity (note 22):		
Contributed capital:		
Share capital	4,507	4,507
Earned capital:		
Capital reserves	901	901
Retained earnings	77,799	73,545
Retained earnings	78,700	74,446
Other comprehensive income (OCI) (note 22(b)):		
Valuation of financial instruments to collect or sell	(100)	(357)
Valuation of cash flow hedge derivative financial instruments	702	852
Remeasurement of employee benefits	(621)	(494)
Equity in OCI of other entities	(2)	(2)
	(21)	(1)
Total controlling interest	83,186	78,952
Total non-controlling interest	2	2
Total equity	83,188	78,954
Commitments and contingent liabilities (note 26)		
Subsequent events (note 28)		
Total liabilities and equity	$ 842,808	757,700

(Continued)

Grupo Financiero Scotiabank Inverlat, S.A. de C.V.,
(*Sociedad Controladora Filial*)
and subsidiaries

Lorenzo Boturini 202, Col. Tránsito, C.P. 06820, Ciudad de México

Consolidated statements of financial position (continued)

December 31, 2023 and 2022

(Millions of Mexican pesos)

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

Memorandum accounts

Third-party transactions	**2023**	**2022**
Current accounts clients:		
Customer bank	$ 197	111
Settlement of client transactions	84	863
	281	974
Custody transactions (note 24a):		
Financial instruments (securities) of clients	531,001	495,246
Transactions on behalf of clients:		
Repurchase/resale transactions on behalf of clients (24 (b))	35,581	24,652
Securities lending transactions on behalf of clients (note 24 (c))	60	56
Collaterals received as pledge on behalf of clients (note 24 (d))	17,797	12,332
Collateral delivered as pledge on behalf of clients (note 24 (e))	37,022	29,877
Managed trusts	226	220
	90,686	67,137
Totals on behalf of third-parties	$ 621,968	563,357

Own account transactions	**2023**	**2022**
Credit commitments (note 24(g))	$ 258,234	264,565
Assets in trust or under mandate (note 24(h)):		
In trust	457,217	417,733
Under mandate	29,111	29,278
	486,328	447,011
Assets in custody or under management (note 24(i))	1,092,398	897,975
Shares held in custody or as collateral	12,913	12,913
Collaterals received by the entity (note 24 (b)):		
Government debt	10,496	6,783
Other debt securities	-	52
Equity financial instruments	128	795
Other financial instruments	4,849	4,560
	15,473	12,190
Collateral received and sold or pledged by the entity (note 24 (f)):		
Government debt	26,158	16,075
Other debt securities	-	52
Equity financial instruments	61	110
	26,219	16,237
Accrued interest not collected derived from loan portfolio with Stage 3 credit risk	1,601	1,334
Other control accounts (note (k))	1,960,531	1,670,988
Total for own account transactions	$ 3,853,697	3,323,213

The historical balance of share capital at December 31, 2023 and 2022 is $3,111 for both years.

The accompanying clarification notes are an integral part of these consolidated financial statements.

"These statements of financial position were prepared in accordance with the accounting criteria for holding and subholding companies issued by the Regulatory Commissions based on Articles 91, 92, 94 and 101 of the Law to Regulate Financial Groups (*Ley para Regular las Agrupaciones Financieras*), which are of general and mandatory nature. Accordingly, they reflect the transactions carried out by the Group and the financial entities and other companies that are part of the financial group and are subject to consolidation through the dates noted above. Furthermore, these transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions.

These consolidated statements of financial position were approved by the Board of Directors under the responsibility of the undersigned officers".

SIGNATURE

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

SIGNATURE

Carlos Marcelo Brina
Assistant General Director of Finance

SIGNATURE

Ángel Omar Estrada Valencia
Interim Assistant General Director of Internal Audit for Mexico

SIGNATURE

Julián Felipe Vásquez Wilches
Director of Corporate - General Accounting and Regulatory Reporting

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Grupo Financiero Scotiabank Inverlat, S.A. de C.V.,
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and subsidiaries

Lorenzo Boturini 202, Col. Tránsito, C.P. 06820, Ciudad de México

Consolidated statements of comprehensive income

For the years ended December 31, 2023 and 2022

(Millions of Mexican pesos)

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

		2023	2022
Interest income (note 25)	$	79,495	57,572
Interest expense (note 25)		(52,029)	(31,583)
Net interest income		27,466	25,989
Allowance for expected credit losses (note 10(g))		(2,197)	(1,763)
Net interest income adjusted for allowance for ECL		25,269	24,226
Commission and fee income (note 25 (d))		7,274	7,324
Commissions and fee expense		(567)	(723)
Financial intermediation income (note 25 (e))		2,102	1,682
Other operating income (expense), net (note 25 (f))		304	488
Administrative and promotional expenses (notes 23 and 25)		(18,511)	(17,951)
		(9,398)	(9,180)
Operating profit		15,871	15,046
Equity in income of other entities		570	59
Profit before income tax		16,441	15,105
Income tax (note 18):			
Current income tax		(3,987)	(3,312)
Deferred income tax		(381)	252
		(4,368)	(3,060)
Net profit or loss		12,073	12,045
Other comprehensive income:			
Valuation of financial instruments to collect or sell		257	(246)
Valuation of cash flow hedge derivative financial instruments		(150)	473
Remeasurement of employee benefits		(127)	210
Equity in OCI of other entities		-	(2)
		(20)	435
Comprehensive income	$	12,053	12,480
Net profit attributable to:			
Controlling interests	$	12,073	12,045
Comprehensive income attributable to:			
Controlling interests	$	12,053	12,480

The accompanying clarification notes are an integral part of these consolidated financial statements.

“These statements of comprehensive income were prepared in accordance with the accounting criteria for holding and subholding companies issued by the Regulatory Commissions based on Articles 91, 92, 94 and 101 of the Law to Regulate Financial Groups (*Ley para Regular las Agrupaciones Financieras*), which are of general and mandatory nature, applied consistently. Accordingly, they reflect the revenues and disbursements relating to the transactions carried out by the Group for the periods noted above. Furthermore, these transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions.

These consolidated statements of comprehensive income were approved by the Board of Directors under the responsibility of the undersigned officers”.

SIGNATURE

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

SIGNATURE

Carlos Marcelo Brina
Assistant General Director of Finance

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Director of Corporate General Accounting and Regulatory Reporting

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Grupo Financiero Scotiabank Inverlat, S.A. de C.V.,
(*Sociedad Controladora Filial*)
and subsidiaries

Lorenzo Boturini 202, Col. Tránsito, C.P. 06820, Ciudad de México

Consolidated statements of changes in equity

For the years ended December 31, 2023 and 2022

(Millions of Mexican pesos)

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

	Paid-in capital	Earned capital								
	Share capital	Capital reserves	Retained earnings	Valuation of financial instruments to collect or sell	Valuation of derivative financial instruments for cash flow hedging	Remeasurement of defined benefits for employees	Share in OCI of other entities	Total controlling interest	Non-controlling interest	Total equity
Balance at January 1, 2022 previously reported	$ 4,507	901	67,035	(111)	379	(704)	-	72,007	2	72,009
Retrospective adjustments for accounting changes (note 10 (g))	-	-	(535)	-	-	-	-	(535)	-	(535)
Adjusted balance at January 1, 2022	4,507	901	66,500	(111)	379	(704)	-	71,472	2	71,474
Shareholders movement:										
Dividends declared (note 22 (c))	-	-	(5,000)	-	-	-	-	(5,000)	-	(5,000)
Total	-	-	(5,000)	-	-	-	-	(5,000)	-	(5,000)
Comprehensive income (loss):										
Net profit or loss	-	-	12,045	-	-	-	-	12,045	-	12,045
Other comprehensive income:										
Valuation of financial instruments to collect or sell	-	-	-	(246)	-	-	-	(246)	-	(246)
Valuation of cash flow hedge derivative financial instruments	-	-	-	-	473	-	-	473	-	473
Remeasurement of employee benefits	-	-	-	-	-	210	-	210	-	210
Equity in OCI of other entities	-	-	-	-	-	-	(2)	(2)	-	(2)
Total	-	-	12,045	(246)	473	210	(2)	12,480	-	12,480
Balances at December 31, 2022	4,507	901	73,545	(357)	852	(494)	(2)	78,952	2	78,954
Shareholders movement:										
Dividends declared (note 22 (c))	-	-	(7,850)	-	-	-	-	(7,850)	-	(7,850)
Other elements of equity	-	-	31	-	-	-	-	31	-	31
Total	-	-	(7,819)	-	-	-	-	(7,819)	-	(7,819)
Comprehensive income (loss):										
Net profit or loss	-	-	12,073	-	-	-	-	12,073	-	12,073
Other comprehensive income:										
Valuation of financial instruments to collect or sell	-	-	-	257	-	-	-	257	-	257
Valuation of cash flow hedge derivative financial instruments	-	-	-	-	(150)	-	-	(150)	-	(150)
Remeasurement of employee benefits	-	-	-	-	-	(127)	-	(127)	-	(127)
Total	-	-	12,073	257	(150)	(127)	-	12,053	-	12,053
Balances at December 31, 2023	$ 4,507	901	77,799	(100)	702	(621)	(2)	83,186	2	83,188

The accompanying clarification notes are an integral part of these consolidated financial statements.

"These statements of changes in equity were prepared in accordance with the accounting criteria for holding and subholding companies issued by the Regulatory Commissions based on Articles 91, 92, 94 and 101 of the Law to Regulate Financial Groups (*Ley para Regular las Agrupaciones Financieras*), which are of a general and mandatory nature, applied consistently. Accordingly, they reflect the equity account entries relating to the transactions carried out by the Group for the periods noted above. Furthermore, these transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions.

These consolidated statements of changes in equity were approved by the Board of Directors under the responsibility of the undersigned officers".

SIGNATURE

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

SIGNATURE

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Grupo Financiero Scotiabank Inverlat, S.A. de C.V.,
(*Sociedad Controladora Filial*)
and subsidiaries

Lorenzo Boturini 202, Col. Tránsito, C.P. 06820, Ciudad de México

Consolidated statements of cash flows

For the years ended December 31, 2023 and 2022

(Millions of Mexican pesos)

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

	2023	2022
Cash flows from operating activities:		
Profit before income tax	$ 16,441	15,105
Adjustments for items associated with investment activities:		
Depreciation of property, furniture and equipment	1,119	1,061
Amortisation of intangible assets	841	843
Impairment losses or reversals of impairment losses on long-lived assets	18	(35)
Equity in income of other entities	(570)	(59)
Other adjustments for items associated with investment activities	170	1,630
Adjustments for items associated with financing activities:		
Interest associated with financial instruments that qualify as liabilities	2,027	978
Total	20,046	19,523
Changes in operating items:		
Change in bank and other borrowings	(12,714)	1,111
Change in margin accounts (derivative financial instruments)	755	(588)
Change investments in financial instruments (securities), net	(52,635)	3,428
Change in debtors on repurchase/resale agreements, net	2,477	(18,447)
Change in derivative financial instruments (assets)	(6,741)	(12,505)
Change in loan portfolio, net	(22,206)	(62,764)
Change in other accounts receivable, net	(11,092)	(5,456)
Change in foreclosed assets, net	(293)	(183)
Change in other operating assets, net	(3,856)	2,617
Change in deposits funding	56,156	43,613
Change in collateral sold or pledged	9,720	26,864
Change in derivative financial instruments (liabilities)	6,910	12,235
Change in obligations for securitisation transactions	3	3
Change in other operating liabilities	11	(86)
Changes in assets/liabilities for employee benefits	499	583
Change in other accounts payable	10,929	8,454
Change in other allowances	-	(105)
Payment of income tax	(6,942)	(635)
Net cash flows provided by operating activities	(8,973)	17,662
Investing activities:		
Payments of property, furniture and equipment	(1,018)	(1,201)
Cash dividends received from permanent investments	167	-
Payments for acquisition of associates, joint ventures and other permanent investments	(2)	(3)
Payments for acquisition of intangible assets	(832)	(740)
Net cash flows provided by investing activities	(1,685)	(1,944)
Financing activities:		
Payment of lease liabilities	(773)	(729)
Payments of cash dividends	(2,850)	(5,000)
Payments associated with financial instruments that qualify as liabilities	(2,027)	(978)
Net cash flows provided by financing activities	(5,650)	(6,707)
Net (decrease) increase in cash and cash equivalents	(16,308)	9,011
Cash and cash equivalents at the beginning of the period	64,160	55,149
Cash and cash equivalents at the end of the period	$ 47,852	64,160

The accompanying clarification notes are an integral part of these consolidated financial statements.

"These statements of cash flows were prepared in accordance with the accounting criteria for holding and subholding companies issued by the Regulatory Commissions based on Articles 91, 92, 94 and 101 of the Law to Regulate Financial Groups (*Ley para Regular las Agrupaciones Financieras*), which are of general and mandatory nature. Accordingly, they reflect cash inflows and outflows relating to the transactions carried out by the Group for the periods noted above. Furthermore, these transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions.

These consolidated statements of cash flows were approved by the Board of Directors under the responsibility of the undersigned officers".

SIGNATURE

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

SIGNATURE

Carlos Marcelo Brina
Assistant General Director of Finance

SIGNATURE

Ángel Omar Estrada Valencia
Interim Assistant General Director of Internal
Audit for Mexico

SIGNATURE

Julián Felipe Vásquez Wilches
Director of Corporate
General Accounting and Regulatory
Reporting

https://www.scotiabank.com.mx/es-mx/Acerca-de-Scotiabank/Relacion-con-Inversionistas/Relaciones-con-Inversionistas/estados-financieros.aspx
https://www.cnbv.gob.mx/paginas/default.aspx

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

(1) Outstanding activity and operation-

a) Reporting entity

Grupo Financiero Scotiabank Inverlat, S.A. de C.V., is a *Sociedad Controladora Filial* (the "Group") domiciled in Mexico. The Group's, registered office is at Lorenzo Boturini 202, Piso 2, Col. Tránsito, 06820, Mexico City. The Group is a subsidiary of The Bank of Nova Scotia ("BNS"), which owns 97.4% of the Group's share capital and is authorised to acquire and manage voting shares issued by financial and stock market entities, credit auxiliary organizations, as well as those companies that predominantly provide complementary or ancillary services to one or more of said financial entities.

At December 31, 2023 and 2022, the Group and its subsidiaries, which have been consolidated, are as follows:

- Scotiabank Inverlat, S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat (the "Bank"), which is involved in providing multiple banking services in accordance with the terms of the Credit Institutions Law (*Ley de Instituciones de Crédito*) and the general provisions issued by the National Banking and Securities Commission (the "Commission"), including, among others, the reception of deposits, acceptance of loans, granting of credits, trading in securities, and the execution of trust agreements. The Bank has three consolidating subsidiaries (a real estate Company, a complementary banking services company, and an operating company in Mercado Mexicano de Derivados, S.A. de C.V. ("MexDer"). The derivative operating company hast, in turn, two liquidating partner trusts subscribing shares of MexDer's share capital (the "MexDer Trusts").

– Scotia Inverlat Casa de Bolsa, S. A. de C. V., Grupo Financiero Scotiabank Inverlat (the "Broker-dealer"), is a company authorised to act as a broker in securities and financial transactions in accordance with the applicable laws and general provisions issued by the Commission.

– Scotia Fondos, S. A. de C. V., Sociedad Operadora de Fondos de Inversión, Grupo Financiero Scotiabank Inverlat (the "Fund Manager"), is a company authorized to act as an investment fund operator in accordance with the applicable laws and general provisions issued by the Commission.

  At December 31, 2023 and 2022, the Fund Manager operates 15 investment funds in debt instruments and 31 (2022: 29) variable-rate investment funds.

– Up to June 30, 2022, Crédito Familiar, S.A. de C.V., Sociedad Financiera de Objeto Múltiple Entidad Regulada, Grupo Financiero Scotiabank Inverlat ("Crédito Familiar"), which was a company operating under the general provisions issued by the Commission, involved in the granting of consumer loans, which, in turn, had two subsidiaries (a service company and an asset manager). All the aforementioned companies were merged with the Bank on June 30, 2022, and ceased to exist on that date.

b) Significant transactions

a. Sale of the Bank's indirect interest in Promoción y Operación, S.A. de C.V. ("Prosa").

   On December 15, 2023, Controladora Prosa, S.A. de C.V. ("Controladora Prosa") and Visa International Service Association ("VISA") entered into a stock purchase agreement, whereby VISA agreed to purchase a majority interest in Prosa.

(Continued)

Prosa is a subsidiary of Controladora Prosa, in which the Bank has a 19.73% interest in the share capital. This transaction is estimated to be completed during the second half of 2024, once the corresponding regulatory approvals are obtained, and therefore the financial effects of the sale will be recognised in profit or loss for the year.

b. Merger of Crédito Familiar, S. A. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad Regulada, Grupo Financiero Scotiabank Inverlat.

On June 30, 2022, the Extraordinary General Shareholders' Meeting was held, where the merger of Crédito Familiar, S.A. de C.V., Sociedad Financiera de Objeto Múltiple, Entidad Regulada, Grupo Financiero Scotiabank Inverlat ("Crédito Familiar") was approved as the "merged company", with the Bank as the "surviving company", resulting in the extinction of Crédito Familiar.

On June 9, 2022, by means of official notice No. UBVA/17072022, the Bank and Crédito Familiar, its related party, obtained the necessary authorisations from the Ministry of Finance and Public Credit ("SHCP"), with prior authorisation from the Mexican Central Bank (*Banco de Mexico*) and the National Banking and Securities Commission (the "Commission"), to perform the merger of Crédito Familiar as the merged company to be extinguished, with the Bank, as the surviving company. As a result of this merger, the Bank's share capital increased by $83 and a share premium of $910 was recognised.

In accordance with the General Corporation Law (*Ley General de Sociedades Mercantiles*), upon the effectiveness of the merger, all assets, liabilities, rights, obligations, and responsibilities of the merged company are incorporated into the surviving company, without any reservation or limitation.

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

By means of official notices 312-3/0389/2020 and 312-3/2511276/2022 dated December 14, 2020, and April 6, 2022, respectively, the Commission informed Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat (the "Broker-dealer") of the authorization for the spin-off in its capacity as divesting company that is not extinguished, in order to carve out a portion of its assets, for a total amount of $900 mainly in cash or investments in Treasury Bills or other government securities, and a portion of its equity, for a total amount of $900 in a portion of the Broker-dealer's current share capital, for an amount of $208, and in a portion of the retained earnings attributable to previous years, for an amount of $692, which were contributed to conform the Divested Company's share capital, which was established as a result of the spin-off, Esquina Ibsen S.A. de C.V. (the "Divested Company"). The spin-off became effective on June 30, 2022.

d. Merger of Esquina Ibsen S. A. de C. V.

On June 9, 2022, by means of official notice No. UBVA/17072022, the SHCP authorized the merger of the Bank, as surviving company, with Esquina Ibsen S.A. de C.V. ("Esquina Ibsen") as merged company, subject to the approval of the Mexican Central Bank and the Commission. As a result of this merger, the Bank's share capital increased by $130 and a share premium of $770 was recognised.

During the Extraordinary General Shareholders' Meeting held on June 30, 2022, it was resolved to approve the merger of the Bank, as surviving company, with Esquina Ibsen, as merged company. The merger became effective on the same date.

(Continued)

Grupo Financiero Scotiabank Inverlat, S.A. de C.V.,
(Sociedad Controladora Filial)
and subsidiaries

Notes to the consolidated financial statements

(Millions of Mexican pesos)

The assets and liabilities that were transferred to the Bank at June 30, 2022, due to the merger of Crédito Familiar and Esquina Ibsen are shown below.

		Before the merger, the Bank surviving entity	Before the merger, Crédito Familiar merged entity	Before the merger , Esquina Ibsen merged entity	After the merger, the Bank surviving entity
Assets:					
Cash and cash equivalents	$	40,574	326	900	41,800
Margin accounts (Derivative financial instruments)		814	-	-	814
Investments in financial instruments		130,868	-	-	130,868
Debtors on repurchase/resale agreements		11	-	-	11
Derivative financial instruments		33,995	-	-	33,995
Valuation adjustments related to financial assets hedged		(1,078)	-	-	(1,078)
Loan portfolio		462,855	687	-	463,542
Allowance for ECL		(15,742)	(63)	-	(15,805)
Other accounts receivable (net)		25,526	8	-	25,534
Foreclosed assets (net)		194	-	-	194
Long-lived assets held for sale or for distribution to owners		17	-	-	17
Advance payments and other assets (net)		4,957	18	-	4,975
Property, furniture and equipment (net)		4,214	-	-	4,214
Assets for right-of-use of property, furniture and equipment (net)		2,686	-	-	2,686
Permanent investments		52	-	-	52
Deferred income tax assets (net)		5,672	55	-	5,727
Intangible assets (net)		4,539	-	-	4,539
Assets for right-of-use of intangible assets (net)		-	71	-	71
Total assets		700,154	1,102	900	702,156
Liabilities:					
Deposits funding		444,418	-	-	444,418
Interbank loans and loans from other institutions		38,494	629	-	39,123
Securities assigned to be cleared up		10,270	-	-	10,270
Creditors on repurchase/resale agreements		54,475	-	-	54,475
Collateral sold or pledged		1,444	-	-	1,444
Derivative financial instruments		31,370	-	-	31,370
Valuation adjustments related to financial liabilities hedged		6	-	-	6
Lease liabilities		27,71	-	-	2,771
Other accounts payable		26,015	18	-	26,033
Financial instruments that qualify as liabilities		9,259	-	-	9,259
Income tax liabilities		1,360	12	-	1,372
Employee benefit liabilities		5,488	11	-	5,499
Deferred credits and advance payments		1,501	-	-	1,501
Total liabilities		**626,871**	**670**	**-**	**627,541**
Net assets received from the merger	$	**73,283**	**432**	**900**	**74,615**

As these are common control entities, given that they are subsidiaries of the same holding company, the merger was accounted for based on the carrying amounts of the merged entity.

(Continued)

(2) Authorization and Basis of Preparation-

Authorization

On March 2, 2024, Adrián Otero Rosiles (General Director of Scotiabank Inverlat, S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat), Carlos Marcelo Brina (Assistant General Director of Finance), Ángel Omar Estrada Valencia (Acting Assistant General Director of Internal Audit for Mexico), and Julián Felipe Vásquez Wilches (Director of Corporate General Accounting and Regulatory Reporting) authorised the issuance of the accompanying consolidated financial statements and the notes thereto.

In accordance with the General Corporation Law (“LGSM”), the Group’s bylaws, and the General Provisions applicable to Credit Institutions (the “Provisions”) issued by the Commission, the shareholders and the Commission are authorised to amend the consolidated financial statements after their issuance. The accompanying 2023 consolidated financial statements will be submitted to the Shareholders for approval.

Basis of accounting

a) Statement of Compliance

The accompanying consolidated financial statements are prepared in accordance with the applicable laws, and according to the accounting criteria contained in the General Provisions applicable to financial groups’ holding companies subject to the supervision of the Commission (the “Accounting Criteria”), which is responsible for the inspection and oversight of financial groups’ holding companies and performs the review of their financial information.

The Accounting Criteria state that the accounting of financial groups must adhere to the basic structure of the Mexican Financial Reporting Standards (“NIF”) as defined by Consejo Mexicano de Normas de Información Financiera, A.C. (“CINIF”) in NIF A-1 “Structure of financial information standards”, considering in the first instance the NIF contained in the NIF Series A “Conceptual framework”, as well as that provided for in accounting criterion A-4 “Supplementary application to accounting criteria”. Furthermore, they establish that institutions must observe the accounting guidelines of the NIF, except when it is necessary, at the discretion of the Commission, to apply specific accounting standards or criteria for the recognition, valuation, presentation, and disclosure applicable to specific items in the consolidated financial statements and those applicable to preparation thereof.

Accounting Criteria establish that in the absence of a specific accounting criteria of the Commission for credit institutions or, in a broader context, of the NIF issued by the CINIF, the supplementary bases provided for in NIF A-8 “Supplementary Provisions” will be applied, and a supplementary standard that belongs to any other regulatory scheme may only be used if the International Financial Reporting Standards (“IFRS”) referred to in NIF A-8 do not establish an accounting criterion, provided that all requirements established in said NIF and the same accounting criterion are met, and the supplementary provisions must be applied in the following order: the United States Generally Accepted Accounting Principles (“US GAAP”) and any accounting standard that is part of a formal and recognised set of standards, provided that the requirements of criterion A-4, “Supplementary application to accounting criteria” of the Commission are met.

(Continued)

b) Use of Judgements and Estimates

In preparing these consolidated financial statements, management has made judgements and estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the consolidated financial statements, and the reported amounts of income and expenses during the financial year. Actual results could differ from those estimates and assumptions.

Judgments

Information on judgments made in the application of accounting policies that have the most important effect on the amounts recognised in the consolidated financial statements are described in the following note:

- Note 7 – Investments in financial instruments: definition of the business model: Financial instruments to collect principal and interest (Spanish acronym "IFCPI"), Financial instruments to collect or sell (Spanish acronym "IFCV"), or Negotiable financial instruments (Spanish acronym "IFN").
- Note 9 – Derivative financial instruments and hedging relationships: determination of whether the financial instruments are held for trading or designated for hedging purposes.
- Note 10 – Loan portfolio: definition of the business model, whether to collect principal and interest (IFCPI), or to collect or sell (IFCV).
- Note 14 - Assets for right-of-use: determining whether an arrangement contains a lease.
- Note 15 – Investments in associates and other permanent investments: determination of whether the Group has significant influence (investments in associates) and determination of whether the Group has control over an investee on a *de facto* power basis.

Assumptions and estimation uncertainty

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

- Note 3(j) – Valuation of derivative financial instruments and hedging relationships: key assumptions for determining the market value, especially for complex derivatives or those without an active market.
- Note 4 – Fair value hierarchy: Securities market values with no observable market.
- Note 7 – Investments in financial instruments.
- Notes 10 and 11 - Determination of the allowance for ECL and recoverability of accounts receivable: assumptions and inputs used in its determination.
- Note 18 – Recognition of deferred tax assets: availability of future taxable profits and the realisation of deferred taxes.
- Note 21 – Measurement of defined benefit obligations: key actuarial assumptions.

Measurement of fair values

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

(Continued)

The Group has an established control framework with respect to the measurement of fair values. This includes the authorisation granted by the Board of Directors regarding the contracting of any price vendor, in addition to the authorisation given by the Group's Risk Committee as to the internal valuation models and its amendments, the estimation methods of the variables used in these valuation models when they are not directly provided by the price vendor contracted by the Group, and as to those securities and other financial instruments to which the internal valuation models may be applied.

Moreover, the control framework includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair value, and reports directly to the Chief Financial Officer. The valuation team regularly reviews unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the NIFs, including the level in the fair value hierarchy in which the valuations should be classified. Significant valuation issues are reported to the Group's Audit Committee and the Group's Board of Directors.

Moreover, the control framework includes a valuation team that has overall responsibility for overseeing all significant fair value measurements.

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities, which correspond to the highest level.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs), which corresponds to the lowest level.

Financial instruments measured by using an internal valuation model of the Group are, in no event, considered as Level 1.

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

According to the Provisions, the Group measures fair value of the following financial instruments through direct vector valuation, which consists in applying the updated price for valuation provided by a price vendor to the Group's position in securities or agreements:

I. Securities entered in the national registry of securities or authorised, entered, or regulated in markets recognised by the Commission.
II. Derivative financial instruments that are traded on national derivative exchanges or corresponding to markets recognised by the Central Bank.

(Continued)

III. Underlying assets and other financial instruments that form part of the structured transactions or derivative packages, when they are securities or financial instruments provided in sections I and II referred to above.

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

During the years ended December 31, 2023 and 2022, there was no significant decrease in volume (or level of activity) in relation to the normal market activity. The foregoing considering the type of financial instruments held by the Group, their low complexity, and the decrease in volatility in the financial markets in 2023 and 2022.

At December 31, 2023 and 2022, there is no reduction in the availability of prices and inputs provided by the price provider, so there is no apparent and significant impairment of the observable conditions in the inputs used for the valuation of securities and other financial instruments that would require recognition of an impairment in their value. As part of the Group's controls, the evolution of financial markets, liquidity, and availability of prices and inputs for the valuation of the instruments is monitored in order to anticipate any impairment in their value.

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

Further information about the assumptions in measuring fair values is included in the following notes:

- Note 4 – Fair value hierarchy: Securities market values with no observable market.
- Note 7 – Investments in financial instruments; and
- Note 9 – Derivative financial instruments and hedge relationships.

c) Functional and reporting currency

The aforementioned consolidated financial statements are presented in Mexican pesos (reporting currency), which is the same as the local currency and the functional currency.

For disclosure in the notes to the consolidated financial statements, any reference to pesos or "$" means million of Mexican pesos, and references to dollars or USD means million of U.S. dollars.

d) Presentation of comprehensive income

In compliance with accounting criterion D-2 "Statement of comprehensive income" established by the Commission, the Group presents comprehensive income in a single statement that shows, in a single document, all items making up the net profit or loss, increased or reduced by Other Comprehensive Income (OCI) for the period, and of share in OCI of other entities, and is known as "Statement of comprehensive income".

(Continued)

e) Recognition of financial assets and liabilities on the date transactions are entered into

The consolidated financial statements recognise assets and liabilities from foreign currency transactions, investments in securities, securities lending and derivative financial instruments on the date on which the transaction is conducted, irrespective of their settlement date.

(3) Summary of Significant Accounting Policies

The following accounting policies have been applied in a uniform manner when preparing the accompanying consolidated financial statements.

(a) Recognition of the Effects of Inflation

The accompanying consolidated financial statements were prepared in accordance with the Accounting Criteria, which, due to the fact that the Group operates in a non-inflationary economic environment according to that provided for in NIF B-10 "Effects of Inflation", include the recognition of the effects of inflation until December 31, 2007, based on the Investment Unit ("UDI"), which is a unit of account whose value is determined by the Mexican Central Bank based on inflation. The annual inflation percentage, accumulated over the last three years and the UDI values used to determine inflation, were as follows:

		Inflation	
December 31,	**UDI**	**For the year**	**Accumulated**
2023	7.9816	4.38%	20.83%
2022	7.6468	7.58%	19.50%
2021	7.1082	7.61%	14.16%

(b) Basis of consolidation-

The consolidated financial statements include those pertaining to Grupo Financiero Scotiabank Inverlat, S. A. de C. V. (*Sociedad Controladora Filial*), and those of its subsidiaries where it exercises control. The significant balances and transactions carried out between the companies of the Group have been eliminated in the preparation of the consolidated financial statements. The consolidation was performed based on the audited financial statements of the entities at December 31, 2023 and 2022, which were prepared in accordance with the Accounting Criteria established by the Commission.

The subsidiaries consolidated with the Group at December 31, 2023 and 2022, are detailed below:

Subsidiary	Shareholding	Location	Activity
Bank	99.99%	Mexico City	Multiple banking operation
Broker-dealer	99.98%	Mexico City	Intermediation in securities and financial transactions.
Fund Manager	99.99%	Mexico City	Investment fund operation.
Crédito Familiar (1)	99.99%	Mexico City	Granting of consumer loans.

(1) Crédito Familiar was consolidable until June 30, 2022.

(Continued)

(c) Foreign currency transactions

Transactions in foreign currency are recognised at the exchange rates prevailing at the date of execution thereof. In the case of currencies other than the dollar, they are translated from the respective currency to dollars, as established by the Provisions applicable to financial groups' holding companies, and the equivalence of the dollar with the local currency is converted at the closing exchange rate determined by the Mexican 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 published by the Mexican Central Bank, and foreign exchange gains or losses arising from the translation of foreign currency are recognised in profit or loss for the period in which they arise within the "Financial intermediation income" item, as applicable.
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(d) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on an net basis or to realise the financial asset and settle the financial liability simultaneously.

(e) Cash and cash equivalents

Cash is recognised at nominal value. Cash includes legal currency, foreign currency in cash, deposits with the Mexican Central Bank, and deposits with financial institutions in the country and abroad, whether in checking accounts, bank, telegraphic or post money orders, and remittances in transit.

Cash equivalents are initially recognised at fair value. These include short-term, highly liquid securities, easily convertible into cash that are subject to insignificant risks in their value (where the latter are those whose maturity is expected within a maximum of 48 hours from their acquisition), among others, interbank loans with maturities equal to or less than three business days (Call Money transactions), purchases of currencies that are not considered derivative financial instruments as established by the Mexican Central Bank in the applicable regulation, and other cash equivalents such as correspondents, immediately collectible documents, coined precious metals, and investments available on demand.

Cash equivalents represented by coined precious metals are valued at fair value, which is considered to be the applicable quotation at the valuation date, except for those which due to the nature thereof have no fair value, which are recognised at acquisition cost.

The foreign currencies acquired and agreed to be settled at a date subsequent to the date of purchase transaction are recognised as restricted cash and cash equivalents (foreign currencies to receive), while the currencies sold are recorded as cash and cash equivalents outflow (foreign currency to deliver). Rights arising from sales of foreign currency are recorded in "Other accounts receivable, net", and the obligations arising from purchases of foreign currency are recorded in "Creditors on settlement of transactions". The amount of overdrafts in checking accounts, the offsetting balance of foreign currency to be delivered exceeding the foreign currency to be received or of some other concept in cash and cash equivalents with a credit balance, are presented under the caption "Other accounts payable".

(Continued)

Interbank loan transactions agreed for a term of 3 business days or less, as well as deposits with the Mexican Central Bank which are not available to the Group, are recognised as restricted cash equivalents.

Interest earned and valuation gains or losses are included in profit or loss for the period as they accrue as part of interest income or expense. The results from the valuation and purchase of coined precious metals and foreign currency are recognised in financial intermediation income.

(f) Margin accounts

Margin accounts are associated with transactions involving derivative financial instruments executed on recognised markets or exchanges, and correspond to the initial margin, contributions, and subsequent withdrawals made during the term of the respective contracts. Highly liquid financial assets are deposited in said accounts to ensure compliance with the obligations corresponding to such instruments, in order to mitigate the default risk. The amount of the deposits corresponds to the initial margin and subsequent contributions or withdrawals made by the Group and the clearing house during the term of the derivative financial instruments contract.

Cash margin accounts are recognised at nominal value and reported in “Margin accounts”. Yields and commissions affecting margin accounts, other than fluctuations in derivative prices, are recognised in profit or loss for the year as they accrue within “Interest income” and “Commission and fee expense”, respectively.

Partial or total settlements deposited or withdrawn by the clearing house due to fluctuations in derivative prices are recognised in “Margin accounts”, affecting as a balancing entry, a specific account that may be a debit or credit account, as appropriate, representing an advance received, or else, a financing granted by the clearing house, reflecting the effects of the valuation of derivatives prior to settlement thereof.

(g) Investments in financial instruments

i. Recognition and initial measurement

Investments in financial instruments comprise equity instruments, bonds, debentures, certificates, and other negotiable instruments and documents that are issued in series or in bulk, listed or unlisted, that the entity holds as its own position. These are initially measured and recognised at fair value plus, in the event of financial assets or liabilities not measured at fair value with changes in fair value through comprehensive income, the transaction costs directly attributed to acquisition or issuance thereof, when they are subsequently measured at amortised cost.

ii. Classification and subsequent measurement

Upon initial recognition, investments in financial assets are classified in the following categories, according to the business model and the characteristics of the contractual cash flows therefrom, as follows:

— *Financial instruments to collect principal and interest (Spanish acronym IFCPI)*, whereby the holder intends to recover the contractual cash flows that the instrument entails. The terms of the contract provide for cash flows on pre-established dates, which correspond only to payments of principal and interest (yield), typically based on the amount of the outstanding principal. The IFCPI must have characteristics of a financing arrangement and be managed based on contractual performance.

(Continued)

— *Financial instruments to collect or sell* (Spanish acronym IFCV), measured at fair value through other comprehensive income ("FVOCI"), the purpose of which is both to collect all contractual principal and interest flows and obtain a profit on sale thereof, when appropriate. The Group irrevocably recognises changes in fair value of IFCVs through other comprehensive income; and

— *Negotiable financial instruments* (Spanish acronym IFN), measured at fair value with changes in fair value recognised in in profit or loss (Spanish acronym VRCR) that represent the investment in debt or equity financial instruments, and whose purpose is to obtain a profit between the purchase and sale prices.

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

— A model that seeks to recover contractual cash flows (consisting of principal and interest.)

— A business model that seeks, both the recovery of contractual cash flows as in the previous model as well as obtaining profit through the sale of financial instruments, necessitating a combined management model for these financial instruments.

— A model that seeks maximum return through the purchase and sale of financial instruments.

Financial instruments are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial instruments, in which case all affected financial assets are reclassified to the new category at the time the change in the business model has occurred.

Reclassification of investments in financial instruments between categories is applied prospectively as from the date on which the business model is changed, without modifying any profit or loss previously recognised, such as interest or impairment losses. When a reclassification is made under the foregoing provisions, the Group must notify the Commission in writing to such effect within 10 business days following determination thereof, specifying in detail the change in the business model that may justify it. This change must be authorised by the Group's risk committee.

A financial instrument is measured at amortised cost if the following two conditions are met and it is not classified as measured at fair value through variations in profit or loss according to that described below:

— the financial instrument is kept within a business model whose purpose is to maintain the financial instruments in order to recover the contractual cash flows; and

— the contractual conditions of the financial instruments derive, on specific dates, in cash flows that are represented solely by principal and interest payments on the outstanding principal amount (solely payments of principal and interest; Spanish acronym SPPI).

An investment in a debt instrument is measured at fair value with changes in fair value in other comprehensive income (OCI) if the following conditions are met and it is not classified as measured at fair value with changes in fair value recognised in profit or loss.

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

(Continued)

— the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

All financial instruments not classified as measured at amortised cost or at fair value with changes in fair value in other comprehensive income (OCI) as described above, are measured at fair value with changes in fair value in profit or loss. This includes all derivative financial instruments (see section (j) of this note).

Financial instruments: Business model assessment -

The Group determines its business model for the management of its investments in financial instruments and for their proper classification. The business model is based on the manner in which financial instruments are managed to generate cash flows for the business and not on a particular intention to hold the instrument. Judgment is required to determine the business model, since it is not based on a single factor or activity, so all available evidence is considered at the time of the assessment. Without limitation, the relevant evidence to be assessed is as shown on the following paragraphs:

— the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether the management's strategy is focused on collecting any contractual interest income, maintaining a specific interest rate profile or coordinating the duration of the financial instruments with the duration of the liabilities that are funded by said instruments or the expected cash outflows, or carrying out any cash flows through the sale of assets;

— How the performance of the portfolio is evaluated and reported to the Group's management.

— the risks that affect the performance of the business model (and the financial instruments held within that business model) and, specifically, how those risks are managed;

— how managers of the business are compensated- e.g. whether compensation is based on the fair value of the instruments managed or the contractual cash flows collected; and

— the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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 continuing recognition of the instruments.

The financial instruments that are maintained for trading and whose performance is evaluated on a fair value basis are measured at fair value with changes in fair value recognised in profit or loss.

Financial instruments: Assessment of whether the contractual cash flows are solely principal and interest payments (Spanish acronym SPPI).

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

(Continued)

Grupo Financiero Scotiabank Inverlat, S.A. de C.V.,
(Sociedad Controladora Filial)
and subsidiaries

Notes to the consolidated financial statements

(Millions of Mexican pesos)

Upon evaluating whether the contractual cash flows are solely principal and interest payments (SPPI), the Group takes into account the contractual terms of the instrument. This includes evaluating whether a financial instrument shows a contractual condition that may modify the opportunity or amount of the contractual cash flows in such a manner that would not meet this condition.

When performing this assessment, the Group takes into consideration:

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

— terms that may generate leverage;

— terms referring to the value of money over time, such as adjusting the coupon rate, including variable-rate features;

— terms that may generate any implicit derivative instruments, or changes in their terms and conditions, by indexation to variables unrelated to the nature of the agreement;

— prepayment and extension features; and

— terms that limit the Group's entitlement to cash flows from specific instruments (e.g. "non-recourse" features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents the unpaid principal and interest amounts on the principal amount, which may include any additional reasonable compensation for early termination of the contract. Furthermore, in the event of a financial instrument acquired with a significant discount or premium of its contractual par value, which is a feature that allows or requires prepayment of an amount that substantially represents the contractual par value plus the accrued (but unpaid) contractual interest (that may also include an additional reasonable compensation for early termination), it is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant on the initial recognition.

Financial instruments: Subsequent measurement and gains and losses –

Negotiable financial instruments (Spanish acronym IFN)	Subsequently, and at each reporting date, the securities are valued at fair value provided by an independent price vendor; the effects of valuation and trading results are recognised in profit or loss of the year, under "Financial intermediation income". When securities are disposed of, the gain or loss on sale is determined by the difference between the purchase price and the selling price, and the valuation gain or loss previously recognised in profit or loss for the year is reclassified to gain or loss on sale within that category. Interest accrued on debt securities is determined using the effective interest method and is recognised in profit or loss for the year under "Interest income". Dividends from equity instruments are recognised in profit or loss for the year when the right to receive payment is established, under "Interest income". Notwithstanding the foregoing, see subsection (j) of this note for derivatives designated as hedging instruments.

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Financial instruments to collect principal and interest (Spanish acronym IFCPI)	These instruments are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition of accounts is recognised in profit or loss for the year.
Financial instruments to collect or sell (Spanish acronym IFCV)	These instruments are subsequently measured at fair value. Interest income estimated under the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss for the year. Other net gains and losses are recognised in other comprehensive income (FVOCI), which is adjusted for the effect of deferred taxes. Upon derecognition, gains and losses accumulated in other comprehensive income are reclassified in profit or loss. The valuation of the instruments in this category designated as hedged items by hedging derivatives at fair value is recognised in "Financial intermediation income".
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised 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 recognised in other comprehensive income.

iii. Derecognition

The Group derecognises a financial instrument when the contractual rights to the cash flows from the financial instrument expire, or it transfers the rights to receive the contractual cash flows in a transaction in which: either substantially all of the risks and rewards of ownership of the financial instrument are transferred; or the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial instrument.

The Group enters into transactions whereby it transfers assets recognised in its consolidated statement of financial position, but retains all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised. (see sections (h) and (i) of this note).

iv. Impairment

Since initial recognition, the Group assesses expected credit losses ("ECL") for the IFCVs and IFCPIs, which are determined by considering the expected level of recoverability corresponding to the different IFCV and recognises the effect of the loss based on the amortised cost of the IFCVs and IFCPIs. Given that the fair value of the IFCV already recognises the impairment for expected credit losses, the Group does not proceed to create an allowance that reduces the fair value of the IFCV; therefore, the effect is recognised in net profit or loss, affecting the fair value of the IFCV before recognising the effect in OCI for fair value valuation. For the IFCPI, the ECL determined is recognised by affecting the fair value of the IFCPI. The foregoing does not affect the IFN, since the issue of collectability does not arise therein, in the absence of an intention to collect and because their market value generally captures the effects of expected credit losses thereon.

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

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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 of any favourable changes in the credit quality of the IFCV that are properly supported based on subsequent observable events, the ECL already recognised is reversed in the period in which such changes occur, against net profit or loss for the period, as a reversal of ECL previously recognised.

Value date transactions-

Securities purchased with a settlement date of a maximum of four business days after trade date, are recorded as restricted securities, while securities sold are recorded as securities to deliver reducing the investment securities position. The corresponding debit or credit is made to an asset or liability clearing account, as it corresponds. When the amount of the securities to deliver exceeds the proprietary position of the same type of security (government, bank, equities, and other debt securities), the amount is shown as a liability under "Assigned securities to be settled".

(h) Repurchase/resale transactions

Repurchase/resale transactions that do not comply with the terms of NIF C-14 "Transfer and derecognition of financial assets" are treated as collateralised financing transactions, which reflects the economic substance of those transactions. This treatment is adopted regardless of whether it is a "cash oriented" or a "securities-oriented" repurchase/resale agreement. In "cash oriented" transactions, the intention of the seller is to obtain cash financing and the intention of the buyer is to invest its cash excess and, in "securities-oriented" transactions, the buyer's purpose is to have access to certain specific securities and the seller's purpose is to increase the return of its securities investments.

Acting as seller on resale agreements-

On the date of the repurchase/resale agreements, either cash or cash equivalents received and recorded or a debit clearing account is created as well as a payable account valued at the price agreed at origination and represents the obligation to repay the cash to a seller at a future date. Throughout the term of the repurchase/resale agreements, the payable accounts are valued at amortised cost and the corresponding accrued interest is recorded in profit or loss for the year, in accordance with the effective interest method in "Interest expense". Financial assets transferred to the seller ("collateral granted") are reclassified in the consolidated statement of financial position, and presented as restricted securities, which continue to be valued in accordance with the accounting policy of the corresponding asset classification.

Acting as buyer on repurchase agreements-

When the Group acts as a buyer, on the date of contracting the repurchase agreement transaction, it recognises the outflow of cash and cash equivalents, or a credit settlement account, recording an account receivable initially measured at the agreed price, which represents the right to recover the cash delivered. The account receivable is valued later during life of the repurchase agreement at amortised cost through the recognition of the effective interest method in profit or loss for the year, in "Interest income". The financial assets received as collateral are recorded in memorandum accounts and are measured at fair value.

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If the Group sells the collateral or provides it as a guarantee, the proceeds from the transaction are recognised, as well as an account payable for the obligation to repay the collateral to the selling party (measured initially at the price agreed), which is valued at fair value in case of a sale, or, if its given in collateral in another repurchase transaction, at amortised cost. Any spread between the price received and the value of the account payable is recognised in profit or loss for the year. Additionally, the control of such sold or pledged collateral is performed in memorandum accounts, by following the valuation criteria of accounting criterion B-9 “Custody and administration of assets”.

Furthermore, if the buyer then becomes a seller for another repurchase transaction using the same collateral received as guarantee for the initial transaction, the repurchase interest agreed in the second transaction must be recognised in profit or loss for the year as it is accrued, in accordance with the effective interest method, adjusting the account payable valued at amortised cost as mentioned above.

The memorandum accounts recorded for collateral received which were in turn sold or pledged by the buyer, are cancelled when the second transaction in which the collateral was granted reaches maturity or there is a default on the part of the counterparty.

Allowance for expected credit losses (ECL) -

The allowance for ECL is determined in accordance with NIF C-16 “Impairment of financial instruments”, which implies that an initial assessment of risk is made for each position, followed by the calculation of the allowance for ECL associated with each stage.

The Group has developed the procedure to determine expected credit losses for financial instruments, in order to determine impairment of debtors on repurchase/resale agreements for subsequent accounting recognition.

(i) Securities lending

Securities lending are transactions in which the transfer of securities is agreed from the lender to the borrower, with the obligation to return such securities or other substantially similar ones on a given date or as requested, in exchange for an interest as consideration. In these transactions, a collateral or guarantee is requested by the lender from the borrower.

Acting as lender-

At the contract date of the securities lending transaction, when the Group acts as lender, it records the security subject matter of the lending transferred to the borrower as restricted, for which purpose the standards for valuation, presentation and disclosure, based on the respective accounting treatment, are followed. Furthermore, the collateral received to guarantee of the securities loaned is recorded in memorandum accounts.

The amount of the interest earned is recognised in profit or loss for the year through the effective interest method during the term of the transaction, under “Interest income”.

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Acting as borrower-

At the contract date of the securities loan transaction, the Group records the security subject matter of the loan received in memorandum accounts, following the valuation the guidelines for the securities recognised, in the accounting criterion B-9 “Assets in custody or under administration”.

The security subject matter of the transaction received is presented in memorandum accounts under the heading “Collateral received by the Group”. The collateral received from other transactions are presented under the caption “Collateral sold/pledged”.

On the date on which the Group sells the security subject matter of the transaction, it shall recognise the inflow of resources from the sale, as well as a payable for the obligation to return said security to the lender (initially measured at the agreed price) which shall be measured at fair value.

The amount of accrued interest is recognised in profit or loss for the year using the effective interest method during the term of the transaction, under the caption “Interest expense” and in the consolidated statement of financial position under “Creditors and other accounts payable”.

(j) Derivative financial instruments and hedging transactions

The Group classifies derivative financial instruments in accordance with its intention into the two categories shown below:

— For trading purposes - It consists of the position assumed by the Group for the purpose of earning gains based on changes in its fair value.

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

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

The Group recognises all financial assets or liabilities resulting from the rights and obligations established in the derivative financial instrument contracts, initially at fair value, which presumably corresponds to the transaction price, i.e., the consideration received or given. Transaction costs directly attributable to the acquisition of derivative financial instruments are recognised directly in profit or loss under “Financial intermediation income”.

Subsequently, all derivative financial instruments are measured at fair value, without deducting transaction costs that may be incurred in the sale or other type of disposal, recognising this valuation effect in profit or loss for the period under “Financial intermediation income”.

The derivatives are presented in the consolidated statement of financial position in a specific item of assets or liabilities, depending on whether their fair value corresponds to a debit balance or a credit balance, respectively. Such debit or credit balances are offset provided that they comply with the rules for offsetting financial assets and liabilities.

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For the determination of fair value, the data and inputs provided by a price vendor authorised by the Commission are considered, as long as they are not derivative financial instruments traded on national exchanges or not exchanged in markets recognised by the Mexican Central Bank.

Trading transactions-

— *Forwards:*

  Forwards are traded privately (outside of organised futures or options markets). Their balance represents the difference between the fair value of the contract and the contracted forward price. If the difference is positive, it is considered as surplus and presented under assets; if negative, it is considered as a deficit and presented under liabilities.

— Warrants:

  They are documents that are issued in series and placed among the general investing public. They represent a temporary right acquired by holders in exchange for the payment of a premium for the issuance in equity shares or indexes, whereby such right expires at the end of the effective term. Therefore, holding such securities implies that the intrinsic value and the market price of the warrant in the secondary market may vary based on the market price of the reference assets.

— Options:

  For purchased options, the debit balance represents the fair value of future cash flows to be received, and the valuation effects are recognised in profit or loss for the year.

  For sold options, the credit balance represents the fair value of future cash flows to be delivered, and the valuation effects are recognised in profit or loss for the year.

— *Futures contracts:*

  Futures contracts operate with standardised terms (general contracting conditions), have a secondary market, and require the mandatory establishment of collateral in contribution accounts or daily settlement margin accounts.

— *Swaps:*

  It is a financial derivative instrument through which the bilateral obligation to exchange cash flows on pre-established future dates, based on a notional or reference amount, is established for a specified period.

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

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Hedging transactions-

The Group uses derivative financial instruments with the aim of properly managing the interest rate and exchange rate risks inherent in credit transactions, deposits, investments in securities, and repurchase/resale transactions, all of which are typical of commercial banking. The most commonly used instruments are interest rate swaps and currency swaps, whereby floating rate instruments are transformed into fixed rate instruments, and vice versa, or as applicable, foreign currency-denominated assets are converted into local currency-denominated assets or vice versa. Derivatives can be used to hedge cash flows or economic value of different assets and liabilities of the Group, with defined control policies for the designation and continuous monitoring of the effectiveness of such hedges.

At the inception of designated hedge relationships, the Group documents the purpose and the risk management strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, which were formally designated for exposures included in the consolidated statement of financial position, including whether changes in cash flows of the hedged item and the hedging instrument are expected to offset each other.

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

— Fair value hedges. They cover exposure to changes in the fair value of a recognised asset or liability, or an unrecognised firm commitment, or a component of any of the aforementioned items, or an aggregate exposure. The hedged primary position and the hedging derivative instrument are valued at fair value, with the net effect recorded in profit or loss for the period under “Financial intermediation income”.

— Cash flow hedges. They cover the exposure to cash flow variability attributable to a particular risk associated with a recognised asset or liability, a portfolio or a component thereof, or one or more highly probable forecast transactions or portions thereof, or an aggregated exposure. The derivative hedging instrument is measured at fair value, and the valuation corresponding to the effective portion of the hedge is recognised under “Valuation of derivative financial instruments for cash flow hedging” in Other Comprehensive Income. The ineffective portion is recognised in profit or loss for the period under “Financial intermediation income”.

A hedging relationship should be discontinued prospectively when it ceases to meet the criteria for recognising a hedge relationship. This includes when the hedging instrument is sold, expires, is terminated, or executed, as well as after any rebalancing in the hedging relationship has been considered or carried out, and the hedging relationship is found to be ineffective or does not meet the Group’s risk management objective.

Embedded derivatives-

The Group holds embedded derivatives that are not used for hedging purposes, but as trading strategy; these derivatives are related to structures and/or notes issued under the following characteristics.

Structured notes (bank bonds): Collection instruments are issued in which, by means of implicit options, a guaranteed performance can be offered and/or the client’s rate of return is enhanced (see note 16).

The fair value of the derivative component is recorded under “Derivative financial instruments” and “Financial intermediation income, net”. Accrued interest is recognised under “Interest expense”.

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Collateral granted and received in derivative transactions performed in over-the-counter markets

The account receivable from cash collateral provided in derivative transactions performed in over-the-counter markets is presented under “Other accounts receivable”, whereas the account payable generated for the reception of collateral provided in cash is presented under “Creditors for collateral received in cash”.

Collateral delivered in non-realisable assets, such as securities, is recorded as restricted securities for guarantees, and collateral received in securities for derivative transactions is recorded in memorandum accounts.

Valuation adjustment for counterparty credit risk and own credit risk

The Credit Valuation Adjustment (CVA) is a valuation adjustment on over-the-counter (OTC) derivative financial instruments for the risk associated with the credit exposure assumed with each counterparty.

Currently, the Group has implemented a methodology for calculating bilateral CVA at the counterparty level that incorporates credit risk mitigators such as netting agreements and collateral.

The determination of exposure is based on market inputs consistent with those used in the valuation processes of instruments, and the loss parameters (loss severity and probability of default) are reviewed periodically and subjected to validations and stress testing (where applicable, for counterparties with associated Credit Default Swaps (CDS) at market, these are used to obtain the probability of loss).

The counterparty risk models 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 CVA, but in this case, it 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) Settlement of clearing accounts

Amounts receivable or payable for investment securities, repurchase/resale agreements, securities lending, crypto assets, and/or transactions with derivative financial instruments which have expired but have not been settled are recorded in clearing accounts under the “Other accounts receivable, net” and “Creditors on settlement of transactions”, respectively, as well as the amounts receivable or payable for the purchase or sale of foreign currencies, which are not for immediate settlement or those with a same day value date. The balances of the debit and credit clearing accounts are offset.

Financial assets and financial liabilities are offset so that the debit or credit balance is presented in the consolidated statement of financial position, as appropriate, provided that the Group has a contractual right to offset amounts recognised and intends to settle the net amount, that they are of the same nature as the transaction, are executed with the same counterparty, and are settled on the same maturity date or to realise the asset and cancel the liability simultaneously.

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(l) Loan portfolio

The loan portfolio consists of financing granted to clients by the Group through credit agreements, and discount and assignment of credit rights, which are recognised when originated and, in the case of acquisitions, at the acquisition agreement date.

The loan portfolio includes:

Loan portfolio valued at amortised cost. The business model of this loan portfolio consists of holding it to collect the contractual cash flows. Furthermore, the terms of the contract provide for cash flows on predetermined dates, which correspond solely to principal and interest payments on the outstanding principal amount. It is initially recognised at fair value, which corresponds to the transaction price, i.e., the net amount financed resulting from adding or subtracting from the original amount of credit, the financed insurance, transaction costs, commissions, interest, and other items charged in advance. For subsequent recognition, the loan portfolio is valued at amortised cost. The amortised cost corresponds to the present value of the contractual cash flows to be received from the loan portfolio, plus the transaction costs to be amortised, using the effective interest method and deducting the allowance for ECL.

Transaction costs referred to include, among others, fees and commissions paid to agents, advisors, and intermediaries, appraisals, research expenses, as well as the credit assessment of the debtor, assessment and recognition of guarantees, negotiations for credit terms, preparation and processing of credit documentation, and closing or cancellation of the transaction, including the proportion of employee compensation directly related to the time spent on the development of these activities. On the other hand, transaction costs do not include premiums or discounts, which are part of the fair value of the loan portfolio at the time of the transaction.

Both the commissions earned and the transaction costs arising from a credit facility are recognised as deferred credit or charge, respectively, presented net and affecting the loan portfolio, which are amortised in profit or loss as they accrue, except for those related to credit cards or revolving credit facilities, which are recognised directly in profit or loss at the time of granting.

Classification of the loan portfolio

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

Commercial loans:

a) granted to corporations or individuals with business activities and used in relation to commercial or financial line of activity;
b) loans granted to financial entities (excluding interbank loans with maturities of less than 3 business days);
c) loans for discounting transactions and assignment of credit rights;
d) loans granted to trustees who act on behalf of trusts and credit schemes commonly known as “structured loans” in which there is a change in net assets that allows for the individual assessment of the risk associated with the scheme.
e) the loans granted to the Federal Government, States, municipalities, and their decentralised agencies, and the loans to state productive enterprises; and

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f) those with express guarantee of the Federation registered before the SHCP and the Mexican Central Bank, as well as those expressly guaranteed by the States, municipalities, and their decentralised agencies, recorded in the Single Public Registry referred to in the Law on Financial Discipline of States and Municipalities (*Ley de Disciplina Financiera de las Entidades Federativas y los Municipios*).

Residential mortgages. Direct loans granted to individuals and used for the acquisition or construction of housing, for non-business purposes, secured by a mortgage on the property of the borrower, are classified as residential mortgages. Moreover, residential loans are considered those intended for the construction, remodelling, or improvement of housing that are backed by the savings in the borrower's housing sub-account, or have a guarantee granted by a development banking institution or a public trust established by the Federal Government for economic development (remodelling or improvement). Additionally, the loans granted for these purposes to former employees of the entities and those liquidity credits secured by the borrower's housing are included.

The housing loan portfolio includes loans originated by the National Workers' Housing Fund Institute (INFONAVIT), acquired by the Group. This loan portfolio includes the so-called extended portfolio, which consists of loans that, in terms of the INFONAVIT Law, have an extension in force in the payment of the amortisation for both capital and ordinary interest. The foregoing, provided that the entity is contractually obliged to respect such extension under the same terms as the reference organisations. Upon conclusion of the extension, the portfolio is treated according to whether it is an "Ordinary Repayment Regime" ("ROA") or the "Special Repayment Regime" ("REA").

ROA is a repayment method that is applicable to borrowers who have an employment relationship, whereby it is agreed that the workers will repay their loans through salary deductions made by their employer, entity, or department.

REA is a repayment modality applicable to borrowers who no longer have an employment relationship, and is subject to the "Rules for the granting of loans to worker beneficiaries of the National Workers' Housing Fund Institute" issued by the INFONAVIT's Board of Directors, which establish the methodology for making such loan payments.

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

- The Group was selected by means of the auction process to acquire the joint rights to participate in the origination of credits for the "Second Loan" product that will be granted to INFONAVIT beneficiaries.

- INFONAVIT retains the servicing, collection, and recovery corresponding to the loans transferred to the Group and is obliged to make the necessary collection efforts for the recovery of the due loans.

Consumer loans. These are direct credits granted to individuals in relation to credit card transactions, personal loans, payroll transactions, loans for the acquisition of consumer durables (known as ABCD), which include, among others, automotive loans and financial leasing transactions entered into with individuals; including those loans granted for such purposes to former employees of the entities, as well as liquidity loans without security interest.

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Credit facilities

In the case of credit facilities and letters of credit granted by the Group, in which not all the authorised amount is utilised, the unused portion thereof is recognised in memorandum accounts.

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

Loans granted as collateral are recognised as restricted loans.

Discounting transactions and assignment of credit rights

Discounting is an transaction through which the Group, as the “discounting party”, undertakes to advance to a client, as the “discounted party”, the amount of a loan, against a third party and with a future due date, in exchange for the disposal of said credit to the Group, reduced by an interest in favour of the discounting party.

The assignment of credit rights are financing transactions through which the ownership of credit rights is transferred to the Group, this being different from the loan portfolio acquisitions.

For any of the aforementioned transactions, the Group initially recognises as a loan portfolio the nominal value of the portfolio received against cash outflow, the agreed capacity recognised in “Other accounts payable” for the nominal value of the transferred credit rights that are not financed by the Group, and the financial income to be accrued.

Financial income to be accrued from these transactions corresponds to the difference between the value of the portfolio received, deducted from the capacity, and the amount financed. Its recognition in comprehensive income is determined and recognised in accordance with the effective interest rate of the transactions.

Payments in kind

Payments in kind are recognised in accordance with the accounting policy for allocated assets as disclosed in note 3s.

Loan portfolio business model

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

a) The manner in which the performance of the loan portfolio is determined and reported.
b) The risks affecting the performance of the business model and the loan portfolio and how these risks are managed.
c) The guidelines on which credit management compensation is based, whether based on maximizing the value of the loan portfolio or collecting its contractual cash flows.

The Group also considers the frequency, value, and timing of loan portfolio sales in previous periods, the reasons for such sales, as well as expectations regarding future sale activity within the context and conditions in which they occurred, and the influence they have on how the entity achieves its purpose to manage the loan portfolio, specifically on how cash flows are realised.

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The Group assesses the characteristics of its business models on a quarterly basis to classify the loan portfolio based on its purpose, in accordance with its established policies.

Renegotiations

Renegotiations refer to the restructuring and renewals of loan portfolio transactions, which are described below:

Restructuring. It is a renegotiation from which any modification to the original credit conditions arises, including:

- change in the interest rate set for the remaining term of the loan;
- currency exchange or account unit (e.g. Times Minimum Wage ("VSM"), Unit of Measurement and Restatement ("UMA"), or Investment Units ("UDI");
- granting a grace period regarding fulfilment of payment obligations in accordance with the original terms of the credit, except for those that are part of the support programs for Emergency Response Support Program "OTIS";

- extension of the loan period;
- modification of the agreed payment schedule; or
- extension of guarantees covering the relevant loan.

Renewal. It is a renegotiation in which the balance of a loan is partially or fully settled by the debtor, their joint obligors, or another party who, due to their financial ties, shares common risks with the debtor, through an increase in the original loan amount, or with the proceeds from another loan contracted with the same entity or with a third party who, due to their financial ties with the latter, shares common risks.

Notwithstanding the foregoing, the Group does not consider a loan renewed for the withdrawals made during the term of a pre-established credit facility, as long as the borrower has settled all payments due under the original loan terms.

Due to restructuring, as well as renewals through which the original loan is partially settled, the Group recognises a gain or loss for the difference between the cash flows of the new loan discounted at the original effective interest rate and the carrying amount of the original loan at the date of the renegotiation, without considering its allowance for ECL.

For the purposes of the foregoing, the carrying amount is considered to be the amount effectively credited, adjusted for accrued interest, other financial items, principal and interest collections, as well as for dations in payment and remissions, rebates and discounts granted, and, if applicable, the financial income or expenses to be accrued.

For determining the effective interest rate of the new loan resulting from the restructuring or partial renewal, the amount financed is increased by the transaction costs incurred and, if applicable, the fees charged for its origination, and the result is used as the basis for applying the original effective interest rate. Transaction costs and charged commissions are recognised as a deferred charge or credit, respectively, and are amortised over the remaining life of the credit.

(Continued)

In the case of total renewals, the Group considers that there is a new loan, and therefore, the original loan is written-off.

<u>Credit risk level of the loan portfolio</u>

The loan portfolio is periodically assessed to determine credit risk, which represents the potential loss due to the failure to pay by a borrower or counterparty in the Group's transactions, including security interests or personal guarantees granted thereto, as well as any other risk mitigation mechanism used by the entities. The credit risk level of the loan portfolio is classified into stages, which are, in ascending order at their risk level, Stage 1, Stage 2, and Stage 3.

Stage 1

Refers to a loan portfolio whose credit risk has not increased significantly from its initial recognition to the date of the consolidated financial statements, meaning that it does not meet the criteria to be considered in Stages 2 and 3 mentioned below.

Additionally, in accordance with the Provisions for determining the allowance for ECL, the Group considers the following criteria to define when the credits are in Stage 1:

- About non-revolving consumer loans (for the acquisition of consumer durables or ABCD, Auto, Payroll, Personal, and Others), when they are up to one month overdue.
- For credit card and other revolving loans, when shows up to one default in the immediately preceding consecutive periods.
- For the residential mortgage and housing loan portfolio, when they are 1 month past due or up to 3 months pas due for a portfolio that has been granted an extension; in the case of the ROA loan portfolio when they are 3 to 6 months past due, provided that each payment made during that period represents at least 5% of the agreed repayment.
- In the case of a commercial loan portfolio, when it is less than or equal to 30 calendar days past due or 1 calendar month past due.

Stage 2

Includes loans that have shown a significant increase in risk since their initial recognition and up to the date of the consolidated financial statements in accordance with the models for calculating the allowance for ECL (see note 3p).

Additionally, in accordance with the Provisions for determining the allowance for ECL, the Group considers the following criteria to define when the credits are in Stage 2:

- For non-revolving consumer loans, when they are 1 to 3 months past due.
- In the case of credit cards and other revolving loans, when they are present more than 1 and up to 3 defaults in immediately preceding consecutive periods.
- Residential mortgage and housing loan portfolio, if they are more than 1 month and up to 3 months past due, including those classified as REA.
- Commercial loan portfolio, when it is 30 calendar days or 1 calendar month and less than 90 calendar days or 3 calendar months past due.

(Continued)

Credits that, while in Stage 2, have fully settled the outstanding amounts due, or that have been restructured or renewed, and have met sustained payment, are reclassified to Stage 1.

Stage 3

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

1. Those for which the Group is aware that the borrower has been declared bankrupt.

   Without prejudice to the provisions above, the loans that continue to receive payment in accordance with Article 43, Section VIII, of the Commercial Insolvency Law (*Ley de Concursos Mercantiles* - "LCM"), as well as the loans granted under Article 75 regarding sections II and III of Article 224 of the aforementioned Law, are transferred to the loan portfolio with Stage 3 credit risk when they meet the conditions set forth in the following paragraph 2.

2. Regarding non-revolving consumer loans and residential mortgages that have been partially repaid, when the maturities of their obligations are as follows:

   a. Loans with single payment of principal and interest upon maturity, when they are 30 calendar days or more past due as regards to principal and interest.
   b. Loans with a single payment of principal upon maturity and with periodic interest payments, if they are 90 calendar days or more past due as regards to interest or 30 calendar days or more past due as regards to principal.

3. Loans other than those mentioned in the preceding paragraph, whose repayments have not been fully made as originally agreed, with the following debt maturities:

   a. Loans with single payment of principal and interest upon maturity, when they are 30 calendar days or more past due as regards to principal and interest.
   b. Loans with a single payment of principal upon maturity and with periodic interest payments, if they are 90 calendar days or more past due as regards to interest or 30 calendar days or more past due as regards to principal.
   c. Periodic partial payments of principal and interest, when they are 90 calendar days or more past due as regards to principal or interest.

4. Documents for immediate collection referred to in the "Cash and cash equivalents" accounting policy at the time they have not been collected.

5. Loans acquired from INFONAVIT, under the REA or ROA repayment modality, and loans for housing remodelling or improvement, when amortisations or payments thereof, respectively, have not been fully settled under the terms originally agreed, and are 90 natural days or more past due.

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

a) loan resources are used for the purpose for which they were granted;

(Continued)

b) the borrower commences a new employment relationship with a new employer; or
c) the Group has received partial payment of the corresponding amortisation. The exception contained in this item shall be applicable provided that it concerns credits under the ROA scheme, and each of the payments made during said period represents, at least, 5% of the agreed amortisation.

The exceptions mentioned above are not considered mutually exclusive.

For consumer loans where the payment terms set out in the contract provide for payments on a less frequent basis than one calendar month, the Group considers the following equivalences:

Contractual payment periodicity	Equivalence	
	30 days	**90 days**
Biweekly	2 fortnights	More than 6 fortnights
14 days	Two 14-day periods	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 determining the allowance for ECL, the Group considers the following criteria to define when the credits are in Stage 3:

- For non-revolving consumer loans with delinquencies exceeding three months.
- Regarding credit card and other revolving credits, when they present more than three defaults in immediately consecutive periods prior.
- Residential mortgage and housing loan portfolio. When they are more than three months past due, in the case of ROA loans, if they are three to six months past due, if any of the payments made during that period does not represent at least 5% of the agreed amortization, and for ROA loans when they are more than 6 months past due.
- Commercial loan portfolio, if it is 90 calendar days -3 months- or more past due.

In the case of loan portfolio acquisitions, for the determination of calendar days past due, the defaults that have occurred since their origination are taken into consideration.

Credits that, while being in Stage 3, have fully settled the outstanding payable balances are reclassified to Stage 1, except for restructured and/or renewed credits.

Effect of renegotiations on credit risk level.

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

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

(Continued)

The disposed credit facilities, which have been restructured or renewed at any time, are transferred to the next immediate category with higher credit risk, except when there is evidence justifying the borrower's ability to pay and the following conditions have been met:

a) all interest payable has been settled, and
b) all payments required under the contract have been settled as of the date of restructuring or renewal.

In the event of credit withdrawals made under a credit facility, when they are restructured or renewed independently of said facility, they are assessed in accordance with the rules for restructuring and renewal described above, taking into account the characteristics and conditions of the restructured or renewed disposal or disposals.

If, subsequent to the assessment described in the preceding paragraph, it is concluded that one or more withdrawals granted under a credit facility should be transferred to the next higher credit risk category as a result of such restructuring or renewal, and such withdrawals, individually or in aggregate, represent at least 25% of the total amount drawn under the credit facility as of the date of the restructuring or renewal, the total amount drawn, as well as subsequent disposals, are transferred to the next higher credit risk category.

Loans with Stage 1 and Stage 2 credit risk, other than loans related to i) loans with a single payment of principal upon maturity, regardless of whether interest is paid periodically, ii) withdrawn credit facilities, and iii) credit withdrawals made under credit facilities, which have been restructured or renewed and at least 80% of the original credit term has not elapsed, are maintained in the same category only if they meet the following:

a) the borrower has covered the entirety of the accrued interest up to the date of the renewal or restructuring; and
b) the borrower has repaid the principal of the original loan amount, which at the date of renewal or restructuring should have been repaid.

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

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

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

The requirement set forth in paragraph a) of the two preceding paragraphs is considered met when, having covered the accrued interest up to the last cutoff date, the period elapsed between said date and the restructuring or renewal does not exceed the lesser of half the current payment period and 90 days.

Loans with Stage 1 or Stage 2 credit risk that are restructured or renewed on more than one occasion are transferred to the portfolio with Stage 3 credit risk, except when the Group has evidence that justify the debtor's capacity to pay. In the case of commercial portfolio, such items are properly documented and included in the credit file.

(Continued)

When various loans granted by the Group to the same borrower are consolidated through a restructuring or renewal, each of the consolidated loans is analysed as if they were restructured or renewed separately. If it is concluded that one or more of these loans would have been transferred to the portfolio with Stage 2 or Stage 3 credit risk due to the restructuring or renewal itself, the total balance of the consolidated loan is transferred to the category that corresponds to the loan being consolidated with the highest credit risk.

Loans classified in Stage 2 credit risk due to a restructuring are periodically assessed to determine if there is an increase in their risk that would require them to be transferred to Stage 3 credit risk, as described in the first paragraph of subsection "Stage 3" of this note.

Credits are not transferred to a category with higher credit risk as a result of their restructuring if, as of the date of the transaction, they are in compliance with payment of the total amount due as to principal and interest, and only modify one or several of the original credit conditions mentioned below, they will not be reclassified to Stage 3.

- 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 for the borrower.

- Currency or unit of account: as long as the corresponding rate for the new currency or unit of account is applied.

- Payment date: only in the event that the change does not involve exceeding or modifying the payment frequency. Under no circumstances does the change in the payment date allow the omission of payment in any period.

- Credit facility extension: only in case of consumer loans granted through revolving credit facilities.

Credit sustained payment.

It is considered that there is sustained payment when the borrower shows compliance of the payment without delay for the total amount of principal and interest, in accordance with the following:

a) When it comes to amortisations equal to or less than 60 days, at least three consecutive amortisations of the loan payment scheme are covered.
b) For loans with periods between 61 and 90 calendar days, two amortisations are paid.
c) In the case of loans with repayments covering periods longer than 90 calendar days, an amortisation payment is made.

When the agreed amortisation periods in the restructuring or renewal are not homogeneous, the number of periods representing the longest term is considered, as previously described.

For restructuring in which the payment frequency is changed to shorter periods, regarding determination of whether sustained payment exists, the number of amortisations corresponding to the original credit scheme is taken into consideration.

(Continued)

In the case of credits acquired from INFONAVIT, the Group is obliged to respect the terms that the reference organisations contracted with the borrowers. Sustained payment of the credit is considered to exist when the borrower has covered, without delay, the total amount due as to principal and interest, at a minimum of one amortisation for credits under the ROA scheme and three amortisations for credits under the REA scheme.

In the case of consolidated loans, if two or more loans result in transfer to the portfolio with Stage 2 or Stage 3 risk, to determine the required amortisations for the existence of sustained payment, the original payment schedule of the credit whose amortisations equal the longest term is considered.

Regarding loans with a single payment of principal upon maturity, regardless of whether the payment of interest is periodic or upon maturity, it is considered that there is a sustained payment of the credit when any of the assumptions mentioned below occurs:

a) The borrower has covered at least 20% of the original amount of the credit at the time of restructuring or renewal, or else,
b) The amount of interest accrued was covered according to the payment plan for restructuring or renewal corresponding to a 90-day term, and at least said period has elapsed.

Loans that are restructured or renewed on more than one occasion, which have been agreed with a single payment of principal upon maturity, regardless of whether the payment of interest is periodic or upon maturity, will be credited with sustained payment of the credit when:

a) The borrower covers at least 20% of the outstanding principal at the time of the new restructuring or renewal.
b) The amount of interest accrued has been covered according to the new restructuring or renewal payment plan corresponding to a 90-day term, and at least said period has elapsed; and
c) The entity has evidence to support the debtor’s ability to pay. In the case of commercial loans, such items are properly documented and included in the credit file.

The prepayment of the amortisations of restructured or renewed loans, other than those with a single payment of principal upon maturity, regardless of whether the interest is paid periodically or upon maturity, is not considered sustained payment. Such is the case of the amortization of restructured or renewed loans that are paid without the calendar days equivalent to the required periods as per the first paragraph of this subsection having elapsed.

Loans that, as a result of a restructuring or renewal, are transferred to a category with higher credit risk, in all cases remain in that stage for a minimum of three months until sustained payment is evidenced. Sustained payment should be recognised at each stage of credit risk and consequently transferred to the immediate subsequent stage with lower credit risk. The foregoing, with the exception of loans with payment of principal upon maturity, regardless of whether interest payments are periodic or upon maturity, to which that previously described applies in these cases.

In any case, for the Group to demonstrate sustained payment, in addition to ensuring that the borrower complies with the guidelines for sustained payment indicated in the previous paragraphs, it must make available to the Commission evidence justifying that the borrower has the capacity to make payments at the time on which the restructuring or renewal takes place to meet the new credit conditions. The minimum evidence that must be obtained is as follows:

a) intrinsic probability of default by the borrower;

(Continued)

b) guarantees granted to restructured or renewed credit;
c) the priority of payment over other creditors; and
d) the borrower's liquidity in light of the new financial structure of the financing.

Recognition of revenue, costs, and expenses

The effective interest determined by applying the effective interest rate is recognised as it accrues. The effective interest includes the accrual of portfolio interest and the amortisation of credit origination fees, both presented under "Interest income", as well as the amortisation of transaction costs for credit origination presented under "Interest expense".

To determine the effective interest rate, the Group performs the following:

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

When, in accordance with the terms of the contract, the interest rate is modified periodically, the effective interest rate calculated at the beginning of the period is used throughout the life of the loan; i.e., it is not determined again for each period.

There is a presumption that future cash flows and the expected life of the credit can be reliably estimated, which occurs in most circumstances; however, in those cases where it is not possible to reliably estimate future cash flows or the estimated life of the credit or credits, the Group uses the contractual cash flows documenting the circumstances and facts that led to this conclusion, subject to approval by the Credit Committee.

Commissions and transaction costs are amortised against profit or loss for the year during the term of the associated credit facility. If the credit facility is cancelled, the outstanding balance to be amortised is fully recognised in profit or loss.

Commissions recognised subsequent to the granting of credit that are generated as part of the maintenance of such credits, as well as those charged in connection with unplaced credits, are recognised against profit or loss for the year as they accrue.

Commissions charged for credit card annual fees are initially recognised as deferred income and amortised over a 12-month period against profit or loss for the year, under "Commission and fee income".

(Continued)

(m) Credit card loyalty program

Based on paragraph 3 of criterion A-4 "Supplementary Application to Accounting Criteria" issued by the Commission, the Group applies IFRS 15 "Revenue from Contracts with Customers", which incorporates the revenue recognition derived from customer loyalty programs. In accordance with IFRS 15, a portion of the revenue from interchange fees is deferred when the obligations to fulfil, that is, to deliver the rewards to which clients are entitled, are identified, and amortised against income once such obligation is satisfied.

(n) Special accounting criteria derived from the floods and damages caused by Hurricane Otis

By means of official notices numbers P-307/2023 dated October 27, 2023 and P-318/2023 dated November 10, 2023, the Commission issued, on a temporary basis, the special accounting criteria (Spanish acronym "CCE") for credit institutions regarding consumer, housing, and commercial loan portfolios, for clients affected in the areas indicated by the competent authority in the Emergency Declaration, or alternatively, those indicated in the Natural Disaster Declaration, and whose credits were classified as loan portfolios with Stage 1 or Stage 2 credit risk at October 24, 2023. The deadline for completing the renewal or restructuring procedures will expire no later than April 30, 2024.

The support program consists of granting partial or total deferral of principal and/or interest payments for up to 6 months to borrowers and will be applicable to the following types of credit and clients:

a. Housing loans with mortgage guaranty.
b. Revolving and non-revolving credits, aimed at individuals (automotive, personal, payroll, credit card, and microloans).
c. Commercial loans for legal entities and individuals with business activity (SMEs).
d. Trusts as debtor of banking institutions.
e. Individual or group microloans.

The following credits were not considered as restructuring and/or renewals and remained in the same credit risk category:

1. Loans with "single payment of principal upon maturity and periodic interest payments, as well as loans with single payment of principal and interest upon maturity"
2. Loans with "periodic payments of principal and interest"; and
3. Loans that, from their inception, are stipulated as revolving in nature.

The loans that are restructured or renewed under the CCE were reported to the Credit Information Societies (Spanish acronym "SIC") as follows:

a) The loans recorded as loan portfolio with Stage 1 credit risk as of October 24, 2023, and that do not have any overdue days, did not present any observation key in the SICs.

b) The loans recorded as loan portfolio with Stage 2 credit risk as of October 24, 2023, and that do not have any overdue days, presented the RA observation key in the SICs.

c) The loans recorded as loan portfolio with Stage 3 credit risk after October 24, 2023, presented the RA observation key in the SICs.

(Continued)

In the event that restructuring or renewals include dations in payment, remissions, rebates, or discounts on the credit balance to support the borrowers, the Group may defer the establishment of allowances for ECL when the amount of dations in payment, remissions, rebates or discounts exceeds such provisions. An estimate for the difference will be established within a period not exceeding 12 months.

(o) Deferred items

It consists of the net amount between transaction costs and fees for granting credit.

(p) Allowance for ECL

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

In the event of any committed but undrawn credit facilities, the Group recognises the corresponding allowance for the undrawn balance in accordance with the Provisions, which also applies to letters of credit issued by the Group.

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

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

b) It is considered likely that the debtor will not pay the entirety of its credit obligations to the Group.

The LGD in the event of Default corresponds to the severity of loss in case of default expressed as a percentage of the EAD, once the value of the collateral and the costs associated with the realisation processes (judicial, administrative collection, and notarization, among others) have been taken into account. It is determined in accordance with the standard methodology contained in the Provisions.

The EAD is the expected gross carrying amount of a credit exposure if the debtor incurs in a default. The EAD cannot be less than the amount set for the transaction at the time of calculating the reserve or capital requirement. It is determined in accordance with the standard methodology contained in the Provisions.

If applicable, the Group determines or recognises additional estimates, which are established to cover risks that are not foreseen in the different methodologies for rating the loan portfolio, and on which, prior to their establishment, the Group informs the Commission as follows:

a) origin of estimates;
b) methodology for its determination;
c) amount of allowances needed, and
d) estimated time required.

(Continued)

Regarding loans with Stage 3 credit risk, in which the restructuring agreement includes the capitalisation of accrued but uncollected interest previously recorded in contingent accounts, the Group recognises an allowance for 100% of said interest, which is cancelled when there is evidence of sustained payment.

Commercial loan portfolio

Calculation of the allowance for ECL 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 in which the loans are classified, as well as their previous classification into five different groups, according to the recipients to whom they have been granted:

I States and municipalities.

II. Projects with self-funding

III. Trustees acting under trusts not included in the preceding paragraph, as well as credit schemes commonly known as “structured”.

IV. Financial entities.

V. Legal entities not included in the previous sections and individuals engaged in business activities, which in turn is divided into the following subgroups:

a) With annual net income or net sales less than the equivalent in local currency to 14 million UDIs.

b) With annual net income or net sales equal to or greater than the equivalent in local currency of 14 million UDIs.

Calculation of the PD of commercial loans is carried out under 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 totalled and used to calculate the PD.

For the calculation of the LGD, if the loans lack coverage of security interests, personal guarantees or credit derivatives, it is determined according to the months of delay, depending on the group to which they belong, and considering whether they are subordinated or syndicated credits in which the Group is subordinate to other creditors. Moreover, the determination of the LGD is considered through a differentiated calculation for the credits of borrowers that have been declared in insolvency. In the event that the loans are backed by security interests, personal guarantees, and credit insurance, these are considered in the determination of the LGD in order to adjust the allowances for ECL. For the loan portfolio that benefits from a step and measure hedge scheme, the calculation of the LGD takes into account said hedge.

In the event of non-committed credit facilities that are unconditionally cancellable or allow automatic cancellation at any time and without prior notice by the Group, the EAD corresponds to the outstanding balance of the loan. For credit facilities other than those mentioned above, the determination of the EAD is carried out under the Provisions.

(Continued)

Mortgage and housing portfolio

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

The calculation is performed using the figures corresponding to the last day of each month, constituting the credit impairment assessment on a credit-by-credit basis.

Furthermore, factors such as: i) amount due, ii) payment made, iii) property value, iv) credit balance, v) delinquency, vi) information from credit reporting agencies, vii) ROA, viii) REA, and ix) extension; are mainly considered.

In the event that the loans are covered by credit insurance, these are considered in the LGD determination in order to adjust the allowance for ECL.

The total amount of the allowance to be established for each credit is the result of multiplying the PD by the LGD and the EAD or the different rules in the Provisions.

Consumer portfolio

The allowance for ECL 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 in which the loans are classified.

Allowances for credit cards and other revolving credits are calculated on a credit-by-credit basis, using the figures corresponding to the last known payment period and considering primarily factors such as: i) outstanding balance, ii) payment made, iii) credit limit, iv) minimum payment required, v) default, vi) amount payable to the Group, vii) amount reported to credit institutions; as well as viii) the length of time the borrower has been with the Group, and ix) other variables from credit institutions. The total amount of the allowance to be established for each loan is the result of multiplying the PD by the LGD and the EAD or the different rules established in the Provisions.

The EAD, in the event of credit cards and other revolving credits, is determined in accordance with the Provisions.

Additionally, the calculation of the allowances corresponding to the non-revolving consumer loan portfolio mainly considers the following: (i) amount due, (ii) payment made, (iii) delinquency, (iv) length of time the borrower has been with the Group, (v) length of time the borrower has been with other institutions, (vi) amount payable to the Group, (vii) amount reported to credit information institutions, (viii) balance reported to credit information institutions, (ix) indebtedness, (xi) original loan amount, (xii) loan balance, and (xiii) other variables from credit information institutions.

Degree of risk of the allowance for ECL

Allowances established by the Group are classified according to their risk degree, in accordance with the table shown in the next page.

(Continued)

Grupo Financiero Scotiabank Inverlat, S.A. de C.V.,
(Sociedad Controladora Filial)
and subsidiaries

Notes to the consolidated financial statements

(Millions of Mexican pesos)

	Percentage ranges for allowance for ECL							
	Consumer							
Risk level	**Non-revolving**		**Credit card and other revolving credits**		**Mortgage and housing**		**Commercial**	
	From	**To**	**From**	**To**	**From**	**To**	**From**	**To**
A-1	-%	2.0%	-%	3.0%	-%	0.50%	-%	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, eliminations, and loan portfolio recoveries

The Group has write-off policies for consumer and mortgage loans, in accordance with established periods of 6 and 60 months, respectively, which determine the practical impossibility of recovery. Write-offs are made by cancelling the unpaid balance determined by the Management against the allowance for ECL. When the unpaid balance exceeds the associated estimate, before recording the write-off, the Group recognises an allowance for the amount of the difference.

In any case, the Group has evidence of formal collection efforts that have been made regarding these credits, as well as evidence of the elements that substantiate the practical impossibility of credit recovery in accordance with its internal policies established in the credit manual.

The Group may choose to eliminate from its assets those Stage 3 credit exposures that are provisioned at 100% even when they do not meet the conditions to be written off. For such purposes, the Group shall write off the outstanding balance of the loan against the allowance for ECL.

Any recovery derived from loans previously written-off or eliminated shall be recognised in the consolidated profit or loss for the year under “Allowance for ECL”, unless the recoveries come from payments in kind, which are treated in accordance with the policies established for Foreclosed Assets in note 3(s).

The costs and expenses incurred in the recovery of loan portfolio should be recognised as an expense within the category of “Other operating income (expense)”.

Dations in payment, remissions, rebates, and discounts granted on loan portfolio

Dations in payment on the amount forgiven of the partial or total payment of the loan made by the Group to the debtors will be carried out by cancelling the outstanding balance of the credit against the allowance for ECL associated with the credit, and if this is less than the amount forgiven, the Group will previously establish allowances for up to the amount of the difference.

(Continued)

The cancellation of the allowance for ECL on dations in payment, remissions, rebates, and discounts on the loan portfolio applies to amounts forgiven resulting from increases in credit risk; otherwise, they should be deducted from the income that generated them.

(q) Other accounts receivable, net

The accounts receivable recognised in this category do not bear interest, either explicit or implicit; therefore, they include:

- short-term accounts receivable; and
- other short-term accounts receivable

Accounts receivable arising from the operations to which they refer should not be included:

- the B-3 criteria “Repurchase/resale transactions”, B-4 “Securities lending”, and B-6 “Loan portfolio” issued by the Commission;
- those related to the accounts receivable defined in criterion “B-6”; and
- accounts receivable under “Other accounts receivable from operating lease transactions”.

Other accounts receivable comprise clearing accounts receivable for foreign exchange sale transactions, investments in securities, repurchase/resale transactions, securities lending, derivatives, and issue of securities, and of the margin accounts borrowers, collateral borrowers granted in cash for securities, credit, and derivative transactions made in OTC markets. Furthermore, it includes sundry debtors for prizes, commissions, and rights to receive on non-credit transactions, items associated with credit transactions, credit balances of recoverable taxes, loans, and other employee receivables, unamortised operating lease payments, and other debtors.

Accounts receivable must be initially measured at transaction price (the consideration to which the Group expects to be entitled in exchange for transferring control of the goods or services to a client) at the time when the related transaction is deemed to have occurred, which happens when control of the agreed goods or services is transferred to the client in exchange for consideration, in accordance with the terms of the contract entered into.

Accounts receivable should include taxes and levies shiftable to the client and any other charges to the client on behalf of third parties. The Group must recognise a liability for the amount collected on behalf of third parties included in accounts receivable.

Accounts receivable denominated in foreign currency should be initially recognised in the functional currency, using the historical exchange rate; i.e. the rate at which the Group could have settled the accounts receivable at the transaction date.

Accounts receivable must be measured upon their subsequent recognition at transaction price pending collection.

Allowance for expected credit losses

Allowance for ECL must be recognised from the outset in accounts receivable, affecting profit or loss for the period under “Other operating income (expense)”.

(Continued)

In subsequent recognition, changes required in the allowance for ECL due to modifications in the expectations of expected credit losses arising in each period must be recognised in profit or loss for the year under “Other operating income (expense)”.

The allowance for ECL should be determined through the professional judgment of the Group, considering the assessment of expected losses from the impairment of accounts receivable, using factors such as historical experience of credit losses, current conditions, and reasonable and supportable forecasts of the various quantifiable future events that could affect the future cash flows from the recoverable accounts receivable.

The allowance for doubtful accounts is recognised at the time the revenue is earned, based on expected credit losses.

From initial recognition, the time value of money should be considered, so if the effect of the present value of the accounts receivable is significant in relation to its term, it should be adjusted based on such present value.

Therefore, the Group’s management has developed the procedure for calculation of expected credit losses to establish such an allowance based on the following equation:

$$PE = \sum_{i=1}^{n} EI_{ij} * TP_j$$

Where:

PE: Loss Given Default;

EI_{ij}: Exposure at Default of operation *i* in delinquency group *j*;

TP_j: Loss rate of the delinquency group *j*;

j: j-th delinquency group;

n: The number of transactions.

The loss rate is calculated using the analysis of the proportion of balance paid in each delinquency bucket, in this way, the concentration of the balance by delinquency bucket is analysed and thus, defining the impairment threshold and the allocation of 100% loss.

The Group may determine the LGD individually for debtors with particular characteristics; if impractical, they are grouped based on homogeneous or common characteristics.

In this regard, the Group has developed a methodology where it was deemed impractical to perform an individual assessment of accounts receivable. Therefore, statistical models were derived from historical data of accounts receivable, which were classified and grouped based on common and homogeneous characteristics in terms of risk. Based on key elements for measuring LGD, the following variables were determined: Loss Rate (LR) and Exposure at Default (EAD).

(Continued)

In order to estimate the parameters and apply them collectively, the assets comprising the accounts receivable were grouped according to the number of days past due at the time of impairment allowance, assigning them a delinquency group for which, in the particular case of the Group, this period is 120 days, in accordance with the collection process.

When the Group considers the probability of collection of an account receivable to be nil, it must write off the net carrying amount of the account receivable, applying the account receivable to the allowance for ECL. If the allowance was insufficient, it should be adjusted immediately affecting the profit or loss for the period in "Other operating income (expense)".

Accounts receivable, if any, are presented net of the allowance for ECL within the consolidated statement of financial position under "Other accounts receivable (net)".

Other considerations for the allowance for ECL for other accounts receivable:

- Overdrafts on checking accounts of clients without overdraft credit facilities are classified, at the time of recognition, as overdue liabilities and an allowance is simultaneously established for the total amount.

- The Group does not constitute an allowance for ECL for:

- Recoverable taxes,
- Creditable value added tax; and
- Client collections on behalf of third parties.

This paragraph does not cover accounts receivable with operational risk, the elimination of which is recognised in "Other operating income (expense)".

(r) Leases

Acting as a leasor

Lease classification

The Group classifies each of its leases as an operating lease or a finance lease. All loans granted by the entity for financial leasing operations are considered as finance leases, which are those whereby the Group transfers to the lessee substantially all the risks and rewards inherent to the ownership of the underlying asset; otherwise, they are considered as operating leases.

As a lesee

At inception 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 identified asset, either implicitly or explicitly, in a contract.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease or service component on the basis of its relative stand-alone prices.

(Continued)

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase 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 those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability such as changes in the amount of the rent due to an inflation adjustment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot easily be determined, the Group's incremental borrowing rate or the risk-free rate determined by reference to the lease term. In general, the Group uses its own incremental interest rate as a discount rate.

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

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially valued by using the index or rate as at the commencement date;
- amounts expected to be paid under a residual value guarantee; and
- the exercise price under a purchase option that the Group may be reasonable certain to enforce, the lease payments within 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 may be reasonably sure not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is revalued under the following conditions:

- there is a change in future lease payments arising from a change in an index or rate.
- 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 purchase option, extension, or termination; or
- there is a substantially fixed payment for a modified lease.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(Continued)

The Group presents the right-of-use assets that do not meet the definition of investment property in “property, furniture and equipment”, and lease liabilities in the “lease liability” in the consolidated statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(s) Foreclosed assets

Assets foreclosed or received as dation in payment that are not intended for the Group’s use are recognised on the date the court order approving the foreclosure becomes final, or in the case of assets received as dation in payment, on the date the dation deed is signed, or when the transfer of ownership of the asset is formalised.

The recognition of foreclosed assets is carried out as follows:

a) at the lower of the gross carrying value of the asset that gave rise to the foreclosure, that is, without deducting the allowance for ECL recognised up to that date, and the net realisable value of the assets received, when the entity’s intention is to sell said assets to recover the amount receivable; or

b) at the lower of the carrying value of the asset that gave rise to the foreclosure or the fair value of the asset received, when the entity’s intention is to use the allocated asset for its activities.

On the date of registration of the asset foreclosed or received as dation in payment, the carrying value of the asset that gave rise to the foreclosure, as well as its respective allowance for ECL, is derecognised from the consolidated statement of financial position by the total net amount of the allowance, reduced by partial payments in kind in the case of loan portfolios, or by collections or recoveries in the case of receivables.

The difference between the value of the asset that gave rise to the foreclosure, net of allowances, and the value of the foreclosed asset as described in the second paragraph of this note, is recognised in the consolidated statement of comprehensive income under “Other operating income (expense)”.

Valuation of foreclosed assets

The foreclosed assets are valued according to the type of asset, recording their valuation against the profit or loss for the period under “Other operating income (expense)”.

The Group recognises an allowance for impairment for time-based value losses in accordance with the provisions, recognising it in profit or loss under “Other operating income (expense)”. The determination of reserves for holding movable or immovable property, foreclosed or received as dation in payment over time, is determined in accordance with what is described in the next page.

(Continued)

	Reserve percentage	
Months elapsed from the foreclosure or dation in payment	**Real property**	**Personal property, collection rights, 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 the sale of the foreclosed assets, the difference between the selling price and the carrying amount of the foreclosed asset, net of allowances, is recognised directly in profit or loss under "Other operating income (expense)".

Transfer of foreclosed assets for the Group's own use

When the Group chooses to transfer the assets foreclosed for its own use, the transfer is recorded in the line item of the consolidated statement of financial position that corresponds to the specific asset, in compliance with the requirement that the assets are used to achieve its objectives and are carried out in accordance with its investment strategies and purposes previously established in its manuals, with no possibility for such assets to be reclassified as foreclosed.

(t) Property, furniture and equipment, net

Property, furniture and equipment are recognised at acquisition cost. The balances arising from acquisitions made up to December 31, 2007, were restated using factors derived from the value of the UDI at the date of acquisition thereof until that date, when the recognition of inflation in the financial information was suspended in accordance with NIFs. The components acquired in foreign currency are recorded at the historical exchange rate, i.e., at those in effect on the date of acquisition of the asset.

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

The amount to be depreciated for property, furniture and equipment is determined after deducting the acquisition cost thereof from their residual value, and, if applicable, less any accumulated impairment losses. The Group periodically assesses the residual value to determine the depreciable amount of such property, furniture and equipment.

The Group periodically tests the net carrying values of property, furniture and equipment in order to determine the existence of indications that such values exceed their recovery value. The recoverable amount is the higher of the net selling price and the value in use. If it is determined that the carrying values exceed their recoverable amount, the Group recognises the impairment in profit or loss for the year to reduce them to this latter amount. Maintenance and minor repair expenses are recognised in profit or loss as incurred.

(Continued)

(u) Permanent investments

The Group's permanent investments in entities on which it has significant influence or control are valued using the equity method, through which the Group recognises its proportionate share of the profit or loss and equity of these entities using their financial statements at the same date and for the same period as the Group. A company is considered a subsidiary of the Group when it has the power to direct its relevant activities, is exposed to or has rights to variable returns from that involvement, and has the present ability to affect those returns through its power over it.

The other permanent investments where there is no control, joint control, or significant influence are classified as other investment, which are initially recognised and kept valued at acquisition cost. Should there be any dividends from these investments, these are recognised in profit or loss in "Other operating income (expense), net", except when they correspond to profits from periods prior to the acquisition, in which event, permanent investment is reduced.

(v) Long-lived assets held for sale

Long-term assets are classified as held for sale if they meet all the requirements shown below:

a) The Group's governing body that approves this activity has committed to a sales plan.
b) The assets are available for immediate sale, in their current condition, subject solely to the usual and customary terms for the sale of those assets, and their sale is highly probable.
c) The actions to locate the buyer and other activities to complete the plan are underway. If the buyer is not identified, at least the potential market has been identified.
d) The sales plan is expected to be fulfilled within a period of less than one year. This requirement is not met in cases where the entity enters into sales agreements that are essentially call options and sales contracts with leaseback arrangements. An extension of one year 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 a reliable estimate of the prices to be received 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 that it will be cancelled.

Long-lived assets held for sale that meet the above requirements are valued at the date of approval of the sales plan at their net carrying value or the net selling price, whichever is lower. In this case, the impairment loss should be recognised in profit or loss for the year.

(w) Impairment of long-lived assets

The Group periodically assess the net carrying value of the long-lived assets in order to determine the existence of impairment indications that such value exceeds its recovery value. The recovery value represents the potential amount of net income that it is reasonably expected to be obtained as a consequence of the use or realization of such assets.

If it is determined that net carrying value exceeds recovery value, the Group records the required allowances. When there is an intention to sell the assets, they are presented in the consolidated financial statements at their net carrying value or realisable value, whichever is lower. The assets and liabilities of a group classified as held for sale are presented separately in the consolidated statement of financial position.

(Continued)

(x) Advance payments and other assets, net

Advance payments represent the payments made by the Group where the rewards and risks inherent to the goods to be acquired or the services to be received have not been transferred. Advance payments are recognised as an asset for the amount paid, provided that it is likely that the future economic benefits associated with such payments will flow to the Group.

Once the goods and/or services related to the advance payments are received, they are recognised as an asset or as an expense in the consolidated statement of comprehensive income, depending on their respective nature.

Advance payments and other assets include expenditures made primarily for license fees and advance payment of employee profit sharing. At December 31, 2023 and 2022, the amount is $2,636 and $3,003, respectively.

(y) Income taxes and employees' statutory profit sharing ("PTU")-

Income tax and PTU for the year are determined in accordance with the tax and legal regulations in effect.

Deferred income tax and PTU are recorded according to the asset-liability method, which compares carrying and tax values. Deferred income taxes and deferred PTU (assets and liabilities) are recognised for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and in the case of income taxes, for tax loss carryforwards and other recoverable tax credits.

Deferred income tax and deferred PTU (assets and liabilities) are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income taxes and deferred PTU of a change in tax rates is recognised in profit or loss for the period in which such changes are enacted.

The deferred PTU asset is recognised under "Prepaid expenses and other assets, net", while the accrued income tax is recognised in "Employee benefits liability" in the consolidated statement of financial position.

Deferred income tax and PTU assets are assessed periodically, creating, if applicable, a valuation reserve for those temporary differences for which an uncertain recovery could exist.

Current and deferred income taxes are presented and classified in profit or loss for the period, except for those arising from a transaction that is recognised in other comprehensive income (OCI). The accrued and deferred PTU will be included under "Administrative and promotional expenses" in the consolidated statement of comprehensive income.

(z) Intangible Assets

This category mainly includes internally developed software intangible assets, whose costs incurred during the development phase are capitalised and amortised in profit or loss for the year once the software is ready for use, using the straight-line method, based on the estimated useful life determined by the Group's management.

In the presence of any indication of impairment of an asset, the possible impairment loss is determined, and if the recoverable amount is less than the net carrying amount, the value of the asset is reduced and the impairment loss is recognised in profit or loss for the year.

(aa) Deposits funding

This item comprises demand and time deposits from the general public, as well as those obtained in money market transactions, negotiable instruments issued and the global deposit account without transactions in local currency, foreign currency, or UDIS, which are integrated as described below:

a) Demand deposits. These include checking accounts, savings accounts, and current account deposits, among others.

   Overdrafts in the checking accounts of the Group’s clients, who do not have a credit facility for such purposes, are classified as past due debts under “Other accounts receivable, net”. Simultaneously with this classification, the Group recognises an expected credit loss for the total amount of such overdraft at the time when such event occurs.

b) Time deposits. These include, among others, certificates of deposit settled on pre-determined days, bank acceptances, and promissory notes with return payable at maturity, collected from the general public and through money market transactions. Money market transactions are referred to time deposits held with other financial institutions, as well as treasuries of companies and government entities.

c) Negotiable instruments. These include, among others, bank bonds and stock certificates.

d) Global deposit account without movements. Includes the principal and interest of the deposit-taking instruments that do not have a maturity date, or that having a maturity date are automatically renewed, as well as past due and unclaimed transfers or investments.

   If in the course of three years from when the funds are held in the global deposit account without transactions, the amount of which does not exceed, per account, the equivalent of 300 units of measurement and restatements (“UMAs”), they will be forwarded to public welfare. The Group will be required to report the funds corresponding to public welfare within a maximum period of fifteen days from December 31 of the year in which the aforementioned event occurs.

Discounted zero-coupon bonds are recognised 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 NIC C-19 “Financial Instruments Payable (Spanish acronym ‘IFP’)” and assess whether the determined rate is within the market, comparing it with an interest rate that reflects the time value of money and the inherent risks of payment for similar financings to which it has access. Only in the event that the market interest rate is substantially different from the effective rate, should the market rate be used as the effective interest rate in valuing the instrument, recognising in the net profit or loss the effects that occur in the fair value of the IFP due to the change in the interest rate.

Traditional deposit-taking interests are recognised in profit or loss as they accrue under “Interest expense”.

Issuance expenses, as well as the discount or premium in the placement, are recognised as part of the liability that gave rise thereto, as appropriate, and are amortised in profit or loss as it accrues as expenses or interest income, as appropriate, taking into consideration the term of the instrument that gave rise to it in proportion to the maturity of the instruments.

(Continued)

(bb) Subordinated obligations outstanding-

For subordinated obligations outstanding that meet the characteristics established by NIF C-12 “Financial Instruments with liability and capital characteristics”, the instrument is classified as a liability within the consolidated statement of financial position. Interest is recognised using the effective interest method in profit or loss for the year under “Interest expense”.

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

(cc) Interbank loans and loans from other institutions-

This item records direct loans from local and foreign banks, loans obtained through credit auctions with the Mexican Central Bank, and financing through development funds. It also includes discounted portfolio loans that originate from resources provided by banks specialised in financing economic, productive, or developmental activities. Interest is recognised in profit or loss as it accrues under “Interest expense”.

Loans should be initially recognised at transaction price, transaction costs should be added or subtracted, as well as other items paid in advance, such as commissions and interest. The Group should determine the present value of the estimated cash flows to be paid for principal and contractual interest, during the remaining term of the loan or a shorter period if there is a probability of prepayment or other circumstances requiring the use of a shorter period.

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

If the Group receives a loan with a contractual interest rate that is substantially outside the market, but an upfront commission is paid at the beginning of the credit when determining the effective interest rate based on the previous paragraphs, such commission should be taken into account.

(dd) Sundry creditors and other accounts payable-

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

The Group’s liabilities are measured and recognised in the consolidated statement of financial position, for which they must meet the characteristic of being a present obligation, where the transfer of assets or provision of services is virtually unavoidable, arises as a result of a past event, and its amount and maturity are clearly established.

The Group recognises an accrual when its amount or maturity is uncertain and the following conditions are met: a) there is a present obligation resulting from a past event for which the entity is liable, b) it is likely that an outflow of economic resources will be required to settle the obligation, and c) the obligation can be reasonably estimated.

(Continued)

If the aforementioned conditions are not met, no accrual is recognised.

(ee) Employee Benefits

Short-term direct benefits

Short-term direct benefits to employees are recognised in profit or loss for the period in which the services provided are accrued. A liability in the amount expected to be paid is recognised if the Group has a legal or assumed obligation to pay such amount as a result of the services previously provided and if the obligation can be reasonably estimated.

Long-term direct benefits

The Group's net obligation in relation to direct benefits in the long-term (except for deferred employees' statutory profit sharing - see section (y) of said note and which the Group is expected to pay after twelve months as from the date of the most recently submitted consolidated statement of financial position, is the amount of future benefits that the employees have obtained in consideration of their service in the current and previous years. This benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss for the period in which they accrue.

Termination benefits

A liability is recognised and a cost or expense for termination benefits is recognised when the Group does not have a realistic alternative other than making the payments or when it cannot withdraw the offer of those benefits, or when it complies with the conditions to recognise restructuring costs, whichever occurs first. If they are not expected to be settled within 12 months following the closing of the annual year, they are discounted.

Post-retirement benefits

Defined contribution plans

The Group's net obligation corresponding to the defined benefit plans per pension plan and seniority bonus is calculated separately for each plan, by estimating the amount of future benefits that employees may have earned in the current and previous fiscal years, discounting said amount and subtracting thereof the fair value of the plan assets. The Group maintains a defined contribution pension plan in which the contributions were recognised directly as expenses in the consolidated statement of profit or loss, under "Administrative and promotional expenses". Prepaid contributions are recognised as an asset to the extent that the advance payment results in a reduction of future payments or a cash refund (note 21).

Defined benefit plans

The Group only maintains a defined benefit plan for retired personnel pensions, as well as obligations related to post-employment medical benefit plans, food vouchers, and retired life insurance.

Irrevocable trusts have been established for pension plans and other post-retirement benefits to manage the assets of the retirement funds, except for severance payments.

(Continued)

Calculation of obligations for defined benefit plans is performed on an annual basis by actuaries, using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, any consideration is given to any applicable minimum funding requirements.

The labour cost of the current service, which represents the cost for the period of benefits granted to retired personnel in view of its having completed another year in employment based on the benefit plans, is recognised in administrative and promotional expenses. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period, by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as result of contributions and benefit payments.

The amendments to the plans affecting the cost for services provided are recognised in profit or loss immediately in the year where said amendment occurs, without the possibility for deferral in subsequent years. Furthermore, the effects of any obligation settlement or reduction for the period, which significantly reduce the cost of future services and/or significantly reduce the population subject to benefits, respectively, are recognised in profit or loss for the period.

All remeasurement (before actuarial gains and losses) resulting from any differences between the projected and actual actuarial hypotheses by the end of the period, are recognised in the period where they are incurred as part of the comprehensive income in equity.

(ff) Revenue recognition

Interest income generated from loans granted, including interbank loans agreed for a term of three business days or less, is recognised in profit or loss as it accrues.

Interest accrued on Stage 3 portfolio is recognised in profit or loss until collected.

Interest and commissions received in advance are recorded under “Deferred credits and advance payments” and are allocated to profit or loss as they accrue.

Commissions charged for the initial granting of a loan are recorded as deferred credit, which is amortised against profit or loss for the period as interest income during the life of the loan. Annuity and renewal commissions for commercial, consumer, and housing portfolio products are deferred, as applicable. Additionally, costs or expenses related to the granting of loans are recognised as a deferred charge and deferred over the same period in which the income derived from the commissions charged for the initial granting of the loan is recognised. Any insurance that is financed, if applicable, is part of the loan portfolio.

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

Commissions charged for restructuring or renewal of loans are added to the commissions originated from the loan origination and are recorded as a deferred credit, which is amortised as interest income using the straight-line method over the new loan term. Other commissions are recognised at the time they are incurred under commission and fee income.

(Continued)

Interest on investments in fixed-income securities is recognised in the income statement as it accrues, in accordance with the effective interest method. Interest income from repurchase/resale transactions is recognised in profit or loss in accordance with the effective interest method, over the term of the agreement.

Commissions earned from fiduciary operations are recognised in profit or loss as they accrue.

Commissions derived from custody or asset management services are recognised in profit or loss as they accrue.

(gg) Business and credit risk concentration

The Group's products are traded with a great number of clients, without there being any material concentration in a specific customer.

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

The Banking Savings Protection Law (*Ley de Protección al Ahorro Bancario*), among other provisions, establishes the creation of the IPAB, which aims to provide a system for protecting banking savings in favour of individuals who make any of the guaranteed deposits, and regulates the financial support granted to multiple banking institutions to fulfil this purpose. According to said Law, the IPAB guarantees bank deposits of savers up to 400,000 UDIS per individual or legal entity. The Group recognises in profit or loss for the year the mandatory contributions to the IPAB.

The mandatory contributions to the IPAB must be paid on a monthly basis and will be an amount equivalent to one twelfth of four per thousand, on the monthly average of the daily balances of its liability operations for the month in question.

(ii) Memorandum accounts

Memorandum accounts are used to record assets or commitments which do not form part of the Group's consolidated statement of financial position because the related rights are not acquired or such commitments are not recognised as a liability of the entities until such eventualities occur, respectively.

– *Credit commitments:*

The balance represents the value of letters of credit granted by the Group and that are considered as irrevocable commercial loans not used by borrowers and authorised unused credit facilities.

The above items in this account are subject to credit rating.

Assets in trust or under mandate:

The Group records the transactions of Assets or Trusts in memorandum accounts according to the following:

- Those limited to the recognition of the trust estate (contract assets), i.e., the value of assets received in trust net of the liabilities, all information concerning the management of each being kept in separate records accounts.

(Continued)

- Those that, due to their assets and liabilities, result from the transactions and whose recognition and valuation is carried out in accordance with the provisions of the specific Accounting Criteria applicable to the Group.

Losses incurred by the Group for liabilities incurred as a trustee are recognised in profit or loss for the period in which they are known, regardless of the time in which any legal action is carried out for this purpose.

The trust services unit maintains special accounting for each contract in the trustee system, and records in them and in its own accounting the money and other assets, securities or rights entrusted to them, as well as the increases or decreases, for proceeds or expenses, respectively. Invariably, the balances of the special accounts of each trust contract match the balances of the memorandum accounts in which the Group recognises the trust estate.

These assets in no event shall be assigned to other liabilities than those derived from the trust, or that correspond to third parties in accordance with the Law.

When, due to the nature of the trusts created in the Group, there are assets or liabilities against or in favour of the Group, these are recognised in the consolidated statement of financial position, as appropriate.

The mandate is recorded at the goods stated value subject to the mandate contracts entered into by the Group.

Revenue recognition from management of trusts is based on accrual. Accrual of said revenue is suspended when the debt is 90 or more calendar days past due and can be accrued again when the outstanding debt is paid in full.

As long as the revenue accrued from the management of trusts is suspended from accrual and no collected, control thereof is kept in memorandum accounts. In the event that such accrued revenue is collected, it is recognised directly in profit or loss for the year.

– *Assets in custody or under management:*

Cash and securities owned by the clients under custody, collateral, and management are reflected in the respective memorandum accounts and are valued based on the price delivered by the price vendor. Except for cash or crypto assets received for the payment of services on behalf of third parties, which should be presented in the cash and cash equivalents or crypto assets category, as applicable, and the liability arising therefrom in the other accounts payable category.

Securities under custody and management are deposited at S.D. Indeval, Institución para el Depósito de Valores, S.A. de C.V.

Revenue from custody or management services recognised in profit or loss for the year shall be reported in commission and fee income.

– *Collateral received by the entity:*

This balance represents the total amount of collateral received in repurchase transactions and securities loans, when the Group acts as the repurchasing party and borrower.

(Continued)

– *Collateral received and sold or pledged by the entity:*

This balance represents the total collateral received and sold or given in guarantee when the Group acts as the repurchasing party and borrower.

– *Uncollected earned interest derived from past due portfolio with Stage 3 credit risk:*

Uncollected earned interest derived from past due portfolio with Stage 3 credit risk is recorded.

– *Other record accounts:*

Guarantees received by the Group are primarily recorded, among others.

(jj) Contingencies

Liabilities or significant losses for contingencies are carried when it is probable that a liability has been incurred and the amount thereof can be reasonably estimated. In the absence of these reasonable elements, their disclosure is included on a qualitative basis in the notes to the consolidated financial statements.

Contingent income or assets should be recognised in the consolidated financial statements when the incorporation of economic benefits becomes probable, i.e., until there is absolute certainty of their realisation.

When it is determined that contingent assets and liabilities do not have reasonable certainty of the incorporation of economic benefits or the existence of a present obligation, respectively, they should not be recognised in the consolidated financial statements, because their existence is possible but not probable. In this case, the aim is to disclose estimates of potential financial effects in the notes to the consolidated financial statements.

As long as the assets and liabilities remain contingent in nature, they should be accounted for in memorandum accounts.

(kk) Reclassifications

At December 31, 2022, the Group included in “Advance payments and other assets, net” within the assets, the issuance costs and the discount on placement of time deposits in the money market and negotiable instruments issued for the presentation of the consolidated statement of financial position. The Group’s management decided to reclassify them due to their significance and nature to the “Deposits funding” category. The effects of these reclassifications were retrospectively applied in the consolidated statement of financial position at December 31, 2022, in accordance with NIF B-1, “*Accounting changes and correction of errors*”. The effects of the aforementioned reclassifications on the items of the consolidated statement of financial position are as shown in the next page.

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Description		Originally reported	Retrospectively reclassified	Figures after reclassifications
Assets				
Advance payments and other assets, net	$	3,146	(143)	3,003
Liabilities				
Time deposits				
Money market		31,238	(63)	31,175
Negotiable instruments issued		11,845	(80)	11,765

(4) Fair value hierarchy

Fair value of financial instruments-

At December 31, 2023, the Group determined the fair values of its assets and liabilities, as well as the amount corresponding to each fair value hierarchy level classification as shown in the following table:

Type of financial instrument		Level 1	Level 2	Level 3	Total	2023 Valuation technique	Observable inputs	Unobservable inputs
Assets								
Negotiable financial instruments:	**$**	**754**	**82,194**	**-**	**82,948**			
Government debt		-	78,407	-	78,407	Valmer price vendor		
Bank debt		-	2,324	-	2,324	Valmer price vendor		
Equity financial instruments		754	1,463	-	2,217	Valmer price vendor		
Financial instruments to collect or sell:	**$**	**6,058**	**96,341**	**-**	**102,399**			
Government debt		6,058	67,520	-	73,578	Valmer price vendor		
Bank debt		-	26,791	-	26,791	Valmer price vendor		
Other debt securities		-	2,030	-	2,030	Valmer price vendor		
Derivative financial instruments for trading purposes:	**$**	**-**	**31,575**	**28**	**31,603**			
Options		-	1,653	28	1,681	-Caps & Floors interest rate options: Cap/Floor Black's	-Valmer price vendor for the provision of prices and market data	-Correlation and volatility of unobservable stock in the market.
						-Binary interest rate options: Internal Model Cap/Floor Black's	-Volatility surface	The levelling methodology for options with target volatility is as follows:
						-European Call Spread index option: Internal Call Spread Option Model	-Quanto correlation	-Ratio = Abs(Correlation Uncertainty*Correlation Risk) +Abs(Vega Uncertainty Factor * Vega Risk) / MTM

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					2023		
Type of financial instrument	**Level 1**	**Level 2**	**Level 3**	**Total**	**Valuation technique**	**Observable inputs**	**Unobservable inputs**
Assets							
Derivative financial instruments for trading purposes:							
					-European Basket Option: Internal Basket Asian AN/Alytic Multi-Factor Model -European equity option: Internal Equity Option Model -Equity Binary Option: Internal Equity Option Model -Single stock Autocall option: Internal EqOpt Autocallable Note Model -Barrier exchange rate option: Merton, Reiner and Rubinstein -European exchange rate option: Garman and Kohlhagen -Binary exchange rate option: Black-Scholes -Index Future Option: Market prices -Simple equity option: Market prices	-Dividend yield curve	-If Ratio >10% then the complete package (Internal + External) will be treated as Level 3, otherwise Level 2.
Forward contracts	-	3,550	-	3,550	BNS Forex Discounted cash flow	-Exchange rates -Futures prices quoted in the market -Interest rate market -Active prices	

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					2023		
Type of financial instrument	**Level 1**	**Level 2**	**Level 3**	**Total**	**Valuation technique**	**Observable inputs**	**Unobservable inputs**
Assets							
Derivative financial instruments for trading purposes:							
Swaps	-	26,372	-	26,372	-Foreign currency swap: Internal Cash Flow Swap Model -Interest rate swaps: Internal Cash Flow Swap Model -Standardised interest rate swaps (CME/Asigna): Internal Cash Flow Swap Model	-Underlying: shares; funds; -Observed market volatilities -Interest rate yield curves and quoted exchange rates -Volatility surface	
Derivative financial instruments for hedging purposes:	**$ -**	**11,153**	**-**	**11,153**			
Swaps	-	11,153	-	11,153	-Foreign currency swap: Internal Cash Flow Swap Model -Interest rate swaps: Internal Cash Flow Swap Model	-Interest rate yield curves and quoted exchange rates -Volatility surface	
Liabilities							
Derivative financial instruments for trading purposes:	**$ 1,499**	**30,689**	**28**	**32,216**			
Futures	16		-	16	Valmer price vendor	-Exchange rates -Futures prices quoted in the market -Interest rate market -Active prices -Underlying: shares; funds; -Observed market volatilities	
Warrants	1,483	-	-	1,483	Price vendor		
Options	-	1,319	28	1,347	-Caps & Floors interest rate options: Cap/Floor Black's	-Valmer price vendor for the provision of prices and market data	-Correlation and volatility of unobservable stock in the market.

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				2023			
Type of financial instrument	**Level 1**	**Level 2**	**Level 3**	**Total**	**Valuation technique**	**Observable inputs**	**Unobservable inputs**
Liabilities							
Derivative financial instruments for trading purposes:							
Options							
					-Binary interest rate options: Internal Model Cap/Floor Black's	-Volatility surface	
					-European Call Spread index option: Internal Call Spread Option Model	-Quanto correlation	The levelling methodology for options with target volatility is as follows:
					-European Basket Option: Internal Basket Asian AN/Alytic Multi-Factor Model	-Dividend yield curve	-Ratio = Abs(Correlation Uncertainty*Correlation Risk) +Abs(Vega Uncertainty Factor * Vega Risk) / MTM
					-European equity option: Internal Equity Option Model		-If Ratio >10% then the complete package (Internal + External) will be treated as Level 3, otherwise Level 2.
					-Equity Binary Option: Internal Equity Option Model		
					-Single stock Autocall option: Internal EqOpt Autocallable Note Model		
					-Barrier exchange rate option: Merton, Reiner and Rubinstein		
					-European exchange rate option: Garman and Kohlhagen		
					-Binary exchange rate option: Black-Scholes		
					-Index Future Option: Market prices		
					-Simple equity option: Market prices		

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				2023			
Type of financial instrument	**Level 1**	**Level 2**	**Level 3**	**Total**	**Valuation technique**	**Observable inputs**	**Unobservable inputs**
Liabilities							
Derivative financial instruments for trading purposes:							
Forward contracts	$ -	2,927	-	2,927	BNS Forex Discounted cash flow	-Exchange rates -Futures prices quoted in the market -Interest rate market -Active prices -Underlying: shares; funds; -Observed market volatilities	
Swaps	-	26,443	-	26,443	-Foreign currency swap: Internal Cash Flow Swap Model -Interest rate swaps: Internal Cash Flow Swap Model Standardised interest rate swaps (CME/Asigna): Internal Cash Flow Swap Model	-Interest rate yield curves and quoted exchange rates -Volatility surface	
Derivative financial instruments for hedging purposes:	**$ -**	**9,015**	**-**	**9,015**			
Swaps	-	9,015	-	9,015	-Foreign currency swap: Internal Model - Cash Flow Swap -Interest rate swaps: Internal Cash Flow Swap Model	-Interest rate yield curves and quoted exchange rates -Volatility surface	

At December 31, 2022, the Financial Group determined the fair values of its assets and liabilities, as well as the amount corresponding to each fair value hierarchy level classification as shown in the table on the following page.

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Type of financial instrument	2022 Level 1	Level 2	Level 3	Total	Valuation technique	Observable inputs	Unobservable inputs
Assets							
Negotiable financial instruments:	**$ 1,550**	**62,720**	**-**	**64,270**			
Government debt	-	59,949	-	59,949	Valmer price vendor		
Bank debt	-	1,565	-	1,565	Valmer price vendor		
Other debt securities	-	104	-	104	Valmer price vendor		
Equity financial instruments	1,550	1,102	-	2,652	Valmer price vendor		
Financial instruments to collect or sell:	**$ 804**	**63,439**	**-**	**64,243**			
Government debt	804	43,361	-	44,165	Valmer price vendor		
Bank debt	-	18,851	-	18,851	Valmer price vendor		
Other debt securities	-	1,227	-	1,227	Valmer price vendor		
Derivative financial instruments for trading purposes:	**$ 20**	**30,600**	**61**	**30,681**			
Futures	20	-	-	20	BNS Forex Discounted cash flow	-Exchange rates - Quoted future prices in the market - Market interest rates - Active prices -Underlying: shares; funds; - Observed market volatilities	
Options	-	1,875	61	1,936	- Caps & Floors interest rate options: Cap/Floor Black's - Binary interest rate options: Internal Model Cap/Floor Black's	- Valmer price vendor for the provision of prices and market data - Volatility surface	- Correlation and volatility of unobservable stock in the market. The levelling methodology for options with target volatility is as follows:

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	2022						
Type of financial instrument	**Level 1**	**Level 2**	**Level 3**	**Total**	**Valuation technique**	**Observable inputs**	**Unobservable inputs**
Assets							
Derivative financial instruments for trading purposes:							
Transactions							
					- European Call Spread index option: Internal Call Spread Option Model	- Quanto correlation	- Ratio = Abs(Correlation Uncertainty*Correlation Risk) +Abs(Vega Uncertainty Factor * Vega Risk) / MTM
					- European Basket Option: Internal Basket Asian AN/Alytic Multi-Factor Model - European equity option: Internal Equity Option Model - Equity Binary Option: Internal Equity Option Model - Single stock Autocall option: Internal EqOpt Autocallable Note Model - Barrier exchange rate option: Merton, Reiner and Rubinstein - European exchange rate option: Garman and Kohlhagen - Binary exchange rate option: Black-Scholes - Index Future Option: Market prices - Simple equity option: Market prices	- Dividend yield curve	- If Ratio >10% then the complete package (Internal + External) will be treated as Level 3, otherwise Level 2.

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	2022						
Type of financial instrument	**Level 1**	**Level 2**	**Level 3**	**Total**	**Valuation technique**	**Observable inputs**	**Unobservable inputs**
Assets							
Derivative financial instruments for trading purposes:							
Forward contracts	$ -	1,976	-	1,976	BNS Forex Discounted cash flow	-Exchange rates - Quoted future prices in the market - Market interest rates - Active prices -Underlying: shares; funds; -Observed market volatilities	
Swaps	-	26,749	-	26,749	- Foreign currency swap: Internal Cash Flow Swap Model - Interest rate swaps: Internal Cash Flow Swap Model -Standardised interest rate swaps (CME/Asigna): Internal Cash Flow Swap Model	- Interest rate yield curves and quoted exchange rates - Volatility surface	
Derivative financial instruments for hedging purposes:	**$ -**	**5,608**	**-**	**5,608**			
Swaps		5,608	-	5,608	- Foreign currency swap: Internal Cash Flow Swap Model - Interest rate swaps: Internal Cash Flow Swap Model	- Interest rate yield curves and quoted exchange rates - Volatility surface	
Liabilities							
Derivative financial instruments for trading purposes:	**$ 564**	**30,270**	**-**	**30,834**			

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			2022				
Type of financial instrument	**Level 1**	**Level 2**	**Level 3**	**Total**	**Valuation technique**	**Observable inputs**	**Unobservable inputs**
Liabilities							
Derivative financial instruments for trading purposes:							
Warrants	$ 564	-	-	564	Price vendor		
Options	-	1,747	-	1,747	- Caps & Floors interest rate options: Cap/Floor Black's	- Valmer price vendor for the provision of prices and market data	- Correlation and volatility of unobservable stock in the market.
					- Binary interest rate options: Internal Model Cap/Floor Black's	- Volatility surface	
					- European Call Spread index option: Internal Call Spread Option Model	- Quanto correlation	The levelling methodology for options with target volatility is as follows:
					- European Basket Option: Internal Basket Asian AN/Alytic Multi-Factor Model	- Dividend yield curve	- Ratio = Abs(Correlation Uncertainty*Correlation Risk) +Abs(Vega Uncertainty Factor * Vega Risk) / MTM
					- European equity option: Internal Equity Option Model		- If Ratio >10% then the complete package (Internal + External) will be treated as Level 3, otherwise Level 2.
					- Equity Binary Option: Internal Equity Option Model		
					- Single stock Autocall option: Internal EqOpt Autocallable Note Model		
					- Barrier exchange rate option: Merton, Reiner and Rubinstein		

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Type of financial instrument	Level 1	Level 2	Level 3	Total	Valuation technique	Observable inputs	Unobservable inputs
		2022					
Liabilities							
Derivative financial instruments for trading purposes:					- European exchange rate option: Garman and Kohlhagen - Binary exchange rate option: Black-Scholes - Index Future Option: Market prices - Simple equity option: Market prices		
Forward contracts		1,750	-	1,750	BNS Forex Discounted cash flow	-Exchange rates - Quoted future prices in the market - Market interest rates - Active prices - Underlying: shares; funds; -Observed market volatilities	
Swaps	-	26,773	-	26,773	- Foreign currency swap: Internal Cash Flow Swap Model - Interest rate swaps: Internal Cash Flow Swap Model -Standardised interest rate swaps (CME/Asigna): Internal Cash Flow Swap Model	- Interest rate yield curves and quoted exchange rates - Volatility surface	
Derivative financial instruments for hedging purposes:	**$ -**	**3,487**	**-**	**3,487**			

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	2022						
Type of financial instrument	**Level 1**	**Level 2**	**Level 3**	**Total**	**Valuation technique**	**Observable inputs**	**Unobservable inputs**
Liabilities							
Derivative financial instruments for hedging purposes:							
Swaps	$ -	3,487	-	3,487	- Foreign currency swap: Internal Model - Cash Flow Swap - Interest rate swaps: Internal Cash Flow Swap Model	- Interest rate yield curves and quoted exchange rates - Volatility surface	

Valuation techniques

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

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

Derivative financial instruments valued using a valuation technique with market observable data mainly include interest rate swaps and options, cross currency swaps and forward foreign exchange contracts, and forward contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs, including exchange rates and interest rate curves. Derivative financial instruments valued using a valuation technique with significant unobservable data, such as volatility, correlation, and forward curves, may include long-term values and refer solely to options contracts.

ii. Transfers between levels

The conditions to recognise the transfer from level 1 to level 2 will be considered in accordance with the instrument:

Investments in financial instruments: When there are no events or positions for the transactions, and pricing is determined by the movement of similar instruments' prices, the previous period's price is considered, there is no market information on the instrument, it does not meet the minimum required amount, a theoretical adjustment is made to the spread, or the instrument moves to a different range, it is considered that there is a transfer to Level 2 of the hierarchy.

Derivatives: they are considered Level 2, except for derivatives with underlying private indices which can be Level 2 or 3 depending on the result of the quantitative test based on correlation and volatility.

At December 31, 2023 and 2022, there were no transfers between hierarchy levels.

(Continued)

iii. Level 3 fair values

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

		Assets	Liabilities
Balance at January 1, 2022	$	61	-
Loss included in "financial costs"			
Net change in fair value (unrealized)		-	-
Balance at December 31, 2022		61	-
Loss included in "financial costs"			
Net change in fair value (unrealized)		(33)	(28)
Balance at December 31, 2023	$	**28**	**(28)**

Level 3 sensitivity analysis

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

Derivative financial instruments	Valuation technique	Significant unobservable inputs	Composition	Range of input values for each significant unobservable input (1)		Increase/decrease in fair value from reasonably possible alternative input assumptions
				Lowest input value	Highest input value	
Equity contracts (net of liabilities for derivative financial instruments)	Option valuation model	Correlation of stock volatility	European OTC Equity Options	2%	4%	0.017 MXN

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

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

The following section analyses the significant unobservable inputs for Level 3 instruments:

- Correlation: Correlation becomes an input in setting stock derivative prices when the relationship between the price movements of two or more of the underlying assets is relevant.

- Volatility: The volatility of equity derivatives is a measure of the fluctuation in asset prices. Interest rate volatility measures the variability of the return on a security or interest rate. Historical volatility is often calculated as the annualised standard deviation of the daily price or yield variation over a specific period of time. The implied volatility is such that when entered into an option valuation model, it returns a value equal to the current market value of the option.

(Continued)

- Forward curves: Monthly forward curves for commodity contracts are necessary inputs for valuation. A portion of the progress curves cannot be observed.

(5) Foreign currency position

The Mexican Central Bank's regulations establish rules and limits for banks and broker-dealers to maintain balanced positions in foreign currencies. The (short or long) position allowed by the Mexican Central Bank is equivalent to a maximum of 15% of the core capital both in aggregate and in each currency. At December 31, 2023 and 2022, the Group maintains a foreign exchange risk position within the mentioned limit.

The foreign currency position at December 31, 2023 and 2022, expressed in millions of dollars and its valuation in pesos, is analysed below:

		Long position	
Financial position in dollars		**2023**	**2022**
USD	$	77	64
CAD		3	3
EUR		6	5
Other currencies		1	1
	$	**87**	**73**
Position valued in pesos			
USD	$	1,306	1,248
CAD		51	58
EUR		102	98
Other currencies		17	10
	$	**1,476**	**1,414**

The exchange rate in relation to the dollar, at December 31, 2023 and 2022, was $16.9666 and $19.5089 pesos per dollar, respectively, and at March 2, 2024, the date of approval of the consolidated financial statements, it was $17.0232 pesos per dollar.

(6) Cash and cash equivalents

At December 31, 2022 it comprises in the next page.

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		2023	2022
Cash in hand	$	8,155	7,950
Deposits in local banks		25,867	28,260
Deposits in foreign banks		3,703	10,259
Restricted cash equivalents:			
Monetary regulation deposits at the Mexican Central Bank		8,930	8,925
Loans with a maturity of less than three days (call money)		-	7,670
Other restricted cash equivalents[(1)]		1,131	899
Other cash equivalents		66	197
	$	**47,852**	**64,160**

Of the total cash and cash equivalents at December 31, 2023 and 2022, $42,251 and $50,471 are denominated in local currency, and $5,601 and $13,689 are denominated in valued foreign currency (mainly USD), respectively.

(1) It corresponds to the compensation fund deposited in Trust 30430 Asigna, Compensación y Liquidación (Asigna) and is made up of cash contributions based on open contracts and the minimum initial contributions (AIMs) required by Asigna.

At December 31, deposits in local and foreign banks are comprised as follows:

		2023			2022		
		MXN	**Valued currencies**	**Total**	**MXN**	**Valued currencies**	**Total**
Central Bank	$	8,930	-	8,930	8,925	-	8,925
Local banks		25,300	567	25,867	26,942	1,318	28,260
Foreign banks		56	3,647	3,703	1	10,258	10,259
	$	**34,286**	**4,214**	**38,500**	**35,868**	**11,576**	**47,444**

Foreign currency purchase and sale

The restriction on the purchase of foreign currency means that such currencies have not yet been received by the Group and, therefore, the Group cannot dispose of them at the date of the consolidated statement of financial position. The restriction on foreign currency will be on the agreed settlement date of such transactions, which at December 31, 2023 and 2022, is between December 27 and January 4 (between December 28 and January 4 for 2022).

At December 31, 2023 and 2022, the Group held an asset (liability) balance for foreign currency purchase and sale contracts for settlement at a date subsequent to the agreed date of $6,933 and $2,183, respectively, recognised in clearing accounts under “Other accounts receivable, net” and $(5,174) and $(1,913), respectively, recognised in clearing accounts under “Creditors on settlement of transactions”, as applicable.

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At December 31, the foreign currencies to be received and delivered are as follows:

		2023			2022	
Balance in original currency		**Foreign currency to be received**	**Foreign currency to be delivered**		**Foreign currency to be received**	**Foreign currency to be delivered**
USD		311	(414)		98	(112)
EUR		2	(2)		-	-
Valued dollar	$	5,142	(6,905)	$	1,918	(2,177)
Valued Euro		37	(37)		-	-
Valued currencies	$	**5,179**	**(6,942)**	$	**1,918**	**(2,177)**

When the offsetting balance of foreign currency to be delivered is greater than that of foreign currency to be received, it is presented under “Sundry creditors and other accounts payable”.

At December 31, 2023 and 2022, the counterparty concentration of the offsetting foreign currency balance is presented below:

		2023		2022	
Counterparty		**Foreign currency to be received**	**Foreign currency to be delivered**	**Foreign currency to be received**	**Foreign currency to be delivered**
Bank of Nova Scotia (BNS)	$	2,884	(5,245)	1,329	(606)
BNP Paribas		17	(263)	195	-
BBVA México, S.A.		1,018	(1,018)	273	(273)
Barclays Bank, PLC.		443	(265)	60	(258)
JP Morgan Chase Bank		146	(66)	60	(494)
Deacero, S.A.P.I. de C.V.		-	-	-	(527)
América Móvil, S.A.B. de C.V.		594	-	-	-
Grupo Aeroportuario del Pacifico, S.A.B. de C.V.		42	-	-	-
Pegaso PCS, S.A. de C.V.		35	-	-	-
RYC Alimentos, S.A. de C.V.		-	(17)	-	-
Dual Lilium, S. de R.L. de C.V.		-	(14)	-	-
Var And Her Soluciones, S. de R.L.		-	(14)	-	-
Morris Ingeniería y Proyectos		-	(11)	-	-
Mernex, S.A. de C.V.		-	(6)	-	(1)
Tabog, S.A. de C.V.		-	(5)	-	-
Global Solutions Media, S.A. de C.V.		-	-	-	(1)
Gore Logística, S.A. de C.V.		-	-	-	(2)
Ingeniería y Administración		-	-	-	(5)
Other counterparties		-	(18)	1	(10)
	$	**5,179**	**(6,942)**	**1,918**	**(2,177)**

(Continued)

Monetary Regulation Deposits (MRD)

The restriction associated with the monetary regulation deposits at the Mexican Central Bank consists of the requirement for the Group to maintain a specific level of monetary resources with the Mexican Central Bank in order to provide liquidity to the financial system. The resources held in this type of instruments are freely available to the Group and do not have a defined date for the disposition thereof, so they are permanently restricted.

At December 31, 2023 and 2022, deposits at the Mexican Central Bank correspond to monetary regulation deposits of $8,900 in both years, which have an indefinite duration, for which the Mexican Central Bank will inform in advance the date and procedure for the withdrawal of the balance. The interest generated by deposits in the Mexican Central Bank at December 31, 2023 and 2022 was $30 and $25, respectively. The current provisions issued by the Mexican Central Bank for monetary regulation deposits establish that these may consist of cash, securities, or both. At December 31, 2023 and 2022, the Group holds Reportable Monetary Regulation Bonds (BREMS-R) amounting to $3,098 in both years, which are part of the monetary regulation deposit (see note 7a).

Loans with a maturity of less than three days (call money)

The restriction on loans with a maturity of less than three days is that, when lending funds to other financial institutions, the Group does not have immediate access thereto until their maturity. At December 31, 2023, there were no loans with maturities of less than three days, and at December 31, 2022, the maturity was 1 day.

At December 31, 2023, there were no bank loans with a maturity of less than three days (call money). At December 31, 2022, these are detailed as follows:

		2022		
		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**		

At December 31, 2023 and 2022, the call money granted by the Group accrued interest at an average rate of 10.9% and 7.49%, respectively, and interest income of $109 and $135, respectively, which were recognised under “Interest income” in the consolidated statement of comprehensive income.

At December 31, 2023 and 2022, there are overdrafts in bank accounts for $18 and $77, respectively, which are presented under “Sundry creditors and other accounts payable” (note 19).

(7) Investments in financial instruments

a) Carrying amount

On the following page, the analysis of investments in financial instruments by each category and type of instrument at December 31, 2023 and 2022 is presented; based on the business models determined by the Group.

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Negotiable financial instruments (Spanish acronym IFN):

		2023		2022	
		Domestic	**Foreign**	**Domestic**	**Foreign**
BONDES	$	43,626	-	34,823	-
IPABONOS		9,496	-	9,523	-
CETES		13,800	-	6,811	-
UDIBONOS		932	-	2,673	-
BD CEBUR CD		2,309	-	1,548	-
BONDS		10,302	-	6,119	-
CEBUR 91		-	-	104	-
CEBUR GUBERNAMENTAL		251	-	-	-
PRLV		15	-	17	-
SHARES		426	328	317	1,233
SCOTIAG		1,463	-	1,102	-
Negotiable financial instruments	**$**	**82,620**	**328**	**63,037**	**1,233**
Total		**$ 82,948**		**$ 64,270**	

Debt instruments classified as IFN have interest rates ranging from 4.15% to 11.63% and maturities ranging from 1 month to 33 years for 2023 (4.17% to 11.07% and maturities ranging from 1 month to 30 years for 2022).

At December 31, 2023 and 2022, the IFNs include restricted instruments in repurchase/resale transactions for $68,878 and $53,066, securities lending for $1,568 and $2,548, and other restricted for $8,180 and $5,894, respectively.

Financial instruments receivable or payable (Spanish acronym IFCV):

		2023		2022	
		Domestic	**Foreign**	**Domestic**	**Foreign**
BD CEBUR CD	$	6,842	-	3,946	-
BM PRLV		14,909	-	14,904	-
BONDES		1,215	-	8,041	-
BONDS		21,584	-	18,892	-
CETES		32,475	-	9,216	-
CEBUR GUBERNAMENTAL		1,170	-	413	-
UDIBONOS		4,032	-	5,256	-
CEBUR PRIVADO 91		1,431	-	629	-
EUROBONOS		599	-	599	-
BM CEDES F		5,040	-	-	-
TBILL		-	5,196	-	522
UMS		-	7,906	-	1,825
Total financial instruments to collect or sell:	$	**89,297**	**13,102**	**61,896**	**2,347**
Total		**$ 102,399**		**$ 64,243**	

(Continued)

Debt instruments classified as IFCV have interest rates ranging from 3.96% to 11.84% and maturities ranging from 3 month to 21 years for 2023 (4.17% to 11.67% and maturities ranging from 3 month to 28 years for 2022).
.
At December 31, 2023 and 2022, the IFCVs include restricted instruments in repurchase/resale transactions for $4,383 and $7,221, and others for $752 and $1,671 respectively.

Financial instruments to collect principal and interest (Spanish acronym IFCPI):

		Domestic	
		2023	**2022**
BREMS-R	$	3,098	3,098
Special CETES		1,805	1,619
Total financial instruments to collect principal and interest	$	**4,903**	**4,717**

Debt instruments classified as IFCPI have interest rates ranging between 5.51% and 11.24%, with a maturity of 2 years (BREMS) for 2023. (5.51% and 10.15%, and maturity is 3 years for 2022).

The IFCPIs are denominated in pesos.

At December 31, 2023 and 2022, the Group held asset (liability) balances for transactions with securities settled at a date later than the agreed date, which were recognised in clearing accounts under “Other accounts receivable, net” and “Creditors on settlement of transactions” as follows:

		2023	**2022**
Borrowers on transaction settlement	$	11,885	6,808
Creditors on settlement of transactions	$	8,001	4,315

b) Category reclassification

During 2023 and 2022, the Group did not make any transfer of category.

c) Effects recognised in profit or loss and OCI

Net gain and loss generated by the investments in financial instruments for years ended December 31, 2023 and 2022 is shown below:

		2023	**2022**
Gain (loss) on purchase and sale (note 25(e)):			
IFN	$	285	(124)
IFCV		5	(6)
	$	**290**	**(130)**

(Continued)

		2023	2022
Valuation gain or loss (note 25(e)):			
Recognised in profit or loss			
IFN	$	174	(125)
	$	**174**	**(125)**
Recognised in OCI:			
IFCV	$	(160)	(575)
	$	**(160)**	**(575)**

Interest income accrued for the investments in financial instruments recognised in profit or loss for years 2023 and 2022 are shown below:

		2023	2022
Interest income (note 25(b)):			
IFN	$	7,675	5,279
IFCV		7,897	4,977
IFCPI		536	295
	$	**16,108**	**10,551**

d) Impairment

The effects of impairment and reversals of impairment recognised by the Group at December 31, 2023 and 2022 are shown below:

		2023	2022
Impairment:			
IFCV	$	26	21
IFCPI		1	1
		27	**22**
Reversals of impairment			
IFCV		**(12)**	**(9)**
Impairment after reversals	$	15	13

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At December 31, 2023 and 2022, the fair value of the securities classified as assigned securities to be settled is shown below:

		Domestic	
		2023	**2022**
Securities assigned to be cleared up:			
CETES	$	5,235	1,580
UDIBONOS		132	488
BONDS		5,731	4,669
BONDES		403	-
EQUITY FINANCIAL INSTRUMENTS		269	1,063
Total	$	**11,770**	**7,800**

Issuers with more than 5% of net capital

At December 31, 2023 and 2022, the investments in non-governmental debt instruments from the same issuer and in excess of 5% of the Group's net capital are shown below:

2023

Issuer	Series	Number of securities	Average annual rate	Term (days)	Amount
BANSAN	24012	14,818,500,007	11.25%	4	$ 14,809
BANSAN	24045	100,958,332	11.50%	30	100
HSBCMX	23004	500,000,000	11.50%	28	5,040

2022

Issuer	Series	Number of securities	Average annual rate	Term (days)	Amount
BANSAN	23025	14,960,262,178	10.39%	14	$ 14,904

(8) Securities lending and repurchase/resale transactions

a) Debtors and creditors on repurchase/resale transactions

At December 31, 2023 and 2022, debtors, sold and pledged collaterals, and creditors on repurchase/resale transactions are comprised as shown in the next page.

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	2023			2022		
Instrument	**Debtors on repurchase /resale agreements**	**Collateral sold or pledged**	**Creditors on repurchase/resale agreements**	**Debtors on repurchase/resale agreements**	**Collateral sold or pledged**	**Creditors on repurchase/resale agreements**
Debt instruments						
Government debt:						
BONDES	$ 4,008	15,444	30,331	2,394	8,979	28,261
IPABONOS	3,003	5,207	3,737	613	1,221	8,062
BONDS	-	1,660	1,727	-	835	1,676
CETES	-	1,615	12,177	-	1,461	3,834
UDIBONOS	-	856	5	-	1,933	-
CEBUR GUBER	-	-	251	-	-	-
	7,011	24,782	48,228	3,007	14,429	41,833
Bank debt:						
CEBUR CD	-	-	2,309	318	-	1,548
PRLV	-	-	15	-	-	17
BM CEBUR 94	991	-	-	-	-	-
	991	-	2,324	318	-	1,565
Other debt instruments:						
CEBUR PRIVADO	-	-	-	52	52	52
	$ 8,002	**24,782**	**50,552**	**3,377**	**14,481**	**43,450**

The average terms of repurchase/resale transactions in which the Group acted as seller and buyer that are outstanding at December 31, 2023 range from 4 to 28 days, with weighted annual rates between 11.25% and 11.80% (3 and 28 days, with weighted annual rates between 5% and 11% for 2022).

Interest and yield on repurchase/resale transactions executed by the Group recognised under "Interest income" amounted to $473 and $346 for years ended December 31, 2023 and 2022, respectively (note 25(b)).

The interest and yields payable on repurchase/resale transactions executed by the Group recognised under "Interest expense" amounted to $7,265 and $4,102 for years ended December 31, 2023 and 2022, respectively (note 25(b)).

b) Collateral in repurchase/resale transactions

In the next page is a breakdown of collaterals received for repurchase/resale transactions, as well as collaterals received and sold/pledged at December 31, 2023 and 2022.

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		2023		2022	
		Collateral received	**Collateral received and sold or pledged**	**Collateral received**	**Collateral received and sold or pledged**
Government debt:					
BONDES	$	4,008	15,444	2,394	8,979
IPABONOS		3,003	5,207	613	1,221
BONDS		-	1,660	-	835
CETES		-	1,615	-	1,461
UDIBONOS		-	856	-	1,933
		7,011	24,782	3,007	14,429
Bank debt:					
BM CEBUR 94		991	-	-	-
		991	-	-	-
Other debt instruments:					
CEBUR CD		-	-	370	52
		-	-	370	52
	$	**8,002**	**24,782**	**3,377**	**14,481**

Interest payable on sold and pledged collaterals in repurchase/resale transactions recognised in profit or loss for the years ended December 31, 2023 and 2022 amounted to $7,265 and $4,102, respectively (note 25(b)).

Securities lending

a) Acting as borrower

At December 31, 2023 and 2022, securities lending are comprised as shown in the following page.

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		2023	2022
Debt instruments			
Government debt			
CETES	$	183	1,198
BONDS		793	176
UDIBONOS		402	590
		1,378	1,964
Equity financial instruments			
1I QQQ *		4	3
1I SPY *		10	9
1I XLE *		4	5
1I VOO *		42	39
1 GCARSO A1		1	-
		61	56
	$	**1,439**	**2,020**

The average terms of securities lending transactions in which the Group acted as borrower that are outstanding at December 31, 2023, range from 4 to 15 days (5 days for 2022).

For years ended December 31, 2023 and 2022, premiums payable on securities lending transactions carried out by the Group recognised under "Interest expenses" amounted to $470 and $84, respectively (note 25(b)).

b) Acting as a lender

At December 31, 2023 and 2022, securities lending are comprised as follows:

Equity instruments		**2023**	**2022**
1I QQQ *	$	4	3
1I SPY *		10	9
1I XLE *		4	5
1I VOO *		42	39
1B NAFTRAC ISHRS		-	308
	$	**60**	**364**

The average terms of securities lending transactions in which the Group acted as lender that are outstanding at December 31, 2023 are 7 days (15 days for 2022).

(Continued)

c) Collaterals in securities lending transactions

Below is a breakdown of the collaterals delivered and received for securities lending transactions, as well as the collaterals received and sold/pledged at December 31, 2023 and 2022.

		2023			2022		
Debt instrument		**Collateral pledged**	**Collateral received as guarantee**	**Collateral received and sold or pledged**	**Collateral pledged**	**Collateral received as guarantee**	**Collateral received and sold or pledged**
Government debt:							
CETES	$	-	-	183	-	-	1,198
BONDS		-	-	793	-	-	176
UDIBONOS		-	-	402	-	-	590
		-	-	1,378	-	-	1,964
Equity instruments:							
1I QQQ *		4	4	-	3	3	-
1I SPY *		10	10	-	9	9	-
1I VOO *		42	42	-	39	39	-
1I XLE *		4	4	-	5	5	-
1 GCARSO A1		-	1	-	-	-	-
		60	61	-	56	56	-
	$	**60**	**61**	**1,378**	**56**	**56**	**1,964**

d) Offsetting

The following are the cleared and uncleared securities lending transactions at December 31, 2023 and 2022:

i. Transactions that met the conditions for clearing:

		2023		
Instrument		**Acting as borrower**	**Acting as a lender**	**Net position cleared**
1I QQQ *	$	4	4	-
1I SPY *		10	10	-
1I XLE *		4	4	-
1I VOO *		42	42	-
	$	**60**	**60**	**-**

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		2022		
Instrument		Acting as borrower	Acting as a lender	Net position cleared
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 criteria for clearing:

		2023
Instrument		Acting as borrower
1 GCARSO A1	$	1

		2022
Instrument		Acting as a lender
1B NAFTRAC ISHRS	$	308

(9) Derivative financial instruments

a) Derivative financial instruments for trading purposes

At December 31, 2023 and 2022, transactions with derivative financial instruments for trading purposes are comprised as follows:

		2023				2022			
		Fair value of the transaction		Net balance		Fair value of the transaction		Net balance	
Instrument		Purchases	Sales	Borrower	Lender	Purchases	Sales	Borrower	Lender
Futures		-	16	-	16	20	-	20	-
Options	$	1,681	1,347	1,681	1,347	1,942	1,753	1,936	1,747
Forwards		131,032	130,409	3,550	2,927	116,806	116,580	1,976	1,750
Swaps		192,093	192,164	26,372	26,443	139,214	139,238	26,749	26,773
Warrants		-	1,483	-	1,483	-	564	-	564
	$	**324,806**	**325,419**	**31,603**	**32,216**	**257,982**	**258,135**	**30,681**	**30,834**

(Continued)

Notional amounts:

The notional amounts represent the number of units specified in the derivative financial instrument agreements for trading purposes and not the gain or loss associated to the market risk or credit risk of the instruments. The notional amounts represent the amount to which a rate or a price is applied.

In order to determine the cash flow amount to be exchanged, the notional amounts of the derivative financial instruments per type of instrument and underlying at December 31, 2023 and 2022 are shown below:

2023

						Fair value		Net balance	
Underlying	**Transaction**	**Market**		**Notional amount**		**Assets**	**Liabilities**	**Borrower**	**Lender**
Futures									
IPC									
IPC	Long position	Recognised	$	406		-	16	-	16
Swaps:									
Rates									
FIXED	Purchases	OTC	$	27,161	$	20,265	20,261	-	-
LIBOR	Purchases	OTC		7,008		632	232	-	-
SOFR	Purchases	OTC		67,273		14,166	14,334	-	-
TIIE	Purchases	OTC		351,360		61,807	56,260	-	-
LIBOR	Sales	OTC		9,713		495	893	-	-
SOFR	Sales	OTC		70,680		18,248	17,887	-	-
TIIE	Sales	OTC		358,553		60,283	66,160	-	-
FIXED	Purchases	Recognised		45,330		8,579	7,801	-	-
TIIE	Sales	Recognised		50,505		7,636	8,349	-	-
Impairment				-		(18)	(13)	-	-
					$	**192,093**	**192,164**	**26,372**	**26,443**
Forwards:									
Foreign currency								-	-
EUR	Purchases	OTC	$	2,129	$	2,105	2,119	-	-
USD	Purchases	OTC		60,377		58,273	60,775	-	-
EUR	Sales	OTC	$	2,130		2,121	2,106	-	-
USD	Sales	OTC		67,541		68,534	65,411	-	-
Impairment				-		(1)	(2)	-	-
					$	**131,032**	**130,409**	**3,550**	**2,927**
Options:									
Foreign currency								-	-
USD	Purchases	OTC	$	486	$	365	-	-	-
USD	Sales	OTC		486		-	323	-	-
Indexes									
Index	Purchases	OTC		5,708		531	-	-	-
Index	Sales	OTC		5,606		-	260	-	-
Rates									
SOFR	Purchases	OTC		791		244	-	-	-
TIIE 28	Purchases	OTC		26,486		543	-	-	-
SOFR	Sales	OTC		791		-	244	-	-
TIIE 28	Sales	OTC		25,904		-	522	-	-
Impairment				-		(2)	(2)	-	-
					$	**1,681**	**1,347**	**1,681**	**1,347**

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Underlying	Transaction	Market	Notional amount	Fair value		Net balance	
				Assets	**Liabilities**	**Borrower**	**Lender**
Warrants							
Shares	Sales	Recognised	$ 1,391	$ -	1,483	-	1,483

2022

Underlying	Transaction	Market	Notional amount	Fair value		Net balance	
				Assets	**Liabilities**	**Borrower**	**Lender**
Futures							
IPC							
IPC	Long position	Recognised	$ 428	20	-	20	-
Swaps:							
Rates							
FIXED	Purchases	OTC	$ 6,365	$ 6,265	6,259	-	-
LIBOR	Purchases	OTC	15,183	2,428	3,362	-	-
SOFR	Purchases	OTC	7,022	3,595	3,896	-	-
TIIE	Purchases	OTC	291,291	44,215	56,463	-	-
LIBOR	Sales	OTC	20,957	4,944	4,059	-	-
SOFR	Sales	OTC	9,533	6,315	6,083	-	-
TIIE	Sales	OTC	285,781	59,496	47,208	-	-
FIXED	Purchases	Recognised	33,420	4,926	6,154	-	-
TIIE	Sales	Recognised	42,990	7,042	5,781		
Impairment				(12)	(27)	-	-
				$ 139,214	**139,238**	**26,749**	**26,773**
Forwards:							
Foreign currency							
EUR	Purchases	OTC	$ 98	$ 98	106	-	-
GBP	Purchases	OTC	12	11	10	-	-
USD	Purchases	OTC	61,860	53,519	55,152	-	-
EUR	Sales	OTC	97	106	97	-	-
GBP	Sales	OTC	12	11	12	-	-
USD	Sales	OTC	62,070	63,064	61,204	-	-
Impairment				(3)	(1)	-	-
				$ 116,806	**116,580**	**1,976**	**1,750**
Options:							
Foreign currency							
USD	Purchases	OTC	$ 441	$ 135	-	-	-
USD	Sales	OTC	441	-	127	-	-
Indexes							
Index	Purchases	OTC	4,561	498	-	-	-
Index	Sales	OTC	5,124	-	353	-	-
Rates							
SOFR	Purchases	OTC	658	428	-	-	-
TIIE 28	Purchases	OTC	37,433	882	-	-	-
SOFR	Sales	OTC	657	-	427	-	-
TIIE 28	Sales	OTC	36,696	-	850	-	-
Impairment			-	(1)	(4)	-	-
				$ 1,942	**1,753**	**1,936**	**1,747**
Warrants							
Shares	Sales	Recognised	$ 648	$ -	564	-	564

(Continued)

At December 31, 2023 and 2022, the net valuation effect on financial assets and liabilities related to derivatives for trading purposes amounted to $938 and $389, respectively. The above are part of a synthetic strategy, with non-derivative transactions of purchase and sale of foreign currency, whose gains from purchase and sale transactions and the valuation gain or loss for years 2023 and 2022 amount to $3,294 and $1,119, respectively, and are presented under “Financial intermediation income” (note 25(e)).

b) Derivatives for hedging purposes

At December 31, 2023 were as follows:

Instrument	Transaction		Fair value		Net balance	
			Assets	**Liabilities**	**Assets**	**Liabilities**
Fair value hedge:						
Swap	Purchases	$	6,590	6,112	728	250
Swap	Sales		142	142	-	-
			6,732	6,254	728	250
Cash flow hedge:						
Swap	Purchases		12,789	11,714	9,840	8,765
Swap	Sales		6,068	5,483	585	-
			18,857	17,197	10,425	8,765
		$	**25,589**	**23,451**	**11,153**	**9,015**

At December 31, 2022 were as follows:

Instrument	Transaction		Fair value		Net balance	
			Assets	**Liabilities**	**Assets**	**Liabilities**
Fair value hedge:						
Swap	Purchases	$	7,112	5,904	1,315	107
Swap	Sales		69	69	-	-
			7,181	5,973	1,315	107
Cash flow hedge:						
Swap	Purchases		4,252	3,386	4,246	3,380
Swap	Sales		4,139	4,092	47	-
			8,391	7,478	4,293	3,380
		$	**15,572**	**13,451**	**5,608**	**3,487**

(Continued)

At December 31, 2023 and 2022, the Group uses hedging swaps to cover the exchange rate and interest rate risk, mainly to hedge the loan portfolio, financial instruments to collect or sell, promissory notes, repurchase/resale transactions, and bonds.

Hedging a position involves carrying out transactions with derivative financial instruments known as hedging instruments, in order to offset the financial risk arising from one or more transactions associated with the position to be hedged.

The hedge relationship through the use of derivatives is applied according to the risk exposure it aims to hedge, whether it is a fair value hedge or a cash flow hedge. The derivative instruments used may be interest rate swaps or cross currency swaps.

Establishment of the hedge proportion and causes for ineffectiveness that are expected to affect the hedge 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 hedge accounting. The ineffectiveness measurement process is based on comparing the changes in the fair value or cash flows of the hedging instrument with the changes experienced in the fair value or cash flows of the hedged position. Among the causes associated with an imbalance in hedging are those related to market changes, i.e. sudden increases or decreases in reference rates, or when the hedge is close to its maturity date.

At December 31, 2023 and 2022, there is an accumulated ineffectiveness from hedging derivative transactions of $(6) and $(29), respectively.

Qualitative information

a. Fair value hedges

At December 31, 2023, there are 147 contracts classified as fair value hedges with a notional amount of $37,226:

Strategy	Type	Currency	Hedged position	Volume		Notional amount	Amounts Maturity 0-3 years	3-5 years	5-10 years
Fair value	Interest rates	Pesos	Assets	101	$	29,873	12,813	13,824	3,236
Fair value	Interest rates	Dollars	Assets	46		7,353	5,263	2,090	-
			Total	**147**	$	**37,226**	**18,076**	**15,914**	**3,236**

At 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	Assets	90	$	28,522	11,551	11,022	5,949
Fair value	Interest rates	Dollars	Assets	49		9,737	2,722	6,929	86
			Total	**139**	**$**	**38,259**	**14,273**	**17,951**	**6,035**

At December 31, 2023 and 2022, the valuation gain or loss on fair value hedging derivatives was $(751) and $1,010; while the valuation gain or loss on the hedge item attributable to the hedged risk was $585 and $(1,052), respectively (note 25(e)).

b. Cash flow hedges

At December 31, 2023, there are 71 contracts classified as cash flow hedges for a notional amount of $48,371:

Strategy	Type	Currency	Hedged position	Volume		Notional amount	Amounts maturity 0-3 years	3-5 years	5-10 years
Cash flow	Interest rates	Pesos	Liabilities	57	$	40,834	10,302	27,282	3,250
Cash flow	Interest rates	Dollars	Assets	1		339	339	-	-
Cash flow	Cross Currency	Dollars	Assets	13		7,198	4,425	2,376	397
			Total	**71**	**$**	**48,371**	**15,066**	**29,658**	**3,647**

At 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	Amounts maturity 0-3 years	3-5 years	5-10 years
Cash flow	Interest rates	Pesos	Liabilities	36	$	16,660	5,660	9,250	1,750
Cash flow	Cross Currency	Dollars	Assets	1		3,902	3,902	-	-
			Total	**37**	**$**	**20,562**	**9,562**	**9,250**	**1,750**

The gain included in profit or loss for years ended on December 31, 2023 and 2022, derived from the ineffectiveness of instruments used for cash flow hedges, amounted to $13 and $10, respectively.

The effect of the valuation gain corresponding to the effective portion of the hedge at December 31, 2023 and 2022, amounted to $257 and $(744) net of deferred taxes of $(107) and $271, respectively, and is presented under OCI.

At December 31, 2023 and 2022, the loss on financial instruments for cash flow hedging purposes which were reclassified from equity to profit or loss for the year under “Financial intermediation income” category amounted to $(240) and $(86), respectively.

c. Cancelled cash flow and/or fair value hedges

During 2023, it was decided to discontinue fair value hedges with a nominal amount of approximately $4,469 mainly due to settlements or early payments of commercial loan portfolio. The positions corresponded to interest rate hedges of the commercial portfolio in both pesos and dollars.

(Continued)

During 2022, it was decided to discontinue fair value hedges with a nominal amount of approximately $3,007 mainly due to settlements or early payments of commercial loan 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 2023, there were no discontinuations of cash flow hedges.

During 2022, it was decided to discontinue cash flow hedges with a nominal amount of approximately $6,100 mainly to secure a positive margin at maximum market rates and thus achieve the hedging objective. The positions corresponded to hedging of liabilities from time deposits in treasury.

d. Margin accounts

At December 31, 2023 and 2022, margin accounts consist of guarantees granted in cash for derivative financial transactions executed in recognised markets in the amount of $1,382 and $2,137, respectively.

e. Embedded derivatives

The Group uses embedded derivatives with the aim of properly managing the interest rate, index, and exchange rate risks inherent in structured bond transactions. The net financial instruments used at December 31, 2023 and 2022 consist of index options for $329 and $497, and foreign exchange options for $54 and $25, respectively; and are presented as part of the derivative financial instruments for trading purposes.

f. Formal documentation of hedges and risk management strategy

At the time of designation of fair value and cash flow hedges, the Group completes an individual file that includes or refers to the following documentation.

- The entity's strategy and objective regarding risk management for carrying out hedging transactions.
- The specific risk or risks to be hedged.
- Hedging constitution, which identifies the derivatives that are contracted for hedging purposes and the item that gives rise to the hedged risk.
- Definition of the elements that make up the hedge and reference to the method applied to measure the effectiveness of the hedge.
- The tests of the effectiveness of the hedge at the beginning of its designation (prospective) and subsequently throughout the life of the hedging relationship (retrospective). These tests are carried out at least on a quarterly basis, following the methodology defined at the time of the establishment of the hedge documentation.

g. Impairment

The effects of impairment recognised in 2023 and 2022 were $20 CVA and $(16) DVA, respectively.

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h. Collateral received or delivered

At December 31, 2023 and 2022, the guarantees and/or collaterals provided for derivative financial transactions which are recorded under "Other accounts receivable, net" correspond to transactions carried out in OTC markets, and are comprised as follows:

	Type of collateral		2023	2022
Other Accounts receivable, net (note 11):				
Foreign financial institutions	Cash	$	401	646
Mexican financial institutions	Cash		852	531
		$	**1,253**	**1,177**

The collaterals received from derivative financial transactions carried out in OTC markets are recorded under "Creditors on cash received as collateral", and at December 31, 2023 and 2022, they are shown below:

	Type of collateral		2023	2022
Creditors on cash received as collateral:				
Foreign financial institutions	Cash	$	2,883	3,418
Mexican financial institutions	Cash		213	574
Other entities	Cash		121	143
		$	**3,217**	**4,135**
Memorandum accounts:				
Mexican financial institutions	Government bonds	$	650	970

(10) Loan portfolio

a) Credit policies and procedures

Credit assessment

For credit risk management, it is essential to collect information, carry out due diligence procedures, analyse the client's financial capacity and prosperity, and establish appropriate structures and interest rates.

The assessment process is a logical flow of investigation, analysis, and conclusions that is part of a Credit Presentation, which is the institutional means to present a credit risk operation proposal and obtain the corresponding authorisation, for which certain aspects for the analysis and assessment of a credit must be met, aspects such as those described on the following page.

(Continued)

- Due diligence management (know your customer, environmental risk, legal risk, reputation, and suitability)
- Specific guidelines for certain types of credit subjects/client;
- Determination of the client's quality (internal IG model);
- Credit limits for the borrower/group (legal and internal); and
- The admissible collaterals in the Group;
- Integration of economic groups (common risk);
- Consult the credit bureau;
- Analysis of the industrial sector, and
- Having updated information on the collaterals, in accordance with the acceptable collaterals annex and their requirements:
  - Appraisal.
  - Insurance policy.
  - Ocular visit.

Credit authorization

The credit authorisation and rejection limits refer to the maximum amount of credit to be authorised to an individual or economic group by the Group and must be applied based on the credit quality of the borrower or economic group, and the total proposed or authorised exposure.

It uses an authorization matrix, which has the "Advice & Counsel" of BNS (Parent Company), as well as the matters that must be referred to a certain authorised level (included in the Commercial Portfolio Credit Policy Manual in the Special Authorization Levels Annex).

Authorization of all commercial loans must be evidenced by the credit recommendation included in the loan submission or a similar document containing the authorised terms and conditions and an authorisation stamp that includes the names or initials of the designated officers to authorise the loan.

All resolutions will be made based on the individual vote of the officials with assigned powers, by voting in favour or against, and will be resolved unanimously through joint signatures.

Loan monitoring

All clients and loans must be continuously monitored in order to:

- Ensure that all terms and conditions have been met.
- Ensure that the client's financial situation is reviewed periodically.
- Update the Borrower's IG at least annually, or sooner if there is knowledge of any event that may need so.
- Minimise the possibility of losses by identifying early adverse business and financial conditions for the borrower, allowing the Group to take effective measures immediately.

(Continued)

All borrowers, loans, and collaterals are assessed continuously after their authorisation; the monitoring of the assigned portfolio is the responsibility of the Business Unit that has the client relationship.

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

Business Units must oversee all accounts and report to the Credit Unit any deterioration in the quality of the client, credit, or guarantees, negative trends, or non-compliance with credit conditions (Early Warning System process, EWS).

The Group has a follow-up process through the Portfolio Supervision Committee, a body that supervises loans that present any of the following situations: an increase in the risk level, probability of irrecoverability, or that, despite the existence of an authorised action plan to correct it, it is not carried out within the established time due to causes attributable to the borrower.

Furthermore, there is the Early Warning process for Corporate Banking clients with IG 70-80 and authorised risk greater than the equivalent of one million dollars, which consists of frequently analysing key information (reports on delinquency or default payment, credit bureau, financial conditions, delays in the submission of Annual Reviews) to minimize and/or prevent potential non-payment issues. Any concerning findings identified are discussed in Early Warning Committees or Senior EWS Supervision Committees.

Credit recovery

Administrative Recovery: It occurs when there are any failure to comply with payment and/or the terms and conditions that were agreed upon with the Group.

There area two areas responsible for Administrative Recovery:

- Business Unit, upon the default; takes immediate recovery actions, if necessary with SAM supervision.
- Special Accounts SAM (Special Account Management); upon transfer, it performs the recovery procedures or actions, in accordance with the Credit Authorization.

Upon default by the borrower and for as long as the borrower remains in such status, the following actions must be taken:

- Restrict new disposals, for the borrower and/or Group companies, to avoid or, if applicable, reduce Stage 3 portfolio issues.
- Take preventive actions to avoid, as much as possible, the entry into Stage 3 portfolio of the next, requesting payment of the debt.
- Being in constant contact with the borrower, co-borrower if applicable, guarantors, sureties, and/or joint obligors.
- If applicable, take any steps to locate the borrower, co-borrower, guarantors, sureties, and/or joint obligors, in order to demand payment.
- Review the credit file and update the necessary information for decision-making.
- Identify possible secondary sources of payment.

(Continued)

- Obtain legal opinion regarding the Group's position with respect to the debtor.

Judicial Recovery: Recovery actions initiated and carried out by legal means when the borrower is in default of payment, once the administrative collection efforts have been exhausted without achieving a suitable solution.

The objectives pursued by judicial recovery are:

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

Judicial recovery must be initiated when:

- There are overdue debts (principal or interest) for a period exceeding 90 days and no payment negotiation has been reached with the borrower, or earlier if necessary.
- In special credit programs, there are overdue debts (principal or interest), and there is an obligation on our part to file a lawsuit, in which case the maximum term to file a lawsuit will depend on the program itself.
- There is a failure to comply with the conditions to perform, not to perform, or any cause for early maturity, and this jeopardizes the recovery of the debts.

Credit risk concentration

The Group's objective is to take credit risk that allows for maintaining a healthy, diversified portfolio with prudent, controlled risk, and reasonable profitability. Credit Risk Policy describes:

- The Group's credit risk policies, as well as guidelines, processes, and procedures that determine its internal governance, risk management, and control structure.
- Series of essential aspects for an effective credit risk management program.
- The functions, responsibilities, and mandates of those responsible for the integrity of credit risk management (Board of Directors, General Director, Risk Management General Director, 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 Group will not engage in business relationships with clients involved in illegal activities, nor with those engaged in improper, unlawful, or inappropriate activities that may expose the Group to legal, regulatory, or reputational risk. Overall, these will be referred to as "restricted transactions", and are outlined in the Credit Policy Manual, Title Authorization, and Special Authorization Levels Annex.

Clients whose activity is identified as "restricted business" may only be eligible for credit in cases where it is justified with a demonstration of how the Group has mitigated legal, regulatory, or reputational risks; and must have the favourable opinion of the Reputational Risk Committee.

(Continued)

- As part of the ordinary credit business, the Business and Credit Units often have access to confidential information of a borrower ("company"). If this confidential information is relevant and not public, it is considered "inside" information. It is the responsibility of the Business Unit or the area responsible for the product to assess whether they have received non-public, relevant client information, consulting, if necessary, with the Compliance area, and requesting it to add the client's name to the corresponding Supervision or Restricted list. The person preparing the Credit Application will disclose the existence of any material non-public information included therein.

- Credit limits are based on project needs, credit viability, and the financial capacity of the borrower, without exceeding the legal or internal limits defined by the Group's Board of Directors, which are published in the Institutional Commercial Credit Portfolio Catalogues.

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 that also comply with applicable regulatory limits, which are reviewed and approved annually by the Risk Committee and/or by the Board of Directors. Their performance is monitored and reported on a monthly basis to the Risk Committee and, if applicable, quarterly to the Board of Directors.

Restricted credits

At December 31, 2023 and 2022, the Group held a mortgage portfolio classified as restricted loans for which there are circumstances that prevent disposal or use thereof. At December 31, 2022, the Group also held restricted commercial loans under the same circumstances.

b) Loan portfolio business model

The loan portfolio is measured at amortised cost because the Group's business model is recovery through the collection of cash flows in accordance with the terms and conditions set forth in the contracts.

The Group concludes that the loan portfolio should not be measured at amortised cost when its business model is different in practice, by assessing the existence of a history of frequent sales of the loan portfolio, either of a specific type of portfolio, a product, or a portion thereof that meets specific criteria with which the Group considers its collection through contractual cash flows unfeasible, and therefore resorts to its sale. Moreover, the Group considers the expectation of future sales, such as management's plans regarding the execution of these types of transactions, and the presence of conditions that would imply that the Group requires sales to cover risk parameters established in its policies, e.g. the level of liquidity required on a given date to meet its commitments, in scenarios where it would be more likely for the Group to enter into sales of the loan portfolio.

c) Breakdown and analysis of the loan portfolio

The classification of the loan portfolio into different risk stages at December 31, 2023 and 2022, valued at amortised cost, analysed by type of loan and monetary unit, is presented on the following page.

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		2023				2022		
	Pesos	**Valued foreign currency**	**UDIS**	**Total**	**Pesos**	**Valued foreign currency**	**UDIS**	**Total**
Stage 1								
Commercial loans:								
Business and commercial activities	$ 157,737	42,802	-	200,539	174,521	46,611	-	221,132
Financial institutions	23,989	-	-	23,989	17,417	9	-	17,426
Government entities	16,572	4,429	-	21,001	11,820	3,908	-	15,728
	198,298	47,231	-	245,529	203,758	50,528	-	254,286
Consumer loans	36,351	-	-	36,351	32,612	-	-	32,612
Residential mortgages:								
Medium class and residential	204,868	11	45	204,924	180,956	18	59	181,033
Low income housing loans	4	-	-	4	5	-	-	5
Loans acquired from INFONAVIT:								
Ordinary portfolio	4,195	-	-	4,195	4,825	-	-	4,825
Portfolio in forbearance	199	-	-	199	218	-	-	218
Special Repayment Regime (REA)	506	-	-	506	458	-	-	458
	4,900	-	-	4,900	5,501	-	-	5,501
Loan portfolio with Stage 1 credit risk	**$ 444,421**	**47,242**	**45**	**491,708**	**422,832**	**50,546**	**59**	**473,437**
Stage 2								
Commercial loans:								
Business and commercial activities	$ 235	-	-	235	160	-	-	160
Consumer loans	923	-	-	923	647	-	-	647
Residential mortgages								
Medium class and residential	3,516	3	2	3,521	2,410	2	4	2,416
Loans acquired from INFONAVIT:								
Ordinary portfolio	15	-	-	15	9	-	-	9
Special Repayment Regime (REA)	117	-	-	117	107	-	-	107
	132	-	-	132	116	-	-	116
Loan portfolio with Stage 2 credit risk	**$ 4,806**	**3**	**2**	**4,811**	**3,333**	**2**	**4**	**3,339**

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		2023				2022			
		Pesos	**Valued foreign currency**	**UDIS**	**Total**	**Pesos**	**Valued foreign currency**	**UDIS**	**Total**
Stage 3									
Commercial loans:									
Business and commercial activities	$	4,969	1,390	-	6,359	7,846	1,714	-	9,560
Financial institutions		56	-	-	56	91	-	-	91
		5,025	1,390	-	6,415	7,937	1,714	-	9,651
Consumer loans		937	-	-	937	832	-	-	832
Residential mortgages:									
Medium class and residential		9,246	24	5	9,275	7,719	37	8	7,764
Low income housing loans		9	-	-	9	11	-	-	11
Loans acquired from INFONAVIT:									
Ordinary portfolio		82	-	-	82	61	-	-	61
Special Repayment Regime (REA)		343	-	-	343	222	-	-	222
		425	-	-	425	283	-	-	283
Loan portfolio with Stage 3 credit risk		**15,642**	**1,414**	**5**	**17,061**	**16,782**	**1,751**	**8**	**18,541**
Loan portfolio		464,869	48,659	52	513,580	442,947	52,299	71	495,317
Letters of credit (note 24 (a))		16,040	20,338	-	36,378	15,994	23,954	-	39,948
	$	**480,909**	**68,997**	**52**	**549,958**	**458,941**	**76,253**	**71**	**535,265**
Deferred items	**$**	**3,093**	**-**	**-**	**3,093**	**2,746**	**-**	**-**	**2,746**

At December 31, 2023 and 2022, there is no loan portfolio valued at fair value.

At December 31, 2023 and 2022, the amount of loans to related parties amounted to $1,530 and $1,978, respectively. In the related parties note (note 23), the breakdown of said amounts is disclosed.

Credit risk management and hedging recognition process.

The Group has implemented policies for the assessment of collaterals, which involve reviewing each of the elements and risks related depending on their type, considering both collateral policies and those corresponding to the analysis and assessment of credit. The Group applies controls in the assessment of guarantors/obligors by identifying the details of the corporate structure, as well as any significant subordination aspect affecting the provided support.

The credit rating of the guarantor or obligor is determined continuously and consistently throughout the term of the loan.

(Continued)

Furthermore, regarding the mortgage portfolio and considering the provisions of Articles 101, 102, and Annex 25 of the Provisions, the first loss insurance scheme is applied to mitigate credit risks. The amount covered by the scheme at the end of the fourth quarter corresponds to $20; the insurance coverage is included in the calculation of the Loss Given Default parameter.

Total collateral value

Type of collateral		**Standard Methodology 2023**	**Standard Methodology 2022**
Eligible financial security interests	$	7,643	5,306
Eligible non-financial security interests		18,222	13,059
Personal guarantees		1,256	1,389
First loss mortgage portfolio insurance		20	51

Undrawn credit facilities

The undrawn credit facilities at December 31, 2023 and 2022, revocable and irrevocable, amounted to $221,856 and $224,617, respectively (note 24 (a)).

Additional information about residential mortgages

The Group was selected by means of the auction process to acquire the joint rights to participate in the origination of credits for the “Second Loan” product that will be granted to INFONAVIT beneficiaries. On August 15, 2017, the conveyance for consideration contract for the servicing of mortgage loans between the Group and INFONAVIT was executed.

INFONAVIT retains the servicing, collection, and recovery corresponding to the loans transferred to the Group and is obliged to make the necessary collection efforts for the recovery of the loans due under the following repayment schedules.

- ROA (Ordinary Repayment Regime) - applies whenever there is an employment relationship. The employer makes the relevant deductions from the employee’s salary, then pays and transfers these resources to INFONAVIT every two months via the SUA. Additionally, it makes make the employer’s contribution of 5% calculated on the employee’s salary.
- REA (Special Amortization Regime) - applies when the employee is self-employed or does not have an employment relationship. In this case, the payment factor changes and the borrower must make payments directly to the financial institutions indicated by INFONAVIT.
- EXT (Extension) - is a right granted to the worker under the law; during validity thereof, the payment is not enforceable, but the debt will increase due to the accumulation of interest.

In 2023 and 2022, the Group did not acquire any loans from INFONAVIT. At December 31, 2023 and 2022, loans subject to an exceptional term of 180 days or more to be considered as Stage 3 credit risk, are 688 and 440 loans, respectively, amounting to a total of $425 and $283, respectively. The amount of loans which were not transferred to Stage 3, as well as the reason for not having done so, is analysed on the following page.

(Continued)

Reason		**INFONAVIT**	
		2023	**2022**
The Group received partial payment of the amortisation	$	5,032	5,617

The total amount of medium class and residential mortgages backed by the residential sub-account of the borrowers and their representativeness on the total residential mortgage portfolio is presented below:

		2023		**2022**	
Risk level					
Stage 1	$	18,500	8%	14,779	8%
Stage 2		168	-	107	-
Stage 3		220	-	190	-
	$	**18,888**	**8%**	**15,076**	**8%**

Concentration of the loan portfolio

The breakdown of the loan portfolio by economic activity and its concentration percentage at December 31, 2023 and 2022, is presented below:

		2023			**2022**	
Economic activity		**Amount**	**Concentration**		**Amount**	**Concentration**
Commercial loans*						
Agriculture, forestry, and fishing	$	8,537	2.96%	$	10,567	3.48%
Trade and tourism		58,002	20.10%		71,169	23.41%
Construction and housing		14,431	5.00%		16,338	5.37%
Manufacturing		68,680	23.80%		64,989	21.37%
Common, social, and personal services		57,923	20.07%		64,475	21.21%
Financial services, insurance, and real estate		75,360	26.12%		68,526	22.54%
Transport, storage, and communication		5,624	1.95%		7,981	2.62%
	$	**288,557**	**100%**	**$**	**304,045**	**100%**
Consumer loans:						
Consumer loans	$	38,211	100%	$	34,091	100%
Residential mortgages:						
Construction and housing	$	223,190	100%	$	197,129	100%

* The commercial portfolio balance includes letters of credit.

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The breakdown of the portfolio* by State at December 31, 2023 and 2022, is shown below:

		2023	**2022**
Aguascalientes	$	5,653	5,484
Baja California Norte		10,192	10,199
Baja California Sur		1,334	1,033
Campeche		571	483
Chiapas		1,964	1,289
Chihuahua		14,289	14,563
Coahuila		12,390	11,196
Colima		1,571	1,208
Mexico City		203,263	195,479
Durango		3,300	4,219
Guanajuato		10,471	8,909
Guerrero		1,441	1,668
Hidalgo		1,948	1,718
Jalisco		39,393	40,604
Mexico		31,770	35,345
Michoacán		2,888	2,507
Morelos		3,552	3,171
Nayarit		2,444	1,916
Nuevo León		68,545	65,383
Oaxaca		903	1,477
Puebla		11,140	11,939
Querétaro		18,762	18,516
Quintana Roo		10,531	8,424
San Luis Potosí		7,122	7,173
Sinaloa		18,864	17,851
Sonora		14,156	10,896
Tabasco		2,296	2,508
Tamaulipas		4,346	3,860
Tlaxcala		425	511
Veracruz		13,809	13,173
Yucatán		11,390	9,865
Zacatecas		1,018	662
Foreign		18,217	22,036
	$	**549,958**	**535,265**

* The commercial portfolio balance includes letters of credit.

(Continued)

Portfolio subject to support programs

Derived from the impacts caused by Hurricane Otis in the State of Guerrero, on October 27, 2023, the Commission issued the Special Accounting Criteria (Spanish acronym CCE) applicable to credit institutions. In particular, such CCE aims to enable financial institutions to create support programs for their borrowers, if required. This program is open to all loans granted to individuals and companies with their residence or sources of payment in the areas affected by the meteorological events of October 25, 2023.

At December 31, 2023, the balance of the loans registered in said program is presented below:

		2023			
		Pesos	**Valued foreign currency**	**UDIs**	**Total**
Consumer loans	$	163	-	-	163
Residential mortgages:					
Medium class and residential		427	-	-	427
Loans acquired from INFONAVIT:					
Portfolio in forbearance		50	-	-	50
	$	**640**	**-**	**-**	**640**

During 2022, no support programs were implemented.

Otis Program application

Derived from the negative impact generated by the severe hydro-meteorological phenomena in the State of Guerrero, Mexico, the Group has decided to support its clients by implementing various support programs that will be applicable to all its clients located in said State and who enrol in the program from October 24, 2023, until April 30, 2024, as follows:

a) CrediAuto

Deferral of 6 monthly payments without interest capitalisation. Interest and taxes on those deferred instalments were prorated in the following monthly payments, extending the loan term by an additional 6 months. If the credit remains outstanding (with a balance) for an additional 6 months, damage, life, and unemployment insurance will be contracted to cover the extended term.

b) Mortgage

Deferral of 6 monthly instalments (insurance is capitalised), during this period, no collection expense for late payment will be considered; the amount of the extended interest will be distributed in 36 monthly instalments that the client will begin to cover in its monthly payment from the 13th instalment after the deferral is applied.

(Continued)

c) Personal loan and payroll loan

Deferral of 6 months of loan payment without interest capitalisation; the loan term will be extended by the same number of months, according to the periodicity of the loan; the interest accrued during the support period will become payable in the instalments added to the original term. During the plan, there will be no negative impact on the credit history, nor will a negative mark be generated in the credit bureau.

d) ScotiaLine

The support consisted of not requiring the minimum payment of the revolving credit facility from November 2023 to April 2024. During this deferral period, the collection of late payment collection fees will not be made, there will be no impact on the credit history, nor will a negative mark be generated thereon. During this period, the balance continues to accrue interest and VAT, which will be due and added to the minimum payment required on the statement. The client may make any withdrawals from their credit facility and the corresponding payment for these withdrawals will be due at the end of said period.

e) Credit cards

It consists of not requiring the minimum payment of the credit card from November 2023 to April 2024. During this deferral period, the collection of late payment collection fees will not be made, there will be no impact on the credit history, nor will a negative mark be generated. Since the benefit consists of deferring the minimum payment without any penalty, as long as the payment is not covered to avoid generating interest, the corresponding ordinary interest will be generated. Interest generated month by month will be part of the revolving balance, and based on said balance, the minimum payment at the end of the support plan will be calculated.

Credits subject to the special accounting criterion were not considered as restructuring in accordance with paragraph 35 of Accounting Criterion B-6, Loan Portfolio, nor were they reported as Stage 3 credits to credit bureaus.

On the following page, the amounts that would have been recorded and presented in both the consolidated statement of financial position and the consolidated statement of comprehensive income by type of portfolio, had the special accounting criterion not been applied, as well as a detail of the items and amounts by type of portfolio for which the accounting impact has been made as a result of the application of the special accounting criterion as of December 31, 2023, are presented.

(Continued)

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		2023		
		Balance with CCE OTIS	**Effects on portfolio and allowance**	**Balance without CCE OTIS**
Commercial portfolio	$	245,529	-	245,529
Consumer loans		36,351	(3)	36,348
Residential mortgages		209,828	(9)	209,819
Stage 1		491,708	(12)	491,696
Commercial portfolio		235	-	235
Consumer loans		923	1	924
Residential mortgages		3,653	7	3,660
Stage 2		4,811	8	4,819
Commercial portfolio		6,415	-	6,415
Consumer loans		937	2	939
Residential mortgages		9,709	2	9,711
Stage 3		17,061	4	17,065
Loan portfolio	$	**513,580**	-	**513,580**
(+/-) Deferred items		**3,093**	-	**3,093**
(-) Allowance for ECL		**(13,209)**	**(5)**	**(13,214)**
Total loan portfolio, net	$	**503,464**	**(5)**	**503,459**
Total assets	$	842,808	(5)	842,803
Allowance for ECL (profit or loss)	$	(2,197)	(5)	(2,202)
Net profit or loss	$	12,073	(5)	12,068
Total equity	$	83,188	(5)	83,183
Total liabilities and equity	$	842,808	(5)	842,803

Default on credits with payment periods of less than 30 days

The volume of loans with payment periods of less than 30 days that present defaults, as well as the credit risk stage in which they are classified at December 31, 2023 and 2022, is presented on the following page.

(Continued)

	2023			2022		
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Bi-weekly						
1	7	-	-	7	-	-
2	3	1	-	2	-	-
3	-	2	-	-	2	-
4	-	3	-	-	1	-
5	-	2	-	-	2	-
6	-	2	-	-	3	-
7	-	-	3	-	-	2
8	-	-	3	-	-	2
9	-	-	2	-	-	1
10	-	-	2	-	-	1
11	-	-	2	-	-	1
	10	**10**	**12**	**9**	**8**	**7**

	2023			2022		
	Stage 1	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**
Weekly						
1 to 4	3	-	-	2	-	-
5 to 8	-	1	-	-	2	-
9 to 12	-	1	-	-	1	-
13 to 36	-	-	2	-	-	1
17 to 20	-	-	1	-	-	1
21 to 26	-	-	2	-	-	-
	3	**2**	**5**	**2**	**3**	**2**

Includes data on the (average) number of monthly defaults in the portfolio with payment periods of less than 30 days.

		Average number of defaults (monthly)	
Risk level	**Billing type**	**2023**	**2022**
Stage 1	Weekly	-	-
Stage 1	Biweekly	-	-
Stage 2	Weekly	2	2
Stage 2	Biweekly	2	2
Stage 3	Weekly	4	5
Stage 3	Biweekly	4	4

d) Income, costs, and expenses on loan portfolio

Interest income and commissions recorded in net interest income for years ended December 31, 2023 and 2022, segmented by type of loan, are comprised as follows (note 25 (b)):

		2023			2022		
		Interest	**Commissions**	**Total**	**Interest**	**Commissions**	**Total**
Commercial loans							
Business and commercial activities	$	25,514	136	25,650	17,016	121	17,137
Financial institutions		2,432	53	2,485	1,479	36	1,515
Government entities		2,032	-	2,032	1,359	-	1,359
		29,978	189	30,167	19,854	157	20,011
Consumer loans		7,137	203	7,340	6,475	217	6,692
Residential mortgages							
Medium class and residential		19,406	85	19,491	16,870	114	16,984
Loans acquired from Infonavit		592	-	592	660	-	660
		19,998	85	20,083	17,530	114	17,644
	$	**57,113**	**477**	**57,590**	**43,859**	**488**	**44,347**

The balance at December 31, 2023 and 2022 of the commissions for granting loans, as well as the costs and expenses associated with granting loans, and their weighted average amortisation period, are analysed below:

		2023					2022			
		Commissions	**Costs and expenses**	**Deferred items**	**Term**		**Commissions**	**Costs and expenses**	**Deferred items**	**Term**
Commercial loans										
Business and commercial activities	$	(239)	1	(238)	3.6 años	$	(248)	1	(247)	3.3 años
Financial institutions		(105)	-	(105)	1.8 años		(75)	-	(75)	1.1 años
Government entities		(7)	-	(7)	1.4 años		(14)	-	(14)	2.2 años
		(351)	1	(350)			(337)	1	(336)	
Consumer loans		(4)	708	704	3.1 años		(4)	595	591	3.0 años
Residential mortgages										
Medium class and residential		(319)	3,058	2,739	19.8 años		(377)	2,868	2,491	19.4 años
	$	**(674)**	**3,767**	**3,093**		**$**	**(718)**	**3,464**	**2,746**	

(Continued)

Transaction costs include those paid to brokers for the placement of such loans, as well as the payroll of the personnel involved in the loan granting process, and those related to credit assessment systems. The costs and expenses for granting loans at December 31, 2023 and 2022 amounted to $3,767 and $3,464, respectively.

At December 31, 2023 and 2022, the recoveries of previously written-off or eliminated loan portfolio, recognised in the consolidated statement of comprehensive income, amounted to $250 and $338, respectively.

e) Breakdown and analysis of loan portfolio with Stage 3 credit risk

Loan portfolio with Stage 3 credit risk at December 31, 2023 and 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, 2023						
Commercial portfolio:						
Business and commercial activities	$	1,371	488	1,472	3,028	6,359
Financial institutions		-	-	9	47	56
		1,371	488	1,481	3,075	6,415
Consumer loans		867	70	-	-	937
Residential mortgages:						
Medium class and residential		3,057	1,880	2,104	2,234	9,275
Low income housing loans		-	-	-	9	9
Loans acquired from Infonavit		102	93	146	84	425
		3,159	1,973	2,250	2,327	9,709
	$	**5,397**	**2,531**	**3,731**	**5,402**	**17,061**
December 31, 2022						
Commercial portfolio:						
Business and commercial activities	$	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 loans		699	33	-	100	832
Residential mortgages:						
Medium class and residential		2,680	1,277	1,601	2,206	7,764
Low income housing loans		-	-	-	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**

(Continued)

Below is an analysis of the movements of loan portfolio with Stage 3 credit risk for years ended December 31, 2023, and 2022:

		2023	2022
Balance at the beginning of year	$	18,541	17,457
Restructuring		146	145
Foreclosed assets		(98)	(28)
Dation in payment		-	(8)
Release		(459)	(498)
Write-offs		(2,003)	(2,096)
Eliminations		(2,770)	-
Transfers from loan portfolio with Stage 1 credit risk		424	2,059
Transfers to loan portfolio with Stage 1 credit risk		(2,301)	(3,674)
Transfers from loan portfolio with Stage 2 credit risk		8,663	9,096
Transfers to loan portfolio with Stage 2 credit risk		(148)	(447)
Settlements		(2,452)	(3,752)
Portfolio sale		(539)	(150)
Exchange rate fluctuation		(222)	(78)
Accrued interest not collected		279	515
	$	**17,061**	**18,541**

At December 31, 2023 and 2022, the Group does not have borrowers declared in commercial insolvency, classified in Stage 1 or 2.

f) Restructuring and renewals

Restructured and renewed loans at December 31, 2023 and 2022 are comprised as follows:

		Commercial				
2023		**Commercial activities**	**Financial institutions**	**Consumer**	**Housing**	**Total**
Restructured or renewed loans in previous years						
Loans with Stage 2 and Stage 3 credit risk that have been restructured or renewed	$	4,313	47	174	996	5,530
Restructured or renewed loans held in loan portfolio with Stage 1 credit risk		5,221	46	543	5,825	11,635
		9,534	93	717	6,821	17,165
Restructured or renewed loans during the year						
Loans with Stage 2 and Stage 3 credit risk that have been restructured or renewed		320	-	178	643	1,141
Restructured or renewed loans held in loan portfolio with Stage 1 credit risk		12,747	3,369	129	387	16,632
		13,067	3,369	307	1,030	17,773
Total restructured loans	**$**	22,601	3,462	1,024	7,851	34,938

(Continued)

2022		Commercial				
		Commercial activities	Financial institutions	Consumer	Housing	Total
Restructured or renewed loans in previous years						
Loans with Stage 2 and Stage 3 credit risk that have been restructured or renewed	$	3,986	48	264	818	5,116
Restructured or renewed loans held in loan 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 during the year						
Loans with Stage 2 and Stage 3 credit risk that have been restructured or renewed		1,851	-	189	489	2,529
Restructured or renewed loans held in loan 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 collaterals received for the renewal and restructuring of loans for years 2023 and 2022 amounted to $522 and $47, respectively. These consist of real estate and guaranty trusts. The concessions granted by the Group mainly consisted of granting a grace period at the beginning of the loan, as well as extending the term for the borrowers.

At December 31, 2023, the Group capitalised interest of less than $1 derived from the restructuring of loans. At December 31, 2022, the Group capitalised interest derived from the restructuring of loans of $22.

Other matters

Self-correction program for the lack of migration to Stage 3 of credit card accounts, “Scotialine” personal loans, and “PyME Online” loans without payment with balances from credit disbursements for the payment of commissions and additional charges thereto in some accounts

On September 21, 2022, through official notice No. 312-3/2511643/2022, the Commission authorised the Self-Correction Program, related to the lack of migration to Stage 3 of credit card accounts, “Scotialine” personal loans, and “PyME Online” loans without payment, with balances from credit disbursements for the payment of commissions and additional charges thereto in some accounts, which originated from a rule parameterised in the credit management system, 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 outstanding balance.

To correct this situation, the Group made the corresponding accounting adjustments affecting the profit or loss for 2022 as shown in the following page.

(Continued)

a) In cases where the Group identified obligations that were effectively acquired by the clients, they were considered remissions granted without evidence of an increase in credit risk, and therefore recorded as a debit under “Interest income” for an amount of $13.

b) For the impairment corresponding to charges generated by an error in the system, it was considered as a loss, since it is an event generated by operating failure and not derived from a default by the clients; the recognised loss was shown under “Other operating income (expense)” for an amount of $309.

The Group did not make the correction retrospectively as it was considered impractical, since reliable historical information may no longer be available and new developments would have been required to accurately process the amounts to be recognised in the affected accounting periods.

g) Allowance for ECL

Methodology for determining the allowance for ECL

The Group has an institutionally approved credit risk classification system for the commercial portfolio and score models and/or performance tracking metrics for the retail portfolio. We also have processes and systems that allow to classify the portfolio by risk level and estimate reserves according to the regulatory models of the Commission.

The following Rating Agencies are used in the standard method: S&P, MOODY’S, FITCH, HR RATINGS and VERUM, based on the Commission’s Annex 1-B, “Mapping of Ratings and Risk Grades”.

Credit rating agencies are used by the Group to calculate the Probability of Default in:

- States and Municipalities.
- Eligibility of guarantors with long-term global rating of risk grades 1 and 2.
- Clients with domicile abroad and without payment experience information within national Credit Bureaus, with long-term global rating of risk grades 1 and 2.

The estimates for the commercial portfolio are based on the individual assessment of the credit risk of debtors and their classification, in accordance with the Provisions (standard methodology). The portfolio guaranteed or held by the Federal Government, the Mexican Central Bank, and the IPAB is exempt from being classified, in accordance with the Rules for the Classification of the Credit Portfolio of Multiple Banking Institutions.

The calculation of reserves for the borrowers corresponding to the consumer and mortgage portfolios, as well as the commercial loan portfolio, is carried out based on the regulatory methodologies published in the CUB, which are based on the calculation of Expected Credit Loss for each of the loans using Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD) parameters, employing specific information and characteristics of the loans and/or borrowers assessed.

As explained in note 3(p), the Group establishes allowance to cover the risks associated with the recovery of the loan portfolio and other credit commitments, such as amounts for the opening of irrevocable credits and letters of credit recorded in memorandum accounts.

The breakdown of allowance for ECL at December 31, 2023 and 2022, according to the determination thereof, is presented in the next page.

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		2023	2022
Derived from the rating	$	12,756	15,138
For operational risks		53	28
For interest accrued on Stage 3 loans [(1)]		4	7
Authorised by the Commission		396	1,632
	$	13,209	16,805

[(1)] These correspond to accrued but uncollected interest that was agreed to be capitalised during restructuring thereof.

As a result of the application of the rating methodologies, PD and LGD, obtained as a weighted average (unaudited), and the EAD of each category at December 31, 2023 and 2022, are as follows:

	2023				2022			
Category	**PD**	**LGD**		**EAD**	**PD**	**LGD**		**EAD**
Commercial loans	3.33%	44.72%	$	294,741	4.34%	47.13%	$	314,062
Consumer loans	6.37%	72.26%		55,940	7.37%	72.32%		51,413
Residential mortgages	5.93%	17.78%		223,190	5.63%	18.87%		197,129

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

At December 31, 2023 and 2022, the commercial loans for investment projects with self-sourced repayment amount to $2,424 and $3,726 respectively. These amounts are not included in the non-compliance exposure balances, as the qualification and estimation methodology for this type of loans does not consider the probability of default and loss given default factors for determination thereof.

The breakdown of the assessed portfolio and the allowances for ECLs resulting from the rating, classified by risk grade at December 31, 2023 and 2022, is presented on the following page.

December 31, 2023

		Commercial*									
Risk level		**Commercial activities**		**Financial institutions**		**Government entities**		**Consumer**		**Housing**	
		Portfolio	**Reserves**	**Portfolio**	**Reserves**	**Portfolio**	**Reserves**	**Portfolio**	**Reserves**	**Portfolio**	**Reserves**
A-1	$	172,272	735	31,057	77	20,394	107	23,576	579	197,119	321
A-2		49,355	518	4,885	55	424	6	5,238	235	2,601	16
B-1		1,206	21	2	-	302	5	2,383	112	1,851	16
B-2		283	6	-	-	-	-	2,010	104	4,667	58
B-3		1,735	60	37	1	-	-	830	63	3,073	53
C-1		89	7	-	-	-	-	1,460	135	1,704	55
C-2		520	77	-	-	-	-	716	134	2,718	237
D		1,936	700	13	3	-	-	736	378	5,844	1,454
E		4,004	3,588	43	40	-	-	1,262	923	3,613	1,877
Additional reserve		-	1	-	-	-	-	-	43	-	13
	$	**231,400**	**5,713**	**36,037**	**176**	**21,120**	**118**	**38,211**	**2,706**	**223,190**	**4,100**

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December 31, 2022

Risk level		Commercial*									
		Commercial activities		Financial institutions		Government entities		Consumer		Housing	
		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 reserve		-	1	-	-	-	-	-	28	-	6
	$	**256,006**	**8,512**	**32,311**	**173**	**15,728**	**89**	**34,091**	**2,893**	**197,129**	**3,506**

* The commercial portfolio balance includes letters of credit.

At December 31, 2023 and 2022, there is no rating for the portfolio excepted.

Additional reserves

The allowance for ECL at December 31, 2023 and 2022 amounts to $13,209 and $16,805, which includes $12,756 and $15,138 of the allowance calculated in accordance with the methodologies approved by the Commission, as well as $453 and $1,667 of additional reserves, ($396 and $1,632 authorised by the Commission, $53 and $28 for operating risks, $4 and $7 corresponding to accrued interest on Stage 3 portfolio), respectively.

The constitution of additional allowances for ECL was recorded at January 2022 for an amount of $2,346, and there have been the changes described as follows:

		2023	2022
Opening balance of additional reserves	$	1,667	2,346
Additions		21	704
Releases [1]		(1,235)	(1,383)
Balance	**$**	**453**	**1,667**

(1) During 2023 fiscal year, additional Covid contingency reserves of $(531) were released, and the total reserves created for the borrower UNIFIN of $(704) were fully released.

At December 31, 2023 and 2022, there is a remaining Covid reserve of $384 and $915, respectively.

As part of the opening balance of the additional reserves for $2,346, previously mentioned, reserves for $1,855 created as a result of the impact of the COVID pandemic are included without specific allocation to a portfolio.

(Continued)

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

During the second quarter of 2022, the Group reported to the Commission the need to recognise and record additional reserves due to the ongoing adverse effects resulting from the COVID-19 health emergency, which continues to impact the economic and financial environment. This is in order to cover incremental risks that are not currently foreseen in the various loan portfolio rating methodologies. The above, once the portfolio and the characteristics of the residential mortgages have been analysed (possible impairment and provisions requirements in accordance with the internal write-off policy) which, as a result of the COVID-19 contingency, received a support program, and the commercial portfolio mainly in Stage 3 that was directly or indirectly affected by the COVID-19 contingency and, depending on the duration of this impact, will require higher reserves.

At January 31, 2022, management recognised the initial effect of adopting the new methodology for calculating reserves within the "Retained earnings" for an amount of $821 and an effect on deferred taxes of $(286).

Total effect in reserve:

		2022
Retail	$	32
Commercial		787
SME		2
Total	$	821

Changes in allowance for ECL

The following is an analysis of the changes for the years ended December 31, 2023, and 2022:

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December 31, 2023

	Commercial					
	Commercial activities	**Financial institutions**	**Government entities**	**Consumer**	**Housing**	**Total**
Stage 1						
Balance at the beginning of year	$ 1,565	97	87	1,933	492	4,174
Creation (cancellation) of reserves	(260)	7	33	(377)	31	(566)
Dations in payment	-	-	-	(61)	(32)	(93)
Foreclosed assets	-	-	-	-	(1)	(1)
Creation by settlements	-	-	-	5	14	19
Fluctuation	(44)	-	(3)	-	-	(47)
	1,261	104	117	1,500	504	3,486
Stage 2						
Balance at the beginning of year	7	-	-	288	235	530
Creation (cancellation) of reserves	(1)	-	-	154	84	237
Dations in payment	-	-	-	(6)	-	(6)
Creations by settlements	-	-	-	2	-	2
	6	-	-	438	319	763
Stage 3						
Balance at the beginning of year	6,769	37	-	643	2,772	10,221
Creation (cancellation) of reserves	375	6	-	1,956	1,189	3,526
Write-offs	(29)	-	-	(1,782)	(192)	(2,003)
Dations in payment	(33)	-	-	(123)	(303)	(459)
Remissions	(1)	-	-	-	-	(1)
Assignments	(153)	-	-	-	-	(153)
Foreclosed assets	(44)	-	-	-	(54)	(98)
Creation by settlement	1	-	-	32	77	110
Eliminations	(2,426)	-	-	-	-	(2,426)
Sales	-	-	-	-	(223)	(223)
Fluctuation	(169)	-	-	-	(3)	(172)
	4,290	43	-	726	3,263	8,322
Subtotal in the following page	**$ 5,557**	**147**	**117**	**2,664**	**4,086**	**12,571**

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		Commercial					
		Commercial activities	Financial institutions	Government entities	Consumer	Housing	Total
Subtotal of the previous page	**$**	**5,557**	**147**	**117**	**2,664**	**4,086**	**12,571**

		Contingent operations and sureties	For operational risks	For accrued interest	Recognised by the Commission	Total
Balance at the beginning of year	$	213	28	7	1,632	1,880
Effect of change in methodology						
Creation (cancellation) of reserves		(12)	25	(3)	(892)	(882)
Fluctuation		(16)	-	-	-	(16)
Eliminations		-	-	-	(344)	(344)
	$	185	53	4	396	638
						$ 13,209

December 31, 2022

		Commercial					
		Commercial activities	Financial institutions	Government entities	Consumer	Housing	Total
Stage 1							
Balance at the beginning of year	$	2,010	350	210	1,310	479	4,359
Effect of change in methodology		575	(164)	36	98	4	549
Creation (cancellation) of reserves		(1,004)	(89)	(159)	550	19	(683)
Dations in payment		-	-	-	(42)	(13)	(55)
Creation by settlements		-	-	-	-	3	3
Others (mergers, sales)		-	-	-	17	-	17
Fluctuation		(16)	-	-	-	-	(16)
		1,565	97	87	1,933	492	4,174
Stage 2							
Balance at the beginning of year		5	-	3	302	100	410
Effect of change in methodology		14	-	2	14	81	111
Creation (cancellation) of reserves		(12)	-	(5)	(37)	54	-
Dations in payment		-	-	-	(3)	-	(3)
Others (mergers, sales)		-	-	-	12	-	12
		7	-	-	288	235	530
Stage 3							
Balance at the beginning of year		5,253	17	-	1,708	2,283	9,261
Effect of change in methodology		590	8	-	1	3	602
Creation (cancellation) of reserves		1,515	65	-	761	739	3,080
Write-offs		(362)	-	-	(1,734)	-	(2,096)
Dations in payment		(26)	(53)	-	(126)	(232)	(437)
Remissions		(1)	-	-	-	-	(1)
Discounts		-	-	-	-	(1)	(1)
Assignments		-	-	-	-	(1)	(1)
Foreclosed assets		-	-	-	-	(28)	(28)
Dation in payment		-	-	-	-	(8)	(8)
Creation by settlement		4	-	-	-	18	22
Others (merger, sale)		(150)	-	-	33	-	(117)
Fluctuation		(54)	-	-	-	(1)	(55)
		6,769	37	-	643	2,772	10,221
Subtotal in the next page	$	8,341	134	87	2,864	3,499	14,925

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		Commercial					
		Commercial activities	Financial institutions	Government entities	Consumer	Housing	Total
Subtotal of the previous page	$	8,341	134	87	2,864	3,499	14,925

		Contingent operations and sureties	For operational risks	For accrued interest	Recognised by the Commission	Total
Balance at the beginning of year	$	325	33	363	1,950	2,671
Effect of change in methodology		(75)	(2)	(364)	-	(441)
Creation (cancellation) of reserves		(29)	(3)	8	(318)	(342)
Fluctuation		(8)	-	-	-	(8)
	$	213	28	7	1,632	1,880
						$ **16,805**

During 2023, commercial loans, fully reserved, were eliminated from the consolidated statement of financial position for $2,770. In said period, no loans to related parties were eliminated.

At December 31, 2023 and 2022, the amount of the allowance for ECL on undrawn credit facilities amounts to $233, of which $11 corresponds to commercial loans and $222 to consumer loans, and $248, of which $15 corresponds to commercial loans and $233 to consumer loans, respectively.

At December 31, 2023 and 2022, the total amount of write-offs amounted to $2,003 and $2,096, respectively. During the year, no loans to related parties were written off.

h) Loan portfolio acquired

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

i) Loan portfolio assigned

During September 2023, the Group entered into a conveyance for consideration contract of credit rights, litigation rights, and foreclosure rights of two commercial loan portfolios with an unrelated company. As of the date of transfer, the portfolio was classified as loan portfolio with Stage 3 credit risk. The fair value of the portfolio at the date of transfer was $84. The results of these transactions were recorded in the consolidated statement of comprehensive income under “Other operating income, net”.

During October 2023, the Group entered into a conveyance for consideration contract for credit rights, litigation rights and foreclosure rights of two mortgage loan portfolios with an unrelated company. The portfolio of the first fund at the date of the transfer was classified as loan portfolio with Stage 3 credit risk. The fair value of the portfolio at the date of transfer was $79. The results of these transactions were recorded in the consolidated statement of comprehensive income under “Other operating income, net”.

(Continued)

At the date of transfer, the second portfolio was classified as written-off portfolio. The fair value of the portfolio at the date of transfer was $24. The results of these transactions were recorded in the consolidated statement of comprehensive income under “Allowance for ECL”.

During November 2022, the Group entered into a commercial loan portfolio assignment agreement with an unrelated non-financial institution. At the time of acquisition, the portfolio was classified as a loan portfolio with Stage 3 credit risk. The fair value of the portfolio at the date of purchase was $150.

(11) Other accounts receivable, net

Other accounts receivable are comprised as follows:

		2023	2022
Borrowers on transaction settlement	$	18,840	9,008
Borrowers on margin accounts		945	1,286
Borrowers on cash collateral (see note 9 (h))		1,253	1,177
Sundry debtors		5,866	4,406
Taxes recoverable		415	366
		27,319	16,243
Allowance for expected credit losses		(61)	(75)
	$	**27,258**	**16,168**

Borrowers on transaction settlement:

		2023	2022
Foreign currency (see note 6)	$	6,933	2,183
Investments in financial instruments (see note 7)		11,885	6,808
Repurchase/resale transactions (see note 8)		12	14
Derivative financial instruments		10	3
	$	**18,840**	**9,008**

The allowance for ECL for years ended December 31, 2023 and 2022 is analysed below:

		2023	2022
Opening balance	$	(75)	(89)
Creations		(62)	(247)
Cancellations		27	86
Recoveries		37	118
Allocations		12	57
Final balance	$	**(61)**	**(75)**

(Continued)

(12) Foreclosed assets

At December 31, 2022 it comprises the following:

		2023			2022		
Foreclosed assets		**Foreclosing value**	**Allowance for impairment loss**	**Net**	**Foreclosing value**	**Allowance for impairment loss**	**Net**
Real property	$	672	(87)	585	350	(58)	292

An analysis of the movements in the allowance for impairment loss at December 31, 2023 and 2022 is presented below:

		2023	2022
Balance at the beginning of year	$	(58)	(40)
Additional allowances for the passage of time applied to profit or loss for the year		(77)	(46)
Allocation of reserves for the sale of foreclosed assets and others		48	28
	$	**(87)**	**(58)**

During 2023 and 2022 fiscal years, there are no foreclosed assets for use by the Group.

(13) Property, furniture and equipment

At December 31, 2022 it comprises the following:

		2023	2022
Investment:			
Land	$	490	492
Buildings		1,168	1,172
Leasehold improvements		5,098	4,406
Transportation equipment		2	49
Furniture and office equipment		1,861	1,771
Computer equipment		2,597	2,543
Total investment		11,216	10,433
Less:			
Accumulated depreciation:			
Buildings		738	718
Leasehold improvements		2,243	2,018
Transportation equipment		2	42
Furniture and office equipment		1,385	1,272
Computer equipment		1,412	1,434
Total accumulated depreciation		5,780	5,484
Property, furniture and equipment, net	$	**5,436**	**4,949**

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During 2023 and 2022 fiscal years, the Group had movements in property, furniture, and equipment as shown below:

		Investment	Accumulated depreciation	Balance Net
Balance at January 01, 2022	$	9,606	(5,152)	4,454
Additions		1,101	(505)	596
Disposals		(274)	173	(101)
Balance at December 31, 2022		10,433	(5,484)	4,949
Additions		1,021	(480)	541
Disposals		(238)	184	(54)
Balance at December 31, 2023	$	**11,216**	**(5,780)**	**5,436**

The annual depreciation percentages are as follows:

	Annual depreciation rate
Buildings	5%
Leasehold improvements	Miscellaneous
Computer equipment under capitalizable lease	20%
Office properties	Miscellaneous
Transportation equipment	25% and 33%
Furniture and equipment	10%
Computer equipment	Miscellaneous
Leasehold improvements and adaptations	Miscellaneous

The amount charged to the consolidated statement of comprehensive income for years ended December 31, 2023 and 2022, for depreciation amounted to $521 and $498, respectively.

At December 31, 2023 and 2022, no impairment was recognised for leasehold improvements and adaptations.

In accordance with the studies carried out by the Group's management, the residual value (except for land) at December 31, 2023 and 2022 is minimal.

Sale of real property

During 2023 and 2022, the Group sold real property; total income on sale of real property amounted to $13 and $9, respectively, which was recorded under "Other operating income (expense)".

(Continued)

During 2022, the Broker-dealer sold a property on November 8, 2022, by assigning title to an individual for a sale price of $250 plus $26 value-added tax. The gross carrying amount of this property at the date of sale amounted to $185, cancelling depreciation by $104, resulting in income on the sale of $169, which was recognised under “Other operating income (expense), net” in the consolidated statement of comprehensive income.

(14) Assets for right-of-use of property, furniture and equipment, net, and lease liabilities

The Group leases land, commercial premises, and office spaces for its branches, offices, and ATMs for the most part. Leases are typically executed for periods of 5 years, with an option for one or two extensions of 5 years each. During 2023 and 2022, there are no variable lease payments, residual value guarantees, uninitiated leases, leasehold restrictions or covenants, and sale and leaseback transactions, except for 2022.

Lease payments generally have annual increases based on the NCPI, 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 mainly in shopping centres. Some leases have restrictions on entering into sublease agreements.

The leases that have been contracted for several years are mainly for land, commercial premises, and office spaces for the most part; these leases were classified as operating leases.

During 2023 and 2022, the Group has leases and subleases with contract maturities between the years 2024 to 2036 and 2024 to 2034, respectively.

The Group leases branches with contract terms of less than 1 year. These leases are short-term, so the Group has decided not to recognise the right-of-use assets and lease liabilities for these leases.

The following page presents information about leases for which the Group is the lessee.

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Leased assets (right-of-use assets)

The movement of assets for rights of use is shown below:

		Buildings	Computer equipment	Transportation equipment	Total
Opening balance at January 1	$	2,213	-	1	2,214
Accumulated depreciation		(528)	(4)	(4)	(536)
Remeasurement of right-of-use assets		656	-	-	656
Additions		338	106	33	477
Disposals		(109)	-	-	(109)
Balance at December 31, 2022		**2,570**	**102**	**30**	**2,702**
Accumulated depreciation		(676)	(66)	(12)	(754)
Remeasurement of lease assets		113	-	-	113
Additions		439	85	35	559
Disposals		(160)	-	(11)	(171)
Balance at December 31, 2023		**2,286**	**121**	**42**	**2,449**

Lease liability

The movement of lease liability is shown below:

		2023	2022
Opening balance at January 1	$	(2,842)	(2,214)
Interest expense		(215)	(222)
New contracts		(559)	(477)
Remeasurement of lease liabilities		81	(767)
Disposals		171	109
Payments		773	729
Balance as of December 31	**$**	**(2,591)**	**(2,842)**

The following table shows the lease liability maturities considering the undiscounted contractual payments at December 31, 2023 and 2022:

		2023	2022
Less than one year	$	39	720
One to three years		390	1,112
Three to five years		1,548	888
More than 5 years		1,971	874
Total lease liability without discounting contractual payments	**$**	**3,948**	**3,594**

(Continued)

		2023	2022
Lease liability at December 31	**$**	2,591	2,842
Less than one year		38	472
Long-term	$	2,553	2,370

Additional information

Amounts recognised in the consolidated statement of comprehensive income:

		2023	2022
Interest from lease liabilities	$	215	222
Short-term lease expenses		2	43
Depreciation of right-of-use assets		598	563
Sublease income		2	22

(15) Permanent investments

Below, the Group's permanent investments are analysed, represented by shares in entities, at December 31, 2023 and 2022, classified by activity:

		2023	2022
Other complementary services	$	259	47
Investment fund manager		106	65
Other permanent investments		365	112
Derivatives market transaction (associated)		10	9
	$	**375**	**121**

At December 31, 2023 and 2022, there are no indications that the permanent investments could be impaired.

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(16) Deposits funding

At December 31, 2023 and 2022, the deposits funding item is comprised as follows:

		2023			2022		
		Mexican Pesos	Foreign currency	Total	Mexican Pesos	Foreign currency	Total
Demand deposits:							
With interest	$	143,460	26,592	170,052	100,301	28,009	128,310
Without interest		96,515	9,015	105,530	91,924	11,073	102,997
		239,975	**35,607**	**275,582**	**192,225**	**39,082**	**231,307**
Time deposits							
From the general public:							
Certificates of Deposit (CEDES)		3,452	-	3,452	16,779	-	16,779
Promissory notes with yield payable at maturity (PRLV)		205,234	-	205,234	192,850	-	192,850
		208,686	-	208,686	209,629	-	209,629
Money market:							
CEDES		34,470	-	34,470	28,386	783	29,169
PRLV		10,034	-	10,034	2,006	-	2,006
Subtotal		44,504	-	44,504	30,392	783	31,175
		253,190	**-**	**253,190**	**240,021**	**783**	**240,804**
Debt securities issued:							
Bank bonds		3,765	-	3,765	4,615	-	4,615
Stock certificates		7,176	-	7,176	7,150	-	7,150
		10,941	**-**	**10,941**	**11,765**	**-**	**11,765**
Global deposit account without movements		**1,179**	**118**	**1,297**	**843**	**136**	**979**
	$	**505,285**	**35,725**	**541,010**	**444,854**	**40,001**	**484,855**

In accordance with the provisions of Article 61 of the Credit Institutions Law, at December 31, 2023 and 2022, the three-year periods of inactivity of deposit accounts for certain clients were met, counted from their concentration in the global deposit account consisting of 90,929 and 248,281 accounts, with an individual amount of less than 300 UMAS in force in Mexico City, amounting to $28 and $46, respectively, which were donated to public charity, in accordance with the provisions of said article during 2023 and 2022.

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The unaudited weighted average annual rates of the various deposit contracts for years ended December 31, 2023 and 2022, are as follows:

	2023		**2022**	
	Mexican Pesos	**Foreign currency**	**Mexican Pesos**	**Foreign currency**
Demand deposits				
With interest	10.28%	2.74%	8.35%	1.80%
Time deposits				
CEDES	5.40%	-	6.87%	-
PRLV	10.29%	-	4.65%	-
Money market				
CEDES	11.53%	-	10.63%	-
PRLV	11.74%	-	11.04%	-
Negotiable instruments issued				
Stock certificates	11.54%	-	9.95%	-

At December 31, 2023 and 2022, the money market time deposits and the debt securities issued among the general public investors are detailed below:

(a) Money market time deposits

At December 31, 2023 and 2022, MXN Cedes were issued with a nominal value of $100 pesos for an amount of $34,470 and $28,386, respectively.

At December 31, 2023, no USD Cedes were issued. At December 31, 2022, bonds with a nominal value of 100 dollars were issued for an amount of $783.

The following page includes a consolidation of the Cedes at December 31, 2023 and 2022.

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MXN Cedes-

Interest payment	Annual rate	Term (days)	Amount	Accrued interest
28 days	TIIE 28+.03%	336	$ 900	8
28 days	TIIE 28+.02%	350	2,000	3
28 days	TIIE 28+.04%	336	2,000	17
28 days	TIIE 28+.03%	350	350	1
28 days	TIIE Fond+.25%	336	2,500	19
28 days	TIIE 28+.03%	336	1,000	7
28 days	TIIE Fond+.26%	336	1,000	7
28 days	TIIE 28+.02%	336	1,000	5
28 days	TIIE Fond+.25%	364	3,000	3
28 days	TIIE Fond+.26%	364	3,000	5
28 days	TIIE 28+.03%	364	2,000	17
28 days	TIIE 28	112	2,000	1
28 days	TIIE 28	84	3,000	2
28 days	TIIE 28+.02%	336	1,500	1
28 days	TIIE 28+.02%	336	600	1
28 days	TIIE 28+.02%	336	2,000	2
28 days	TIIE 28+.02%	350	2,000	3
28 days	TIIE Fond+.26%	364	500	3
28 days	TIIE 28+.02%	350	2,000	8
28 days	TIIE 28+.02%	252	500	2
28 days	TIIE 28+.02%	252	1,500	5
			$ 34,350	120
Total Cedes				**$ 34,470**

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MXN Cedes-

Interest payment	Annual rate	Term (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**

USD Cedes-

Underlying	Periods	Term (years)		Amount
LIBOR 1MTH +0.50	28	10	$	392
LIBOR 1MTH +0.50	28	10		391
Total Cedes			**$**	**783**

Promissory notes with yield payable at maturity-

At December 31, 2023 and 2022, promissory notes with yield payable at maturity with an approximate nominal value of one peso each were issued, as shown on the following page.

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Date of issue	Number of securities	Term (days)	Annual rate	Amount	Discount to be amortised
January 2023	1,112,261,666	349	11.60	$ 1,112	(5)
April 2023	2,180,599,995	270	12.06	2,180	(5)
May 2023	554,905,710	271	11.90	555	(5)
May 2023	59,015,410	270	11.75	59	(1)
May 2023	77,997,992	360	11.62	78	(3)
May 2023	230,015,626	270	11.75	230	(3)
May 2023	1,140,404,729	270	11.75	1,140	(8)
June 2023	541,044,208	259	11.75	541	(16)
July 2023	46,653,082	361	11.47	47	(2)
July 2023	1,479,799	180	11.60	1	-
July 2023	618,724,701	180	11.60	618	-
July 2023	213,562,518	180	11.60	214	(1)
July 2023	29,637,768	361	11.36	30	(2)
July 2023	4,753,273	180	11.57	5	-
July 2023	48,672,455	180	11.57	49	-
August 2023	54,316,269	270	11.51	54	(2)
August 2023	55,730,850	361	11.45	56	(3)
August 2023	70,398,241	180	11.56	70	(1)
August 2023	2,133,073	180	11.56	2	-
August 2023	226,144	180	11.75	-	-
August 2023	42,678,399	180	11.75	43	-
August 2023	55,775,985	361	11.55	56	(4)
August 2023	54,331,231	270	11.58	54	(2)
August 2023	122,807,400	180	11.68	123	(2)
September 2023	15,704,101	180	11.68	16	-
September 2023	28,879,909	180	11.68	29	(1)
October 2023	54,312,508	270	11.75	54	(3)
October 2023	55,839,164	364	11.80	56	(5)
October 2023	5,595,091	180	11.73	6	-
October 2023	126,050,291	180	11.73	126	(4)
October 2023	54,406,253	270	11.82	54	(3)
October 2023	173,302,908	180	11.78	173	(6)
October 2023	55,955,424	364	11.85	56	(5)
November 2023	299,219,014	180	11.73	299	(12)
November 2023	528,000	180	11.73	1	-
November 2023	167,431,112	180	11.61	167	(7)
November 2023	3,171,150	180	11.61	3	-
November 2023	266,522,972	270	11.55	267	(19)
November 2023	54,516,365	180	11.61	55	(2)
December 2023	106,473,928	180	11.56	106	(5)
December 2023	7,392,001	180	11.56	7	-
December 2023	611,679,046	141	11.60	612	(23)
December 2023	105,668,348	179	11.56	106	(5)
December 2023	175,042,663	180	11.59	175	(9)
December 2023	21,669,040	180	11.59	22	(1)
December 2023	90,981,604	365	11.45	91	(9)
December 2023	468,935,725	364	11.45	469	(49)
				$ 10,267	(233)
Total					**$ 10,034**

(Continued)

December 31, 2022

Date of issue	Number of securities	Term (days)	Annual rate		Amount	Amortisation discount
December 2022	2,069	112	10.88%	$	2,069	(63)
Total					**$**	**2,006**

(b) Negotiable instruments issued

At December 31, 2023 and 2022, the Group has issued bond certificates with a nominal value of one hundred pesos each, under the program authorised by the Commission for an amount of $50,000 and $25,000 respectively, as shown below:

Bond certificates

December 31, 2023

Date of issue	Number of securities	Term (years)	Interest payment (days)	Share of the issue	Interest rate		Amount	Accrued interest
August 2023	71,254,993	2.5	28	14.25%	TIIE 28 + 0.04%	$	7,125	53
							Issuance expenses	(2)
Subtotal of bond certificates							$	**7,176**

December 31, 2022

Date of issue	Number of securities	Term (years)	Interest payment (days)	Share of the issue	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
							Issuance expenses	(5)
Subtotal of bond certificates							$	**7,150**

* Issued under the program of previous exercises authorised by the Commission.

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Structured bank bonds

December 31, 2023

Date of issue	Number of securities	Term (days)	Underlying	Amount	Accrued interest
March 2021	120,000	1080	FXI	$ 10	-
April 2021	4,772,100	1093	IDBTVER	478	-
June 2021	572,300	1093	IDBTVER	57	-
November 2021	7,700,450	1093	BNPIUIL5	769	25
February 2022	533,200	1093	MSFDVTHY	53	-
February 2022	512,600	729	QQQ	52	-
June 2022	3,034,360	1094	ENHGE5	304	10
June 2022	1,820,690	1093	ENHFO5	182	6
November 2022	6,352,800	1093	BNPIUIL5	635	46
December 2022	803,800	1094	BNPIUIL5	80	6
March 2023	120,200	550	EEM	12	-
July 2023	5,849,350	550	USDMXN	585	-
August 2023	423,600	547	USDMXN	42	-
November 2023	146,267	360	SPX.INDX	15	-
December 2023	3,017,450	1095	SPXFP	302	-
December 2023	1,736,600	1095	MEXBOL	174	-
				$ 3,750	93
				Issuance expenses	(78)
Total of structured bank bonds					**$ 3,765**

(Continued)

December 31, 2022

Date of issue	Number of securities	Term (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
			Issue expenses		**(75)**
Total of structured bank bonds					**$ 4,615**

(c) Valuation adjustments related to financial liabilities hedged

The fair value hedges for interest rate risk of a portion of a portfolio consisting of financial liabilities may result in an adjustment to the carrying amount of the hedged item for the gain or loss, which is recognised in profit or loss for the period and presented in the line item for valuation adjustments related to financial liabilities hedged.

At December 31, 2023, the Group does not have fair value hedge relationships for financial liabilities, and therefore no adjustment was recognised for the hedged item. At December 31, 2022, the recognised balance in the consolidated statement of financial position was $2.

(Continued)

(17) Interbank loans and loans from other institutions

At December 31, 2023 and 2022, this item was comprised as follows:

		2023			2022		
		Mexican Pesos	Foreign currency	Total	Mexican Pesos	Foreign currency	Total
Short-term							
Central Bank	$	-	-	-	1,237	-	1,237
Multiple banking institutions		-	8,519	8,519	-	14,768	14,768
Development banking institutions		18,448	29	18,477	7,511	25	7,536
Public trusts		2,674	632	3,306	3,556	786	4,342
Loans from other entities		-	-	-	-	1,986	1,986
	$	**21,122**	**9,180**	**30,302**	**12,304**	**17,565**	**29,869**
Long-term							
Development banking institutions	$	2,000	-	2,000	14,500	-	14,500
Public trusts		4,023	479	4,502	4,980	169	5,149
	$	**6,023**	**479**	**6,502**	**19,480**	**169**	**19,649**
Central Bank	$	-	-	-	1,237	-	1,237
Multiple banking institutions		-	8,519	8,519	-	14,768	14,768
Development banking institutions		20,448	29	20,477	22,011	25	22,036
Public trusts		6,697	1,111	7,808	8,536	955	9,491
Loans from other entities		-	-	-	-	1,986	1,986
Total	**$**	**27,145**	**9,659**	**36,804**	**31,784**	**17,734**	**49,518**

The breakdown by contract of interbank loans and loans from other institutions, segregated by their different terms, as well as their characteristics, at December 31, 2023 and 2022, is presented below:

		2023			2022		
		Mexican Pesos	Foreign currency	Total	Mexican Pesos	Foreign currency	Total
Short-term							
Central Bank	$	**-**	**-**	**-**	**1,237**	**-**	**1,237**
Multiple banking institutions:							
Scotiabank (Bahamas) Ltd (Caribbean Treasury Unit) (SCTL)		-	8,519	8,519	-	14,768	14,768
Development banking institutions:							
Nacional Financiera, S.N.C., Institución de Banca de Desarrollo (NAFIN)		18,424	29	18,453	932	25	957
Sociedad Hipotecaria Federal, S.N.C. (SHF)		24	-	24	6,579	-	6,579
		18,448	**29**	**18,477**	**7,511**	**25**	**7,536**
Public trusts:							
Fideicomisos Instituidos en Relación con la Agricultura (FIRA)		2,672	632	3,304	3,553	786	4,339
Fondo de Operación y Financiamiento Bancario a la Vivienda (FOVI)		2	-	2	3	-	3
		2,674	**632**	**3,306**	**3,556**	**786**	**4,342**
Loans from other entities:							
Export Development Canada (EDC)		**-**	**-**	**-**	**-**	**1,986**	**1,986**
	$	**21,122**	**9,180**	**30,302**	**12,304**	**17,565**	**29,869**

(Continued)

		2023			2022		
		Mexican Pesos	**Foreign currency**	**Total**	**Mexican Pesos**	**Foreign currency**	**Total**
Long-term							
Development banking institutions:							
NAFIN	$	-	-	-	12,500	-	12,500
SHF		2,000	-	2,000	2,000	-	2,000
		2,000	**-**	**2,000**	**14,500**	**-**	**14,500**
Public trusts							
FIRA		4,023	479	4,502	4,980	169	5,149
	$	**6,023**	**479**	**6,502**	**19,480**	**169**	**19,649**

At December 31, 2023, the Group obtained 5 loans from NAFIN for a total amount of $17,500 with a maturity of 1 year and interest rates ranging from 11.87% to 11.93%. At December 31, 2023, the Group obtained 2 loans with SHF for a total amount of $2,000 with maturities ranging from 1 year to 4 years and interest rates ranging from 8.41% to 8.48%, respectively.

At December 31, 2022, the Group obtained 5 loans from NAFIN for a total amount of $12,500 with a maturity of 2 years and interest rates of 10.67%. At December 31, 2022, the Group obtained 5 loans with SHF for a total amount of $8,500, with a maturity of less than one year, 2 years, and 5 years, with interest rates of 8% and 10%, respectively.

At December 31, 2023 and 2022, the maturities of interbank loans and other long-term loans are as follows:

		2023	**2022**
2024	$	-	13,122
2025		1,856	2,321
2026		1,323	1,981
2027		1,930	1,950
More than 5 years		1,393	275
Total	$	**6,502**	**19,649**

The interest expense on interbank loans and loans from other institutions during years ended December 31, 2023 and 2022, amounted to $3,319 and $2,967, respectively (note 25 (b)).

Interbank loans held by the Group mainly correspond to working capital lines that financial intermediaries, mainly development banks or multilateral organisations, grant the Group in local currency or foreign currency at different terms.

The average unaudited weighted rates of interbank loans and loans from other institutions at December 31, 2023 and 2022, are shown on the following page.

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	2023		2022	
	Mexican Pesos	**Foreign currency**	**Mexican Pesos**	**Foreign currency**
Multiple banking	-	5.89%	-	4.52%
Development bank	12.87%	6.63%	11.62%	5.68%
Development fund	10.90%	5.96%	9.87%	4.75%
Central Bank	-	-	6.47%	-
Loans from other entities	-	-	-	3.66%

(18) Income taxes ("ISR") and employees' statutory profit sharing ("PTU")

The Income Tax Law (*Ley del Impuesto sobre la Renta*) in effect at January 1, 2014 establishes a rate of 30%, for 2014 and subsequent years. The determination of current PTU was made in accordance with the limits of the current Federal Labor Law (*Ley Federal del Trabajo*) as from fiscal year 2022.

The basis for calculating PTU is standardised with the basis for determining the ISR, with some discrepancies in terms of reducing tax losses, PTU paid in the fiscal year, and expenses that represent exempt income for workers.

At December 31, 2023 and 2022, the expense for current and deferred income tax is comprised as follows:

		2023		2022	
		ISR	**PTU**	**ISR**	**PTU**
In profit or loss for the period:					
Current:					
Bank and subsidiaries	$	3,733	930	3,066	796
Broker-dealer		146	46	289	48
Fund Manager		160	3	94	3
Current ISR and PTU		4,039	979	3,449	847
Deferred ISR and PTU		381	303	(252)	347
Total taxes and PTU		4,420	1,282	3,197	1,194
Cancellation of accrual for previous year, net		(52)	(1)	(137)	(33)
	$	**4,368**	**1,281**	**3,060**	**1,161**
In the OCI for the period:					
(Loss) gain for financial instruments to collect or sell	$	(124)	(33)	117	28
Remeasurement of defined benefits for employees		58	6	164	38
Deferred ISR and deferred PTU		77	30		
Allowance for ECL		(1)	-	(223)	(48)
	$	**10**	**3**	**58**	**18**

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

The Group has not recognised a deferred tax liability related to the undistributed profits of its subsidiaries and associates, as it currently does not expect these undistributed profits to reverse and become taxable in the near future.

Deferred ISR and PTU:

Deferred ISR and PTU assets at December 31, 2023 and 2022, are comprised of the following items:

		2023		2022	
		ISR	**PTU**	**ISR**	**PTU**
Valuation of financial instruments:					
Negotiable financial instruments	$	(7)	(2)	21	5
Derivative financial instruments		6	-	22	8
Financial instruments to collect or sell		48	11	172	46
Cash flow hedging swaps		(340)	(81)	(417)	(110)
Advance payments		(620)	(147)	(1,192)	(315)
Leases		34	6	21	2
Accruals and others		740	157	1,615	379
Remaining to be deducted from property, furniture and equipment		(154)	(37)	(265)	(62)
Commissions charged in advance		451	107	538	134
Pension plan		1,043	247	964	255
Remeasurements of defined benefits for employees		301	71	243	64
Foreclosed assets		368	87	352	93
Allowance for ECL		4,793	1,137	5,004	1,326
Deferred ISR for deferred PTU		(449)	-	(549)	-
		6,214	1,556	6,529	1,825
Merger effects of Crédito Familiar[(1)]		-	-	56	15
	$	**6,214**	**1,556**	**6,585**	**1,840**

(1) At December 31, 2022, the deferred tax basis transferred by Crédito Familiar in the merger at June 30, 2022, consists of the following: general allowance $126, property, furniture and equipment $54, and other items for $4 (total deferred ISR $56 and total deferred PTU $15).

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The favorable effect on profit or loss and equity, for deferred ISR and PTU for years ended December 31, 2023 and 2022, is comprised as follows:

		2023		**2022**	
		ISR	**PTU**	**ISR**	**PTU**
Valuation of financial instruments:					
Negotiable financial instruments	$	(27)	(7)	5	-
Financial instruments to collect or sell		(15)	(5)	11	1
Derivative financial instruments		(125)	(37)	133	34
Cash flow hedging swaps		77	30	(223)	(48)
Advance payments		570	168	(50)	53
Leases D-5		13	4	21	2
Accruals and others		(863)	(244)	648	104
Remaining to be deducted from property, furniture and equipment		92	23	(648)	(211)
Commissions charged in advance		(87)	(27)	(58)	(43)
Pension plan		79	(8)	449	89
Remeasurements of defined benefits for employees		58	8	163	37
Foreclosed assets		16	(6)	19	(14)
Allowance for ECL		(248)	(199)	(6)	(296)
Deferred ISR for deferred PTU in profit or loss		89	-	88	-
	$	**(371)**	**(300)**	**552**	**(292)**

The previous movements are reflected in the consolidated financial statements for years ended December 31, 2023 and 2022, as shown below:

		2023		**2022**	
		ISR	**PTU**	**ISR**	**PTU**
In profit or loss:	$	(381)	(303)	252	(347)
In equity:					
(Loss) gain for financial instruments to collect or sell		(124)	(33)	117	28
Remeasurement of defined benefits for employees		58	6	163	37
Valuation of cash flow hedge instruments		77	30	(223)	(48)
Deferred ISR for deferred PTU		(1)	-	-	-
Allowance for ECL		-	-	243	38
	$	**(371)**	**(300)**	**552**	**(292)**

The effective rates at December 31, 2023, are detailed below:

Entity		**Tax basis**	**Income Tax**	**Effective rate**
Bank	$	13,311	3,972	26%
Real estate		55	14	13%
Derivatives		240	73	27%
Broker-dealer		482	141	29%
Fund Manager		555	167	28%
Support services		3	1	24%
	$	**14,646**	**4,368**	**25%**

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The effective rates at December 31, 2022, are detailed below:

Entity		Tax basis	Income Tax	Effective rate
Bank	$	8,975	2,693	20%
Real estate		(55)	(16)	(18%)
Derivatives		134	40	22%
Broker-dealer		825	247	26%
Fund Manager		315	95	27%
Support services		2	1	21%
		10,196	**3,060**	**22%**

For informational purposes, the analysis of the effective rate of the Bank's ISR and PTU without subsidiaries for years ended December 31, 2023 and 2022 is presented below:

December 31, 2023		Basis	ISR 30% tax	Effective rate	PTU [1]
Operating profit	$	15,244	(4,573)	(30%)	(1,533)
Allocation to current tax:					
Tax effect of inflation, net		(3,161)	948	6%	316
Valuation of financial instruments		(1,026)	308	2%	103
Depreciation and amortisation		92	(28)	(0%)	(9)
Non-deductible expenses		1,442	(433)	(3%)	(124)
Allowance for ECL		2,447	(734)	(5%)	(245)
Deductible write-offs		(2,663)	799	5%	266
Current and deferred PTU for the year		1,226	(368)	(2%)	(123)
Deduction of PTU paid		(867)	260	2%	-
Fees and prepaid expenses		867	(260)	(2%)	(87)
Income (loss) from financial instruments		976	(293)	(2%)	(98)
Other - net		(2,459)	739	5%	256
Taxable profit		12,118	(3,635)	(24%)	(1,278)
PTU allocated to employees based on legal limits		-	-	-	(909)
Adjustment to deferred ISR and PTU:					
Valuation of financial instruments		1,171	(351)	(2%)	(85)
Accruals and others		950	(286)	(2%)	(170)
Advance payments		(1,070)	321	2%	168
Remaining to be deducted from property, furniture and equipment		(195)	59	0%	20
Pension plan		(264)	79	1%	(8)
Foreclosed assets		(55)	17	0%	(6)
Commissions charged in advance		132	(40)	(0%)	(23)
Allowance for ECL		827	(248)	(2%)	(199)
Deferred ISR for deferred PTU in profit or loss		(303)	91	1%	-
Deferred taxes		1,193	(358)	(2%)	(303)
Income tax	$	**13,311**	**(3,993)**	**(26%)**	**(1,212)**

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December 31, 2022		Basis	ISR 30% tax	Effective rate	PTU [1]
Operating profit	$	13,749	(4,125)	(30%)	(1,376)
Allocation to current tax:					
Tax effect of inflation, net		(5,048)	1,514	11%	505
Valuation of financial instruments		(321)	96	1%	32
Depreciation and amortisation		628	(188)	(1%)	(63)
Non-deductible expenses		1,122	(337)	(2%)	(94)
Allowance for ECL		2,076	(623)	(5%)	(208)
Deductible write-offs		(2,839)	852	6%	284
Current and deferred PTU for the year		1,104	(331)	(2%)	(110)
Deduction of PTU paid		(575)	173	1%	-
Fees and prepaid expenses		(292)	88	1%	29
Income (loss) from financial instruments		442	(133)	(1%)	(44)
Other - net		(505)	152	1%	52
Taxable profit		9,541	(2,862)	(20%)	(993)
PTU allocated to employees based on legal limits		-	-	-	(790)
Adjustment to deferred ISR and PTU:					
Valuation of financial instruments		(175)	53	0%	14
Accruals and others		(2,096)	629	5%	102
Advance payments		168	(50)	0%	53
Remaining to be deducted from property, furniture and equipment		2,339	(702)	(5%)	(213)
Pension plan		(1,496)	449	3%	89
Foreclosed assets		(65)	19	-%	(14)
Commissions charged in advance		146	(44)	-%	(43)
Allowance for ECL		842	(253)	(2%)	(334)
Deferred ISR for deferred PTU in profit or loss		(301)	90	1%	-
Deferred taxes		(638)	191	1%	(346)
Income tax	$	**8,903**	**(2,671)**	**(19%)**	**(1,136)**

[1] Corresponds to the amount of PTU before applying labour limits and is only presented for informative purposes.

In assessing the realisability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realised. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

To carry out the estimation of the current PTU, derived from the labour reform, compliance with the provisions of the Federal Labor Law (LFT) and the Income Tax Law must be met. Therefore, the following should be considered as mentioned in the following page.

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a. The Group must apply a 10% tax to the PTU base profit, based on the provisions of the Income Tax Law.

b. The amount determined in the previous paragraph must be allocated to each employee based on the provisions of the LFT. However, the amount allocated 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 PTU received by the employee in the previous three years.

c. If the PTU determined in section (a) is greater than the sum of the PTU allocated to each and every employee according to section (b), the latter must be considered the current PTU for the period. Based on the LFT, the difference between both amounts is deemed not to generate an obligation for payment in the current period or in the future.

d. If the PTU determined in section (a) is less than or equal to the PTU determined in section (b), the PTU in section (a) must be the current PTU for the period.

According to technical report 53, to determine the PTU rate, the current PTU (LFT) must be divided by the PTU determined at 10% of the tax profit; the quotient obtained must be multiplied by the statutory PTU rate of 10%, in order to obtain the current PTU.

		2023	2022
PTU allocated to employees based on legal limits	$	909	790
PTU 10%		1,278	993
Quotient		0.7113	0.7947
Statutory PTU rate		10%	10%
Current PTU rate		7.11	7.95%

Other considerations:

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

In accordance with the Income Tax Law, companies that carry out transactions with related parties, whether residents in the country or abroad, are subject to tax limitations and obligations regarding the determination of agreed prices, as these should be comparable to those used with or between independent parties in comparable transactions.

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(19) Other accounts payable

At December 31, 2023 and 2022, the accounts payable are comprised as follows:

		2023	2022
Creditors on settlement of transactions (notes 6, 7 and 9)	$	13,203	6,269
Creditors on margin accounts (notes 9)		1,655	1,943
Creditors on cash received as collateral (note 9)		3,217	4,135
Foreign currency to be delivered (note 6)		1,763	259
Cash overdraft (note 6)		18	77
Taxes payable		633	536
Sundry creditors and other accounts payable:			
Liabilities arising from the provision of banking services		3,478	2,599
Fees payable on current transactions		178	167
Dividends payable (notes 22c and 28)		5,000	-
Accruals for miscellaneous obligations		1,258	1,633
Other sundry creditors		1,314	3,186
ISR wage creditors		558	542
Total of other accounts payable	$	**32,275**	**21,346**

(20) Subordinated obligations outstanding

At December 31, 2023 and 2022, the Group has carried out the following private issuances of subordinated debentures with characteristics of liabilities, preferred stock, and not convertible into shares:

Date of issue	Number of securities		Price per security (pesos)	Term (years)	Interest period (days)	Interest rate		Placement amount
December 31, 2023								
18-Dec-14	20,930,000	$	100	10	182	7.40%	$	2,093
28-Jun-18	33,600,000		100	15	182	12.30%		3,360
11-Sep-18	34,550,000		100	- [(a)]	182	11.32%		3,455
								8,908
Accrued interest payable								152
							$	**9,060**

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Date of issue	Number of securities	Price per security (pesos)	Term (years)	Interest period (days)	Interest rate	Placement amount
December 31, 2022						
12-18-14	20,930,000	$ 100	10	182	7.40%	$ 2,093
06-28-18	33,600,000	100	15	182	12.30%	3,360
09-11-18	34,550,000	100	- [(a)]	182	11.32%	3,455
						8,908
Accrued interest payable						149
						$ **9,057**

(a) There is no defined term for these issues.

(21) Employee Benefits

At December 31, 2023 this item is comprised as follows:

		2023	2022
Short-term	$	452	398
Long-term (labour obligation)		5,070	4,603
Statutory employees' profit sharing (PTU)		1,037	868
Total of employee benefits	**$**	**6,559**	**5,869**

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

The defined contribution pension plan was maintained for eligible employees, considering all those employees who started working after April 1, 2006, and with a plan seniority of more than 6 months, being optional for employees who joined earlier. This plan establishes predetermined contributions for the Group and employees, which can be withdrawn in full by the employee when they have reached 55 years of age.

For years ended on December 31, 2023 and 2022, the charge to profit or loss related to the Group's contributions for the defined contribution plan amounted to $147 and $153 respectively, under administrative expenses in the consolidated statement of comprehensive income.

Additionally, the Group maintains a defined benefit pension plan for pensions and post-retirement benefits, to which all employees who reach 60 years of age with 5 years of service or 55 years of age with 35 years of service are entitled, as established by the collective bargaining agreement and to which they do not contribute. The cost, obligations, and assets of the funds of defined benefit pension plans, seniority premium, post-retirement medical benefits, life insurance, and retired food vouchers were determined based on calculations prepared by independent auditors at December 31, 2023 and 2022.

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a) Merger

At June 30, 2022, the Bank entered into a merger with Crédito Familiar and its subsidiaries, in which the Bank assumes all labour obligations for all active employees that said entities maintained until June 30, 2022.

b) Post-retirement benefits

Cash flows-

The contributions and benefits paid from the funds were as follows:

		2023			2022		
		Transfer	**Fund contributions**	**Benefits paid from the funds**	**Transfer**	**Fund contributions**	**Benefits paid from the funds**
Seniority premium	$	-	-	1	11	-	30
Pension plan		(2)	-	-	-	(25)	37
Other post-retirement benefits		2	-	527	-	1	428
Total	**$**	**-**	**-**	**528**	**11**	**(24)**	**495**

The components of the defined benefit cost for years ended December 31, 2023 and 2022 are shown below:

		Seniority premium		Statutory severance pay		Pension plan		Other post-retirement benefits	
		2023	2022	2023	2022	2023	2022	2023	2022
Current service cost (Spanish acronym CLSA)	$	28	25	33	26	19	23	45	60
Net interest on PNBD or (ANBD)*		35	30	41	34	222	216	164	126
Cost for advance settlement of obligations		6	-	73	56	-	-	-	-
Recycling of the remeasurements of the PNBD or (ANBD) in OCI*		28	8	18	9	25	31	15	17
Net cost for the period	**$**	**97**	**63**	**165**	**125**	**266**	**270**	**224**	**203**
Initial balance of remeasurements of the PNBD or (ANBD) in OCI*	$	130	109	62	(26)	399	583	223	162
Generated remeasurements		10	29	13	97	65	(153)	187	78
Recycling of remeasurement		(28)	(8)	(18)	(9)	(25)	(31)	(15)	(17)
Final balance of remeasurements of the PNBD or (ANBD) in OCI*	**$**	**112**	**130**	**57**	**62**	**439**	**399**	**395**	**223**
Increase (decrease) in remeasurements of the PNBD or (ANBD) in OCI*	**$**	**(18)**	**21**	**(5)**	**88**	**40**	**(184)**	**172**	**61**
Defined benefit cost	**$**	**79**	**84**	**160**	**213**	**306**	**86**	**396**	**264**

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		Seniority premium		Statutory severance pay		Pension plan		Other post-retirement benefits	
		2023	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Initial balance of the PNBD or (ANBD)*	$	370	313	442	376	2,224	2,326	1,567	1,304
Defined benefit cost (income)		79	84	160	213	306	86	396	264
Liabilities/assets transferred at June 30, 2022		-	-	-	-	-	(1)	-	-
Contributions to the plan		-	-	-	-	2	25	(2)	(1)
Cancellation of restricted investments		-	(11)	-	-	-	-	-	-
Payments charged to the PNBD or (ANBD)*		(68)	(16)	(139)	(147)	(265)	(212)	(2)	-
Final balance of PNBD or (ANBD)*	**$**	**381**	**370**	**463**	**442**	**2,267**	**2,224**	**1,959**	**1,567**

(*) Net defined benefit liability (PNBD) or Net defined benefit asset (ANBD)

The financing situation of the defined benefit obligation as of December 31, 2023 and 2022, is detailed below:

		Seniority premium		Statutory severance pay		Pension plan		Other post-retirement benefits	
		2023	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Amount of the obligations for defined benefits (OBD)	$	(381)	(372)	(463)	(442)	(2,267)	(2,226)	(3,260)	(3,255)
Plan assets		-	2	-	-	-	2	1,301	1,688
Financial situation of the obligation	$	**(381)**	**(370)**	**(463)**	**(442)**	**(2,267)**	**(2,224)**	**(1,959)**	**(1,567)**

Below there is an analysis of the movements of the plan assets to cover labour obligations for years ended December 31, 2023 and 2022.

		2023	**2022**
Fair value of assets at the beginning of the year	$	1,692	2,317
Return on plan assets		137	(118)
Transfers between funds		-	(12)
Payments made from the fund during the year		(528)	(495)
Market value of assets at year-end	**$**	1,301	1,692

(Continued)

The effect of the increase or decrease in the discount rate used in the actuarial projections at December 31, 2023 and 2022 is shown below:

	2023	**2022**
Nominal discount rate used to estimate the present value of the obligations	10.40%	10.50%
Expected rate of return on plan assets	10.40%	10.50%
Trend rate in the variation of health care costs	6.50%	6.50%
Nominal increase rate in wage levels [1]	4.50%	4.50%
Employees average remaining working life	12.05 years	15.80 years

[1] 2023: 8.00%, 2024:5.50%, from 2025 onwards: 4.50%

The expected rate of return on plan assets equals the discount rate in accordance with the current standard.

The assets of the fund covering obligations for pension benefits and other post-retirement benefits consist of 80% debt instruments and 20% equity instruments, held in trusts and managed by a Committee appointed by the Group.

The effect of the increase or decrease in the discount rate used in the actuarial projections at December 31, 2023 and 2022 is shown below:

	2023		**2022**	
	Annual rates	**OBD Total**	**Annual rates**	**OBD Total**
Without modifications	0.00%	6,373	0.00%	512
0.5% increase in the discount rate	10.90%	6,114	11.00%	248
0.5% decrease in the discount rate	9.90%	6,655	10.00%	799

(22) Equity

(a) Share stock structure

At December 31, 2023 and 2022, the registered ordinary shares without nominal value that make up the share capital are analysed as follows:

	Series F	**Series B**	**Total**
Subscribed and paid [1]	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**

(1) Represent fixed and variable minimum share capital

(Continued)

(b) Other comprehensive income (OCI)

OCIs include:

		2023	2022
Valuation gain (loss) of financial instruments to collect or sell	$	(160)	(575)
Valuation gain (loss) of cash flow hedging instruments		1,133	1,390
Remeasurements of defined benefits for employees		(1,003)	(814)
Share of associates' OCI		(2)	(2)
Income taxes and PTU of IFCV		60	218
Income taxes and PTU of IFD		(431)	(538)
Income taxes and PTU from employee benefits		382	320
Total	$	**(21)**	**(1)**

The following are the movements recorded in the components of the OCI during 2023 and 2022 fiscal years.

Valuation gain (loss) for financial instruments to collect or sell:

		OCI before ISR and PTU	ISR and PTU	Net OCI
Balances at January 01, 2022	$	(184)	73	(111)
Fair value measurement		(391)	145	(246)
Balances at December 31, 2022		(575)	218	(357)
Fair value measurement		415	(158)	257
Balances at December 31, 2023	$	**(160)**	**60**	**(100)**

Valuation gain (loss) for cash flow hedging instruments:

		OCI before ISR and PTU	ISR and PTU	Net OCI
Balances at January 1, 2022	$	646	(267)	379
Effective portion of changes in fair value:				
Exchange rate		877	(319)	558
Interest rate		(133)	48	(85)
Balances at December 31, 2022		1,390	(538)	852
Effective portion of changes in fair value:				
Exchange rate		910	(313)	597
Interest rate		(1,167)	420	(747)
Balances at December 31, 2023	$	**1,133**	**(431)**	**702**

(Continued)

Employee benefits:

		OCI before ISR and PTU	ISR and PTU	Net OCI
Balances at January 1, 2022	$	(828)	124	(704)
Movement		14	196	210
Balances at December 31, 2022		(814)	320	(494)
Movement		(189)	62	(127)
Balances at December 31, 2023	**$**	**(1,003)**	**382**	**(621)**

(c) Declared dividends

Profits from subsidiaries may not be distributed to the Group's shareholders until the dividends are collected. The dividends paid from profits generated from January 1, 2014 to individuals and non-residents are subject to an additional 10% tax, which will be withheld by the entities distributing said dividends.

For years ended December 31, 2023 and 2022, dividends were declared and paid to BNS as shown below:

2023

Date of declaration		Amount	Payment date		Amount
08-Feb-23	$	2,850	08-Feb-23	$	2,850
31-May-23		5,000	26-Jan-24		5,000
	$	7,850		$	7,850

2022

Date of declaration		Amount	Payment date		Amount
27-Oct-22	$	3,000	28-Oct-22	$	3,000
27-Dec-22		2,000	28-Dec-22		2,000
	$	5,000		$	5,000

(d) Comprehensive income

Comprehensive income presented in the consolidated statement of changes in equity represents the result of total activity during the year and is comprised of the net profit or loss, the effects (net of deferred income tax and PTU) from the valuation of investments in available-for-sale securities and cash flow hedging instruments, as well as the remeasurements for defined benefit plans and the proportionate share in the associate's OCI.

(Continued)

(e) Restrictions on equity

No individual or legal entity may directly or indirectly acquire, through one or more simultaneous or successive transactions of any nature, the control of Series “B” shares representing more than 5% of the Group’s paid-up capital. The SHCP may authorise, when it deems justified, the acquisition of a higher percentage, without exceeding in any case 20% of the share capital.

The General Corporation Law requires the Group to set aside 5% of its annual profit to establish capital reserves, up to 20% of the paid-up share capital. At December 31, 2023 and 2022, the legal reserve amounts to $901, a figure that has reached the required amount.

In the event of capital reimbursement or distribution of profits to the shareholders, ISR is incurred on the amount reimbursed or distributed, which exceeds the amounts determined for tax purposes.

The amounts of the Group’s capital contribution accounts and net taxable profit at December 31, 2023 and 2022 are detailed below:

	2023	**2022**
Capital contribution account (unaudited)	13,913	14,441
Net taxable profit account (unaudited)	13,288	13,806

The dividends paid and profits generated from January 1, 2014 to individuals and non-residents abroad are subject to an additional 10% tax, which is definitive.

(f) Capitalisation (unaudited)

The Commission requires broker-dealers to maintain a minimum percentage of capitalisation on assets at risk, which are calculated by applying specific percentages according to the assigned risk in accordance with the rules established by the Mexican Central Bank. The capitalisation required by the Commission has been fulfilled by the Broker-dealer. The net capital of the Broker-dealer at December 31, 2023 and 2022 amounts to $2,344 and $1,947, respectively.

In accordance with Article 50 of the LIC, the Bank must maintain net capital in excess of the sum of the capital requirements for credit, market, and operational risks it incurs in its operation. Net capital is determined in accordance with the Provisions.

The provisions establish a minimum capitalisation index of 8%, and floor levels for the different components that make up the Net Capital, which include the Core Capital, Basic Capital, and Supplementary Capital. In addition to the minimum capital requirements, the Bank must maintain a Capital Conservation Buffer consisting of Core Capital, equivalent to 2.5% of total risk-weighted assets. In the case of locally important systemic institutions, an additional percentage should be included.

In accordance with the Provisions, the Bank has been designated by the Commission as a Systemically Important Multiple Banking Institution, and as such, it must maintain a Capital Conservation Buffer, as shown on the following page.

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Systemic Importance Level	Capital Conservation Buffer
I	0.60
II	0.90
III	1.20
IV	1.5
V	2.25

The Bank has been assigned a level I systemic importance rating by the Commission, therefore it is required to hold a capital buffer of 0.60%.

At December 31, 2023 and 2022, the Bank's capitalisation index was 15.99% and 15.50%, therefore it is classified in category I in accordance with Article 220 of the Provisions, which is calculated by applying certain percentages according to the assigned risk in accordance with the rules established by the Mexican Central Bank. Below is the information regarding the Bank's capitalisation (Capitalisation index reported to the Mexican Central Bank and subject to its approval):

Capitalisation index (Bank)

The Capitalisation Index is equal to the result of the quotient of the Bank's net capital divided by the sum of risk-weighted assets subject to credit risk, the equivalent weighted positions subject to market risk, and the assets subject to operational risk.

The following information corresponds to the Bank's capitalisation index at December 31, 2023 and 2022 (figures may vary due to rounding).

		2023	**2022**
Basic capital			
Ordinary shares	$	13,468	13,468
Retained earnings		44,837	42,696
Other comprehensive income elements (and other reserves)		20,381	19,117
Basic Capital 1 before regulatory adjustments	$	**78,686**	**75,281**
Domestic regulatory adjustments:			
Deferred charges and advance payments	$	(8,502)	(8,160)
Investments in clearing house		(574)	(645)
Tax losses		(1,533)	(1,833)
Deferred taxes, items in favour arising from temporary differences		-	(8)
Total regulatory capital adjustments	**$**	**(10,609)**	**(10,646)**

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		2023	2022
Basic capital 1	$	68,077	64,635
Non-core basic capital		3,583	3,582
Total basic capital	$	**71,660**	**68,217**
Eligible reserves that count as Supplementary	$	396	1,619
Equity instruments		3,373	3,792
Supplementary capital	$	**3,769**	**5,411**
Net capital	**$**	**75,429**	**73,628**
Total risk-weighted assets	**$**	**471,664**	**475,012**
Capital ratios and buffers			
Basic Capital Index 1		14.43%	13.61%
Basic Capital Index		15.19%	14.36%
Supplementary Capital Index		0.80%	1.14%
Net Capital Index		15.99%	15.50%
Institutional specific buffer		2.50%	2.50%
Capital conservation buffer		0.00%	0.00%
Local systemic importance buffer		0.60%	0.60%
Tier 1 common capital available to cover buffers		7.43%	6.61%
Limits applicable to the inclusion of reserves in supplementary capital:			
Limit on the inclusion of provisions in supplementary capital under standardised methodology	$	4,156	4,368

Total risk-weighted assets at December 31, 2023

		Equivalent assets at risk	Capital requirement
Market risk positions by risk factor:			
Local currency transactions with nominal rates	$	61,407	4,913
Transactions with local currency debt securities with a surcharge and a revisable rate		989	79
Transactions in local currency with real denomination rate in UDIs or UMAs		2,371	190
Positions in UDIs, UMAs, or with returns linked to the NCPI		30	2
Transactions in foreign currency with nominal rate		7,196	576
Positions in foreign currencies with return indexed to the exchange rate		2,164	173
Positions in shares or with return indexed to the price of a share or group of shares		60	5
Capital requirement for Vega impact		12	1
Total market risk, on the next page	$	74,229	5,939

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		Equivalent assets at risk	Capital requirement
Total market risk from the previous page	$	74,229	5,939
Credit risk-weighted assets by risk group:			
Group I-B (weighted at 2%)		27	2
Group III (weighted at 10%)		856	68
Group III (weighted at 20%)		5,288	423
Group III (weighted at 50%)		435	35
Group IV (weighted at 20%)		4,058	325
Group V (weighted at 20%)		246	20
Group V (weighted at 150%)		471	38
Group VI (weighted at 20%)		4,395	352
Group VI (weighted at 25%)		2,815	225
Group VI (weighted at 30%)		10,820	866
Group VI (weighted at 40%)		11,209	897
Group VI (weighted at 50%)		36,727	2,938
Group VI (weighted at 70%)		35	3
Group VI (weighted at 75%)		25,978	2,078
Group VI (weighted at 85%)		6,183	495
Group VI (weighted at 100%)		47,812	3,825
Group VII-A (weighted at 11.5%)		115	9
Group VII-A (weighted at 20%)		18,709	1,497
Group VII-A (weighted at 50%)		9,223	738
Group VII-A (weighted at 100%)		121,093	9,687
Group VII-A (weighted at 120%)		126	10
Group VII-A (weighted at 150%)		1,638	131
Group VII-B (weighted at 23%)		790	63
Group VIII (weighted at 115%)		7,158	573
Group VIII (weighted at 150%)		3,592	287
Group IX (weighted at 100%)		28,418	2,273
Securitisation with level 1 risk		33	3
Credit valuation adjustment on derivative transactions		3,053	244
Exposure to default fund in clearing houses		20	2
By the counterparty in default in free delivery mechanisms		66	5
Risk-weighted assets and capital requirements for operational risk		46,046	3,684
Total market, credit, and operational risk	**$**	**471,664**	**37,735**

Total risk-weighted assets at December 31, 2022

		Equivalent assets at risk	Capital requirement
Market risk positions by risk factor:			
Local currency transactions with nominal rates	$	59,445	4,756
Transactions with local currency debt securities with a surcharge and a revisable rate		1,051	84
Subtotal in the following page:		60,496	4,840

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		Equivalent assets at risk	**Capital requirement**
Subtotal of the previous page	$	60,496	4,840
Transactions with local currency debt securities with a surcharge and a revisable rate		1,051	84
Transactions in local currency with real denomination rate in UDIs or UMAs		3,590	287
Positions in UDIs, UMAs, or with returns linked to the NCPI		82	7
Transactions in foreign currency with nominal rate		1,992	159
Positions in foreign currencies with return indexed to the exchange rate		1,995	160
Positions in shares or with return indexed to the price of a share or group of shares		66	5
Capital requirement for Vega impact		14	1
Credit risk-weighted assets 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 (weighted at 100%)		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 (weighted at 100%)		25,948	2,076
Securitisation with Level 1 Risk		36	3
Credit valuation adjustment on derivative transactions		3,324	266
Exposure to Default Fund in Clearing Houses		16	1
By the counterparty in default in free delivery mechanisms		10	1
Risk-weighted assets and capital requirements for operational risk		34,563	2,765
Total market, credit, and operational risk	**$**	**475,012**	**38,002**
Average of the positive net annual income for the last 36 months	**$**	**31,904**	**-**

(Continued)

(g) Capital management

To assess the capital adequacy, the Group starts from its annual exposure plan to obtain a prospective view of the institution, allowing it to identify the risks it is exposed to and substantiate 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 lines of business.

At the same time, to ensure compliance and continuous monitoring of Capital adequacy, a "Capital and Liquidity Conservation Action Plan" has been documented, which aims to implement early warning indicators, which are the basis for the Liquidity and Capital Management Committee to carry out assessments and follow-ups in accordance with the established Policies, according to the impact and magnitude of the stress event.

The capitalisation notes are incorporated into the financial reports on a quarterly basis. 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.

Additionally, stress tests are conducted annually as established by the Commission under various scenarios, with the aim of ensuring that the Group has sufficient capital to continue intermediating resources and granting credits under these stress scenarios, considering its business strategies. Additionally, an internal stress scenario analysis is conducted, which, starting from the Exposure Plan as the base scenario, incorporates various adverse macroeconomic conditions in order to reveal the Group's exposure to different risks.

During 2022, the Group conducted its Capital Adequacy Assessment Process, which was carefully planned and executed to assess the adequacy of capital and liquidity under stress conditions in internal and regulatory scenarios. Profit or loss for the year allowed to conclude that the liquidity and the capital of the institution would allow to face the risks derived from the defined stress scenarios, maintaining its capital index and liquidity indicators above the regulatory minimums.

The Governing Board of the National Banking and Securities Commission ratified on April 3, 2023, Scotiabank Inverlat, S.A. as a Multiple Banking Institution of Local Systemic Importance, through official notice No. 141-5/35035/2023, its systemic importance level and additional capital conservation buffer were confirmed. The institution was classified as Level I, therefore it must maintain a capital buffer of 60 basis points.

Based on the above and continuing with the establishment of the total loss-absorbing capacity (TLAC), which corresponds to the higher of 6.5% of Total APSR and 3.75% of Adjusted Assets), the institution must add a quarter from December 2022. Therefore, the minimum regulatory capital that Scotiabank must maintain is 14.55% and 12.73% at December 31, 2023, and 2022, respectively.

VI. Weights involved in the calculation of the countercyclical capital buffer for institutions

Institution's counter-cyclical capital buffer
-

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VII.1 Form of disclosure of the main indicators associated with the Net Capital Buffer

Reference	Description	December 2023*
1	Amount of the Net Capital Buffer referred to in the last paragraph of Article 2 Bis 5 of these provisions	$ 16,280
1.a	Not applicable	-
2	Total Risk-Weighted Assets (Spanish Acronym APSRT) as per the amount recorded in row 60 of Table I.1 of this annex	$ 471,664
3	Capital Buffer as a percentage of APSRT (%)	3.25%
3.a	Not applicable	-
4	Total exposures associated with the Leverage Ratio as per row 21 of Table I.1 of Annex 1-O Bis of these provisions	$ 868,289
5	Net Capital Buffer as a percentage of total exposures associated with the Leverage Ratio (%)	1.88%
5.a	Not applicable	-
6.a	As part of the amount of the Net Capital Buffer, are there any equity instruments that are on the same level of payment priority (i.e. *pari passu*), in relation to instruments that are statutorily excluded from being converted into ordinary shares or on whose amount the release or remission of the debt and its additional charges in favour of the institution would operate, in a resolution process?	NO
6.b	As part of the amount of the Net Capital Buffer, are there any equity instruments that are on the same level of payment priority (i.e. *pari passu*), 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 release or remission of the debt and its additional charges in favour of the institution would operate, in a resolution process?	NO
6.c	In the event that the assumption in row 6b is updated, what is the proportionate share of the amount of the equity instruments considered in the net capital buffer, in relation to the amount of the issued equity instruments that meet the mentioned payment priority?	-

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Reference	Description	December 2022*
1	Amount of the Net Capital Buffer 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 (Spanish Acronym APSRT) as per the amount recorded in row 60 of Table I.1 of this annex	$ 475,012
3	Capital Buffer as a percentage of APSRT (%)	1.63%
3.a	Not applicable	-
4	Total exposures associated with the Leverage Ratio as per row 21 of Table I.1 of Annex 1-O Bis of these provisions	$ 807,899
5	Net Capital Buffer 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 Buffer, are there any equity instruments that are on the same level of payment priority (i.e. *pari passu*), in relation to instruments that are statutorily excluded from being converted into ordinary shares or on whose amount the release or remission of the debt and its additional charges in favour of the institution would operate, in a resolution process?	NO
6.b	As part of the amount of the Net Capital Buffer, are there any equity instruments that are on the same level of payment priority (i.e. *pari passu*), 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 release or remission of the debt and its additional charges in favour of the institution would operate, in a resolution process?	NO
6.c	In the event that the assumption in row 6b is updated, what is the proportionate share of the amount of the equity instruments considered in the net capital buffer, in relation to the amount of the issued equity instruments that meet the mentioned payment priority?	-

* As a systemic important local institution, the Bank must establish the net capital buffer within a period of four years.

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VII.2.1 Composition of the Net Capital Buffer

		December 2023
	Elements of Net Capital Buffer's regulatory capital and adjustments	
1	Core Capital	$ 68,077
2	Non-core Basic Capital before adjustments to the Net Capital Buffer	3,583
3	Non-eligible Non-core Basic Capital, as a Net Capital Buffer, issued by the institution held by third parties	-
4	Other adjustments	-
5	Eligible instruments of Non-core Basic Capital for the Net Capital Buffer	3,583
6	Supplementary Capital, before adjustments for Net Capital Buffer	3,768
7	Amortised portion of supplementary capital instruments, where the remaining maturity > 1 year	-
8	Non-eligible supplementary capital, as Net Capital Buffer issued by the institution	-
9	Other adjustments	-
10	Eligible Supplementary Capital instruments, in accordance with the rules for the Total Loss Absorption Buffer	3,768
11	Net Capital Buffer arising from regulatory capital	$ 75,429
	Elements of non-regulatory capital of Net Capital Buffer	
12	External instruments of Net Capital Buffer issued directly by the bank and subordinated to excluded liabilities	-
13	External instruments of Net Capital Buffer issued directly by the bank which are not subordinated to excluded liabilities, but meet all other requirements of the Net Capital Buffer terms sheet.	-
14	Of which: Eligible amount of Net Capital Buffer, after applying the upper limits.	Not applicable
15	External instruments of Net Capital Buffer issued by financing vehicles, before January 1, 2022	Not applicable
16	Pre-commitments eligible to recapitalise an institution of local systemic importance in resolution	Not applicable
17	Net Capital Buffer arising from non-regulatory capital instruments before adjustments	-
	Non-regulatory capital elements of the Net Capital Buffer: adjustments	
18	Net Capital Buffer before deductions	$ 75,429
19	Deductions of exposures corresponding to eligible accounts for Net Capital Buffer (not applicable to an institution of local systemic importance with a single point of entry).	Not applicable
20	Deductions from investments in other eligible liabilities of Net Capital Buffer	-
21	Other adjustments to the Net Capital Buffer	-

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		December 2023
22	Net Capital Buffer after deductions	$ 75,429
	Risk-weighted assets (APR) and leverage exposure measure for the purpose of the Net Capital Buffer	
23	Total Risk-Weighted Assets (APSRT) as per the amount recorded in row 60 of Table I.1 of this annex adjusted as permitted under the Net Capital Buffer regime4.	$ 471,664
24	Total exposures associated with the Leverage Ratio as per row 21 of Table I.1 of Annex 1-O Bis of these provisions	$ 868,289
	Net Capital Buffer Indicators and supplements	
25	Net Capital Buffer (as a percentage of adjusted APSRT as allowed under the Net Capital Buffer regime)	15.99%
26	Net Capital Buffer (as a percentage of adjusted APSRT as allowed under the Net Capital Buffer regime)	8.69%
27	Core Capital (as a percentage of APSRT) available after meeting the minimum capital and Net Capital Buffer requirements	14.43%
28	Bank's specific buffer requirements (conservation capital buffer plus countercyclical capital buffer requirement plus net capital buffer requirements, expressed as a percentage of APSRT)	4.05%
29	Of which: Capital conservation buffer requirement	0.60%
30	Of which: Bank's specific countercyclical capital buffer requirement	0.00%
31	Of which: Requirement for net capital buffer	3.45%

		December 2022
	Elements of Net Capital Buffer's regulatory capital and adjustments	
1	Core Capital	$ 64,635
2	Non-core Basic Capital before adjustments to the Net Capital Buffer	3,582
3	Non-eligible Non-core Basic Capital, as a Net Capital Buffer, issued by the institution held by third parties	-
4	Other adjustments	-
5	Eligible instruments of Non-core Basic Capital for the Net Capital Buffer	3,582
6	Supplementary Capital, before adjustments for Net Capital Buffer	5,411
7	Amortised portion of supplementary capital instruments, where the remaining maturity > 1 year	-
8	Non-eligible supplementary capital, as Net Capital Buffer issued by the institution	-
9	Other adjustments	-
10	Eligible Supplementary Capital instruments, in accordance with the rules for the Total Loss Absorption Buffer	5,411

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		December 2022
11	Net Capital Buffer arising from regulatory capital	$ 73,628
	Elements of non-regulatory capital of Net Capital Buffer	
12	External instruments of Net Capital Buffer issued directly by the Bank and subordinated to excluded liabilities	-
13	External instruments of Net Capital Buffer issued directly by the Bank which are not subordinated to excluded liabilities, but meet all other requirements of the Net Capital Buffer terms sheet.	-
14	Of which: Eligible amount of Net Capital Buffer, after applying the upper limits.	Not applicable
15	External instruments of Net Capital Buffer issued by financing vehicles, before January 1, 2022	Not applicable
16	Pre-commitments eligible to recapitalise an institution of local systemic importance in resolution	Not applicable
17	Net Capital Buffer arising from non-regulatory capital instruments before adjustments	-
	Non-regulatory capital elements of the Net Capital Buffer: adjustments	
18	Net Capital Buffer before deductions	$ 73,628
19	Deductions of exposures corresponding to eligible accounts for Net Capital Buffer (not applicable to an institution of local systemic importance with a single point of entry).	Not applicable
20	Deductions from investments in other eligible liabilities of Net Capital Buffer	-
21	Other adjustments to the Net Capital Buffer	-
22	Net Capital Buffer after deductions	73,628
	Risk-weighted assets (APR) and leverage exposure measure for the purpose of the Net Capital Buffer	
23	Total Risk-Weighted Assets (APSRT) as per the amount recorded in row 60 of Table I.1 of this annex adjusted as permitted under the Net Capital Buffer regime4.	475,012
24	Total exposures associated with the Leverage Ratio as per row 21 of Table I.1 of Annex 1-O Bis of these provisions	807,899
	Net Capital Buffer Indicators and supplements	
25	Net Capital Buffer (as a percentage of adjusted APSRT as allowed under the Net Capital Buffer regime)	15.50%
26	Net Capital Buffer (as a percentage of adjusted APSRT as allowed under the Net Capital Buffer regime)	9.11%
27	Core Capital (as a percentage of APSRT) available after meeting the minimum capital and Net Capital Buffer requirements	13.61%
28	Bank's specific buffer requirements (conservation capital buffer plus countercyclical capital buffer requirement plus net capital buffer requirements, expressed as a percentage of APSRT)	2.23%
29	Of which: Capital conservation buffer requirement	0.60%
30	Of which: Bank's specific countercyclical capital buffer requirement	0.00%
31	Of which: Requirement for net capital buffer	1.63%

(Continued)

(23) Related parties

In the normal course of its operations, the Group carries out transactions with related parties such as loans, investments, funding, provision of services, among others. In accordance with the Group's policies, certain credit transactions with related parties are authorised by the Board of Directors and are agreed upon at market rates, with guarantees and conditions in line with sound banking practices.

At December 31, 2023 and 2022, related party transactions exceeding 1% of the Group's basic capital are disclosed below:

		2023	2022
Holding			
Revenue			
Commission and fee income	$	22	76
Other income		158	58
Financial intermediation income		1,827	3,515
Expenses			
Management services	$	33	45
Interest expense		973	973

Balances receivable and payable with related parties at December 31, 2023 and 2022, are comprised as follows:

		2023	2022
Receivable:			
Cash and cash equivalents	$	(2,344)	723
Derivative financial instruments		75,591	56,119
Other accounts receivable		-	157
Payable:			
Demand and time deposits	$	26	71
Derivative financial instruments		4,259	7,475
Interbank loans		8,519	14,768
Creditors on settlement of transactions		2,877	1,319
Creditors on cash received as collateral		1,340	3,403
Other accounts payable		163	169
Subordinated obligations		9,060	9,057

At December 31, 2023 and 2022, there were no changes in the existing conditions of the balances receivable and payable with related parties, the items that were considered irrecoverable or difficult to collect were subject to measurement of allowances to ECL.

In accordance with Article 73bis of the Credit Institutions Law, the total amount of transactions with related parties may not exceed 35% of the basic portion of net capital (see note 22 (g)). The credits granted to related parties, including letters of credit, by the Group at December 31, 2023 and 2022, amount to $1,530 and $1,978, respectively. Related party deposits at December 31, 2023 and 2022 amount to $28 and $20, respectively.

(Continued)

For years ended December 31, 2023 and 2022, the benefits granted to management personnel amounted to $285 and $296, respectively.

(24) Memorandum accounts

(a) Third-party transactions-

The resources managed by the Group, following clients' instructions to invest in various financial instruments, are recorded in memorandum accounts. The resources from these transactions at December 31, 2023 and 2022, are analysed as follows:

		2023	2022
Securities received in custody from clients			
Government and banking securities	$	89,592	100,590
Shares and other		441,409	394,656
	$	**531,001**	**495,246**

(b) Repurchase/resale transactions on behalf of clients

At December 31, 2023 and 2022, the repurchase/resale transactions on behalf of clients are comprised as follows:

	2023			2022		
	Number of securities		Value fair	Number of securities		Value fair
BPAG28	6,414,668	$	643	1,913,288	$	192
BPAG91	27,301,668		2,751	5,402,446		549
BONDS	35,306,546		3,324	18,074,100		1,669
CETES	343,972,672		3,231	304,069,902		2,923
UDIBONOS	2,213,370		1,712	5,122,764		3,866
CEBUR PRIVADO FLT	-		-	1,034,994		104
PRLV	14,778,199		14	16,964,972		17
BPA182	9,851,618		1,016	4,605,512		475
BONDES	228,236,020		22,890	148,200,530		14,857
		$	**35,581**		**$**	**24,652**

(c) Securities lending transactions on behalf of clients-

At December 31, 2023 and 2022, securities lending transactions on behalf of clients are integrated as shown below:

	2023			2022		
	Number of securities		Value fair	Number of securities		Value Fair
Equity instruments	10,440	$	60	10,440	$	56

(Continued)

(d) Collaterals pledged on behalf of clients

The collaterals represented by government, banking, and private debt securities on behalf of clients as collateral in the Group, at December 31, 2023 and 2022, at fair value are analysed below:

	2023	
	Number of securities	**Value Fair**
Government:		
BONDES	114,118,010	$ 11,441
UDIBONOS	1,106,685	858
CETES	171,986,336	1,614
BONDS	17,653,273	1,664
IPABONOS	21,783,977	2,205
		17,782
Banking:		
PRLV	14,778,199	15
		$ **17,797**

	2022	
	Number of securities	**Value Fair**
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
Banking:		
PRLV	16,964,972	17
Total		12,280
Other debt instruments:		
CEBUR	517,497	52
		$ **12,332**

(Continued)

(e) Collateral delivered as pledge on behalf of clients

Collaterals delivered as pledge by clients at fair value, at December 31, 2023 and 2022, are as follows:

		2023	2022
Government securities	$	17,782	12,315
Shares and certificates of holding companies		76	61
Margin loans		19,164	17,501
	$	**37,022**	**29,877**

Income received for years ended December 31, 2023 and 2022, corresponding to the activity of assets under management and custody, amount to $104 and $99, respectively.

(f) Collateral received and sold or pledged by the entity

The collaterals represented by government debt securities and equity instruments received and sold or pledged by the Group, at December 31, 2023 and 2022, are analysed below:

	2023		
	Number of securities		**Value Fair**
Government:			
BONDES	114,118,010	$	19,817
UDIBONOS	1,106,685		858
CETES	171,986,336		1,614
BONDS	17,653,273		1,664
IPABONOS	21,783,977		2,205
Subtotal government			**26,158**
Equity instruments: [1]			
GCARSO			1
QQQ			4
SPY			10
XLE			4
VOO			42
Subtotal equity instruments			**61**
Total		$	**26,219**

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	2022	
	Number of securities	**Value Fair**
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
Subtotal government		16,075
Other debt instruments:		
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**

(g) Credit commitments

		2023	2022
Facilities for undrawn letters of credit	$	36,378	39,948
Undrawn credit facilities:			
Commercial loans		175,481	180,124
Consumer loans		46,375	44,493
	$	**258,234**	**264,565**

(h) Assets in trust or under mandate

The fiduciary activity at December 31, 2023 and 2022 recorded in memorandum accounts is analysed below:

		2023	2022
In trust			
Guaranty, investment or management	$	457,217	417,733
Under mandate		29,111	29,278
	$	**486,328**	**447,011**

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Accrued income for years ended December 31, 2023 and 2022, related to fiduciary activity, amounts to $212 and $230, respectively, and is recorded under “Commission and fee income” (note 25 (d)).

(i) Assets in custody or under management

		2023	2022
Assets in custody			
Securities	$	74,641	62,623
Real and personal property		129	134
Other		673,926	529,514
Cash and cash equivalents (Short-term investments)		3	3
Investment in financial instruments (Investments in securities)		159,429	145,503
Debt instruments (Investment funds)		125,840	102,843
Common instruments (Investment Funds)		45,711	44,394
Assets under management		12,719	12,961
	$	**1,092,398**	**897,975**

Commissions were accrued for years ended on December 31, 2023 and 2022 for $141 and $121, respectively, related to assets in custody and assets under management.

For years ended December 31, 2023 and 2022, for the equity instruments held in custody or under management, no dividends were received.

(j) Collateral received by the entity

Collateral received by the Group at December 31, 2023 and 2022, are analysed below:

		2023[1]	2022[1]
Government debt	$	10,496	6,783
Other debt securities		-	52
Equity instruments		128	795
Other		4,849	4,560
	$	**15,473**	**12,190**

(1) They include collaterals received in repurchase/resale transactions, securities lending, and derivative financial transactions.

In the event that the resources are invested in group funding instruments, the corresponding amount is included in the consolidated statement of financial position.

(k) Other control accounts

At December 31, 2023 and 2022, memorandum accounts present a balance of $1,960,531 and $1,670,988, respectively, mainly consisting of securities held by the Group.

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(25) Additional information on transactions and segments

a) Segment reporting

The Group classifies its net revenues under “Credit and services” (acceptance of deposits, granting of loans), “Treasury and trading” (trading of securities, derivatives, foreign currency, and other income), and “Others”. For years ended December 31, 2023 and 2022, these revenues by segment are analysed as follows:

December 31, 2023		Credit and Services	Trading & treasury	Other	Total
Interest earned, net	$	19,066	9,430	(1,030)	27,466
Commission and fee income, net, financial intermediation income, and other operating income		4,570	1,901	2,642	9,113
Revenue, net		23,636	11,331	1,612	36,579
Allowance for ECL		(2,197)	-	-	(2,197)
Administrative and promotional expenses		(13,989)	(1,451)	(1,111)	(16,551)
Depreciation expense for the period		(988)	(98)	(33)	(1,119)
Amortisation expense for the period		(724)	(74)	(43)	(841)
Profit before income tax	$	5,738	9,708	425	15,871
Equity in income of other entities					570
Current and deferred income taxes, net					(4,368)
Net profit or loss	$				**12,073**

December 31, 2022		Credit and Services	Trading & treasury	Other	Total
Interest earned, net	$	20,967	5,670	(648)	25,989
Commission and fee income, net, financial intermediation income, and other operating income		4,336	1,584	2,851	8,771
Revenue, net		25,303	7,254	2,203	34,760
Allowance for ECL		(1,763)	-	-	(1,763)
Administrative and promotional expenses		(13,722)	(1,205)	(1,120)	(16,047)
Depreciation expense for the period		(949)	(80)	(32)	(1,061)
Amortisation expense for the period		(759)	(63)	(21)	(843)
Profit before income tax	$	8,110	5,906	1,030	15,046
Equity in income of other entities					59
Current and deferred income taxes, net					(3,060)
Net profit or loss	$				**12,045**

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b) Financial margin

For years ended December 31, 2023 and 2022, interest income of the consolidated statement of profit or loss consists of the following components:

Interest income:

Interest income for years ended December 31, 2023 and 2022, comprises the following:

December 31, 2023		**Credit and services**	**Trading & treasury**	**Other**	**Total**
Interest on cash and cash equivalents	$	-	4,466	3	4,469
Interest and income from margin accounts		-	479	-	479
Interest and income from investments in financial instruments		-	15,840	268	16,108
Interest and income from repurchase/resale transactions		-	358	115	473
Interest from loan portfolio with Stage 1 credit risk		56,119	-	-	56,119
Interest from loan portfolio with Stage 2 credit risk		609	-	-	609
Interest from loan portfolio with Stage 3 credit risk		385	-	-	385
Credit origination fees		477	-	-	477
Debt issuance premiums		-	1	-	1
Gains on securities lending transactions		-	-	9	9
Gain on valuation		366	-	-	366
	$	**57,956**	**21,144**	**395**	**79,495**

December 31, 2022		**Credit and services**	**Trading & 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 from repurchase/resale transactions		-	346	-	346
Interest from loan portfolio with Stage 1 credit risk		42,798	-	-	42,798
Interest from loan portfolio with Stage 2 credit risk		616	-	-	616
Interest from loan portfolio with Stage 3 credit risk		445	-	-	445
Credit origination fees		488	-	-	488
Debt issuance premiums		-	2	-	2
Gains on securities lending transactions		-	-	17	17
	$	**44,347**	**12,979**	**246**	**57,572**

Interest expense:

Interest expense for years ended December 31, 2023 and 2022, are comprised as shown in the next page.

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December 31, 2023		Credit and services	Trading & treasury	Other	Total
Interest on demand deposits	$	(13,064)	-	-	(13,064)
Interest on time deposits		(24,176)	-	-	(24,176)
Interest expense associated with the global deposit account without movements		-	(55)	-	(55)
Interest on interbank loans and loans from other institutions		-	(3,319)	-	(3,319)
Interest and income on repurchase/resale transactions		-	(5,847)	(1,418)	(7,265)
Interest, transaction costs and discounts charged on issuance of financial instruments that qualify as a liability		-	(2,027)	-	(2,027)
Gains from securities lending transactions		-	(466)	(4)	(470)
Interest on lease liabilities		(212)	-	(3)	(215)
Costs and expenses associated with credit origination		(1,111)	-	-	(1,111)
Loss from valuation		(327)	-	-	(327)
	$	**(38,890)**	**(11,714)**	**(1,425)**	**(52,029)**

December 31, 2022		Credit and services	Trading & treasury	Other	Total
Interest on demand deposits	$	(7,147)	-	-	(7,147)
Interest on time deposits		(15,020)	-	-	(15,020)
Interest expense associated with the global deposit account without movements		-	(69)	-	(69)
Interest on interbank loans and loans from other institutions		-	(2,967)	-	(2,967)
Interest and income on repurchase/resale transactions		-	(3,215)	(887)	(4,102)
Interest, transaction costs and discounts charged on issuance of financial instruments that qualify as a liability		-	(978)	-	(978)
Gains from securities lending transactions		-	(80)	(4)	(84)
Interest on lease liabilities		(214)	-	(3)	(217)
Costs and expenses associated with credit origination		(999)	-	-	(999)
	$	**(23,380)**	**(7,309)**	**(894)**	**(31,583)**

c) Statement of Financial Position

For years ended December 31, 2023 and 2022, the statement of financial position is presented as follows:

2023		Credit and services	Trading and Treasury	Other	Total
Assets	$	551,886	284,128	6,794	842,808
Liabilities	$	571,950	166,960	20,710	759,620
2022					
Assets	$	517,166	231,534	9,000	757,700

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2023		**Credit and services**	**Trading and Treasury**	**Other**	**Total**
Liabilities	$	503,804	156,679	18,263	678,746

d) Commission and fee income

For years ended December 31, 2023 and 2022, the result of charged commissions comprises the following:

		2023	**2022**
Credit transactions	$	1,663	1,745
Letters of credit without refinancing		251	248
Acceptances on behalf of third parties		3	1
Trading of securities		201	272
Account opening		22	19
Account management		337	351
Fiduciary activities		212	230
Funds transfer		105	112
Cashier’s checks		1	2
Certified checks		3	3
Property custody or management		104	99
Electronic banking services		188	186
Cash management		414	421
Credit card		402	355
Correspondent banks		137	143
Collection services		92	110
For payroll distribution		66	70
Automated teller machines		55	48
Fees charged to investment funds		1,779	1,679
Other commission and fee income		1,239	1,230
	$	**7,274**	**7,324**

e) Financial intermediation income

For years ended December 31, 2023 and 2022, the line item “Financial intermediation income” is comprised in the next page.

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		2023	2022
Gain from valuation at fair value			
Gain from valuation of securities and derivatives			
Negotiable financial instruments	$	174	(125)
Derivative financial instruments for trading purposes		(938)	(389)
Derivative financial instruments for hedging purposes		(751)	1,010
Valuation of the hedged item		585	(1,052)
Collateral sold		(3)	2
Gain (loss) on purchase and sale of financial instruments and derivative financial instruments			
Negotiable financial instruments		285	(124)
Financial instruments to collect or sell		5	(6)
Derivative financial instruments for trading purposes		3,294	1,119
Loss on foreign currency valuation		(1,883)	(462)
Gain on foreign currency purchase and sale		1,354	1,727
Allowance for expected credit losses for investments in financial instruments		(15)	(12)
Transaction costs		(5)	(6)
	$	**2,102**	**1,682**

f) Other operating income (expense), net

For years ended December 31, 2023 and 2022, other operating income (expense), net, comprises the following:

		2023	2022
Recoveries	$	17	19
Donations		(17)	(20)
Income from acquisition of loan portfolio		-	53
Gain on sale of loan portfolio		84	30
Loss on sale of loan portfolio		(79)	-
Adjustments to the allowance for expected credit losses		9	(66)
Write-offs		(364)	(596)
Contributions to the IPAB		(2,205)	(2,021)
Gain (loss) on sale of foreclosed assets		101	76
Allowance for impairment loss of foreclosed assets		(39)	(23)
Gain (loss) on sale of property, furniture and equipment		6	181
Cancellation of other liability accounts		60	217
Interest income from loans to officers and employees		206	145
Lease		(2)	4
Other operating income (expenses) items		2,527	2,489
	$	**304**	**488**

(Continued)

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g) Financial Indicators (unaudited)

The main Group's financial indicators by quarter for years 2023 and 2022 are shown below:

	2023			
	Q4	**Q3**	**Q2**	**Q1**
Delinquency ratio	3.3%	4.0%	4.0%	3.8%
Past-due loan portfolio coverage ratio	77.4%	79.8%	82.2%	87.8%
Operating efficiency (administrative and promotional expenses/average total assets)	2.3%	2.2%	2.3%	2.4%
ROE (annualized net profit for the quarter / average equity)	14.2%	15.1%	13.7%	16.0%
ROA (annualised net profit for the quarter / average total assets)	1.4%	1.6%	1.4%	1.6%
Net capital / assets subject to credit risk	21.47%	22.60%	21.94%	21.01%
Net capital / assets subject to credit, market, and operational risk	15.99%	17.07%	16.59%	16.12%
Liquidity (liquid assets / liquid liabilities)	76.2%	77.3%	81.4%	81.1%
Financial margin for the year adjusted for credit risk / Average productive assets	3.2%	3.3%	3.4%	3.7%

	2022			
	Q4	**Q3**	**Q2**	**Q1**
Delinquency ratio	3.7%	3.8%	3.6%	3.7%
Past-due loan portfolio coverage ratio	90.6%	85.8%	95.2%	96.5%
Operating efficiency (administrative and promotional expenses/average total assets)	2.5%	2.4%	2.4%	2.9%
ROE (annualized net profit for the quarter / average equity)	10.5%	15.9%	16.1%	19.8%
ROA (annualised net profit for the quarter / 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%
Financial margin for the year adjusted for credit risk / Average productive assets	2.8%	3.5%	3.6%	4.8%

(26) Commitments and contingent liabilities

a) The Operating Company has executed certain service contracts with related companies, where the related companies undertake to provide any advisory, distribution, custody, and asset management services necessary for its operation. At December 31, 2023, and 2022, total payments for this item amounted to $1,240 and $1,256, respectively, and are included in "Commissions and expenses paid" in the consolidated statement of comprehensive income.

b) In the normal course of business, the Group has been subject to some lawsuits and claims, which are not expected to have a significant negative effect on the future financial position and operating results. In those cases that represent a probable loss or the need to make a disbursement, the necessary reserves have been established.

(Continued)

(27) Risk management (non-audited)

The Group's Board of Directors is responsible for approving the Desired Risk Profile for the Group, the Framework for Comprehensive Risk Management, the Risk Exposure Limits, the Risk Tolerance Levels, and the mechanisms for undertaking corrective actions, as well as the Contingency, and Contingency Financing Plans.

Additionally, the Board of Directors is responsible for overseeing the implementation of the Comprehensive Risk Management strategy, as well as ensuring that the Group has adequate capital to cover the exposure to all risks to which it may be exposed, above the minimum requirements.

The Group has set up a Risk committee (the "Risk Committee"), which aims to manage the risks to which the Group is exposed, and to monitor that the conduct of the operations conforms to the desired Risk Profile, the Framework for Comprehensive Risk Management, as well as the risk exposure limits, which have been previously approved by the Board of Directors.

The Risk Committee performs the following functions:

a) Propose the following for approval by the Board of Directors:

- The objectives, guidelines, and policies for Comprehensive Risk Management, as well as any modifications made thereto from time to time.
- Global Risk Exposure Limits and, where applicable, 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, Articles 79 to 86 Bis 1 of the Provisions, as well as, where applicable, the Risk Tolerance Levels.
- The mechanisms for implementation of corrective actions.
- The special cases or circumstances in which both the Global Risk Exposure Limits and the Specific Risk Exposure Limits may be exceeded.
- Capital Adequacy Assessment including the capital estimation and, where applicable, the capitalisation plan.
- The Contingency Plan and its modifications.

b) Approve:

1) The Specific Risk Exposure Limits and the Risk Tolerance Levels, when delegated by the Board to do so, as well as the liquidity risk indicators referred to in Article 81, Section VIII, of the Provisions.
2) The methodologies and procedures for identifying, measuring, monitoring, limiting, controlling, reporting, and disclosing the various types of risk to which the Group is exposed, as well as any potential modifications.
3) The models, parameters, scenarios, assumptions, including those relating to the stress testing referred to in Annex 12-B of the Provisions, which are used to perform the Capital Adequacy Assessment and to be used to perform the assessment, measurement, and control of the risks proposed by the unit for the Comprehensive Risk Management, which must be in accordance with the Group's technology.
4) The methodologies for the identification, valuation, measurement, and control of the risks of new transactions, products, and services that the Group intends to offer to the market.
5) The correction plans proposed by the CEO as indicated in Article 69 of the Provisions.

(Continued)

6) The assessment of the aspects of Comprehensive Risk Management referred to in Article 77 of the Provisions for its presentation to the Board of Directors and to the Commission.
7) 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.
8) The report on the technical assessment of the Comprehensive Risk Management aspects noted in Annex 12 of the Provisions, referred to in Article 77 of the same.
9) The level of effectiveness that the validation mechanisms for 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 for carrying out the biometric recognitions referred to in such articles.

c) Appoint and remove the head of the Comprehensive Risk Management unit.

d) Report to the Board of Directors on the Risk Profile and compliance with the capital estimation contained in the Group's Capital Adequacy Assessment, as well as on the adverse effects that could occur in the Group's operations. Furthermore, it must report to the Board of Directors on the non-compliance with the Desired Risk Profile, the Risk Exposure Limits, and the Risk Tolerance Levels established, as well as, where applicable, the capitalisation plan referred to in Article 2 Bis 117c of the Provisions.

e) Report to the Board of Directors on the corrective actions implemented, including those related to the Capital Projections Plan and, where appropriate, the capitalisation plan, in accordance with Article 69 of the Provisions.

f) Ensure at all times that personnel involved in risk taking are aware of the Desired Risk Profile, Risk Exposure Limits, Risk Tolerance Levels, as well as the Capital Projections Plan and, where applicable, the capitalisation plan.

g) Report to the Board, at least once a year, on the outcome of the effectiveness tests of the Business Continuity Plan.

h) Approve the methodologies for estimating the quantitative and qualitative impacts of Operational Contingencies referred to in Article 74, Section XI, of these Provisions.

i) Approve the methodology for classifying information security vulnerabilities according to their criticality, likelihood of occurrence, and impact.

The Risk Committee, in order to carry out the Comprehensive Risk Management, has a specialised unit (Comprehensive Risk Management Unit or UAIR (Spanish acronym)) whose purpose is to identify, measure, monitor, and report the quantifiable risks faced by the Group in its operations, whether these are recorded within or outside the consolidated statement of financial position, including, where appropriate, the risks of its Financial Subsidiaries.

Furthermore, the Risk Committee delegates to the Assets and Liabilities Committee (CAPA (Spanish acronym)) the responsibility of monitoring compliance with policies and procedures for market and liquidity risks. Similarly, the UAIR has policies that include guidelines for reporting deviations from established limits, in which case, it must inform the Risk Committee and, if applicable, the Board of Directors of such deviations.

(Continued)

The Group's UAIR is represented by the Deputy General Risk Department ("DGA Risks") and relies mainly on expert teams for the management of each type of risk (i.e., credit, liquidity, interest rates, market, and operational, technological, among others). This is to ensure proper management so that it complies with the desired risk profile as defined by the Board of Directors, as well as to improve the quality, diversification, and composition of the various portfolios, thereby optimising the risk-return relationship.

Additionally, the Group has an internal audit area that is independent from the Business and Administrative Units, whose heads are appointed by the Board of Directors, which conducts an Integrated Risk Management audit at the end of each fiscal year.

j) Credit risk

The Provisions define Credit risk as the potential loss due to the failure to pay by a borrower or counterparty in transactions performed by Credit Institutions, including security interests or personal guarantees granted thereto, as well as any other risk mitigation mechanism used by said institutions.

Qualitative information

The Group's credit risk management is based on various strategies such as the centralisation 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 established: Board of Directors and Joint Powers of the Credit Department. The distinction between levels is based on the amount of the transaction, the risk classification of the borrower, the type of borrower, and the use of the funds.

For credit risk management, information is extracted from the various applications and systems available to the Group. Furthermore, allowances are created through specialised systems, such as expected losses, unexpected losses, and potential future exposure for counterparty credit risk.

In the case of the commercial portfolio, the business areas consistently evaluate the financial situation of each client, conducting at least once a year a comprehensive review and a risk analysis of each borrower. These reviews consider the overall credit risk, including transactions with financial instruments and derivatives. In the case of identified risks, complementary reviews are performed more frequently. Regarding mortgage and consumer portfolios, there are origination models that assess the credit quality of borrowers, and there are also established policies and procedures to manage the authorisation processes for new loans and to monitor the credit quality of the various loan portfolios.

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. These limits are authorised annually by the Risk Committee and/or the Board of Directors; performance thereof is monitored and reported monthly to the Risk Committee and, where appropriate, quarterly to the Board of Directors.

(Continued)

Methodology for identifying, quantifying, managing, and controlling credit risk - The process of establishing exposure limits for each portfolio subject to credit risk involves the analysis of information and identification of the inherent risks to each borrower, documented in policies based on a process of authorisation and ongoing review. All credit exposures including financial instruments and derivatives are monitored by the UAIR. The monitoring process involves reporting to the Risk Committee and the Board of Directors on the utilisation of limits, any observed excesses thereof, and the strategies implemented for the reinstatement of parameters. Furthermore, the Board delegates to the Risk Committee the authority to approve specific limits and updates to the methodologies used for credit and counterparty risk management.

Methodology for determining the allowances for ECL - The Group has an institutionally approved credit risk classification system for the commercial portfolio and scoring models and/or performance monitoring metrics for the retail portfolio. We also have processes and systems that allow to classify the portfolio by risk level and estimate reserves according to the regulatory models of the Commission.

Commercial portfolio
The Group applies standard models determined by the Commission for the entire portfolio. At December 31, 2023, the portfolio comprises the following:

Group	CUB Annex	% Total Portfolio
States and municipalities	Annex 18	0.58%
Investment projects with self-funding	Annex 19	0.84%
Financial sector entities	Annex 20	12.41%
Legal entities and individuals with business activities with revenues or sales of less than 14 MM UDIs*	Annex 21	19.91%
Legal entities and individuals with business activities with net sales equal to or greater than 14 MM UDIs	Annex 22	66.26%

* *Including trustees acting under Trusts and "structured" credit schemes with equity allocation that allow for individual assessment of the associated risk.*

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".

The credit rating from rating agencies is used by the Group for the calculation of the probability of default in:

a) States and Municipalities

b) Eligibility of guarantors with long-term global rating of risk grades 1 and 2.

c) Clients with domicile abroad and without payment experience information within national Credit Bureaus, with long-term global rating of risk grades 1 and 2.

The estimates for the commercial portfolio are based on the individual assessment of the credit risk of debtors and their classification, in accordance with the Provisions (standard methodology). The portfolio guaranteed or held by the Federal Government, the Mexican Central Bank, and the IPAB is exempt from being classified, in accordance with the rules for the classification of the Credit Portfolio of Multiple Banking Institutions.

(Continued)

Credit risk management and hedging recognition process. The Group has implemented policies for the assessment of collaterals, which involve reviewing each of the elements and risks related depending on their type, considering both collateral policies and those corresponding to the analysis and assessment of credit. The Group applies controls in the assessment of guarantors/obligors by identifying the details of the corporate structure, as well as any significant subordination aspect affecting the provided support.

The credit rating of the guarantor or obligor is determined continuously and consistently throughout the term of the loan.

Furthermore, in the case of the mortgage portfolio and considering the provisions of Articles 101, 102, and Annex 25 of the Sole Banking Circular, the first loss insurance scheme is applied to mitigate credit risk. The amount covered by the scheme at December 31, 2023, corresponds to $20; the insurance coverage is incorporated into the calculation of the Loss Given Default parameter.

Control mechanisms of the rating systems, including an analysis of their independence, accountability, and assessment. The Group has various applications for the control of rating systems and the adequate and complete recording of the characteristics and requirements of each guarantee, which is defined in the institutional guarantee catalogue, as well as credit application and authorisation processes.

The referred systems classify the portfolios and rate the loans under the Commission's standard methodology. The calculation of reserves for the borrowers corresponding to the consumer and mortgage portfolios, as well as the commercial loan portfolio, is carried out based on the regulatory methodologies published in the CUB, which are based on the calculation of Expected Credit Loss for each of the loans using Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD) parameters, employing specific information and characteristics of the loans and/or borrowers assessed.

Establishment of additional provisions for SARS-CoV2 (COVID-19) virus health emergency

At the end of 2023, the Group maintains $384 as remaining additional reserves with no specific allocation to a portfolio.

Qualitative information

The measurement and monitoring of credit risk is based on an expected loss and unexpected loss model, the calculation of which is performed in a robust, specialised internal tool for institutional use.

a) 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 at default (EAD), the probability of default (PD), and the loss given default (LGD) of the credit exposures.

b) Unexpected loss is a measure of dispersion around the expected loss. Represents the economic capital required to keep the Institution solvent in the event of a large-scale adverse event that impacts the loan portfolios.

Additionally, tests are conducted under extreme conditions to determine their impact on the expected and unexpected loss of the portfolio.

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At December 31, 2023 and 2022, and on average for the fourth quarter of 2023 and 2022, the expected and unexpected loss on the Group's total portfolio is as follows:

Metric[1]	December, 2023	Average Q4 2023	December, 2022	Average Q4 2022
Expected loss	3,671	3,643	4,000	3,931
Unexpected loss	23,961	22,692	21,456	21,052

1 *Excludes portfolio in Stage 3 or in default.*

Loan portfolio exposure by portfolio[1]- At December 31, 2023 and 2022, and on average for the fourth quarter of 2023 and 2022, the Group's loan portfolio exposure is as follows:

		2023		2022	
Total loan portfolio exposure by portfolio		**December**	**Q4 Average**	**December**	**Q4 Average**
Mortgage portfolio	$	223,189	220,056	197,127	194,578
Automotive portfolio		19,148	18,582	17,822	17,865
Non-revolving personal portfolio [1]		6,048	5,716	4,387	4,469
Revolving portfolio		13,016	13,021	11,883	12,070
Commercial portfolio [2]		288,566	292,075	304,057	293,841
Total [3]	$	**549,967**	**549,450**	**535,276**	**522,823**

1 *Includes non-revolving personal loans (payroll and open market) and revolving portfolio restructuring.*
2 *Includes loans from Commercial Portfolio, States and Municipalities, Federal Government, Investment Projects with own payment sources, Financial Institutions, Letters of Credit, SME and Konfio Portfolio.*
3 *Mortgages + Auto + Personal + SL + TC + Commercial portfolio.*

Credit Portfolio Risk Parameters (PD, LGD, and EAD)

Portfolio *(Figures at December 31, 2023)*	**Exposure at Default (EAD)[1]**	**Probability of Default (PI)[2]**	**Loss Given Default (LGD)[2]**
Mortgages	$ 208,449	1.52%	16.95%
Infonavit [3]	5,032	6.87%	21.86%
Non-revolving consumption	24,590	3.49%	71.58%
Scotialine (revolving consumption)	5,862	5.96%	71.17%
Credit card	24,539	5.74%	73.04%
Commercial portfolio [4]	286,667	1.47%	44.06%
Investment projects [5]	1,927	1.53%	45.10%

1 *Determined using regulatory methodology. (Excluding portfolio in Stage 3 or in default, includes SME and Konfío portfolio).*
2 *Risk parameter weighted by exposure to default. (Excluding portfolio in Stage 3 or in default).*

(Continued)

[1] For the purposes of this document, both the Scotia Line balance corresponding to restructuring ($80) and the balance relating to Credit Card restructuring ($292) are presented in the Non-Revolving Personal Loans portfolio. Exposures related to the HITO (mortgage portfolio originated by INFONAVIT but funded by the Bank) and KONFIO (acquired SME loans) portfolios are included.

[3] *Pertains to HITO portfolio: mortgage portfolio originated by INFONAVIT but funded by Scotiabank.*
[4] *Excludes investment projects.*
[5] *PD implicitly determined considering reserve and LGD under regulatory methodology.*

Credit risk management information for the commercial portfolio

The total amount of gross credit risk exposures at December 31, 2023, and 2022, broken down by the main types of loan portfolio, comprises the following:

Total Exposures-Commercial Portfolio (segment)		**Exposure (amount drawn) 2023**
Government	$	18,095
Corporate banking		187,254
Business banking		81,942
Consumption (retail)		1,125
SME		150
Total	$	**288,566**

Note: Includes Letters of Credit.

Total Exposures-Commercial Portfolio (segment)		**Exposure (amount drawn) 2022**
Government	$	10,726
Corporate banking		208,302
Business banking		83,749
Consumption (retail)		920
SME		360
Total	$	**304,057**

Note: Includes Letters of Credit.

Distribution of exposures by economic sector

Distribution of exposures by economic sector broken down by the largest types of exposures, including the details of performing, past due and impaired loans, and the allowances for ECL are broken down in the next page.

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Distribution of Commercial Portfolio by Industrial Sector, Impaired Loans, Past Due Portfolio, and Allowances										
(Figures at December 31, 2023)										
	Portfolio			**Impaired**					**Allowance Variation vs. Previous Q**	**Average days past due**
Industrial Sector	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**	**Total Exposure**	**Allowances[1]**	**(Sep '23)**	**Stage 3**
Financial Services	$ 11,081	-	-	1,383	-	-	12,464	46	-2	-
Consumer	5,463	-	-	-	-	81	5,544	104	-8	813
Financial intermediaries and investment	4,349	-	-	109	-	74	4,532	73	-1,159	1,106
Food and Beverages	25,073	-	-	214	-	476	25,763	434	-576	1,711
Oil and Gas	2,075	-	-	272	-	-	2,347	12	-15	-
Other Sectors	229,616	102	9	2,146	127	5,766	237,766	5,328	-676	1,152
Total	**$277,657**	**102**	**9**	**4,124**	**127**	**6,397**	**288,416**	**5,997**	**-2,436**	**1,196**

1 Additional provisions recognised by the Commission or total SME provisions of $10 are not included
2 Exclusion of total SME exposure for $150 million.

Distribution of Commercial Portfolio by Industrial Sector, Impaired Loans, Past Due Portfolio, and Allowances										
(Figures at December 31, 2022)										
	Portfolio			**Impaired**			**Total Exposure**	**Allowances[1]**	**Allowance Variation vs. Previous Q (Sep '22)**	**Average days past due Stage 3**
Industrial Sector	**Stage 1**	**Stage 2**	**Stage 3**	**Stage 1**	**Stage 2**	**Stage 3**				
Financial Services	17,754	-	-	2,245	-	-	19,999	99	15	-
Consumer	11,198	-	-	69	-	271	11,538	345	(41)	1,125
Financial intermediaries and investment	10,563	-	-	50	-	1,675	12,288	970	173	530
Food and Beverages	25,956	-	-	-	-	905	26,861	992	54	1,481
Oil and 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 No additional allowances recognised by the Commission are included
2 Exclusion of SME exposure for $150.

Distribution of exposures by region

The geographical distribution by region, including the detail of performing, past due, and impaired loans, as well as the provision for credit risks, comprises in the next page.

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Geographical distribution by region - Commercial Portfolio
(Figures at December 31, 2023)

Region[2]	Portfolio		Impaired[3]		Total Exposure[1]	Allowances[2]
	Stage 1 and 2	Stage 3	Stage 1	Stage 3		
Center	14,255	-	465	1,623	16,343	1,458
Metropolitan	185,313	9	2,188	3,010	190,520	2,651
North	64,140	-	1,109	638	65,887	920
South	12,926	-	489	1,126	14,541	968
Total	**276,634**	**9**	**4,251**	**6,397**	**287,291**	**5,997**

1) Excludes SME exposure of $150, and associated allowances of $10 million; as well as Consumer (Retail) exposure of $1,125 million with associated allowances of $6 million. SME Portfolio: Stage 1: $135 million, Stage 2: $6 million: Stage 3: $9 million (Impaired and/or restructured portfolio), SME Allowances: Stage 1: $2 million, Stage 2: $1 million: Stage 3: $7 million.

2) Additional allowances recognised by the Commission are not included.

3) “Impaired” refers to the portfolio under special account monitoring

Geographical distribution by region - Commercial Portfolio
(Figures at December 31, 2022)

Region[2]	Portfolio		Impaired[3]		Total Exposure[1]	Allowances[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] *Exclusion of SME exposure of $150, and associated allowances of $10; as well as Consumer (Retail) of $1,125 with associated allowances of $3. SME Portfolio: Stage 1: $136 million, Stage 2: $6: Stage 3: $9 (Impaired and/or restructured portfolio), SME allowances: Stage 1: $2 million, Stage 2: $1: Stage 3: $7.*

[2] *No additional allowances recognised by the Commission are included*

[3] *Impaired refers to the portfolio under special account monitoring.*

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Loan portfolio by remaining term:

Performing and past due portfolio by remaining term – Commercial Portfolio *(Figures at December 31, 2023)*			
Term	**Stage 1 and 2**	**Stage 3**	**Total Exposure[1]**
Stage 3 portfolio	-	6,406	6,406
Up to 1 year	$ 145,414	-	145,414
1 to 2 years	23,006	-	23,006
2 to 3 years	32,120	-	32,120
3 to 4 years	42,076	-	42,076
4 to 5 years	22,129	-	22,129
More than 5 years	17,265	-	17,265
Total	**$ 282,010**	**6,406**	**288,416**

1 *Does not include total SME exposure of $150 million.*

Performing and past due portfolio by remaining term – Commercial Portfolio *(Figures at 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
More than 5 years	15,386	-	15,386
Total	**$ 294,069**	**9,628**	**303,697**

[1] *Does not include total SME exposure of $360.*

Performing and past due portfolio by remaining term – SME Portfolio *(Figures at December 31, 2023)*			
Term	**Stage 1 and 2**	**Stage 3**	**Total Exposure**
Stage 3 portfolio	$ -	9	9
Up to 1 year	47	-	47
1 to 2 years	35	-	35
2 to 3 years	60	-	60
3 to 4 years	-	-	-
4 to 5 years	-	-	-
More than 5 years	-	-	-
Total	**$ 141**	**9**	**150**

(Continued)

Performing and past due portfolio by remaining term – SME Portfolio *(Figures at 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	-	-	-
More than 5 years	-	-	-
Total	**$ 337**	**23**	**360**

Allowances for ECL classified in accordance with Article 129

Allowances for ECL by risk level of Commercial Portfolio excluding SMEs *(Figures as of December 31, 2023)*	**Allowances[1]**
A1	$ 924
A2	572
B1	29
B2	5
B3	63
C1	3
C2	77
D	766
E	3,558
Total	**$ 5,997**

[1] *No additional allowances recognised by the Commission are included*

Allowances for ECL by risk level of Commercial Portfolio excluding SMEs *(Figures at December 31, 2022)*	**Allowances[1]**
A1	$ 993
A2	523
B1	168
B2	68
B3	84
C1	38
C2	11
D	753
E	6,112
Total	**$ 8,750**

[1] *No additional allowances recognised by the Commission are included*

(Continued)

Allowances for ECL by risk level of SME portfolio *(Figures at December 31, 2023)*	**Reserves**
A1	$ 0.53
A2	0.57
B1	0.06
B2	0.07
B3	0.16
C1	0.18
C2	0.05
D	1.03
E	6.99
Total	**$ 9.64**

Reconciliation of changes in allowances for ECL on Stage 3 loans

Allowances for ECL on Commercial Portfolio Loans *(Figures as of December 31, 2023)*	**Amount[2]**
Initial allowances - September 2023	**$ 8,443**
Movements in allowances for:	(2,436)
Exchange rate fluctuations	(45)
Creation - Release by rating	198
Write-offs, remissions, and dations in payment, etc.	(164)
Other	(2,425)
Final allowances at December 2023[1]	**$ 6,007**

1) The allowances corresponding to Stage 3 are $4,333 million.

2) No additional allowances recognised by the Commission are included.

Allowances for ECL on Commercial Portfolio Loans *(Figures at December 31, 2022)*	**Amount[2]**
Initial allowances - September 2022	**$ 8,288**
Movements in allowances for:	
Exchange rate fluctuations	(51)
Creation - Release by rating	709
Write-offs, remissions, and dations in payment, etc.	(21)
Other	(150)
Final allowances at December 2022[1]	**$ 8,775**
Recoveries of accounts receivable	4

(Continued)

1 *Allowances corresponding to Stage 3 are $6,805.*
2 *No additional allowances recognised by the Commission are included*

Financial information of retail credit portfolio

Geographical distribution of exposures by major States

The geographical distribution of exposures in the main States and main exposures is broken down as follows:

Financial Information by geographical distribution of the retail portfolio *(Figures at December 31, 2023)*		**Housing portfolio[1]**	**Non-revolving portfolio[2]**	**Revolving portfolio**	**Total**
Mexico City	$	179,141	24,039	2,783	205,963
State of Mexico		6,465	59	1,559	8,083
Jalisco		5,718	119	997	6,834
Nuevo León		4,495	141	810	5,446
Querétaro		4,054	32	260	4,346
Chihuahua		2,328	43	200	2,571
Coahuila de Zaragoza		2,448	88	480	3,016
Guanajuato		1,778	30	392	2,200
Veracruz de Ignacio de la Llave		1,751	39	466	2,256
Puebla		1,496	39	379	1,914
Other		13,515	567	4,690	18,772
Total	$	**223,189**	**25,196**	**13,016**	**261,401**

1 *Includes the portfolio corresponding to FOVI loans.*
2 *Includes payroll loans, automotive loans, personal loans, and revolving portfolio restructuring.*

Financial Information by geographical distribution of the retail portfolio *(Figures at December 31, 2022)*		**Housing 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 León		5,275	245	755	6,275
Querétaro		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**

(Continued)

[1] *Includes the portfolio corresponding to FOVI loans.*
[2] *Includes payroll loans, automotive loans, personal loans, and revolving portfolio restructuring.*

Distribution of exposures by product

The product-wise distribution of exposures is broken down as follows:

Retail loan portfolio *(Figures as of December 31, 2023)*	**Pesos**	**Dollars valued**	**Total**
Housing Portfolio[1]	$ 223,151	38	223,189
Non-Revolving Portfolio[2]	25,196	-	25,196
Revolving Portfolio	13,016	-	13,016

[1] *Includes the portfolio corresponding to FOVI loans.*
[2] *Includes payroll loans, automotive loans, personal loans, and revolving portfolio restructuring.*

Retail loan portfolio *(Figures at December 31, 2022)*	**Pesos**	**Dollars valued**	**Total**
Housing 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, automotive loans, personal loans, and revolving portfolio restructuring.*

Loan portfolio by remaining term

Financial information by remaining term of the retail portfolio – Stage 1 *(Average term)*	**Months**	**Years**
Housing Portfolio[1]	172	14
Non-Revolving Portfolio[2]	30	2
Revolving Portfolio	-	-

[1] *Includes the portfolio corresponding to FOVI loans.*
[2] *Includes payroll loans, automotive loans, personal loans, and revolving portfolio restructuring.*

Financial information by remaining term of the retail portfolio - Stage 2 *(Average term)*	**Months**	**Years**
Housing Portfolio[1]	156	13
Non-Revolving Portfolio[2]	25	2
Revolving Portfolio	-	-

[1] *Includes portfolio related to loans.*

(Continued)

[2] *Includes payroll loans, automotive loans, personal loans, and revolving portfolio restructuring.*

Financial information by remaining term of the retail portfolio - Stage 3 *(Average term)*	**Months**	**Years**
Housing Portfolio[1]	161	13
Non-Revolving Portfolio[2]	25	2
Revolving Portfolio	-	-

[1] *Includes the portfolio corresponding to FOVI loans.*
[2] *Includes payroll loans, automotive loans, personal loans, and revolving portfolio restructuring.*

Financial information by remaining term of the retail portfolio – Total *(Average term)*	**Months**	**Years**
Housing Portfolio[1]	172	14
Non-Revolving Portfolio[2]	29	2
Revolving Portfolio	-	-

[1] *Includes the portfolio corresponding to FOVI loans.*
[2] *Includes payroll loans, automotive loans, personal loans, and revolving portfolio restructuring.*

Distribution of current and past due credit portfolio exposures by product

Financial information - Retail portfolio status *(Figures at December 31, 2023)*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Housing Portfolio[1]	$ 209,828	3,653	9,708	223,189
Non-Revolving Portfolio[2]	24,063	527	606	25,196
Revolving Portfolio	12,289	396	331	13,016

[1] *Includes the portfolio corresponding to FOVI loans.*
[2] *Includes payroll loans, automotive loans, personal loans, and revolving portfolio restructuring.*

Financial information - Retail portfolio status *(Figures at December 31, 2022)*	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Housing 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

(Continued)

1 *Includes the portfolio corresponding to FOVI loans.*
2 *Includes payroll loans, automotive loans, personal loans, and revolving portfolio restructuring.*

Allowances for ECL classified in accordance with Article 129

Allowances by risk level of retail portfolio *(Figures as of December 31, 2023)*		**Housing Portfolio[1]**	**Non-Revolving Portfolio[2]**	**Revolving Portfolio**	**Total**
A-1	$	321	105	474	900
A-2		16	30	205	251
B-1		16	50	62	128
B-2		58	70	34	162
B-3		53	27	37	117
C-1		55	67	68	190
C-2		241	38	95	374
D		1,456	56	322	1,834
E		1,884	676	290	2,850
Total	$	**4,100**	**1,119**	**1,587**	**6,806**

1 *Excludes the provision related to FOVI loans, $12*
2 *Includes payroll loans, automotive loans, personal loans, and revolving portfolio restructuring.*

Allowances by risk level of retail portfolio *(Figures at December 31, 2022)*		**Housing 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 the provision related to FOVI loans, $12*
2 *Includes payroll loans, automotive loans, personal loans, and revolving portfolio restructuring.*

(Continued)

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Changes in allowances for ECL write-offs during the period

Changes in allowance for retail portfolio	December 2023	December 2022	Changes
Housing Portfolio[1]	$ 4,100	3,519	581
Non-Revolving Portfolio[2]	1,119	972	147
Revolving Portfolio	1,587	1,921	(334)

[1] *Excludes the provision related to FOVI loans.*
[2] *Includes payroll loans, automotive loans, personal loans, and revolving portfolio restructuring.*

Loans in Stage 3 risk broken down by significant States

Financial information by geographical distribution of Stage 3 portfolio *(Figures as of December 31, 2023)*	**Housing Portfolio[1]**		**Non-Revolving Portfolio[2]**		**Revolving Portfolio**	
	Balance	**Allowance**	**Balance**	**Allowance**	**Balance**	**Allowance**
Mexico City	$ 7,160	2,573	462	366	65	57
Jalisco	314	83	18	10	26	23
State of Mexico	291	83	14	8	41	36
Veracruz	149	41	7	2	16	14
Nuevo León	161	38	16	9	17	15
Puebla	116	35	10	5	12	10
Tamaulipas	73	21	10	5	12	11
Querétaro	141	38	7	3	9	8
Coahuila de Zaragoza	122	34	13	7	12	10
Sinaloa	62	18	10	4	8	7
Other	1,119	314	39	60	113	99
Total	**$ 9,708**	**3,278**	**606**	**479**	**331**	**290**

[1] *Excludes the provision corresponding to FOVI loans of $12.*
[2] *Includes payroll loans, automotive loans, personal loans, and revolving portfolio restructuring.*

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Financial information by geographical distribution of Stage 3 portfolio *(Figures at December 31, 2022)*	**Housing Portfolio[1]**		**Non-Revolving Portfolio[2]**		**Revolving Portfolio**	
	Balance	**Allowance**	**Balance**	**Allowance**	**Balance**	**Allowance**
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 León	213	49	16	10	15	13
Puebla	152	49	12	7	8	8
Tamaulipas	81	30	11	6	9	8
Querétaro	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 the provision corresponding to FOVI loans of $12.*
[2] *Includes payroll loans, automotive loans, personal loans, and revolving portfolio restructuring.*

Reconciliation of changes in allowances for ECL on Stage 3 loans

Changes in allowances for Stage 3 portfolio	**Housing Portfolio[1]**	**Non-Revolving Portfolio[2]**	**Revolving Portfolio**
Allowance at September 30, 2023	**$3,260**	**428**	**260**
Releases[3]	(437)	(204)	(230)
Transfer of current loans to Stage 3	145	113	167
Transfer of past due loans to Stage 1, 2	(104)	(23)	(7)
Decrease in allowance balances (including write-offs and dations in payment)	(32)	(12)	(2)
Increase in allowance balances	446	177	102
Allowance at December 31, 2023	**$3,278**	**479**	**290**

[1] *Includes the portfolio corresponding to FOVI loans.*
[2] *Includes payroll loans, automotive loans, personal loans, Fairmont, overdrafts, Scotialine Restructuring.*
[3] *These are all the credits that for some reason did not appear in the quarter due to a change in status of the card, settlement of the credit, etc.*

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Changes in allowances for Stage 3 portfolio	Housing Portfolio[1]	Non-Revolving Portfolio[2]	Revolving Portfolio
Allowance at September 30, 2022	**$ 2,612**	**493**	**205**
Releases[3]	(181)	(213)	(183)
Transfer of current loans to Stage 3	150	77	135
Transfer of past due loans to Stage 1, 2	(106)	(29)	(8)
Decrease in allowance balances (including write-offs and dations in payment)	(32)	(17)	(1)
Increase in allowance balances	335	140	71
Allowance at December 31, 2022	**$ 2,778**	**451**	**219**

[1] *Includes the portfolio corresponding to FOVI loans.*
[2] *Includes payroll loans, automotive loans, personal loans, Fairmont, overdrafts, Scotialine Restructuring.*
[3] *These are all the credits that for some reason did not appear in the quarter due to a change in status of the card, settlement of the credit, etc.*

Scotiabank recoveries of written-off and fully provided loans (Figures in millions of Mexican pesos)	Q4 2023
Housing portfolio	$ 31
Non-revolving portfolio	24
Revolving Portfolio	19

Scotiabank recoveries of written-off and fully provided loans (Figures in millions of Mexican pesos)	Q4 2022
Housing portfolio	$ 9
Non-revolving portfolio	35
Revolving Portfolio	22

Credit risk mitigation techniques

The Group has policies and processes in place that enable it to carry out an appraisal of the collateral. Generally, it can be considered that there are no restrictions regarding the acceptance of collateral; however, prior to acceptance thereof, it is necessary to assess the impacts on profitability, and as a mitigating factor in risk measurements and regulatory calculations of allowances and capital requirements.

The majority of the collateral concentration that the Group holds to mitigate credit risk corresponds to non-financial security interests.

At December 31, 2023, and 2022, the hedging of guarantees reported by the Group using the standard methodology is described on the following page, which applies to the Commercial Portfolio.

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The Group does not hold any loan derivatives at December 31, 2023 and 2022.

Amount of the guarantee[1]		
Hedge	**Standard Methodology (2023)**	**Standard Methodology (2022)**
Eligible financial security interests	$ 7,643	$ 5,306
Eligible non-financial security interests	18,222	13,059
Personal guarantees	1,256	1,389
Mortgage portfolio first loss insurance	20	51

[1] *They correspond to the amounts covered of the guarantees.*

Policies to cover security interests and set loan allowances

Collaterals that cover loans, depending on type and characteristics thereof, can improve the credit risk level and, consequently, the amount of required allowances. For these purposes, two types of guarantees are considered: personal guarantees and security interests.

The guarantees used to enhance the credit rating, in addition to the specific requirements for the type thereof (personal guarantee or security interest), should generally cover the following:

a) The guarantee is granted and constituted in the form and terms established in the applicable legal provisions and the Group's internal policies.

b) When a loan is covered by both real and personal guarantee and security interest, and they are simultaneously provided by the same personal guarantor, only one of them can enhance the rating.

In syndicated loans with other credit institution(s), the Group may agree upon the following rights in the respective loan agreement: First place in the order of collection on the guarantee; or the same ranking in the order of collection as the other participants, in cases where the guarantee is allocated proportionally among all the Institutions participating in the loan.

Credit risk of financial instruments

The financial position of each client, issuer, and counterparty is constantly assessed, and at least once a year a comprehensive review and risk analysis is performed. These reviews take into consideration the overall credit risk, including transactions with financial instruments, derivatives, and foreign exchange movements.

Credit risk on investment securities - The following page contains a summary of the exposures, credit quality, and concentration by risk level of the Group's investment securities at December 31, 2023, and 2022.

(Continued)

Financial instrument rating[1]		Financial instruments held to collect principal and interest	Financial instruments to collect or sell	Negotiable financial instruments	Total by risk	% Concentration
mxAAA[2]	$	4,904	88,923	66,604	160,431	-
AA+[3]		-	5,195	-	5,195	-
BBB[3]		-	7,906	-	7,906	-
w/o rating[4]		-	-	15	15	-
Bank		**4,904**	**102,024**	**66,619**	**173,547**	97%
Broker-dealer		**-**	**374**	**3,095**	**3,469**	2%
Other subsidiaries[5]		**-**	**-**	**1,463**	**1,463**	1%
Total December 2023	**$**	**4,904**	**102,398**	**71,177**	**178,479**	**100%**
Concentration	**%**	**3%**	**57%**	**40%**	**100%**	
Total December 2022	**$**	**5,136**	**62,066**	**67,203**	**134,405**	**100%**
Concentration	**%**	**4%**	**46%**	**50%**	**100%**	

[1]*Includes direct sales and repurchase/resale transactions. The figures may vary from those of the consolidated financial statements, as they do not include offsets.*
[2]*Local S&P ratings.*
[3]*Global S&P ratings.*
[4]*Includes shares and investment funds.*
[5]*Includes Scotia Funds.*

At December 2023 and on average during the fourth quarter of 2023, the expected loss on the exposure of the investment securities portfolio (excluding direct sales and value date sales, including only Bank and Broker-dealer positions) was 0.02% and 0.02% respectively, while the unexpected loss was 0.42% and 0.37% respectively.

Credit risk in derivative transactions

In addition to the risk measures mentioned above and for derivative transactions, the Group quantifies its credit exposures in order to control the use of facilities granted to its counterparties for the operation of derivative instruments. This control is carried out by calculating the potential future exposure (PFE) at counterparty level through specialised tools, incorporating risk mitigating elements such as clearing agreements, guarantee contracts, and collaterals. There are established counterparty risk and limit monitoring policies that contemplate the procedures to be followed in the event of any excess limits.

The following page shows the potential future exposure for counterparty credit risk and the concentration by counterparty type at December 31, 2023 and 2022.

(Continued)

Counterparty type	Potential future exposure	Concentration (%)
December 2023		
Financial institutions	$ 7,123	52%
Corporate	6,521	48%
Total maximum exposure	**$ 13,644**	**100%**
December 2022		
Financial institutions	$ 5,604	67%
Corporate	2,716	33%
Total maximum exposure	**$ 8,320**	**100%[1]**

[1]The three largest counterparty exposures represent 32% of the total.

Methodology for establishing credit limits for counterparties and allocation of equity

The Group, through the establishment of operating policies, defines the allocation of equity based on business criteria and risk appetite, i.e., through the Credit Committees, the eligibility criteria for clients and the establishment of maximum exposure limits are defined, considering the potential future exposure of each counterparty as the main risk parameter, estimated in accordance with the methodology approved by the Risk Committee.

It is important to highlight that prior to any transaction involving credit risk, there is a review process of the borrowers/counterparties to assess their risk profile and define the accepted exposure limit with each one.

Once the limits are approved, they are monitored by the UAIR and reviewed annually by the Credit area, or more frequently if any potential risk is detected or if the business line requests it.

The capital requirement for derivative transactions is calculated using regulatory methodology, such as the value adjusted for credit valuation adjustment or CVA.

Additionally, there are BNS guidelines for identifying the risk of adverse correlation during the credit approval process for transactions with counterparties.

Bellow it shows the gross fair value, offsetting benefit, and the offset exposure at December 31, 2023 and 2022.

Counterparty type	Gross fair value[1]	Offsetting disclosure
December 2023		
Financial institutions	$ 16,871	5,207
Corporate	1,921	1,252
Total	**$ 18,792**	**6,459**

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Counterparty type	Gross fair value[1]	Offsetting disclosure
December 2022		
Financial institutions	$ 20,986	$ 6,362
Corporate	1,096	718
Total	**$ 22,082**	**7,080**

[1] *It refers to the positive value of the market valuation and also represents the current potential exposure.*

Furthermore, the guarantees in deposits and/or securities held by the Group at December 31, 2023 and 2022 decreased to $3,778 and increased to $5,108, respectively.

Large Exposures

Scotiabank-Amounts of large exposures (groups and clients whose combined exposure represents more than 10% of Basic Capital) *(Figures in millions of Mexican pesos at December 31, 2023)*		
Counterparty type	**Total exposure[1]**	**% of Basic Capital (September 2023)[2]**
Corporate	18,846	25%
Financial Entities	12,281	17%
Corporate	9,633	13%
State-Owned Productive Companies	9,343	13%
Financial Entities	9,081	12%
Corporate	9,018	12%
Financial Entities	7,952	11%
State-Owned Productive Companies	7,568	10%
Total	**83,722**	**113%**

[1]*Total exposures calculated in accordance with Articles 57, 57A, 57A.1, and 57A.2.*
[2]*Basic Capital at September 2023 is $74,087.*

Four major debtors

Four major clients or common risk groups[1] *(Figures in millions of Mexican pesos at December 31, 2023)*		
Total exposure[2]	**Maximum financing limit[3]**	**% of limit usage**
49,840	74,087	67%

[1] *The four largest debtors do not consider exempted counterparties or those with a financing limit of 100% of Basic Capital.*
[2] *Total exposures calculated in accordance with Articles 57, 57 Bis, 57 Bis 1, and 57 Bis 2.*
[3] *The maximum financing limit for the four largest debtors corresponds to 100% of the Basic Capital at September 2023.*

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1. Liquidity risk and interest rates

In accordance with the Provisions, liquidity risk is defined as:

i. The inability to meet present and future cash flow needs affecting the Institution's daily operation or financial condition.
ii. The potential loss from the inability or difficulty to refinance liabilities or to contract others under normal conditions for the institution, from the early or forced sale of assets at unusual discounts to meet its obligations, or due to the fact that a position cannot be promptly disposed of, acquired, or covered by establishing an equivalent opposite position; or
iii. The potential loss from the change in the structure of the Group's consolidated financial position due to the difference in maturities between assets and liabilities.

Qualitative information

The Group manages its liquidity risk exposure according to applicable regulatory provisions and best market practices, taking into consideration positions for the structural management of the consolidated financial position.

For liquidity risk management, limits have been established, which are reviewed at least annually and monitored periodically[2] in order to ensure that risk mitigators are up-to-date and accurate. The applicable limits include those related to liquid assets and liquidity gaps, which are aligned with the Group's risk appetite. The liquidity risk limit structure includes notional amounts, as well as term and concentration limits; periodic reports are provided to the Assets and Liabilities Committee, Risk Committee, and the Board of Directors on the performance of these limits, as well as liquidity risk indicators.

Furthermore, information is extracted from the various applications and systems available to the Group. Additionally, specialised systems are used to make estimates related to liquidity risk. In addition, it is worth mentioning that for liquidity risk management, prospective metrics are used, which are incorporated in the annual exercise of the Exposure Plan, Capital Adequacy 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. It is worth noting 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 meet all of its obligations as they become due, for which the Group applies controls to liquidity gaps, monitors key liquidity indicators, maintains diversified funding sources, sets limits, and maintains a minimum percentage of liquid assets.

Liquidity risk is monitored and controlled through accumulated liquidity gaps. These gaps are built through the maturities and cash flows from the different instruments in the consolidated statement of financial position, both assets and liabilities, thus creating a daily gap that corresponds to the difference between payment obligations and receivables generated day by day. The liquidity gaps include the Group's contractual maturity cash 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 Liquidity Coverage Ratio estimation, as the latter include stress factors for both inflows and outflows.

(Continued)

[2] Depending on the nature of the limits, they are monitored on a daily, weekly, or monthly basis.

On the other hand, interest rate risk of the structural balance arises from the uncertainty in profit or loss and/or value of the portfolio as a result of movements in interest rates, and occurs when there are mismatches (gaps) in the review of assets and liabilities with contractual maturity or subject to interest rate review within a specified period of time, or when there are different reference rates for assets and liabilities. This risk arises as a result of the Group's funding, lending, and investment activities and materialises in the event of a change in interest rates as a variation in the interest margin.

For the measurement of interest rate risk of the structural balance, indicators such as economic value sensitivity and margin sensitivity are used. For the calculation of these indicators, repricing gaps are used, constructed based on the reference rates of assets and liabilities; for fixed-rate positions, they are modelled according to their amortisations and contractual maturities, while those positions referenced to a floating rate are modelled based on their next repricing date. The methodology for calculating the indicators considers assumptions of stability of immediately payable deposits and mortgage prepayments. The first one consists of a crop analysis in order to assess the permanence of the deposits, while the second one considers credit segmentation by age in order to assign a prepayment rate.

Both economic value sensitivity and margin sensitivity consider a ± 100 basis point impact on interest rates and take into account the maximum expected loss per scenario. This measurement is carried out on a weekly basis and reported to the Assets and Liabilities Committee, the Risk Committee, and the Board of Directors in their respective meetings.

The economic value sensitivity incorporates the impact of changes in interest rates on the total expected cash flows over a 30-year period and provides a measure of the long-term impact of these variations, while the time frame for estimating margin sensitivity is 12 months.

Qualitative information

To measure liquidity risk, the liquidity gaps at the end of December 2022 and the average for 2022 are as follows:

Group		**December 2023**	**Average 2023**	**December 2022**	**Average 2022**
Accumulated 30-day gap	$	79,214	77,069	60,080	52,657
Bank					
Accumulated 30-day gap	$	79,214	77,069	60,080	55,366
Broker-dealer					
Accumulated 30-day gap	$	-	11	-	436

The accumulated liquidity gaps imply contractual maturities, including hedging derivatives positions. Additionally, liquidity risk exposures are within approved limits.

As can be seen in the previous table, the Group has maintained a strong liquidity position, with an average CCL and CFEN during 2023 of 144% and 108%, remaining above 100%; as well as a wide reserve of liquid assets.

(Continued)

Downgrade in the rating of the Group

As a conservative measure and in preparation for a possible increase in liquidity requirements resulting from a potential downgrade of the Group (associated with the fact that a downgrade of the Group would trigger an increase in the required collateral for derivative transactions), the risk management group periodically assesses the impact that this scenario would have and the implications for liquidity measures and liquid assets. The impact of the downgrade on the Group's rating by 3 levels at the end of December 2023 and the average of 2023 were $3,129 and $2,966, respectively.

The estimated economic value and margin sensitivity at the end of December and on average for 2023, are as shown below:

		2023	
Economic value (+100bps)		**December**	**Average**
Group	$	(1,563)	(1,213)
Bank		(1,540)	(1,196)
Broker-dealer Contribution		(23)	(18)

		2022	
Economic value (+100bps)		**December**	**Average**
Group	$	(1,067)	(1,856)
Bank		(1,066)	(854)
Broker-dealer Contribution		(1)	(1)

Margin sensitivity (-100bps)		**December**	**Average**
Group	$	(221)	(338)
Bank		(215)	(330)
Broker-dealer Contribution		(6)	(8)

The financial instruments receivable or payable, being an integral part of the management of the Group's consolidated statement of financial position are monitored under the previously described sensitivity measures (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 for interest rates or exchange rates. These positions are excluded from the VaR calculation and aim to cover the financial margin evolution of their structural portfolios within the Group, which are exposed to adverse movements in interest rates and exchange rates. Their risk factor sensitivity is measured within the economic value and the Group's margin sensitivity.

On the other hand, it is required to demonstrate that the hedging positions effectively achieve their objective. This effectiveness test assumes that the hedge must fall within a deviation range between 80% and 125%, or as the case may be, that there is an economic relationship between the hedging item and the hedging instrument.

(Continued)

2. Market risk

The provisions define Market Risk as the potential loss from changes in Risk Factors that affect the valuation or expected results of assets, liabilities, or contingent liability transactions, such as interest rates, exchange rates, and price indices, among others.

Qualitative information

Market risk management involves identifying, measuring, monitoring, and controlling risks arising from changes in interest rates, exchange rates, stock market prices, indices, and other risk factors in money, exchange, capital, and derivative markets to which the trading positions belonging to the Group's own account are exposed.

The Group's risk positions include fixed and floating rate money market instruments, shares, foreign exchange positions, and derivatives such as interest rate futures, futures, forward contracts, and currency options, interest rate swaps, interest rate options, and foreign currency swaps. Limits are established and approved for each of the portfolios.

The market risk limit structure includes volumetric or notional amounts of value at risk, sensitivity, concentration, stress limits, and maturity, among others.

Market risk management includes monitoring that risk mitigating elements are up to date and accurate; in this regard, 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 periodic reports on the performance of limits and indicators in market risk are provided to the Risk Committee and the Board of Directors. The limits approved by the Risk Committee and Board of Directors are aligned with the Group's risk appetite.

Market risk is managed through specialised systems where estimates are made, such as value at risk, sensitivities, and stress testing.

The Group's trading activities are aimed at serving clients, and for that purpose, an inventory of financial instruments such as equities, interest rates, and currencies is maintained. Market liquidity access is maintained through purchase offers to other intermediaries. Additionally, Group Treasury positions are invested in the money market so that cash surpluses generate the maximum return in the Group's results. Trading instruments portfolios (fixed income, equity, and derivatives) as well as the Treasury positions are valued at market on a daily basis, and this information is included daily in the corresponding market reports.

Qualitative information

Value at Risk (VaR)

It constitutes an estimate of potential loss, based on a certain level of statistical confidence and over a specific period of time (observed horizon), under normal market conditions. This is calculated on a daily basis for all instruments and risk portfolios of the Group within the trading portfolio.

For its calculation, the historical simulation methodology with 300 days is used. The Institution's policy uses a 99% confidence level and a one-day holding period as a reference.

The overall one-day end Value at Risk (VaR) during the fourth quarter of 2023 was $17.49. The average and one-day end VaR broken down by risk factor of the Group during the fourth quarter of 2023 is in the next page.

(Continued)

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Risk Factor	December 2023 Average 1-day VaR	December 2022 Average 1-day VaR
Interest Rate (IR)	16.41	11.32
EQ (Equities)	9.15	1.42
FX (Exchange rate)	3.21	9.79
	19.05	17.01

Risk Factor	December 2022 Average 1-day VaR	December 2021 Average 1-day VaR
Interest Rate (IR)	11.32	14.28
EQ (Equities)	1.42	1.47
FX (Exchange rate)	9.79	8.99
	17.01	16.03

The distribution of market risk exposure (Position vs Value at Risk) for the trading portfolios in December 2023 was as follows:

		Position		VaR	
	-	Closing	Average	Closing	Average
Money market	$	62,516	61,390		
Derivatives market:					
SC Swaps (MXN / USD)		1,071,460	1,024,266		
CC Swaps		48,333	60,589		
Caps & floors (MXN / USD)		82,908	83,276		
Market portfolio of interest rates and interest rate derivatives	$	**1,265,217**	**1,229,521**	**15.23**	**16.41**
Cash equity	$	425	363		
Equity derivatives		16,093	15,317		
Stock portfolio	$	**16,518**	**15,680**	**2.21**	**3.21**

		Position		VaR	
		Closing	Average	Closing	Average
Spot FX	$	4,937	4,103		
FX derivatives		157,929	129,534		
FX FWD		145,320	118,379		
FX Options		12,609	11,155		
Foreign exchange portfolio, currency derivatives	$	162,867	133,637	6.83	9.15

Figures expressed in value added
Include only positions held for trading purposes.
Equity derivatives include domestic and foreign underlying
The money market (bonds) section is presented in net figures (long and short).

(Continued)

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The distribution of market risk exposure (Position vs Value at Risk) for the trading portfolios in December 2022 was 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 equity	$	433	441		
Equity derivatives		24,206	24,028	-	-
Stock portfolio	**$**	**24,639**	**24,469**	**9.52**	**9.79**

		Position		VaR	
		Closing	**Average**	**Closing**	**Average**
Spot FX	$	5,202	4,924		
FX derivatives		151,412	180,677		
FX FWD		137,878	166,819		
FX Options		13,534	13,858		
Foreign exchange portfolio, currency derivatives	**$**	**156,614**	**185,601**	**0.90**	**1.42**

Figures expressed in value added.
Include only positions held for trading purposes.
Equity derivatives include domestic and foreign underlying.
The money market (bonds) section is presented in net figures (long and short).
Forwards and exchange desk maintains a position (expressed in millions of US dollars).

Furthermore, stress testing is conducted on a daily basis under extreme conditions to determine the risk exposure, taking into account significant abnormal fluctuations in market prices (changes in volatility and correlations between risk factors). The Risk Committee has approved the stress limits.

The stress testing during the last quarter of 2023 shows a maximum loss of $220.64, which, compared to the group's limit of CAD 130 ($1,668 expressed in Mexican pesos), falls 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 Mistake", and Mexico 1997 due to the effect of the "Ruble Crisis" and the Asian financial crisis.

On the other hand, monthly backtesting is performed to compare theoretical losses and gains with observed value at risk and, consequently, calibrate the models used. The model's efficiency level is based on the approach established by the BIS.

(Continued)

For the valuation and risk models, references are used for updated prices, interest rate curves, and other risk factors from price vendor called Valuación Operativa y Referencias de Mercado, S.A. de C.V.

Sensitivities

Qualitative information on sensitivities

Market risk sensitivities for each portfolio to which the Group is exposed are calculated on a daily basis. During 2023, there were no changes made to the assumptions, methods, or parameters used for this analysis.

Below is a description of the methods, parameters, and assumptions used for shares, currency, interest rate, and derivative products portfolio.

Interest rate portfolio

The sensitivity measures that occur for fixed income instruments (bonds) are based on estimating the performance of the portfolio value in response to a change in market interest rates.

The sensitivities of the fixed income instrument portfolio are based on durations and convexities depending on the type of instrument involved, resulting in 2 types of measurements: (i) the expected change in the value of portfolio against a change of 1 base point (0.01%) in the yield curve, and (ii) the expected change in the portfolio value against a change of 100 base point (1%) in the yield curve. For the purpose of this disclosure, only changes in 1 basis point are reported.

Regarding floating rate bonds, two types of sensitivities are calculated: that related to the risk-free rate and the sensitivity to the spread. In zero-coupon bonds, the calculation of the sensitivity of instruments without coupons, such as duration, uses their time to maturity, expressed in years.

Interest rate derivatives

TIIE and CETE futures: This type of derivative instrument is modelled for sensitivity calculation purposes 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 purposes of determining the sensitivity to changes in the yield curve of TIIE Swaps, a change of 1 base point is made at each relevant point of the yield curve, as well as a parallel change of 1 and 100 base points, valuing the portfolio with the different curves and calculating the change in the portfolio value with each of these changes. For the purpose of this disclosure, only changes in 1 basis point are reported.

Stock portfolio and CPI derivatives

Shares

The transactions are carried out through the Broker-dealer and the Bank. For the purpose of stock position, sensitivity is obtained by calculating the delta per issue within the portfolio. The delta is defined as the change in the value of the portfolio for a 1% change in the value of the underlying asset.

(Continued)

Equity derivatives

The sensitivity is calculated using Delta, and this portfolio has limits expressed in notional terms.

Delta risk is defined as the change in the option's value due to a predetermined change in the underlying asset's value (e.g. 1%). The calculation is performed by valuing the option using different levels of the underlying asset (one original and one with a +1% shock), while keeping all other parameters constant.

For non-linear products such as warrants and options, sensitivity measures include Delta and the measures known as "Greeks", including gamma, rho, theta, and vega. The sensitivity calculations are based on the futures options valuation model, known as Black 1976.

Dividend Risk. The valuation of options on indices or stocks involves a known continuous compounded dividend yield. However, dividends are an estimate and therefore an unknown variable, which represents a risk factor for the valuation of the gains and losses of option transactions.

The dividend risk does not have an associated "Greek" letter for its sensitivity, and in the case of options on indices and the Group's shares, the measurement is carried out by increasing the dividend rate by 0.01% (i.e. from 1% to 1.01%).

Currency portfolio and currency derivatives

Foreign currency

Sensitivity is calculated as the delta per currency, as the change in the portfolio value for a 1% change in the underlying asset value.

Currency derivatives

Currency forwards and futures: For this portfolio, the sensitivity to interest rate movements is calculated for each currency, such as the resulting present value for parallel and non-parallel changes of 1 base point along the respective yield curves, while keeping all other factors constant.

Currency options: For foreign exchange options, sensitivity calculations are performed using the Greek letters known as Delta, Gamma, Vega, Theta, and Rho.

Cross Currency Interest Rate Swap (CCIRS): For the purpose of determining the sensitivity to changes in the yield curve, a change of 1 base point is made along the respective yield curves, valuing the portfolio with the different curves and calculating the change in the portfolio value with each of those changes. The analysis is also performed with a movement of 100 bp in parallel. Additionally, a non-parallel change is made to the yield curves of one base point due to time gaps, *ceteris paribus*. For the purpose of this report, only the sensitivity of one base point is presented.

Quantitative information on sensitivities.

Interest rate

In the next page shown table presents the sensitivity at the end of December 2023 and 2022.

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1 bp sensitivity		December 2023	December 2022
Money market	$	0.675	0.800
Derivatives market:		(0.042)	(0.139)
SC Swaps (MXN / USD)		(0.056)	(0.161)
CC Swaps		0.013	0.022
Caps & floors (MXN / USD)		(0.000)	0.000
Market portfolio of interest rates and interest rate derivatives	$	**0.633**	**0.661**

At December 31, 2023, the Group presents a sensitivity in the interest rate portfolio of $0.633.

Shares and derivatives of the PCI

The following table presents the sensitivity (Delta) at the end of December 2023 and 2022:

Delta		December 2023	December 2022
Naftrac	$	409.381	416.643
PCI futures		(421.988)	(407.311)
Warrants		(71.461)	-
Total	$	**(84.068)**	**9.332**

Regarding positions on the PCI, a dynamic hedge strategy is followed between the ETF Naftrac, which replicates the PCI to a large extent, and PCI futures, as well as dynamic coverage between Naftrac and PCI warrants.

The Group's equity portfolio consists of stocks and equity derivatives. At December 2023, the group reported an open Delta sensitivity of (75.6) for all underlying assets, due to market movements. Below are the statistics for the fourth quarter of 2023.

Delta		December 2023	December 2022
Options	$	646.924	264.731
Warrants		(646.466)	(264.66)
Capital		7.980	1.3
PCI Portfolio		(84.068)	9.332
Total	$	**(75.630)**	**10.703**

The following table on the next page presents the sensitivity measures for non-linear instruments for the end of December 2023. It is worth mentioning that the informational report includes Bonds and Warrants based on Structured Notes.

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Underlying	Delta EQ	Vega EQ	Gamma EQ
MEXBOL.INDX	(22.87)	0.67	1.87
AAPL.OQ	-	-	-
AMZN.OQ	-	-	-
BABA.N	-	-	-
BNPUI5.INDX	-	-	-
BNPUI5.INDX	0.46	0.01	0.12
CRWD.OQ	-	-	-
CVS.N	-	-	-
DAL.N	-	-	-
DIS.N	-	-	-
EEM.P	-	-	-
ENHFO5.INDX	-	-	-
ENHGE5.INDX	-	-	-
FXI.P	-	-	-
GOOG.OQ	-	-	-
ICLN.OQ	-	-	-
IDBTV1.INDX	-	-	-
MELI.OQ	-	-	-
META.OQ	-	-	-
MEXIPC.INDX	-	-	-
MSFDV1.INDX	-	-	-
MSFT.OQ	-	-	-
QQQ.OQ	-	-	-
SHELL.AS	-	-	-
SOXX.OQ	-	-	-
SPX.INDX	-	-	-
SPXFP.INDX	-	-	-
SPXSR5.INDX	-	-	-
VLO.N	-	-	-
Total	**(22.42)**	**0.68**	**1.98**

Sensitivity for “Greek” warrants and capital options

Greeks	Delta	Gama	Vega	Dividend risk	Rho
Total	(22.42)	0.68	1.98	0.06	0.01

From the FX and Exchange Rate Derivatives Portfolio

The following page shows the sensitivities of the Foreign Exchange (spot/forward) desk and the currency options portfolio are presented at the end of December 2023 and 2022.

(Continued)

1 bp sensitivity		**2023**	**2022**
Spot FX	$	(72.538)	(20.559)
FX derivatives		91.537	6.271
FX FWD		87.939	6.271
FX Options		-	-
Swaps		3.598	-
Foreign exchange portfolio, currency derivatives		19.000	(14.288)

At December 2023 and 2022, the liquidating trust of own and third party accounts maintain positions in MEXDER contracts; the market risk of these positions for own account is monitored through the limit called “Pledging of Assets” approved by the Board of Scotia Inverlat Derivados.

The utilisation of this equity account balance at December 31, 2023 and 2022, respectively, is as follows:

		2023		**2022**	
		Exposure	**Limit**	**Exposure**	**Limit**
Broker-dealer	$	36		41	
Bank		1,235		594	
Total	**$**	**1,271**		**635**	**2,000**
US Exchanges (USD)		-		-	0.368

This limit monitors the inherent market risk of these transactions, as its use is measured through minimum initial contributions (AIMs) requested by the Clearing House (Asigna).

For third-party position, each client operating within the trust for third-party accounts has an operational limit that is monitored on a daily basis. At December 31, 2023 and 2022, the exposure in contracts and the total AIMs of third-party account are summarised as follows:

		2023	**2022**
		Exposure	**Exposure**
AIMs	$	8,161	5,284
Short Futures (number of contracts)		148,392	313,208
Long Futures (number of contracts)		528,655	566,334
Short Options (number of contracts)		-	11
Long Options (number of contracts)		-	-
Short Swaps (number of contracts)		4,198,921	3,157,690
Long Swaps (number of contracts)		3,101,503	2,237,169

(Continued)

3. 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 transactions 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.

Technologic risk. It means the potential loss due to damages, interruption, disruption or faults arising from the use or reliance on hardware, software, systems, applications, networks, and any other distribution channel of information while providing services to the Group’s clients.

Legal risk. It means the potential losses due to failure to observe applicable legal and administrative provisions, and the handing down of unfavorable administrative and court rulings and applying penalties in relation to the transactions conducted by the Group.

The Group has implemented policies and procedures that allow for an adequate operational risk management process, which are detailed below:

Policies for the operational risk management

The purpose of these financial statements is to establish the principles and management framework to identify, measure, monitor, limit, control, disclose, and manage the operational risks inherent to their daily activities, as well as to promote a risk management culture throughout the Group.

Operational risk assessment

The Group has a structured methodology for assessing operational risk, which allows it to identify, assess, and mitigate the risks inherent to its processes and business activities. This methodology is applied throughout its structure, and the assessment is based on the identification of inherent operational risk and the assessment of the effectiveness of controls for such risks. This determines a level of residual risk, based on which mitigation actions are established for the identified risks.

Manual for the collection and classification of operational risk data

Contains the requirements for reporting the information that supports the measurement processes, as well as the scope of the information collection process, the functions and responsibilities of the business units to collect and report loss data, and the specific requirements therefor.

Operational risk tolerance levels

It is a tool for managing operational losses, which allows each area of the Group to know the levels of loss tolerance applicable to each assumed loss event, as well as to encourage improvements in the operational risk management process and to take necessary actions to minimise the risk of future losses.

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Key Risk Indicators (KRI)

This process allows the Group to establish indicators from variables extracted from the processes, whose behavior is related to the level of risk assumed. By monitoring each indicator, trends are identified that allow for the management of indicator values over time; acceptable thresholds are established for each of the selected indicators.

Calculation of capital requirement for operational risk

The Bank calculates its capital requirement for operational risk using the Business Indicator Approach. For the purposes of the Broker-dealer, the calculation of capital for operational risk is carried out using the basic indicator approach. Scotia Inverlat Derivados does not carry out capital adequacy requirements for its operational risk exposure.

MINIMUM CAPITAL REQUIREMENT FOR OPERATIONAL RISK

Reference	Description	a
1	Business Indicator Component (CIN)	3,150
2	Internal Loss Multiplier (MPI)	1.2
3	Capital Requirement for Operational Risk	3,684
4	Assets subject to Operational Risk	46,046

BUSINESS INDICATOR AND SUBCOMPONENTS

Reference	IN and its subcomponents	a Period 1	b Period 2	c Period 3
1	Interest, Lease, and Dividend Component (CIAD)			14,819
1a	Interest income	77,925	55,490	44,192
1b	Interest expense	50,788	29,826	19,720
1c	Productive Assets			653,713
1d	Dividend Income	167	58	107
2	Service Component (CS)			7,968
2a	Commission and fee income	4,756	4,931	5,064
2b	Commission and fee expense	449	583	562
2c	Other Operating Income	3,490	3,191	2,472
2d	Other Operating Expenses	360	625	602
3	Financial Component (CF)			3,460
3a	Gain (loss) on Purchase/sale	4,202	2,761	3,417
4	Business Indicator (IN)			26,247
5	Business Indicator Component (CIN)			3,150

(Continued)

HISTORICAL LOSSES

Ref	Description	a	b	c	d	e	f	g	h	i
		j=8	j=7	j=6	j=5	j=4	j=3	j=2	j=1	Average 8 years
A. Losses										
1	Total net loss on recoveries (considering exclusions)	312	415	444	367	346	503	167	240	349
2	Total number of losses	0.06	0.11	0.14	0.54	0.12	0.02	0.06	0.06	
3	Total amount of excluded losses	-	-	-	-	-	-	-	-	-
4	Total number of exclusions	-	-	-	-	-	-	-	-	-
5	Total net losses from recoveries and exclusions	312	415	444	367	346	503	167	240	349
B. Details of Operational Risk Capital Calculation										
Are losses used to calculate the MPI?		Yes								

Average value of exposure

During the period of January - December 2023, the Group recognised operational risk losses of $310.8. Additionally, the operational risks at the end of December 2023, which, if materialised, would cause a negative impact, amount to $45.2 ($3.5 corresponding to operational risk and $41.7 to legal risk). The exposure is provisioned.

Technological risk

The management of technological risk is documented in the Technology Risk Management and Cybersecurity 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, including the functions, responsibilities, and obligations of the stakeholders, as well as the oversight of the various bodies in each line of defence and the tools, practices, and deliverables required for effectively managing risk activities.

Additionally, the routine audits carried out on the different IT management domains by a specialised, independent, and experienced internal audit team in information technologies include reviews of the design, implementation, and operation of the internal control systems in all business and support areas, new products and systems, and the reliability and integrity of data processing operations.

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Annex 5. Liquidity Coverage Ratio (CCL) Disclosure Form
Reporting Period: October 23 - December 23
Table 1.1 Disclosure Form of Liquidity Coverage Ratio[3]

	(Figures in millions of Mexican pesos)	Individual calculation Q3 2023 Unweighted amount (average)	Individual calculation Q3 2023 Weighted amount (average)	Consolidated calculation Q3 2023 Unweighted amount (average)	Consolidated calculation Q3 2023 Weighted amount (average)
	COMPUTABLE LIQUID ASSETS				
1	Total Computable Liquid Assets	Not applicable	124,253.74	Not applicable	124,253.74
	CASH OUTFLOWS				
2	Unsecured retail financing	166,420.65	13,390.89	166,420.65	13,390.89
3	Stable financing	98,427.23	6,591.54	98,427.23	6,591.54
4	Less stable financing	67,993.42	6,799.34	67,993.42	6,799.34
5	Unsecured wholesale financing	264,979.77	96,865.03	264,979.77	96,865.03
6	Operating deposits	127,099.64	31,011.06	127,099.64	31,011.06
7	Non-operating deposits	133,153.72	61,127.55	133,153.72	61,127.55
8	Unsecured debt	4,726.423253	4,726.423253	4,726.423253	4,726.423253
9	Secured wholesale financing	Not applicable	500.001	Not applicable	500.001
10	Additional requirements:	234,019.41	16,861.04	234,019.41	16,861.04
11	Outflows related to derivative financial instruments and other collateral requirements	7,066.35	5,395.23	7,066.35	5,395.23
12	Outflows related to losses in financing of debt instruments	0	0	0	0
13	Credit and liquidity lines	226,953.06	11,465.81	226,953.06	11,465.81
14	Other contractual financing obligations	229.6504945	229.6504945	229.6504945	229.6504945
15	Other contingent financing obligations	2,857.48	2,857.48	2,857.48	2,857.48
16	TOTAL CASH OUTFLOWS	Not applicable	130,704.08	Not applicable	130,704.08
	CASH INFLOWS				
17	Cash inflows from secured transactions	4,013.49	347.0314835	4,013.49	347.0314835
18	Cash inflows from unsecured transactions	46,259.66	29,895.81	46.259.66	29,895.81
19	Other cash inflows	17,284.71	17,284.71	17,284.71	17,284.71
20	TOTAL CASH INFLOWS	67,557.86	47,527.55	67,557.86	47,527.55
					Adjusted amount
21	TOTAL COMPUTABLE LIQUID ASSETS	Not applicable	124,253.74	Not applicable	124,253.74
22	TOTAL NET CASH OUTFLOWS	Not applicable	83,176.53	Not applicable	83,176.53
23	LIQUIDITY COVERAGE RATIO (1)	Not applicable	149.68	Not applicable	149.68

a) The calendar days covered by the quarter being disclosed are 92 calendar days.
b) The main causes of the Liquidity Coverage Ratio (LCR) results and the evolution of its main components.

(Continued)

[3] Annex 5 of the general provisions on liquidity requirements for multiple banking institutions.

During December 2023, the main changes that affected the CCL are as follows (considering a 30-day time frame):[4]

Main Cash Outflows:

Weighted outflows from demand deposits of $66,135 and from traditional time deposits of $35,675, outflows derived from the estimation of the Look Back Approach (considering the facilities issued by the Mexican Central Bank) and the estimation related to the liquidity impact due to the potential downgrade of the institution's credit rating by 3 levels of $1,904 and $3,129 respectively, outflows from undrawn credit commitments of $11,286.

Main Cash Inflows:

Inflows for portfolio cash flows of $23,040 and call money transactions of $3,638, and maturity of securities with a credit rating below 2B for $19,946.

Liquid Assets:

Total liquid assets of $122,779 mainly concentrated in Tier 1; $77,238 in Tier 1 debt securities, $34,743 in Monetary Regulation Deposit, single account at BANXICO and active TIIE auctions, it is worth mentioning that this position does not include BREMS as they are reported as Tier 1 debt securities; additionally, available cash of $8,151 and $2,646 in Tier 2 securities.

c) The changes in the major components during the reporting quarter.

Average for the third quarter of 2023: 154% - average for the fourth quarter of 2023: 149% The liquidity coverage ratio decrease d by 11% compared to the third quarter of 2022, mainly due to:

- In cash inflows, portfolios decreased by $74,975 and bank deposits decreased by MXN 7,000.
- The liquid assets experienced a growth by $423.
- Finally, traditional Bank funding increased by $7,719, while professional, interbank, and external funding decreased by $5,149.

d) The evolution of the composition of Eligible and Computable Liquid Assets[5];

Evolution of Liquid Assets Q4-2023	October	November	December
Cash	6%	7%	7%
Mexican Central Bank reserves	38%	23%	28%
Level 1	54%	67%	63%
Level 2[a]	2%	3%	2%
Level 2B	-%	-%	-%
Total Weighted Liquid Assets	**100%**	**100%**	**100%**

(Continued)

[4] Weighted cash outflows and inflows for the next 30 days considering the factors defined in the Provisions on Liquidity Requirements for Multiple Banking Institutions.
5 Liquid assets computable under the guidelines established by the Mexican Central Bank.

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Evolution of Liquid Assets Q4-2022	**October**	**November**	**December**
Cash	9%	9%	9%
Mexican Central Bank reserves	17%	42%	42%
Level 1	73%	47%	48%
Level 2ª	1%	2%	1%
Level 2B	-	-	-
Total Weighted Liquid Assets	**100%**	**100%**	**100%**

e) The concentration of its financing sources;

Concentration of financing sources	**October**	**November**	**December**
DEPOSITS FUNDING			
Demand deposits	47%	50%	48%
Time deposits			
General public	38%	35%	36%
Money market	7%	7%	8%
Negotiable instruments issued	2%	2%	2%
Global deposit account without movements	-%	-%	-%
INTERBANK LOANS AND LOANS FROM OTHER INSTITUTIONS			
Demand deposits	-%	-%	-%
Short-term	4%	5%	5%
Long-term	2%	1%	1%
Total	**100%**	**100%**	**100%**

f) Exposures in derivative financial instruments and potential margin calls;

The Group trades derivative products on behalf of its clients and takes positions on its own account, engages in transactions with 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 as follows:

- Offer derivative financial instruments in the market, with a specific risk-return profile, to meet the needs of clients according to their risk profile.
- Provide solutions to clients that allow them to meet their objectives of reducing, eliminating, or modifying the risks assumed while respecting each client’s risk profile.
- Engage in trading or arbitrage with derivative products with the purpose of generating higher income.
- Cover specific products or general risks, as well as optimise funding management.

The traded derivatives may be classified as trading, hedging, or arbitrage.

(Continued)

The Group has policies and manuals that establish the guidelines and procedures related to the operation and management of derivatives. Among the applicable procedures for monitoring and mitigating risks associated with derivatives, the potential future exosure is calculated, the associated collateral is monitored, potential margin calls are considered, and as a conservative measure and in preparation for a possible increase in liquidity requirements due to a potential downgrade of the Group's credit rating, the potential impact on increased collateral is periodically calculated.

(Figures in millions of Mexican pesos) **Future Potential Exposure (December 2023)**	
With clearing agreement	3,438
Without clearing agreement	10,044
Possible margin calls (December 2023)	
Collateral in transit	21
Downgrade (December 2023)	
Low rating 3 levels	3,129

(Figures in millions of Mexican pesos) **Future Potential Exposure (December 2022)**	
With clearing agreement	3,249
Without clearing agreement	5,017
Possible margin calls (December 2022)	
Collateral in transit	582
Downgrade (December 2022)	
Low rating 3 levels	3,435

The Group's exposure in derivative financial instruments at the end of December 2023 is as follows:

Scotiabank-Derivatives exposure (figures in millions of pesos)	**Closing position**
Risk Factor	
Interest rates	1,202,701
Exchange rate	157,621
Capital	9,874
Total	1,370,196

g) Mismatch in foreign currency;

The general policy is to fund assets in the same currency in which they are granted.

h) A description of the degree of centralisation of liquidity management and the interaction between group units;

(Continued)

Within the Group, there is a unit responsible for liquidity management, the Group Treasury area, which is responsible for covering the institution's liquidity surpluses and shortfalls. It receives daily information about the contractual cash flows expected to occur on a typical market day, as well as the short and medium-term liquidity expectations for the main products.

The different business-generating areas of the Group must inform the different committees (pipeline) or directly the Group Treasury at least 24-48 hours in advance of their short, medium, and long-term strategy, in order for the Treasury to schedule its funding structure to meet these commitments.

i) The cash outflow and inflow which, where appropriate, are not captured in this framework, but which the Institution considers relevant to its liquidity profile.

It is worth mentioning that for the calculation of the liquidity coverage ratio, cash outflows and inflows are recorded at a contractual level; however, the institution calculates liquidity gaps on a daily basis considering not only contractual cash outflows and inflows but also estimated cash flows. In addition, it extends the cash flow schedule beyond 30 days, allowing the institution to anticipate and take any measures to meet obligations beyond this period.

j) The impact on the Ratio of the inclusion of Consolidated Entities, as well as the outflows resulting from financial support to entities and companies that are part of the same Group, consortium, or business group that, in accordance with the Policies and Criteria, the board of directors of the Institution has authorised to grant.

The impact on the Liquidity Coverage Ratio resulting from the Consolidation for the Group is less than 1% throughout the fourth quarter of 2022; additionally, the outflows caused by the financial support granted to the entities that are part of the same Group were -5.60% at the end of December 2022, and on average during the fourth quarter of 2022, it was -5.24%.

Furthermore, institutions must disclose at a minimum the information corresponding to the immediate quarter preceding that in which it is disclosed, in accordance with the following:

I. Qualitative information

(a) The concentration limits for different groups of received guarantees and the main sources of financing;

The policies approved by the institution in terms of liquidity establish that the institution will have a low dependence on the wholesale market, as well as maintaining diversified sources of funding and a low concentration of resources in specific depositors. This diversification is not only carried out by sources of funding, but also by terms and variety of products.

In addition, the minimum credit quality of the collateral received is also established. These guarantees may not have less than a level A credit rating.

(Continued)

Additionally, the institution establishes deposit concentration limits in order to ensure diversification of its funding sources among its relevant currencies.

Concentration of Deposits[6]

Description	**MM Limit**
Concentration of Deposits (MXN)	9,500 MXN
Concentration of Deposits (USD)	175 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 also has credit limits to monitor counterparty credit risk exposure.

The exposure to liquidity risk and financing needs are monitored taking into account possible legal, regulatory, and operational constraints; for this, the Group assumes a prudent liquidity risk management policy; additionally, internal limits for liquidity gaps and liquid assets have been established. The liquidity mismatches are shown in the following paragraph.

The liquidity risk exposures are covered from a funding perspective with local authorised counterparties, which is also in line with the established limits.

Currently, the CCL calculation incorporates positions of the bank's legal entity and its subsidiaries.

(b) The exposure to liquidity risk and financing needs at the institution level, considering legal, regulatory, and operational limitations on liquidity transferability.

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; these scenarios include situations in which legal, regulatory, and operational limitations restrict the normal flow of the institution's sources of funding and represent a liquidity risk. These metrics are the Cash Gap, the survival horizon, and liquid assets under stress, which have the following exposures at the end of December 2023.

Description	**Average Q4 2023**	**December 2023**
Cash GAP 30 d - Group - stressed (MXN MM)	39,657	36,881
Cash GAP 90 d - Group - stressed (MXN MM)	119,542	134,722
Survival Horizon - Bank (days)	40	42
Survival Horizon - Bank - stressed (days)	39	40
Survival Horizon - Group (days)	41	42
Survival Horizon - Group - stressed (days)	40	40

(Continued)

[6] Subject to exceptions for some names.

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Description	**Average Q4 2022**	**December 2022**
Cash GAP 30 d - Group - stressed (MXN MM)	6,066	9,465
Cash GAP 90 d - Group - stressed (MXN MM)	38,352	51,899
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) The transaction of the statement of financial position broken down by maturity dates and resulting liquidity gaps, including transactions recorded in contingent accounts.

In order to control the mismatch generated by the nature of the balance between assets and liabilities, Scotiabank establishes limits for its liquidity gaps at different maturities. Furthermore, the Group monitors the daily gaps for the next 360 days, in order to have a broader view of the obligations that the institution has beyond 30 days; the gaps include asset and liability positions on the statement of financial positions, as well as positions outside thereof.

The results at the end of December 2023 and the average for the fourth quarter of 2023 are:

Scotiabank		**Position (Closing)**[7]	**Position (Average)**
Accumulated 30-day gap (MXN+UDIs+USD)	$	79,214	73,018
Liquidity Buffer (under CCL metric)	$	121,921	117,275

The results at the end of December 2022 and the average for the fourth quarter of 2022 are:

Scotiabank		**Position (Closing)**[8]	**Position (Average)**
Accumulated 30-day gap (MXN+UDIs+USD)	$	60,080	56,798
Liquidity Buffer (under CCL metric)	$	88,816	85,281

Moreover, the Group monitors daily gaps over the next 360 days, in order to have a broader view of the obligations that the institution has beyond 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 the management of liquidity risk; internal liquidity reports; liquidity risk strategy and policies and practices across business lines and with the board of directors;

(Continued)

[7] Figures prior the end of December 2022.
[8] Figures prior the end of December 2022.

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 for roles and responsibilities to guarantee 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 tolerance and risk appetite limits established by the Board of Directors, ensuring that these activities are conducted prudently.

Within the Group, there is a unit responsible for liquidity management, the Group Treasury area, which is responsible for covering the institution's liquidity surpluses and shortfalls. It receives daily information about the contractual cash flows expected to occur on a typical market day, as well as the short and medium-term liquidity expectations for the main products. On the other hand, the Liquidity Risk Management area is responsible for ensuring that the main liquidity indicators are within approved limits and aligned with the institution's risk appetite. For this purpose, the Liquidity Risk Management area produces periodic information regarding liquid assets and liquidity gaps; in the event of any deviation, it must notify the Group Treasury and the areas involved in order to correct any deviation that could impact the institution's structural liquidity.

In subsequent sections, internal liquidity reports are outlined, as well as the implemented policies aimed at Comprehensive Liquidity Risk Management.

(b) The financing strategy, including diversification policies, and whether the financing strategy is centralised or decentralised;

The funding strategy is determined by the institution's Treasury Group, but agreed upon and authorised by the Assets and Liabilities Committee. Where various areas of the Group, including business areas, are involved.

(c) The liquidity risk mitigation techniques used by the institution;

The institution monitors liquidity risk through various metrics and reports aligned with risk appetite, which include:

- Calculation of CCL (Liquidity Coverage Ratio)
- Calculation of CFEN (Net Stable Funding Ratio)
- Liquid Assets Computation
- Calculation of LDR (Loan to Deposit Ratio)
- Monitoring of the concentration of professional funding
- Liquidity Gap Monitoring
- Deposit Concentration Monitoring
- Bank Deposit Monitoring
- Investment Portfolio Monitoring
- Monitoring of loans assigned as guarantee for funding
- Liquidity Stress Tests

(Continued)

- Liquidity Contingency Financing Plan
- Periodic reports to the Institution’s Assets and Liabilities Committee
- Periodic reports to the Risk Committee
- Financial Statements for the Board of Directors
- Policies and Manuals related to Liquidity Risk Management
- Contingency Plan for Solvency and Liquidity Risks

In order to mitigate liquidity risk, the Group has established prudent guidelines, policies, and procedures, paying particular attention to:

- Measurement, monitoring, and forecasting of commitments involving cash flows for the main currencies handled by the Group (MXN + UDIs and USD).
- Seeking a uniform distribution of cash flows, minimizing liquidity gaps between assets and liabilities, considering the potential impact of renewals, advance payments, deposit withdrawals, credit granting, and default on payment of loans.
- Maintain diversified sources of funding.
- Establish correspondent banking and interbank lending programs to help maintain market access.
- Document and maintain available programs for the issuance of liabilities, and discounting of receivables with specialised funds.
- Maintain operational capability in the settlement systems established by the Mexican Central Bank, taking into account the collateral requirements and limits established for this purpose.
- Maintain reserves of liquid assets to meet operational needs and unforeseen liquidity requirements.

The Liquidity Contingency Funding Plan incorporates the corrective actions that the institution would have to implement in the event of a contingency.

(d) An explanation of how stress tests are used; and

In accordance with the current standard contained in Annex 12-B of the Single Circular for Banks, which requires the performance of liquidity exercises in stress scenarios, the Bank periodically conducts tests for the purpose of ensuring its ability to face adverse scenarios and to honour its short-term obligations based on a 30-day survival horizon.

These stress scenarios include, among others, the following assumptions:

- Increase in expected credit loss in loan portfolios
- Increase in withdrawal of deposits
- Withdrawal of credit facilities
- Increase in Bank liabilities due to the Institution’s credit rating downgrade.
- Withdrawal of the Bank’s major depositors
- Impairment of Market Value of the Institution’s Liquid Assets

(Continued)

The Institution's liquidity stress tests consider different scenarios (i.e. idiosyncratic, systemic, and combined) with 3 severity levels each. The results of the stress tests are periodically presented to the Institution's governing bodies.

Stress scenarios provide insight into liquidity gaps, liquid assets, and the survival horizon of the Institution. This information is crucial for decision-making in order to maintain a strong position regarding liquid assets and short-term obligations in adverse scenarios. It is worth noting that the institution has a Liquidity Contingency Financing Plan which incorporates the corrective actions that the Institution would have to implement in the event of a contingency.

(e) A description of contingent financing plans.

Periodically, the Group reviews all aspects of liquidity for the management of potential risks. The Liquidity Contingency Financing Plan is an integral component of such review and provides a framework for determining the actions to be taken in the event of a crisis and restoring the Group's financial position.

The overall objectives of the Contingency Financing Plan are:

- Identify potential threats that could seriously affect the liquidity of the Group and its 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 to ensure that the Group's overall liquidity risk remains within the tolerance limits approved by the Board of Directors.
- Ensure the availability of personnel, information, and necessary resources in the event of a crisis to enable sound decision-making.
- Ensure that the information is provided to the Liquidity and Capital Management Committee in a timely manner.

In case additional liquidity beyond the ordinary is required, the Mexican Central Bank may provide financing through one of the following operations or a combination thereof: (i) single credit transactions guaranteed with monetary regulatory deposits or dollar deposits held by the Group at the Mexican Central Bank, or (ii) repurchase/resale transactions on eligible securities. This financing is subject to the procedure outlined in Banxico's circular 10/2015.

Considering the Liquidity Coverage Ratio levels recorded during the fourth quarter of 2023, which were above 100%, and in accordance with the General Provisions on Liquidity Requirements for Multiple Banking Institutions, Scotiabank, during the 3 months of the fourth quarter of 2023, is placed 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 percent).

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Annex 10. Net Stable Funding Ratio (CFEN) Disclosure Form
Reporting Period: Fourth quarter of 2023
Table I.2 Disclosure Form of the Net Stable Funding Ratio[9]

		Individual figures Unweighted amount per residual term					Individual figures Unweighted amount per residual term				
	(Figures in millions of Mexican pesos)	w/o due date	< 6 months	From 6 months to < 1 year	< 1 year	Weighted amount	w/o due date	< 6 months	From 6 months to < 1 year	> 1 year	Weighted amount
	ELEMENTS OF THE STABLE FUNDING AMOUNT AVAILABLE										
1	Capital:	81,249.57	0.00	0.00	0.00	81,249.57	81,249.57	0.00	0.00	0.00	81,249.57
2	Core capital and non-core basic capital	81,249.57	0.00	0.00	0.00	81,249.57	81,249.57	0.00	0.00	0.00	81,249.57
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	204,816.41	1,395.49	33.53	190,177.91	0.00	204,816.41	1,395.49	33.63	190,177.91
5	Stable deposits.	0.00	90,437.99	635.41	21.33	86,541.06	0.00	90,437.99	635.41	21.93	86,541.06
6	Less stable deposits	0.00	114,378.43	760.08	12.20	103,636.85	0.00	114,378.43	760.08	12.20	103,636.85
7	Wholesale financing:	0.00	393,494.93	27,048.45	17,126.65	165,347.55	0.00	993,494.93	27,048.45	17,126.65	165,347.55
8	Operating deposits.	0.00	33,139.72	0.00	0.00	16,569.86	0.00	33,139.72	0.00	0.00	16,569.86
9	Other wholesale financing.	0.00	360,355.21	27,048.45	17,126.65	148,777.69	0.00	360,366.2	27,048.45	17,126.65	148,777.69
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	38,730.42	701.25	5,229.77	5,580.40	0.00	38,730.42	701.25	5,229.77	5,580.40
12	Derivative liabilities for Net Stable Financing 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	38,730.42	701.25	5,229.77	5,580.40	2	38,730.42	701.25	5,229.77	6,680.40
14	Total Amount of Stable Financing Available	81,249.57	637,041.76	29,145.18	22,389.95	442,355.43	81,249.57	637,041.76	29,145.18	22,389.95	442,355.43
	ELEMENTS OF THE STABLE FINANCING AMOUNT REQUIRED										
15	Total liquid assets eligible for Net Stable Financing Ratio purposes.	Not applicable	Not applicable	Not applicable	Not applicable	7,785.54	Not applicable	Not applicable	Not applicable	Not applicable	7,785.54
16	Deposits in other financial institutions for operating 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	126,800.78	39,630.46	321,987.84	354,346.36	0.00	126,800.78	39,630.46	321,987.84	354,346.36
18	Secured financing granted to financial institutions with eligible Tier I liquid assets	0.00	5,293.05	0.00	0.00	529.30	0.00	5,293.05	0.00	0.00	529.30
19	Secured financing granted to financial institutions with eligible liquid assets other than Tier I.	0.00	14,673.72	3,811.52	5,070.90	9,177.72	0.00	14,673.72	3,811.52	6,070.90	9,177.72
20	Secured financing granted to counterparties other than financial institutions, which:	0.00	86,804.64	32,553.80	134,159.62	167,067.95	0.00	86,804.64	32,553.80	134,169.62	167,067.95
21	Have a credit risk weighter 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 (current), of which:	0.00	3,551.39	3,776.61	209,243.64	167,429.25	0.00	3,551.39	3,776.61	209,243.64	167,429.25
23	Have a credit risk weighter less than or equal to 35% according to the Standard Method established in the Provisions.	0.00	480.94	511.47	28,442.31	18,983.70	0.00	480.94	511.47	28,442.31	18,983.70
24	Debt securities and shares other than Eligible Liquid Assets (not in default).	0.00	16,958.92	0.00	1,956.08	10,142.13	0.00	16,958.92	0.00	1,956.08	10,142.13
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	48,770.21	2,450.81	4,431.57	39,891.80	0.00	48,770.21	2,450.81	4,431.67	39,891.80
27	Commodities traded physically, 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 in transactions with derivative financial instruments and contributions to the loss absorbing fund of central counterparties	Not applicable	1,735.01	0.00	0.00	1,474.76	Not applicable	1,735.01	0.00	0.00	1,474.76
29	Derivative assets for Net Stable Financing Ratio purposes.	Not applicable	0.00	0.00	0.00	3,211.36	Not applicable	0.00	0.00	0.00	3,211.36
30	Derivative liabilities for Net Stable Financing Ratio purposes before deduction for change in initial margin	Not applicable	0.00	0.00	0.00	2,860.36	Not applicable	0.00	0.00	0.00	2,860.36
31	All assets and operations not included in the above categories.	0.00	47,035.20	2,450.81	4,431.57	32,345.32	0.00	47,036.20	2,450.81	4,431.67	32,345.32
32	Off-balance sheet transactions.	Not applicable	226,487.98	0.00	0.00	11,324.4	Not applicable	226,487.98	0.00	0.00	11,324.40
33	Total Amount of Stable Financing Required.	Not applicable	Not applicable	Not applicable	Not applicable	413,348.10	Not applicable	Not applicable	Not applicable	Not applicable	413,348.10
34	Net Stable Financing Ratio (%).	Not applicable	Not applicable	Not applicable	Not applicable	107.02	Not applicable	Not applicable	Not applicable	Not applicable	107.02

(Continued)

[9] Annex 10 of the general provisions on liquidity requirements for multiple banking institutions. Previous Figures.

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(a) *The main causes of the results of the Net Stable Funding Ratio and the evolution of its main components.*

During December 2023, the main items that determined the level of CFEN were as follows:

- **Available Stable Funding:**

  Available funding weighted by demand deposits of $183,374 and traditional time deposits of $137,188, Capital (core and supplementary) of $85,518, Interbank funding and professional funding of $14,552 and $15,275 respectively; and finally, collateral funding of $7,631.

- **Required Stable Funding:**

  Funding required weighted by portfolios of $353,581 and money market transactions of $21,130, credit commitments and estimated support to financial entities of the group of $14,036, capital deductions of $10,610, and finally, derivative transactions requirement of $6,470.

(b) *The changes in the major components within the reported quarter.*

Average for the third quarter of 2023: 109.03% - Average for the fourth quarter of 2023: 107.02%
The net financing ratio decreased by 220 bp compared to the third quarter of 2023, mainly due to:

a. The Available Stable Funding experienced the following changes: Traditional funding increased by MXN 6,408. Professional funding increased by MXN 3,556.
b. The Required Stable Funding had the following changes: Weighted credit portfolios increased by $10,768.

(c) *The evolution of the composition of the Amount of Available Stable Financing and the Amount of Required Stable Financing.*

Computable Amount (MXN MM)	October	November	December
Stable Financing Available	441,223	437,609	445,735
Stable Financing Required	406,439	416,047	417,559
Net Stable Funding Ratio	108.56%	105.18%	106.75%

(d) *The impact on the Net Stable Funding Ratio of incorporating the entities subject to consolidation.*

The entities subject to consolidation in accordance with accounting rules, and with the approval of the Board of Directors are as follows:

- Scotiabank Inverlat, S.A., Institución de Banca Múltiple
- Scotiabank Inverlat Casa de Bolsa S.A. de C.V.
- Scotia Fondos S.A. de C.V. Sociedad Operadora de Fondos de Inversión

(Continued)

Due to their limited activities, either in client positions or with reduced volume, the impact on the CFEN is less than 1%.

(28) Subsequent events

On May 31, 2023, the Bank declared and paid dividends to the Group for $5,000, at a rate of $0.530768634776 per share. Additionally, the General Ordinary Shareholders' Meeting of the Group authorised the declaration and payment of dividends to BNS, up to the amount of $5,000, at a rate of $1.6562509560088 per share, derived from the "Retained earnings" account, which were collected and paid on January 26, 2024.

Dividend received

Subsidiary	Date of declaration		Amount	Date of collection
Bank	31-May-23	$	5,000	01-26-24

Dividend paid

Holding	Date of declaration		Amount	Payment date
BNS	31-May-23	$	5,000	01-26-24

(29) Regulatory pronouncements recently issued

2024 NIF Revisions

During December 2023, CINIF enacted the following Improvements to the NIF 2024, containing precise modifications to some of the existing NIF.

NIF A-1 "Conceptual Framework for Financial Reporting" - Effective for years beginning on or after January 1, 2025, with early application permitted from 2024, if the specific NIF disclosures applicable to the corresponding type of entity are adopted early. It includes the definition of public interest entities and requires disclosure if the entity is considered to be a public interest entity or an entity that is not of public interest. Divides NIF disclosure requirements into: i) disclosures applicable to all entities in general (public interest entities and non-public interest entities), and ii) additional disclosures mandatory only for public interest entities. Any changes generated must be recognised under the terms of NIF B-1 "Accounting changes and error correction".

NIF C-6 "Property, plant and equipment"/NIF D-6, "Capitalisation of comprehensive financing result" - Effective for fiscal years beginning on January 1, 2024, and early application in 2023 is permitted. Any changes generated must be recognised under the terms of NIF B-1 "Accounting changes and error correction".

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NIF B-2 “Statement of cash flows”/NIF B-6 “Statement of financial position/ NIF B-17 “Fair value determination”/ NIF C-2 “Investment in financial instruments”/ NIF C-16 “Impairment of financial instruments receivable”/ NIF C-20 “Financial instruments for principal and interest receivables”/ INIF 24 “Recognition of the effect of applying new reference interest rates” - Effective for fiscal years beginning on or after January 1, 2024, and early application in 2023 is permitted. It changes the term financial instruments to collect or sell for financial instruments to collect and sell. Any accounting changes generated must be recognised under the terms of NIF B-1 “Accounting changes and error correction”.

NIF C-10 “Derivative financial instruments and hedging relationships” - This comes into effect for years beginning January 1, 2024, and early application in 2023 is permitted. It includes the accounting treatment of a hedging of capital financial instruments whose fair value valuation is recognised in OCI. Any changes generated must be recognised under the terms of NIF B-1 “Accounting changes and error correction”.

NIF D-4 “Income taxes” - This comes into effect for years beginning January 1, 2024, and early application in 2023 is permitted. This improvement clarifies the applicable rate that should be used to recognise income tax assets and liabilities caused and deferred when there were profits in tax rate from the period to incentivise profit capitalisation (undistributed profits). In these circumstances, both current and deferred tax assets and liabilities must be determined at the rate that will apply to undistributed profits in the period, when paid as dividends in future periods. Any accounting changes generated must be recognised under the terms of NIF B-1 “Accounting changes and error correction”.

The management is in the process of evaluating the impact of adoption of improvements to NIFs on the consolidated financial statements.