Scotia Inverlat Casa de Bolsa, S. A. de C. V.,
Grupo Financiero Scotiabank Inverlat

Financial statements

December 31, 2021 and 2020

(With Independent Auditors' Report Thereon)
(Free Translation from Spanish Language Original)

KPMG Cárdenas Dosal, S.C.
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Independent Auditors' Report

(Translation from Spanish language original)

The Board of Directors and Stockholders
Scotia Inverlat Casa de Bolsa, S. A. de C. V.,
Grupo Financiero Scotiabank Inverlat:

(Millions of Mexican pesos)

Opinion

We have audited the financial statements of Scotia Inverlat Casa de Bolsa, S. A. de C. V., Grupo Financiero Scotiabank Inverlat (the Brokerage Firm), which comprise the balance sheets as of December 31, 2021 and 2020, the statements of income, changes in stockholders' equity and cash flows for the years then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements of Scotia Inverlat Casa de Bolsa, S. A. de C. V., Grupo Financiero Scotiabank Inverlat, have been prepared, in all material respects, in accordance with the Accounting Criteria for Brokerage Firms in Mexico (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 financial statements" section of our report. We are independent of the Brokerage Firm, in accordance with the ethical requirements that are relevant to our audit of the financial statements in Mexico, and we have fulfilled our 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 judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(Continued)

Investment securities $5,239.	
See notes 3 (d) and 7 to the financial statements.	
Key audit matter	**How the key audit matter was addressed in our audit**
Investment securities represent 81% of the Brokerage Firm's total assets as of December 31, 2021. As required by the Commission, investment securities are valued at fair value based on prices provided by price vendors authorized by the Commission. The valuation of investment securities has a significant impact on the result of the year. Considering that investment securities represent the most significant caption in relation to the Brokerage Firm's financial statements as a whole, and therefore the largest number of audit hours are spent reviewing them, we evaluated the existence, completeness and valuation of investment securities as a key audit matter.	Our audit procedures included, among others, the following: - Confirming the total position of the Brokerage Firm's securities with the securities custodian S.D. Indeval, Institución para el Depósito de Valores, S. A. de C. V. - Recalculate the valuation of the investment portfolio, using the prices provided by the authorized price vendor, as well as its corresponding valuation effect in the statement of income.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Update to the Prospectus of options for purchase or sell for the year ended December 31, 2021, to be filed with the Commission and the Mexican Stock Exchange (the Prospectus Update) but does not include the financial statements and our auditors' report. The Prospectus Update is expected to be available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion about it.

In connection with our audit of the financial statements, our responsibility is to read the other information when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or with our knowledge obtained during the audit, or appears to be materially misstated.

When we read the Prospectus Update, if we conclude that there is a material misstatement of that other information, we are required to report that fact to those charged with governance.

(Continued)

Responsibilities of Management and Those Charged with Governance for the financial statements

Management is responsible for the preparation of the accompanying 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Brokerage Firm'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 Brokerage Firm or to cease operations, or has no realistic alternative but to do so.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

– Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

(Continued)

– 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 Brokerage Firm's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

– Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Brokerage Firm'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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Brokerage Firm to cease to continue as a going concern.

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, the corresponding actions taken to eliminate threats or the 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 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 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.

C.P.C. Ricardo Lara Uribe

Mexico City, March 18, 2022.

Scotia Inverlat Casa de Bolsa, S. A. de C. V.,
Grupo Financiero Scotiabank Inverlat
Bosque de Ciruelos No. 120, Col. Bosques de las Lomas, C.P. 11700, Mexico City

Balance sheets

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

December 31, 2021 and 2020

(Millions of Mexican pesos)

Memorandum accounts

		2021	2020
Transactions on behalf of third parties			
Customer current accounts:			
Customers' banks	$	171	6
Settlement of customers' transactions		27	158
		198	164
Custody operations:			
Customer securities in custody (note 16)		492,230	487,924
Management transactions:			
Securities on repurchase/resell agreements on behalf of customers (note 16)		48,928	52,604
Securities lending transactions on behalf of customers (note 16)		103	96
Collaterals received in guarantee on behalf of customers (note 16)		25,012	31,314
Collaterals delivered in guarantee on behalf of customers (note 16)		31,781	27,991
Managed trusts		235	264
		106,059	112,269
Total on behalf of third parties	$	598,487	600,357

		2021	2020
Transactions for the brokerage firm's own account			
Collaterals received by the entity:			
Government debt (note 16)	$	23,488	21,282
Bank debt		424	-
Net equity instruments		697	581
		24,609	21,863
Collaterals received and sold or pledged in guarantee by the entity:			
Government debt (note 16)		23,488	21,282
Bank debt (note 16)		424	-
Net equity instruments (notes 8 and 16)		103	113
		24,015	21,395
Other accounts		4,118	2,938
Total for the Brokerage Firm	$	52,742	46,196

(Continued)

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Balance sheets, continued

December 31, 2021 and 2020

(Millions of Mexican pesos)

Assets	**2021**	**2020**
Cash and cash equivalents (note 6)	$ 318	192
Margin accounts (derivatives)	45	22
Investment securities (note 7):		
Trading securities	5,239	13,134
Securities lending (note 8)	1	1
Derivatives (note 9):		
Trading purposes	14	34
Accounts receivable, net (note 7)	350	9,509
Premises, furniture and equipment, net (note 10)	174	206
Permanent investments (note 11)	3	3
Deferred income taxes and ESPS, net (note 15)	20	60
Other assets:		
Deferred charges, prepaid expenses and intangibles	268	226
Total assets	$ 6,432	23,387

Liabilities and stockholders' equity	**2021**	**2020**
Assigned securities to be settled (note 7c)	$ 156	9,308
Creditors under repurchase/resell agreements (note 8)	1,100	10,034
Collaterals sold or pledged (note 8):		
Securities lending	103	113
Derivatives (note 9):		
Trading purposes	1,250	590
Other accounts payable:		
Income tax payable	17	80
Employees' statutory profit sharing payable	90	97
Creditors on settlement of transactions (notes 6 and 7)	207	283
Sundry creditors and other accounts payable	507	524
	821	984
Total liabilities	3,430	21,029
Stockholders' equity (note 14):		
Paid-in capital:		
Capital stock	554	554
Earned capital:		
Statutory reserves	111	111
Retained earnings	1,707	1,177
Defined to employees (note 12)	(15)	(14)
Net income	645	530
	2,448	1,804
Total stockholders' equity	3,002	2,358
Commitments and contingent liabilities (note 17)		
Total liabilities and stockholders' equity	$ 6,432	23,387

See accompanying notes to financial statements.

"At December 31, 2021 and 2020, the historical capital stock amounts to $389, in both years."

"These balance sheets were prepared in accordance with the accounting criteria for brokerage firms issued by the National Banking and Securities Commission based on Articles 205 last paragraph, 210 second paragraph and 211 of the Securities Market Law, which are of a general and mandatory, nature and have been applied on a consistent basis. Accordingly, they reflect the transactions carried out by the Brokerage Firm 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 balance sheets were approved by the Board of Directors under the responsibility of the following officers".

SIGNATURE	**SIGNATURE**	**SIGNATURE**	**SIGNATURE**
Juan Antonio Carrancedo Miranda General Director	Carlos Marcelo Brina Deputy General Director of Finance	Jorge Córdova Estrada Deputy General Director of Group Audit	H. Valerio Bustos Quiroz Director of Group Accounting

"These balance sheets faithfully match with the balance sheets originals, which are properly signed and held by the Brokerage Firm."

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

Scotia Inverlat Casa de Bolsa, S. A. de C. V.,
Grupo Financiero Scotiabank Inverlat
Bosque de Ciruelos No. 120, Col. Bosques de las Lomas, C.P. 11700, Mexico City

Statements of income

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Years ended December 31, 2021 and 2020

(Millions of Mexican pesos)

		2021	2020
Commission and fee income (note 18b)	$	1,462	1,371
Commission and fee expense (note 18b)		(94)	(101)
Financial advisory income (note 18b)		331	330
Income from services		1,699	1,600
Gain on purchase and sale of securities (note 18c)		1,437	1,176
Loss on purchase and sale of securities (note 18c)		(1,493)	(1,111)
Interest income (note 18c)		1,707	1,731
Interest expense (note 18c)		(1,357)	(1,412)
Valuation on securities at fair value (note 18c)		64	23
Intermediation financial margin		358	407
Other operating income (note 18d)		59	48
Administrative and promotional expenses		(1,261)	(1,319)
		(1,202)	(1,271)
Income before income taxes		855	736
Current income taxes (note 15)		(183)	(220)
Deferred income taxes, net (note 15)		(27)	14
		(210)	(206)
Net income	$	645	530

See accompanying notes to financial statements.

"These statements of income were prepared in accordance with the accounting criteria for brokerage firms issued by the National Banking and Securities Commission based on Articles 205 last paragraph, 210 second paragraph and 211 of the Securities Market Law, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect all the revenues and disbursements relating to the transactions carried out by the Brokerage Firm for the years noted above. Furthermore, these transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions".

"These statements of income were approved by the Board of Directors under the responsibility of the following officers".

SIGNATURE

Juan Antonio Carrancedo Miranda
General Director

SIGNATURE

Carlos Marcelo Brina
Deputy General Director of Finance

SIGNATURE

Jorge Córdova Estrada
Deputy General Director of Group Audit

SIGNATURE

H. Valerio Bustos Quiroz
Director of Group Accounting

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Statements of changes in stockholders' equity

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Years ended December 31, 2021 and 2020

(Millions of Mexican pesos)

	Capital stock	Statutory reserves	Retained earnings	Remeasure-ments of defined employees' benefits	Net income	Total stockholders' equity
Balances as of December 31, 2019	$ 554	111	728	(4)	449	1,838
Changes resulting from stockholders´ resolutions:						
Appropriation net income	-	-	449	-	(449)	-
Changes related to recognition of comprehensive income (note 14b):						
Remeasurements for defined benefits to employees (note 12)	-	-	-	(10)	-	(10)
Net income	-	-	-	-	530	530
Total comprehensive income	-	-	-	(10)	530	520
Balances as of December 31, 2020	554	111	1,177	(14)	530	2,358
Changes resulting from stockholders´ resolutions:						
Appropriation net income	-	-	530	-	(530)	-
Changes related to recognition of comprehensive income (note 14b):						
Remeasurements for defined benefits to employees (note 12)	-	-	-	(1)	-	(1)
Net income	-	-	-	-	645	645
Total comprehensive income	-	-	-	(1)	645	644
Balances as of December 31, 2021	$ 554	111	1,707	(15)	645	3,002

See accompanying notes to financial statements.

"These statements of changes in stockholders' equity were prepared in accordance with the accounting criteria for brokerage firms issued by the National Banking and Securities Commission, based on Articles 205 last paragraph, 210 second paragraph and 211 of the Securities Market Law, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect all the stockholders' equity account entries relating to the transactions carried out by the Brokerage Firm for the years noted above. Furthermore, these transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions."

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

SIGNATURE	SIGNATURE	SIGNATURE	SIGNATURE
Juan Antonio Carrancedo Miranda General Director	Carlos Marcelo Brina Deputy General Director of Finance	Jorge Córdova Estrada Deputy General Director of Group Audit	H. Valerio Bustos Quiroz Director of Group Accounting

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Bosque de Ciruelos No. 120, Col. Bosques de las Lomas, C.P. 11700, Mexico City

Statements of cash flows

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Years ended December 31, 2021 and 2020

(Millions of Mexican pesos)

		2021	2020
Net income	$	645	530
Items not requiring cash flows:			
Depreciation of premises, furniture and equipment		28	27
Amortization of intangible assets		36	27
Provisions		64	41
Current and deferred income taxes		210	206
Valuation on securities at fair value		(64)	(23)
Subtotal		274	278
Operating activities:			
Change in margin accounts		(23)	(9)
Change in investment securities		(1,198)	(1,336)
Change in derivatives asset		11	4
Change in other operating assets (net)		9,264	(2,714)
Change in creditors on repurchase/resell agreements		(8,934)	9,231
Change in collaterals sold or pledged		(7)	64
Change in derivatives liabilities		672	284
Change in other operating liabilities		(280)	(6,037)
Payment of income taxes		(245)	(189)
		(740)	(702)
Net cash flows from operating activities		179	106
Investing activities:			
Payments for acquisition of premises, furniture and equipment		-	(10)
Charges for property, plant and equipment sale		10	-
Payments for acquisition of intangible assets		(63)	(71)
Net cash flows from investing activities		(53)	(81)
Net increase (decrease) in cash and cash equivalents		126	25
Cash and cash equivalents at the beginning of year		192	167
Cash and cash equivalents at the end of year	$	318	192

See accompanying notes to financial statements.

"These statements of cash flows were prepared in accordance with the accounting criteria for brokerage firms, issued by the National Banking and Securities Commission based on Articles 205 last paragraph, 210 second paragraph and 211 of the Securities Market Law, which are of a general and mandatory nature and have been applied on a consistent basis. Accordingly, they reflect all the cash in flows and cash out flows relating to the transactions carried out by the Brokerage Firm for the years noted above. Furthermore, these transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions."

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

SIGNATURE

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General Director

SIGNATURE

Carlos Marcelo Brina
Deputy General Director of Finance

SIGNATURE

Jorge Córdova Estrada
Deputy General Director of
Group Audit

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H. Valerio Bustos Quiroz
Director of Group Accounting

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Scotia Inverlat Casa de Bolsa, S. A. de C. V.,
Grupo Financiero Scotiabank Inverlat

Notes to financial statements

For the years ended December 31, 2021 and 2020

(Millions of Mexican pesos)

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(1) Description of business-

Scotia Inverlat Casa de Bolsa, S. A. de C. V., Grupo Financiero Scotiabank Inverlat ("the Brokerage Firm") is an entity incorporated under the Mexican legislation and is located at Bosque de Ciruelos No. 120, Col. Bosques de las Lomas, C.P. 11700 in Mexico City. The Brokerage Firm is a subsidiary of Grupo Financiero Scotiabank Inverlat, S. A. de C. V. ("the Group"), which owns 99.99% of its capital stock. The Group, in turn, is a subsidiary of The Bank of Nova Scotia ("BNS"), which owns 97.4% of its capital stock. The Brokerage Firm acts as an intermediary in securities and financial transactions authorized under terms of the Securities Market Law (SML) and general provisions issued by the National Banking and Securities Commission ("the Banking Commission").

(2) Authorization and basis of presentation-

Authorization-

On March 18, 2022, Juan Antonio Carrancedo Miranda (Brokerage Firm´s General Director), Carlos Marcelo Brina (Deputy General Director of Finance), Jorge Córdova Estrada (Deputy General Director of Group Audit) and H. Valerio Bustos Quiroz (Director of Group Accounting); authorized the issuance of the accompanying financial statements and related notes.

The stockholders and the Banking Commission are empowered to modify the financial statements after issuance. The attached 2021 financial statements will be submitted to the next shareholders' meeting for approval.

Basis of presentation and disclosure

a) Statement of compliance

The accompanying financial statements have been prepared, based on the SML and in conformity with the current accounting criteria established by the Banking Commission for Brokerage Firms in Mexico at the date of the balance sheet. The Banking Commission is responsible for the inspection and supervision of Brokerage Firms, as well as reviewing their financial information.

The accounting criteria provide that in the absence of an specific accounting criterion of the Banking Commission for Brokerage Firms in Mexico first and then for credit institutions, and in a wider context the Mexican Financial Reporting Standards (MFRS), issued by Mexican Board of Financial Reporting Standards (Consejo Mexicano de Normas de Información Financiera, A. C. or CINIF), the suppletory process as established by MFRS A-8 shall be applicable, and only when the International Financial Reporting Standards (IFRS) referred to by MFRS A-8 do not resolve the accounting treatment, the suppletory application of an accounting standard pertaining to other regulatory framework may be opted for, providing all the requirements set out by the MFRS are met by that standard, with the requirements of criterion A-4 of the Banking Commission. The suppletory application shall be in the following order: U.S. Generally Accepted Accounting Principles (US GAAP), and later any other formal and recognized accounting standard, provided they do not contravene the accounting criteria of the Banking Commission.

(Continued)

b) Use of judgment and estimates

The preparation of the financial statements requires the Administration to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the recorded amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates and assumptions.

Judgments

Information about judgments made in applying of accounting policies that have the most significant effect on the amounts recognized in the financial statements is described in the notes to the financial statements mentioned below.

Assumptions and uncertainties in the estimates

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

—Valuation of derivative financial instruments: key assumptions to determine market value, especially those complex derivatives or without an active market (see note 9);

—Impairment of premises, furniture and equipment: evidence of impairment of the value of fixed assets, including the key assumptions for determining the recoverable amount of such assets (see note 10);

—Measurement of defined benefit obligations: key actuarial assumptions (see note 12);

—Recognition of deferred tax assets: availability of taxable future profits and the materialization of deferred taxes (see note 15).

(Continued)

c) Functional and reporting currency

The aforementioned financial statements are presented in Mexican pesos, which is the same as the recording currency and to the functional currency.

For purposes of disclosure in the notes to financial statements, “pesos” or “$” refers to millions of Mexican pesos, and when reference is made to “dollars” or “USD”, it means dollars of the United States of America.

d) Recognition of assets and liabilities related to financial instruments

The accompanying financial statements recognize the assets and liabilities arising from investment securities repurchase and resell agreements from transactions carried out for the Brokerage Firm’s own account as well as those carried out on behalf of its customers at the trade date, rather than settlement date.

(3) Summary of significant accounting policies-

The accounting policies shown in this note have been applied in the preparation of the financial statements that are presented, and have been applied on a consistent basis by the Brokerage Firm:

(a) Recognition of the effects of inflation-

The accompanying financial statements include the recognition of inflation based on Investment Units (Unidades de Inversión or UDI) until December 31, 2007, according to the applicable accounting criteria.

Years ended December 31, 2021 and 2020 are considered non-inflationary economic environment (inflation accumulated over the three preceding years less than 26%), as established in MFRS B-10 “Effects of Inflation”, consequently the effects of inflation on the Brokerage Firm´s financial information are not recognized. Should the Brokerage Firm be back in an inflationary environment, the cumulative effects of inflation not recognized in prior periods must be retrospectively recognized from the last period that the economic environment was considered as inflationary. The accumulated inflation rate of the three preceding years, is shown in the next page.

(Continued)

(Millions of Mexican pesos, except the value of the UDI)

			Inflation	
December 31,		**UDI**	**Annual**	**Accumulated**
2021	$	7.108233	7.61%	14.16%
2020		6.605597	3.23%	11.31%
2019		6.399018	2.77%	15.03%

(b) Cash and cash equivalents-

Cash and cash equivalents consist of cash in hand, local and foreign bank account balances and 24, 48, 72 and 96 hours foreign currency sales/purchases, and surpluses of plan assets derived from maximum obligation of employee´s benefits according to MFRS D-3 “Employees’ benefits”

Cash and cash equivalents are recognized at nominal value. For dollars, the exchange rate used for the translation is the one published by Banco de México (the “Central Bank”). The translation effect is recognized in the results, as “Interest income” or “Interest expense”, as applicable.

The foreign exchange currencies acquired in 24, 48, 72 and 96 hours sales/purchase transactions are recognized as restricted cash (foreign currency received), while the currency sold is recorded as cash outflow (foreign currency deliverable). The rights and obligations for the sales and purchases of foreign exchange at 24, 48, 72 and 96 hours are recorded in clearing accounts under the caption "Accounts receivable, net " and "Creditors on settlement of transactions”, respectively.

Checking account overdrafts, as reported in the statement of account issued by the corresponding Brokerage Firm, are shown in the caption “Sundry creditors and other accounts payable”.

(c) Margin accounts-

The margin accounts in cash required to the Brokerage Firm to operate derivatives in recognized markets are recorded at face value and presented in the caption “Margin accounts.” The value of the margin accounts granted in cash is modified by margin calls or withdrawals made by the clearing house and for additional contributions or withdrawals made by the Brokerage Firm.

Bank yields and commissions affecting the margin accounts, other than fluctuations in derivatives prices, are recognized in result of operations for the year as accrued under “Interest income” and “Commissions and fee expenses”, respectively. The partial or total amounts deposited or withdrawn in the clearinghouse owing to price fluctuations of derivatives are recognized in “Margin accounts”.

(Continued)

(d) Investment securities-

Investment securities consist of equities, government securities, bank promissory notes and other debt securities listed in recognized markets, which are classified using the categories shown below, based on the intention and capability of the Brokerage Firm´s management on their ownerships at the time purchase a certain instrument.

Trading securities-

Trading securities are those acquired with the intention of selling them to get short-term gains arising from differences in prices resulting from its trading in the market. Securities at the time of acquisition are accounted at fair value (which includes, where applicable, the discount or premium) which presumably corresponds to the price paid; transaction costs for the acquisition of securities are recognized in income on the same date.

Subsequently, and at each reporting date, securities are valued at fair value provided by an independent price vendor, valuation effects and the gain or loss on sale are recognized in income of the year under the caption "Intermediation financial result". When the securities are sold, the result of purchase / sale is determined by the difference between purchase price and the sale price, this shall reclassify the result of valuation that has been previously recognized in the income statement to the result of purchase / sale within this caption.

Interest earned from debt securities are determined according to the effective interest method and are recognized in the year's income under the caption "Interest income".

Dividends from equity securities are recognized in the year's income when the right to receive payment arises under the caption “Interest income”.

Value date transactions-

Securities acquired where settlement takes place on a subsequent date, up to a maximum of four business days following the date of the purchase-sale transaction, are recognized as restricted securities, while securities sold are recognized as securities to be delivered, decreasing investment securities. The counter entry is a credit or debit in a settlement, as applicable. Where the amount of securities to be delivered exceeds the balance of own securities of the same type position (government, bank, equity and other debt securities), this is reflected as a liability under the caption “Assigned securities to be settled”.

(Continued)

(e) Repurchase/resell agreements-

At the trade date of the repurchase/resell agreement transaction (repo), the Brokerage Firm acting as seller recognizes either the cash inflow or a debit clearing account, as well as an account payable, whereas when acting as buyer recognizes either the cash outflow or a credit clearing account, as well as an account receivable. Both the account payable and the account receivable are initially stated at the agreed-upon price, representing the obligation to repay or the right to recover the cash, respectively.

Over the term of the repo, the account receivable and the account payable are valued at the amortized cost, recognizing the interest on repos in the result of operations for the year as earned, in accordance with the effective interest method. The interest is recognized under the financial statement caption “Interest income” or” Interest expense”, as appropriate. The account receivable and the account payable, as well as the interest earned are reported in the financial statement caption “Debtors under repurchase/resell agreements” and “Creditors under repurchase/resell agreements”, respectively.

The Brokerage Firm acting as repurchasee recognizes the received collateral in memorandum accounts within the caption “Collaterals received by the entity”, in accordance with accounting criterion B-6 “Assets in custody and under management”. Financial assets granted as collateral, when the Brokerage Firm acting as repurchaser, the financial asset is reclassified on the balance sheet within the caption “Investments securities”, reporting it as restricted asset.

Should the Brokerage Firm, acting as repurchase sell or pledge the collateral, recognize the transaction proceeds and an account payable for the obligation to return the collateral to the repurchaser, which is valued, in the case of sale at fair value, or if pledged in another sale and repurchaser agreement, at amortized cost. The account payable is offset with the account receivable, which is recognized when Brokerage Firm acting as repurchasee turns into repurchaser and the debit or credit balance is presented in the financial statement caption “Debtors on repurchase/resell agreements” or in “Collaterals sold or pledged”, as applicable.

Additionally, the collateral received or sold is recognized in memorandum accounts under “Collaterals received and sold or pledged in guarantee by the entity”, in accordance with the valuation guidelines criterion B-6 “Assets in custody and under management”.

(f) Securities lending-

At the trade date of securities lending transactions, the Brokerage Firm acting as lender reclassifies securities subject to lending as restricted in the balance sheet under the caption “Investment securities”, while acting as borrower, securities are recognized in memorandum accounts under the caption "Collaterals received by the entity", according to the guidelines for valuation of criterion B-6 “Assets in custody and under management”.

(Continued)

The accrued premium amount, acting the Brokerage Firm as a lender or borrower, is recognized in the income statement, through the effective interest method over the term of the transaction, under the caption "Interest income" or "Interest expense", respectively, against the caption "Securities lending" within asset or liability, as applicable.

In the case that the Brokerage Firm, as lender, prior to the maturity of the securities lending transaction sells the collateral received or the transaction value as borrower, recognizes the inflow of funds from the sale for the obligation to return such collateral to the lender under the caption “Collateral sold or pledged”, such obligation is initially measured at the agreed price and subsequently at fair value. The valuation effect is presented in the income statement under the caption “Valuation on securities at fair value”.

The difference between the price received and the fair value of the security subject to the transaction or the collateral received, if any at the time of the sale, is presented under the captions of “Gain on purchase and sale of securities” or “Loss on purchase and sale of securities”, as applicable.

(g) Derivatives-

The Brokerage Firm enters into transactions with derivative financial instruments for trading purposes, which are recognized initially at fair value, which is presumed to be equal to the price agreed in the transaction.

The valuation effect of the derivatives for trading purposes is shown in the balance sheet and in statement of income under the captions of “Derivatives”, in the assets or liabilities, accordingly, and “Valuation on securities at fair value”, respectively.

The effect of the derivatives credit risk (counterpart), is determined in accordance with the risk area methodology, and is recognized in the year´s income in the period which it occurs against the supplementary account.

(Continued)

(h) Accounts receivable-

Accounts receivable related to identified debtors whose maturity is agreed from the origin to more than 90 calendar days term, are assessed by Brokerage Firm´s management to determine the estimated recoverable amount and, as required, to create the corresponding allowance.

The balances of other debit items are reserved into in the year´s income 90 days after their initial recording, if they correspond identified items and 60 days if the balances are unidentified, regardless of their chance of recovery, except for tax-related (value-added tax included) balances.

In cases where the amount receivable is not realized within 90 calendar days following the date at which they were booked in clearing accounts, they are recorded as past-due and a provision is booked for the total amount.

(i) Settlement of clearing accounts-

Amounts receivable or payable from investment securities, securities repurchase/resell agreements, securities lending and/or derivatives, which have expired but have not been settled at the balance sheet date, including the amounts receivable or payable for purchase or sale of foreign currencies, which are not for immediate settlement or those with a same day value date, are recorded in clearing accounts.

The balances of clearing accounts, credit and debit are offset as long as it has the contractual right to offset amounts recognized, there is an intention to settle on a net basis, realize the asset and settle the liability simultaneously. The clearing accounts are shown under the financial statement caption “Accounts receivable, net” or “Creditors on settlement of transactions”, as appropriate.

(j) Premises, furniture and equipment-

Premises, furniture and equipment are recorded at acquisition cost; and as of December 31, 2007 were adjusted by using factors based on the UDI. The components acquired in foreign currency are recorded at the historical exchange rate, that is, the exchange rates in force on the date the asset was acquired.

Depreciation of premises, furniture and equipment is calculated under the straight-line method, based on the estimated useful lives determined by the Brokerage Firm’s management of the corresponding assets. Depreciable amount of premises, furniture and equipment is determined by subtracting the residual value and, as applicable, the cumulative impairment losses from the acquisition cost. The Brokerage Firm periodically evaluates premises, furniture and equipment residual values to determine amounts to be depreciated.

(Continued)

The Brokerage Firm evaluates periodically the net book values of premises, furniture and equipment to determine whether there is an indication that these values exceed their recoverable amount. The recoverable amount is the greater of the net selling price and book value. If the net book value of an asset exceeds-its recoverable amount, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Minor repairs and maintenance expenses are recorded in the statement of income when incurred.

(k) Permanent investments-

The permanent investments where no control, joint control or significant influence exists are classified as other investments, which are initially recognized and maintained valued at acquisition cost. Dividends, if any, received from these investments are recognized in the statement of income under the caption “Other operating income”, except if such dividends relate to periods prior to the acquisition, in which case the dividends are decreased from the permanent investments.

(l) Other assets-

This caption includes mainly the contributions made to the reserve fund established through the stock exchange members, which purpose is to support and contribute to the strengthening of the stock exchange market. The balance includes the contributions, valuation and interest earned, which are recognized under the caption “Other operating income” on the statement of income.

The intangible assets related to internally developed software, are also included in this caption, which costs are capitalized and amortized against the results of operations for the year in which the software is ready to operate through the straight-line method over the estimated useful life as determined by the Brokerage Firm’s management.

In case of any indication of impairment, the potential impairment loss is determined, and if the net carrying value exceeds the recoverable amount, the asset value is written down and the impairment loss is recognized in the results of operations for the year.

Additionally, this caption includes the projected net assets of the defined benefit plan (up to the amount of the ceiling of the plan assets, which is recognized in accordance with the provisions of MFRS D-3 “Employees’ benefits”). Surpluses of non-refundable resources provided by the Brokerage Firm to cover employee benefits, are recognized as restricted cash in “Cash and cash equivalents” (see notes 6 and 12).

(m) Income taxes and employee statutory profit sharing (ESPS)-

The income taxes and ESPS payable for the year are determined in conformity with the applicable tax provisions and, labor provisions where appropriate.

Income taxes payable are presented as a liability in the balance sheet, when the tax prepayments exceed the income tax payable, the difference corresponds to an account receivable.

(Continued)

Deferred income taxes and deferred ESPS are accounted for under the asset and liability method. Deferred taxes and ESPS assets and liabilities are recognized 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 operating loss carryforwards. Deferred ESPS and tax 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 ESPS and taxes assets and liabilities of a change in tax rates is recognized in results of operations in the period enacted.

The asset for income tax and deferred ESPS are evaluated periodically, creating, where appropriate, a valuation reserve for those temporary differences for which there could be an uncertain recovery.

Current and deferred tax and ESPS are presented and classified in the year's results, except those that are originated from a transaction recorded directly in equity.

The ESPS caused is presented under the caption "Administration and promotion expenses" in the income statement.

(n) Capital leases-

Capital leases transactions are recorded as an asset with its corresponding liability for the equivalent at the lower of the present value of minimum lease payments and the value of the asset leased. The asset is depreciated in the same way as other assets held in property when it is certain that at the end of lease contract, ownership of the leased asset is transferred otherwise is depreciated during the term of the contract (see note 10).

(ñ) Employees' benefits-

Short-term direct benefits

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

Long-term direct benefits

The Brokerage Firm's net obligation in relation to direct long-term benefits (except for deferred ESPS - see note Income taxes and employees' statutory profit sharing), and which the Brokerage Firm is expected to pay at least twelve months after the date of the most recent balance sheet presented, is the amount of future benefits that employees have obtained in exchange for their service in the current and previous periods. This benefit is discounted to its present value. Remeasurements are recognized in the results of the year as accrued.

Termination benefits

A liability is recognized for termination benefits along with a cost or expense when the Brokerage Firm has no realistic alternative other than to make the corresponding payments or when the offer of these benefits cannot be withdrawn or when the conditions that require the recognition of restructuring costs are met, whichever occurs first. If benefits are not expected to be wholly settled within twelve months after the date of the most recent balance sheet presented, then they are discounted.

Post-employment benefits

Defined contribution plans

Obligations derived from contributions to defined contribution plans are recognized in the results as accrued, as the related services are rendered by the employees. Contributions paid in advance are recognized as an asset to the extent that such prepayment gives rise to a reduction in the future payments or to a cash reimbursement.

Defined benefit plans

The net obligation of the Brokerage Firm corresponding to the defined benefit plan for retirement the pensions for retirement, post-retirement medical expenses, life insurance, the seniority premiums and legal compensation to which employees are entitled in accordance with the Federal Labor Law, as well as obligations related to corresponding to life insurance for retirees, it is calculated in a separate way for each plan, estimating future benefits amount that employees have earned in the current and in previous periods, discounting such amount and deducting the fair value of the plan assets.

Irrevocable trusts have been established for all plans to manage the respective plan funds and assets, except for severance compensation.

The obligations for defined benefit plans are calculated annually by actuaries using the projected unit credit method. When the calculation results in a possible asset for the Brokerage Firm, the recognized asset is limited to the present value of the economic benefits available in the form of future refunds of the plan or reductions in future contributions thereto. To calculate the present value of economic benefits, any minimum financing requirement should be considered.

The labor cost of current service, which represents the periodic cost of employee benefits for having completed one more year of working life based on the benefit plans, is recognized in administrative and promotional expenses. The Brokerage Firm 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 then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of estimates of contributions and benefit payments.

(Continued)

Modifications to the plans that affect past service cost are recognized in income immediately in the year the modification occurs, with no possibility of deferral in subsequent years. Furthermore, the effects of events of liquidation or reduction of obligations in the period that significantly reduce future service cost and/or significantly reduce the population eligible for benefits, are recognized in income of the period.

Remeasurements (formerly actuarial gains and losses) resulting from differences between the projected and actual actuarial assumptions at the end of the period, are recognized when incurred as part of OCI within stockholder's equity and is subsequently recycled to the results of the period, based on the average remaining working life of the employees.

(o) Revenue recognition-

Interest and premiums on investments in debt securities and repurchase/resell agreements, are recorded in the statement of income on an accrual basis, using effective interest rate method.

The gain on sale of foreign currencies, trading securities and derivatives, is recorded in the statement of income when these are sold.

The favorable effects of valuation (gain) of trading securities and derivatives, are recorded in the statement of income when the fair value is recognized.

The fees for financial transactions (placement of debt or shares), for transaction with investment companies and revenue from custody services, are recorded in the statement of income when the service is rendered in "Commission and fee income".

Revenues from financial advisory services are recorded on income when the services are rendered in "Financial advisory income".

(p) Provisions-

Based on Management estimates, the Brokerage Firm recognizes accruals for present obligations where the transfer of assets or the rendering of services is probable, and arises as a consequence of past events.

(Continued)

(q) Foreign currency transactions-

Foreign currency transactions are recognized at the exchange rate prevailing on the date of execution for financial statement presentation purposes. In the cases of currencies other than dollars are translated into dollars at the exchange rates as established in the Provisions applicable to the Brokerage Firm, and the dollar equivalent, together with dollar balances, are then translated into Mexican pesos using the exchange rate at the closing trading day determined by the Central Bank. Foreign exchange gains and losses are reflected in results of operations for the year. At the year-end close date of the financial statements, foreign currency monetary assets and liabilities are translated into pesos at the exchange rate at the closing trading day published by the Central Bank, while foreign exchange gains or losses arising from foreign currency translation are recorded in the results of operations for the originating period.

(r) Memorandum accounts-

Memorandum accounts correspond mainly to transactions in custody or under management.

Custody transactions

Customer's securities in custody are valued at fair value, representing the amount for which the Brokerage Firm is obligated to its customers against any future eventuality and are presented in the caption "Customer securities in custody".

Management transactions

The amount of the repurchase and resell agreements and securities lending on repurchase/resell agreements that the Brokerage Firm undertakes for its customers, is presented under the caption "Securities on repurchase/resell agreements on behalf of customers".

Securities lending conducted by the Brokerage Firm on behalf of customers, is presented under the caption "Securities lending transaction on behalf of customers".

In the case of collateral that the Brokerage Firm receives or delivers on behalf of customers, for repurchase/resell agreements operations, securities lending, derivatives or other collateral received or delivered, are presented under the caption "Collaterals received in guarantee on behalf of customers" and/or "Collaterals delivered in guarantee on behalf of customers", as appropriate.

The determination of the valuation of the estimated amount for the assets in management and operations on behalf of customers is made according to the operation carried out in accordance with the accounting criteria for Brokerage Firms.

The Brokerage Firm records transactions on behalf of customers, on the trade day and not on the settlement date.

(Continued)

(s) Contingencies-

Liabilities or important losses related to contingencies are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. When a reasonable estimation cannot be made, qualitative disclosure is provided in the notes to the financial statements. Contingent revenue, earnings or assets are not recognized until their realization is virtually certain.

(4) New accounting criteria-

FRS 2021:

In December 2020, the CINIF issued the document called "Improvements to the FRS 2021", which contains specific modifications to some already existing FRS.

- FRS C-2 “Investment in financial instruments”
- FRS C-19 “Financial instruments payable”
- FRS C-20 “Financial instruments to collect principal and interest”
- FRS D-5 "Leases"

The adoption of these improvements to the FRS were applicable as of January 1, 2022.

Use of the closing trading day exchange rate for foreign currency transactions and foreign operations, replacing the FIX exchange rate.

On December 15, 2021, the "Resolution that modifies the general provisions applicable to brokerage firms" was published in the Official Gazette of the Federation (DOF), immediately applicable to its publication, which establishes changes in accounting criteria A-2 " Application of particular regulations” of Annex 5 “Accounting criteria”, referring to the application of the exchange rate at the closing trading day published by the Central Bank on its website www.banxico.org.mx for the application of the FRS B-15 “Conversion of foreign currencies”.

Likewise, accounting criterion B-4 "Statement of cash flows" is modified, which establishes the use of the closing trading day exchange rate to the closing date for the determination of the profit or loss in exchange originated by changes in the exchange rates that are not cash flows, as well as for the translation of cash flows of a foreign operation and the translation of balances or cash flows in foreign currency.

The application of the exchange rate at the close of the trading day did not generate significant accounting changes in the financial statements.

(5) Foreign currency position-

Central Bank regulations require that the Brokerage Firm holds balanced positions in foreign currencies within certain limits. At December 31, 2021 and 2020, the maximum currency position (short or long) authorized by the Central Bank was $414 and $320, respectively, equivalent to 15% of the Brokerage Firm’s basic capital ($2,760 and $2,134, respectively, see note 14e).

(Continued)

Next, foreign exchange position, expressed in millions of dollars is as follows:

	2021	2020
Assets	7	6
Liabilities	(7)	(6)
Net position	**-**	**-**

The Brokerage Firm has a (short) long position in foreign currency at December 31, 2021 and 2020, respectively, which consists of 100% dollars. The exchange rate relative to the U.S. dollar at December 31, 2021 and 2020, was $20.5075 (pesos) and $19.9087 (pesos), respectively, and at the date of authorization issuance of the financial statements, it was $20.3707 (pesos).

(6) Cash and cash equivalents-

Cash and cash equivalents at December 31, 2021 and 2020, are as follows:

		2021	2020
Banks	$	39	2
Other cash equivalents		128	29
Restricted cash:			
Foreign currency receivable and payable, net		54	71
Other restricted cash		97	90
	$	**318**	**192**

Foreign currency receivable and deliverable at December 31, 2021 and 2020, from purchases and sales to be settled within 24, 48, 72 and 96 hours are related to dollar transactions.

At December 31, 2021, the foreign exchange purchase/sale gain and (loss) amounted to $70 and $(72) ($119 and $(141) in 2020) these are recorded in the statement of income in “Gain on purchase and sale” or “Loss on purchase and sale”, as appropriate.

At December 31, 2021 and 2020, the Brokerage Firm maintained a liability balance, for transactions with foreign currencies payable on a date subsequent to the traded date of $(54) and $(71), respectively, which were recorded in clearing accounts within caption “Creditors on settlement of transactions”.

Of the total cash and cash equivalents at December 31, 2021, $264 and $54 ($120 and $72 at December 31, 2020), are denominated in local currency and valued foreign currency (mainly USD), respectively.

(Continued)

(Millions of Mexican pesos)

(7) Investment securities-

(a) At December 31, 2021 and 2020, the fair values of investment in securities were in the next page.

Trading securities		2021	2020
Debt securities:			
Government securities:			
- Unrestricted	$	2,888	1,698
- Restricted		1,349	10.321
Total government securities		4,237	12,019
Bank promissory notes – Restricted		12	14
Other debt securities – Restricted		-	37
Total debt securities	**$**	**4,249**	**12,070**
Equity share securities			
Unrestricted		298	559
Restricted		692	505
Total equity share securities	**$**	**990**	**1,064**
Total investment securities	**$**	**5,239**	**13,134**

(b) At December 31, 2021 and 2020, the detail of the aforementioned trading securities is as follows:

Debt securities		2021	2020
Government securities, unrestricted:			
BI CETES	$	2,659	1,446
M BONOS		229	252
Government securities, unrestricted	**$**	**2,888**	**1,698**
Government securities, restricted:			
Pledged CETES in guarantee	$	262	260
Repurchase/resell agreements [(1)]**:**			
BI CETES		1,087	9,982
Value date purchases:			
M BONOS		-	12
BI CETES		-	67
Restricted government securities	**$**	**1,349**	**10,321**
Total government securities, carried forward	**$**	**4,237**	**12,019**

(1) See terms and conditions in note 8.

(Continued)

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		2021	2020
Total government securities, continued	**$**	**4,237**	**12,019**
Restricted bank promissory notes:			
PRLV		12	14
Other debt securities unrestricted			
91FINBE 20		-	37
Total debt securities	**$**	**4,249**	**12,070**
Equity share securities			
Unrestricted equity share securities:			
51 SCOTIAG	$	274	364
1B NAFTRAC		20	83
Other equity share securities		4	112
Total unrestricted equity share securities	**$**	**298**	**559**
Restricted equity share securities:			
Securities lending:			
1B NAFTRAC	$	438	283
1 ISPY		40	-
1 IVOO		51	-
1 SIMEC		-	3
Other equity share securities		12	92
Value date sales:			
1I QTEC		12	-
1I SHV		66	17
1A AAPL		-	1
1I IISACN		9	-
Other equity share securities		64	109
Restricted equity share securities		**692**	**505**
Total equity share securities	**$**	**990**	**1,064**

As of December 31, 2021 and 2020, the Brokerage Firm held asset (liability) balances for transactions with securities settled on a date subsequent to the traded date for $159 $(152) and $9,311 $(210), respectively, which were recorded in clearing accounts under the caption “Accounts receivable, net” and “Creditors on settlement of transactions”, as appropriate.

(Continued)

(Millions of Mexican pesos)

For the years ended December 31, 2021 and 2020, interest on securities earned amounted to $539 and $612, respectively.

For the years ended December 31, 2021 and 2020, net gains from interest income, gain or losses from purchase and sale transactions, and valuation income from investments in securities amount to $592 and $700, respectively, and correspond to trading securities.

At December 31, 2021 and 2020, the Brokerage Firm does not hold investments in non-government debt securities from the same issuer exceeding 5% of the Brokerage Firm's net capital.

(c) At December 31, 2021 and 2020, fair value of securities classified as assigned securities to be settled, are analyzed as shown as follows:

Assigned securities to be settled		**2021**	**2020**
Other unrestricted debt securities – Value date sales			
BI CETES	$	-	(9,087)
Unrestricted equity share securities – Value date sales			
Other equity share securities		(156)	(221)
Assigned securities to be settled, unrestricted Securities	**$**	**(156)**	**(9,308)**

(8) Securities on repurchase/resell agreements and securities lending-

Repurchase/resell agreements-

At December 31, 2021 and 2020, the "Debtors on repurchase/resell agreements" and "Creditors on repurchase/resell agreements" balances in which the Brokerage Firm acts as repurchase and repurchaser, are analyzed as shown in the next page.

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Debtors under repurchase/resell agreement		**2021**	**2020**
LD BONDESD	$	9,899	11,030
IS BPA		662	817
M BONOS		2,176	2,063
IM BPAG		1,513	1,256
BI CETES		2,639	4,426
IQ BPAG		1,633	532
S UDIBONO		4,968	1,161
CEBUR		424	-
		23,914	21,285
Collaterals sold or pledged in guarantee (creditors):			
LD BONDESD		(9,899)	(11,030)
IS BPA		(662)	(817)
M BONOS		(2,176)	(2,063)
IM BPAG		(1,513)	(1,256)
BI CETES		(2,639)	(4,426)
IQ BPAG		(1,633)	(532)
S UDIBONO		(4,968)	(1,161)
CEBUR		(424)	-
		(23,914)	(21,285)
Total debtors on repurchase/resell agreement	**$**	**-**	**-**

Creditors on repurchase/resell agreements:		**2021**	**2020**
BI CETES	$	1,088	9,983
91 FINBE 20		-	37
PRLV		12	14
Total creditors on repurchase/resell agreements	**$**	**1,100**	**10,034**

At December 31, 2021 and 2020, the term of repurchase/resell agreements is for 2 days in both years, with annual weighted rates of 4.38% when acting as repurchasee, and 3.98% when acting as repurchaser (5.44% and 5.04% at December 31, 2020, respectively).

During the years ended December 31, 2021 and 2020, premiums collected amounted to $1,147 and $1,099, respectively; premiums paid amounted to $1,348 and $1,404, respectively, and are included in the statement of income under the captions “Interest income” and “Interest expense”, respectively.

(Continued)

(Millions of Mexican pesos)

Securities lending-

At December 31, 2021 and 2020, the Brokerage Firm held securities lending transactions as lender and borrower, in which values object of these transactions were received and transferred.

As of December 31, 2021 and 2020, the obligation to repay the lender values derived from the purchase of these securities are analyzed as follows:

2021	**Number of securities**		**Fair Value**
1IQQQ*	1,500	$	12
1ISPY*	4,040		40
1IVOO*	5,700		51
1BNAFTRACISHRS	8,228,691		438
		$	**541**

2020	**Number of securities**		**Fair Value**
1AAAPL*	1,645	$	4
1SIMECB	40,000		3
1ANFLX*	190		2
1AFB*	390		2
1ABABAN	900		4
1ATSLA*	750		11
1IQQQ*	1,500		9
1ISPY*	2,800		21
1IVOO*	5,700		39
1BNAFTRACISHRS	6,400,000		283
		$	**378**

At December 31, 2021 and 2020, the right to demand the securities to the borrower, derived from the sale of such securities, are analyzed as follows:

2021	**Number of securities**		**Fair Value**
1IQQQ*	1,500	$	12
1ISPY*	4,040		40
1IVOO*	5,700		51
		$	**103**

(Continued)

(Millions of Mexican pesos)

2020	**Number of securities**		**Fair Value**
1GLXYN	49,977	$	8
1ATSLA	750		10
1SIMECB	40,000		3
1I-SPY	2,800		20
1I-QQQ	1,500		9
1I-VOO	5,700		39
1AINTC*	1,645		4
1AAAPL*	4,120		10
1ANFLX*	300		3
1AFB*	210		1
1AFB*	390		2
1ABABAN	900		4
		$	**113**

The range of term of the securities lending transactions at December 31, 2021 and 2020, where the Brokerage Firm acts as a lender is 15 and 28 days, in both years. Acting as a borrower in 2021 the range of term are 7 and 28 days, (6 and 28 days in 2020).

During the years ended December 31, 2021 and 2020, premiums collected and (paid) in securities lending transactions, amounted to $20 and $(4) as well as 16 and $(3), respectively, and are included in the statement of income under the captions “Interest income” and “Interest expense”, respectively.

As of December 31, 2021 and 2020, the Brokerage Firm received equity financial instruments as guarantees in securities lending transactions for $103 and $113, respectively. Such guarantees are managed in memorandum accounts (see note 16).

As of December 31, 2021 and 2020 the Brokerage Firm has premiums receivable on securities lending transactions for $1, in both years.

(9) Derivatives-

At December 31, 2021 and 2020, the fair value of derivative financial instruments for trading is analyzed as follows:

		2021		**2020**	
		Assets	**Liabilities**	**Assets**	**Liabilities**
OTC options and futures	**$**	14	1,250	34	590

(Millions of Mexican pesos)

Net loss on financial assets and liabilities related to derivatives for trading purposes, included in income for the years ended December 31, 2021 and 2020 amounted to $(47) and $(4), respectively. The valuation gain effect of trading derivatives amounted to $8 and $12 at December 31, 2021 and 2020, respectively, and are presented in the "Valuation on securities at fair value" caption in the income statement.

As of December 31, 2021 and 2020, the Brokerage Firm did not receive or deliver collateral for derivative financial operations.

(10) Premises, furniture and equipment-

At December 31, 2021 and 2020, the premises, furniture and equipment are analyzed as follows:

		2021	2020	Annual depreciation rates
Land	$	22	22	-
Office premises		154	154	2.5%
Transportation equipment in capital lease		3	4	25 y 33%
Computer equipment		42	51	Various
Computer equipment in capital lease		40	40	20%
Office furniture and equipment		63	63	10%
Installation improvements		64	64	Various
Total		388	398	
Accumulated depreciation		(214)	(192)	
Total	**$**	**174**	**206**	

The amount recognized in the results of 2021 and 2020, from depreciation amounted to $28 and $27, respectively.

According to assessment carried out by the Brokerage Firm, the residual value (except land) of office premises is minimum.

As of December 31, 2021, the Brokerage Firm had write-offs of computer equipment for $4, cancelling a depreciation of $4. As of December 31, 2020, the Brokerage Firm had write-offs of computer equipment in capital lease for $34, cancelling a depreciation of $30.

As of December 31, 2021, the Brokerage Firm had additions of computer equipment for $7. As of December 31, 2020, the Brokerage Firm had additions of computer equipment in capital lease for $40.

(Continued)

(Millions of Mexican pesos)

(11) Permanent investments-

As of December 31, 2021 and 2020, the Brokerage Firm's participation in other permanent investments, as well as the percentage of ownership, is analyzed as follows:

		2021			2020		
		Investment	**Participation in results**	**% holding**	**Investment**	**Participation in results**	**% holding**
Impulsora del Fondo México, S. A. de C. V	$	2	-	3.65	2	-	3.65
Cebur, S. A. de C. V.		1	-	2.97	1	-	2.97
	$	3			3		

For the years ended December 31, 2021 and 2020, the Brokerage Firm did not receive dividends from its associated entities.

(12) Employees' benefits-

The Brokerage Firm has in place a defined contribution plan for pension and post-retirement benefits plan. Such plan provides for pre-established contributions by the Brokerage Firm, which may be fully withdrawn by employees' upon retirement if aged at least 55 years or partially on employment termination in accordance with specific rules for vesting rights. Additionally, contributions are made of the employees, who will be entitled to withdraw those contributions upon employment termination.

For the years ended December 31, 2021 and 2020, the charge to results for the Brokerage Firm´s contributions to the defined contribution plan amounted to $15 in both years, under the caption "Administrative and promotional expenses".

The Brokerage Firm has also a defined benefit pension plan, post-retirement benefits covering those employees who elected not to change to the defined contribution plan. The benefits are based on years of service and the employees' compensation during the last year.

The cost, obligations and the defined benefit pension plan, post-retirement medical expenses, seniority premiums, life insurance and legal indemnities were determined based on computations prepared by independent actuaries as of December 31, 2021 and 2020.

The benefit paid, are shown below:

		Benefits paid from funds	
		2021	**2020**
Seniority premium	$	(1)	(1)
Other post-retirement benefits		-	(1)
Total	**$**	**(1)**	**(2)**

The components of the defined benefit cost, for the years ended December 31, 2021 and 2020, are shown in the next page.

(Continued)

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		Medical expenses		**Pension plan**		**Seniority premium**		**Life insurance**		**Termination benefits**	
		2021	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Current service labor cost	$	-	-	-	-	-	1	1	1	1	1
Personnel Transfer Adjustment		1	-	-	-	1	-	-	-	1	-
Net Interest on the DBNL		-	-	-	-	1	-	-	1	1	2
Past services labor cost of the year		-	-	-	-	4	-	-	-	-	-
Cost of early liquidation of obligations		-	-	1	-	-	-	-	-	7	56
Remeasurements of DBNL to be recognized in equity		-	-	1	-	1	-	-	-	-	-
Net cost of the year	**$**	**1**	**-**	**2**	**-**	**7**	**1**	**1**	**2**	**10**	**59**

		Medical expenses		**Pension plan**		**Seniority premium**		**Life insurance**		**Termination benefits**	
		2021	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Beginning balance of DBNL	$	-	-	(2)	(1)	(7)	(5)	(7)	(5)	(21)	(21)
Liabilities/assets transferred to 7/1/2021		(10)	-	-	-	-	-	1	-	1	-
Defined benefits cost		(1)	-	(2)	-	(7)	(1)	(1)	(2)	(10)	(59)
Personnel Transfer Adjustment		2	-	-	-	1	-	-	-	1	-
Payments deducted from DBNL		-	-	1	-	-	-	-	-	8	58
Other adjustments:											
Gain and loss recognized in equity		-	-	-	(16)	(3)	(1)	4	-	4	3
Investments (restricted) / released		-	-	-	15	-	-	-	-	-	-
Other adjustments		-	-	-	-	-	-		-	-	(2)
Final balance of DBNL	**$**	**(9)**	**-**	**(3)**	**(2)**	**(16)**	**(7)**	**(3)**	**(7)**	**(17)**	**(21)**

Financing position of the defined benefits liability as of December 31, 2021 and 2020, is shown in the next page.

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		Medical expenses		Pension plan		Seniority premium		Life insurance		Termination benefits	
		2021	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Present value of the total obligation	**$**	**(12)**	**-**	**(4)**	**(3)**	**(26)**	**(14)**	**(15)**	**(24)**	**(22)**	**(28)**
Defined benefits liability	$	(9)	-	(3)	(2)	(18)	(10)	(9)	(14)	(17)	(21)
Plan assets		-	-	-	-	2	3	6	7	-	-
Financial situation of the obligation	**$**	**(9)**	**-**	**(3)**	**(2)**	**(16)**	**(7)**	**(3)**	**(7)**	**(17)**	**(21)**

During the year ended December 31, 2021, The Brokerage Firm did not transfer resources from the defined benefit plan to cover contributions from the defined contribution plan.

It is not expected to make contributions to the defined benefits fund during 2022. For 2022, it is expected to make payments from the reserve for $8.

Nominal rates and inputs used in actuarial calculations for the years ended December 31, 2021 and 2020 are shown as follows:

	2021	**2020**
Discount rate	9.70%	8.30%
Salary increase rate	4.50%	4.50%
Minimum wage incremental rate	3.50%	3.50%
Long-term inflation rate	3.50%	3.50%
Average remaining labor life	9 years	10 years

Fund assets covering liabilities from pension benefits, seniority premium, and insurance life of retired personnel are comprised of 55% debt securities and 45% equity securities, affected by a trust and managed by a Committee designated by the Brokerage Firm.

Following it is presented the effect on the Defined Benefits Liability by an increase or decrease on actuarial significant assumptions as of December 31, 2021:

	(+)	**(-)**
Discount rate (0.50%)	(2)	3
Long-term inflation rate (0.25%)	1	(1)

(Continued)

(Millions of Mexican pesos)

(13) Relatedparty balances and transactions-

During the normal course of business, the Brokerage Firm carries out transactions with related parties such as loans, investments, services, etc., most of which originates income and expenses to another. According to the Brokerage Firm´s policies, the Board of Directors authorizes all operations with related parties, which are granted at market rates, guarantees and terms in accordance with sound practices.

The main transactions carried out with related parties for the years ended December 31, 2021 and 2020 are shown below:

Other related parties

Income		**2021**	**2020**
Premium and interests	$	1,149	1,103
Commissions		873	777
Intermediation financial result		2	4
Rents and maintenance		33	19
Financial advisory		61	76

Other related parties

Expenses		**2021**	**2020**
Premium and interests on repos	$	680	509
Bank loans		4	6
Intermediation financial result		45	2
Financial advisory		113	40
Commissions		5	1
Rents and maintenance		13	13

For the years ended December 31, 2021 and 2020, the Brokerage Firm earned the 42% and 43%, of their related parties, respectively from the operating income.

(Continued)

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Balances receivable from and payable to related parties as of December 31, 2021 and 2020, are as follows:

Other related parties

Receivable		**2021**	**2020**
Cash and cash equivalents	$	92	73
Margin accounts		29	48
Debtors on repurchase/resell agreements		23,914	21,285
Derivatives		2	9
Debtors on settlement of operations		49	9,117
Other accounts receivable		83	72

Other related parties

Payable			
Collateral sold or pledged	$	12,022	14,168
Derivatives		47	4
Creditors on repurchase		-	1,039
Other accounts payable		70	88

For the years ended December 31, 2021 and 2020, there were no changes in the existing conditions of balances receivable from and payable to related parties, there were no items that are deemed irrecoverable or difficult collection and no reserve was required for these transactions necessary any reserve for losses on such transactions.

For the years ended December 31, 2021 and 2020, the benefits granted to senior management amounted to $13 and $33, respectively.

(Continued)

(14) Stockholders' equity-

The main characteristics of the stockholders' equity accounts are detailed as follows.

(a) Structure of capital stock-

The Brokerage Firm' capital stock at December 31, 2021 and 2020, is represented by 22,193 common shares, divided into two series: 22,190 "F" series shares and 3 "B" series shares, fully subscribed and paid, 11,205 of these shares correspond to the capital stock's minimum fixed portion and 10,988 shares correspond to the variable portion. At any time, the variable portion of capital stock may exceed the fixed paid-in capital and may not be subject to withdrawal.

At December 31, 2021 and 2020, the minimum fixed capital stock is fully subscribed and paid and amounts to $389 for both years.

According to article 10 of the general dispositions for Brokerage Firms, the capital stock shall amount to the equivalent in local currency to 12,500,000 UDI, at least. At December 31, 2021, capital stock and global capital amounted $2,760 and $554, respectively ($2,134 and $554 in 2020).

(b) Comprehensive income-

The comprehensive income reported in the statement of changes in stockholders' equity represents the results of the total performance of the Brokerage Firm's during the year, and includes the net income and the remeasurement of defined employee benefits, net of deferred tax.

(c) Dividends declared-

For the years ended December 31, 2021 and 2020, no dividends were decreed or paid.

(d) Restrictions on stockholders' equity-

The Banking Commission requires that Brokerage Firms maintain a minimum capitalization percentage of risk-based assets, which is calculated according to the level of risk assigned.

Five percent of net income for the year must be appropriated to the 5% statutory reserve, until it reaches an amount of 20% of the paid-in capital.

The tax basis of stockholder contributions and retained earnings may be distributed to the stockholders tax free. As of December 31, 2021, the Stock contribution account (Cuenta de Capital de Aportación or CUCA unaudited) net taxable income account (Cuenta de Utilidad Fiscal Neta or CUFIN unaudited), amount to $387 and $4,098, respectively.

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The retained earnings of subsidiaries may not be distributed to the Brokerage Firm's stockholders until these are received by way of dividends from the subsidiaries, but may be capitalized through a Stockholders' Meeting.

The dividends paid to individuals and corporation's resident abroad shall be subject to an additional tax of 10%, which is considered final. The rule solely applies to dividends payment from earnings generated beginning on January 1, 2014.

(e) Capitalization (unaudited)-

The Banking Commission requires Brokerage Firms to maintain a minimum capital as a percentage of risk-based assets. The percentage is calculated by applying certain percentages according to the level of risk assigned to the rules established by the Central Bank. The capitalization required by the Banking Commission has been fulfilled by the Brokerage Firm. Below is the Brokerage Firm's capitalization information.

Capital as of December 31 (1)		**2021**	**2020**
Net capital	$	2,760	2,134
Market risk requirements		199	257
Credit risk requirements		54	55
Operational risk requirements		48	44
Total capitalization requirements	$	301	356
Total weighted assets	$	3,758	4,450
Rate of capital consumption (ICAP)		73.45%	47.96%

(1) Preliminary figures before Central Bank's approval (may have differences with the computation by rounding off figures).

Assets at risk as of December 31, 2021:		**Equivalent assets at risk**	**Capital requirement**
Market risk:			
Transactions in local currency at nominal rate	$	338	27
Equity positions or with returns indexed to the price of a single share or group of shares		2,150	172
Total market risk, carried forward	**$**	**2,488**	**199**

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Assets at risk as of December 31, 2021:		Equivalent assets at risk	Capital requirement
Total market risk, brought forward	**$**	**2,488**	**199**
Credit risk:			
Derivatives		12	1
Borrowings and deposits		58	5
Permanent shares, premises, furniture and pre-payments		600	48
Total credit risk		670	54
Operational risk:			
Total operational risk		600	48
Total market, credit and operational risk	**$**	**3,758**	**301**

Assets at risk as of December 31, 2020:		Equivalent assets at risk	Capital requirement
Market risk:			
Transactions in local currency at nominal rate	$	333	27
Equity positions or with returns indexed to the price of a single share or group of shares		2,877	230
Total market risk	**$**	**3,210**	**257**
Credit risk:			
Derivatives		8	1
Debt securities position		36	3
Borrowings and deposits		29	2
Permanent shares, premises, furniture and pre-payments		617	49
Total credit risk		690	55
Operational risk:			
Total operational risk		550	44
Total market, credit and operational risk	**$**	**4,450**	**356**

The capital sufficiency, under normal operating conditions, of the Brokerage Firm is assessed on a monthly basis through the Capitalization Index, which at the same time is presented to the Risk Committee and to the Board of Directors for following up and monitoring, on a quarterly basis.

(Continued)

On a quarterly basis, the capitalization notes are incorporated in the financial reports. Such notes have, among others, the following information: composition and integration of capital, composition of total risk weighted assets and by type of risk and the Capitalization Index.

At the closing of 2021, the capitalization index is within the legal limits established (>=10.5%).

The Capitalization index (ICAP) had a rise of 2,594 pbs, from 47.96% to 73.45%, due to the increase in the net capital. The Net capital increased from $2,134 to $2,760 from December 2020 to December 2021. Assets at total risk decreased from $4,450 to $3,758 from December 2020 to December 2021, mainly due to lower capital requirements for market risk for operations with shares and on shares.

Based on the aforementioned, it is determined that the Brokerage Firm has the ability to face situations which might impair their situation, also to raise sufficient capital to absorb potential losses in order to continue with the brokerage operation.

General description of the results obtained in the sufficiency evaluation of its net capital regarding credit, market and operation risks requirements.

Starting 2016, stress testing is performed on an annual basis as established by the Banking Commission under various scenarios, with the objective of making sure that the Brokerage Firm has enough capital levels to continue its operation under adverse macroeconomic scenarios.

The Brokerage Firm performed during 2021 its annual exercise of capital sufficiency evaluation, this exercise was carefully planned and executed to evaluate capital sufficiency under stressed conditions in regulated scenarios. The result of the exercise allowed to conclude that the Brokerage Firm's capital will be sufficient to face risks derived from the defined stress scenarios, keeping its capital levels above the minimum required levels. On that basis, a capitalization plan for the Brokerage Firm is not necessary since all minimum levels are met under all scenarios, including sensitivity scenarios that are part of the sufficiency assessment exercise.

(15) Income taxes and employees' statutory profit sharing (ESPS)-

Income Tax (IT) law effective as of January 1, 2014 imposes an IT rate of 30% for 2014 and thereafter. The determination of ESPS caused was made in accordance with the limits established in the Federal Labor Law in force as of fiscal year 2021.

The basis for the ESPS and IT calculation are the same with some differences regarding the reduction of tax loss carry forwards, paid ESPS and expenses that correspond to non-taxable income for employees.

(Continued)

(Millions of Mexican pesos)

The current and deferred IT and ESPS (expense) income are as follows:

		2021		2020	
		IT	**ESPS**	**IT**	**ESPS**
Current	$	(186)	(51)	(220)	(78)
Reverse of prior years' provision		3	1	-	-
Deferred IT		(27)	(6)	14	3
	$	**(210)**	**(56)**	**(206)**	**(75)**

The analysis of the effective rate of the years ended December 31, 2021 and 2020, is analyzed as follows:

December 31, 2021 – IT		**Basis**	**IT at 30%**	**Effective rate**
Income before income taxes	$	855	(257)	(30%)
Current tax allocation:				
Tax effects of inflation, net		(232)	70	8%
Net result of financial instruments, repurchase/resell agreements and derivatives		(84)	25	3%
Difference between book and tax depreciation		5	(2)	-
Nondeductible expenses		35	(11)	(1%)
Provisions		21	(6)	(1%)
Net warrants valuation effect		33	(10)	(1%)
ESPS paid in the year		(82)	25	3%
Current and deferred ESPS provision		57	(17)	(2%)
Dividends on investment securities		(10)	3	-
Other items		21	(6)	(1%)
Current tax		**619**	**(186)**	**(22%)**
Allocation to deferred tax:				
Valuation of trading securities		85	(25)	(3%)
Deductible ESPS		32	(10)	-
Net warrants valuation effect		1	-	(1%)
Expense accruals and others		(28)	8	1%
Deferred tax		**90**	**(27)**	**(3%)**
Income taxes	**$**	**709**	**(213)**	**(25%)**

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December 31, 2021 – ESPS		Basis	ESPS at 7%	Effective rate
Income before income taxes	$	855	(64)	(7%)
Allocation to current ESPS:				
Tax effects of inflation, net		(232)	17	2%
Net result of financial instruments, repurchase/resell agreements and derivatives		(84)	6	1%
Difference between book and tax depreciation		5	-	-
Nondeductible expenses		23	(2)	(1%)
Provisions		21	(2)	(1%)
Net warrants valuation effect		33	(2)	-
Current and deferred ESPS provision		57	(4)	-
Dividends on investment securities		(10)	1	-
Other items		21	(1)	-
Current tax	**$**	**689**	**(51)**	**(6%)**

December 31, 2020 – IT		Basis	IT at 30%	Effective rate
Income before income taxes	$	736	(221)	(30%)
Current tax allocation:				
Tax effects of inflation, net		(64)	19	3%
Net result of financial instruments, repurchase/resell agreements and derivatives		(32)	10	1%
Difference between book and tax depreciation		8	(2)	-
Nondeductible expenses		33	(10)	(1%)
Provisions		31	(9)	(1%)
Net warrants valuation effect		12	(4)	(1%)
ESPS paid in the year		(59)	18	2%
Current and deferred ESPS provision		75	(23)	(3%)
Dividends on investment securities		(5)	2	-
Current tax		**735**	**(220)**	**(30%)**
Allocation to deferred tax:				
Valuation of trading securities		33	(10)	(1%)
Deductible ESPS		(19)	6	1%
Net warrants valuation effect		1	-	-
Expense accruals and others		(62)	18	2%
Deferred tax		**(47)**	**14**	**2%**
Income taxes	**$**	**688**	**(206)**	**(28%)**

(Continued)

(Millions of Mexican pesos)

December 31, 2020 – ESPS		**Basis**	**ESPS at 10%**	**Effective rate**
Income before income taxes	$	736	(74)	(10%)
Allocation to current ESPS:				
Tax effects of inflation, net		(64)	6	1%
Net result of financial instruments, repurchase/resell agreements and derivatives		(32)	3	-
Difference between book and tax depreciation		8	(1)	-
Nondeductible expenses		18	(2)	-
Provisions		30	(3)	-
Net warrants valuation effect		12	(1)	-
Current and deferred ESPS provision		75	(7)	(1%)
Dividends on investment securities		(5)	1	-
Current tax	**$**	**778**	**(78)**	**(10%)**

Deferred income tax and ESPS:

The tax effects of temporary differences that give rise to deferred income tax assets and liabilities at December 31, 2021 and 2020, respectively, are detailed as follows:

		2021		**2020**	
		IT	**ESPS**	**IT**	**ESPS**
Pre-payments	$	(2)	(1)	(2)	(1)
Valuation of trading securities and transactions with securities and derivatives		(34)	(8)	(8)	(3)
Remeasurements of employee benefits		(3)	(1)	2	1
Remaining balance to be taxed of premises, furniture and equipment		-	-	(4)	(1)
Deductible ESPS		19	-	29	-
Provisions and others		40	10	35	12
Deferred income tax and ESPS in balance sheet	**$**	**20**	**-**	**52**	**8**
	$	**20**		**60**	

The deferred income tax and ESPS in the statement of income for the years ended December 31, 2021 and 2020, is as shown in the following page.

(Continued)

(Millions of Mexican pesos)

		2021		2020	
Deferred tax in income statement:		**IT**	**ESPS**	**IT**	**ESPS**
Valuation of trading securities and transactions with securities and derivatives	$	(26)	(5)	(9)	(3)
Pre-Payments		-	-	5	1
Remaining balance to be taxed of premises, furniture and equipment		4	1	5	2
Deductible ESPS		(10)	-	6	-
Provisions and others		5	(2)	7	1
Deferred income tax and ESPS in the income statement		(27)	(6)	14	1
Remeasurements employee benefits in capital		(5)	(2)	3	2
	$	(32)	(8)	17	3
Deferred income tax and ESPS in the income statement and equity	**$**	**(40)**		**20**	

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

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

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

2021	
ESPS assigned to workers based on law limits	51
ESPS 10%	69
Quotient	0.7391
ESPS Statutory rate	10%
ESPS Rate Caused	7.39%

(Continued)

(Millions of Mexican pesos)

Other considerations:

In accordance with Mexican tax law, the tax authorities may examine transactions carried out during the five years prior to the most recent income tax return filed.

According to the IT law, corporations carrying out transactions with related parties, whether domestic or foreign, are subject to limits and tax obligations, to certain requirements as to the determination of the transaction prices, since these prices must be similar to those that would be used in arm's-length transactions.

(16) Memorandum accounts-

Transactions on behalf of third parties-

The funds managed by the Brokerage Firm for investing in various financial instruments on behalf of its customers, are recorded in memorandum accounts. At December 31, 2021 and 2020, the resources from these operations are analyzed as follows:

Customer securities in custody		**2021**	**2020**
Mutual funds	$	109,669	116,947
Government and bank securities		93,723	114,902
Equity shares and others		288,838	256,075
	$	**492,230**	**487,924**

(Millions of Mexican pesos)

Management transactions

Securities on repurchase/resell agreements on behalf of customers-

At December 31, 2021 and 2020, the securities on repurchase/resell agreements on behalf of customers, are shown below:

	2021			2020		
	Number of securities		**Fair value**	**Number of securities**		**Fair value**
LD BONDES	197,950,404	$	19,798	220,954,630	$	22,061
BI CETES	659,909,011		6,366	1,930,948,602		18,834
M BONOS	42,523,806		4,352	39,316,934		4,126
IS BPA	12,980,822		1,322	16,126,068		1,633
PRLV	12,468,346		12	14,022,338		14
S UDIBONO	13,766,630		9,936	3,305,838		2,322
91 FINBE	-		-	364,113		37
IQ BPAG	32,620,148		3,267	10,582,148		1,064
IM BPAG	30,275,084		3,026	25,115,756		2,513
CEBUR	8,478,042		849	-		-
		$	**48,928**		**$**	**52,604**

Securities lending transactions on behalf of costumers-

At December 31, 2021 and 2020, the securities lending transactions on behalf of customers, are as follows:

	2021			2020		
	Number of securities		**Fair value**	**Number of securities**		**Fair value**
1 SIMEC	-	$	-	40,000	$	3
Subtotal, carried forward		**$**	**-**		**$**	**3**

(Millions of Mexican pesos)

	2021		2020	
Subtotal, brought forward	**$**	**-**	**$**	**3**
1ATSLA	-	-	750	11
1IQQQ	1,500	12	1,500	9
1ISPY	4,040	40	2,800	22
1IVOO	5,700	51	5,700	39
1A AAPL	-	-	1,645	4
1A NFLX	-	-	190	2
1A FB	-	-	390	2
1A BABA	-	-	900	4
	$	**103**	**$**	**96**

Collaterals received in guarantee on behalf of customers-

Collaterals represented by government debt, banking and private securities on behalf of its costumer in guarantee by the Brokerage Firm at December 31, 2021 and 2020, at fair value are analyzed as follows:

	2021		2020	
	Number of securities	**Fair value**	**Number of securities**	**Fair Value**
Government:				
LD BONDESD	98,975,202	9,899	110,477,315	$ 11,028
IS BPA	6,490,411	662	8,063,034	816
BI CETES	385,978,206	3,725	1,473,388,282	14,407
M BONOS	21,261,903	2,176	19,658,467	2,062
IM BPAG	15,137,542	1,513	12,557,878	1,256
S UDIBONO	6,883,315	4,968	1,652,919	1,162
IQ BPAG	16,310,074	1,633	5,291,074	532
		24,576		31,263
Banking:				
PRLV	12,468,346	12	14,022,338	14
Other	4,239,021	424	364,113	37
		$ 25,012		**$ 31,314**

(Continued)

(Millions of Mexican pesos)

Collaterals delivered in guarantee on behalf of customers-

Collaterals delivered in guarantee on behalf of customers at fair value at December 31, 2021 and 2020, are as follows:

		2021	2020
Government securities	$	23,488	21,282
Equity shares and holding companies' certificates		120	109
Margin loans		8,173	6,600
	$	**31,781**	**27,991**

Income earned on assets under custody during the years ended December 31, 2021 and 2020 amounted to $95 and $90, respectively.

Collaterals received in guarantee on behalf of customers-

Collaterals represented by government debt, banking and private securities on behalf of its costumer in guarantee by the Brokerage Firm at December 31, 2021 and 2020, at fair value are analyzed as follows:

	2021			**2020**		
	Number of securities		**Fair value**	**Number of securities**		**Fair value**
Government:						
LD BONDESD	98,975,202		9,899	110,477,315	$	11,028
IS BPA	6,490,411		662	8,063,034		816
M BONOS	21,261,903		2,176	19,658,467		2,062
IM BPAG	15,137,542		1,513	12,557,878		1,256
BI CETES	273,930,805		2,637	457,560,320		4,426
IQ BPAG	16,310,074		1,633	5,291,074		532
S UDIBONO	6,883,315		4,968	1,652,919		1,162
Subtotal debt government, carried forward		**$**	**23,488**		**$**	**21,282**

(Continued)

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	2021		2020	
	Number of securities	**Fair value**	**Number of securities**	**Fair value**
Subtotal debt government, brought forward		**$ 23,488**		**$ 21,282**
Banking Debt:				
CEBUR	4,239,021	424	**-**	**-**
Equity shares: [1]				
1 SIMEC	-	-	40,000	3
1A INTC	-	-	1,645	4
1A AAPL	-	-	4,120	10
1A NFLX	-	-	300	3
1A FB	-	-	600	3
1A BABA	-	-	900	4
1GLXYN	-	-	49,977	8
1ATSLA	-	-	750	10
1I-SPY	4,040	40	2,800	20
1I-QQQ	1,500	12	1,500	9
1I-VOO	5,700	51	5,700	39
Total equity shares		103		113
Total		**$24,015**		**$ 21,395**

[1] Corresponds to securities lending transactions (note 8)

(Millions of Mexican pesos)

(17) Commitments and contingencies-

(a) Trials, contingencies and litigation-

In the normal course of operations, the Brokerage Firm is involved in some trials, contingencies and litigations, which are not expected to have an important negative effect in the future and in the results of its operation financial situation. In such cases that represent a probable loss or make a cash outflow, the Brokerage Firm has booked necessary provisions.

(b) Leases-

Leases provide for periodic rental adjustments based on changes in various economic Factors. Total rental expenses to leases for the years ended December 31, 2021 and 2020 amounted to $26 in both years.

(18) Additional information on operations and segments-

(a) Segment information-

The Brokerage Firm has identified operating segments in which its activities are divided, considering each one as an identifiable component of its internal structure. Following is presented the statement of income classified by income segment, for the years ended December 31, 2021 and 2020.

2021		**On own behalf**	**Mutual funds**	**On behalf of customers**	**Financial advisory**	**Total**
Commission and fee income	$	-	873	589	-	1,462
Commission and fee expense		(12)	(13)	(69)	-	(94)
Financial advisory income		-	-	-	331	331
Income from services		(12)	860	520	331	1,699
Profit on purchase and sale of securities, net		(56)	-	-	-	(56)
Interest income, net		350	-	-	-	350
Valuation on securities at fair value		64	-	-	-	64
Intermediation financial margin		358	-	-	-	358
Other operating income						59
Administrative and promotional expenses						(1,261)
Operating income						855
Current and deferred income tax net						(210)
Net income						**645**

(Continued)

(Millions of Mexican pesos)

2020		**On own behalf**	**Mutual funds**	**On behalf of customers**	**Financial advisory**	**Total**
Commission and fee income	$	-	777	594	-	1,371
Commission and fee expense		(9)	(16)	(76)	-	(101)
Financial advisory income		-	-	-	330	330
Income from services		(9)	761	518	330	1,600
Profit on purchase and sale of securities, net		65	-	-	-	65
Interest income, net		319	-	-	-	319
Valuation on securities at fair value		23	-	-	-	23
Intermediation financial margin		407	-	-	-	407
Other operating income		-	-	-	-	48
Administrative and promotional expenses						(1,319)
Operating income						736
Current and deferred income tax net						(206)
Net income					**$**	**530**

(b) Income from services

Commission and fee income-

For the years ended as of December 31, 2021 and 2020, the commissions and fee income, are comprised as follows:

		2021	**2020**
Purchase and sale of securities	$	383	405
Custody or wealth management		95	90
Issuance of commercial bonds		111	99
Distribution and co-distribution		873	777
	$	**1,462**	**1,371**

Commission and fee expense-

For the years ended December 31, 2021 and 2020, the commissions and fee expense, are comprised as shown in the following page.

(Millions of Mexican pesos)

		2021	2020
Placement of bonds	$	3	6
Fees to Indeval		66	69
Referencer (investment funds)		-	1
Others fees		25	25
	$	**94**	**101**

Financial advisory income-

For the years ended December 31, 2021 and 2020, the financial advisory income, is comprised as follows:

		2021	2020
Scotiabank Inverlat	$	47	54
Scotia Fondos		12	17
Scotia Mcleod		68	52
Other financial advisory income		204	207
	$	**331**	**330**

(c) Intermediation financial margin-

Gain (loss) on purchase and sale of securities, net-

For the years ended as of December 31, 2021 and 2020, the gain (loss) on purchase and sale of securities, net, is comprised as follows:

		2021	2020
Investment securities	$	(6)	83
Trading derivatives transactions		(47)	4
Brokerage result of foreign currencies and precious metals, net		(3)	(22)
	$	**(56)**	**65**

(Continued)

(Millions of Mexican pesos)

Interest income (expense), net-

For the years ended as of December 31, 2021 and 2020, the interest income net are comprised as follows:

		2021	2020
Investment securities	$	539	612
Repurchase/resell agreements and securities lending Transactions		(185)	(291)
Management account fee		(4)	(2)
	$	**350**	**319**

Valuation on securities at fair value-

For the years ended December 31, 2021 and 2020, the valuation result at fair value is comprised as follows:

		2021	2020
Investment securities	$	58	5
Transactions with trading derivatives		8	12
Foreign currencies and precious metals		(2)	6
	$	**64**	**23**

(d) Other operating income (expense)-

For the years ended December 31, 2021 and 2020, other operating income (expense) is comprised as follows:

		2021	2020
Lease income	$	32	19
Deposits not identified		34	26
Others, mainly tax recoveries		10	8
Write-offs		(17)	(5)
	$	**59**	**48**

(e) Financial ratios (unaudited)-

In the following page are the main quarterly financial ratios of the Brokerage Firm for the years ended December 31, 2021 and 2020.

(Continued)

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2021	**Fourth**	**Third**	**Second**	**First**
Solvency (*total assets / total liabilities*)	1.88	1.30	1.08	1.31
Liquidity (*current assets/current liabilities*)	1.69	1.25	1.06	1.25
Leverage (total liabilities-liquidation of the entity (creditor / stockholders' equity)	1.1	2.0	8.2	2.8
ROE (annualized net income for the quarter/ average stockholders' equity)	21.9%	27.2%	21.0%	26.6%
ROA (annualized net income for the quarter / average total assets)	9.8%	4.8%	3.3%	5.8%
ICAP (Capitalization Index)	73.45%	40.36%	37.98%	59.73%
Financial margin / Total operating income	12.8%	17.2%	9.6%	27.9%
Income before income taxes / Total operating income	34.7%	51.2%	37.5%	38.9%
Net income / Administrative expenses	153.1%	204.8%	160.1%	163.7%
Administrative expenses / Total operating income	65.3%	48.8%	62.5%	61.1%
Net Income / Administrative expense	43.1%	74.8%	43.5%	49.5%
Personnel expenses / Total operating income	35.4%	32.2%	44.5%	46.0%

2020	**Fourth**	**Third**	**Second**	**First**
Solvency (*total assets / total liabilities*)	1.11	1.06	1.15	1.14
Liquidity (*current assets/current liabilities*)	1.09	1.05	1.12	1.11
Leverage (total liabilities-liquidation of the entity (creditor / stockholders' equity)	8.8	12.8	5.4	5.5
ROE (annualized net income for the quarter/ average stockholders' equity)	14.5%	23.8%	24.3%	38.7%
ROA (annualized net income for the quarter / average total assets)	1.9%	3.0%	4.9%	8.5%
ICAP (Capitalization Index)	47.96%	48.87%	52.10%	32.14%
Financial margin / Total operating income	18.4%	16.7%	19.3%	24.2%
Income before income taxes / Total operating income	21.4%	36.8%	38.9%	45.9%
Net income / Administrative expenses	127.2%	158.2%	163.8%	184.9%
Administrative expenses / Total operating income	78.6%	63.0%	61.2%	54.0%
Net Income / Administrative expense	20.0%	44.0%	42.3%	62.1%
Personnel expenses / Total operating income	62.7%	46.0%	45.5%	41.5%

Notes

- *The ratios related to results correspond to annualized quarterly nominal cash flows.*
- *The Solvency, Liquidity and Leverage ratios are stated in number of times.*

(Continued)

(19) Comprehensive risk management (unaudited)-

Certain figures and/or percentages calculated and presented in this note can be slightly different compared to the same figures or percentages reported in any other note to the financial statements due to the rounding of figures.

The purpose of the comprehensive risk management function is to identify and measure risks, follow up on their impact that these risks may have on the operations, and control their effects on income and shareholder value, by applying the best mitigation strategies available and the incorporation of the risk culture in daily transactions.

According to the General Provisions applicable to Brokerage Firms in terms of risk management issued by the Banking Commission, the Board of Directors assumes responsibility over the Brokerage Firm risk management objectives, guidelines and policies and approves at least once a year the objectives, guidelines and policies for Comprehensive Risk Management, as well as the limit structure for the various types of risk.

Pursuant to the policies in force, the Board of Directors entrusts the implementation of the risk policies and the setting of specific limits by risk factor as well as the implementation of the procedures designed to measure, manage and control risks to the Risk Management Committee and the Comprehensive Risk Management Unit (UAIR, for its abbreviation in Spanish).

Furthermore, the Risk Management Committee delegates responsibility to the Asset-Liability Committee for monitoring compliance of policies and procedures concerning market and liquidity risks. Likewise, the UAIR has policies for reporting deviations from the specified limits, which it should report to the Risk Committee and the Board of Directors.

The UAIR of the Brokerage Firm is represented by the Risk General Deputy Direction (DGA Risks) and is helped manly by the Risks Corporate Management to manage risks (credit, liquidity, interest rate, market and operational, among others); this Risks Corporate Management is organized in eight areas focused on monitoring and mitigating the Brokerage Firm's risks; with the purpose of guarantying an adequate risk management to be able to comply with the risks profile required and defined by the Board of Directors, as well as to improve the quality, diversification and composition of the different portfolios, optimizing in this way, the risk-return relation.

(Millions of Mexican pesos)

The UAIR is also responsible of reviewing and presenting for approval before the Risk Committee and/or the Board of Directors, the various methodologies used for risk management of the institution so as the risk framework, management risk policies for the different types of risks, specific global limits of the exposure and corresponding risk tolerance levels. Additionally, it provides the General Direction with timely and trustable information for the business decision making, monitoring and management.

Finally, the risk management is in line with the international best practices, since the Brokerage Firm has a framework that complies with the local regulation and with standards and corporate rules established by the parent company (BNS).

(a) Credit risk-

Credit risk results from potential non-compliance by the issuer of a financial instrument or counterparty of the Brokerage Firm, in any of the terms of the purchase/sale agreement or prospectus of any financial instrument.

Credit risk on financial instruments

The Brokerage Firm has developed and implemented an institutional internal and robust tool for measuring and controlling the credit risk of its various portfolio segments of money market. This methodology allows estimating expected and unexpected losses through measurements of the probability of occurrence of credit events.

Particularly, credit risk associated to money market positions derived from the holding of securities and corresponds to the expected loss that represents an estimate of the impact on the portfolio value due to non-compliance or downgrading in instruments or portfolio ratings, and additionally loss severity scenarios are performed. Likewise, the unexpected loss is a measure of dispersion around the expected loss and represents the necessary economic capital in the event of a large adverse event that impacts the portfolio.

At the closing of December 2021 and 2020, the expected and unexpected loss of the financial instrument of the Brokerage Firm is as follows:

	2021		**2020**	
	December[1]	**Average[1]**	**December[2]**	**Average[1]**
Expected loss	0.03%	0.02%	0.03%	0.02%
Unexpected loss	0.00%	0.06%	0.00%	0.01%

1/ Calculation includes trading securities, excludes direct sales and value date sales.

2/ Excludes positions of direct sale and sale date value, since the Brokerage Firm cedes the possession of said title.

(Millions of Mexican pesos)

As of December 31, 2021 and 2020, the total exposure of the investments instruments portfolio, is as follows:

Exposure of the financial Instrument portfolio[1]		**December 2021**	**Average 2021**	**December 2020**
Corporate	$	-	-	37
Banking		13	13	14
Government		4,235	5,232	2,932
Other [2]		991	1,692	844
	$	**5,239**	**6,937**	**3,827**

1/ Includes direct sale transactions.

2/ Includes equity shares and investment funds.

Following is a summary of the exposures as of December 31, 2021 and 20120, the credit quality and the concentration by credit risk of the investment securities:

December 2021		**Trading securities [1]**	**Total risk**	**Concentration %**
A-[2]	$	12	12	83
mxAAA[3]		4,235	4,235	-
Not rated [4]		836	836	17
Total	$	5,083	5,083	100%
Concentration		**100%**	**100%**	

December 2020		**Trading securities [1]**	**Total risk**	**Concentration %**
A-[2]	$	14	14	-
mxAAA[3]		2,932	2,932	77
mxAA+[3]		37	37	1
Not rated [4]		844	844	22
Total	$	3,827	3,827	100%
Concentration		**100%**	**100%**	

1/ Includes direct sale transactions and Securities on repurchase/resell agreements. The amounts may vary against those of the Financial Statements, since it does not include compensation.

2/ Global S&P ratings.

3/Local S&P ratings.

4/ Includes stocks and investment funds.

(Continued)

Credit risk in the derivatives operations

The brokerage firm quantifies its credit exposures in order to control the use of lines granted to its counterparts for the operation of derivative instruments. This control is carried out by calculating the potential future exposure (PFE) at the counterpart level through specialized tools, incorporating risk mitigating elements such as compensation agreements, guarantee contracts and collateral. There are counterparty risk policies and monitoring of established limits that include the process to be followed in the event of excesses.

At December 31, 2021 and 2020 the counterparty credit risk exposure in operations with derivative financial instruments is solely with financial institutions.

		December 2021	December 2020
Exposure	$	62	83

(b) Market risk-

The purpose of the market risk management function is to identify, measure, monitor and control risks arising from interest rates, exchange rate, stock market prices and index fluctuations and other risk factors that are present in the money, foreign exchange currencies, capitals and derivative instruments markets, in which the Brokerage Firm maintains business positions for its own account.

The Brokerage Firm´s risk positions include fixed and floating rate money market instruments, stocks, foreign exchange positions and derivatives such as interest rates futures, futures, foreign exchange forwards and options, interest rates swaps, interest rates options and foreign currency swaps. For each portfolio, limits have been established and approved.

The market risk limits framework contemplates notional or volumetric amounts for value at risk, sensitivity, concentration, stress limits and due dates, among others.

Market risk management includes monitoring that the risks mitigants are up to date and accurate. In this regard the established and approved limits for each one of the portfolios are daily monitoring and annually reviewed. Models used to manage market risk are reviewed at least biannually and, additionally, the Risk Committee and Board of Directors are periodically informed of the performance of the limits and the Market Risk indicators. Limits approved by the Risk Committee and Board of Directors are aligned with the institution’s Risk Appetite.

Market risk management is managed through specialized systems to make estimated with, such as risk value, sensitivity and stress tests.

(Continued)

(Millions of Mexican pesos)

The Brokerage Firm´s securities trading activities are directed primarily to providing services to its customers, accordingly, to meet its customers' demand, the Group maintains positions in financial instruments and holds an inventory of equity and interest rate financial instruments for trading purposes. Access to market liquidity is available through offers to buy from and sell to other intermediaries. In addition, the Brokerage Firm has treasury positions invested in the money market so that surplus cash generates the maximum yields. The trading securities portfolio (fixed and variable income and derivative instruments) is marked to market on a daily basis. Such information is included daily in the corresponding reports.

Value at Risk (VaR)

It is an estimate of the potential loss, in accordance to a determined statistical confidence level during a specific period of time (the holding period) under normal market conditions. The VaR is calculated daily on all of the Brokerage Firm risk-exposed financial instruments and portfolios, using the Risk-watch risk management software.

The VaR is calculated using the historical simulation method, with a 300-working day time span. To conform to the measurement methodologies used by the Brokerage Firm, the VaR is calculated considering a 99% confidence level and a 1 day holding period.

The day average global VaR during the fourth quarter of 2021 and 2020 was $9.86 and $9.35, respectively, as a percentage of the net capital ($2,991 at November 30, 2021, latest available figure) at the period’s end is equal to 0.37%. The global VaR at the end of December 31, 2021 was $9.86.

The disaggregated average VaR by risk factor during the fourth quarter of 2021 and 2020, is as follows:

Risk factor		December 2021 Average VaR 1 day	December 2020 Average VaR 1 day
Interest rate	$	2.77	9.49
Equity shares		9.57	1.35
VaR		9.86	9.35

Interest rates

The distribution of market risk exposure (Position vs. Value at Risk) for the Brokerage Firm portfolios as of December 31, 2021, are as follows:

		Position		VaR	
		Closing	**Average**	**Closing**	**Average**
Money market	$	2,921	4,862		
Market portfolio of interest rates and interest rate derivatives		2,921	4,862	2.77	4.28

Equity shares

During December 2021, the Brokerage Firm did not hold trading IPC futures position with MexDer for the equity shares, however it did hold equity structured hedges over IPC underlying, in position levels of $(31.63) and of contracts of $(0.000594), for short and long positions, referenced to the agreed levels of the positions. Likewise, during 2021 did not hold transactions with listed options over IPC futures of MexDer.

It is important to mention that listed options of equity (i.e. shares and indexes) are primarily used to hedge the market risk of the options and warrants positions that are issued to the clients. However, the Front-Office strategy in 2021 was focused in highly liquid foreign underlying instruments, with the purpose of diversifying the internal portfolio to make it more competitive and therefore to offer better returns to its clients, among some of the new underlying instruments, indexes and shares, are AMZN, AAL, AAPL, ADBE, BABA, DAL, DIS, IPC, EWU, FXI, GOOGL, MELI, XLE, NIO, PYPL, TSM, V, SX5E. The Brokerage Firm issued referred IPC warrants and a basket of shares at the close of the fourth quarter of 2021 was $5,354.

Given that the VaR measure is used to estimate potential losses under normal market conditions, stress testing is performed daily, with the purpose of determining exposure to risk considering large abnormal fluctuations in market prices (changes in volatility and correlations between risk factors). The Risk Committee has approved stress limits. The stress testing during last quarter of 2021 was $4,058, the limit is $130 million of Canadian dollars (CAD). The hypothetical scenarios used for this test are based on 3 relevant systemic scenarios: the 2008 crisis for emerging markets, Mexico 1994 due to the so-called "December Error" and Mexico 1997 due to the effect of the "Ruble crisis" and the Asian financial crisis.

The back testing from October to December 2021, shows efficiency levels in green under the approach established by the International Payment Bank.

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The limits structure mainly considers volumetric and notional amounts, VaR, concentration, sensitivity and stress limits, among others.

For the valuation and risk models, references are used on updated prices, interest rate curves and other risk factors provided by the price supplier "Valuación Operativa y Referencias de Mercado, S. A. de C. V."; the criteria adopted are determined based on technical and statistical aspects and in valuation models authorized by the Banking Commission.

Sensitivities

Qualitative information on sensitivities

The Brokerage Firm has an area that specializes on trading risk analysis, which maintains systematic and continuous oversight of the valuation and risk measurement processes as well as of the sensitivity analysis. Such area has permanent contact with responsible traders in the different markets.

The risk area calculates on a daily basis the market risk sensitivities for each portfolio to which the Brokerage Firm is exposed. During the quarter, no changes were made to the assumptions, methods or parameters used for this analysis.

A description of the methods, parameters and assumptions used for the portfolio of stock, currency, interest rates and derivative products is presented below.

Interest rate portfolio

Sensitivity measures produced for fixed-income instruments (bonds) are based on estimating the behavior of the portfolio's value in response to a change in the market interest rates.

The sensitivities of the fixed-income instruments portfolio are based on durations and convexities, depending on the particular type of instrument. In all cases, there are 2 types of measures: (i) the expected change in the portfolio value in response to a change of 1 basis point (bp) (0.01%) in the yield curve; and (ii) the expected change in the portfolio value in response to a change of 100 basis points (1%) in the yield curve. For purposes of this disclosure, we only report the changes in one basis point.

The values estimated based on the duration and convexity methodology are a good approximation to the values obtained using the complete or full-valuation methodology.

Two sensitivities are calculated for floating rate bonds: the one relating to the free-risk rate and the other for the spread.

(Continued)

In zero-coupon bonds, the computation of the sensitivity of zero coupon instruments, the term to maturity, expressed in years, is used as duration.

Interest rate derivatives

TIIE and CETE futures: This type of derivative instruments is modeled for purposes of calculating sensitivities such as the future of a zero-coupon rate and, therefore, its duration is taken into account in estimating its sensitivity.

M bond futures: The sensitivity considers the duration and convexity over the bonds deliverable under these contracts.

Interest rate swaps: For determining the sensitivity to changes in the yield curve of TIIE swaps a 1 basis point change is made in each of the relevant points in the yield curve and 1 and 100 bp is made parallel, valuing the portfolio with the different curves and calculating the change in the portfolio's value with each of these changes. Change on one basis point is presented in this report.

Stock portfolio and IPC derivatives

Stock equity

For stock position purposes, the sensitivity is obtained calculating the Delta by issue within the portfolio. Delta is defined as the change in the portfolio's value in response to a 1% change in the value of the underlying asset.

Equity derivatives

Currently, the Brokerage Firm opted for carrying out equities derivatives transactions through the IPC futures traded at the MexDer. Their sensitivity is calculated through the Delta. This portfolio has limits expressed in notional terms.

Delta is defined as the change of value of a derivative with respect to changes in the underlying. The Delta risk is defined as the change in the value of the option in response to a change of a predetermined magnitude in the price of the underlying asset (for example 1%). Its calculation is made by valuing the option with different underlying asset levels (one original and one with a +1% shock) and maintaining all other parameters constant. In the case of futures, the sensitivity calculation is Delta, defined as the change of value of a derivative with respect to changes in the underlying.

(Continued)

In the case of non-linear products such as warrants and options, the Delta and the “Greek” measures are deemed as sensitivity measures (i.e. gamma, rho, theta and vega). The calculation of sensitivities is based on the formula for modeling options on futures known as the Black 1976 Option Pricing Formula.

Dividend Risk. The valuation of options on indices or stock implies a known continuous compound dividend rate. Dividends, however, are an estimate and, therefore, an unknown variable, which represents a risk factor for valuation and the resulting analysis of gains and losses from transactions with options.

There is no Greek letter associated to the sensitivity of dividend risk and in the case of options on indices and stock the measurement is made by increasing the dividend rate 1% (i.e. from 1% to 1.01%).

Quantitative information of sensitivities

Interest rate

The following table shows the sensitivity of 1 bp at the end of December 2021 and 2020:

Sensitivity 1bp		December 2021	December 2020
Money Market	$	0.128	0.137
Market portfolio of interest rates and interest rate derivatives		0.128	0.137

As of December 31, 2021, the Brokerage Firm presents an interest rate sensitivity of 0.13 million of Canadian dollars (CAD). At December 31, 2021, the Brokerage Firm did not celebrate transactions with interest rate derivatives.

(Millions of Mexican pesos)

Sensitivities of the shares and derivatives portfolio.

Following is a table that shows sensitivity (Delta) at the end of December 2021 and 2020:

Delta		December 2021	December 2020
Naftrac	$	320.640	277.342
IPC Futures		(319.346)	(263.479)
Warrants		0.000	(9.576)
Total		1.294	4.287

With regard to the position over IPC, the Brokerage Firm continues with a dynamic hedge strategy over the ETF Naftrac that replicates in a large portion the IPC and IPC futures.

The Brokerage Firm's capital portfolio is composed by shares and derivatives over the IPC. As of December 31, 2021, the Brokerage Firm presented an Open Delta sensitivity of $(1.34) for all underlying, due to market changes.

The following table presents are the figures corresponding to the fourth quarter of 2021:

Delta		Average 2021	Maximum 2021	Minimum 2021
Shares	$	7,902.193	8,688.458	6,944.396
Warrants		(7,680.801)	(8,063.553)	(7,011.532)
Total	$	221.392	624.905	(67.136)

The following table presents are the figures corresponding to the fourth quarter of 2020:

Delta		Average 2020	Maximum 2020	Minimum 2020
Shares	$	116.377	182.891	90.084
Warrants		(117.999)	(179.347)	(98.915)
Total	$	(1.622)	3.544	(8.831)

The table on the next page presents the sensitivity measures for the non-lineal instruments as of December 31, 2021, it is important to mention that the informative report includes Bonds and Warrants.

(Continued)

(Millions of Mexican pesos)

Underlying	Delta EQ	Vega EQ	Gamma EQ
AMZN.USM	0.00	0.00	0.00
DIS.USM	0.13	0.00	-0.14
MEXBOL.INDX	1.29	0.00	0.00
MEXFXI.USM	0.00	0.00	0.00
MEXSX5E.INDX	0.00	0.00	0.00
AAL.USM	0.00	0.00	0.00
AAPL.USM	0.00	0.00	0.00
ADBE.USM	0.00	0.00	0.00
BABA.USM	0.00	0.00	0.00
DAL.USM	0.00	0.00	0.00
EWU.USM	0.00	0.00	0.00
GM.USM	0.00	0.00	0.00
GOOGL.USM	0.00	0.00	0.00
MELI.USM	0.00	0.00	0.00
MEXXLE.USM	0.00	0.00	0.00
NIO.USM	0.00	0.00	0.00
PYPL.USM	-0.09	0.00	-0.05
TSM.USM	0.00	0.00	0.00
V.USM	0.000	0.000	0.000
Total	**1.33**	**0.000**	**-2.888**

<u>Sensitivities for warrants and IPC options, “Greeks”</u>

Greeks	Delta	Gamma	Vega	Dividend risk	Rho
Total	1.341853	(0.000002)	(2.887769)	0	0

(c) Liquidity and interest rate risk-

The Brokerage Firm manages exposure to liquidity risk and interest rate risk according with the applicable regulatory provisions and the best market practices, considering those positions for the structural management of the balance.

For liquidity risk and interest rate management, limits have been established which are reviewed at least annually and periodically monitored at the financial group level; so that risk mitigators are up to date and accurate. Among the applicable limits are those related to liquidity buffer, liquidity gaps, margin sensitivity and economic value sensitivity, which are aligned with the Brokerage Firm’s risk. The structure of liquidity and interest rate risk limits contemplates notional amounts as well as term and concentration limits; the Assets and Liabilities Committee, the Risk Committee and the Board of Directors are periodically informed of the performance of such limits, as well as the liquidity and interest rate risk indicators.

(Continued)

For liquidity and interest rate risk management, information is extracted from the various applications and systems available to the Brokerage Firm, and estimates of liquidity and interest rate risk are made through specialized systems.

In addition, it is important to point out that for liquidity and interest rate risk management, tests are performed under extreme scenarios. It should be noted that the models used for liquidity and interest rate risk management are reviewed at least every two years.

The Brokerage Firm assumes liquidity risks as an intrinsic part of its function as financial intermediary. The liquidity risk is the result of cash flow gaps. The objective of the liquidity risk management process is to guarantee that the firm will be able to meet the totality of its obligations as they become due and payable, to such end, the Brokerage Firm estimates contractual cash flows to be delivered to have a liquidity gap calculation, monitors key liquidity indicators, maintains diversified funding sources, establishes limits and maintains a minimum percentage of liquid assets.

The liquidity risk is monitored and controlled through accumulated liquidity gaps. These gaps are built through maturities and cash flows from payments of the different instruments of the balance sheet, both assets and liabilities, creating thus a daily gap corresponding to the differences between payment obligations and receivables generated day to day. Cash flows include contractual maturity cash flows of the Brokerage Firm (incoming and outgoing cash).

Liquidity gaps to measure liquidity risk at the closing of December 2021 and the annual average are shown below:

Sensitivity 1bp	**December 2021**	**Average position**
Liquid assets (Under regulatory metric)	$2,080	$1,923

For the Brokerage Firm, the gap at the month-end of December 2021 was zero, considering that the available-for-sale securities position of the Brokerage Firm was zero, therefore, at the month-end of December 2021 the Brokerage Firm does not present any position in available-for-sale securities.

Interest rate risk arises as a result of funding activities, placement and investment of the Brokerage Firm and is derived from the uncertainty in earnings and/or value of the portfolio as a result of changes in interest rates, and occurs when there are mismatches (gaps) in the review of assets and liabilities with contractual maturity or subject to rate revision within a specified period, or else, when there are different reference rates for assets and liabilities.

(Continued)

(Millions of Mexican pesos)

Indicators such as sensitivity of economic value and margin sensitivity are used to measure interest rate risk. To calculate such indicators, repricing gaps are used, built based on reference rates of assets and liabilities. In the case of fixed rate positions the indicators are modeled according to contractual amortizations and maturities, while positions referenced to a floating rate are modeled according to their next repricing date.

Both the sensitivity of Economic Value and the margin sensitivity contemplate an impact of ±100 base points (bp) on interest rates and considers the maximum loss expected by currency

The sensitivity of the Economic Value incorporates the impact of change in interest rates on total expected cash flows and provides a measure of long-term impact of these variations, while the time window to estimate margin sensitivity is 12 months.

The sensitivity of the Brokerage Firm in the estimated Economic Value and the estimated variation in the financial income of the Financial Group at the month-end of December and in average for 2021, is shown below:

Economic Value (+100bp)	**December 2021**	**Average**
Group (1)	(603)	(610)
Bank	(596)	(602)
Brokerage Firm input	(4)	(4)
Margin sensitivity (+100bp)	**December 2021**	**Average**
Group (1)	403	548
Bank	390	538
Brokerage Firm input	15	13

(1) It includes Bank, Brokerage Firm, Scotia Fondos and Credito Familiar.

(Continued)

Available-for-sale securities treatment

At the month-end of December 2021, the Brokerage Firm did not hold available-for-sale securities position.

The available-for-sale securities, to be an integral part of the balance sheet's manage, are monitored under the aforementioned sensitivity measures (economic value and margin sensitivity).

The liquidity risk limits structure considers volumetric and notional amounts, sensitivity, liquid assets, concentration of deposits and liquidity gaps.

(d) Operational risk-

The operational risk is a non-discretionary risk, which is defined as the potential loss resulting from internal controls failures or deficiencies, errors in transaction processing or storage or in data transmission as well as adverse administrative or legal resolutions, frauds or theft and includes, among other things, technological risk and legal risk.

The Brokerage Firm has put in place policies and procedures enabling it to implement an appropriate operational risk management process, which are described as follows.

The Brokerage Firm determines its capital requirements using the basic indicator method.

Policies for operational risk management

These policies are intended to establish the principles and management framework to identify, measure, monitor, limit, control and disseminate the operational risks inherent in the day-to-day activities and to promote a risk management culture throughout the Brokerage Firm.

Operational Risk Assessment

The Brokerage Firm has a structured methodology for assessing operational risk, which allows the Brokerage Firm to identify, assess and mitigate, the inherent risks in its processes and business activity, which is applied to the entire structure, the assessment is based on the identification of the inherent operational risk, assessing of the effectiveness of controls in such risks, on which is determined a level of residual risk from which actions are set to mitigate the identified risks.

(Continued)

Manual for Operational Risk Data Gathering and Classification

These policies define the requirements for reporting the information that supports the measuring processes, as well as the scope of the data gathering process, the functions and responsibilities of the business units for gathering and reporting loss data, as its specific characteristics.

At the closing of 2021, the Brokerage Firm recorded operational risk losses for $20.1, $15.4 greater compared to 2020 for ($4.7). Likewise, at the year-end of 2021, the material operational risks that, in case of materialization, would cause an impact on the results of the entity amount $2.0 corresponding to legal risks, the exposure has provisions.

Operational risk tolerance levels

This is an operational loss management tool that enables each of the Brokerage Firm's area to know the tolerance levels of losses applicable to each assumed loss event, and serves as an incentive for the improvement of the operational risk management process and the adoption of the necessary action to minimize the risk of future losses.

Key risk indicators

This process allows the Brokerage Firm to establish indicators from process variables, which behavior is related to the level of risk assumed. By tracking each indicator, trends are identified that allow for managing the indicator's values over time. Admissible thresholds are established for each of the selected indicators.

Legal risk

Legal risk is defined as the potential loss due to non-compliance with applicable legal and administrative provisions, the issuance of unfavorable administrative and judicial resolutions and the application of sanctions.

In order to have policies and procedures that ensure the adequate implementation of the agreements and contracts in which the Brokerage Firm participates, the policies established in the legal area manual are followed, which provides security to the operations of the Brokerage Firm, safeguarding its interests, preventing and reducing legal risks and contingencies.

Technological risk

The technological risk is defined as the potential loss associated with damage, interruption, modification or failure resulting from the use of hardware, software, systems, applications, networks and any other channel for transmitting of information in rendering services to the Brokerage Firm´s customers.

(Continued)

To manage technology risk, the Brokerage Firm has a Technology Risk Management and Cybersecurity Policy that describes the policies and general principles for managing and monitoring risks associated with Information Technology and Cybersecurity.

The regular audits performed by an independent and skilled internal audit department include comprehensive reviews of the design, implementation and exploitation of the internal control systems in every business and support area, new products and systems and of the reliability and completeness of data processing operations.

Generic description of valuation techniques

Derivative financial instruments are valued at fair value, in accordance with the provisions of Accounting Criteria B-5, Derivatives and hedging transactions issued by the Banking Commission.

The evaluation methodology for trading positions is performed in (a) organized markets where the valuation is made at the market price in question, the prices are provided by the price provider contracted by the Brokerage Firm and (b) OTC markets where the present value of the estimated future flows is obtained.

In all cases, the Brokerage Firm performs the valuations of its positions and records the value obtained.

(20) Recently issued financial reporting standards-

Through publication in the Official Gazette dated December 4, 2020, the Banking Commission announced the obligation as of December 1. January 2022, for the adoption of the following FRS issued by the CINIF: B-17 "Determination of fair value", C-3 "Accounts receivable", C-9 "Provisions, contingencies and commitments", C-16 "Impairment of financial instruments receivable", C-19 "Financial instruments payable", C-20 "Financial instruments to collect principal and interest", D-1 " Income from contracts with customers", D-2 "Costs from contracts with customers" and D-5 "Leases". In accordance with the transitory articles mentioned in the Provisions, and as a practical solution for the Brokerage Firms in the application of the accounting criteria contained in annex 5 that are modified, they may recognize on the date of initial application, that is, on January 1, 2022, the cumulative effect of the accounting changes. Likewise, the basic quarterly and annual financial statements that are required from the Brokerage Firms, in accordance with the Provisions corresponding to the period ended December 31, 2022, should not be presented comparatively with each quarter of the 2021 fiscal year and for the year ended on December 31, 2021.

(Continued)

Below is a summary of the FRS adopted:

FRS B-17 "*Determination of fair value*"- FRS B-17 must be applied in determining the fair value. This FRS establishes the valuation and disclosure standards in the determination of the fair value, in its initial and subsequent recognition, if the fair value is required or permitted by other particular FRS. Where applicable, changes in valuation or disclosure should be recognized prospectively. This FRS must be applied, except for what is established in the particular criteria defined in the Single Circular of Brokerage firms.

Some specific details for brokerage firms are:

Entities may not classify as Level 1 the updated prices for valuation that they determine through the use of internal valuation models.

Additionally, they must disclose:

- The type of virtual asset and/or financial instrument to which an internal valuation model is applicable.

- When the volume or level of activity has decreased significantly, they must explain the adjustments that, if applicable, have been applied to the updated price for valuation.

The Administration recognized the initial effect of the entry into force of this standard, which it considers immaterial for the purposes of the financial statements as a whole.

FRS C-2 "Investment in financial instruments"- The Accounting Criteria issued by the Banking Commission "Investments in securities" (B-2) is repealed and it is established that FRS C-2 must be applied, in terms of the application of the regulations related to the registration, valuation and presentation in the financial statements of its investments in financial instruments as shown in the following page.

(Continued)

- The classification of financial instruments eliminates the concept of intention to acquire and use an investment in a financial instrument to determine its classification and instead adopts the business model of managing investments in financial instruments to obtain cash flows. With this change, the categories of held-to-maturity and available-for-sale instruments are eliminated. They must determine the business model they will use to manage their investments, classifying them in one of the following three categories: Negotiable financial instruments (IFN), Financial instruments to collect or sell (IFCV), or Financial instruments to collect principal and interest (IFCPI).

- Establishes the valuation of investments in financial instruments also according to the business model, indicating that each model will have its own item in the statement of comprehensive income.

- Adopts the principle that all financial instruments are valued on initial recognition at fair value.

- The valuation results that are recognized before the investment is redeemed or sold will be unrealized and, consequently, will not be subject to capitalization or distribution of dividends among its shareholders, until they are made in cash.

- Brokerage Firms, for the identification and recognition of adjustments for impairment, must adhere to the provisions of FRS C-2 "Investment in financial instruments", issued by the CINIF.

In the application of FRS C-2, the Banking Commission establishes the following considerations:

- The exception to irrevocably designate, in its initial recognition, a financial instrument to collect or sell, to be subsequently valued at its fair value with effects on the net result referred to in paragraph 32.6 of the FRS, will not be applicable to entities. C-2.

- Expected credit losses due to impairment of investments in financial instruments as indicated in section 45 of FRS C-2 must be determined in accordance with the provisions of FRS C-16. In this regard, although the Banking Commission does not establish specific methodologies for its determination, it would be expected that the expected credit losses due to the deterioration of securities issued by a counterparty, be consistent with the deterioration determined for loans granted to the same counterparty.

(Continued)

Reclassifications

- Entities that carry out reclassifications of their investments in financial instruments under section 44 of FRS C-2, must report this fact in writing to the Banking Commission within 10 business days following its determination, detailing the change. in the business model that justifies them. Said change must be authorized by the Risk Committee of the Brokerage firms.

The Brokerage firms must consider the Updated Price for Valuation provided by the Price Provider they have contracted, for the following:

a) Securities registered in the Registry or authorized, registered or regulated in markets recognized by the Banking Commission through general provisions.

b) Derivative Financial Instruments that are listed on national derivatives exchanges or that belong to markets recognized by the Central Bank.

c) Underlying assets and other financial instruments that are part of the Structured Transactions or Derivative Packages, in the case of Securities or financial instruments provided for in a) and b).

Management recognized the initial effect of the entry into force of this standard, which it considers immaterial for the purposes of the financial statements as a whole.

FRS C-9 "*Provisions, Contingencies and Commitments*" - It leaves Bulletin C-9 "Liabilities, provisions, assets and contingent liabilities and commitments" without effect, its scope is reduced by relocating the topic related to the accounting treatment of financial liabilities in the FRS C-19 "Financial instruments payable" and the definition of liability is modified, eliminating the qualifier "virtually unavoidable" and including the term "probable".

(Continued)

FRS C-16 ***"Impairment of financial instruments receivable"***- When observing the criteria indicated in FRS C-16 "Impairment of financial instruments receivable", the Brokerage Firms must recognize the expected losses due to impairment considering the following:

- Establishes that an IFC's impairment losses must be recognized when, as the credit risk has increased, it is concluded that part of the IFC's future cash flows will not be recovered.

- Proposes that the expected loss be recognized based on the historical experience of the credit loss entity, the current conditions and the reasonable and sustainable forecasts of the different quantifiable future events that could affect the amount of the future cash flows of the IFC.

- In the case of IFCs that accrue interest, it establishes how much and when it is estimated to recover the amount of the IFC, since the recoverable amount must be at its present value.

- It establishes that, if the IFCPI was not withdrawn due to the renegotiation, it is appropriate to continue valuing the financial instrument using the original effective interest rate, which should only be modified due to the effect of the renegotiation costs.

The Banking Commission establishes certain specifications for the application of FRS C-16 as follows:

- For purposes of determining the amount of the expected credit loss referred to in paragraph 45.1.1 of FRS C-16, the effective interest rate used to determine the present value of the cash flows to be recovered must be adjusted when it is decided to modify said rate periodically in order to recognize the variations in the estimated cash flows to be received.

- The constitution of reserves is established for the total debt and specific terms at the time of applying the practical solutions referred to in paragraph 42.6 of the FRS C-16.

- Additionally, no estimate of expected credit losses will be constituted for balances in favor of taxes, and creditable value added tax.

The Administration recognized the initial effect of the entry into force of this standard, which it considers immaterial for the purposes of the financial statements as a whole.

(Continued)

FRS C-19 *"Financial instruments payable"*- Some of the main points covered by this MFRS include the following:

- It provides for the possibility of measuring, subsequent to their initial recognition, certain financial liabilities at fair value when certain conditions are fulfilled.

- Long-term liabilities are initially recognized at present value.

- In restructuring a liability, without the future cash flows for its settlement being substantially modified, the costs and commissions expensed in this process shall affect the amount of the liability and be amortized on a modified effective interest rate basis instead of directly affecting net income or loss.

- It includes the provisions of IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments", which was not provided for by the existing standard.

- The effect of extinguishing a financial liability should be presented as financial income (loss) in the comprehensive statement of income.

- It introduces the concepts of amortized cost in valuing financial liabilities and of the effective interest method based on the effective interest rate.

The Banking Commission establishes certain specifications for the application of FRS C-19 as follows:

Initial recognition of a financial instrument payable

The provisions of paragraph 41.1.1 number 4 of FRS C-19, regarding using the market rate as the effective interest rate in the valuation of the financial instrument payable when both rates are substantially different, will not apply.

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Financial instruments payable valued at fair value

The exception to irrevocably designate in its initial recognition a financial instrument payable to be subsequently valued at its fair value with effect on the net result referred to in section 42.2 of FRS C-19 will not be applicable to entities.

Management recognized the initial effect of the entry into force of this standard, which it considers immaterial for the purposes of the financial statements as a whole.

FRS C-20 ***"SPPI Financing instruments receivable"*** **-** The main characteristics issued for this FRS are shown below:

- The way of classifying financial instruments in assets is modified, since the concept of intention to acquire and hold them is discarded to determine their classification, instead the concept of the Administration's business model is adopted.

- This classification groups financial instruments whose objective is to collect the contractual cash flows and obtain a profit for the contractual interest they generate, having a loan characteristic.

- They include both financial instruments generated by sales of goods or services, financial leases or loans, as well as those acquired in the market.

Initial recognition of a financial instrument to collect principal and interest

The provisions of paragraph 41.1.1 number 4 of FRS C-20 will not apply regarding using the market rate as the effective interest rate in the valuation of the financial instrument to collect principal and interest when both rates are substantially different.

(Continued)

Fair Value Option

The exception to irrevocably designate in its initial recognition a financial instrument to collect principal and interest, to be subsequently valued at its fair value with effect on the net result referred to in paragraph 41.3.4 of the FRS C-20.

Loans to officials and employees

The interest originated from loans to officials and employees will be presented in the statement of comprehensive income in the caption of other income (expenses) of the operation.

Management recognized the initial effect of the entry into force of this standard, which it considers immaterial for the purposes of the financial statements as a whole.

FRS C-10 "Derivative financial instruments and hedging relationships"- Its objective is to establish the valuation, presentation and disclosure standards for the initial and subsequent recognition of derivative financial instruments (DFI) and hedging relationships, in the financial statements. Bank financials.

This standard focuses on establishing the following specific objectives of a hedging relationship:

- define and classify the permissible models for recognition of hedging relationships;

- establish both the conditions that a financial instrument, derivative or non-derivative, must meet to be designated as a hedging instrument, as well as the conditions that the hedged items must meet to be designated in one or more hedging relationships;

- define the concept of alignment of the risk management strategy of an entity to designate a hedging relationship; and

- establish the methods that helps to evaluate the effectiveness of a hedging relationship and the possibility of rebalancing it.

(Continued)

The Banking Commission establishes certain specifications for the application of FRS C-10 as follows:

Adds to the glossary of terms the definitions of Synthetic Operations with derivative financial instruments and Spot Price.

Likewise, brokerage firms must observe the following criteria:

- Credit Derivative Financial Instruments.
- Structured operations and packages of derivative financial instruments.

In addition, it establishes some clarifications on the recognition and valuation of derivative financial instruments that are listed below:

- Bundles of derivative financial instruments listed on a recognized market as a single financial instrument.
- Derivative financial instruments not listed on recognized markets or exchanges.
- Fair value coverage for interest rate risk of a portion of a portfolio made up of financial assets or financial liabilities (establishes specific conditions for this type of coverage).

Management recognized the initial effect of the entry into force of this standard, which it considers immaterial for the purposes of the financial statements as a whole.

FRS D-1 "*Revenue from contracts with customers*"- Some of the primary changes are the following:

- The transfer of control as the basis for the opportunity of revenue recognition is established.

- The identification of the obligations to be fulfilled in a contract is required.

(Continued)

- It indicates that the transaction amount between obligations to fulfill must be assigned based on independent sales prices.

- The concept “conditional account receivable” is introduced.

- The recognition of collection rights is required.

- Requirements and guidance on how to value the variable consideration and other aspects, upon the income are established.

Within annex 5, recognition is established in accordance with those established in this FRS for the following:

- Commission income from the granting of guarantees (B-8 Guarantees).

- Income derived from custody or administration services (B-9 Custody and Administration of assets).

- Income from management of Trusts (B-10 Trusts), including the suspension of the accumulation of the income, at the moment in which the debt for these presents 90 or more calendar days of non-payment, and may be accumulated again when the debt pending payment is settled in full.

- Operations carried out by development banking institutions as Financial Agent of the Federal Government (B-10 Trusts).

FRS D-2 ***“Costs from contracts with customers”*-** The main change is the separation of the standard related to the recognition of revenues from contracts with customers, from the standard corresponding to the recognition of costs for contracts with customers.

- The evaluation of straight line origination costs is modified and measurement and valuation methods are incorporated:

  - Amortized Cost: It is the present value of the contractual cash flows receivable from the loan portfolio, plus the transaction costs to be amortized, using the effective interest method and subtracting the preventive estimate for credit risks.

  - Effective Interest Rate: It is the rate that exactly discounts the estimated future cash flows that will be collected during the expected life of a loan in determining its amortized cost. Its calculation must consider the contractual cash flows and the relative transaction costs.

  - Amortized origination costs at the effective rate.

(Continued)

FRS D-5 ***"Leases"*****-** The application for the first time of this FRS generates accounting changes in the financial statements mainly for the lessee and grants different options for its recognition. Among the main changes are mentioned below:

- Eliminates the classification of leases as operating or capitalized for a lessee, and the latter must recognize a lease liability at the present value of the payments and an asset for the right of use for the same amount, of all leases with a duration greater than 12 years. months, unless the underlying asset is of low value.

- An expense is recognized for depreciation or amortization of right-of-use assets and an interest expense on lease liabilities.

- Modifies the presentation of the related cash flows since cash flow outflows from operating activities are reduced, with an increase in cash flow outflows from financing activities.

- Modifies the recognition of the gain or loss when a seller-lessee transfers an asset to another entity and leases that asset back.

- It is established that a lease liability in a sale-leaseback transaction must include both fixed payments and estimated variable payments and includes details of the procedure to be followed in accounting recognition.

- The accounting recognition by the lessor has not changed in relation to the previous Bulletin D-5, and only some disclosure requirements are added. such as the addition of clarifications to the disclosures for short-term and low-value leases for which a right-of-use asset was not recognized.

- Incorporates the possibility of using a risk-free rate to discount future lease payments and thus recognize the lease liability of a lessee. Restricts the use of the practical expedient to prevent significant, identifiable non-lease components from being included in the measurement of right-of-use assets and lease liabilities.

In the application of FRS D-5, the Banking Commission establishes the following considerations:

For purposes of the provisions of paragraph 42.1.4 subsection c) and subsection d) of FRS D-5, it will be understood that the term of the lease covers most of the economic life of the underlying asset, if said lease covers at least 75% of its useful life. Likewise, the present value of the lease payments is substantially the entire fair value of the underlying asset, if the present value constitutes at least 90% of their fair value.

(Continued)

Brokerage firms that act as lessees in leases previously recognized as operating leases must initially recognize the lease liability in accordance with subparagraph a) of paragraph 81.4 of Financial Information Standard D-5 "Leases", and the asset for right of use, in accordance with the provisions of numeral ii), subsection b) of paragraph 81.4 of FRS D-5.

Operating leases

<u>Accounting for the lessor</u>

For the amount of the amortizations that have not been settled within a period of 30 calendar days following the due date of the payment, the lessor must create the corresponding estimate, suspending the accumulation of income, taking control of it in memorandum accounts in the heading of other registry accounts.

The lessor must present in the statement of financial position the account receivable in the caption of other accounts receivable, and the rental income in the caption of other income (expenses) of the operation in the income statement.

Management recognized the initial effect of the entry into force of this standard, which represents the recognition of a right-of-use asset for $41 and a lease liability for $41, respectively, which was recorded on January 31, 2022.

Improvements to FRS 2022

In September 2021, the CINIF issued the document called "Improvements to FRS 2022", which contains specific modifications to some already existing FRS. The main improvements that generate accounting changes are the following:

FRS D-3 “Employee benefits”-. The effects on the determination of the deferred Employee Profit Sharing (ESPS) are considered, derived from the changes in the determination of the ESPS caused by the decree published on April 23, 2021 by the Federal Government. This improvement comes into force for the exercises that start from the 1st. of January 2022, allowing its early application for the year 2021. The accounting changes that arise must be recognized prospectively as established in FRS B-1 Accounting changes and error corrections.

(Continued)

FRS B-17 “Determination of fair value”-. Eliminates the requirement of disclosures for a change in an accounting estimate derived from a change in a valuation technique or in its application. This improvement comes into force for the exercises that start from the 1st. of January 2022, allowing its early application for the year 2021. The accounting changes that arise must be recognized prospectively as established in FRS B-1 Accounting changes and error corrections.

FRS C-6 “Property, plant and equipment”-. Eliminates the requirement to disclose the planned time for construction in progress, when there are approved plans for it. This improvement comes into force for the exercises that start from the 1st. of January 2022, allowing its early application for the year 2021. The accounting changes that arise must be recognized prospectively as established in FRS B-1 Accounting changes and error corrections.

Management recognized the initial effect of the entry into force of these standards, which it considers immaterial for the purposes of the financial statements as a whole.