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

Consolidated financial statements

December 31, 2021 and 2020

(With Independent Auditors' Reports Thereon)

(Free Translation from Spanish Language Original)

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Independent Auditors' Report
(Translation from Spanish language original)

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

(Millions of Mexican pesos)

Opinion

We have audited the consolidated financial statements of Grupo Financiero Scotiabank Inverlat, S. A. de C. V. A foreign-owned Mexican Holding Company and subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2021 and 2021, the consolidated 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 consolidated financial statements of Grupo Financiero Scotiabank Inverlat, S. A. de C. V. A foreign-owned Mexican Holding Company and subsidiaries, have been prepared, in all material respects, in accordance with the Accounting Criteria for Financial Group Holding Companies in Mexico (the Accounting Criteria) issued by the National Banking and Securities Commission (the Banking Commission).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *"Auditors' Responsibilities for the Audit of the Consolidated Financial Statements"* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Mexico, and we have fulfilled 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(Continued)

Allowance for loan losses $16,816, in the consolidated balance sheet	
See notes 3(l) and 10(f) to the consolidated financial statements	
Key audit matter	**How the key audit matter was addressed in our audit**
The allowance for loan losses for the commercial loans portfolio involves significant judgement for the evaluation of the borrowers' ability to pay, considering the different factors in accordance with the methodologies for the credit portfolio rating process established by the Banking Commission as well as to assess the reliability in the documentation and its update, which is used as input for the determination of the allowance for loan losses for all the loan portfolios. Likewise, the caption allowance for loan losses, as of December 31, 2021 includes $ 1,938 in addition to the estimate based on the methodologies prescribed by the Banking Commission for the Commercial, Mortgage and Consumer portfolios, which, in the opinion of the Administration, is required to cover additional potential credit risks as a consequence of the impact on the economy caused by the COVID-19 pandemic. The internal model developed by the Group for the aforementioned purpose includes judgments and significant variables for calculating the additional estimate, such as: sectors of the economy most affected, projections of gross domestic product, interest rates, exchange rates, unemployment levels and default rates, among others. Therefore, we have determined the allowance for loan losses as a key audit matter.	The audit procedures applied to Management's determination of the allowance for loan losses and its effect on the year's results, included the assessment, on a sample basis, of both the inputs used and the calculation method for the different loan portfolios based on the methodology in force established by the Banking Commission for each type of loan portfolio. The main audit procedures applied to the additional allowance for loan losses, with the participation of our specialists, consisted of: i) inspection of the approval of the policy and model used by the Risk Committee (or by the body empowered for authorization) and ii) evaluation of the model used and the relevant inputs used for the calculation.

(Continued)

Over the counter derivative financial instruments $19,043 (assets) and $20,229 (liabilities) and hedging transactions $4,734 (assets) and $3,936 (liabilities)	
See notes 3(i) and 9 to the consolidated financial statements.	
Key audit matter	**How the key audit matter was addressed in our audit**
Fair value determination at the balance sheet date of some of some over the counter derivative financial instruments and hedging transactions, is carried out through the use of valuation techniques that involve a significant degree of judgement by Management, mainly when the use of inputs from various sources or data not observable in financial markets and complex valuation models is required. In addition, the requirements that must be met for accounting for financial instruments classified as hedges, as well as documentation and monitoring to prove their effectiveness, involves a certain degree of specialization applied by Management. Therefore, we have considered the determination of the fair value of some over the counter derivative financial instruments and hedging operations as a key audit matter.	As part of our audit procedures, we obtained evidence of the approval by the Group's Risk Committee, of the valuation model for derivative financial instruments and hedging operations used by Management. Likewise, on a sample basis, we assessed the reasonableness of those models and inputs used, through the involvement of our valuation specialists. In addition, on a sample basis, we assessed the fair value determination of the derivative products and hedging operations, the proper compliance with the criteria and documentation to be considered as such, as well as their effectiveness.

(Continued)

Current income tax (ISR) \$2,232, Employee statutory profit sharing (ESPS) \$465, deferred income taxes and ESPS of \$8,167 in the consolidated balance sheet (assets)	
See notes 3(s) and 18 to the consolidated financial statements.	
Key audit matter	**How the key audit matter was addressed in our audit**
Determination of current and deferred income taxes and ESPS, mainly due to the interpretation of the legislation in force in the tax matters and requires of judgement mainly in the valuation of deferred taxes and ESPS assets to assess both current and future factors that allow to estimate the realization of such assets. Therefore, we consider the determination of current and deferred taxes and ESPS as a key audit matter.	The audit procedures applied to assess the reasonableness of the calculations determined by Management for the recognition of current and deferred income taxes and ESPS, included, among others, sample tests of both the inputs and the nature of the items used in the calculation, considering the legislation in force in tax matters. With the involvement of our tax specialists, we assessed the reasonableness of the significant tax assumptions, the reversal period of the temporary differences, as well as the reasonableness of the tax strategies applied by the Group's Management. In addition we assessed the tax profit projections determined by the Group's Management that support the probability of the realization of deferred income taxes and ESPS assets.

Responsibilities of Management and those charged with governance for the consolidated financial statements

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

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

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

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Auditors' responsibilities for the audit of the consolidated financial statements

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

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

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

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

(Continued)

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 actions taken to eliminate threats or safeguards applied.

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

KPMG CÁRDENAS DOSAL, S. C.

Ricardo Lara Uribe

Mexico City, March 18, 2022.

Grupo Financiero Scotiabank Inverlat, S. A. de C. V. and subsidiaries
(A foreign-owned Mexican Holding Company)
Lorenzo Boturini N° 202, Col. Tránsito, C. P. 06820, Mexico City

Consolidated 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)

Assets	2021	2020
Cash and cash equivalents (note 6)	$ 56,965	30,167
Margin accounts	503	2,704
Investment securities (note 7):		
Trading	67,203	69,811
Available-for-sale	62,066	64,608
Held-to-maturity	5,135	5,048
	134,404	139,467
Securities lending (note 8)	1	1
Derivatives (note 9):		
Trading purposes	19,043	20,010
Hedging purposes	4,734	4,006
	23,777	24,016
Valuation adjustment from hedging of financial assets (notes 7 and 10c)	(298)	576
Current loan portfolio (note 10):		
Commercial loans:		
Business or commercial activity	185,172	179,410
Financial entities	20,038	26,348
Government entities	16,023	9,011
	221,233	214,769
Consumer loans	35,789	41,148
Residential mortgages loans:		
Medium and residential	157,571	140,986
Low income housing	5	7
Loans acquired from INFONAVIT	6,253	5,217
	163,829	146,210
Total current loan portfolio	420,851	402,127
Past-due loan portfolio (note 10):		
Commercial loans:		
Business or commercial activity	8,173	4,770
Financial entities	47	82
Consumer loans	1,489	3,137
Residential mortgages loans:		
Medium and residential	7,163	5,174
Low income housing	13	18
Loans acquired from INFONAVIT	157	91
Total past due loan portfolio	17,042	13,272
Loan portfolio	437,893	415,399
Less:		
Allowance for loan losses (notes 4, 10(f) and (g))	16,816	17,708
Total loan portfolio, net	421,077	397,691
Other accounts receivable, net (notes 6, 7, 8 and 9)	11,706	14,055
Foreclosed assets, net (note 11)	132	201
Premises, furniture and equipment, net (note 12)	4,454	4,149
Permanent investments (note 13)	117	113
Available-for-sale long-term assets	17	22
Deferred taxes and ESPS, net (note 18)	8,167	7,651
Other assets:		
Deferred charges, prepaid expenses and intangibles	8,537	7,442
Total assets	$ 669,559	628,255

Liabilities and stockholders' equity	2021	2020
Deposit funding (note 14):		
Demand deposits	$ 209,203	201,875
Time deposits:		
General public	195,983	154,298
Money market	4,303	15,536
Debt securities issued	30,891	33,000
Global account of deposits without movements	862	614
	441,242	405,323
Banking and other borrowings (note 15):		
Short-term	17,336	33,146
Long-term	31,071	33,466
	48,407	66,612
Traded securities to be settled (note 7b)	5,031	12,501
Creditors on repurchase/resell agreements (note 8)	46,498	25,066
Collaterals sold or pledged (note 8):		
Securities lending	1,660	636
Derivatives (note 9):		
Trading purposes	20,229	20,643
Hedging purposes	3,936	6,232
	24,165	26,875
Valuation adjustments from hedging financial liabilities (note 14c)	8	13
Other accounts payable:		
Income tax payable	603	1,957
Employee statutory profit sharing payable (note 18)	616	227
Creditors on settlement of transactions (notes 3c, 6, 7a, 8 and 9)	4,169	3,026
Creditors on collateral received in cash	961	887
Sundry creditors and other accounts payable	13,607	14,727
	19,956	20,824
Subordinated debt issued (note 19)	9,054	9,052
Deferred credits and prepayments	1,529	1,651
Total liabilities	597,550	568,553
Stockholders' equity (note 20):		
Paid-in capital:		
Capital stock	4,507	4,507
Earned capital:		
Statutory reserves	901	901
Retained earnings	56,662	53,295
Result from valuation of available-for-sale securities	(111)	416
Result from valuation of cash flow hedge instruments	379	(1,161)
Remeasurements of defined employees' benefits (note 16)	(704)	(1,615)
Net income	10,373	3,359
	67,500	55,195
Non-controlling interest	2	-
Total stockholders' equity	72,009	59,702
Commitments and contingent liabilities (note 23)		
Subsequent events (note 24)		
Total liabilities and stockholders' equity	$ 669,559	628,255

(Continued)

Grupo Financiero Scotiabank Inverlat, S. A. de C. V. and subsidiaries
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Lorenzo Boturini N° 202, Col. Tránsito, C. P. 06820, Mexico City

Consolidated balance sheets, continued

December 31, 2021 and 2020

(Millions of Mexican Pesos)

Memorandum accounts (notes 10c and 21)

		2021	2020
Transactions on behalf of third parties			
Customer current accounts:			
Customer banks	$	171	6
Settlement of customer transactions		27	158
		198	164
Custody operations:			
Customer securities in custody		492,230	487,924
Transactions on behalf of customers:			
Securities on repurchase/resell agreements by customers		48,928	52,604
Securities lending by customers		103	96
Collaterals received in guarantee by customers		25,012	31,314
Collaterals delivered in guarantee by customers		31,781	27,991
		105,824	112,005
Investment banking transactions on behalf of third parties		134,801	135,628
Total transactions on behalf of third parties	$	733,053	735,721

		2021	2020
Transactions by own account			
Assets in trust or under mandate:			
Trusts		395,622	397,967
Mandate		29,096	29,006
		424,718	426,973
Assets in custody or under management		876,286	940,690
Loan commitments		274,903	276,490
Collaterals received by the entity:			
Government debt		3,226	12,494
Bank debt		651	1,152
Net equity instruments		697	581
Other securities		6,763	7,872
		11,337	22,099
Collaterals received and sold or pledged by the entity:			
Government debt		25,892	1,067
Banking debt		424	-
Net equity instruments		103	113
		26,419	1,180
Interest earned but not collected arising from past-due loan portfolio		942	685
Other accounts		1,529,633	1,471,879
Total by own account	$	3,144,238	3,139,996

"As of December 31, 2021 and 2020, the historical capital stock amounts to $3,111, in both years"

See accompanying notes to consolidated financial statements.

"These consolidated balance sheets, with those of the financial and other entities comprising the Financial Group that are subject to consolidation, were prepared in accordance with the accounting criteria for financial group holding companies issued by the National Banking and Securities Commission based on Article 30 of the Law that Regulates Financial Groups, which are of a general and mandatory nature and have been applied on a consistent basis, accordingly, they reflect all the transactions carried out by the Holding Company and the financial and other entities comprising the Financial Group that are subject to consolidation, 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 consolidated balance sheets were approved by the Board of Directors under the responsibility of the following officers."

SIGNATURE	SIGNATURE	SIGNATURE	SIGNATURE
Adrián Otero Rosiles General Director of Scotiabank Inverlat, S.A., Multiple Banking Institution, Scotiabank Inverlat Financial Group	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 consolidated balance sheets faithfully match with the consolidated balance sheets originals, which are properly signed and held by the Financial Group."

http://www.scotiabank.com.mx/es-mx/Acerca-de-Scotiabank/Relacion-con-Inversionistas/Relaciones-con-Inversionistas/estados-financieros.aspx
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Lorenzo Boturini N° 202, Col. Tránsito, C. P. 06820, Mexico City

Consolidated statements of income

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Years ended December 31, 2021 and 2020

(Millions of Mexican pesos)

	2021	2020
Interest income (note 22b)	$ 44,488	49,508
Interest expense (note 22b)	(19,421)	(22,951)
Financial margin	25,067	26,557
Allowance for loan losses (notes 4, 10(e), (f) and (g))	(4,367)	(10,983)
Financial margin adjusted for allowance for loan losses	20,700	15,574
Commissions and fee income (note 22c)	7,921	7,130
Commissions and fee expense	(988)	(1,179)
Financial intermediation income (note 22d)	1,460	2,442
Other operating income, net (note 22e)	2,203	1,379
Administrative and promotional expenses	(17,837)	(20,324)
	(7,241)	(10,552)
Net operating income	13,459	5,022
Equity method in the results of associated companies	1	1
Income before income taxes	13,460	5,023
Current income tax (note 18)	(2,232)	(3,422)
Deferred income tax, net (note 18)	(853)	1,758
	(3,085)	(1,664)
Net income	10,375	3,359
Non-controlling interest	(2)	-
Net result controlling interest	$ 10,373	3,359

See accompanying notes to consolidated financial statements.

"These consolidated statement of income, with those of the financial and other entities comprising the Financial Group that are subject to consolidation, were prepared in accordance with the accounting criteria for financial group holding companies issued by the National Banking and Securities Commission based on Article 30 of the Law that Regulates Financial Groups, which are of a general and mandatory nature and have been applied on a consistent basis, accordingly, they reflect the income and expenses carried out by the Holding Company and the financial and other entities comprising the Financial Group that are subject to consolidation, 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 consolidated statement of income were approved by the Board of Directors under the responsibility of the following officers."

SIGNATURE

Adrián Otero Rosiles
General Director of Scotiabank Inverlat, S.A. Multiple Banking Institution, Scotiabank Inverlat Financial Group

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

"These consolidated statements of income faithfully match with the consolidated statements of income originals, which are properly signed and held by the Financial Group."

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Grupo Financiero Scotiabank Inverlat, S. A. de C. V. and subsidiaries
(A foreign-owned Mexican Holding Company)
Lorenzo Boturini N° 202, Col. Tránsito, C. P. 06820, Mexico City

Consolidated statements of changes in stockholders' equity

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Years ended December 31, 2021 and 2020

(Millions of Mexican pesos)

		Earned capital								
	Capital stock	Statutory reserves	Retained earnings	Result from valuation of available-for-sale securities	Result from valuation of cash flow hedge instruments	Remeasurements of defined employee benefits	Net income	Total stockholders' equity	Total stockholders' equity	Total stockholders' equity
Balances as of December 31, 2019	$ 4,507	901	47,242	61	(104)	(1,060)	6,036	57,583	-	57,583
Changes resulting from stockholders' resolutions:										
Resolution passed at the Ordinary General Stockholders' Meeting of April 30, 2020										
Appropriation of 2019 net income	-	-	6,036	-	-	-	(6,036)	-	-	-
Changes related to the recognition of comprehensive income (note 20c):										
Valuation effects, net of income tax for $261, available-for-sale securities and cash flow hedge instruments, (notes 7a, 9 and 18)	-	-	-	355	(1,057)	-	-	(702)	-	(702)
Remeasurements of defined employee benefits, net of deferred income tax for $138 (notes 16 and 18)	-	-	17	-	-	(555)	-	(538)	-	(538)
Net income	-	-	-	-	-	-	3,359	3,359	-	3,359
Total comprehensive income	-	-	17	355	(1,057)	(555)	3,359	2,119	-	2,119
Balances as of December 31, 2020	4,507	901	53,295	416	(1,161)	(1,615)	3,359	59,702	-	59,702
Changes resulting from stockholders' resolutions:										
Resolution passed at the Ordinary General Stockholders' Meeting of April 30, 2021										
Appropriation of 2020 net income	-	-	3,359	-	-	-	(3,359)	-	-	-
Changes related to the recognition of comprehensive income (note 20c):										
Valuation effects, net of deferred income taxes and ESPS for ($501), available-for-sale securities and cash flow hedge instruments, (notes 7a, 9 and 18)	-	-	-	(527)	1,540	(704)	-	309	-	309
Remeasurements of defined employee benefits, net of deferred income taxes and ESPS for ($182) (notes 16 and 18)	-	-	8	-	-	1,615	-	1,623	-	1,623
Net income	-	-	-	-	-	-	10,373	10,373	2	10,375
Total comprehensive income										
Balances as of December 31, 2021	$ 4,507	901	56,662	(111)	379	(704)	10,373	72,007	2	72,009

See accompanying notes to consolidated financial statements.

"These consolidated statements changes in stockholders' equity, with those of the financial and other entities comprising the Financial Group that are subject to consolidation, were prepared in accordance with the accounting criteria for financial group holding companies issued by the National Banking and Securities Commission based on Article 30 of the Law that Regulates Financial Groups, which are of a general and mandatory nature and have been applied on a consistent basis, accordingly, they reflect the movements in stockholders' equity accounts carried out by the Holding Company and the financial and other entities comprising the Financial Group that are subject to consolidation, 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 consolidated statements of changes in stockholders' equity were approved by the Board of Directors under the responsibility of the following officers."

SIGNATURE

Adrián Otero Rosiles
General Director of Scotiabank Inverlat, S.A.
Multiple Banking Institution, Scotiabank
Inverlat Financial Group

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Carlos Marcelo Brina
Deputy General Director of Finance

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Jorge Córdova Estrada
Deputy General Director of Group Audit

SIGNATURE

H. Valerio Bustos Quiroz
Director of Group Accounting

"These consolidated statements of changes in stockholders' equity faithfully match with the consolidated statements of changes in stockholders' equity originals, which are properly signed and held by the Financial Group."

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Consolidated statements of cash flows

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Years ended December 31, 2021 and 2020

(Millions of Mexican pesos)

	2021	2020
Net income	$ 10,375	3,359
Items not requiring cash flow:		
Impairment allowance or impairment reversal to investment and financing activities	(46)	265
Depreciation of premises, furniture and equipment	681	637
Amortization of deferred charges, prepaid expenses and intangible assets	623	485
Provisions, mainly allowance for loan losses	2,177	9,061
Current and deferred income taxes	3,085	1,664
Equity in income of associated companies	(1)	(1)
Other, mainly valuation at fair value	2,469	(330)
Subtotal	8,988	11,781
Operating activities:		
Change in margin accounts	2,201	(1,699)
Change in investment securities	4,385	(33,242)
Change in securities lending	-	(1)
Change in derivatives (asset)	2,825	(12,384)
Change in loan portfolio (net)	(27,734)	(6,761)
Change in foreclosed assets (net)	53	(93)
Change in other operating assets (net)	2,804	10,040
Change in deposit funding	35,919	41,062
Change in bank and other borrowings	(18,205)	10,970
Change in creditors on repurchase / resell agreements	21,432	(22,298)
Change in collaterals sold or pledged	1,027	587
Change in derivatives (liabilities)	(2,734)	12,169
Change in subordinated debt issued	3	6
Change in other operating liabilities	(10,102)	(17,881)
Payments of income taxes	(2,801)	(2,334)
	9,073	(21,859)
Net cash flows provided by operating activities	28,436	(6,719)
Investing activities:		
Collections of disposal of premises, furniture and equipment	(986)	-
Payments for acquisition of property, furniture and equipment	-	(737)
Payments for acquisition of subsidiary and associates	(3)	-
Collections of cash dividends	1	1
Payments for acquisition of intangible assets	(652)	(514)
Net cash flows used in investing activities	(1,640)	(1,250)
Net cash flows from incremental financing activities in non-controlling interest	2	-
Increase (decrease) net in cash and cash equivalents	26,798	(7,969)
Cash and cash equivalents at the beginning of the year	30,167	38,136
Cash and cash equivalents at the end of the year	$ 56,965	30,167

See accompanying notes to consolidated financial statements.

"These consolidated statements of cash flows, with those of the financial and other entities comprising the Financial Group that are subject to consolidation, were prepared in accordance with the accounting criteria for financial group holding companies issued by the National Banking and Securities Commission based on Article 30 of the Law that Regulates Financial Groups, which are of a general and mandatory nature and have been applied on a consistent basis, accordingly, they reflect the cash inflows and outflows carried out by the Holding Company and the financial and other entities comprising the Financial Group that are subject to consolidation, 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 consolidated statements of cash flows were approved by the Board of Directors under the responsibility of the following officers."

SIGNATURE

Adrián Otero Rosiles
General Director of Scotiabank Inverlat, S.A.
Multiple Banking Institution, Scotiabank
Inverlat Financial Group

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Carlos Marcelo Brina
Deputy General Director of Finance

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Deputy General Director of Group Audit

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H. Valerio Bustos Quiroz
Director of Group Accounting

"These consolidated statements of cash flows faithfully match with the consolidated statements of cash flows originals, which are properly signed and held by the Financial Group."

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

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

(1) Activity and outstanding operation-

a) Activity

Grupo Financiero Scotiabank Inverlat, S. A. de C. V., a foreign owned Mexican Holding Company (the Group) located in Lorenzo Boturini 202, 2nd floor, Col. Tránsito, 06820 in Mexico City, is a subsidiary of The Bank of Nova Scotia (BNS), which owns 97.4% of its capital stock and is authorized to acquire and manage voting right stocks issued by financial and brokerage entities, auxiliary credit organizations, and other entities primarily engaged in providing complementary or auxiliary services to one or more of such financial entities.

As at December 31, 2021 and 2020, the Group and its subsidiaries, which have been consolidated, are as follows:

- Scotiabank Inverlat, S. A., Institución de Banca Múltiple, Grupo Scotiabank Inverlat (the Bank), which in accordance with the Credit Institutions Law and general provisions issued by the National Banking and Securities Commission (the Banking Commission) is authorized to carry out multiple-service banking transactions comprising, amongst other, accept deposits from the general public, granting and receiving loans, engaging in securities transactions and providing trust services. The Bank has three consolidated subsidiaries (a real estate banking company, a company of complementary banking services, an operating company listed on the Mercado Mexicano de Derivados, S. A. de C. V. (MexDer). The derivatives operating company also has two trusts that are clearing members and shareholders of the capital stock of MexDer (the MexDer Trusts)).

- Scotia Inverlat Casa de Bolsa, S. A. de C. V. Grupo Scotiabank Inverlat (the Brokerage Firm), is a company authorized to act as intermediary in securities and financial transactions in accordance with the applicable laws and general dispositions issued by the Banking Commission.

- Scotia Fondos, S. A. de C. V., Sociedad Operadora de Fondos de Inversión, Grupo Scotiabank Inverlat (the Fund Management Company), is a company authorized to act as the operator of a fund company in accordance with the applicable laws general dispositions issued by the Banking Commission.

  As of December 31, 2020, the Fund Management Company manages 15 mutual funds investing debt instruments and 26 mutual funds investing in equity.

(Continued)

- Servicios Corporativos Scotia, S. A. de C. V. (SECOSA) was a entity that provided personnel and technical advisory services in areas such as: human resources, finance and legal, among others, until June 30, 2021.

- Crédito Familiar, S. A. de C. V., Sociedad Financiera de Objeto Múltiple Entidad Regulada, Grupo Scotiabank Inverlat (Crédito Familiar), which in accordance with the applicable laws general provisions issued by the Banking Commission, is engaged in granting consumer loans. Crédito Familiar has two consolidating subsidiaries (a service company and an asset management company).

b) Outstanding operation

Servicios Corporativos Scotia, S. A. de C. V.

On June 30, 2021, the Extraordinary General Assembly of Shareholders was held, where the merge of Servicios Corporativos Scotia, S. A. de C. V. ("SECOSA") as "Merged Company" with the Bank as "Merging Company" was approved, extinguishing SECOSA.

On July 1, 2021, the Bank and SECOSA, its related party, obtained the necessary authorizations from the Ministry of Finance and Public Credit (SHCP), the Bank of Mexico (Central Bank) and the Banking Commission to carry out the merge of SECOSA as the merged company that is extinguished, with the Bank, as the merging company that remains.

In accordance with the General Law of Commercial Companies, when the merge takes effect, all the assets, liabilities, rights, obligations and responsibilities of the merged company are incorporated into the merging company, without reservation or limitation. Below are the goods, assets and rights, as well as the liabilities that were incorporated into the Bank as a result of the merge.

(Continued)

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

Notes to the consolidated financial statements

(Millions of Mexican pesos)

		Before the SECOSA merge Merged Entity	Before the Bank merge Merging Entity	After the Bank merge Merging Entity
Assets:				
Cash and cash equivalents	$	1,388	54,565	55,953
Margin accounts		-	2,674	2,674
Investments securities		-	142,500	142,500
Debtors on repurchase		-	29,430	29,430
Derivatives		-	19,720	19,720
Valuation adjustment from hedging of financial assets		-	76	76
Loan portfolio		-	411,327	411,327
Allowance for loan losses		-	(16,741)	(16,741)
Other accounts receivable		609	25,377	25,986
Foreclosed assets		-	109	109
Properties		636	1,582	2,218
Permanent investments		-	3,307	3,307
Long-term assets		-	22	22
Deferred taxes		875	6,239	7,114
Other		1,382	5,996	7,378
Total Assets	**$**	**4,890**	**686,183**	**691,073**
Liabilities:				
Deposit funding	$	-	437,593	437,593
Bank and other borrowings		-	56,310	56,310
Trade securities to be settled		-	20,149	20,149
Creditors on repurchase/resell agreements		-	51,886	51,886
Collateral sold		-	323	323
Derivatives		-	20,199	20,199
Valuation adjustment of hedging financial liabilities		-	10	10
Other accounts payable		4,192	29,482	33,674
Subordinated debt obligations		-	9,049	9,049
Deferred credits and prepayments		-	1,528	1,528
Total Liabilities	**$**	**4,192**	**626,529**	**630,721**
Net assets received in the merge	**$**	**698**	**59,654**	**60,352**

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(2) Authorization and basis for presentation-

Authorization

On March 18, 2022, Adrián Otero Rosiles (General Director of Scotiabank Inverlat, S. A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat), Carlos Marcelo Brina (Deputy General Director of Finance), Jorge Córdova Estrada (Deputy General Director of Group Audit) and H. Valerio Bustos Quiroz (Director of Group Accounting) authorized the issuance of the accompanying consolidated financial statements and related notes.

The Group's consolidated financial statements include the Group's subsidiaries on which the Group exercises control: the Bank, the Brokerage Firm, the Fund Management Company, SECOSA until June 30, 2021, and Crédito Familiar. Significant balances and transactions with the Group´s companies have been eliminated in preparing the consolidated financial statements.

The consolidation was carried out using the audited financial statements of the subsidiaries at December 31, 2021 and 2020.

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

Basis for presentation

a) Statement of compliance

The accompanying consolidated financial statements have been prepared, based on the applicable legislation, in conformity with the Accounting Criteria contained in the General Provisions applicable to holding companies of financial groups established by the Banking Commission (the Accounting Criteria), who is responsible for the inspection and supervision of financial group holding companies, 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 financial group holding companies, and in a wider context the Mexican Financial Reporting Standards (MFRS), issued by the 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 FRS are met by the standard. The suppletory application shall be in the following order: U.S. Generally Accepted Accounting Principles (US GAAP), and then any other formal and recognized accounting standard, provided they do not contravene the accounting criteria A-4 of the Banking Commission.

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b) Use of estimates and judgments

The preparation of the consolidated financial statements requires management 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 consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those 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 consolidated financial statements is described in the notes to the consolidated financial statements mentioned below.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the following year are included in the notes to the consolidated financial statements.

— Valuation of derivative financial instruments: key assumptions to determine the market value, especially those complex derivatives or without an active market (see note 9).
— Determination of the allowance for loan losses: assumptions and inputs used in determination (see note 10f).
— Impairment of premises, furniture and equipment: evidence of impairment of the value of fixed assets, including key assumptions for determining the recoverable amount of such assets (see note 12).
— Measurement of defined benefit obligations: key actuarial assumptions (see note 3(y) and 16).
— Recognition of assets for taxes and employee statutory profit sharing (ESPS) deferred: availability of future taxable profits and the materialization of taxes and ESPS deferred (see note 18).

c) Functional and reporting currency

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

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

d) Recognition of assets and liabilities related to financial instruments

Assets and liabilities related to the purchase and sale of foreign currencies, investment in securities, securities repurchase/resell agreements and derivatives are recognized in the consolidated financial statements on the trade date, regardless of the settlement date.

(Continued)

(Millions of Mexican pesos, except UDI value)

(3) Summary of significant accounting policies-

The accounting policies shown below have been applied uniformly in the preparation of the consolidated financial statements presented, and have been applied consistently by the Group.

(a) Recognition of the effects of inflation-

The accompanying consolidated 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 Group's financial information are not recognized. Should the Group 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 below:

		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) Offsetting of financial assets and financial liabilities-

The recognized financial assets and liabilities are offset so that the debit or credit balance is presented in the consolidated balance sheet, as applicable, only if, there is the contractual right to offset the recognized amounts, and the intention to settle the net amount, or to realize the asset and cancel the liability, simultaneously.

(c) Principles of consolidation-

The consolidated financial statements include the accounts of Group and those of its subsidiaries which it controls. All significant inter-company balances and transactions have been eliminated in consolidation.

(Continued)

(Millions of Mexican pesos)

The subsidiaries consolidated with the Group as of December 31, 2021 and 2020, are detailed as follows:

Subsidiary	Participation	Location	Activity
Bank	99.99%	Mexico City	Multiple banking operation
Brokerage Firm	99.99%	Mexico City	Intermediation in securities and financial operations.
Operadora de Fondos	99.99%	Mexico City	Investment Fund Operation.
SECOSA[(1)]	99.99%	Mexico City	Provision of personnel and technical advisory services.
Crédito Familiar	99.99%	Mexico City	Granting consumer loans.

(1) SECOSA was consolidated until June 30, 2021.

(d) Cash and cash equivalents-

Cash and cash equivalents consist of cash in hand, deposits with banks in pesos and dollars, as well as foreign currency purchase and sale transactions not considered derivatives according to the applicable regulation established by Bank of Mexico (Central Bank). This caption also includes restricted cash and cash equivalents comprised of bank borrowings with original maturities of up to three days ("Call Money"), excess of plan assets for maximum obligation of employee benefits according to the MFRS D-3 "Employee benefits" and deposits in the Central Bank which include the regulation monetary deposits that the Bank is required to maintain in conformity with the provisions issued by the Central Bank for the purpose of regulating liquidity in the financial market; the deposits lack term and bear interest at the average funding rate, which are recognized in the income statement as accrued.

The cash and cash equivalents are recognized at nominal value. For the bank accounts denominated in dollars, the exchange rate used for the translation is the one published by the Central Bank. The translation effect and interests earned are recognized in the income statement, as interest income or interest expense, accordingly, on an accrual basis.

Additional contributions or withdrawals made by the Group to the cash margin account are also recognized as other cash and cash equivalents.

Immediate collection notes will be recorded as other cash equivalent according to what is mentioned as follows:

– Transactions with Mexican entities; two business days after the transaction took place.

(Continued)

- Transactions with foreign entities; five business days after the transaction took place.

When the notes mentioned in the preceding paragraph are not collected within the established deadlines, the related amounts will be transferred to the originating item, as applicable, either “Other accounts receivable, net” or “Loan portfolio”, and due consideration should be given to the provisions of criterion A-2, “Application of particular standards”, and B-6 “Loan portfolio”, respectively.

Transactions transferred to sundry debtors under the caption “Other accounts receivable”, not settled within fifteen days following the transfer date will be classified as past-due debts and an allowance for their total amount recorded will be recorded concurrently.

Notes received subject to collection are recorded in memorandum accounts under the caption “Other accounts”.

Checking account overdrafts, as reported in the statement of account issued by the corresponding credit institution, are shown in the caption “Sundry creditors and other accounts payable”. Likewise, the offset balance of receivable currencies against deliverable currencies, in case this results a credit balance.

The bank yield generated by deposits in financial entities, bank borrowings operations agreed to a term of less than or equal to 3 business days, as well as the valuation effects of those made in foreign currency, are presented in the consolidated statement of income, under the caption "Interest income" or "Interest expense", as appropriate.

The foreign exchange currencies acquired and agreed to be settled in purchase transactions to 24, 48, 72 and 96 hours, are recognized as restricted cash (foreign currency receivable), while the currency sold is recorded as cash outflow (foreign currency payable). 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 "Other accounts receivable, net" and "Creditors on settlement of transactions”, respectively.

(e) Margin accounts-

Financial assets granted in cash required to the Group to operate derivatives in recognized markets are recorded at par value and presented in the caption “Margin accounts”. The value of 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 Group.

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 “Commission and fee expense”, respectively. The partial or total amounts deposited or withdrawn in the clearinghouse owing to price fluctuations of derivatives are recognized in “Margin accounts”.

The compensation fund of MexDer Trusts is deposited in the Trust 30430 Asigna, Compensación y Liquidación (Asigna) in accordance with the established rules, provisions, internal regulation and operating manual of Asigna and is comprised of cash contributions made by the Trusts based on the open agreements recorded in their accounts and of the minimum initial contributions required by Asigna. The compensation fund is recognized as restricted under the caption "Cash and cash equivalents”.

As of December 31, 2021 and 2020, the margin accounts are made up of cash guarantees for derivative financial operations in recognized markets for $ 503 and $2,704, respectively.

(f) 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 management of the Group on their ownership, at the time of acquiring a certain instrument.

Trading securities-

Trading securities are those acquired with the intention of selling 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 for 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 on every reporting date, securities are valued at fair value provided by an independent price vendor; valuation effects and results of the buy/sell are recognized in the year’s income, within the caption “Financial intermediation income”. When the securities are sold, the result of buy/sell 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 buy/sell result caption.

(Continued)

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".

Available-for-sale securities-

Available-for-sale securities are those whose intention are not oriented to profit from differences in prices in the short term or does not have the intention or capacity to hold until maturity. The initial recognition and subsequent valuation is performed in the same manner as trading securities, except that the effect of valuation is recognized in stockholders' equity under the caption "Unrealized result from valuation of available-for-sale securities", and which is adjusted by the effect of deferred taxes, which is cancelled for its recognition in income at the time of sale within the caption of "Financial intermediation income".

The valuation of the instruments in this category designated as a heading covered by fair value hedging derivatives, is recognized in the caption "Financial intermediation income".

Accrued interest is determined according to the effective interest method and are recognized in the year's income under the caption "Interest income".

Dividends from equity instruments are recognized in the year's income when the right to receive payment thereof arises under the caption "Interest income".

The gain or loss in foreign exchange from securities classified as available for sale denominated in foreign currency is recognized in results for the year.

Held-to-maturity securities-

Are those debt securities with fixed or determinable payments and with fixed maturity, regarding which the entity has the intention and capacity to hold to maturity. These securities are initially recognized at fair value, which is presumably the price paid, and later are valued at amortized cost, which implies that the amortization of the premium or discount as well as the transaction costs form part of interest earned recognized in income under "Interest income". Interest is recognized in income as earned and when the securities are sold, the sales gain or loss is recognized for the difference between the net realizable value and the book value of the securities within the caption of "Financial intermediation income".

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Securities' impairment-

Where sufficient objective evidence exists that an available for sale or held to maturity security has been impaired as a result of one or more events that occurred subsequent to initial recognition of the security, the carrying amount of the security is modified and the impairment is recognized in the year-end results under the caption "Financial intermediation income". Regarding available-for-sale securities, the amount of loss recognized in equity is reclassified to the year´s results.

If, in a subsequent period, the fair value of the security increases, and this effect is related objectively to an event occurring after the impairment was recognized in the income statement, the impairment is reversed in the year´s results, except if it is an equity instrument.

As of December 31, 2021 and 2020, Group´s management has not identified that there is objective evidence of impairment of any securities.

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, and are deducted from investments securities; the counter entry is a credit or debit to a settlement account, as applicable. Where the amount of securities to be delivered exceeds the balance of own securities of the same type in position (government, bank, equity and other debt securities), this is reflected as a liability under "Traded securities to be settled".

Reclassifications between categories-

The Accounting Criteria allows reclassifications from held-to-maturity to available-for-sale category, provided that the Group does not have the intention or the ability to hold them until maturity. Valuation adjustments at the date of the reclassifications are recognized in stockholders' equity. In the case of reclassifications of securities to the category held to maturity, or of securities from trading to available for sale, this is only permissible with the express authorization of the Banking Commission. Likewise, in the case of sales of held-to-maturity securities, this has to be informed to the Banking Commission. For the years ended December 31, 2021 and 2020, the Group did not carry out any transfer between categories, nor sales of held-to-maturity securities.

(g) Securities lending-

At the trade date of securities lending transactions, the Group acting as lender reclassifies securities subject to lending as restricted in the consolidated 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-9 "Assets in custody or under management".

(Continued)

The accrued premium amount, acting the Group as a lender or borrower, is recognized in the consolidated 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 Group, 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 “Financial intermediation income”.

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 “Financial intermediation income”.

(h) Repurchase/resell agreements-

At the trade date of the repurchase/resell agreement transaction (repo), the Group 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 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 Group acting as repurchasee recognizes the received collateral in memorandum accounts within the caption of "Collateral received by the entity", in accordance with accounting criterion B-9 “Assets in custody and under management”. Financial assets granted as collateral, when the Group acting as repurchaser, the financial asset is reclassified on the consolidated balance sheet within the caption of “Investment securities”, reporting it as a restricted asset.

Should the Group, acting as repurchasee sell or pledge the collateral, the transaction proceeds and an account payable is recorded 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 the Group acting as repurchasee turn becomes as repurchaser and the debit or credit balance is presented in the consolidated financial statement caption "Debtors under repurchase/resell agreements" or in "Collaterals sold or pledged", as applicable.

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Additionally, the collateral received, delivered or sold is recognized in memorandum accounts within the caption "Collateral received and sold or pledged by the entity", in accordance with accounting criterion B-9 "Assets in custody and under management".

(i) Derivatives-

Transactions with derivative financial instruments comprise those carried out for trading and hedging purposes. Irrespective of their purpose, the derivatives are recognized at fair value.

The valuation effect of the derivatives for trading purposes is shown in the consolidated balance sheet and consolidated statement of income under "Derivatives", in the assets or liabilities, accordingly, and "Financial intermediation income", respectively. The effect of the derivatives credit risk (counterparty), must be determined according to the risk area methodology, and must be recognized in results in the period in which it occurs against the supplementary account.

The effective portion of the valuation adjustments of hedges designated for cash flow purposes is recognized in stockholders' equity under the caption "Unrealized result from valuation of cash flow hedge instruments", while the ineffective portion of the change in fair value is recognized immediately in the consolidated income statement under "Financial intermediation income", and the counter-account with such effect are presented in the consolidated balance sheet under "Derivatives". The gain or loss associated with the coverage of the forecasted transaction that has been recognized in stockholders' equity, is reclassified to the consolidated statement of income within the same caption that presents the result of valuation of hedged party attributable to the hedged risk, in the same period during which the hedged forecasted cash flows affect the year's results of operations.

If the cash flow hedge derivative reaches maturity, is exercised, terminated or the hedge does not meet the requirements to be deemed effective, the hedge designation is de-designated, while the valuation of the cash flow hedge derivative within stockholders' equity remains in this caption and is recognized in the year's results when the forecast transaction occurs, in the same caption which presents the gain or loss of the valuation attributable to the hedged risk.

The gain or loss arising from valuing the fair value hedge derivative is recognized in the consolidated balance sheet under "Derivatives" and in the consolidated statement of income in "Interest income" and "Financial intermediation income", since they correspond to interest rate hedges of loan portfolio and investments securities classified as available-for-sale, respectively. The result of valuation of the item attributable to the hedged risk is recognized on the consolidated balance sheet under "Valuation adjustments from hedging of financial assets" and recognized in the year's income in the case of loan portfolio, in "Interest income", while for investments securities classified as available-for-sale, in "Financial intermediation income".

Embedded and structured derivatives

The Group has embedded derivatives that are not used to hedge positions, solely as part of its trading strategy; these derivatives are related to structures and/or notes issued under the following circumstances:

Structured notes (bank bonds): Issued deposit funding instruments which through embedded swaps or options, can offer guaranteed and / or improve performance of the client's rate (see note 14).

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

Collaterals pledged and received in over-the-counter derivate transactions

The collateral is a security obtained to ensure payment of the price agreed in contracts with derivative financial instruments on over-the- counter transactions.

The granting of collateral pledged in cash in over-the-counter derivative transactions are recorded as account receivable under the caption "Other accounts receivable, net", while collateral received in cash are recorded as “Creditors on collateral received in cash”.

The collaterals pledged in securities are recorded as restricted securities by guarantees, and the collaterals received in securities from derivatives transactions are recorded in memorandum accounts.

(j) Settlement of clearing accounts-

Amounts receivable or payable for investment securities, securities repurchase/resell agreements, and/or derivatives, which have expired but have not been settled at the consolidated 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 “Other accounts receivable, net” or “Creditors on settlement of transactions”, as appropriate.

(k) Loan portfolio-

Represents the balance of the total or partial dispositions of the credit lines provided to clients plus uncollected accrued interest, less interest collected in advance. The allowance for loan losses is presented deducting the loan portfolio balances.

Undrawn credit facilities are recorded in suspense accounts, under “Loan commitments”. The withdrawn amount is recorded into the loan portfolio in the caption of the portfolio as appropriate.

At the time of contracting, transactions with letters of credit are recorded in memorandum accounts under “Loan commitments” which, upon being used by the client or its counterparty are transferred to the loan portfolio.

Loans pledged as collateral, are recognized as restricted credit loans.

INFONAVIT Portfolio-

The portfolio under extension includes housing credits originated by the National Workers Housing Fund Institute (INFONAVIT) acquired by the financial entities, and that, under the terms of the INFONAVIT Law, have any extension in force in the payment of the amortization for capital and ordinary interest, at the end of the extension, the portfolio will receive the corresponding treatment of: Ordinary Amortization Regimen (ROA) or Special Amortization Regimen (REA), provided that the financial entity is contractually obliged to respect said extension under the same terms as the reference agency.

REA is the form of payment to INFONAVIT of credits whose rights were acquired by the Group, provided for by the INFONAVIT issued by the Board of Directors of INFONAVIT, which indicate the methodology to make payments on such credits.

ROA is the form of payment to INFONAVIT of credits whose rights were acquired by the Group, whereby it is agreed that the workers make payments on their credits through salary discounts made by the employer, entity or office.

Past-due loans and interest-

Outstanding loans and interest balances are classified as past-due according to the following criteria:

1. Knowledge that the borrower has filed for bankruptcy, under the Bankruptcy Law.

   An exemption exist from the rule mentioned, for those loans that continue receiving payment in terms of the Bankruptcy Law under section VIII of article 43, as well as those loans granted under article 75, in relation to sections II and III of article 224 of the mentioned Law, however, if incurred in one of the cases provided in the following numeral 2, they will be recorded as past-due loan portfolio.

2. Its installments have not been fully settled on the terms originally agreed, considering the following:

   a) If the debts consist in loans with a single payment of principal and interest at maturity, and have 30 or more calendar past-due days;

   b) If the debts refer to loans with a single payment of principal at maturity and periodic payments of interest, and the related interest payment has 90 or more calendar past-due days, or principal is 30 or more calendar past-due days;

   c) If debts consist of loans with principal and interest periodic partial payments, including mortgage loans, have 90 or more calendar past-due days;

   d) If debts consist of revolving loans, and unpaid for two monthly normal billing periods or, where the billing period is other than monthly, when have 60 or more calendar past-due days; and

   e) Overdrafts from checking accounts of clients that has credit lines, and immediate payment notes receivable, upon occurrence of such event.

3. Regarding portfolio “in extension” and mortgage loans, when installments have not been settled in the terms originally agreed and are 90 or more days past-due:

   a) Payments related to loans that the Group acquired from INFONAVIT or the Housing Fund of the Social Security and Services Institute of the State Workers (FOVISSSTE) in accordance with the corresponding payment method (REA and ROA), as well as

(Continued)

b) loans granted to individuals and aimed at housing remodeling or enhancement, without trading purpose and that are backed by the borrower's housing saving account.

The transfer of a loan such as those mentioned in number 3 of the preceding page to the past-due loan portfolio shall be subjected to an exceptional term of 180 or more days past-due from the date in which:

a) Loan resources are available for the purpose for which they were granted;
b) The borrower starts a new job hence having a new employer, or
c) The Group has received a partial payment for the corresponding amortization. This exception only applies for ROA loans, and when each one of the payments made during the period represent at least 5% of the agreed amortization.

The aforementioned exceptions in sections a), b) and c), shall not be mutually exclusive.

When a loan is transferred to the past-due portfolio, accrual of interest is discontinued and record thereof is kept in memorandum accounts; also suspending the amortization in financial income accrued in the year's results. Once collected, such interest is recognized directly in consolidated income statement under "Interest income". Recognition in consolidated income statement of interest income resumes when the portfolio ceases to be considered as past-due.

An allowance is constituted for an amount equal to the total of uncollected accrued interest corresponding to loans deemed past-due at the time the loan is transferred to the past-due portfolio. For past-due loans, which restructuring agrees to the capitalization of earned, uncollected interest previously recorded in memorandum accounts, an allowance is created for the total of such interest amount. The allowance is released when there is evidence of sustained payment.

Past-due loans are reclassified as current when the unpaid balances have been fully paid by the debtor (principal and interest, etc.) except for restructured loans or renewed, which are transferred to current portfolio when sustained payment has been made.

Sustained payments

It is considered that there is sustained payment when the borrower shows compliance of the payment without delay for the total amount of principal and interest, for at least three consecutive amortizations of the loan payment scheme, or in the case of loans with amortizations that cover periods greater than 60 calendar days, the payment of an exhibition.

In the cases of credits that the Group acquires from INFONAVIT, in which it is obligated to respect the terms that the reference organisms contracted with the borrowers, it is considered that there is a sustained payment of the credit, when the borrower has covered without delay the total amount payable of principal and interest, at least one amortization in credits under ROA and three amortizations for credits under REA.

In loans with periodic payments of principal and interest whose amortizations are less than or equal to 60 days in which the periodicity of payment to minor periods is modified due to the application of a restructuring, a sustained payment of the loan is considered, when the borrower shows payment of amortizations equivalent to three consecutive amortizations of the original loan scheme.

In the case of consolidated loans, if two or more loans originate the reclassification to the caption "Past-due loan portfolio", in order to determine the three consecutive amortizations required for the existence of a sustained payment, the original loan repayment scheme should be considered, whose repayments equivalent to the longer term.

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

a) the borrower has covered at least 20% of the original amount of the loan at the moment of the restructuring or renewal or,

b) the amount of interest accrued under the restructuring or renewal payment scheme corresponding to a period of 90 days had been covered.

Prepayment of an amortization of restructured or renewed loan (amortization of restructured or renewed loan that have been paid without the occurrence of natural days equivalent to three consecutive amortizations of the loan amortization schedule or in the case of loans with amortization covering longer periods than 60 calendar days, the payment of an exhibition), other than those with a single payment of principal at maturity, regardless of whether the interest is paid periodically or at the maturity, is not considered as a sustained payment.

In any case, in order for the Group to show that there is sustained payment, in addition to ensuring that the borrower complies with the guidelines for sustained payment indicated in the preceding paragraphs, it must have evidence, at the disposal of the Banking Commission, to justify that the borrower has the payment capacity at the time the restructuring or renewal takes place to respond to the new credit conditions.

The minimum evidence to be obtained is outlined below:

i. Probability of intrinsic noncompliance by the borrower,
ii. The guarantees granted to the restructured or renewed credit,
iii. The priority of payment against other creditors and,
iv. The liquidity of the borrower before the new financial structure of the financing.

Restructuring and renewals

A loan is considered restructured when the borrower makes any of the following requests to the Group:

1) Loan guarantee extension or,

2) Changes to the loan original conditions or payment scheme, among which are:

    a) change in the interest rate for the remaining term of the loan contract;
    b) change in the currency or account unit, (for example VSM (number of minimum wages) or UDI);
    c) granting of a waiting period for the compliance of payment obligations agreed upon in the original terms of the contract, except for those who are part of the COVID support programs, or
    d) credit term extension.

Unless there is evidence of sustained payments, past-due loans restructured or renewed shall remain within the past-due loan portfolio.

Loans with a single payment of principal at maturity and periodic interest payments, as well as loans with a single payment of principal and interest at maturity being restructured during the term of the loan or renewed anytime shall be considered as past-due, while there is no evidence of sustained payment.

Current loans that are restructured or renewed, without at least 80% of the original loan term having elapsed, shall be deemed to be current only when the borrower had:

i) paid the total accrued interest, and
ii) paid the original principal loan amount at the renewal or restructuring date.

Current loans that are restructured or renewed during the course of the final 20% of the original term of the loan will be considered as current only when the borrower had:

i) fully paid the total interest accrued;

(Continued)

ii) covered the total original loan amount which at the date of the renewal or restructuring should had been paid, and
iii) paid 60% of the original loan amount.

Renewed or restructured loans where the borrower fails to meet the above conditions will be deemed past-due from the renewal or restructuring date until there is evidence that sustained payments are being made.

Those loans considered revolving which have been restructured or renewed, will be considered as current when the borrower had paid off the totality of accrued interest, there are no invoicing periods past-due and there is evidence to prove the debtor's repayment capability.

Loan due and payable principal and interest amounts which, at the restructuring date, have been repaid in full and for which one or several of the following loan conditions have been changed, shall not be deemed restructured:

i) Guarantees: only when involving the extension or replacement with better quality guarantees.
ii) Interest rate: when the agreed-upon interest rate is improved.
iii) Currency: provided the rate corresponding to the new currency is applied.
iv) Payment date: only if the change does not represent exceeding or modifying the frequency of payments. In no case shall the change in the payment date enable omitting the payment in any given period.

The loan portfolio restructurings or renewals are made in compliance with the General provisions applicable to credit institutions and the viability of them is analyzed individually.

The Group periodically evaluates if a past-due loan should remain in the consolidated balance sheet or be written-off, provided a provision has been created for 100% of the loan amounts. Such write-off is made by cancelling the unpaid loan balance against the allowance for loan losses previously created for each loan. Any recovery derived from loans which were previously written-off is recognized in the year's results.

During the first quarter of 2021, the Group's Management updated the criteria on financial charge-offs for mortgage loans, leaving these until 60 monthly payments overdue.

Write-downs, cancellations, refunds or discounts are recorded against the provision for loan losses. In case the amount of these items exceeds the provision for loan losses balance related to the loan, a charge to provision is recorded up to the amount of the difference.

(Continued)

Fees

Fees charged for loan origination are recorded as a deferred credit, which shall be amortized against the current year results as interest income, under the linear method during the life of the loan, except those originated by revolving loans which shall be amortized over a 12-month period.

Regarding fees charged for restructurings or renewals, they shall be added to the fees that would have been originated on the basis of the previous section and recognized as deferred credit amortized against the current year results as interests income, under the linear method during the new lifetime of the loan.

In this category the fees recognized after the loan origination, those generated as part of loan maintenance or charged for loans not underwritten shall not be included. In the case of fees charged for credit card annuity, whether it be the first annuity or the followings for renewal, they shall be recognized as a deferred credit and amortized over a 12-month period against the current year results in the caption of “fees and rates charged”.

Fees charged for a credit line origination not yet available shall be recognized as a deferred credit at the date, and amortized against current year´s results as interest income under the linear method over a 12-month period. In the case that the credit line be canceled before the 12- month period, the balance pending to amortize shall be recognized directly in the current year’s results under the caption of “fees and rates charged”, at the date of cancelation of the credit line.

Fees and rates others than those charged for loan origination shall be recognized against the current year’s results in the caption “fees and rates charged”, at the date of accrual. In the case that one part or the full compensation received for the collection of the corresponding fee or rate be obtained before the accrual of the related income, said prepayment shall be recognized as a liability.

Costs and expenses related to loan origination

The costs and expenses related to loan origination are recorded as a deferred charge, which is amortized to the income statement under the caption “Interest expense” during the average term of the loans, except for origination of revolving loans, which are amortized over a period of 12 months against the expense caption that corresponds according to its nature.

For preceding paragraph purposes, costs and expenses associated with the origination of loans, are only those that are incremental and related directly to activities performed by the entities to grant the loan, for example, credit evaluation of the debtor, evaluation and recognition of guarantees, credit terms negotiations, and closing of cancellation of the operation, including the proportional expense, based on time spent, related to employee benefits of those individuals working on such activities.

Acquisitions of credit portfolio

On the of portfolio acquisition date, the contractual value of the portfolio acquired must be recognized in credit portfolio, according to the type of portfolio that the originator has classified; the difference arising from the purchase price will be recorded as shown below:

a) When the acquisition price is lower than the contractual value thereof, in the consolidated income statement under the caption “Other operating income, net”, for up to the amount of Allowance for loan losses that, if applicable, is constituted according to the indications of the following paragraph and the excess as a deferred credit, which will be amortized as the respective charges are made, according to the proportion these represent of the contractual value of the credit;

b) When the purchase price of the portfolio is greater than the contractual value, as a deferred charge which will be amortized as the respective charges are made, according to the proportion these represent of the contractual value of the credit;

c) When it comes from the acquisition of revolving credits, the difference will be carried directly to the income statement of the year on the acquisition date.

Special Accounting Criteria (SAC), derived from the health contingency due to COVID-19

Through official communication number P-285/2020 and 026/2020 dated on March 26 and April 15, 2020, respectively, the Banking Commission determined to issue on a temporary basis, the SAC applicable to the support programs granted by the Group. Subsequently, through official communication number P-325/2020 dated June 23, 2020, the Banking Commission indicated the following:

- The SAC will be applied in a general way to customers who have been affected and whose credits were classified as current as of March 31, 2020.
- The deadline to carry out the restructuring or renewal procedures must conclude no later than July 31, 2020.

The support programs consist of granting borrowers a partial or total deferral of principal and / or interest payments for up to 4 months and with the possibility of extending it to an additional 2 months, granting a total grace period of up to 6 months. It will be 18 months in the case of credits granted to the primary agricultural, livestock, forestry and fishing sectors; and to the industrial, commercial and service sectors that are integrated the primary sectors.

The above will be applicable to the following types of credit and for clients that are classified as current as of March 31, 2020:

a. Loans for residential construction
b. Individual loans with mortgage guarantee.
c. Revolving and non-revolving loans, aimed at individuals (auto loans, personal loans, payroll loans, credit card and microcredits).
d. Commercial loans for legal entities and individuals with business activity
e. Trusts as a bank debtor.
f. Individual or group microcredits.

For SAC, are not considered as restructurings and / or renovations and the following will be considered as current:

1. Loans with “one-time payment of principal at maturity and periodic interest payments, as well as loans with one-time payment of principal and interest at maturity”, which are restructured or renewed, will not be considered as past due portfolio in terms of what is established in paragraph 79 of Accounting Criteria B-6 “Loan Portfolio” (the “Accounting Criteria B-6”) contained in Appendix 33 of the single Bank Circular, provided that the borrowers are classified as current portfolio as of March 31 2020, according to paragraph 12 of Accounting Criteria B-6.

2. For loans with “periodic payments of principal and interest”, which are restructured or renewed, they may be considered as current at the time of the performance of that act, without what is applicable in paragraphs 82 and 84 of the Accounting Criterion B-6, provided that the borrowers are accounting classified as a current portfolio as March 31, 2020, in accordance with the paragraph 12 of Accounting Criteria B-6.

3. Loans that are stipulated to be revolving from the beginning, that are restructured or renewed, will not be considered as past due in terms of what is established in paragraphs 80 and 81 of Accounting Criteria B-6. This as long as the borrowers are classified for accounting as current portfolio as of March 31, 2020, according to paragraph 12 of Accounting Criteria B-6.

(Continued)

In relation to the credits mentioned in the previous numerals, these will not be considered as restructured in accordance with paragraph 40 of Accounting Criteria B-6.

4. In case of including write-downs, cancellations, refunds or discounts on the loan balance to support borrowers, the Group may defer the establishment of Allowance for loan losses, when the amount of write-downs, cancellations, refunds or discounts is higher than those allowances, a reserve will be established for the difference in a period that does not exceed the year 2020.

Through official communication number 141-5 / 2263/2020 dated September 2, 2020, the Banking Commission extended the term until September 30, 2020 so that the Group could apply the restructuring or renewal plans for those customers already registered in the support program as of July 31, 2020, and that require two additional months of deferral so that in this way they have the 6-month deferral under the SAC, established in the official letters dated March 26, April 15 and June 23, 2020.

(l) Allowance for loan losses-

Allowance for loan losses represents Group's management best estimate of probable losses inherent in the loan portfolio as well as guarantees issued and irrevocable loan commitments.

Commercial loans– The allowances for the commercial loans are based on the individual assessment of the credit risk of borrowers and their classification, in accordance with the general regulations applicable to the methodology for rating of the loan portfolio of credit institutions (the "Provisions"), established by the Banking Commission.Commercial loans shall be subject to credit rating without including those loans with express warranty of Entities of the Federal Public Administration under direct budgetary control, productive State enterprises or those indicated in Section VI of Article 112 of the Provisions, in which the allowance percentage shall be equal to 0.5%.

The Provisions use a methodology which classifies the loan portfolio into different groups: in states and municipalities, investment projects with own source of payment, trustees acting under trusts, financial institutions and corporations and individuals with business activity not included in the aforementioned groups; the last group must be divided into two subgroups: corporations and individuals with business activity with annual net sales or revenues greater than 14 million UDIS and less than 14 million UDIS. For purposes of rating projects with own source of payment, the Provisions establish that the rating is calculated using risk analysis of the investment project according to their stage of construction or operation, and through the extra cost of labor and cash flows of the project. For other groups, expected loss methodology is established for credit risk, considering the probability of default, loss given default and exposure at default.

(Millions of Mexican pesos)

For the loan portfolio granted to corporations and individuals with business activity, with annual net revenues or sales equivalent or higher than 14 million UDIS, the Group uses the methodology set on Appendix 22 of the Provisions issued by Banking Commission.

Loan portfolio granted to corporations and individuals with business activity, with annual net revenues or sales less than 14 million UDIS, is credit rated through the application of methodology set forth on Appendix 21 of the Provisions. For financial institutions loans, the methodology set forth on Appendix 20 of the Provisions is used, which establishes the concept of probability of default, loss severity and exposure at default.

The estimates carried out at December 31, 2021 and 2020, were determined based on the risk levels and allowance percentage according to the following table:

Risk grade	Range of allowance percentages		
A1	0.000	–	0.90%
A2	0.901	–	1.50%
B1	1.501	–	2.00%
B2	2.001	–	2.50%
B3	2.501	–	5.00%
C1	5.001	–	10.00%
C2	10.001	–	15.50%
D	15.501	–	45.00%
E	Higher than 45.0%		

Mortgage loans including those originated and acquired from INFONAVIT-

Allowance for loans losses of mortgage loans is determined using the corresponding balances as of the last day of each month. Furthermore, factors such as the following are taken into consideration: (i) amount payable; (ii) payment made; (iii) house value; (iv) outstanding loan balance; (v) days of delinquency; (vi) loan denomination; and (vii) file documentation. Additionally, for the loans acquired from INFONAVIT factors, such as viii) ROA, ix) REA and x) PRO, are considered. The total amount to reserve for each assessed loan is the result of multiplying the probability of default for the loss given default and exposure at default.

In determining the loss given default the loan recovery rate components is used, which is affected if the loan has a guarantee trust or judicial agreement, classifying by regions at the federal boroughs in which such courts reside.

(Millions of Mexican pesos)

The risk grades and percentages of allowance for loan losses on December 31, 2021 and 2020, are as shown below:

Grade of risk	**Range of allowance percentages**		
A1	0.000	-	0.50%
A2	0.501	-	0.75%
B1	0.751	-	1.00%
B2	1.001	-	1.50%
B3	1.501	-	2.00%
C1	2.001	-	5.00%
C2	5.001	-	10.00%
D	10.001	-	40.00%
E	40.001	-	100.00%

Consumer loans-

To calculate the allowance, the consumer loan portfolio is segregated into two groups: a) credit card transactions and other revolving loans, and b) non-revolving loans described in Articles 91 and 92 of the Provisions. The allowance for losses regarding credit card and other revolving loans is calculated on a loan by loan basis, using the figures of the latest known payment period of each loan and other revolving loan and considering the following factors: i) balance due, ii) payment made, iii) credit line, iv) minimum payment requirement, v) payment default, vi) amount payable to the Institution, vii) amount due reported to credit information institutions as well as, viii) borrower's seniority in the Group.

In addition, the calculation of allowance for loan losses corresponding to the non-revolving consumer loan portfolio takes into account the following: (i) amount due, (ii) payment made, (iii) days past-due, (iv) total term, (v) remaining term, (vi) original loan amount, (vii) original value of the asset, (viii) loan balance and (ix) credit type.

The risk grades and percentages of provision for loan losses at December 31, 2021 and 2020, are shown in the next page.

(Continued)

(Millions of Mexican pesos)

Grade of risk	Ranges of allowance percentages: Non-revolving		Ranges of allowance percentages: Credit cards and other revolving loans	
A1	0.00	2.0%	0.00	3.00%
A2	2.01	3.0%	3.01	5.00%
B1	3.01	4.0%	5.01	6.50%
B2	4.01	5.0%	6.51	8.00%
B3	5.01	6.0%	8.01	10.00%
C1	6.01	8.0%	10.01	15.00%
C2	8.01	15.0%	15.01	35.00%
D	15.01	35.0%	35.01	75.00%
E	35.01	100.0%	Higher than	75.01%

Impaired loan portfolio – For consolidated financial statement disclosure purposes, the Group considers impaired loans to those commercial loans for which it is determined that there is a considerable probability that they could not be recovered in full, without giving consideration to improvements in risk levels resulting from the secured portion of the loan, as are loans that, although current, result from negotiations in which a forgiveness, reduction or settlement was authorized at the end of the agreed-upon term, and loans payable by individuals classified as undesirable customers.

Additional identified reserves– Are established for those loans, which in management’s opinion, may give cause for concern in the future given the particular situation of the customer, the industry or the economy. Furthermore, it includes estimates for items such as normal interest earned but not collected and other items which realization is considered to result in a loss to the Group, as well as reserves maintained as prescribed by regulations.

Write-offs– The Group has policies of write-offs for consumer and residential mortgages loans, according to established terms (6 and 60 months, respectively) (35 months for mortgage portfolio during 2020) that determine the practical impossibility of recovery; the write-offs cancel the loan balance against the allowance for loan losses previously recorded. When the loan to be written-off exceeds the balance of its related allowance, before making the write-off, the allowance should be increased up to the amount of the difference. Any amount recovered from previously written-off loans is recognized in income under the caption "Allowance for loan losses".

(Continued)

(m) Credit card loyalty program-

Based on paragraph 3 of criterion A-4 “Suppletory Application of Accounting Criteria”, issued by the Banking Commission, the Bank had adopted IFRS 15 "Revenue from customer contracts" which incorporates the recognition of revenue derived from customer loyalty programs, and therefore IFRIC 13 "Customer loyalty program" is without effect. According to IFRS 15, a portion of revenue from exchange fees is deferred until the point of time when obligations are entitled, that is to say, when the deliverance of the rewards to which customers are entitled are incurred and amortized to income once that obligation is satisfied.

(n) Other accounts receivable-

Collection rights and the accounts receivable related to debts, whose maturity is agreed from origin to more than 90 calendar days term, as well as loans to officials and employees, are evaluated by Group´s management to determine the estimated recoverable amount and, as required, to create the corresponding allowance. The balances of other debit items are recorded into the income statement 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 (VAT 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.

Overdrafts on checking accounts of customers which do not have a loan facility for such purposes, shall be classified as past-due debts and credit institutions must simultaneously create a reserve for such classification for the total amount of the overdraft, at the time when such event occurs.

(o) Foreclosed assets or assets received in lieu of payment-

Foreclosed assets are recorded on the date the admission order of the judicial sale by which the foreclosure was decreed, became final and conclusive and is immediately available for execution.

Assets received in lieu of payment are recorded on the date the deed of payment, or that on which the transfer of title to the asset is formally executed.

(Continued)

(Millions of Mexican pesos)

The accounting recognition of a foreclosed assets considers the value of the tangible asset (at the lower of cost or fair value less strictly necessary costs and expenses incurred for foreclosure), as well as the net value of the asset arising the foreclosure. When the net value of the asset arising the foreclosure exceeds the value of the foreclosed asset, the loss is recognized in consolidated income statement caption “Other operating income, net”. Otherwise, the value of the foreclosed asset is adjusted to the net value of the asset.

The value of the asset originating the foreclosure and the relevant loan loss allowance set up as of that date are derecognized from the consolidated balance sheet.

Foreclosed assets and promised for sale are restricted to their carrying value; collections received on account of the asset are recorded as a liability. On the date of sale the resulting gain or loss is recognized in the consolidated income statement caption "Other operating income, net".

Reductions in the value of foreclosed assets are valued according to the type of asset concerned, recording such valuation in the consolidated income statement caption “Other operating income, net” The Group creates additional provisions that acknowledge signs of impairment from potential value losses over time in foreclosed assets in the year’s results of operations under “Other operating income, net”, which are determined by multiplying the reserve percentage applicable by the value of the foreclosed assets, based on the provisions of foreclosed assets or assets received in payment methodology of the Banking Commission, as shown as follows:

	Allowance percentage	
Months elapsed from the date of foreclosure or received in lieu of payment	**Real Estate**	**Receivables, furniture, and equipment and investment securities**
Over 6	0%	0%
More than 6 to 12	0%	10%
More than 12 to 18	10%	20%
More than 18 to 24	10%	45%
More than 24 to 30	15%	60%
More than 30 to 36	25%	100%
More than 36 to 42	30%	100%
More than 42 to 48	35%	100%
More than 48 to 54	40%	100%
More than 54 to 60	50%	100%
More than 60	100%	100%

(Continued)

(p) Premises, furniture and equipment, net-

Premises, furniture and equipment are recorded at acquisition cost. Those assets acquired before December 31, 2007 were adjusted by using factors based on the UDI value from the date of acquisition through that date, which recognition of the effects of inflation on the financial information was suspended according to the MFRS. 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 is calculated using the straight-line method, based on the estimated useful lives determined by the Group's management of the corresponding assets.

Depreciation 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 Group periodically evaluates residual values of premises, furniture and equipment to determine amounts to be depreciated.

The Group 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. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net revenues expected to be generated by the asset. 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. Maintenance and minor repair expenses are recorded in the results when incurred.

(q) Available-for-sale long-term assets-

Long-term assets are classified as available for sale if all the requirements listed below are met:

a) The approving department of the Group has formally committed to a sales plan.
b) Assets are available for its immediate realization, in its current condition, subject exclusively to the usual and customary terms for the sale of those assets and its sale is highly probable.
c) Actions to find a client and other activities to execute the sales plan are initiated. If no client has been found, it has been identified a potential market, at least.
d) It is expected that the sales plan will be executed in a less than a year term. This requirement is not applicable for those cases where the Bank holds agreements that are in substance purchase options and sale and lease back agreements. An extension to the less than a year period to conclude the sale does not impede the available for sale classification of the asset, as long as the delay is caused for facts and circumstances out of the control of the Group, and there is sufficient evidence that the Group is still committed to a sales plan to dispose the asset.

(Continued)

e) There is an adequate estimate of the price of the asset or group of assets.
f) Significant changes or cancellation of the original sales plan are not probable.

Available for sale long term assets that met the mentioned criteria, are valued as of the date of approval of the sales plan at the net book value or at the net sales price, the lowest. Impairment loss must be recognized in the income statement of the year, as applicable.

(r) Permanent investments-

Permanent investments and other permanent investments where there is no control, joint control or significant influence exists are classified as other investments, which are initially recognized and maintained at acquisition cost. Dividends, if any, received from these investments are recognized in consolidated statement of income caption "Other operating income, net", except if these relate to periods prior to the acquisition, in which case the dividends are decreased from the permanent investment.

(s) Other assets-

This caption includes mainly the intangible assets that relate to internally developed software, which costs are capitalized and amortized against the results of operations for the year in which the software is ready to operate, using the straight-line method over the estimated useful life as determined by the Group.

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.

Furthermore, in this caption includes the projected net assets of the defined benefit plan are recognized and are recorded (up to the amount of the plan asset ceiling, in accordance with the provisions of MFRS D-3 "Employee benefits"). The excess of non-reimbursable resources provided by the Group to cover employee benefits are recognized as restricted cash and cash equivalents under the caption "Cash and cash equivalents" (see notes 6 and 16).

(t) Income Taxes (IT) and employee statutory profit sharing (ESPS)-

IT and ESPS payable for the year are determined in conformity with the applicable tax provisions.

(Continued)

Income taxes payable are presented as liability in the consolidated balance sheet; when the tax prepayments exceed the income tax payable, the difference is booked as an account receivable.

Deferred IT and 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 IT, for operating loss carryforwards and other recoverable tax credits. Deferred tax and ESPS 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 tax and ESPS assets and liabilities of a change in tax rates is recognized on the consolidated statement of income in the period that includes the enactment date.

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 income taxes and ESPS are presented and classified in the result for the period, except those arising from a transaction that is recognized in “Other Comprehensive Income” (OCI) or directly in stockholders’ equity.

Current and deferred ESPS are shown under the caption “Administrative and promotional expenses”, in the consolidated statement of income.

(u) Capital leases (acting as lessee)-

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 market value of the leased asset. The difference between the face value of minimum lease payments and the obligation mentioned above, is recorded during the lease period in the consolidated income statement under the caption "Other operating income, net". The asset is depreciated in the same way as other assets held in property when it is certain that at the end of the lease contract ownership of the leased asset is transferred, otherwise these are depreciated over the term of the contract.

(v) Deposit funding-

This caption comprises demand and time deposits of the general public, including money market funding, the placement of debt certificates and bank bonds and the global account of deposits without movements. Interest is charged to expense on an accruals basis under “Interest expense”. For instruments sold at a value different to their face value, the difference is recognized as a deferred charge or credit and amortized on a straight-line basis over the term of the respective instrument.

Deposits and investments and their interest on funding instruments that do not have a maturity date, or that have a maturity date that is renewed automatically, as well as transactions or investments that are due and unclaimed, are recorded in the "Global account of deposits with no movements". The deposits and investments and their interest without movement within 3 years counted as being deposited in the global account and whose amount does not exceed per account, to the equivalent of three hundred units of measurement and updating (UMAS), will prescribe in favor of public charity. The Group will be obliged to deliver the resources corresponding to public charity within a maximum period of fifteen days counted from December 31, of the year in which the assumption foreseen is fulfilled.

(w) Provisions-

Based on management's estimates, the Group 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.

(x) Bank and other borrowings-

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

(y) Employees' benefits-

Short-term direct benefits

Short-term direct employee 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 Group has a legal or assumed obligation to pay this amount as a result of past services provided and the obligation can be reasonably estimated.

Direct Long-term benefits

The Group's net obligation in relation to direct long-term benefits and which the Group is (except for deferred ESPS, see note 16) to pay at least twelve months after the date of the most recent consolidated balance sheet presented, is the amount of future benefits that retired employees have obtained in exchange for their service in 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 Group 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 12 months after the date of the most recent balance sheet presented, then they are discounted.

Post-Employment Benefits

Defined contribution plans

As of July 1, 2021, the date of the merge with SECOSA and the Bank, the Group's net obligation corresponding to defined benefit plans for pension plans and seniority premiums is calculated separately for each plan, estimating the amount of future benefits that employees have earned in the current year and in previous years, discounting amount and deducting from it, the fair value of the plan assets. Until June 30, 2021, the Group only had a defined contribution plan for pensions in which the amounts contributed were recognized directly as expenses in the consolidated statement of income, under the caption "Administration and promotion expenses". Contributions paid in advance are recognized as an asset to the extent that the advance payment results in a reduction in future payments or a cash refund (see note 16).

Defined benefit plans

In addition, the Group has a defined benefit plan in place that covers the pensions for retirement, 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 plans medical benefits, food coupons and life insurance for retirees.

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

The obligations for defined benefit plans are calculated annually by certified actuaries in contingent labor liabilities using the projected unit credit method. When the calculation results in a possible asset for the Group, 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.

(Continued)

The labor cost of current service, which represents the periodic cost of employee benefits for retired personnel for having completed one more year of working life based on the benefit plans, is recognized in administrative and promotional expenses. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by multiplying the discount rate used to measure the defined benefit obligation by the beginning balance of the 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.

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 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 stockholders' equity.

(z) Subordinated debt issued-

The subordinated debt is recorded at contractual value and the interest are recognized on accrual basis in the consolidated income statement under the caption “Interest expense”.

(aa) Revenue recognition-

Interest on loans granted including the interbank loans fixed to a term less than or equal to three business days, is recorded in income as earned. Interest on past-due loans is recognized in income upon collection.

The interest collected in advance and origination credits fees are recorded within “Deferred credits and prepayments”, and applied to the year’s results of operations in “Interest income” and “Commission and fee income”, respectively, as accrued or in the term of the credit, as applicable.

The commissions from assets in custody or under management as well as commissions from services related to derivative transactions are recognized in income when the service is rendered in “Commission and fee income” caption.

Fees on trust transactions are recognized in income as accrued in “Commission and fee income”. Such revenues are not accrued when fees are 90 or more calendar days past-due, and are recorded in memorandum accounts. When accrued revenues are collected, they are reported directly in income for the year.

Commissions for restructuring or renewal of credits are recorded as a credit deferred, which is amortized against the results of the year under the heading of "Interest income", under the straight-line method during the new loan term.

Commissions derived from asset custody or administration services, as well as commissions for services related to derivative operations, are recognized in income when the service is provided under the caption “Commissions and fees charged”.

Commissions for fiduciary operations are recognized in results as the service is accrued under the caption "Commissions and fees charged". At the moment in which the debt of said commissions presents 90 or more calendar days of non-payment, the accumulation of said accrued income is suspended and control of these is kept in memorandum accounts; In the event that said accrued income is charged, it is recognized directly in the results of the year.

(ab) Foreign currency transactions-

Foreign currency transactions are recognized at the exchange rate prevailing on the date of execution, for consolidated 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 credit institutions, and the dollar equivalent with the nacional currency is translated at the exchange rate at the closing trading day determined by the Central Bank.

At the year-end close date of the consolidated 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.

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

Among other provisions, the Bank Savings Protection Law created the IPAB, whose purpose is to establish a system to protect the savings of the public and regulate the financial support granted to banking institutions in order to comply with this objective.

According to the Law, IPAB guarantees depositors’ accounts up to 400,000 UDIS by individual, corporation or credit institution. The contributions to IPAB are recorded in income statement within the caption “Administrative and promotional expenses”.

(ad) Memorandum accounts-

Memorandum accounts corresponds mainly to assets and operations in custody or management and trust transactions.

Securities or transactions in custody or under management and trust operations-

Customer's securities in custody, guarantee or under management are valued at fair value or in accordance with applicable accounting criteria, representing the maximum amount expected for which the Group is obligated to its customers against any future eventuality and are presented in the captions "Customer securities in custody" or "Assets in custody or under management", as appropriate.

Trust operations are presented in the caption "Assets in trust or under mandate".

Transactions on behalf of customers-

The amounts of the repurchase/resell agreements and securities lending in repurchase/resell agreements that the Group undertakes for its customers, is presented under the caption "Securities on repurchase/resell agreements by customers".

Securities lending conducted by the Group on behalf of its customers are presented under the caption "Securities lending by customers".

In the case of collaterals that the Group receives or delivers on behalf of its customers, for repurchase/resell agreements operations, securities lending, derivatives or other, collateral received or delivered are presented under the caption "Collaterals received in guarantee by customers" and/or "Collaterals delivered in guarantee by 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 and accounting criteria for credit institutions.

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

(ae) Contingencies-

Liabilities or important losses related to contingencies are recorded when it is probable that a liability has been incurred and the amount thereof can be reasonably estimated. When a reasonable estimation cannot be made, qualitative disclosure is provided in the Notes to the consolidated financial statements. Contingent income, earnings or assets are not recognized until their realization is assured.

(4) Accounting changes-

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

On December 15, 2021, the "Resolution amending the general provisions applicable to credit institutions" of immediate application to its publication was published in the DOF, which establishes changes in accounting criterion A-2 "Application of particular rules" of Appendix 33 "Accounting criteria", referring to the application exchange rate at the closing trading day published by the Central Bank on its webpage www.banxico.org.mx for the application of FRS B-15 "Conversion of foreign currencies".

Likewise, the 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 profit or loss in changes caused by changes in the exchange rate that are not cash flows, as well as for the conversion of cash flows from a foreign operation and the conversion of balances or flows of cash in foreign currency.

The application of the exchange rate at the closing of the trading day did not result in material accounting changes in the consolidated financial statements.

FRS 2021

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

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(Millions of Mexican pesos)

Special Accounting Criteria issued by the Banking Commission, derived from the health contingency by COVID-19, applied in fiscal year 2020.

As described in the loan portfolio accounting policies, derived from the health contingency caused by COVID-19 and the negative impact on the economy, on March 26, 2020, the Banking Commission temporarily issued special Accounting Criteria for credit institutions with respect to the consumer, housing and commercial loan portfolio, for customers who have been affected and who were classified as current as of March 31, 2020 (with the exception of those granted to related persons as provided in articles 73, 73 Bis and 73 Bis 1 of the Credit Institutions Law). In relation to said special Accounting Criteria, the Group applied the special Accounting Criteria mentioned in the accounting policies.

The detail by type of portfolio of the amounts that the Group would have recorded and presented in the consolidated balance sheet and the consolidated income statement as of December 31, 2021 and 2020, if the special Accounting Criteria had not been applied, is presented below:

Remaining effects of COVID 2021 (Unaudited)

Concept		Balances with COVID support	COVID Support effects	Balance without COVID support
Balance sheet				
Current loan portfolio:				
Commercial loans	$	221,233	(223)	221,010
Consumer loans		35,789	(2,408)	33,381
Residential mortgage loans		163,829	(2,070)	161,759
		420,851	(4,701)	416,150
Past-due loan portfolio				
Commercial loans		8,220	(35)	8,185
Consumer loans		1,489	(72)	1,417
Residential mortgage loans		7,333	1,522	8,855
		17,042	1,415	18,457
Total loan portfolio		437,893	(3,286)	434,607
Less				
Allowance for loan losses				
Commercial loans		(7,842)	268	(7,574)
Consumer loans		(3,440)	3,379	(61)
Residential mortgage loans		(2,863)	(241)	(3,104)
Contingent operations and guarantees		(325)	-	(325)
Allowance for loan losses		(14,470)	3,406	(11,064)
Allowance for additional loan losses(1)		(2,346)	(3,859)	(6,205)
		(16,816)	(453)	(17,269)
Total loan portfolio, net		421,077	(3,739)	417,338
Memorandum accounts				
Interest earned but not collected arising from past-due loan portfolio	$	942	801	1,743

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Concept		Balances with COVID support	COVID Support effects	Balance without COVID support
Statement of income				
Loan portfolio interest income:				
Commercial loans	$	12,968	(29)	12,939
Consumer loans		6,664	(224)	6,440
Residential mortgage loans		15,874	(548)	15,326
Total portfolio interest income		35,506	(801)	34,705
Allowance for loan losses				
Commercial loans		2,601	(39)	2,562
Consumer loans		2,373	(1,271)	1,102
Residential mortgages loans		1,014	241	1,255
Contingent operations and guarantees		92	-	92
Allowance for loan losses		6,080	(1,069)	5,011
Allowance for additional loan losses		(1,713)	3,859	2,146
Total allowance for loan losses	$	4,367	2,790	7,157

Balances 2020

Balance sheet				
Current loan portfolio:				
Commercial loans	$	214,769	(26)	214,743
Consumer loans		41,148	402	41,550
Residential mortgages loans		146,210	(2,803)	143,407
		402,127	(2,427)	399,700
Past-due loan portfolio:				
Commercial loans		4,852	26	4,878
Consumer loans		3,137	(542)	2,595
Residential mortgages loans		5,283	2,632	7,915
		13,272	2,116	15,388
Total loan portfolio		415,399	(311)	415,088
Less				
Allowance for loan losses				
Commercial loans		5,920	27	5,947
Consumer loans		5,475	820	6,295
Residential mortgages loans		2,217	1,612	3,829
Allowance for loan losses		13,612	2,459	16,071
Allowance for additional loan losses		4,096	(3,750)	346
		17,708	(1,291)	16,417
Total loan portfolio, net	$	397,691	980	398,671

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Concept		Balances with COVID support	COVID Support effects	Balance without COVID support
Memorandum accounts				
Interest earned but not collected arising from past-due loan portfolio	$	685	234	919
Statements of income				
Loan portfolio interest income:				
Commercial loans	$	16,454	-	16,454
Consumer loans		10,147	(62)	10,085
Residential mortgages loans		14,552	(172)	14,380
Total loan portfolio interest income	$	41,153	(234)	40,919
Allowance for loan losses				
Commercial loans	$	1,086	27	1,113
Consumer loans		4,912	897	5,809
Residential mortgages loans		1,169	1,612	2,781
Allowance for loan losses		7,167	2,536	9,703
Allowance for additional loan losses		3,816	(3,750)	66
Total allowance for loan losses	$	10,983	(1,214)	9,769

(5) Foreign currency position-

Central Bank regulations require that banks and brokerage firms maintain balanced positions in foreign currencies within certain limits. The (short or long) position permitted by the Central Bank is equal to a maximum of 15% of the basic capital of the Bank computed as of the third immediately preceding quarter, and 15% of the net capital of the Brokerage Firm. As of December 31, 2021 and 2020, the Bank and the Brokerage Firm maintain a position within the authorized limits. The foreign currency position is analyzed as follows:

	Million dollars			Equivalent in pesos	
	2021	**2020**		**2021**	**2020**
Assets	11,798	7,856	$	241,947	156,407
Liabilities	(10,704)	(7,818)		(219,512)	(155,650)
Long position	**1,094**	**38**	**$**	**22,435**	**757**

At December 31, 2021, the position in foreign currency consists of 88.82% in U.S. dollars (75.40% in 2020) and 11.18% in other foreign currencies (24.60% in 2020).

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The exchange rate in relation to the US dollar as of December 31, 2021 (exchange rate at the closing trading day) and 2020 (fix), was $20.5075 pesos per dollar and $19.9087 pesos per dollar, respectively, and at the date of approval of the attached financial statements consolidated was $20.3707 pesos per dollar.

(6) Cash and cash equivalents-

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

		2021	2020
Cash hand	$	6,616	6,208
Banks:			
Domestic		19,939	6,227
Foreign		9,121	7,078
24, 48, 72 and 96 hour foreign currency sales		(2,860)	(27)
Other funds available (due on demand)		136	37
Restricted funds:			
Call money with maturity term of less than four days		11,068	700
Excess of maximum obligation for employee's benefits		10	11
Compensation fund to operate derivatives		895	838
Deposits with the Central Bank		8,911	8,908
24, 48, 72 and 96 hour foreign currency purchases		3,032	98
Other restricted funds		97	89
	$	**56,965**	**30,167**

Total cash and equivalents as of December 31, 2021, $45,165 and $11,800, ($20,976 and $9,191 as of December 31, 2020), are denominated in national currency and valued foreign currency (mainly USD), respectively.

As of December 31, 2021 and 2020, deposits in the Central Bank correspond to monetary regulation deposits for $8,900, in both years, which have no defined maturity date, for what the Central Bank will inform in advance the date and the procedure for the withdrawal of the funds. The interest generated by deposits in the Central Bank at December 31, 2021 and 2020, were $11 and $8, respectively.

The provisions in force issued by the Central Bank for the monetary regulation deposit, which may be comprised of cash, securities or both. At December 31, 2021 and 2020, the Group keeps Reportable Monetary Regulation Bonds (BREMS-R) that amount to $3,093 and $3,092, respectively, which are part of the monetary regulation deposit (see note 7a).

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At December 31, 2021, the Group had an asset (liability) balance for foreign currency purchase and sale transactions payable at a date later than the date agreed for $1,555 and $(1,670), and $1,351 and $(1,104), which were recognized in settlement accounts within “Other accounts receivable, net” and “Creditors on settlement of transactions”, as appropriate.

At December 31, 2021 and 2020, the Group had the following “call money” with maturity terms minor or equal to four days area analyzed as follows:

		2021				2020		
		Amount	**Annual rate**	**Term**		**Amount**	**Annual rate**	**Term**
HSBC México, S. A.	$	6,494	5.50%	3 days	$	-	-	-
Banco Nacional de Obras y Servicios Públicos, S. N. C.		-	-	-		700	4.30%	4 days
BBVA Bancomer, S. A.		3,246	5.45%	3 days		-	-	-
Banco Nacional de México, S. A.		1,328	5.50%	3 days		-	-	-
	$	**11,068**			**$**	**700**		

At December 31, 2021 and 2020, foreign currency receivable and deliverable equivalent in pesos in connection with the purchases and sales to be settled within 24, 48, 72 and 96 hours are as follows:

		Foreign currency receivable[(1)]		Foreign currency deliverable[(1)]	
		2021	**2020**	**2021**	**2020**
Dollar translated	$	3,9009	98	(2,837)	(27)
Other currencies		23	-	(23)	-
	$	**3,032**	**98**	**(2,860)**	**(27)**

(1) When the offset balance of the foreign currency to be delivered is greater than the foreign currency to be received, this balance is presented within the caption “Sundry creditors and other accounts payable”.

At December 31, 2021 and 2020, profits from foreign currency purchase and sale transactions amount to $1,880 and $1,351, respectively, while the valuation result amounts as of december 2021 and 2020 was $(352) and (10), respectively, which are presented under the heading "Intermediation results".

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(7) Investment securities-

(a) At December 31, 2021 and 2020, the investment securities at fair value, except held to maturity, are as follows:

		2021	2020
Trading securities:			
Debt securities:			
Government securities	$	64,975	68,610
Banking debt		12	14
Other debt securities		1,192	101
Equity shares		1,024	1,086
Total trading securities		67,203	69,811
Available-for-sale securities:			
Debt securities:			
Government securities		44,639	49,658
Bank promissory notes		16,168	14,233
Others		1,259	717
Total available-for-sale securities		62,066	64,608
Held-to-maturity securities:			
Special CETES		2,042	1,956
Bonds		3,093	3,092
Total held-to-maturity securities		5,135	5,048
Total investment securities	**$**	**134,404**	**139,467**

At December 31, 2021 and 2020, the detail of the securities classified as trading, available-for-sale and held-to-maturity are analyzed in the next page.

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		2021	**2020**
Trading securities:			
Unrestricted government securities:			
Own position:			
BI CETES	$	2,659	1,446
M BONOS		229	252
SCOTIA G		711	463
Total unrestricted government securities		3,599	2,161
Restricted government securities:			
CETES delivered as collateral		262	260
Under repurchase/resell agreements:			
LD BONDESD		33,304	24,847
IM BPAG		6,365	4,049
IS BPA		661	817
BI CETES		5,800	16,570
IQ BPAG		3,222	3,855
S UDIBONO		4,969	1,162
M BONOS		2,801	3,292
		57,122	54,592
Under Securities lending:			
LD BONDESD		585	557
BI CETES		1,021	-
		1,606	557
Value date purchases			
BI CETES		1,926	9,510
S UDIBONO		122	173
M BONOS		338	1,357
		2,386	11,040
Total restricted government securities		61,376	66,449
Total government securities		64,975	68,610
Restricted bank promissory notes:			
PRLV		12	14
Other restricted debt securities - *Under repurchase/resell agreements:*			
91 FINBE		-	101
JE AMEX		1,192	-
Total other debt securities		1,204	115
Subtotal trading securities, carried forward	**$**	**66,179**	**68,725**

(Continued)

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		2021	2020
Subtotal trading securities, brought forward	$	66,179	68,725
Unrestricted equity shares:			
1 – AMX		-	4
1I – SHV		-	4
1 – KIMBER		-	2
1 – LIVEPOL		5	2
1 – CHDRAU		-	3
1 – AC - *		-	4
1 – NEMAK A		-	3
1 PE&OLES *		6	-
1 LALA B		6	-
41 BSMX B		3	-
1 ALFA A		4	-
1A CHL N		2	-
1I PSQ *		3	-
1I IB01 N		5	-
51 SCOTIAG		274	364
1B NAFTRAC		20	83
Other equity shares		4	112
Equity shares		332	581
Restricted securities:			
Securities lending:			
1B NAFTRAC		438	283
1 CEMEX		40	-
1 ALFA		51	-
1 SIMEC		-	3
Other equity shares		12	92
		541	378
Value date purchases:			
1I CSPXN		12	-
1A AAPL		-	1
1I SHV		66	17
1I ACWI		9	-
Other equity shares		64	109
		151	127
Total restricted equity shares		692	505
Total equity shares		1,024	1,086
Total trading securities	**$**	**67,203**	**69,811**

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		2021	2020
Available-for-sale:			
Debt securities:			
Domestic government securities (unrestricted):			
LD BONDESD	$	13,669	14,927
95 FEFA		402	2,991
M BONOS		7,753	3,922
S UDIBONOS		2,233	120
BI CETES		8,714	16,549
IS BPA 182		2,251	2,337
Domestic government securities (restricted):			
BI CETES		-	824
Total domestic government securities		35,022	41,670
Foreign government securities (unrestricted):			
D4 TBILW72		-	55
DI MEXC15		158	1,822
DI MEXA89		-	944
DI MEXJ98		-	1,351
DI MEXG29		-	2,558
DI MEXE02		-	911
DI MEX052		98	103
DI TBILY48		-	100
D4 TBIL386		5,116	-
D4 TBIL895		185	-
Foreign government securities (restricted):			
D4 TBIL895		60	-
D4 TBILW72		-	144
Subtotal Foreign government securities		5,617	7,988
Restricted securities:			
Under repurchase/resell agreements:			
LD BONDESD		3,000	-
BI CETES		1,000	-
		4,000	-
Total government debt		44,639	49,658
Banking notes:			
Own position:			
I BANSAN		11,925	11,817
CD BANOB 19		320	320
CD SHF 19-2		1,371	393
CD NAFR 220722		1,852	202
I BANOBRA		-	901
F SHF		700	600
Total banking notes		16,168	14,233
Subtotal carried forward	**$**	**60,807**	**63,891**

(Continued)

(Millions of Mexican pesos)

		2021	2020
Subtotal brought forward	$	60,807	63,891
Others:			
Own position:			
JI CABEI		501	201
91 GAP – 21		151	-
91 – ACBE – 21V		392	-
91 ENCAP		-	29
91 UNFIN		-	34
91 UNIRECB 19		15	105
91 DAIMLER 19-3		200	199
93 CHDRAUI		-	149
Total other debt securities		1,259	717
Total available-for-sale securities	**$**	**62,066**	**64,608**

Held-to-maturity:				
Government securities (special CETES*):				
CETES B4 270701	01-july-2027	$	1,507	1,443
CETES B4 220804	04-aug-2022		3	3
CETES B4 220707	07-july-2022		532	510
Total CETES especiales			2,042	1,956
BONOS XR BREMSR (note 6)			3,093	3,092
Total held-to-maturity securities		**$**	**5,135**	**5,048**

* Corresponds to special CETES held by the Group derived from support programs for debtors of mortgage loans, signed on July 15 and 16, 2010 with the Federal Government.

At December 31, 2021 and 2020, BREMS is part of monetary regulation deposit, thus these instruments may only be decreased as the monetary regulation deposit in cash increases.

As of December 31, 2021, the Group held an asset (liabilities) balance for transactions with securities settled on a date subsequent to the agreed-upon date for $4,931 and ($2,436); ($3,248 and ($1,916) as of December 31, 2020), which were recognized in settlement accounts within “Other accounts receivable, net” and “Creditors on settlement of transactions”, as appropriate.

The valuation result from available-for-sale securities as of December 31, 2021, recognized in other comprehensive income within stockholders’ equity amounted to $(780) less deferred income taxes and ESPS for $252; ($498 less deferred income tax for ($143) as of December 31, 2020). The valuation result from securities available for sale in hedge instruments to fair value recognized in income statemen for the years ended December 31, 2021 and 2020 is $(18) and $41 respectively.

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As of December 31, 2021 and 2020, the caption "Valuation adjustments for hedging of financial assets" in the consolidated balance sheet is made up of $(4) and $(287), respectively.

For the years ended December 31, 2021 and 2020, the net gains from interest income, gains or losses from purchase and sale transactions, and valuation income from investments in securities are as follows:

		2021	2020
Trading	$	3,151	3,164
Available-for-sale		4,000	3,641
Held-to-maturity		223	277
	$	**7,374**	**7,082**

(b) At December 31, 2021 and 2020, the fair value of the securities classified as traded securities to be settled are analyzed as follows:

		2021	2020
Traded securities to be settled:			
Value date sales:			
Government securities (unrestricted):			
BI CETES	$	(2,632)	(10,956)
M BONOS		(2,056)	(1,252)
S UDIBONO		(187)	(72)
		(4,875)	(12,280)
Equity shares (unrestricted):			
Other equity shares		(156)	(221)
		(156)	(221)
Traded securities to be settled, unrestricted securities	**$**	**(5,031)**	**(12,501)**

(c) Issuers over 5% of the Group's net capital-

Bank-

At December 31, 2021 and 2020 investment in non-government debt securities and exceeding 5% of the Bank's net capital are analyzed as follows:

Issuer	Series	Number of securities	Annual average rate	Term		Amount
2021						
BANSAN	22025	11,949,979,952	5.39%	28	$	11,925
2020						
BANSAN	210225	11,838,087,745	4.14%	28	$	11,817

(Continued)

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Brokerage Firm-

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.

(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 Group acts as repurchase, are analyzed below.

		Debtors on repurchase/resell agreements		Creditors on repurchase/resell agreements	
		2021	**2020**	**2021**	**2020**
LD BONDESD	$	13,318	20,577	(32,010)	(13,788)
IS BPA		1,277	1,500	(46)	-
M BONOS		2,176	5,357	(2,359)	(835)
BI CETES		3,143	14,872	(4,307)	(4,211)
IM BPAG		2,825	2,462	(4,824)	(2,797)
IQ BPAG		3,204	939	(1,651)	(3,320)
S UDIBONO		9,569	2,287	(3,67)	-
CEDE		-	1,150	(922)	(64)
91 FINBE 20		-	-	-	(37)
PRLV		-	-	(12)	(14)
CBBN		225	-	-	-
CEBUR		424	-	-	-
		36,161	49,144	(46,498)	(25,066)
Collateral sold or pledged (under repurchase/resell agreements)					
LD BONDESD		(13,318)	(20,577)	-	-
IS BPA		(1,277)	(1,500)	-	-
M BONOS		(2,176)	(5,357)	-	-
BI CETES		(3,143)	(14,872)	-	-
IM BPAG		(2,825)	(2,462)	-	-
IQ BPAG		(3,204)	(939)	-	-
S UDIBONO		(9,569)	(2,287)	-	-
CEDE			(1,150)	-	-
CBBN		(225)	-	-	-
CEBUR		(424)	-	-	-
		(36,161)	(49,144)	-	-
Collateral sold or pledged (creditors on repurchase/resell agreements)	**$**	**-**	**-**	**(46,498)**	**(25,066)**

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For the Bank, the terms for repo operations as of December 31, 2021 and 2020, vary between 2 and 28 days, in both years, with weighted annual rates of 4% to 5% acting as reporter and 4% to 5% acting as reported (4% to 7% annual weighted in 2020). For the Brokerage Firm, they are 2 days in both years, with average closing rates of 4.38% acting as the seller and 3.98% acting as the seller (5.44% and 5.04% as of December 31, 2020, respectively).

During the years ended December 31, 2021 and 2020, premiums collected by the Group amounted to $507 and $452, respectively; premiums paid amounted to $2,070 and $2,309, respectively, and are included in the consolidated statements of income under the caption "Interest income" and "Interest expense", respectively (see note 22b).

At December 31, 2021 and 2020, the Group did not deliver additional collaterals in repurchase/resell agreements.

At December 31, 2021, the Group kept a debit (credit) balance on repurchase/resell agreements to be settled at a subsequent date for $14 and ($7), respectively, $4 and ($4), respectively in 2020), which were recognized within the “other accounts receivable, net” caption and “creditors on settlement of transactions” caption, as it corresponds.

***Securities lending*-**

At December 31, 2021 and 2020, the Group held securities lending transactions as lender and borrower in which the securities subject to the transactions were acquired and sold.

As of December 31, 2020, the Group has awards to receive in securities lending operations of $1. As of December 31, 2019, the Group had no awards to receive.

At 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**

(Continued)

(Millions of Mexican pesos)

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**

As of December 31, 2021 and 2020, the fair value of restricted securities in securities lending transactions, acting as borrower, is analyzed below:

2021	**Number of securities**		**Fair value**
S UDIBONO 251204	1,616,000	$	1,244
S UDIBONO 281130	99,000		74
S UDIBONO 311127	130,000		90
S UDIBONO 461108	111,000		88
S UDIBONO 501103	77,000		61
		$	**1,557**

2020	**Number of securities**		**Fair Value**
S UDIBONO 281130	352,000	$	270
S UDIBONO 351122	57,000		47
S UDIBONO 461108	260,000		206
		$	**523**

(Millions of Mexican pesos)

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**

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 Group acts as a lender is 15 and 28 days, in both years, and acting as a borrower in 2021 is between 6 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 $8 as well as $16 and $(5), respectively, and are included in the consolidated statement of income under the captions "Interest income" and "Interest expense", respectively.

As of December 31, 2021 and 2020, the Group received equity financial instruments as guarantees in securities lending transactions for $103 and $113, respectively such guarantees are managed in memorandum accounts (see note 21).

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(9) Derivatives-

At December 31, 2021 and 2020, the fair value of derivative financial instruments for trading and hedging purposes, recognized under the caption "Derivatives", is analyzed as follows:

	2021		2020	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Trading purposes:				
Forwards	$ 2,235	2,065	2,167	2,055
Options	1,017	2,035	888	1,293
Swaps	15,791	16,129	16,955	17,295
	19,043	20,229	20,010	20,643
Hedging purposes:				
Fair value hedges	288	72	500	950
Cash flow hedges	4,446	3,864	3,506	5,282
	4,734	3,936	4,006	6,232
	$ 23,777	**24,165**	**24,016**	**26,875**

At December 31, 2021 and 2020, the net valuation result on financial assets and liabilities related to trading derivatives amounted to $(449) and $(60), respectively. These amounts include the impairment for credit risk in the counterparty for $(46) and (37), respectively. Such results are part of a synthetic strategy, with non-derivative foreign exchange purchase and sale transactions, which gains (losses) from buy/sell transactions and valuation results at December 31, 2021 amounted to $1,880 and $(365), respectively, ($1,351 and ($10), respectively in 2020) and are presented in “Financial intermediation income”.

At December 31, 2021, the Group had transactions settled on a date subsequent to the traded date for $3 y ($2), ($11 and ($2) at December 31, 2020), which were recognized in settlement accounts within the caption of "Other accounts receivable, net" and "Creditors on settlement of transactions", as appropriate.

The Group may reduce or modify the market risk mainly through two activities: converting fixed to variable rate financial assets and floating-rate to fixed rate financial liabilities. Both transformations are achieved using interest rate swaps and foreign exchange swaps related to different rates of interest.

At December 31, 2021 and 2020, there is a cumulative ineffectiveness for hedging derivative operations for $(43) and $341, respectively.

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The Group uses derivative financial instruments with the purpose of properly dealing with interest rate and exchange rate risks inherent to loan, deposit and investment on securities and on repurchase/resell agreements, all of which are characteristic of commercial banking. The most widely used instruments are interest rate and currency swaps, whereby floating rate instruments are transformed into fixed rate instruments and vice versa or assets denominated in foreign currency are translated into domestic currency or vice versa. Derivatives may be used for hedging cash flows or the economic value of various Group's assets and liabilities. There are defined control policies for the designation and continuous follow up of the effectiveness of such hedges.

Quantitative information

a. Cash flow hedges

At December 31, 2021, there are 90 contracts (89 contracts in 2020) representing $32,975 and ($30,425 in 2020) classified as cash flow hedges.

The profit (loss) for the years ended December 31, 2021 and 2020, due to the ineffectiveness of instruments used for cash-flow hedging purposes amounted to $16 and $(15), respectively. The effect of gain from valuation relating to the effective hedge portion at December 31, 2021, amounts to $2,303 less deferred income tax for $(753). At December 31, 2020, the gain from valuation relating to the effective hedge portion was $(1,461) less deferred income tax for $404, which are presented in stockholders' equity. At December 31, 2021 and 2020, there is no impairment in hedging derivatives.

At December 31, 2021 and 2020, the profit (loss) of the cash flow hedging instruments that were reclassified from stockholders' equity to results for the year under the captions "Interest income" and "Interest expense" were for $543 and $(634), $226 and $284, respectively.

Type	Currency	Volume	Amount	Cover Position
2021				
Interest rates	Mexican pesos	90	$ 32,975	Liabilities
Total				

Type	Currency	Volume	Amount	Cover Position
2020				
Interest rates	Mexican pesos	89	$ 30,425	Liabilities
Total		**89**	**$ 30,425**	

(Continued)

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b. Fair value hedges

At December 31, 2021, there are 102 contracts (107 contracts in 2020) classified as fair value hedges for $25,371 ($23,354 in 2020).

At the end of December 2021 and 2020, the losses from valuation of the derivatives of fair value hedges were $(1,153) and $(672), respectively; while the result of valuation of the hedged item attributable to the hedged risk was $(874) and $408, respectively.

Type	Currency	Volume	Amount	Cover Position
2021				
Interest rates	Mexican pesos	63	$16,908	Asset
Interest rates	Dollar	38	8,370	Asset
Cross currency	Dollar	1	93	Asset
Total		**102**	**$25,371**	

Type	Currency	Volume	Amount	Cover Position
2020				
Interest rates	Mexican pesos	66	$ 13,889	Asset
Interest rates	Dollar	31	6,780	Asset
Cross currency	Euros	1	97	Asset
Cross currency	Dollar	9	2,588	Asset
Total		**107**	**$ 23,354**	

c. Cash flow and / or fair value hedges canceled

During the months of March and May 2021, the Bank decided to revoke the designation of the fair value hedge with derivative financial instruments (Swaps CCS) that covered bonds classified as available for sale, for 110 million dollars (notional value) in both cases that expired. Additionally, the designation of the fair value hedge with derivative financial instruments (Swap IRS) was also revoked for an amount of $800 (notional value), which were recorded as trading and nine credits for an amount of $919 (credit value).

During the month of December 2020, the Group decided to revoke the designation of the fair value hedge with derivative financial instruments (Swap CCS) that covered Bonds classified as available for sale, for 30 million dollars (notional value) in both cases that they were defeated Additionally, the designation of the fair value hedge with derivative financial instruments (Swap IRS) that covered a credit for an amount of $344 (notional value) in both cases was also revoked, which were recorded as trading derivatives and seven credits for an amount of $114 (notional value) and $112 (notional value) that were due.

(Continued)

d. Formal documentation of hedges

At the initial moment of the constitution of the fair value and cash flow hedges, the Group completes an individual file that includes the following documentation:

- The Group's strategy and objective regarding risk management, as well as the justification for carrying out the hedging operation.
- The specific risk or risks to be covered.
- Constitution of the hedge, where the derivatives contracted for the purpose of hedging and the item that originates the hedged risk are identified.
- Definition of the elements that make up the coverage and reference to the method of evaluating its effectiveness.
- Contracts for the hedged item and the hedging transaction, as well as confirmation of the hedge counterparty.
- Evidence of the periodic effectiveness of the hedge, both at the prospective level regarding the estimation of its future evolution and at the retrospective level regarding its behavior in the past. These tests are carried out at least at the end of each quarter, in accordance with the valuation methodology defined at the time of the constitution of the coverage file.

e. Embedded derivatives

The Group uses embedded derivatives in order to adequately manage the interest rate, index and exchange rate risks inherent in structured bonds. The instruments used as of December 31, 2021, net, are for index options for $214 (the instruments used as of December 31, 2020, net, were for interest rate options for $20, indexes for $88 and exchange rate options for $1).

f. Collaterals received or delivered

As of December 31, 2021 and 2020, the guarantees and/or collaterals provided by derivative financial transactions, which are recorded in “Other accounts receivable” and correspondence to transactions carried out over the counter, are integrated as shown on the next page.

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	Type of collateral	Delivered		
			2021	2020
Other accounts receivable, net				
Foreign financial entities	Cash	$	819	5,091
Mexican financial entities	Cash		152	1,089
		$	971	6,180

Collaterals received for derivative financial securities carried out in unrecognized markets as of December 31, 2021 and 2020, are recorded in the caption "Creditors on collateral received in cash" and are shown below:

	Type of collateral	Received		
			2021	2020
Creditors on collateral received in cash				
Foreign financial entities	Cash	$	294	301
Mexican financial entities	Cash		234	168
Other entities	Cash		433	418
		$	961	887
Memorandum accounts (Note 21)				
Mexican financial entities	Government bonds	$	892	474

(Continued)

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(10) Loan portfolio-

(a) Classification of loan portfolio by currency-

At December 31, 2021 and 2020, the classification of loans into current and past-due by currency (valued in local currency), is analyzed as follows:

		2021		2020	
		Current	**Past-due**	**Current**	**Past-due**
In assets:					
Local currency:					
Business or commercial activity	$	146,648	6,604	143,678	4,551
Financial institutions		20,038	47	26,193	82
Government entities		16,023	-	9,011	-
Consumer loans		35,789	1,488	41,148	3,137
Medium and residential [(1)]		157,549	7,115	140,954	5,110
Social interest housing		5	13	7	18
Loan portfolio acquired from INFONAVIT		6,253	157	5,217	91
	$	382,305	15,424	366,208	12,989
Valued foreign currency:					
Business or commercial activity	$	38,524	1,570	35,732	219
Financial institutions		-	-	155	-
Medium and residential		22	48	32	64
		38,546	1,618	35,919	283
	$	420,851	17,042	402,127	13,272
		437,893		415,399	
Memorandum accounts:					
Loan commitments (see note 21g)		26,798		25,235	
	$	**464,691**		**440,634**	

As of December 31, 2021 and 2020, the restricted balance of medium and residential portfolio is for $16,075 and $15,379, respectively (see note 15). As of December 31, 2021, the balance of the restricted commercial loan portfolio is $2,511 which was given as collateral for the loan that was granted to the Bank by the Central Bank.

(1) Includes $92 and $112 loans denominated in UDIS, in 2021 and 2020, respectively.

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(b) Classification of loan portfolio by economic sector-

At December 31, 2021 and 2020, credit risk including loans, guarantees and loan commitments, classified by economic sector and the percentage of concentration are analyzed as follows:

		2021		2020	
		Amount	**%**	**Amount**	**%**
Agriculture, forestry and fishing	$	8,922	2	8,530	2
Commerce and tourism		46,610	10	46,984	11
Construction and housing*		188,498	40	170,784	39
Manufacturing		63,293	14	56,863	13
Consumer loans and credit cards		37,277	8	44,285	10
Community, social and personal services mainly government entities		48,875	11	50,236	11
Financial, insurance and real estate services		64,032	14	59,188	13
Transportation, warehousing and communication		7,184	1	3,764	1
	$	**464,691**	**100**	**440,634**	**100**

(1) Includes mortgage loan portfolio for $171,162 in 2021 and $151,493 in 2020.

(c) Additional loan portfolio information-

<u>Annual weighted lending rates</u>:

Annual weighted loan interest rates during 2021 and 2020, non-audited, were as follows:

	2021	2020
Commercial loans*	6.17%	6.97%
Personal loans	13.92%	15.63%
Credit cards	30.04%	33.78%
Residential mortgages	9.95%	10.18%

* Includes commercial, financial and government entities loans.

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Loans rediscounted with funding:

The Mexican Government has established certain funds for the promotion and development of specific areas of the agriculture, cattle-raising, industrial and tourism sectors, which are managed by the Central Bank, Nacional Financiera S. N. C. (NAFIN), Banco Nacional de Comercio Exterior (Bancomext) and Fideicomisos Instituidos en relación con la Agricultura (FIRA) by rediscounting loans with funding. At December 31, 2021 and 2020, the amount of loans granted under these programs totaled $12,740 and $18,726, respectively, and the related liability is included in “Bank and other borrowings” (see note 15).

Restructured loans:

At December 31, 2021 and 2020, restructured and renewed loans are analyzed as follows:

		Current loans	Past-due loans	Total
2021				
Commercial loans	$	20,086	3,919	24,005
Residential mortgages		4,135	1,130	5,265
Consumer loans		1,808	810	2,618
	$	26,029	5,859	31,888

		Current loans	Past-due loans	Total
2020				
Commercial loans	$	31,548	1,216	32,764
Residential mortgages		3,690	373	4,063
Consumer loans		1,625	1,314	2,939
	$	36,863	2,903	39,766

During 2021 and 2020, the Group carried out some modifications (exchange of better qualified guarantees, currency and partial payment dates) to the original terms of loans classified as commercial loans for $9,765 and $9,975, respectively, which were not considered restructures.

Current commercial loans restructured and renewed by the Group during years ended December 31 2021 and 2020, which continue being current, amount to $5,082 and $18,000, respectively; for mortgage portfolio were $2,565 and $592, respectively.

During the years 2021 and 2020, the Group recorded restructuring from past-due commercial loans which remained as past-due for $629 and $391, respectively. During 2021 the Group make restructure from past-due mortgages loans for $786 (in 2020 the Group did make restructures from past-due mortgages loans for $73).

(Continued)

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The restructuring consumer loans current and past-due made by the Group during 2021 amount to $537 and $466, respectively ($754 and $847, respectively in 2020).

At December 31, 2021 and 2020 no interest capitalization was carried out.

Risk concentration:

At December 31, 2021, the Group has 9 economic group debtors that exceeded 10% of its basic capital. The amount of funding to these groups is $26,181 and represents 46% of the basic capital at September 2021. At December 31, 2020, the Group had 9 economic group debtors that exceed the limit of 10% of basic capital. The amount of financing to these groups is $105,092 and represents 204% of the basic capital as of September 2020. The total balance of the loans granted to the three largest borrowers as of December 31, 2021 and 2020, amounts to $26,181 and $23,437, respectively.

Loan portfolio acquired from INFONAVIT

As of December 31, 2021 and 2020, the analysis of the loan portfolio, current and in extension, is presented below:

Type of loan		**Current portfolio**	**Portfolio in extension**[(1)]	**Total**
2021				
Acquired from INFONAVIT	$	6,231	179	6,410
2020				
Acquired from INFONAVIT		5,091	217	5,308

(1) Extension scheme, is the period of time during which an extension is granted to a mortgage loan to make loan payments of a result of having lost salary income.

On July 7, 2021, the first amending agreement for the expansion of the line for $1,000 is signed. INFONAVIT maintains the administration and collection and recovery corresponding to the loans assigned to the Group and is obliged to carry out the necessary collection procedures for the recovery of the receivable’s loans.

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During the years ended December 31, 2021 and 2020, the number of loans acquired from INFONAVIT were 3,333 and 1,762 loans, amounting $1,936 and $1,045, respectively.

As of December 31, 2021 and 2020, loans acquired from INFONAVIT of the past-due portfolio amount $157 and $91, respectively.

As of December 31, 2021 and 2020, mortgage loans granted under the program “Second mortgage loan” classified by category REA or ROA, are as follows:

	2021		2020	
Category	**Number of loans**	**Amount**	**Number of loans**	**Amount**
REA	1,204	$ 650	933	$ 511
ROA	9,619	5,581	7,881	4,580
		$ 6,231		$ 5,091

REA – Applies to the beneficiaries that lost their jobs and the payments are being made directly by the debtor.

ROA – Applies to the beneficiaries with formal employment and payments are made by the employer through payroll discounts.

Past-due loan portfolio:

An analysis of past-due loans at December 31, 2021 and 2020, from the date the loans were considered past-due, are summarized below:

		1 to 180 days	181 to 365 days	1 to 2 years	Over 2 years	Total
2021						
Commercial*	$	2,154	2,102	1,169	2,795	8,220
Consumer		1,453	33	-	3	1,489
Residential mortgages		2,698	1,416	1,947	1,272	7,333
	$	**6,305**	**3,551**	**3,116**	**3,116**	**17,042**

* Includes commercial loans, loans to financial institutions and government entities.

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		1 to 180 days	181 to 365 days	1 to 2 years	Over 2 years	Total
2020						
Commercial*	$	638	1,071	1,052	2,091	4,852
Consumer		3,075	59	-	3	3,137
Residential mortgages		2,099	1,130	1,312	742	5,283
	$	**5,812**	**2,260**	**2,364**	**2,836**	**13,272**

* Includes commercial loans, loans to financial institutions and government entities.

The movement in the past-due loan portfolio for the years ended December 31, 2021 and 2020, is summarized below:

		2021	2020
Balance at beginning of the year	$	13,272	10,163
Settlements		(5,561)	(2,923)
Write-offs and write-downs		(5,304)	(5,403)
Net increase, for transfers from and to current loans		14,612	11,419
Foreign exchange fluctuation		23	16
Balance at the end of the year	**$**	**17,042**	**13,272**

The interest on the past-due loan portfolio not recognized in results of operations for the year ended December 31, 2021 amounted to $942 ($685 in 2020), which are recorded in memorandum accounts.

For the years ended December 31, 2021 and 2020, the Group recorded write-offs from those past-due loans that had been fully reserved for $4,086 and $5,010, respectively. In both years there was no application of reserves to loans granted to related parties.

For the years ended December 31, 2021 and 2020, the Group obtained recoveries from written-off loans for $490 and $447, respectively.

Additional guarantees

At December 31, 2021 and 2020, the Group has no additional guarantees for the restructured loans.

(Continued)

Impaired loans:

At December 31, 2021, the balance of impaired commercial loans is $10,955 ($8,043 in 2020), from which $2,916 are recorded in current loans ($3,473 in 2020), and $8,039 are recorded in past-due loans ($4,570 in 2020).

Adjustment from valuation of financial asset hedging:

The fair value hedges of interest rate risk of a portion of a portfolio comprised of financial assets, could generate an adjustment to the carrying amount of the hedged item, the gain or loss is recorded in the consolidated income statement and is presented under valuation adjustments for hedging financial assets.

At December 31, 2021 and 2020, the adjustment to the carrying value of the loan portfolio from the gains recognized in results of operations for the year is presented under the caption “Valuation adjustment from hedging of financial assets" in the consolidated balance sheet for $(294) and $863, respectively.

(d) Purchase of commercial portfolio-

During the months of January and March 2021, the Group entered into contracts for the acquisition of commercial portfolio at a discount with unrelated financial institutions, at the date of the purchases, the portfolio was classified as a current portfolio. The book value of the portfolio acquired in January 2021 was $874 while the book value of the portfolio acquired in March 2021 was $1,030. The amount paid for the transactions was $865 and $1,022, respectively. The purchase for the month of January 2021 generated a profit of $9, for which $5 was recorded in the consolidated income statement in the category of "Other income from the operation, net", and $4 in "Deferred loan and prepayments" that will be amortized as the collections of said acquired portfolio are made. The purchase made in March generated a profit of $8, which was recorded in the consolidated income statement under the caption of "Other income from the operation, net".

(e) Portfolio sales-

Sale of mortgage loans portfolio

On July 23, 2021, the Group entered into an agreement for the onerous assignment of loan rights, litigation rights and foreclosed assets of two mortgage portfolios with an unrelated company. The loans of the first portfolio at the date of the assignment was classified as an overdue portfolio, the net carrying value of reserves at the date of the assignment was $168, the amount received for the transaction was $85, generating a loss of $83, which was recorded in the consolidated statement of income in the category of "Other income from the operation, net."

The second portfolio at the date of the assignment was classified as a punished portfolio, with a nominal value of $364; the amount received for the transaction was $69, generating a profit of $69, which was recorded in the consolidated income statement under the caption of "Allowance for loan losses".

(Continued)

(Millions of Mexican pesos)

On January 31, 2020, the Group sold a fully-defaulted mortgage loans to a non-related party, the face value of such loan portfolio was $181, the income received and the book value gain of such loan portfolio was $38. The results of these transaction were recorded as recoveries in the statement of income within the caption “Allowance for loan losses”.

Sale of commercial loans portfolio

On June 15, 2020, the Group entered into a contract for the onerous assignment of credit rights, litigious rights and commercial portfolio adjudicators with a non-related company, at the date of the assignment the portfolio was classified as past due portfolio and reserved to the 100%, the book value at the date of the assignment was $151. The amount received for the transaction was $28, generating a loss of $123, which was recorded in the consolidated income statement under the caption "Other operating income, net ".

(f) Allowance for loan losses-

As of December 31, 2021 and 2020, as a result from the application of the new allowance for loan losses methodology, the probability of default, loss given default and exposure at default by type of loan portfolio, obtained as weighted average (unaudited) from the exposure at default are as follows:

Type of loan portfolio	Probability of default	Loss given default	Exposure at default
2021			
Bank			
Commercial	5.64%	42.70%	$ 257,111
Residential mortgages	5.92%	19.16%	171,162
Personal loans	6.75%	71.86%	25,029
Revolving	9.19%	72.80%	28,466
Crédito Familiar			
Personal loans	14.36%	71.12%	$ 1,011

(Millions of Mexican pesos)

Type of loan portfolio	Probability of default	Loss given default	Exposure at default
2020			
Bank			
Commercial	4.33%	43.51%	$ 247,386
Residential mortgages	5.37%	19.34%	151,493
Personal loans	9.21%	71.86%	28,202
Revolving	13.26%	73.18%	28,785
Crédito Familiar			
Personal loans	31.32%	71.29%	$ 2,722

The parameters are weighted on the loans of each of the portfolios. Exposure at default shown for credit includes credit commitments.

At December 31, 2021, the credit rated loan portfolio and the allowance for loan losses are analyzed as follows:

Grade of risk	Commercial	Financial institutions	Government Entities	Consumer	Residential mortgages	Total
A-1	$ 102,630	17,821	12,389	23,614	148,618	305,072
A-2	66,759	5,071	384	4,681	2,105	79,000
B-1	23,638	1,592	100	2,154	1,450	28,934
B-2	5,686	438	1,049	1,479	5,006	13,658
B-3	5,639	488	1,801	792	3,812	12,532
C-1	289	607	-	1,032	1,814	3,742
C-2	130	1,053	-	767	2,319	4,269
D	4,001	47	300	714	3,618	8,680
E	4,340	-	-	2,044	2,420	8,804
Total	**$ 213,112**	**27,117**	**16,023**	**37,277**	**171,162**	**464,691**

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Grade of risk	Commercial	Financial institutions	Government Entities	Consumer	Residential mortgages	Total
A-1	$ 642	87	64	549	265	1,607
A-2	773	65	5	214	12	1,069
B-1	413	28	2	104	13	560
B-2	125	9	25	86	63	308
B-3	193	16	69	64	65	407
C-1	18	39	-	112	51	220
C-2	17	157	-	169	213	556
D	1,693	17	48	384	923	3,065
E	3,662	-	-	1,758	1,258	6,676
Subtotal	$ 7,536	418	213	3,440	2,863	14,470
Operational risk reserve						33
Reserves for accrued interest on past-due loans						363
Additional allowance reported to the Banking Commission:						
By COVID-19(1)						1,938
From previous years						12
Total allowance for loan losses						**$ 16,816**

At December 31, 2020, the credit rated loan portfolio and the allowance for loan losses are analyzed as follows:

Grade of risk	Commercial	Financial institutions	Government Entities	Consumer	Residential mortgages	Total
A-1	$ 120,070	22,449	4,756	24,335	131,226	302,836
A-2	47,461	7,044	303	5,474	2,569	62,851
B-1	18,451	1,256	1,741	2,896	1,491	25,835
B-2	2,990	140	-	1,680	4,032	8,842
B-3	3,890	5,096	1,782	950	2,647	14,365
C-1	824	454	429	1,500	2,747	5,954
C-2	264	-	-	1,497	2,124	3,885
D	2,761	8	-	2,356	3,089	8,214
E	2,605	82	-	3,597	1,568	7,852
Total	**$ 199,316**	**36,529**	**9,011**	**44,285**	**151,493**	**440,634**

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Grade of risk	Commercial	Financial institutions	Government Entities	Consumer	Residential mortgages	Total
A-1	$ 741	88	25	490	240	1,584
A-2	539	74	5	253	15	886
B-1	324	21	32	142	13	532
B-2	67	3	-	99	51	220
B-3	126	152	59	80	46	463
C-1	57	26	32	165	76	356
C-2	34	-	-	290	187	511
D	1,061	1	-	1,265	784	3,111
E	2,373	80	-	2,691	805	5,949
Subtotal	$ 5,322	445	153	5,475	2,217	13,612
Reserves for residential mortgages past-due loans						56
Operational risk reserve						31
Reserves for accrued interest on past-due loans						243
Additional allowance reported to the Banking Commission:						
By COVID-19[(1)]						3,750
From previous years						16
Total allowance for loan losses						**$ 17,708**

(1) During 2020, Crédito Familiar created additional reserves for $55, which were fully applied against past due portfolio.

The movement in the allowance for loan losses for the years ended December 31, 2021 and 2020 is summarized below:

	2021	2020
Balance at the beginning of the year	$ 17,708	12,127
Provisions charged to results of operations[(2)]	4,879	11,430[(1)]
Applications, write-downs and others	(5,765)	(5,617)
Foreclosure	(42)	(240)
Exchange rate fluctuations	36	8
Balance at the end of the year	**$ 16,816**	**17,708**

(1) At December 31, 2020, the Bank recognized $3,750 for the constitution of additional estimates derived from the COVID-19 pandemic, which are included under the caption "Allowance for loan losses" of the consolidated income statement, which were informed to the Banking Commission, likewise, they include $55 of additional Crédito Familiar estimates reported to the Banking Commission in 2020.

(2) Includes recoveries of $512 and $447, as of December 31, 2021 and 2020, respectively.

(Continued)

(g) Constitution of additional reserves due to SARS-COV2 (COVID-19) virus health emergency

Considering the health emergency due to COVID-19 that is occurring not only in Mexico but also worldwide and that affects the economic and financial environment on May 29, 2020, the Group sent a notice to the Banking Commission for the constitution of additional reserves . As of December 31, 2021 and 2020, the Group has established additional reserves for $1,938 (corresponding to the Bank) and $3,805 ($3,750 correspond to the Bank and $55 to Crédito Familiar), respectively; These reserves cover incremental risks that are not currently foreseen in the different credit portfolio rating methodologies.

The incremental risks are based on the impact on the country's macroeconomic and financial scenario, which in turn could impact the credit quality and the payment capacity of the borrowers of the Group's different portfolios, that is, both consumer portfolios, as of the mortgage portfolio and commercial portfolio.

Therefore, the additional reserves were constituted without initial direct allocation for any portfolio, so they are generic reserves that will be applied according to the particular needs of each portfolio.

For the retail portfolio, the reserves may be applied to customers with COVID-19 affectation that require provisions or in the application of discounts and discounts.

The release may also be determined before a proven economic recovery; portfolio stabilization and better macroeconomic indicators for 2 continuous quarters.

All releases must have the approval of the Deputy General Director of Risks and the Vice Presidency of Retail Risks.

In the case of commercial portfolio, additional reserves may be assigned during subsequent quarterly portfolio ratings to borrowers that meet the following criteria:

i. Your rating is lowered under the criteria of the Banking Commission. Except if the cause of the decrease is due to expired the Credit Bureau, or change of methodology.

ii. Borrowers with a high and medium risk sector, according to the classification made internally for this additional reserve.

Methodological information

The measurement and monitoring of credit risk is based on an expected loss and unexpected loss model, the calculation of this is carried out in a specialized internal, robust tool for institutional use.

- The expected loss represents the amount that the Group expects to lose during the next twelve months due to defaults given the characteristics of its portfolios. It is equal to the result of multiplying the exposure at default (ED), the probability of default (PD) and the loss given default (LGD) of the credit exposures.

- The unexpected loss is a measure of dispersion around the expected loss. It represents the economic capital necessary to keep the Group solvent in the event of an adverse event of great magnitude that impacts the loan portfolios. Additionally, tests are carried out under extreme conditions to determine their impact on the expected and unexpected loss of the portfolio.

(h) Special accounting criteria for natural disasters support program-

On November 30, 2020, the Banking Commission issued special Accounting Criteria on a temporary basis applicable to credit institutions, due to the recent damage caused by natural phenomena in disaster areas applicable to consumer, residential mortgages and commercial loans, for clients who have their domicile or credits whose source of payments are in affected areas, declared by the Ministry of the Interior or by the Ministry of Security and Citizen Protection as a disaster area.

During the fiscal year ended December 31, 2021 and 2020, no support for natural disasters was presented.

(i) Adjustment to the risk parameter of probability of default and severity of loss-

On July 23, 2021, the DOF published the adjustment to the risk parameter of probability of default and loss given default is taken into account for the calculation of loans reserves for women. This adjustment was considered in the calculations of the reserve during fiscal year 2021.

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(11) Foreclosed assets-

At December 31, 2021 and 2020, foreclosed assets are analyzed below:

		2021	2020
Premises	$	172	156
Furniture, securities and foreclosing rights		-	76
		172	232
Impairment allowance		(40)	(31)
	$	**132**	**201**

The movement of the allowance for impairment for the years ended December 31, 2021 and 2020 is analyzed below:

		2021	2020
Balance at beginning of year	$	(31)	(21)
Additional provisions due to aging charged to operations for the year		(16)	(12)
Credit to income on sale of foreclosed assets		7	2
	$	**(40)**	**(31)**

(12) Premises, furniture and equipment, net-

Premises, furniture and equipment and leasehold improvements at December 31, 2021 and 2020 are analyzed below:

		2021	2020	Annual depreciation rate
Lands	$	508	515	-
Office premises		1,310	1,324	Various
Transportation equipment		51	4	25% and 33%
Transportation equipment in capital lease		3	59	33%
Computer equipment		2,080	1,873	Various
Computer equipment in capital lease		87	108	20%
Furniture and equipment		1,626	1,694	10%
Leasehold improvements		3,941	3,569	Various
		9,606	9,146	
Accumulated depreciation		5,152	(4,997)	
	$	**4,454**	**4,149**	

(Continued)

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Depreciation charged to results of operations for the years ended December 31, 2021 and 2020 amounted to $681 and $637, respectively.

For the years ended December 31, 2021 and 2020, there was not an effect from impairment of leasehold improvements.

During the years ended December 31, 2021 and 2020, the Group had asset disposals of $435 and $117, respectively, canceling depreciation for $354 and $525, respectively.

According to assessment carried out by the Group, the residual value (except land) at December 31, 2021 and 2020, is minimum.

Real estate selling

During 2021 and 2020, the Group carried out the sale of real estate, the total profit on sale of real estate amounted to $18 and $1, which was recorded under the caption "Other operating income, net" in the consolidated statement of income.

(13) Permanent investments-

At December 31, 2021 and 2020, the Group´s permanent investments in equity and associate classified by activity, are analyzed as follows:

		2021	**2020**
Banking related services	$	47	47
Derivatives market operators		62	59
Other permanent investments		109	106
Derivatives market operation (associate)		8	7
	$	**117**	**113**

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(14) Deposit funding-

At December 31, 2021 and 2020, the deposit funding caption, is analyzed as follows:

		2021			2020		
		Local currency	**Foreign currency**	**Total**	**Local currency**	**Foreign currency**	**Total**
Demand deposits:							
Non-interest bearing	$	89,583	11,944	101,527	79,323	10,865	90,188
Interest bearing		85,960	21,716	107,676	89,193	22,494	111,687
		175,543	33,660	209,203	168,516	33,359	201,875
Time deposits:							
General public		195,983	-	195,983	154,298	-	154,298
Money market:							
Certificates of deposit (Cedes)		4,303	-	4,303	14,027	996	15,023
Promissory notes		-	-	-	513	-	513
		4,303	-	4,303	14,540	996	15,536
Debt securities issued:							
Bank stock certificates		22,407	4,829	27,236	25,882	4,687	30,569
Bonk bonds		3,655	-	3,655	2,431	-	2,431
		26,062	4,829	30,891	28,313	4,687	33,000
Global account of deposits without movements		755	107	862	607	7	614
Total deposit funding	**$**	**402,646**	**38,596**	**441,242**	**366,274**	**39,049**	**405,323**

In accordance with the provision of article 61 of the Credit Institutions Law, as of December 31, 2021 and 2020, the three-year periods of inactivity of deposit accounts of certain clients were fulfilled, counted from their concentration in the account global deposit made up of 62,414 and 79,714 number of accounts respectively, with an individual amount or less than 300 UMAS in force in Mexico City, amounting to $44 and $55 respectively, and which were delivered to public charity, in accordance with the legal system of the afored mentioned article during 2021 and 2020.

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The unaudited average weighted interest rates on deposit balances during the years ended December 31, 2021 and 2020, are as follows:

	2021		2020	
	Local currency	**Dollars**	**Local currency**	**Dollars**
Demand deposits	2.03%	0.04%	2.18%	0.27%
Time deposits:				
General public	4.13%	-	5.21%	-
Money market	4.70%	-	6.08%	0.64%

At December 31, 2021 and 2020, money market time deposits and debt securities issued among the public investors, are as follows:

(a) Money market time deposits-

Certificates of deposit (Cedes)

December 31, 2021 and 2020, Cedes were issued with a nominal value of 100 pesos for an amount of $4,303 and $14,027, respectively. As of December 31, 2021, no Cedes in dollars were issued (as of December 31, 2020, Cedes with a nominal value of 100 dollars were issued for an amount of $996).

December 31, 2021

Cedes-

Interest payment	Annual rate	Term in days	Amount	Interest payment
28 días	TIIE 28+.08%	350	$ 800	1
28 días	TIIE 28+.08%	350	1,500	2
28 días	TIIE 28+.08%	364	1,000	-
28 días	TIIE 28+.08%	364	1,000	-
			$ 4,300	3
Total Cedes			**$**	**4,303**

(Millions of Mexican pesos, except where otherwise noted)

December 31, 2020

Cedes-

Interest payment	Annual rate	Term in days	Amount	Interest payment
28 días	TIIE 28 + 0.06%	336	$2,000	-
28 días	TIIE 28 + 0.06%	336	1,000	2
28 días	TIIE 28 + 0.25%	364	730	2
28 días	TIIE 28 + 0.25%	350	500	1
28 días	TIIE 28 + 0.25%	350	1,500	2
28 días	TIIE 28 + 0.09%	350	1,000	-
28 días	TIIE 28 + 0.06%	364	500	1
28 días	TIIE 28 + 0.06%	336	2,435	-
28 días	TIIE 28 + 0.06%	364	500	1
28 días	TIIE 28 + 0.02%	224	1,000	1
28 días	TIIE 28 + 0.02%	224	1,000	-
28 días	TIIE 28 + 0.19%	196	500	1
28 días	TIIE 28 + 0.05%	168	50	-
28 días	TIIE 28 + 0.20%	196	500	1
28 días	TIIE 28 + 0.09%	336	800	-
			$14,015	12
Total cedes				**$14,027**

Underlying	Periods	term in days		amount
LIBOR 1MTH +0.50	28	180		996
Total cedes			**$**	**15,023**

Promissory notes-

As of December 31, 2021, no promissory notes with yield payable at maturity were issued. As of December 31, 2020, promissory notes were issued with yield payable at maturity with an approximate nominal value of one peso each, as shown below:

December 31, 2020

Issuance date	Number of securities	Term in days	Annual Rate	Amoun t	Interest payment
June 2020	524,873,333	364	4.94%	$ 500	13
Total					**$ 513**

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(b) Debt securities issued-

At December 31, 2021 and 2020, the Bank issued banking stock certificates with par value of one hundred Mexican pesos, under the program authorized by the Baking Commission for up to $25,000, as shown in the following:

Banking stock certificates

December 31, 2021

Issuance date	Number of securities	Term in years	Interest payment in days	Issuance proportion	Interest rate	Amount	Accrued Interest
April 2017	28,750,000	5	28	9%	TIIE 28 + 0.50%	2,875	11
March 2018	34,500,000	4	28	9%	TIIE 28 + 0.24%	3,450	7
March 2018	28,750,000	4	28	9%	TIIE 28 + 0.24%	2,875	6
May 2019	36,529,437	4	28	9%	TIIE 28 + 0.18%	3,653	14
May 2019	23,575,595	3	28	9%	TIIE 28 + 0.18%	2,354	9
December 2019	60,000,000	3	30	9%	TIIE 28 + 0.15%	6,000	-
June 2013*	11,500,000	10	182	8%	7.30%	1,150	3
						22,357	50
Subtotal of banking stock certificates						$	22,407

Banking stock certificates in dollars-

Date of issue	Number of titles	Term in years	Interest payment in days	Proportion of the emission	Interest rate	Amount	Accrued interest
May 2019	1,234,500	3	90	0.72%	LIBOR-3M+0.57%	$ 2,533	2
July 2019	1,117,750	3	90	0.72%	LIBOR-3M+0.57%	2,292	2
						4,825	4
Subtotal of banking stock certificates in dollars							4,829
Total banking stock certificates						**$**	**27,236**

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

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December 31, 2020

Issuance date	Number of securities	Term in years	Interest payment in days	Issuance proportion	Interest rate	Amount	Accrued Interest
April 2017	28,750,000	5	28	8%	TIIE 28 + 0.50%	$ 2,875	9
August 2017	34,500,000	4	30	8%	TIIE 28 + 0.36%	3,450	13
March 2018	34,500,000	4	28	8%	TIIE 28 + 0.24%	3,450	6
March 2018	28,750,000	4	28	8%	TIIE 28 + 0.24%	2,875	5
May 2019	36,529,437	4	28	8%	TIIE 28 + 0.18%	3,653	11
May 2019	23,575,595	3	28	8%	TIIE 28 + 0.16%	2,354	7
December 2019	60,000,000	3	30	8%	TIIE 28 + 0.15%	6,000	21
June 2013*	11,500,000	10	182	7%	7.30%	1,150	3
						$ 25,807	75
Subtotal Banking stock certificates							$ 25,882

Banking stock certificates in dollars-

May 2019	1,234,500	3	90	2%	LIBOR-3M+0.57%	$ 2,458	2
July 2019	1,123,915	3	90	3%	LIBOR-3M+0.57%	2,225	2
						$ 4,683	4
Subtotal Banking stock certificates in dollars							4,687
Total banking stock certificates							**$ 30,569**

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

Structured banking bonds

December 31, 2021

Issuance date	Number of securities	Term in days	Underlaying	Amount	Accrued Interest
November 2019	658,200	1,096	MSFDVTHY	$ 66	-
February 2020	1,930,500	1,094	MSFDVTIG	193	-
March 2020	6,481,910	1,095	MSFDVTIG	648	-
May 2020	7,898,100	1,093	SPXSRT5E Index	790	-
June 2020	415,850	1,093	SPXSRT5E Index	42	-
March 2021	238,845	540	XLE	24	-
March 2021	212,845	540	XLF	21	-
March 2021	1,845,220	540	XLE	184	-
April 2021	4,946,500	1,093	IDBTVER	495	-
June 2021	572,300	1,093	IDBTVER	57	-
August 2021	1,526,000	358	MSFDVTHY	152	-
August 2021	809,300	728	IDBTVER	81	-
November 2021	3,848,100	1,093	BNPIUIL5	385	-
December 2021	1,105,530	541	EZU	111	-
March 2021	120,000	1,080	FXI	10	-
November 2021	3,950,200	1,093	BNPIUIL5	395	1
				$ 3,654	1
Total structured banking bonds					**3,655**

(Continued)

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December 31, 2020

Issuance date	Number of securities	Term in days	Underlaying		Amount	Accrued Interest
April 2019	716,915	729	NKY	$	72	6
May 2019	980,100	730	SPTSX60		98	-
June 2019	238,250	730	SPTSX60		24	-
July 2019	1,403,500	728	TIIE28		140	-
September 2019	344,200	547	IPC		34	-
November 2019	529,100	731	MSFDVTHY		53	-
November 2019	663,200	1,096	MSFDVTHY		66	-
January 2020	949,800	359	SPX		95	-
January 2020	870,100	359	USD/MXN		87	-
February 2020	100,000	358	SPX		10	-
February 2020	1,930,500	1,094	MSFDVTIG		193	-
March 2020	6,515,910	1,095	MSFDVTIG		652	-
May 2020	7,956,100	1,093	SPXSRT5E Index		796	-
June 2020	415,850	1,093	SPXSRT5E Index		42	-
December 2020	633,800	364	USD/MXN		63	-
				$	2,425	6
Total structured banking bonds					**$**	**2,431**

(c) Valuation adjustments of hedging financial liabilities:

The fair value hedges of interest rate risk of a portion of a portfolio comprised of financial liabilities, could generate an adjustment to the carrying amount of the hedged item, the gain or loss is recorded in the consolidated income statement and is presented under valuation adjustments for hedging financial liabilities.

At December 31, 2021 and 2020, the caption “Valuation adjustment from hedging of financial liabilities" in the consolidated balance sheet for $8 and $13, respectively.

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(15) Bank and other borrowings-

At December 31, 2021 and 2020, bank and other borrowings are compromised as follows:

Due on demand		**2021**	**2020**
Short-term:			
Local currency:			
Central Bank loans	$	200	100
Development agencies [1]		4,370	10,724
Development banks [2]		5,231	6,052
Other institutions		-	4,728
Accrued interest		110	114
		9,911	21,718
Dollars valued into local currency:			
Multiple banking		7,178	10,964
Development agencies [1]		189	434
Development banks [2]		48	18
Accrued interest		10	12
		7,425	11,428
Total short-term		**17,336**	**33,146**
Long-term:			
Local currency:			
Central Bank Loans		1,100	-
Development agencies [1]		6,567	6,071
Development banks [2]		21,000	25,000
Other organizations		45	-
Total long-term in local currency		28,712	31,071
Dollars valued into local currency:			
Development agencies [1]		308	404
Other organizations		2,051	1,991
Total long-term		**31,071**	**33,466**
Total bank and other borrowings	**$**	**48,407**	**66,612**

[1] Resources from development funds (see note 10c).

[2] At December 31, 2021, the Bank obtained 5 borrowings with NAFIN for a total amount of $12,500 with a maturity of 2 years and interest rates of 6%. At December 31, 2021, the Bank obtained 5 borrowings with Sociedad Hipotecaria Federal, S. N. C. (SHF) for a total amount of $8,500 with maturities between 2 and 6 years and interest rates between 5% and 9%. At December 31, 2020, the Bank obtained 6 borrowings with NAFIN for a total amount of $14,000 with maturities between 4 and 5 years and interest rates of 5%. At December 31, 2020, the Bank obtained 6 borrowings with Sociedad Hipotecaria Federal, S. N. C. (SHF), for a total amount of $11,000 with maturities between 2 and 10 years and interest rates of 5%.

(Continued)

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At December 31, 2021 and 2020, long-term bank and other borrowings maturity dates are as follows:

		2021	2020
Maturity			
2022	$	-	4,844
2023		10,971	10,190
2024		13,367	13,925
2025		3,160	3,506
2026		2,312	-
Over 5 years		1,261	1,001
	$	**31,071**	**33,466**

Banking borrowings that the Group maintains, relate mainly to access to funds via auctions, loans regulated by the Central Bank with no pre-established limit, loans subject to availability of funds of the lenders' budget with no limit to the Group and loans whose limit is agreed to daily by the lender. At December 31, 2021 and 2020, the Group has no significant interbank lines of credit with authorized amounts that have not been drawn down.

On January 19, 2021, the Group signed a simple loan opening agreement secured with eligible trust assets in collateral with the Central Bank for $1,100, at an average rate of the interbank rate and a term of 720 days.

For the years 2021 and 2020, bank and other loans weighted average annual interest unaudited rates, is shown below:

	2021 annual rates		2020 annual rates	
	Local currency	Foreign currency	Local currency	Foreign currency
Domestic banks	-	0.28%	-	0.41%
Development Bank	6.13%	1.10%	5.88%	2.43%
Development agencies	5.44%	0.64%	4.71%	1.00%
Central Bank	4.87%	-	4.55%	-
Other organisms	-	0.83%	4.83%	1.03%

(16) Employees' benefits-

The Bank, the Brokerage Firm, SECOSA, Crédito Familiar and the Fund Management Company have a defined contribution pension plan and post-retirement benefits, to which all employees that start working since April 1, 2006, are incorporated, being optional for employees who joined prior to such date. The plan provides for established contributions by the Group and employees, which may be fully withdrawn by employees when aged 55 years.

For the years ended December 31, 2021 and 2020, the charge to results for SECOSA (until June 30, 2021) and the Brokerage Firm's contributions to the defined contribution pension plan amounted to $104 and $88, respectively, under the caption "Administrative and promotional expenses" in the consolidated statement of income.

The costs, obligations and assets of the defined pension, seniority premium, and other post-retirement benefit plans were determined based on computations prepared by independent actuaries as of December 31, 2021 and 2020.

Merge

As of July 1, 2021, the Bank entered into a merge with SECOSA, in which the Bank assumes all labor obligations for all active employees that SECOSA maintained until June 30, 2021.

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

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		Seniority premium		Legal compensation		Pension plan		Other post-retirement benefits	
		2021	2020	2021	2020	2021	2020	2021	2020
Current labor service cost (CLSA)	$	7	15	13	36	11	16	40	77
Net interest on DBNL o (DBNA)*		4	4	15	39	171	164	127	104
Actuarial losses gain (AGL) generated in the year		20	-	123	257	1	-	-	-
(Income) from past services for reduction of personnel		-	(8)	-	(37)	-	-	-	-
Net past service amortization		(1)	-	(3)	-	-	-	(2)	-
Labor Cost for improvements to the plan		77	-	-	-	-	-	-	-
Prior Service Labor Cost		-	-	-	-	-	1	-	2
Cost of personnel transfer and recognition of seniority		-	-	-	8	-	-	-	-
Reclassification of remeasurements of DBNL recognized in OCI		8	1	(3)	4	44	40	46	32
Net cost of the year		**115**	**12**	**145**	**307**	**227**	**221**	**211**	**215**
Beginning balance of remeasurement of DBNL (DBNA)		-	(2)	-	28	579	666	579	532
Remeasurements generated during the year		88	30	(30)	10	(262)	260	(729)	458
Recognition of de AGL in OCI		-	-	-	-	-	13	-	-
Reclassification of remeasurements recognized in OCI		(7)	(1)	3	(4)	(43)	(40)	(46)	(32)
Final balance of remeasurements of (DBNA) DBNL		81	27	(27)	34	274	899	(196)	958
Increase (decrease) of remeasurements of DBNL or DBNA in OCI		**80**	**29**	**(27)**	**6**	**(306)**	**233**	**(775)**	**426**
Defined benefits cost		**195**	**41**	**118**	**313**	**(79)**	**454**	**(564)**	**641**
Beginning balance of DBNL (DBNA)		7	47	469	482	1,772	1,795	1,813	1,178
Recognition of modifications to the plan in retained earnings (progressive recognition)		-	-	-	-	-	(11)	-	(6)
Liability/asset transferred to July 1, 2021		(1)	-	(3)	-	-	-	(3)	-
Recognition of initial reserve by merge		92		-		523		21	
Adjustment for transferred liability		12	-	(32)	-	36	-	(2)	-
Cost (income) of defined benefits		118	41	145	313	227	454	210	641
Plan contributions		-	-	-	-	72	72	-	-
Payments charged to DBNL		-	(1)	(176)	(328)	(1)	-	-	-
Restricted funds		-	11	-	2	-	(16)	-	-
(Gains) / losses recognized in OCI		84	-	(27)	-	(305)	-	(734)	-
Ending balance of DBNL	$	**312**	**98**	**376**	**469**	**2,324**	**2,294**	**1,305**	**1,813**

* Defined benefits net liability (DBNL) or Defined benefits net asset (DBNA).

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The reconciliation of the financial position of the obligation and net projected asset (liability) as of December 31, 2021 and 2020 is as follows:

		Seniority premium		**Legal compensation**		**Pension plan**		**Other post-retirement benefits**	
		2021	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Defined benefits obligations (DBO)	$	(336)	(173)	(376)	(469)	(2,392)	(2,692)	(3,533)	(4,219)
Plan assets		24	75	-	-	68	398	2,228	2,406
Financial situation of the obligation		(312)	(98)	(376)	(469)	(2,324)	(2,294)	(1,305)	(1,813)
Net projected liability	**$**	**(312)**	**(98)**	**(376)**	**(469)**	**(2,324)**	**(2,294)**	**(1,305)**	**(1,813)**

As of December 31, 2021 and 2020, remeasurements for defined benefits to employees recorded in stockholders' equity are made up of the following concepts:

		2021	**2020**
Beginning balance of remeasurements	$	1,915	1,221
Effect of the Merge		(33)	-
Remeasurements gradually recorded		-	13
Reclassification of remeasurements recognized in OCI in the year		(93)	(77)
Remeasurements generated in the year		(933)	758
Final balance of remeasurements		856	1,915
Deferred IT and ESPS [1]		(152)	(300)
Effect in equity, net of deferred IT and ESPS	**$**	**704**	**1,615**

[1] Calculated based on the Tax Provisions of deductibility for salaries and wages to the employees.

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Movements of the plan assets required for covering the employee benefit obligations for the years ended December 31, 2021 and 2020 is analyzed as follows:

		2021	2020
Fair value of the assets at beginning of year	$	1,175	1,521
Merge income as of July 1, 2021		1,694	-
Return on plan assets		189	54
Transfers to defined contribution fund		(72)	-
Payments charged to the fund during the year		(677)	(400)
Fair value of the assets at end of year	**$**	**2,309**	**1,175**

The annual nominal rates as of December 31, 2021 and 2020 used in actuarial projections are as follows:

	2021	2020
Return on plan assets	9.70%	8.30%
Discount rate	9.70%	8.30%
Salary increase	4.50%	4.50%
Increase in medical expenses	6.50%	6.50%
Estimated inflation	3.50%	3.50%

The expected return rate on the plan assets is the same to the discount rate in accordance with current standards.

The plan assets covering pension, seniority premium, medical expenses, food coupons and life insurance for retirees consist of 55% debt instruments and 45% equity instruments subject to a trust and managed by a Group-designated Committee.

The effect from an increase or decrease by a percentage point in the rate of increase in medical expenses used for the actuarial projections at December 31, 2021 and 2020, are shown below.

	2021		2020	
	Annual rates	**DBO medical expense retirees**	**Annual rates**	**DBO medical expense retirees**
With no modification	6.50%	2,919	6.50%	1,701
1% increase in medical inflation rate	7.50%	3,255	7.50%	1,883
1% decrease in medical inflation rate	5.50%	2,638	5.50%	1,545

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As of December 31, 2021 and 2020, the amortization periods in years for unrecognized items related to defined pension and other post-retirement benefits (unaudited) are as follows:

The components of the Bank's sensitivity analysis, as of December 31, 2021 and 2020, are shown below:

	Pensions Retirement	**Other post retirement benefits**
2021		
Past service plan improvements	17.01	17.51
2020		
Past service plan improvements	1	1
Net actuarial loss/(gain) and recycling of remeasurements of the (P)/ANBD to recognize OCI	17.50	17.50

The components of the sensitivity analysis (unaudited) of the Group, as of December 31, 2021 and 2020, are shown below:

		Seniority premium		**Legal compensation**		**Pension plan**		**Other post-retirement benefits**	
		2021	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Defined benefit obligations (DBO) as of December 31	$	315	173	356	469	2,388	2,692	3,513	4,219
Significant actuarial assumptions as of December 31 sensitivity analysis, discount rate 8.80% (+0.50%)		(8)	(5)	(5)	(12)	(87)	(111)	(193)	(268)
Discount rate 7.80% (-0.50%)		8	5	5	12	97	120	213	298
Long-term inflation rate 3.75% (+0.25%)		2	2	-	-	18	28	14	21
Long-term inflation rate 3.25% (-0.25%)		(2)	(2)	-	-	(15)	(24)	(13)	(20)

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(17) Related-party balances and transactions-

During the normal course of business, the Group carries out transactions with related parties such as loans, investments, deposit funding, services, etc. Transactions and balances incurred by consolidated companies were eliminated and persistence of those who do not consolidate.

According to the Group's policies, the Board of Directors authorizes some credit transactions with related parties, which are granted at market rates with guarantees and terms in accordance with sound banking practices.

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

		2021	2020
Income:			
Commissions and fee income	$	41	148
Intermediation income		1,541	-
Expenses:			
Financial intermediation income		-	195
Administrative services		140	350
Interest paid		987	978

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

		2021	2020
Payable:			
Demand deposits	$	94	14
Derivatives*		75,255	13,112
Commercial loans		575	4,437
Other accounts receivable		890	4,542
Payable:			
Demand deposits and time deposits		1	41
Derivatives*		3,025	1,898
Interbank borrowings		7,179	10,951
Subordinated obligations		9,054	9,052
Other accounts payable		251	35

*Corresponds to balances before compensation

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 non-collectability, except loans granted by the Group where reserves are created according to the methodology of the Banking Commission.

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In accordance with Article 73bis of the credit institutions Law, the total amount of transactions with related parties must not to exceed 35% the basic portion of the net capital (see note 20). The loans granted with related parties by the Bank as of December 31, 2021 and 2020 amount to $3,147 and $3,479, respectively. The deposits made by related parties as of December 31, 2021 and 2020 amount to $859 and $122, respectively.

For the years ended December 31, 2021 and 2020, the benefits granted to senior management amounted to $378 and $293, respectively.

(18) Income taxes (IT) and employee's statutory profit sharing (ESPS)-

The IT Law in force as of 1st. January 2014 establishes a rate of 30% for 2014 and subsequent years. The determination of the 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 calculating ESPS is homologated with the basis for determining IT, with some discrepancies in terms of reduction of tax losses, ESPS paid in the year and expenditures that represent exempt income for workers.

At December 31, 2021 and 2020, current and deferred IT and ESPS expense (benefit), is as follows:

		2021		2020	
		IT	**ESPS**	**IT**	**ESPS**
Current:					
Bank and subsidiaries	$	1,638	513	2,741	-
Brokerage Firm		186	(51)	220	78
The Fund Management Company		95	3	95	-
SECOSA		311	-	429	127
Crédito Familiar		5	-	-	2
Current IT and ESPS		2,235	465	3,485	207
Deferred IT and ESPS		853	(1,954)	(1,758)	18
Total IT and ESPS		**3,082**	**(1,489)**	**1,727**	**225**
Reversed provisions from prior years, net		(3)	(1)	(63)	-
Total tax expense	**$**	**3,085**	**(1,490)**	**1,664**	**225**

The Group does not consolidate the tax results with its subsidiaries, therefore the information presented below is only for information purposes.

The Group has not recognized a deferred tax liability on the undistributed earnings of its subsidiaries and associated companies, the Group currently does not expect that those undistributed earnings be reinvested and will be taxable, in the near future.

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IT and ESPS deferred:

The deferred asset and the favorable (unfavorable) effect in results and Stockholders' equity of deferred IT and ESPS at December 31, 2021 and 2020 are comprised of the items shown as follows:

		2021		2020	
		IT	**ESPS**	**IT**	**ESPS**
Valuation of financial instruments:					
Trading	$	3	4	195	(3)
Available-for-sale		55	18	(178)	-
Cash flow hedge swaps		(194)	(63)	497	-
Expense accruals and others		(663)	(227)	(383)	84
Remaining balance to be deducted of premises, furniture and equipment		375	142	314	2
Unearned fees collected		594	177	663	-
Pension plan		422	136	436	32
Other assets		-	-	(20)	9
Foreclosed assets		332	108	319	-
Allowance in excess		-	-	265	-
Remeasurements of defined employee benefits		(33)	(12)	260	40
Future loan write-offs		5,011	1,622	5,119	-
Deferred IT for deferred ESP		(633)	-	-	-
Others		762	231	-	-
		6,031	2,136	7,487	164
	$	**8,167**		**7,651**	

The (unfavorable) favorable effect in consolidated income statement and equity, for deferred IT and ESPS, for the years ended December 31, 2021 and 2020 are presented in the following page.

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		2021		2020	
		IT	**ESPS**	**IT**	**ESPS**
(Unfavorable) favorable effect					
Valuation of financial instruments:					
Trading	$	(192)	7	114	(3)
Available-for-sale		233	18	(142)	-
Cash flow hedge swaps		(691)	(63)	405	-
Expense accruals and others		(280)	(311)	19	17
Remaining balance to be deducted of premises, furniture and equipment		61	140	47	3
Unearned fees collected		(69)	177	(47)	-
Pension plan		(14)	104	92	16
Other assets		20	(9)	(4)	(22)
Foreclosed assets		13	108	28	-
Allowance in excess [(1)]		(265)	-	22	-
Remeasurements of defined employee benefits		(293)	(52)	114	24
Future loan write-offs [(1)]		(108)	1,622	1,524	-
Tax loss		-	-	(37)	-
Deferred IT of deferred ESPS		(633)	-	-	-
Others		762	231	-	-
		(1,456)	1,972	2,135	35
	$	**516**		**2,170**	

The above movements are reflected in the consolidated financial statements as follows:

		2021		2020	
		IT	**ESPS**	**IT**	**ESPS**
Deferred tax:					
In income statement	$	(853)	1,941	1,758	11
In stockholders' equity:					
Valuation in available-for-sale securities		234	18	(142)	-
Remeasurements of defined employee benefits		(170)	(12)	114	24
Valuation of cash flow hedge securities		(690)	(63)	405	-
Allowance for loan losses		-	8	-	-
Others		23	80	-	-
		(1,456)	1,972	2,135	35
	$	**516**		**2,170**	

(1) Net of valuation allowance

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The following is an analysis of the effective tax rate of the Bank without subsidiaries, for the fiscal years ended at December 31, 2021 and 2020:

Entity		**Expected expense (benefit)**	**IT**	**Effective rate**
2021				
Bank (*)	$	3,563	2,407	20%
Inmobiliaria		45	23	16%
Derivados		46	38	25%
The Brokerage Firm		257	213	25%
The Fund Management Company		105	95	27%
Crédito Familiar		(30)	(185)	(185%)
Administradora de Activos CF		4	3	22%
Servicios Corporativos CF		3	2	21%
SECOSA		150	486	41%
	$	**4,143**	**3,082**	**(12%)**

Entity		**Expected Expense (Benefit)**	**IT**	**Effective rate**
2020				
Bank (*)	$	1,103	957	27%
Inmobiliaria		45	39	26%
Derivados		52	50	29%
The Brokerage Firm		221	206	28%
The Fund Management Company		95	99	31%
Crédito Familiar		(104)	(20)	(5%)
Administradora de Activos CF		9	10	33%
Servicios Corporativos CF		12	27	69%
SECOSA		159	359	68%
	$	**1,592**	**1,727**	**34%**

(*) Includes eliminations of intercompany transactions.

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For information purposes, the analysis of the effective rate of income tax and ESPS of the Bank without subsidiaries for the years ended December 31, 2021 and 2020 is presented below:

		Tax base	**IT Tax at 30%**	**Effective rate**
December 31, 2021				
Operating income	$	11,876	(3,563)	(30%)
Allocation to current tax:				
Adjustment for effects of inflation		(4,135)	1,240	10%
Valuation of financial instruments		(55)	17	-
Depreciation and amortization		144	(44)	-
Non-deductibles expenses		572	(172)	(1%)
Allowance for loan losses		4,566	(1,370)	(12%)
Deductible loan write-offs		(4,963)	1,489	13%
ESPS accrued and deferred for the year		(1,438)	432	4%
ESPS deduction paid		(484)	145	1%
Commission fees and advance payments		(675)	203	2%
Financial instruments gain (loss)		(532)	160	1%
Other, net		418	(125)	(1%)
Current Tax		5,294	(1,588)	(13%)
Allocation to deferred tax:				
Valuation of financial instruments		55	(17)	-
Expense accruals and others		496	(150)	(1%)
Remaining balance to be deducted of premises, furniture and equipment		(198)	60	-
Pension plan		(274)	83	-
Foreclosed assets		(45)	14	-
Unearned fees collected		140	(42)	-
Future loan write-offs		361	(108)	(1%)
IT recognized in other expenses		76	(23)	-
IT deferred for ESPS deferred in results		2,121	(636)	(5%)
Deferred tax		2,732	(819)	(7%)
Income tax	**$**	**8,026**	**(2,407)**	**(20%)**

(1) For ESPS purposes the 47% deductible expense related to non-taxable income of the employees is not included, while for IT purposes, it is included.

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		Tax base	IT Tax at 30%	Effective rate
December 31, 2020				
Operating income	$	3,678	(1,103)	(30%)
Allocation to current tax:				
Adjustment for effects of inflation		(1,549)	465	13%
Valuation of financial instruments		193	(58)	(2%)
Depreciation and amortization		29	(9)	-
Non-deductibles expenses		274	(82)	(2%)
Allowance for loan losses		10,587	(3,176)	(86%)
Deductible loan write-offs		(5,449)	1,635	44%
Commission fees and advance payments		196	(59)	(2%)
Financial instruments gain (loss)		226	(68)	(2%)
Other, net		736	(221)	(6%)
Current Tax		8,921	(2,676)	(73%)
Allocation to deferred tax:				
Valuation of financial instruments		(171)	51	1%
Expense accruals and others		(101)	31	1%
Remaining balance to be deducted of premises, furniture and equipment		(106)	32	1%
Pension plan		(146)	43	1%
Foreclosed assets		(91)	27	1%
Unearned fees collected		(35)	11	-
Future loan write-offs		(5,078)	1,524	41%
Deferred tax		(5,728)	1,719	46%
Income tax	**$**	**3,193**	**(957)**	**(27%)**

To assess the recovery of deferred assets, Management considers the probability that part or all of them will not be recovered. The final realization of deferred assets depends on the generation of taxable income in the periods in which the temporary differences are deductible.

(1) For ESPS purposes the 47% deductible expense related to non-taxable income of the employees is not included, while for IT purposes, it is included.

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		Base	ESPS 10%	effective rate
31 December 2021				
Result of the operation	$	11,876	(1,187)	(10%)
Affectation to the tax caused:				
Fiscal effect of inflation, net		(4,135)	414	4%
Valuation of financial instruments		(55)	5	-
Depreciation and amortization		144	(14)	-
Non-deductible expenses		465	(47)	-
Allowance for loan losses		4,566	(456)	(4%)
Deductible punishments		(4,963)	496	4%
ESPS caused and deferred from exercise		(1,438)	144	1%
Commissions and advance payments		(675)	67	-
Profit (loss) of financial instruments		(532)	53	-
Other, net		420	(42)	-
Tax profit	$	5,673	(567)	(5%)

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

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

According to technical report 53, to determine the rate of the ESPS caused, the ESPS caused (FLL) 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.

(Continued)

(Millions of Mexican pesos)

	2021
ESPS assigned to workers based on law limits	$ 522
ESPS 10%	567
Quotient	0.9206
ESPS statutory rate	10%
ESPS rate current	9.21%

In conducting this assessment, Management considers the expected reversal of deferred liabilities, projected taxable earnings, and planning strategies.

As of December 31, 2021, tax losses to be amortized expire as shown below:

Año		**Amount updated as at 31 December 2021**
2026	$	31
2027		38
2028		79
2030		160
2031		461
Total tax losses	**$**	**769**

<u>Other considerations</u>:

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 a 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.

(Continued)

(Millions of Mexican pesos)

(19) Subordinated debt issued-

At December 31, 2021 and 2020, the Group has issued the following private subordinated debt which are not convertible into shares:

Issuance date	Number of securities		Price per security in pesos	Term in years	Interest term in days	Interest rate		Total amount of issuance
December 31, 2021								
29-jun-18	33,600,000	$	100	15	182	12.30%	$	3,360
11-sep-18	34,550,000		100	Perpetual	182	11.32%		3,455
18-dec-14	20,930,000		100	10	182	7.40%		2,093
								8,908
Accrued interest payable								146
							$	**9,054**

Issuance date	Number of securities		Price per security in pesos	Term in years	Interest term in days	Interest rate		Total amount of issuance
December 31, 2020								
29-jun-18	33,600,000	$	100	15	182	12.30%	$	3,360
11-sep-18	34,550,000		100	Perpetual	182	11.32%		3,455
18-dec-14	20,930,000		100	10	182	7.4%		2,093
								8,908
Accrued interest payable								144
							$	**9,052**

(Continued)

(Millions of Mexican pesos)

(20) Stockholders' equity-

(a) Structure of capital stock-

As of December 31, 2021 and 2020, the common shares without par value that integrated the social capital were as follow:

	Series "F"	Series "B"	Total
Subscribed and paid-in shares (*)	1,660,376,400	1,358,489,782	3,018,866,182
Treasury shares not paid	158,215,942	129,449,407	287,665,349
	1,818,592,342	**1,487,939,189**	**3,306,531,531**

* Represent the minimum fixed and variable portion of capital stock.

(b) Dividends declared-

The dividends paid to individuals and corporations resident abroad shall be subject to an additional tax of 10%, which is considered final and must be withheld by entities that distribute such dividends. The rule solely applies to dividends payment from earnings generated beginning January 1, 2014.

For the year ended at December 31, 2021 and 2020, the Group didn't declare or paid dividends.

(c) Comprehensive income-

The comprehensive income reported in the consolidated statement of changes in stockholders' equity represents the results of the total performance of the Group and subsidiaries during the year, and includes the net income, plus the result of the valuation of available-for-sale securities and cash flow hedge transactions, as well as the remeasurements of defined employee benefits; net of IT and ESPS deferred.

(d) Restrictions on stockholders' equity-

No individual or entity may acquire direct or indirect control of Series "B" shares in excess of 5% of the Group's paid-in capital, through one or more simultaneous or successive transactions of any kind. If deemed appropriate, the Ministry of Finance and Public Credit may authorize the acquisition of a higher percentage, provided that it does not exceed 20% of the capital stock.

In conformity with the General Corporations Law, 5% of the Group´s net income for the year must be appropriated to the statutory reserves until such reserves reach 20% of the paid-in capital. At December 31, 2021 and 2020 the statutory reserve was $901, which had reached the required percentage of capital.

The tax basis of stockholder contributions and retained earnings may be distributed to the stockholders tax free. Distributions in excess of the tax bases are subject to income tax. At December 31, 2021 the capital contribution account (Cuenta de Capital de Aportación or CUCA, unaudited), and the net taxable income account (Cuenta de Utilidad Fiscal Neta or CUFIN, unaudited), of the Group amount to $15,154 and $23,292, respectively.

The retained earnings of subsidiaries may not be distributed to the Group's stockholders until these are received as dividends. Dividends paid derived from profits generated from January 1, 2014 and later, to individuals and to foreign residents, abroad are subject to an additional non-refundable tax of 10%.

(Continued)

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(e) Capitalization (unaudited)-

The Banking Commission requires brokerage firms to maintain a minimum capital as a percentage of assets at risk. The percentage is calculated by applying certain specific percentages according to the level of risk assigned, in conformity with the rules established by the Central Bank. The Brokerage Firm's net capital at December 31, 2021 and 2020 was $2,760 and $2,314, respectively.

At December 31, 2021 and 2020, the Bank maintained a capitalization index in excess of 10.5%; accordingly, it is classified as Category I in both years in accordance with article 220 of the Provisions in both years, the capitalization index is determined by applying certain percentages according to the risk assigned pursuant to the rules established by the Central Bank. Below is the individual Bank's capitalization information (capitalization index reported to the Central Bank and subject to its approval):

		2021	2020
Basic capital			
Common shares	$	11,575	10,877
Prior years' results		39,157	36,432
Other elements of the comprehensive income (and other reserves)		16,618	8,013
Basic capital 1 before regulatory adjustments		**67,350**	**55,322**
Regulatory adjustments:			
Deferred debits and prepayments		(7,856)	(5,260)
Investments in clearing house		(344)	(286)
Investment in investment Funds		(7)	-
Credit tax		(2,111)	-
Deferred taxes, favorable items from temporary differences		(230)	(1,769)
Total regulatory adjustments to capital		**(10,548)**	**(7,315)**
Basic Capital 1		56,802	48,007
Basic Capital non-fundamental		3,581	3,580
Total Basic Capital		**60,383**	**51,587**
Supplementary Capital			
Allowable reserves that count as			
Complementary		1,965	21
Equity instruments		4,211	4,631
Net Capital		**66,559**	**56,239**
Total risk weighted assets	$	431,914	404,186

(Continued)

(Millions of Mexican pesos)

Equity and supplementary ratios

		2021	2020
Basic capital ratio		13.15%	11.88%
Basic capital ratio		13.98%	12.76%
Supplementary capital ratio		1.43%	1.15%
Net capital ratio		15.41%	13.91%
Specific institutional supplement		16.25%	14.98%
Supplement capital conservation		2.50%	2.50%
Supplement of local systemic importance (D-SIB)		0.60%	0.60%
Tier 1 common equity available to cover supplements		6.15%	4.88%

** Final information approved by the Central Bank*

Limits applicable to the inclusion of reserves in supplementary capital:			
Limits applicable to the inclusion of reserves in supplementary capital under standardized methodology			
Basic Capital I Ratio	$	2,063	2,057

Total weighted assets at risk as of December 31, 2021:

		Risk weighted assets	Capital requirement
Exposed positions to market risk by risk factor:			
Transactions in pesos at nominal interest rates	$	43,019	3,441
Transactions with debt securities in pesos with premium and adjustable rates		1,950	156
Transactions in Mexican pesos at real interest rates or denominated in UDIS		1,125	90
Foreign currency transactions at nominal interest rates		1,700	136
Operations in UDIs or referred to the INPC		75	6
Foreign currency positions or with exchange rate indexed returns		1,788	143
Equity positions or with returns indexed to the price of a single share or group of shares		338	27
Capital requirement for Gamma impact		13	1
Total market risk, to next page	**$**	**50,008**	**4,000**

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		Risk Weighted assets	Capital requirement
Total market risk, from previous page:	$	50,008	4,000
Weighted assets subject to credit risk by risk group:			
Group I-B (weighted at 2%)		14	1
Group III (weighted at 10%)		586	47
Group III (weighted at 20%)		5,081	407
Group III (weighted at 25%)		2	-
Group III (weighted at 50%)		113	9
Group IV (weighted at 20%)		2,970	238
Group V (weighted at 20%)		417	33
Group V (weighted at 50%)		49	4
Group V (weighted at 150%)		1,956	156
Group VI (weighted at 20%)		667	53
Group VI (weighted at 25%)		494	40
Group VI (weighted at 30%)		1,882	151
Group VI (weighted at 40%)		1,810	145
Group VI (weighted at 50%)		38,367	3,069
Group VI (weighted at 70%)		156	12
Group VI (weighted at 75%)		18,586	1,487
Group VI (weighted at 85%)		3,572	286
Group VI (weighted at 100%)		80,584	6,447
Group VII-A (weighted at 10%)		150	12
Group VII-A (weighted at 20%)		11,574	926
Group VII-A (weighted at 50%)		7,815	625
Group VII-A (weighted at 100%)		149,892	11,991
Group VII-A (weighted at 120%)		598	48
Group VII-A (weighted at 150%)		1,542	123
Group VII-B (weighted at 23%)		470	38
Group VII-B (weighted at 115%)		62	5
Group VIII (weighted at 115%)		6,503	520
Group VIII (weighted at 150%)		3,081	246
Group IX (weighted at 100%)		15,535	1,243
Derivatives credit valuation adjustment		2,114	169
Exposure to the default fund in clearing houses		22	2
Total credit risk, to next page	**$**	**356,664**	**28,533**

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		Risk Weighted assets	Capital requirement
Total credit risk, from previous page:	$	356,664	28,533
Weighted assets subject to risk and capital requirement from operational risk		25,242	2,019
Total market, credit and operational risk	**$**	**431,914**	**34,552**
Annual average of positive net income for the past 36 months			$ 30,396

Total weighted assets at risk as of December 31, 2020:

		Risk weighted assets	Capital requirement
Exposed positions to market risk by risk factor:			
Transactions in pesos at nominal interest rates	$	26,850	2,148
Transactions with debt securities in pesos with premium and adjustable rates		1,863	149
Transactions in Mexican pesos at real interest rates or denominated in UDIS		388	31
Foreign currency transactions at nominal interest rates		2,125	170
Foreign currency positions or with exchange rate indexed returns		1,150	92
Equity positions or with returns indexed to the price of a single share or group of shares		325	26
Total market risk, to next page	**$**	**32,701**	**2,616**

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		Risk Weighted assets	Capital requirement
Total market risk, from previous page:	$	32,701	2,616
Weighted assets subject to credit risk by risk group:			
Group I-B (weighted at 2%)		2	-
Group II (weighted at 20%)		40	3
Group III (weighted at 10%)		669	53
Group III (weighted at 20%)		3,236	259
Group III (weighted at 25%)		46	4
Group III (weighted at 50%)		515	41
Group VI (weighted at 20%)		1,946	156
Group V (weighted at 20%)		550	44
Group V (weighted at 150%)		1,654	132
Group VI (weighted at 50%)		30,354	2,428
Group VI (weighted at 75%)		19,068	1,525
Group VI (weighted at 100%)		92,865	7,429
Group VII-A (weighted at 11.5%)		450	36
Group VII-A (weighted at 20%)		11,594	928
Group VII-A (weighted at 23%)		1,061	85
Group VII-A (weighted at 50%)		8,555	684
Group VII-A (weighted at 100%)		152,794	12,224
Group VII-A (weighted at 115%)		2	-
Group VII-A (weighted at 120%)		603	48
Group VII-B (weighted at 23%)		256	21
Group VIII (weighted at 115%)		4,411	353
Group VIII (weighted at 150%)		2,244	179
Group IX (weighted at 100%)		14,741	1,179
Derivatives credit valuation adjustment		5,181	415
Exposure to the default fund in clearing houses		17	1
Total credit risk, to next page	$	**352,854**	**28,227**

(Continued)

(Millions of Mexican pesos)

		Risk Weighted assets	Capital requirement
Total credit risk, from previous page:	$	352,854	28,227
Weighted assets subject to risk and capital requirement from operational risk		18,631	1,491
Total market, credit and operational risk	**$**	**404,186**	**32,334**
Annual average of positive net income for the past 36 months			$ 27,418

As of December 31, 2021, the net capital structure of the Bank of $66,559 had an increase of 18.49% compared to $56,239 of the year 2020. The growth of net capital during 2020 has the impact of the creation of additional voluntary reserves made by the Bank to face eventual credit losses derived from the contingency due to the COVID-19 virus, as well as the increase in capital deductions during the year.

As of December 31, 2020, the weightings in calculating the institutions' countercyclical capital supplement is zero, therefore there is no impact for this concept.

(f) Capital management-

To evaluate the capital adequacy, the Bank starts from its Exposition Plan to obtain a prospective vision of the institution that allows to identify risks which is exposed and to make decisions when monitoring key metrics and indicators, such as: Capital, Liquidity, Profitability and Credit Losses.

The Exposition Plan has been structured based on the view of the country´s macroeconomic scenario and plans of the diverse business lines.

At the same time, to ensure the compliance and the continuous monitoring of the capital sufficiency, the Bank has documented an Action Plan for the Conservation of Capital and Liquidity, which aims to implement early warning indicators, that are the base for the Liquidity and Capital Management Committee, carry out assessments and monitoring in accordance with the policies, as the impact and magnitude of the stress event.

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 estimates of Capital Index.

(Continued)

Likewise annual stress tests as established by the Banking Commission under various scenarios are performed, in order to ensure that the Bank has the sufficient capital to continue receiving funding and granting loans with these stress scenarios and business strategies. Additionally, an analysis of internal stress scenarios starting from the Plan of Exhibitions as base scenario, that integrate various adverse macroeconomic conditions is performed, in order to disclose exposure of the Bank at different risks.

The Bank carried out its “Capital Adequacy Assessment Exercise” during 2021, this exercise was carefully planned and executed to evaluate the adequacy of capital and liquidity under conditions of stress in internal scenarios. The result of the exercise led to the conclusion that the institution's liquidity and capital would enable it to cope with the risks arising from defined stress scenarios, maintaining its capital ratio and liquidity indicators above minimum regulatory requirements.

On May 12, 2021, the Board of Governors of the Banking Commission ratified the Bank as a Multiple Banking Institution of Local Systemic Importance, through official letter No. 141-5/17474/2021, its degree of systemic importance and the capital conservation supplement. In addition, the Bank was rated as Grade I, so it must constitute a capital supplement of 60 basis points. Based on the foregoing, the minimum regulatory capital that the Bank must maintain, under normal conditions, is 11.10% as of December 31, 2021.

However, in the year of 2020 the Banking Commission issued a series of regulatory facilities for the COVID-19 pandemic, including one that allows banks to use up to 50% of the capital supplement. Facility initially in force until March 2021, which was later extended to remain in force until December 2021, so the Bank must maintain a minimum regulatory capital of 9.85% until then.

As of December 31, 2020, the Bank created $3,750 millions of additional voluntary reserves to face eventual credit losses derived from the contingency due to the COVID-19 virus. The Bank has not recorded these additional reserves as supplementary capital.

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(21) Memorandum accounts-

(a) Securities on repurchase / resell agreements on behalf of customers-

At December 31, 2021 and 2020, the repurchase/resell transactions of customers are comprised as follows:

	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**

(b) Securities lending transaction on behalf of customers-

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

	2021			2020		
	Number of securities		**Fair value**	**Number of securities**		**Fair value**
1 SIMEC	-	$	-	40,000	$	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**

(Continued)

(Millions of Mexican pesos)

(c) Collateral received in guarantee by customers-

The collateral represented by government, private and banking debt securities and on behalf of customers in guarantee for the Group, at December 31, 2021 and 2020, 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 securities	4,239,021		424	364,113		37
		$	**25,012**		**$**	**31,314**

(d) Customer's securities received in custody-

The funds managed by the Group for investing in various instruments on behalf of its customers at December 31, 2021 and 2020 are recorded in memorandum accounts. The funds provided by these transactions are analyzed as follows:

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

(Continued)

(Millions of Mexican pesos)

(e) Collaterals delivered in guarantee by customers-

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

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

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

(f) Investment banking transactions on behalf of third parties-

As of December 31, 2021 and 2020 funds managed by the Group following customer instructions for investment in different instruments of the Mexican financial system are recorded in memorandum accounts and are analyzed as follows:

		2021	2020
Government securities		131,424	130,425
Bank securities not issued by the Bank		3,377	5,203
Total	**$**	**134,801**	**135,628**

The amount of funds invested in the Group's own funding instruments, if any, is included in the consolidated balance sheet.

Transactions for own behalf-

(g) Credit commitments-

Credit facilities:

As of December 31, 2021 and 2020, the balance of authorized credit facilities not withdraw amounted to $248,105 and $251,255, respectively, within that amount of committed facilities non-withdraw credit facilities amounted for $40,528 and $32,998, in the same years.

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Letters of credit:

As of December 31, 2021 and 2020, the Group has issued letters of credit for $26,798 and $25,235, respectively.

As of December 31, 2021 and 2020, the allowance created for credit letters amount to $325 and $227, respectively, and are included in the allowance for loan losses.

(h) Assets in trust or under mandate-

The Group's trust activity, recorded in memorandum accounts as of December 31, 2021 and 2020, is shown as follows:

		2021	2020
Trust:			
Administrative	$	393,150	395,320
Guarantee		2,472	2,647
		395,622	397,967
Mandates		29,096	29,006
	$	**424,718**	**426,973**

Trust revenue accrued for the years ended December 31, 2021 and 2020 amounted $251 and $207, respectively and were recorded in the caption "Commission and fee income".

(i) Collaterals received by the entity and collaterals received and sold or pledged by the entity-

The collaterals received by the Group as of December 31, 2021 and 2020, are analyzed below:

		2021	2020
Collaterals received by the entity:			
Repurchase / resell agreements:			
LD BONDESD	$	2,334	12,020
CEDE		227	1,152
CEBUR		424	-
		2,985	13,172
Guarantees received for derivate operations		892	474
Equity instruments		697	581
Guarantees received for credit operations		6,763	7,872
	$	**11,337**	**22,099**

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Collaterals received and collaterals sold or delivered by the Group at December 31, 2021 and 2020 are analyzed below:

		2021	2020
LD BONDESD	$	25,892	1,067
Subtotal		25,892	1,067
Banking debt		424	-
Net equity instruments		103	113
Total	**$**	**26,419**	**1,180**

(j) Assets in custody or under management-

At December 31, 2021 and 2020, this caption is comprised of property and securities received in custody, guarantee or under management, are analyzed as follows:

		2021	2020
Securities in custody:			
Securities vault	$	145	-
Investment transaction		43,095	45,950
Management of securities		8,794	8,794
Shares pledged as warranty		13,511	13,720
Other		8,532	8,966
		74,077	**77,430**
Securities under management:			
Securities		**312,644**	**333,167**
Transactions with derivative financial instruments			
Futures		68,036	31,833
Swaps		421,529	498,260
		489,565	**530,093**
	$	**876,286**	**940,690**

(22) Additional information on operations and segments-

(a) Segment information-

The Group's operations are classified in the following segments: "Credit and services" (acceptance of deposits, granting of loans), "Treasury and trading" (securities, derivatives and currency transactions) and "Others". For the year ended December 31, 2021 and 2020, income by segment is analyzed in the next page.

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December 31, 2021		Credit and services	Trading and treasury	Other	Total
Interest income, net	$	22,883	2,298	(114)	25,067
Commissions and fees, net; result from trading and other operating income, net		6,458	1,431	2,707	10,596
Net operating revenues		**29,341**	**3,729**	**2,593**	**35,663**
Allowance for loan losses		(4,367)	-	-	(4,367)
Administrative and promotional expenses		(16,802)	(922)	(113)	(17,837)
Income before current and deferred income taxes		**8,172**	**2,807**	**2,481**	**13,459**
Equity in the results of operations of associated companies		-	-	-	1
Current and deferred income taxes, net		-	-	-	(3,085)
Net income	**$**				**10,375**

December 31, 2020		Credit and services	Trading and treasury	Other	Total
Interest income, net	$	26,754	72	(269)	26,557
Commissions and fees, net; result from trading and other operating income, net		4,965	2,334	2,473	9,772
Net operating revenues		**31,719**	**2,406**	**2,204**	**36,329**
Allowance for loan losses		(10,983)	-	-	(10,983)
Administrative and promotional expenses		(18,920)	(1,278)	(126)	(20,324)
Income before current and deferred income taxes		**1,816**	**1,128**	**2,078**	**5,022**
Equity in the results of operations of associated companies		-	-	-	1
Current and deferred income taxes, net		-	-	-	(1,664)
Net income	**$**				**3,359**

(Continued)

(Millions of Mexican pesos)

(b) Financial margin-

For the years ended December 31, 2021 and 2020, the financial margin in the consolidated statement of income is comprised as follows:

Interest income:

Interest income for the years ended December 31, 2021 and 2020 is analyzed as follows:

		Credit and services	Trading and treasury	Other	Total
December 31, 2021					
Cash and cash equivalents	$	-	1,051	-	1,051
Margin accounts		-	123	-	123
Investment securities		-	6,742	539	7,281
Securities on repurchase/resell agreements		-	507	-	507
Current loan portfolio		34,693	-	-	34,693
Past-due loan portfolio		224	-	-	224
Loan origination fees		589	-	-	589
Securities lending transactions		-	-	20	20
	$	**35,506**	**8,423**	**559**	**44,488**

		Credit and services	Trading and treasury	Other	Total
December 31, 2020					
Cash and cash equivalents	$	-	1,228	-	1,228
Margin accounts		-	162	-	162
Investment securities		-	5,885	612	6,497
Securities on repurchase/resell agreements		-	452	-	452
Current loan portfolio		40,333	-	-	40,333
Past-due loan portfolio		150	-	-	150
Loan origination fees		670	-	-	670
Securities lending transactions		-	-	16	16
	$	**41,153**	**7,727**	**628**	**49,508**

(Continued)

(Millions of Mexican pesos, except otherwise stated)

An analysis of the loan portfolio interest and commission income by type of loan is shown below, for the years ended December 31, 2021 and 2020:

		2021		2020	
		Current	**Past-due**	**Current**	**Past-due**
Commercial	$	10,683	78	13,183	52
Financial institutions		1,396	1	2,271	-
Government entities		6,585	79	8,739	45
Consumer		15,870	4	15,861	53
Residential mortgages		810	-	949	-
		35,344	**162**	**41,003**	**150**
	$	**35,506**		**41,153**	

For the years ended December 31, 2021 and 2020, in the total interest income of commercial loans, retail and mortgage there are commissions that represent a yield adjustment of 0.07%, 0.70% and 0.09%, for 2021, as well as 0.10%, 0.65% and 0.09%, for 2020, respectively.

For the years ended December 31, 2021 and 2020, total interest income includes interest denominated in foreign currency amounting to $49 and $51 million dollars, respectively.

Loan origination fees for the years ended December 31, 2021 and 2020 are comprised as follows:

		2021	2020
Commercial	$	169	226
Consumer		261	301
Residential mortgages		159	143
	$	**589**	**670**

Amortization term for the fees are from 12 to 360 months.

Interest expense:

Interest expense for the years ended December 31, 2021 and 2020 is comprised in the following page.

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		Credit and services	Trading and treasury	Others	Total
2021					
Demand deposits	$	(3,647)	-	-	(3,647)
Time deposits		(8,051)	-	-	(8,051)
Debt securities issued		-	(1,222)	-	(1,222)
Bank and other borrowings		-	(2,523)	(1)	(2,524)
Subordinated debt issued		-	(973)	-	(973)
Securities under repurchase/resell agreements		-	(1,402)	(668)	(2,070)
Premium in securities lending transaction		-	(4)	(4)	(8)
Issuance expenses for debt placement		-	(1)	-	(1)
Discount for debt placement		-	-	-	-
Residential mortgages loan origination fees and expenses		(925)	-	-	(925)
	$	**(12,623)**	**(6,125)**	**(673)**	**(19,421)**

		Credit and services	Trading and treasury	Others	Total
2020					
Demand deposits	$	(3,360)	-	-	(3,360)
Time deposits		(10,179)	-	-	(10,179)
Debt securities issued		-	(1,996)	-	(1,996)
Bank and other borrowings		-	(3,264)	-	(3,264)
Subordinated debt issued		-	(975)	-	(975)
Securities under repurchase/resell agreements		3	(1,418)	(894)	(2,309)
Premium in securities lending operations		-	(2)	(3)	(5)
Residential mortgages loan origination fees and expenses		(863)	-	-	(863)
	$	**(14,399)**	**(7,655)**	**(897)**	**(22,951)**

(Continued)

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(c) Commission and fee income-

For the years ended December 31, 2021 and 2020, the commission and fee income are analyzed as follows:

		2021	2020
Letters of credit with no refinancing	$	187	186
Account handling		203	84
Trust activities		251	207
Fund transfers		127	151
Electronic banking services		158	127
Credit transactions		1,812	2,025
Management services		2,319	1,695
Other fees and commissions collected		2,864	2,655
	$	**7,921**	**7,130**

For the years ended December 31, 2021 and 2020, the other commissions and fees collected are integrated as shown below:

		2021	2020
Other commissions derived from the loan portfolio	$	1,745	936
Other commissions derived from deposit funding		400	731
Commissions per exchange		271	390
Foreign exchange correspondent		156	135
Public offers		111	100
Others		181	363
	$	**2,864**	**2,655**

(d) Financial intermediation income-

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

		2021	2020
Unrealized valuation:			
Investment securities	$	105	(31)
Derivatives:			
Trading		(449)	(60)
Hedging		(446)	(274)
Available-for-sale hedge securities		(18)	41
Foreign currencies and metals		(356)	(10)
Unrealized valuation carried forward	**$**	**(1,164)**	**(334)**

(Continued)

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		2021	2020
Unrealized valuation from previous page	**$**	**(1,164)**	**(334)**
Realized gain or (loss):			
Investment securities		43	575
Derivatives:			
Trading		706	852
Available-for-sale hedge securities		(5)	(2)
Foreign currencies and metals		1,880	1,351
		2,624	2,776
	$	**1,460**	**2,442**

(e) Other operating income (expenses)-

For the years ended December 31, 2021 and 2020, other operating income, net is analyzed as follows:

		2021	2020
Dividends	$	107	117
Donations		(19)	(21)
Income on sale of foreclosed assets		131	122
Taxation		8	3
Other recoveries		70	7
Loans employees		46	3
Food coupons		25	36
Loan write-offs and losses		(497)	(638)
Various insurance		1,385	1,049
Others		947	701
	$	**2,203**	**1,379**

(Continued)

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(f) Financial ratios (unaudited)-

The following are the main quarterly financial ratios of the Group years ended at 2021 and 2020:

	2021			
	Fourth	**Third**	**Second**	**First**
Delinquency rate	3.9%	4.0%	3.8%	3.7%
Coverage of past-due loan portfolio rate	98.7%	100.5%	107.8%	115.9%
Operating efficiency (administrative and promotional expenses / average total assets)	3.2%	1.6%	2.9%	3.2%
ROE (annualized net income for the quarter / average stockholders' equity)	14.1%	21.9%	14.8%	12.5%
ROA (annualized net income for the quarter / average total assets)	1.5%	2.2%	1.4%	1.2%
Net capital / Assets at credit risk	18.66%	18.20%	17.67%	16.83%
Net capital / Assets at credit, market and operational	15.41%	15.00%	15.11%	14.39%
Liquidity (liquid assets / liquid liabilities)	81.9%	69.9%	87.8%	73.3%
Financial margin after allowance for loan losses / Average earning assets	3.5%	3.3%	3.4%	3.3%

	2020			
	Fourth	**Third**	**Second**	**First**
Delinquency rate	3.2%	2.7%	2.6%	2.4%
Coverage of past-due loan portfolio rate	133.4%	145.2%	127.2%	122.1%
Operating efficiency (administrative and promotional expenses / average total assets)	3.2%	3.2%	3.0%	3.2%
ROE (annualized net income for the quarter / average stockholders' equity)	6.3%	3.2%	1.8%	11.6%
ROA (annualized net income for the quarter / average total assets)	0.6%	0.3%	0.2%	1.1%
Net capital / Assets at credit risk	15.94%	15.91%	15.14%	14.43%
Net capital / Assets at credit, market and operational	13.91%	13.85%	13.44%	12.91%
Liquidity (liquid assets / liquid liabilities)	69.8%	87.2%	71.7%	70.0%
Financial margin after allowance for loan losses / Average earning assets	2.8%	2.3%	2.2%	2.9%

(Continued)

(23) Commitments and contingencies-

(a) Leases-

Leases provide for periodic rental adjustments based on changes in various economic factors. Total rental expense in office property, software and other for the years ended December 31, 2021 and 2020, amounted to $862 and $1,003, respectively.

(b) Claims and trials-

In the normal course of the operations, the entities of the Group are involved in some claims and trials, which are not expected to have an important negative effect in the future financial situation and in the results of its operations. In such cases that represent a probable loss or make a cash outflow, the Group has made necessary provisions.

(c) Commitments-

The Group had entered into a SECOSA service provision contract, for the provision of administrative services. The total payments made for this concept as of June 30, 2021 were $4,761 and as of December 31, 2020, $9,320, and are included in the caption "Administration and promotion expenses" in the consolidated statement of income.

(d) Responsibility agreement-

The Group has entered into an agreement with each of its subsidiaries, whereby it undertakes to be jointly and severally responsible for compliance with the obligations that according to the applicable provisions are inherent to the activities of each financial entity that conforms the Group. In addition, the Group agrees to unlimited and several responsibilities for the losses of each and every one of these financial entities.

(24) Risk management (unaudited information)-

Certain amounts and/or percentages calculated in this note may vary slightly against the same amounts or percentages indicated in any other note to the consolidated financial statements due to rounding of the amounts.

The following foot note focuses on the risk management of the Group and its subsidiaries.

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

According to the “General Provisions applicable to Credit Institutions in terms of risk management” issued by the National Banking and Securities Commission, same that are fulfilled by the Bank, the Board of Directors assumes responsibility over the Bank’s risk management objectives, guidelines and policies, likewise it periodically approves the objectives, guidelines and policies as well as the limit structure for the various types of risk.

The Board of Directors delegates to the Risk Committee and the Comprehensive Risk Management Unit (UAIR), the implementation of risk policies and the establishment of specific limits by risk factor, as well as the responsibility to implement the procedures for risk measurement, administration and control, in accordance with established policies.

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 whereby guidelines are established for reporting deviations from the specified limits, which it should report to the Risk Committee and the Board of Directors.

The Group’s Comprehensive Risk Management Unit is represented by the Assistant General Risk Management (Risk DGA) and relies for the management and administration of the different types of risk (i.e. credit, liquidity, interest rate, market and operational, among others), on the Risk Corporate Management , which in turn constitutes the UAIR of Crédito Familiar and Globalcard, and is organized into 7 areas designed to monitor and reduce the risks to which the institution is exposed; this in order to ensure an adequate risk management to comply with the risk profile wanted and defined by the Management Board, and also to improve quality, diversification and composition of the different portfolios, optimizing the risk-return ratio.

(Continued)

The UAIR is responsible for reviewing and submitting for the approval of the Risk Committee and/or the Board of Directors the different methodologies used to manage the risks to which the institution is exposed as well as the risk appetite framework, management policies for the different types of risk, global and specific exposure limits and the corresponding risk tolerance levels. Additionally, it is also responsible for providing Senior Management with reliable and timely information to support decision-making monitoring, management and administration of the different lines of business.

Finally, risk management is based on the best international practices because it has a regulatory framework that allows not only to comply with local regulations but also with corporate standards and guidelines established by BNS.

(a) Market risk-

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

The Group's risk positions include fixed and floating rate money market instruments, stock, foreign exchange positions and derivatives such as: interest rate futures, futures, foreign exchange forwards and options, interest rate swaps, interest rate options and foreign currency swaps. For each portfolio, there are established and approved limits.

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

Market Risk Management includes monitoring that the risk 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. The models used to manage market risk are reviewed at least biannually. The Risk Committee and Board of Directors are periodically informed of the performance of the limits, as well as of the Market Risk indicators. The limits approved by the Risk Committee and Board of Directors are aligned with the Group's Risk Appetite.

The market risk is managed with specialized systems and contemplates volumetric or notional amounts for value at risk, sensitivity and "stress" limits.

The Group's securities trading activities are directed primarily to providing service to its customers, accordingly, the Group holds an inventory of financial instruments of shares, interest rates and foreign exchange, the access to market liquidity is available through offers to buy from and sell to other intermediaries. In addition, the Group 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.

(Millions of Mexican pesos)

Value-at-risk (VaR)

The VaR is an estimate of the potential loss of value within a specific level of statistical confidence that might arise from maintaining a specific position during a specific period of time (the holding period) under normal market conditions. VaR is calculated daily on all of the Group’s risk-exposed financial instruments and portfolios.

The VaR is calculated using the historical simulation method, with a 300-working daytime. To conform to the measurement methodologies used, the Group calculates the VaR considering a 99% confidence level and a 1 day (holding period).

During the fourth quarter of 2021, average global VaR was $16.03 and at December 31, 2021, the global VaR was $16.33.

During the fourth quarter of 2021, the average one-day VaR, broken down by the Group’s risk factors is as follows:

	December 20210	December 2020	
Risk factors:	**Average VaR 1 day**	**Average VaR 1 day**	
Interest rates	14.28	$	18.52
Equity	1.47		3.94
Foreign exchange rates	8.99		2.64
Total	16.03	$	16.46

The distribution of the exposure to market risk (position vs. value at risk) of the trading portfolio in December 2021 is as follows:

		Position		VaR	
		Closing	**Average**	**Closing**	**Average**
Money market	$	57,438	56,944		
Derivatives market					
SC Swaps (MXN / USD)		768,725	779,915		
CC Swap		38,391	30,960		
Caps & Floors (MXN / USD)		61,835	58,419		
Market portfolio of interest rates and interest rate derivatives		926,388	926,238	16.99	14.28
Equity shares		173	159		
Equity derivatives		22,436	21,377		
Equity shares portfolio	$	22,609	21,535	9.57	8.99

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		Position		VaR	
		Closing	**Average**	**Closing**	**Average**
Spot FX	$	299	102		
FX Derivatives		175,603	166,748		
Foreign exchange currency derivatives portfolio		175,902	166,850	1.46	1.47

Only trading positions are included

Capital derivatives include local and international underlying

Money market (bonuses) is expressed in net figures (long – short)

The distribution of exposure to market risk (position vs. value at risk) of the trading portfolio in December 2020 is as follows:

		Position		VaR	
		Closing	**Average**	**Closing**	**Average**
Money market	$	55,625	55,399		
SC Swaps (MXN / USD)					
CC Swap		648,694	596,739		
Caps & Floors (MXN / USD)		23,204	19,957		
Derivatives market		56,567	56,228		
Market portfolio of interest rates and interest rate derivatives		784,090	728,323	46.34	18.53
Equity shares		111	59		
Equity derivatives		16,615	15,959		
Equity shares portfolio	$	16,726	16,018	2.43	3.95

		Position		VaR	
		Closing	**Average**	**Closing**	**Average**
Spot FX	$	31	37		
FX Derivatives		69,575	96,924		
Foreign exchange currency derivatives portfolio		69,606	96,961	1.51	2.64

Only trading positions are included

Capital derivatives include local and international underlying

Money market (bonuses) is expressed in net figures (long – short)

Figures expressed in value added

Only trading positions are included

Capital derivatives include local and international underlying

Money market (bonuses) is expressed in net figures (long – short)

(Continued)

Stress testing is performed daily *("stress testing")*, 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 at the end of December 2021 shows a maximum loss of $106.73, which compared with the $130 CAD (2,106 MXN) limit, is within the acceptable parameters. The hypothetical scenarios used for this test are based on 3 relevant systemic scenarios: the Emerging Markets 2008, 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 market risk limits structure foresees volumetric or notional VaR, sensitivity and concentration amounts, "stress testing" limits and term, among other.

On the other hand, back-testing is performed monthly for comparing the theoretical losses and gains to the observed VaR and thus calibrate the models being used. The model's efficiency level is based on the approach established by the Bank for International Settlements (BIS). As for back-testing performed during the fourth quarter of 2021 show acceptable levels under the BIS approach.

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".

Sensitivities

Qualitative information on sensitivities

On a daily basis, the market risk sensitivities are calculated for each portfolio to which the Group is exposed. During 2021, no changes were made to the assumptions, methods or parameters used for this analysis.

Below is a description of the methods, parameters and assumptions used for the portfolio of stock, currency, interest rates and derivative products.

Interest rate portfolio

Sensitivity measures produced for fixed-income instruments (bonds) are based on the 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, generating 2 types of measures: (i) the expected change in the portfolio value in response to a change of 1 base point (0.01%) in the yield curve; and (ii) the expected change in the portfolio value in response to a change of 100 base points (1%) in the yield curve. For purposes of this disclosure, we only report the changes in 1 base point.

Two sensitivities are calculated for floating rate bonds: the one relating to the free-risk rate and the other for the spread. 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 base point change is made in each of the relevant points in the yield curve and a 1 and 100 base points is made parallel, valuing the portfolio with the different curves and calculating the change in the portfolio's value with each of these changes. In this case, the change in 1 base point is reported.

Stock portfolio and IPC derivatives

Stock equity

Operations are performed through the Brokerage Firm and the Bank. For stock position purposes, the sensitivity is obtained by calculating the issued delta within the portfolio. Delta is defined as the change in the portfolio's value in response to a 1% change in the underlying value.

Equity derivatives

This sensitivity is calculated through the Delta. This portfolio has limits expressed in notional terms.

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.

(Continued)

In the case of non-linear products such as warrants and options, the Delta and the “Greeks”, among which are gamma, rho, theta and vega, measures are deemed as sensitivity measures. 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 in the Group, measurement is made by increasing the dividend rate 0.01% (i.e. from 1% to 1.01%).

Currency portfolio and currency derivatives

Currency

The sensitivity is calculated as the Delta by currency as the change in the portfolio’s value in response to a 1% change in the value of the underlying asset.

Currency derivatives

Currency forwards and futures: For this portfolio, the sensitivity is calculated for each currency in response to changes in the interest rate, as the present value result in response to a parallel or not parallel 1 basis point change along the respective yield curves, with all other factors remaining constant.

Currency options: For exchange rate options, sensitivities known for the Greek letters (i.e. Delta, Gamma, Vega, Theta and Rho) are calculated.

Cross Currency Interest Rate Swap (CCIRS): For determining the sensitivity to changes in the yields curve, a one bp change is made along the respective yields curves, valuing the portfolio with the different curves and calculating the change in the portfolio’s value with each of such changes. Also, a parallel analysis with a change of 100 bp is made. In addition, a one bp change is made not parallel to the yield curves by time gaps, maintaining all other factors constant. For purposes hereof, it is only reported the sensitivity for 1bp.

(Millions of Mexican pesos)

The following table shows the sensitivity of one bp at December 31, 2021 and 2020:

Sensibility 1pb		December 2021	December 2020
Money market	$	0.700	1.680
Derivatives market		(0.078)	0.225
SC Swaps (MXN / USD)		(0.081)	0.223
CC Swaps		0.001	0.002
Caps & floors (MXN / USD)		0.002	0.000
Interest rate market and rate derivatives portfolio	$	0.622	2.130

Includes the Treasury position

At December 31, 2021, the Group presents sensitivity in the interest rate portfolio of $0,622.

Equity shares and IPC derivatives sensitivities

The following table shows the 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	$	1.293	4.287

Regarding the positions on IPC, a dynamic hedge strategy is followed with the ETF Naftrac that replicates the IPC in a large percentage and IPC futures.

The Group´s Brokerage Firm’s equity portfolio comprises equity shares and equity share derivatives. At the end of December 2021, the group presented an open Delta sensitivity of 1.34 for all underlying assets, due to market movements. The average of the fourth quarter of 2021 is shown as follows.

Delta	Average 2021	Maximum 2021	Minimum 2021
Options	7,902.193	8,688.458	6,944.396
Warrants	-7,680.801	-8,063.553	-7,011.532
Total	221.392	624.905	-67.137

(Millions of Mexican pesos)

The Brokerage Firm's equity portfolio comprises equity shares and equity share derivatives. The average of the fourth quarter of 2020 is shown as follows.

Delta	Average 2020	Maximum 2020	Minimum 2020
Options	116.377	182.891	90.084
Warrants	-117.999	-179.347	-98.915
Total	-1.622	3.544	-8.831

The following table presents the sensitivity measurements for non-linear instruments at the end of December 2021, it is important to highlight that the informative report includes Bonds and Warrants based on Structured Notes.

Underlaying	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
ALL.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	0.00	0.00	0.00
Total	**1.342**	**0.000**	**-2.888**

<u>Sensitivities for warrants and capital options, "greek"</u>

Greek	Delta	Gama	Vega	Dividend risk	Rho
Total	1.341853	-0.000002	-2.887769	0	0

(Millions of Mexican pesos)

Sensitivities for the portfolio of currency and currency derivatives [(1)]

The following table presents the sensitivity at the end of December 2021 and 2020:

Sensibility 1 pb		**2021**	**2020**
Spot FX	$	298.560	30.960
FX Derivatives		(274.000)	22.794
FX FWD		(274.000)	22.794
Exchange and currency derivatives portfolio	$	24.561	76.548

Treasury position are included

As of December 31, 2021, a change in the sensitivity to the Exchange rate was recorded at $24.65.

As of December 31, 2021 and 2020, the liquidating trusts of own and third-party accounts maintain positions in contracts in MEXDER; the market risk of these positions for the own account is monitored through the limit called "Pledging of Assets" approved by the Board of Scotia Inverlat Derivados.

The use of this own account limit as of December 31, 2021 and 2020, respectively, is as follows:

	2021		**2020**	
	Exposure	Limit	Exposure	Limit
Brokerage firm	38		28	
Bank	692		797	
Total	730	2,000	825	2,000
US Exchanges (USD)	-	0.368	-	0.368

This limit monitors the market risk inherent in these operations, since their use is measured through the minimum initial contributions (AIM´s) requested by the Clearing House (Asigna).

For the third party position, each client that operates within the trust for a third party account, has an operating limit which is monitored on a daily basis, at the end of December 2021 and 2020, the exposure in contracts and the total AIM's of the third party account is summarized as shown in next page.

(Continued)

(Millions of Mexican pesos)

	2021	**2020**
	Exposure	Exposure
AIM's	7,765	7,114
Short Futures (number of contracts)	442,027	206,574
Long Futures (number of contracts)	241,196	55,127
Short Options (number of contracts)	13	43
Long Options (number of contracts)	13	35
Short Swaps (number of contracts)	4,087,411	1,915,839
Long Swaps (number of contracts)	2,789,494	2,777,135

(b) Liquidity and interest rate risk-

The Group manages exposure to liquidity risk and interest rate risk according to the applicable regulatory provisions and the better market practices, considering those positions for structural handling of the balance sheet.

For liquidity and interest rate risk management, limits have been established which are reviewed at least annually and monitored periodically(1) so that risk mitigators are updated and accurate. Among the applicable limits are those related to liquid assets, liquidity gaps, margin sensitivity and economic value sensitivity, which are aligned with the institution's risk appetite. The structure of liquidity risk limits and interest rates contemplates notional amounts, as well as term and concentration; additionally, the Risk Committee and Board of Directors are periodically informed of the performance of the said limits, as well as the indicators regarding liquidity and interest rates.

For the management of liquidity risk and interest rates, the information is extracted from the various applications and systems that the institution has, also through specialized systems, estimates are made in relation of liquidity risk and interest rates.

In addition, it is important to point out that for the management of liquidity and interest rate risk there are prospective metrics, which are incorporated in the annual exercise of the Exposure Plan, Capital Sufficiency Exercises under own and regulatory scenarios, as well as such as the Contingency Plan (for solvency and liquidity risks) of the Group; and with tests under extreme scenarios and back testing tests. It should be noted that the models used to manage liquidity and interest rate risk are reviewed at least annually.

[1] Depending on the nature of the limits, these are monitored on a daily, weekly or monthly basis.

(Continued)

(Millions of Mexican pesos)

The Group 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 Group will be able to meet the totality of its obligations as they become due and payable. To such end, the Group applies controls to liquidity gaps, 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, thus creating a daily gap that corresponds to the differences between payment obligations and receivables generated day to day. The liquidity gaps include the Group's contractual maturity flows (cash inflows and outflows). The liquidity gaps are estimated under corporate guidelines that consider normal market conditions and are different from those gaps calculated for estimating the liquidity coverage ratio, since the last include stress factors for both inflows and outflows.

The cumulative liquidity gaps at the closing of December 2021 and the annual average of 2021 of the Group:

	December 2021	**Average 2021**
30-day cumulative gap	$ 52,259	48,693

The cumulative liquidity gaps at the closing of December 2021 and the annual average of 2021 of the Bank:

	December 2021	**Average 2021**
30-day cumulative gap	$ 52,290	51,161

The cumulative liquidity gaps at the closing of December 2021 and the annual average of 2021 of Brokerage Firm:

	December 2021	**Average 2021**
30-day cumulative gap	$ -	-

The cumulative liquidity gaps at the closing of December 2021 and the annual average of 2021 of Crédito Familiar:

	December 2021	**Average 2021**
30-day cumulative gap	$ (31)	(58)

Cumulative liquidity gaps[2] have implicit contractual maturities, including hedge derivatives positions. Additionally, liquidity risk exposures are within the approved limits.

[2] Figures prior to December 2021

(Millions of Mexican pesos)

On the other hand interest rate risk arises as a result of funding, placement and investment activities of the Group and is derived from the uncertainty in earnings and/or value of the portfolio as a result of changes in interest rates, that 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.

For the measurement of interest rate risk, it is used indicators such as sensitivity of economic value and margin sensitivity. For the calculation of those indicators it is used the repricing gaps, 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.

The methodology for calculating the indicators considered assumptions of stability of demand deposits and prepaid mortgages. The first is an analysis of crops while the second considers credit recency segmentation to assign it a prepaid rate.

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 in a window of 30 years and provides a measure of long-term impact of these variations, while the time window to estimate margin sensitivity is 12 months.

The variation between the economic value estimated and the margin sensitivity in the financial income for the Group, at the end of December and on average for 2021, is shown as follows:

		2021	
Economic value (+100pbs)		**December**	**Average**
Group	$	(603)	(610)
Bank		(596)	(602)
Crédito Familiar		(4)	(4)
Brokerage Firm		(4)	(4)

(Millions of Mexican pesos)

Margin sensitivity (+100pbs)	December	Average
Group	$ 403	548
Bank	390	538
Crédito Familiar	2	2
Brokerage Firm	15	13

Treatment for securities available for sale- Below is the valued position for the Financial Group's available for sale investments at December 2021 and annual average:

		2021[1]	
		December	**Average**
Bank	$	16,168	15,946
Corporate		1,259	1,316
Government		44,639	41,530
Total	$	62,066	58,792

1 Includes non-maturity assets such as shares and funds, as well as direct sales operations and repurchase agreements.

Being an integral part of the Financial Group's balance sheet handling, available for sale investments are monitored under the sensitivity measures described above (Economic Value and Margin Sensitivity). At December 31, 2021, the Financial Group has liquid assets for $96,679.

At the closing of December 2021, and average 2021, Crédito Familiar does not have investments in securities for purposes of structural management of the balance. The purpose of such investment is the structural management of the balance sheet, and the corporate assumptions regarding sensitivity metrics are applicable.

The liquidity risk limits framework contemplates volumetric or notional amounts, sensitivity, liquid assets, concentration of deposits and liquidity gaps.

(Continued)

(Millions of Mexican pesos, except otherwise stated)

Above is shown a summary of hedging derivatives at closing of December used by the Group for interest rate and foreign exchange risk hedge purposes. These positions are excluded from the VaR calculation because their purpose is to hedge the structural balance of the Group and the risk factor sensitivity is measured within the Bank's Economic Value of the Group and Margin Sensitivity.

Strategy		December 2021 Notional	December 2020 Notional
Interest rate swaps paid at fixed rate (cash flows)	$	**32,975**	**30,425**
0y - 3y		19,975	17,075
3y - 5y		7,750	8,100
5y - 10y		5,250	5,250
Interest rate swaps paid at fixed rate (fair value)		**16,908**	**13,890**
0y - 3y		8,431	6,846
3y - 5y		3,612	5,856
5y - 10y		4,865	1,188
Interest rate swaps paid at fixed rate (fair value in USD)		**408**	**341**
0y - 3y		230	135
3y - 5y		167	195
5y - 10y		11	11
CCIRS paid at fixed rate (fair value in USD)		**5**	**135**
0y - 3y		5	40
3y - 5y		0	5
5y -10y		0	90

Rating downgrade

As a conservative measure and as a way to be prepared for a possible increase in liquidity requirements as a result of a possible downgrade in the Bank's rating (this associated with the fact that a downgrade in the Bank's rating would trigger an increase in the collateral required in derivative operations) , the risk management group periodically performs the impact that this scenario would have and the consequences on liquidity and liquid assets measures. The impact of the downgrade on the Bank's rating in 3 levels for the end of December 2021 and the average for 2021 were $2,314 and $1,969, respectively.

(Continued)

Generic description of valuation techniques

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

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

In all cases, the Group carries out the valuations of its positions and recording the value obtained.

Regarding hedging positions, which seek to hedge the evolution of the financial margin of their structural portfolios exposed to adverse movements in interest rate, they are classified as such when they meet the following conditions:

a. The hedging relationship is designated and documented in its initial moment with an individual file, setting its objective and strategy.
b. The hedge is effective to offset variations in fair value or cash flows attributed to the hedged risk, consistent with the risk management initially documented.

On the other hand, it is required to demonstrate that the coverage effectively fulfills its objective. This requirement of effectiveness assumes that the coverage must meet a deviation range between 80% and 125%. To demonstrate the effectiveness of the hedges, it is necessary to meet two tests: (1) the prospective test to show that the hedge remains within the acceptable deviation range and (2) the retrospective test that is performed in the past to the date of its constitution up to the current moment and that said coverage is within the permitted range.

As of December 31, 2021, the fair value and cash flow hedges are effective and within the allowed deviation range.

(c) Credit risk-

Credit risk is defined as the potential loss due to default by a borrower or counterparty in transactions carried out by the Group in loan portfolio, securities portfolio, transactions in derivatives, etc.

The Group's credit risk management is based on the application different strategies, which include the centralization of credit processes, the diversification of the portfolio, credit analysis, strict supervision and a credit risk rating model, this credit risk management incorporates financial instruments.

The Group has two different levels of credit resolution: the Board of Directors and joint powers of the Credit department. Each level is defined depending on the amount of the transaction, the type of borrower and the purpose for which the funds will be used.

For the management of credit risk, the information is extracted from the various applications and systems available to the Bank. It is also through specialized systems where estimates are made, such as the expected loss, unexpected and potential future exposure for the counterparty credit risk.

This section focuses on managing commercial loan portfolios and consumer and mortgages loan portfolio belonging to the Financial Group through subsidiaries the Bank, Globalcard and Crédito Familiar.

In the case of the Bank, particularly in commercial loans, business areas continually evaluate the financial position of each client, by exhaustively reviewing and analyzing the risk of each loan at least once a year. These reviews consider the global credit risk, including operations with financial instruments and derivatives. Complementary reviews are conducted more frequently on identified higher than acceptable risks, at least quarterly. The relative to financial instruments and derivatives is also applicable to the Brokerage Firm.

There are origination models that evaluate the credit quality of the borrowers for the case of mortgage and consumer portfolio, and there are also policies and procedures established to manage the authorization processes of new loans and to monitor the credit quality of the different credit loan portfolios.

In the case of Crédito Familiar, the business model propose that decisions are given on a centralized basis as the decision engine applies equally to 100% of branches and no discretion on the part of the same, that is, both the placement (grant) supplemented by central support, this is, the placement and the collection are based on its branches and is supported by central area under specific conditions. All branches operate base of knowledge of the policy and procedures of business credit. The policies cover from credit granting, administration and control to collect of it. There is also a central area dedicated to recover credit, which is based on own efforts and external collection agencies. There is also an area dedicated to fraud management, which has established processes for prevention, detection and recovery operation with suspected fraud. Furthermore, the methodology used for measuring and controlling credit risk is based on score models (binary logistic regressions) that calculate the probability that a customer falls into default in a certain time horizon; this probability of default is associated with a level of expected loss.

Credit risk concentrations- The Group has implemented policies and procedures to maintain a sound and diversified portfolio with a prudent and controlled risk. Among such policies are the setting of credit risk exposure limits, considering business unit, currency, term, sector, etc. The limits are authorized annually to the Risk Committee and/or the Board of Directors; their behavior is monitored and reported to the Risk Committee on a monthly basis and to the Board of Directors every quarter.

Methodology to identify, quantify, manage and control credit risk - The process to set exposure limits for each type of portfolio subject to credit risk contemplates the analysis of the information and identification of the risks inherent to each borrower, documented policies based on an authorization process and ongoing review. All credit exposures are monitored by the UAIR through the Associate Director of Credit Risk and Counterparty for each type of portfolio (commercial including derivative instruments, mortgage, consumer, and Crédito Familiar), the monitoring process considers informing the Risk Committee and the Board of Directors of the usage of limits, the excesses observed and the strategies implemented to restore parameters. Also, the Board delegates to the Risk Committee the power to authorize limits and updates to methodologies for managing credit and counterparty risk.

Methodology to identify, quantify, manage and control credit risk- The Group uses a credit risk classification system approved at the institutional level for commercial loans portfolio and score models and/or metrics of performance follow up for retail loans portfolio. Also, it has processes and systems that allow portfolio classification by risk level and estimating reserves in accordance with regulatory CNBV models from the Banking Commission.

(Millions of Mexican pesos)

Commercial loans

The Bank applies the Standard Models determined by the Banking Commission; at December 31, 2021 the portfolio is comprised as follows:

Grupo	Appendix CUB	% Total Portfolio
States and Municipalities	Appendix 18	0.97%
Investment Projects with own source of payment	Appendix 19	1.60%
Financial Sector Entities	Appendix 20	5.95%
Corporations and Individuals with business activities with income or sales less than $14 UDIS *	Appendix 21	17.85%
Corporations and Individuals with business activities with income or sales greater than $14 UDIS	Appendix 22	73.63%

** It includes trustees who act under trusts and "structured" loan schemes with modification of net worth that allow for the individual assessment of the related risk.*

The Bank uses the following Rating Agencies in the standard method: S&P, MOODY'S, FITCH, HR RATINGS and VERUM, based on Appendix 1-B of the Banking Commission "Mapping of rating and degrees of risk".

The grade of rating agencies is used by the Bank to Calculation of Probability of Default of clients:

- States and Municipalities
- Admissibility of guarantors with a risk level of 1 and 2.
- Clients located abroad, when they have a rating from a global scale agency, long term, risk level 1 and 2 and have no information of payment experience within the domestic Credit Information Companies.

Allowance for commercial loans is based on the individual assessment of the credit risk of debtors and their rating, in compliance with the general provisions.

In accordance with the rules for rating of Loan Portfolio of Multiple Banking Institutions, the portfolio guaranteed or in charge of the Federal Government, the Central Bank and the Institute for the Protection of Bank Savings are exempt from being rated.

(Continued)

Credit risk hedging management and recognition process- The Bank has policies implemented for the evaluation of guarantees, which implies the review of each one of the elements and risks related, depending on the type, considering both the Guarantee policies and those corresponding to the Analysis and Evaluation of Credit, for which the Bank applies controls on the assessment of the guarantor/liable party, identifying the detail of the corporate structure and any significant aspect of subordination affecting the support provided.

The credit rating of the guarantor or liable party must be determined continuously and consistently during the term of the loan.

Likewise, in the case of the Bank's mortgage portfolio and considering the indications of Articles 101,102 and Appendix 25 of the Single Circular of Banks, the first loss insurance scheme is applied to mitigate credit risks, the amount covered by the scheme at closing of the fourth quarter corresponds to $197; insurance coverage is incorporated in the calculation of the Loss given default parameter.

Control mechanisms for rating systems, including an analysis of independence, accountability and evaluation- The Group has different applications, used to control rating systems, the proper and complete record of the characteristics and requirements of each guarantee are described, defined in the institutional guarantee catalog, as well as credit application and authorization processes.

The referred systems classifies the portfolios and rates credits under the standard rating methodologies determined by the CNBV. With regard to the allowances for loan losses for borrowers related to consumer and mortgage portfolios, including Crédito Familiar, in addition to the commercial loan portfolio, the Bank uses the regulatory methodologies published in the CUB, based on the calculation of the Expected Loss for each of the loan portfolios using the parameters of Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (ED) are based on specific information and characteristics of the assessed borrowers and loans.

Special accounting criteria for the SARS-CoV2 (COVID-19) virus support program

With the objective of mitigating the negative economic effects derived from the contingency caused by the SARS-CoV2 virus (COVID-19), based on official letter P285 / 2020 of the Banking Commission, expressly notified to the Bank by official letter number 141-5 / 2046 / 2020, a support scheme was issued for borrowers whose source of payment was affected by this contingency. The support consisted of the credit portfolio of clients affected by this pandemic being considered for accounting as current, complying with the special criteria established by the Banking Commission. Based on the Banking Commission official letter P325 / 2020 issued on June 23, 2020, it notified the extension for an additional month to the scheme, that is, the procedures for the restructuring or renewal of each of the credits to adhere to the program, had to be completed by July 31, 2020.

(Continued)

Support plan for commercial portfolio loans. The support program allowed borrowers to be granted a partial or total deferral of principal and / or interest payments for up to 6 months. The Bank determined the general conditions of the program in support of its clients, reported it to the Banking Commission and reported month by month the loans benefited from it. The program ended on July 31, 2020, with the maximum deferral being on December 31, 2020, therefore at the end of December 2020 the application of the program for commercial portfolio concluded.

Support plan for consumer loans and small businesses. The Group developed a customer assistance plan, which consisted of implementing payment deferral up to a maximum of 6 months in the case of Bank and up to 4 months in the case of Crédito Familiar, through the acceptance approach for customers unable to maintain future payments due to loss / reduction of income caused by COVID-19:

Conditions of the deferral.

- The payment deferral is up to a maximum of 6 months in the case of the Bank and up to 4 months in the case of Crédito Familiar.
- These clients will not be marked as restructured for reporting purposes to the credit reporting company.
- There will be no capitalization of interest.

Client eligibility.

- Client in the "Valid Accounting" stage based on the letters P285/2020 and P325/2020 of the Banking Commission.
- National coverage.
- Applies to all Consumer and Small Business products.

Constitution of additional reserves due to the SARS-CoV2 virus (COVID-19) health emergency

During 2020, the Bank set up additional reserves for $3,750 to cover incremental risks arising from the health emergency due to COVID-19, that is, risks not foreseen in the different loan portfolio rating methodologies, while Crédito Familiar does not have additional reserves for In this item, during Q2 and Q4 of 2020, the reserves intended to cover incremental risks not considered in the respective rating were created and consumed.

The aforementioned incremental risks are based on affecting the country's macroeconomic and financial picture, which in turn could impact the credit quality and payment capacity of the borrowers from the Group's different portfolios, that is, both of the Bank's portfolios as Crédito Familiar.

The Bank's additional reserves were constituted without direct allocation for any portfolio, as, they were established as generic reserves and their application is in accordance with the particular needs of each portfolio. Consumption and the release of these reserves began during the first quarter and continued during the other quarters of 2021; the total amount of additional reserves due to COVID-19, at the end of December 2021 amounts to $1,938.

The process developed by the Group to calculate additional reserves includes the analysis and effect of significant variables such as: sectors of the economy, macroeconomic projections and characteristics of the portfolios.

Methodological information

The measurement and monitoring of the credit risk is also based on an expected and unexpected loss model carried out in a specialized, internal, robust and institutional use tool.

- The expected loss represents the amount that the Bank expects to lose during the next twelve months due to defaults given the characteristics of its portfolios. It is equals the result of multiplying the exposure at default (ED), the probability of default (PD) and the loss given default (LGD) of credit exposures.

- The unexpected loss is a measure of dispersion around the expected loss. Represents the economic capital necessary to keep the Bank solvent in the event of a large adverse event that impacts credit portfolios. Additionally, tests are carried out under extreme conditions to determine its impact on the expected and unexpected loss of the portfolio.

(Millions of Mexican pesos)

As of December 31, 2021 and 2020 and in average for the fourth quarter of 2021 and 2020, the expected and unexpected loss over the Group's total portfolio, was as follows:

Metrics[1]	**December 2021**	**Average Q4 2021**	**December 2021**	**Average Q4 2020**
Expected loss				
Bank	$ 4,876	4,836	$ 5,362	5,483
Crédito Familiar	46	52	195	272
Total Group	4,922	4,888	5,557	5,755
Non expected loss				
Bank	21,430	21,600	22,081	22,538
Crédito Familiar	87	93	341	445
Total Group	21,517	21,693	$ 22,422	22,983

Only includes traditional loan portfolio (commercial and retail).

(1) Excludes past due portfolio

Exposure of the loan portfolio by type of portfolio [3] - As of December 31, 2021 and 2020, and in average for the fourth quarter of 2021 and 2020, the exposure of the loan portfolio corresponds to the following:

	2021		**2020**	
Total exposure (current more past due) loan portfolio	**December**	**T4 Average**	**December**	**T4 Average**
Mortgage loans	171,161	168,318	151,493	150,648
Auto loans	20,760	20,899	23,313	23,606
Non-revolving personal loans [1]	4,269	4,298	4,890	4,871
Revolving personal loans	11,238	11,277	13,359	13,794
Commercial loans [2]	257,110	256,629	247,386	249,558
Total Bank[3]	**464,538**	**461,421**	**440,441**	**442,477**
Crédito Familiar	1,011	1,073	2,722	2,890
Total Group	**465,549**	**462,494**	**443,163**	**445,367**

[3] For the purposes of this document, both the balance of Scotia Line corresponding to restructuring ($192) and the balance corresponding to restructuring of Credit Card ($535) are presented in the Non-Revolving Personal Loans portfolio. Exposures associated with the portfolios HITO (mortgage portfolio originated by INFONAVIT but funded by the Bank) and KONFIO (acquired SME loans) are incorporated.

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(1) Includes non-revolving personal loans (payroll and open market), restructured revolving portfolio. Includes SL and TC (without restructuring).

(2) Includes loans from Commercial portfolio, States and Municipalities, Federal Government, Investment Projects with own payment sources, Financial Institutions, Credit Letters, PyME and Konfio portfolio.

(3) Mortgages + Auto loans + Non-revolving consumer loans + SL + TC + Commercial Portfolio)

Risk Parameters (PD, LGD and ED) of the credit portfolio (December 2021)

Portfolio	Exposure to default (EI)[1]	Probability of default (PI)[2]	Loss given default (SP)[2]
Mortgage loans	$ 157,576	1.50%	18.42%
Infonavit (HITO)[5]	6,253	6.95%	23.93%
Non-revolving consumer loans	24,024	2.85%	71.75%
Scotia Line (Revolving)	6,259	7.69%	71.10%
Credit card	21,803	8.05%	73.16%
Commercial Portfolio[3]	259,377	3.15%	43.50%
Investment Projects[4]	3,766	0.32%	45.00%
Crédito Familiar	912	7.20%	71.00%

(1) Determined under regulatory methodology. (Exclude nonperforming loans, include PyME and Konfio Portfolio).

(2) Weighted risk parameter from exposure to default. (Exclude nonperforming loans).

(3) Excludes Investment Projects.

(4) PI determined implicitly upon considering reserve determined under regulatory methodology between SP (45%).

(5) Corresponds to HITO portfolio: mortgage portfolio originated by INFONAVIT but funded by the Bank.

(Continued)

(Millions of Mexican pesos)

Credit risk management information for the portfolio

Exposures by portfolio type and geographical distribution for the Group, broken down by subsidiary, the Bank (commercial loans, consumer loans and residential mortgages), Crédito Familiar are shown as follows:

Total amount of gross exposures to credit risk at December 31, 2021 broken down by major types of portfolio, is shown as follows:

Commercial Portfolio

Bank **Portfolio Total Exposures** **(segment)**		**Exposures** **(disposed amount)** **December 2021**
Government	$	12,389
Corporate Baking		150,126
Enterprise Banking		93,042
Small and Medium-sized entities (PyME for its acronym in Spanish)		830
Consumer loans (Retail)		723
Total	**$**	**257,110**

Note: It includes letters of credit.

Retail loan portfolio

For the purposes of this document, the treatment within the credit portfolio tables of the balance of Scotialine for $192 and credit cards for $535 corresponding to restructurings is included in the portfolio of personal loans, as required by the regulation.

In the following tables, the non-revolving portfolio consists of: payroll credits, auto loans, personal loans, overdrafts, credit card and Scotialine restructures (the total amount of Scotialine considering restructurings at the close of December 2021 is $2,255).

Bank **Loan portfolio**		**Pesos**	**Dollars**	**Total**
Mortgage loans (1)	$	171,091	70	171,161
Non-revolving loan portfolio (2)		25,029	-	25,029
Revolving loan portfolio		11,238	-	11,238

(1) Includes the portfolio corresponding to FOVI loans.

(2) Includes Payroll loans, Auto loans, Personal loans, and restructured revolving portfolio.

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Crédito Familiar

Crédito Familiar Financial information Distribution by product of loan portfolio		**Pesos**	**Dollar translated**	**Total**
Non-revolving loans	$	1,011	-	1,011

a. Distribution of exposures by economic sector.

The distribution of exposures by economic sector broken down by major types of exposures, including the list of current, past-due and nonperforming loans, allowance for loan losses is summarized as follows:

Commercial portfolio

	Loan portfolio		Non Performing						
Economic sector	Current	Past-due	Current	Past-due	Beginning balance	Total exposure	Allowance (1)	Variation of allowance vs. previous quarter	Average of days -
Financial institutions	$15,258	-	-	-	-	15,258	98	23	7
Consumer	16,773	78	-	347	1,170	17,198	554	22	249
Financial Intermediaries and Investment-Others	16,281	-	13	146	945	16,440	285	(6)	376
Food and beverages	23,612	3	-	899	1,217	24,514	1,033	64	558
Oil & gas	16,420	-	-	-	-	16,421	212	(15)	21
Other sectors	158,825	898	1,708	5,849	26,026	167,280	6,057	806	298
Total	**$247,170**	**979**	**1,720**	**7,241**	**29,358**	**257,110**	**8,239**	**895**	**1,509**

(1) Does not include additional allowance

Consumer loans (the Bank and Crédito Familiar) whereas loans are granted to individuals, a classification by economic sector is not made.

b. Distribution of exposures by geographic region.

The geographical distribution by region, including the list of the current, past-due and nonperforming loans, allowances for loan losses are shown in the next page.

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Commercial loan portfolio

Geographical distribution by region

Region	Loan portfolio Current	Loan portfolio Past-due	Non Performing (SAM) Current	Non Performing (SAM) Past-due	Total exposure[2] December 2021	Allowance [1]
Central	$ 16,748	-	324	2,155	19,226	1,336
Metropolitan	177,679	902	279	1,919	180,779	3,626
North	38,711	-	812	1,444	40,967	1,668
South	12,546	10	305	1,724	14,585	1,542
Total	**$ 245,684**	**912**	**1,720**	**7,241**	**255,557**	**8,173**

(1) Does not include additional allowance

(2) Not included total exposure of Pyme for $830, or Consumer (Retail) for $723.

Retail loan portfolio

Bank
Financial information by geographical distribution of the loan portfolio

Region	Mortgage loans [1]	Non revolving portfolio [2]	Revolving portfolio	Total
Mexico City	$ 110,247	22,045	2,461	134,753
Estado de Mexico	9,439	196	1,333	10,968
Jalisco	8,031	279	808	9,118
Nuevo León	6,276	339	709	7,324
Querétaro	5,755	76	205	6,036
Chihuahua	3,122	120	245	3,487
Coahuila de Zaragoza	3,216	217	437	3,870
Guanajuato	2,449	83	331	2,863
Veracruz de Ignacio de la Llave	2,431	134	447	3,012
Puebla	2,089	110	334	2,533
Other states	18,106	1,430	3,928	23,464
Total	**$ 171,161**	**25,029**	**11,238**	**207,428**

(1) Includes the portfolio corresponding to FOVI loans.

(2) Includes Payroll loans, Auto loans, Personal loans, and restructured revolving portfolio.

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Bank
Financial information by geographical distribution of non performing loans

	Mortgage portfolio (1)		Non revolving loans (2)		Revolving loans	
Region	Balance	Allowance	Balance	Allowance	Balance	Allowance
Ciudad de México	$ 4,104	1,476	700	534	87	71
Jalisco	387	123	27	21	26	21
Estado de México	457	127	37	30	46	37
Veracruz	216	70	15	11	19	15
Nuevo León	287	69	20	16	19	15
Puebla	177	53	13	10	13	10
Tamaulipas	82	28	13	10	14	12
Querétaro	234	72	8	6	10	8
Coahuila	153	47	16	13	11	9
Sinaloa	95	28	6	5	10	8
Others	1,140	353	149	116	131	106
Total	**$ 7,332**	**2,446**	**1,004**	**772**	**386**	**312**

(1) Excludes $12 corresponding to FOVI allowance for loan losses.

(2) Includes Payroll loans, Auto loans, Personal loans, and restructured revolving portfolio.

(3) Non-performing loans portfolio is equal to the past due portfolio.

Credito Familiar
Financial information by geographical distribution of the loan portfolio

Region		**Non revolving loans**
Mexico City	$	314
Estado de Mexico		138
Jalisco		69
Nuevo León		54
Baja California Norte		49
Chihuahua		32
Tamaulipas		32
Hidalgo		30
Puebla		30
Queretaro		28
Other states		233
Total	**$**	**1,011**

(Continued)

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Crédito Familiar
Financial information by geographical distribution of non-performing loans

Region		Non revolving loans	
		Balance	Allowance
Mexico City	$	27	20
Estado De México		14	10
Jalisco		4	3
Tamaulipas		4	3
Veracruz		2	1
Nuevo León		5	3
Chihuahua		4	3
Baja California Norte		3	2
Guanajuato		3	2
Puebla		3	2
Sonora		3	3
Coahuila		1	1
Hidalgo		4	3
Morelos		2	1
Sinaloa		2	2
Guerrero		1	1
Michoacán		3	2
San Luis Potosí		2	1
Querétaro		3	2
Colima		2	1
Campeche		1	1
Tabasco		0	0
Oaxaca		1	1
Quintana Roo		1	1
Durango		0	0
Yucatán		1	1
Aguascalientes		1	0
Zacatecas		1	0
Nayarit		1	1
Tlaxcala		0	0
Baja California Sur		0	0
Chiapas		0	0
Total	**$**	**$99**	**73**

(Continued)

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c. Breakdown of the current and past-due portfolio as of December 2020 by remaining term and loan type.

Commercial loan portfolio

Bank
Current and past-due loan portfolio by remaining term

Term		Current	Past-due	Total
Past-due loans	$	-	8,220	8,220
Up to 1 year		130,529	-	130,529
1 to 2 years		22,878	-	22,878
2 to 3 years		29,897	-	29,897
3 to 4 years		15,859	-	15,859
4 to 5 years		34,770	-	34,770
Over 5 years		14,957	-	14,957
Total	**$**	**248,890**	**8,220**	**257,110**

Retail loans

Bank
Financial information for current loan portfolio by remaining term
(Average term)

	Months	Years
Mortgage portfolio (1)	173	14
Non-revolving loans (2)	29	2
Revolving loans	-	-

(1) Includes the portfolio corresponding to FOVI.

(2) Includes Payroll loans, Auto loans, Personal loans, and restructured revolving portfolio.

Bank
Financial information for past-due loan portfolio by remaining term
(Average term)

	Months	Years
Mortgage portfolio (1)	156	13
Non-revolving loans (2)	23	2
Revolving loans	-	-

(1) Includes the portfolio corresponding to FOVI.

(2) Includes Payroll loans, Auto loans, Personal loans, and restructured revolving portfolio.

(Continued)

(Millions of Mexican pesos)

Bank
Financial information total loan portfolio by remaining term
(Average term)

	Months	Years
Mortgage portfolio [1]	173	14
Non-revolving loans [2]	29	2
Revolving loans	-	-

(1) *Includes the portfolio corresponding to FOVI.*

(2) Includes Payroll loans, Auto loans, Personal loans, and restructured revolving portfolio.

Exposures distribution of the current and past due portfolio by product

<u>Retail loans</u>

Bank
Financial Information loan portfolio status
As of December 31, 2021

		Current	Past-due	Total
Mortgage portfolio [1]	$	163,829	7,332	171,161
Non-revolving loans [2]		24,025	1,004	25,029
Revolving loans		10,852	386	11,238

(1) Includes the portfolio corresponding to FOVI.

(2) *Includes Payroll loans, Auto loans, Personal loans, and restructured revolving portfolio.*

Crédito Familiar
Financial information loan portfolio status
As of December 31, 2021

		Current	Past-due	Total
Non-revolving loans	$	912	99	1,011

Financial information for current loan portfolio by remaining term
(Average term)

	Months	Years
Non-revolving loans	22	2

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Financial information for past-due loan portfolio by remaining term
(Average term)

	Months	Years
Non-revolving loans	21	2

Financial information total loan portfolio by remaining term
(Average term)

	Months	Years
Non-revolving loans	22	2

d. List of credit risk allowances.

The list of credit risk allowances classified according to Article 129 is as follows as of December 2021:

Commercial loans

Score	Allowance[1]
A1	$ 918
A2	790
B1	447
B2	162
B3	231
C1	66
C2	173
D	1,795
E	3,658
Total	**$ 8,239**

(1) Additional reserves are not included.

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Retail Loan Portfolio

Bank
Allowance for loan losses by risk grading
As of December 31, 2021

Score		Mortgage loans (1)	Non-revolving loans (2)	Revolving loans	Total
A-1	$	265	106	439	810
A-2		12	29	179	220
B-1		14	44	58	116
B-2		63	46	38	147
B-3		65	22	40	127
C-1		50	31	77	158
C-2		255	22	140	417
D		999	44	331	1,374
E		1,304	930	776	3,010
Total	**$**	**3,027**	**1,274**	**2,078**	**6,379**

(1) Excludes $12 corresponding to FOVI allowance for loan losses.

(2) Includes Payroll loans, Auto loans, Personal loans, and restructured revolving portfolio.

Crédito Familiar
Allowance for loan losses by risk grading
As of December 31, 2021

Score		Non-revolving loans
A-1	$	4
A-2		6
B-1		3
B-2		2
B-3		2
C-1		4
C-2		6
D		9
E		83
Total	**$**	**120**

e. Non-performing loans at December 2021: Allowances, variations, geographical distribution and write-offs:

Commercial loans

Bank **Allowance for loan losses** **Non-performing loans** *(Figures in millions of pesos at December 31, 2021)*	**Amount**
Initial balance of allowance September 2021	**$ 7,502**
Increase in Allowance	-
Movements in Reserves by:	870
Exchange rate fluctuations	(5)
Creation_ Release by Rating	997
Writte-offs, condonations, dations and removals, etc.	(122)
Awards	-
Final balance of allowance December 2021	**$ 8,373**
Loan recovery	23

Includes additional allowance (past due interest and other)

Retail loans

Bank **Variation in allowance for loan losses**	**December 2020**	**December 2021**	**Variation**
Mortgage portfolio [1]	$ 2,370	3,027	657
Non- revolving loans [2]	1,921	1,274	-647
Revolving loans	2,957	2,078	-879

(1) Excludes $12 corresponding to FOVI allowance for loan losses.

(2) Includes Payroll loans, Auto loans, Personal loans, and restructured revolving portfolio.

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Bank Variations in allowance for Non-performing Loans *	**Mortgage portfolio [1]**	**Non-revolving loans [2]**	**Revolving loans**
Allowance at September 30, 2021	**$ 2,377**	**882**	**350**
Release[3]	-213	-298	-215
Transfer from current to past-due portfolio	61	76	68
Transfer from past-due to current portfolio	-142	-101	-22
Decreases in the balance of reserves (includes write-offs and debt forgiveness)	-43	-24	-1
Increases in the balance of reserves	406	237	132
Allowance at December 31, 2021	**$ 2,446**	**772**	**312**

(1) Includes the portfolio corresponding to FOVI loans and the portfolio of loans purchased from securitized loans.

(2) Includes Payroll loans, Auto loans, Personal loans, and restructured revolving portfolio.

(3) All credits that in the quarter no longer appeared for reasons like changes of status on the credit card, pay-offs, etc.

* Non-performing loans equal past-due loans.

Bank Variations in Allowance for Non-performing Loans*	**Mortgage portfolio[1]**	**Non-revolving loans [2]**	**Revolving loans**
Allowance at December 31, 2020	**$ 1,764**	**1,084**	**793**
Release[3]	-505	-642	-775
Transfer from current to past-due portfolio	111	39	45
Transfer from past-due to current portfolio	-210	-286	-13
Decreases in the balance of reserves (includes write-offs and debt forgiveness)	-50	-26	-3
Increases in the balance of reserves	1,336	603	265
Allowance at December 31, 2021	**$ 2,446**	**772**	**312**

(1) Includes the portfolio corresponding to FOVI.

(2) Includes Payroll loans, Auto loans, Personal loans, and restructured revolving portfolio.

(3) All credits that in the quarter no longer appeared for reasons like changes of status on the credit card, pay-offs, etc.

* Non-performing loans equal past-due loans.

(Continued)

Crédito Familiar **Variation in allowance for loan losses**	**December 2020**	**December 2021**	**Variation**
Non-revolving loans	$670	$120	-550

Crédito Familiar **Variation in allowance for loan losses** **(Figures in thousands of pesos)**	**Non-revolving loans**
Allowance at September 30, 2021	**$92**
Release	-40
Transfer from current to past-due portfolio	29
Transfer from past-due to current portfolio	0
Decreases in the balance of reserves	-4
Increases in the balance of reserves	-4
Allowance at December 31, 2021	**$73**

The recovery of written off loans fully impaired and recorded in income accounts at the end of December 2021 for non-revolving portfolio is for $5,545.

Crédito Familiar **Variation in allowance for loan losses** **(Figures in thousands of pesos)**	**Non-revolving loans**
Allowance at September 30, 2020	**$475**
Release	-413
Transfer from current to past-due portfolio	30
Transfer from past-due to current portfolio	-2
Decreases in the balance of reserves	-8
Increases in the balance of reserves	-9
Allowance at December 31, 2021	**$ 73**

The recovery of written offs loans fully impaired and recorded in income accounts during 2021 was for the non-revolving portfolio for principal $29,880.

Credit risk mitigation techniques

The Group has policies and processes that allow it to perform a valuation of guarantees. In general, it can be considered that there are no restrictions regarding the acceptance of guarantees. However, prior to acceptance, the impacts on profitability need to be assessed and determine whether it is feasible for the guarantee to be used as a mitigating factor in regulatory calculations of allowance for loan losses and capital requirements.

Most of the concentration of guarantees the Bank has to reduce credit risk, is in the real non-financial guarantees.

As December, 2021 the coverage of the guarantees reported by the Bank in standard and intern methodology, which are applicable to commercial loans portfolio is shown below:

Scotiabank ***Guarantee amount*** As of December 31, 2021	
Hedge	**Standard methodology**
Eligible financial collateral	$ 9,004
Eligible non-financial collateral	15,614
Personal guarantees	1,579
Insurance first losses Mortgage Portfolio	197

The Group does not have credit derivatives operations at the closing of December 31, 2021.

Policies to ensure real guarantees and establish credit reserves

The guarantees covering loans, depending on their type and characteristics they can contribute to improve the level of credit risk and consequently the amount of required reserves. For these purposes two types of guarantees are considered: Personal guarantees and real guarantees.

Guarantees used to improve the credit rating in addition to the specific requirements for the type (personal or real) in general must cover the following:

- The guarantee is granted and incorporated in the form and terms established in the applicable legal provisions and internal policies of the Bank.
- When a loan is hedge by real and personal guarantees: If the real guarantee is granted simultaneously by the same personal guarantor, only one of them can improve the score.

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- In syndicated loans with other Credit Institutions, the Group may agree on the following rights in the corresponding credit agreement: First in order to collect on the guarantee; or the same degree of priority in the order to collect as the other participants, in cases where the guarantee is allocated proportionally among all Institutions involved in the credit.

Credit risk of financial instruments

Financial situation of each client is evaluated periodically, and at least once a year an exhausting review and risk analysis is performed. These reviews consider the overall credit risk, including financial transactions, derivative instruments and currency transactions.

Credit risk in investment securities - Following is a summary of exposures, credit quality and concentration by risk level of investment securities for the Bank as of December 31, 2021 and 2020:

	2021		2020	
	Exposure	**Concentration**	**Exposure**	**Concentration**
Held to maturity				
The Bank	$ 5,136	4%	$ 5,048	5%
Available-for-sale				
The Bank	62,066	46%	92,436	91%
Trading				
The Bank	60,983		-	
The Brokerage Firm	5,239		3,827	
Other business lines and subsidiaries [1]	981		463	
Subtotal	67,203	50%	4,290	4%
Total by risk	**$ 134,405**	**100%**	**$ 101,774**	**100%**

1/ Includes position of Crédito Familiar and Scotia Fondos.

As of December 31, 2021 and on average during the fourth quarter of the same year, the expected loss on the exposure of the securities investment portfolio (without considering direct sales and value date sales in positions for the Bank and Brokerage Firm) was 0.03% and 0.02% respectively, while the unexpected loss was 0.07% y 0.06% respectively.

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Credit risk in derivative transactions

In addition to the risk measures mentioned earlier for derivative transactions, the Group quantifies its credit exposures in order to control the use of lines granted to its counterparties for the operation of derivative instruments. This control is carried out by calculating future potential exposure (PFE) at the counterparty level through specialized tools, incorporating mitigating risk elements such as netting agreements, collateral agreements and collateral. There are counterparty risk policies and monitoring of established limits that contemplate the process to be followed in the event of excesses occurring in them.

The potential future exposure by counterparty credit risk and concentration by type of counterparty is presented for the Group as of December 31, 2021 and 2020, is presented as follows:

Type of counterparty	Future potential exposure	Concentration (%)
December 2021		
Financial institutions	4,437	60%
Corporations	2,975	40%
Total maximum exposure	**7,412**	**100%[1]**
December 2020		
Financial institutions	$ 5,304	45%
Corporations	6,510	55%
Total maximum exposure	**$ 11,814**	**100%[1]**

(1) The three mayor exposures by counterparty represent 25% of the total amount.

Methodology for setting credit limits for counterparties and capital allocation

The Group, by establishing operating policies, defines capital allocation based on business criteria and risk appetite, i.e., customer eligibility criteria and setting maximum exposure limits are defined through the Credit Committees, considering potential future exposure by counterparty as the main risk parameter, estimated according to the methodology approved by the Risk Committee.

It is important to say that before entering into any operation that involves credit risk, a review process of the debtors/counterparties is carried out to evaluate their risk profile and to determine the exposure limit to be accepted by each one.

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Once the limits are approved, they are monitored by the UAIR and reviewed annually by the Credit area or with more frequency in case any potential risk is detected or else the line of business requests it so.

The capital requirement for operations with derivatives is calculated under regulatory methodology, such is the case of the credit valuation adjustment or CVA.

Likewise, there are BNS guidelines to identify the risk of adverse correlation during the credit authorization process for operations with counterparties.

The following table shows the gross fair value, the compensation benefit and the offset exposure at closing of December 31, 2021 and 2020.

Type of counterparty	Gross fair value *	Offset exposure
December 2021		
Financial institutions	12,072	2,655
Corporations	**1,185**	**815**
Total	**13,257**	**3,470**
December 2020	$ 12,103	2,481
Financial institutions	4,620	4,519
Corporations	**$ 16,723**	**7,000**

* Refers to the positive value of market valuation and also represents the current potential exposure

Also, the deposit guarantees and/or values maintained by the Financial Group at year-end of December 2021 and 2020 amount to $1,364 and $783, respectively.

The Financial Group has the guidelines of Bank of Nova Scotia (holding company) to identify the risk of adverse correlation during the credit authorization process for counterparty operations.

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 Group has put in place policies and procedures enabling it to implement an appropriate operational risk management process, which are mentioned as follows:

Policies for operational risk management

These policies are intended for establishing 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 Group.

Operational Risk Assessment

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

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 December 2021 the Group recognized operational risk losses of $420.2, they were higher by $36.8 to those recorded in 2020 ($457).

Operational risk tolerance levels

This is an operational loss management tool that enables each of the Group'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.

(Continued)

Key risk indicators.

This process allows the Group 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.

Capital calculation.

The Bank and Crédito Familiar calculate its capital requirement for operational risk by the Standardized Alternative Method. For purposes of the Brokerage Firm, the basic indicator method is used to determine the capital requirements for Operational Risk.

Estimate of legal risk losses

The Group has a methodology for estimating expected and unexpected legal risk losses through for estimating probable losses arising from an adverse outcome of trials in process. Such methodology is based on the loss experience of previous years that is used for determining the likelihood of loss associated with the ongoing legal issues through a statistical severity and occurrence analysis.

Technological risk

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 cannel for transmitting information in rendering services to the customers of the Group.

To manage technological risk, the Group has the Technological Risk and Cybersecurity Management Policy that describes the policies and general principles to manage and monitor the 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.

(Continued)

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Appendix 5. Disclosure Form of the Liquidity Coverage Ratio (LCR)
Reporting period: September 21 – December 21
Table 1.1 Disclosure Form of the Liquidity Coverage Ratio[4]

		Unweighted amount (average)	Weighted amount (average)
COMPUTABLE LIQUID ASSETS			
1	**Total Computable Liquid Assets**	**Not apply**	**96,027.67**
CASH OUTFLOWS			
2	**Non-guaranteed retail financing**	**156,298.84**	**12,285.81**
3	Stable financing	66,881.56	3,344.08
4	Less stable financing	89,417.27	8,941.73
5	**Wholesale financing not guaranteed**	**200,797.40**	**71,174.03**
6	Operational deposits	75,594.54	18,132.73
7	Non-operational deposits	125,102.26	52,940.69
8	Unsecured debt	100.61	100.61
9	**Guaranteed Wholesale Financing**	**Not apply**	**605.78**
10	**Additional requirements:**	**284,277.98**	**23,342.42**
11	Outflows related to financial derivative instruments and other guarantee requirements	5,800.34	4,229.04
12	Outflows related to losses on the financing of debt instruments	-	-
13	Credit lines and liquidity	278,477.64	19,113.38
14	**Other contractual financing obligations**	**51.71**	**51.71**
15	**Other contingent financing obligations**	**-**	**-**
16	**TOTAL CASH OUTFLOWS**	**Not apply**	**107,459.75**
CASH INFLOWS			
17	**Guaranteed cash inflows**	**17,882.18**	**233.45**
18	**Cash inflows for unsecured transactions**	**39,875.38**	**26,214.00**
19	**Other cash inflows**	**12,981.70**	**12,981.70**
20	**TOTAL CASH INFLOWS**	**70,739.26**	**39,429.14**
21	**TOTAL COMPUTABLE LIQUID ASSETS**	**Not apply**	**96,027.67**
22	**TOTAL CASH OUTFLOWS**	**Not apply**	**68,030.60**
23	**LIQUIDITY COVERAGE RATIO**	**Not apply**	**141.25[5]**

[4] Appendix 5 of the general provisions on liquidity requirements applicable to credit institutions
[5] Previous figures subject to review of the Central Bank.

(Continued)

(a) *Calendar days comprised in the quarter that is being disclosed are 92 calendar days*
(b) *Main causes of the result of the Liquidity Coverage Ratio (LCR) and the change on its main components.*

– **During December 2021, the main changes that impacted the LCR are the following (considering a 30 day time window):** [5]

- Main Cash outflows:

  Outflows due to demand deposits of $37,932 and time deposits of $50,248, outflows derived from the Look Back Approach (considering the facilities issued by Central Bank) and the estimation related to the impact on liquidity due to the possible impairment of the institution's rating in 3 levels for $1,278 and $2,314, respectively, outflows by undrawn credit commitments for $18,986.

- Main Cash inflows:

  Cash inflows for loan portfolios for $13,383, call money operations for $20,237 and maturity of securities with a rating lower than 2B for $12,151.

- Liquid assets:

  Total liquid assets for $96,431 mainly concentrated in Level 1; $59,519 in debt securities level 1, $28,898 in monetary regulation deposits, deposits in BANXICO and TIIE active auctions, It is worth mentioning that said position does not include BREMS because they are reported as level 1 debt securities, additionally, the available cash for $6,613 and $1,401 in securities level 2A

(c) *Changes in the main components of the quarter being reported.*

[6] Weighted cash outflows and entries for the next 30 days considering the defined factors in the Provisions on liquidity requirements for credit institutions.

(Millions of Mexican pesos)

September 2021 to December 2021 (100pb) The liquidity coverage ratio increased 100bp compared to September 2021, mainly due to:

- The bank's traditional funding grew by $31,373, in addition, professional, interbank and external funding grew by $1,198.
- In cash inflows, portfolios decreased by $19,114 and there is a decrease in inflows at 30 days by $8,910, compared to the previous quarter.
- Finally, liquid assets increased by $6,700.

(d) The change of the composition of Eligible and Computable Liquid Assets[7];

Change in liquid assets Q4- 2021

	October	November	December
Cash	7%	8%	7%
Deposits in Central Bank	20%	19%	30%
Level 1	71%	71%	61%
Level 2A	2%	2%	2%
Level 2B	0%	0%	0%
Total weighted liquid assets	**100%**	**100%**	**100%**

[7] Computable liquid assets under the guidelines established by the Central Bank

(Millions of Mexican pesos)

(e) Concentration of financing sources;

		2021	
Concentration of financing sources	**October**	**November**	**December**
DEPOSIT FUNDING			
Demand deposits	**45%**	**45%**	**43%**
Time deposits			
General public	38%	37%	40%
7%Money market	0%	0%	1%
Debt securities issued	**6%**	**7%**	**6%**
Global account of deposits without movements	**-%**	**-%**	**-%**
BANK AND OTHER BORROWINGS			
Due on demand	**-%**	**-%**	**-%**
Short-term	**4%**	**4%**	**4%**
Long-term	**7%**	**7%**	**6%**
Total	**100%**	**100%**	**100%**

(f) Exposures in derivative financial instruments and possible margin calls;

The Bank negotiates derivative products on behalf of its clients and takes positions on its own account, carries out transactions with derivative financial instruments, for hedging and/or trading purposes in accordance with established policies.

The general objectives of the derivative products that the Bank operates are the following:

- Offer derivative financial instruments in the market, with a specific risk-performance profile, to meet the client’s needs according to their risk profile.
- Provide solutions to clients that allow them to fulfill their objectives of reducing, eliminating or modifying the risks assumed respecting the risk profile of each client.
- Carry out negotiation with derivative products with the purpose of generating higher revenues.
- Cover specific products or general risks, as well as optimize the administration of funding.

Derivatives traded may be classified as trading, hedging or arbitrage.

(Millions of Mexican pesos)

The Bank has policies and manuals, with the guidelines and procedures related to the operation and the administration of derivatives. The applicable procedures for the monitoring and mitigation of the risks associated with the derivatives calculate future potential exposure, are the monitoring of the associated collateral, possible margin calls as a conservative measure and to be prepared for a possible increase in liquidity requirements as a result of a possible decline in the Bank's rating, the potential impact on collaterals is calculated periodically.

Potential Future Exposure (December 2021)	
With compensation agreement	$ 2,770
With no compensation agreement	4,580
Possible margin call (December 2021)	
Collateral in Transit	$ 55
Downgrade (December 2021)	
Downgrade 3 levels	$ 2,314

The Bank's exposure to derivative financial instruments at the closing of December 2021 is as follows:

Exposure Derivatives	**Closing Position**
Risk Factor	
Interest rate	$ 868,950
Exchange rate	175,603
Capital market	17,255
Total	**$ 1,061,808**

(g) Foreign exchange mismatch;

The general policy is to fund the assets with the same currency in which they are granted.

(h) A description of the level of centralization of liquidity management and the interaction between the units of the group;

In the Financial Group there is an area in charge of the liquidity management, Treasury Group, in whose responsibility it is to cover the excess and lack of liquidity of the Institution, for which it receives information on a daily basis about the contractual flows that will take place in a current market day, as well as the expected short-term and medium-term liquidity expectations for the main products.

The different areas of the Bank that generate business must inform in advance at least 24-48 hours in the different committees (pipeline) or directly to the Group Treasury, its short, medium and long term strategy, in order to program its funding structure to meet those commitments.

(i) Outflows and entries cash flows that, if appropriate, are not captured in this framework, but which the Institution considers relevant because of its liquidity profile.

It is important to mention that for the calculation of the Liquidity Coverage Ratio, the cash flows of outflows and entries at the contractual level are recorded; however, the Institution daily calculates liquidity gaps considering not only the outflow and entry cash at the contractual level but also considers estimated flows, in addition it extends the schedule of flows to a period of more than 30 days, so that the Institution has the possibility to anticipate and take measures in order to meet the commitments after this period.

Likewise, the Institutions shall at least disclose the information corresponding to the immediately preceding quarter disclosed, in accordance with the following:

I. Quantitative information-

(a) The concentration limits for the different groups of guarantees received and the main sources of financing;

Within the policies approved by the Institution in terms of liquidity, it is established that the Institution will have a low dependence on the wholesale market, as well as maintaining diversified sources of funding and a low concentration of resources in specific depositors. This diversification is not only made because of the funding sources, but also by timing and variety of products.

In addition, the minimum credit quality of the guarantees received is also established. These guarantees may not be less than a level A credit rating.

In addition, the Bank establishes deposit concentration limits with the purpose of ensuring the diversification of its sources of funding among its relevant currencies.

Deposits concentration	
Concept	**Limit MM**
Deposits concentration (MXN)	$ 7,000
Deposits concentration (USD)	100

On the other hand, the Bank monitors potential future exposure (PFE) at the counterparty level for the operation of derivative financial instruments and on the other hand the institution has credit limits to monitor exposure to counterparty credit risk.

Exposure to liquidity risk and financing needs are monitored taking into account possible legal, regulatory and operational limitations; for this, the Bank has a prudent policy of liquidity management risks; In addition, internal limits have been established for liquidity gaps and liquid assets. Liquidity mismatches are shown in the following section.

Exposures to liquidity risk are covered from a funding point of view with local counterparties; which is also in line with the established limits.

Currently, the LCR calculation incorporates positions of the Bank and its subsidiaries.

(b) Integration of balance sheet transactions by maturity and resulting liquidity gaps, including transactions recorded in memorandum accounts.

To have control over the mismatch generated by the nature of the balance between assets and liabilities, Scotiabank sets limits to its liquidity gaps in different time frames. The Bank also monitors the daily gaps during the next 360 days, in order to have a broader picture of the Institution's obligations for more than 30 days; The gaps incorporate active and passive positions of the balance sheets as well as positions outside it. The results at December 31, 2021 and the average of the fourth quarter are shown in the next page.

	Closing balance	Average balance	Limit
30-day cumulative gap (MXN+UDIs+USD)	$ 52,290	50,614	(15,000)
Liquidity Buffer (LRC metric)	$ 96,431	96,028	25,000

The Bank also monitors daily gaps during the next 253 days, in order to have a broader picture of the Group's obligations for more than 30 days.

II. Qualitative information-

(a) The way in which liquidity risk is managed in the Bank, considering for that purpose the tolerance to such risk; structure and responsibilities for the management of liquidity risk; internal liquidity reports; the liquidity risk strategy and policies and practices across the business lines and with the Board of Directors;

One of the main objectives of the Bank is to generate value for its shareholders while maintaining the stability and solvency of the organization.

The principles of the Liquidity Risk Management process are:

- Ensure governance and supervision of liquidity risk, including clear guidelines of roles and responsibilities to ensure that monitoring, valuation, accounting, risk measurement, and risk management processes are independently conducted and reported.

- Identify, measure and manage the risk/return ratio, within the limits of tolerance and risk appetite established by the Board of Directors, ensuring that these activities are carried out in a prudent manner.

In the Group there is an area in charge of the liquidity management, Treasury Group, in whose responsibility it is to cover the excess and lack of liquidity of the Institution, for which it receives information on a daily basis about the contractual flows that will take place in a current market day, as well as the expected short-term and medium-term liquidity expectations for the main products. On the other hand, the area of Liquidity Risk Management has the responsibility to ensure that the main liquidity indicators are within the approved limits and that are aligned with the risk appetite of the Institution, for such purposes the area of Liquidity Risk Management produces periodic information regarding liquid assets and liquidity gaps; in case of any deviation, must notify to the Institution Treasury and involved areas in order to correct any deviation that could impact the Bank's structural liquidity.

The internal liquidity reports as well as the policies in place with the purpose of the Integral Liquidity Risk Management are described in later sections.

(b) Financing strategy, including diversification policies, and whether the financing strategy is centralized or decentralized;

The funding strategy is determined by the Group Treasury of the Bank but agreed and authorized by the Assets and Liabilities Committee. Where different areas of the Bank participate including business areas.

(c) Liquidity risk mitigation techniques used by the Institution;

The Institution monitors the liquidity risk through different metrics and reports aligned with the risk appetite which include:

- LCR calculation (Liquidity Coverage Ratio)
- NSFR calculation (Net Stable Financing Ratio)
- Computation of liquid assets
- Monitoring the concentration of Wholesale Funding Ratio
- Monitoring Liquidity Gaps
- Monitoring of Deposits Concentration
- Monitoring of Bank Deposit
- Monitoring the Investment Portfolio
- Monitoring of assigned credits as collateral guarantee
- Monitoring of the relationship between funding obtained from the market and obtained from customers (Wholesale Funding Ratio)
- Liquidity Stress Testing
- Liquidity Contingency Financing Plan
- Periodic reports to the Assets and Liabilities Committee of the Institution
- Periodic reports to the Risk Committee
- Reports to the Board of Directors
- Policies and Manuals related to Liquidity Risk Management
- Contingency Plan for Solvency and Liquidity Risks

In order to mitigate liquidity risk, the Institution has established prudent guidelines, policies and procedures, with particular attention to:

- Measurement, monitoring and forecasting of commitments involving cash flows for the major currencies managed by the Bank (MXP + UDIs and USD).
- Seek an uniform distribution of cash flows, minimizing liquidity gaps between assets and liabilities, considering the potential impact of renewals, prepayments, withdrawals of deposits, origination of credit and non-payment of credits
- Maintain diversified funding sources.

- Establish correspondent and Bank borrowings programs to help maintain market access.
- Implement and maintain programs for the issuance of liabilities, and portfolio discount with specialized funds
- Maintain operational capacity in the liquidation systems established by the Central Bank, considering for this the guarantee requirements and limits established for this purpose
- Maintain liquid assets reserves to meet operating needs and contingencies of liquidity needs.

The Liquidity Contingency Financing Plan incorporates the corrective actions that the Group would have to start in case of contingency.

(d) An explanation of how stress tests are used; and

In accordance with the current standard stipulated in Appendix12-B of Provisions applicable to Credit Institutions, which requires liquidity exercises in stress scenarios, the Bank periodically tests this in order to ascertain its ability to face adverse scenarios and be able to meet their short-term obligations based on a 30-day survival horizon.

These stress scenarios include, among others, the following assumptions:

- Increase in the expected loss of credit portfolios
- Increase in withdrawal of deposits
- Disposal of lines of credit
- Increase in the Bank's obligations due to degradation of the Institution's rating
- Exit of the main depositors of the Bank
- Loss of Market Value of the Institution's liquid assets

The Bank's liquidity stress tests contemplate different scenarios (i.e. idiosyncratic, systemic and combined) with 3 levels of severity each. The results of the stress tests are presented periodically to the collegiate bodies of the Bank.

Stress scenarios indicate an insight into liquidity gaps, liquid assets, and the Bank's survival horizon, this information is critical for decision-making in order to maintain a solid position around liquid assets, as well as its short-term obligations in adverse scenarios. It is important to note that the Institution has the Contingency Liquidity Financing Plan which incorporates the corrective actions that the Institution would have to put in place in case of contingency.

(Continued)

(e) A description of contingent financing plans.

Periodically, the Group (including the Bank) reviews all aspects of liquidity for the management of potential risks. The Contingency Liquidity Financing Plan is an integral component of this review and provides a frame of reference for determining the actions to be taken in a crisis event and to be able to reestablish the Bank's financial situation.

The general objectives of the Contingency Financing Plan are:

- Identify potential threats that may seriously affect the liquidity of the Group and Subsidiaries.
- Adhere to the early warning systems described in the Capital and Liquidity Conservation Action Plan.
- Establish action plans to treat liquidity risks that the Group may face during the crisis period.
- Propose actions to ensure that the global Group's liquidity risk is within the tolerance limits approved by the Board of Directors
- Ensure the availability of personnel, information and sources necessary in the crisis event to allow good decision-making.
- Ensure that information is provided to the Liquidity and Capital Management Committee opportunely.

In case of requiring additional liquidity to the ordinary, the Central Bank may grant financing through any of the following operations or combination of these: (i) simple guaranteed credit operations with monetary regulation deposits or deposits in dollars that the Financial Group maintains in the Central Bank, or (ii) repurchase/resell agreements on eligible securities. This financing is subject to the procedure indicated in Circular 10/2015 of the Central Bank.

Considering the levels of the Liquidity Coverage Ratio presented during the fourth quarter of 2020, which were greater than 100%, and according to the Provision for credit institutions on liquidity requirements, the Bank during the 3 months of the fourth quarter of 2020, falls in Scenario I (i.e. Scenario I, when the Liquidity Coverage Ratio corresponding to each day of the previous month is at least 100%).

Benchmark Interest Rate Reform

A major global benchmark interest rate review and reform has been undertaken, with a view to reforming or phasing out certain Interbank Offered Rates (IBORs). As alternatives to IBORs, regulators have recommended that markets start adopting alternative risk-free rates (RFRs). The Group has significant exposures to the London Interbank Offered Rate (LIBOR), in particular USD.

The reform of IBOR and the associated shift from IBOR to RFR carries systemic and market risks. These risks, such as increased volatility, lack of liquidity, and uneven alternative practices, can affect market participants. In addition to these inherent risks, the Bank is exposed to operational risk arising from the renegotiation of contracts, technological readiness to issue and market products that refer to RFR and conduct with clients and counterparties.

The Group has established a program (the Transition Program) to support the Group's transition from LIBOR and other IBOR to RFR. The focus of the Transition Program is to address risks by identifying exposures to various IBORs, evaluating existing contract language when IBORs are no longer published or available, developing the capabilities to issue and market products that reference RFRs, and communicating with clients and counterparties regarding industry developments related to IBOR reform. The Transition Program provides quarterly updates to the Group's Regulatory Oversight Committee, and annually, to the Risk Committee, on the status of the transition plans to migrate the Group's IBOR-linked products and update systems and processes. The Transition Program provides regular updates to the Risk Acceptance Committee Mexico (RACM) and the Risk Committee on the status of the transition plans to migrate the Bank's IBOR-linked products and update systems and processes.

On March 5, 2021, the UK Financial Conduct Authority (FCA) confirmed the cease of the publication of most USD LIBOR terms (i.e., Overnight, One-Month, Three-Month, Six-Month LIBOR). and 12-month) immediately following a final release on June 30, 2023. The cut-off date for GBP, JPY, CHF and EUR LIBOR was December 31, 2021. This announcement provides certainty about the future of the various currencies and LIBOR terms and serves to establish the fixed spread adjustment to be used in industry standard backing provisions for cash and derivative products.

While the most used terms for USD LIBOR (1, 3, 6 and 12 months) will continue to be published in their current form until June 30, 2023, the Federal Reserve Board has advised that banks are no longer required to write USD-linked contracts LIBOR after December 31, 2021. Also, the Office of the Superintendent of Financial Institutions on June 22, 2021, stated that Federally Regulated Financial Institutions should stop using LIBOR USD as a reference rate as soon as possible and should not enter into transactions using USD LIBOR as the reference rate after December 31, 2021.

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On July 29, 2021, the Alternative Reference Rate Committee (ARRC) announced its formal recommendation on the CME Group Secured Overnight Financing Rate (SOFR). This recommendation marks the completion of the ARRC's Guided Transition Plan, the series of specific steps established by the ARRC in 2017 to encourage the adoption of SOFR as an alternative to USD LIBOR. On November 16, 2021, the FCA confirmed that it will allow the temporary use of "synthetic" sterling and yen LIBOR rates on all legacy LIBOR contracts, other than cleared derivatives, that have not been modified before December 31, 2021.

The change to the contractual terms of financial assets and financial liabilities with rates subject to IBOR reform is not yet complete. The Group continues to work to meet industry-wide recommended and regulatory milestones on the cessation of LIBOR and will work with clients and counterparties to issue products based on alternative benchmark rates.

Non-derivative financial assets and liabilities

The following table reflects the Group's IBOR exposure to non-derivative financial assets and liabilities as of December 31, 2021, subject to the reform that has not yet been carried out. transition to alternative reference rates. The Group's IBOR exposure to financial instruments includes USD LIBOR maturing after June 30, 2023. Six-month and twelve-month CDOR terms ceased publication after May 17, 2021. These exposures could remain outstanding until IBOR ceases and, therefore, will make the transition in the future.

December 31, 2021	**Expiration after Jun 30, 2023 USD LIBOR**
Non-derivative financial assets (1)	$ 562
Non-derivative financial liabilities (2)	2,061

(1) Non-derivative financial assets include book values of the credit portfolio, measured at gross amortized cost of the allowance for loan losses.

(2) Non-derivative financial liabilities include carrying values of other liabilities.

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

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(Millions of Mexican pesos)

Derivatives

The following table reflects the Group's IBOR exposure to derivatives as of December 31, 2021, subject to reform that has yet to transition to alternative benchmark rates. The Group's IBOR exposure to financial instruments includes USD LIBOR maturing after June 30, 2023. These exposures could remain in effect until IBOR ceases and will therefore transition in the future.

	Expiration after Jun 30, 2023
December 31, 2021	**USD LIBOR**
Derivatives:	
Single currency interest rate swaps	16,621
Cross currency interest rate swaps (3)	1,661
Options	5,191

(3) In the case of Cross currency interest rate swaps, where both tranches refer to rates directly affected by the benchmark reform, the relevant notional amount of both tranches is shown separately to reflect the risks related to the benchmark reform each type.

Hedging derivatives

The following table reflects the Group's IBOR exposure to hedging derivatives as of December 31, 2021, subject to the reform that has yet to transition to alternative benchmark rates. The Group's IBOR exposure to hedging derivatives includes USD LIBOR maturing after June 30, 2023. These exposures will remain in place until IBOR ceases and will therefore transition in the future.

	Maturing after Jun 30, 2023
December 31, 2021	**USD LIBOR**
Hedging derivatives	8,503

(25) Recently issued financial reporting standards-

Changes in the Provisions of the Banking Commission

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". According to the transitory articles mentioned in the Provisions, and as a practical solution, the credit institutions in the application of the accounting criteria contained in Appendix 33 that are modified, may recognize on the date of initial application, that is, on January 1, 2022, the cumulative effect of the accounting changes. Likewise, the basic (consolidated) quarterly and annual financial statements that are required from the institutions, in accordance with the Provisions corresponding to the period ended December 31, 2022, should not be presented comparatively with each quarter of the year 2021 and for the year ended. on December 31, 2021.

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 Banks.

Some specific details for credit institutions 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 consolidated 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 consolidated of its investments in financial instruments as follows:

- 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.

- Credit Institutions, for the identification and recognition of impairment adjustments, 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 C-2, will not be applicable to entities.

- 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.

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 Bank's Risk Committee.

The Institutions 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 Operations 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 consolidated as a whole.

- ***FRS C-9 “Provisions, contingencies and commitments” -*** It leaves without effect Bulletin C-9 “Liabilities, provisions, assets and contingent liabilities and commitments”, its scope is reduced by relocating the subject 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”.

- **FRS C-16 "Impairment of financial instruments receivable"-.** When observing the criteria indicated in FRS C-16 "Impairment of financial instruments receivable", credit institutions should not consider the assets derived from the operations referred to in criterion B-6 - Credit Portfolio, issued by the Banking Commission, since the rules for the valuation, presentation and disclosure of such assets are contemplated in the aforementioned criterion, for the rest of the assets the expected losses due to impairment must be recognized 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 those accounts receivable other than those related to the credit portfolio, entities must create, where appropriate, an estimate that reflects their degree of irrecoverability, applying the provisions of section 42 of FRS C-16.

- Overdrafts in the checking accounts of the entity's clients, who do not have a line of credit for such purposes, will be classified as overdue debts and the entities must establish simultaneously with said classification an estimate for the total amount of said overdraft, at the time such an event occurs.

- Regarding the operations with to the immediate collection documents not collected referred in criterion B-1 "Cash and cash equivalents", 15 calendar days following the date on which they have been transferred to the item that corresponds to them. originated, they will be classified as overdue debts and their estimate must be constituted simultaneously for the total amount of the same.

- The collection rights acquired by the entity that are in the cases provided for in paragraph 23 of criterion B-6 – Loan portfolio, must be considered as financial instruments receivable with high credit risk (stage 3), and may not be transferred to another stage for any after effect.

- 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 consolidated as a whole.

FRS C-19 “Financial instruments payable” - The main characteristics issued for this FRS are shown below:

- The possibility of valuing, subsequent to their initial recognition, certain financial liabilities at their fair value, when certain conditions are met, is established.

- Value long-term liabilities at their present value at initial recognition.

- When restructuring a liability, without the future cash flows to liquidate it being substantially modified, the costs and commissions incurred in this process will affect the amount of the liability and will be amortized over a modified effective interest rate, instead of directly affecting net profit or loss.

- Incorporates what is established in IFRIC 19 “Extinction of Financial Liabilities with Capital Instruments”, an issue that was not included in the existing regulations.

- The effect of extinguishing a financial liability must be presented as a financial result in the unconsolidated statement of income.

- Introduces the concepts of amortized cost to value financial liabilities and 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:

Deposit funding

The characteristics of the issuance of the credit titles issued must be disclosed in notes to the financial statements consolidated: amount; number of titles in circulation; nominal value; discount or premium; rights and form of redemption; guarantee; expiration; interest rate; effective interest rate; amortized amount of the discount or premium in results; amount of issuance expenses and other related expenses and proportion of the authorized amount compared to the amount issued.

Specific aspects to be disclosed are established for the collection of resources whose destination is the assistance of communities, sectors or populations derived from natural catastrophes.

Interbank borrowings and borrowings from other organizations

The total amount of interbank borrowings must be disclosed, as well as that of other entities, indicating for both the type of currency, as well as the maturity terms, guarantees and weighted average rates to which, if applicable, they are subject, identifying the interbank promissory note and interbank borrowings agreed for a term less than or equal to 3 business days.

For lines of credit received by the entity in which not all the authorized amount has been exercised, the unused part of the same should not be presented in the statement of financial position. However, entities must disclose through notes to the financial statements consolidated the unused amount, in accordance with the provisions of criterion A-3, regarding the disclosure of financial information. The letters of credit contracted by the entity are included in the lines referred to in this paragraph.

(Continued)

Restricted application resources received from the Federal Government

The resources that the development banking institutions receive from the Federal Government for a specific purpose, and that according to their economic substance are not considered as stockholders' equity in terms of the provisions of the FRS, will be recognized on the date they are received. in the statement of financial position in the caption of resources of restricted application received from the Federal Government against the corresponding restricted assets according to the nature of said resources.

Initial recognition of a financial instrument payable

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

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 consolidated as a whole.

- ***FRS C-20 "Financial instruments to collect principal and interest"-*** 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.

(Continued)

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

  For the purposes of FRS C-20, the assets originating from the operations referred to in criterion B-6, issued by the Banking Commission, should not be included, since the recognition, valuation, presentation and disclosure standards for initial recognition and later of such assets, are contemplated in said criterion. The Banking Commission establishes certain specifications for the application of FRS C-20 as follows:

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.

Collection rights

For purposes of recognition of effective interest, the effective interest rate of the collection rights may be adjusted periodically in order to recognize the variations in the estimated cash flows to be received.

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 officers and employees

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

Loans to retirees

Loans to retirees will be considered as part of the loan portfolio, and must adhere to the guidelines established in criterion B-6, except when, as with active employees, the collection of said loans is carried out in a direct, in which case they will be recorded in accordance with the guidelines applicable to loans to officers and employees.

- **B-7 Foreclosed assets**

The following concepts and acknowledgment of the awarded Assets are required:

(Continued)

Disposal cost: is the incremental direct cost that derives from the sale or exchange of an asset or a group of assets, such as commissions, storage, transfer, insurance, etc., without considering financing costs and income taxes; includes any distribution cost to owners that is the cost of disposal directly attributable to such distribution.

Net realizable value: is the amount estimated by an entity of what it expects to receive, in cash, cash equivalents or in kind, from the sale of an asset less disposal costs.

Assets acquired by judicial adjudication must be registered on the date on which the approving order of the auction by which the adjudication was decreed is enforceable.

Assets that have been received by dation in payment will be registered, for their part, on the date on which the deed of dation is signed, or on which formality has been given to the transfer of ownership of the asset.

The recognition value of the foreclosed assets will be:

a. the lower of the gross book value of the asset that gave rise to the foreclosure, that is, without deducting the allowance for loan losses that has been recognized up to that date, and the net realizable value of the assets received, when the intention of the entity is to sell said assets to recover the amount receivable; either
b. the lower of the gross book value of the asset that gave rise to the foreclosure or the fair value of the asset received, when the entity's intention is to use the foreclosed asset for its activities.

On the date on which a foreclosed asset is recorded in the accounting, the value of the asset that gave rise to the foreclosure, as well as the estimate that it may have constituted, must be removed from the statement of financial position of the entities by the total net assets of the aforementioned estimate deducted by the partial payments in kind referred to in criterion B-6 "Loan Portfolio" or the collections or recoveries corresponding to the credits acquired referred in subparagraph d) of the paragraph 3, of the aforementioned criterion B-6.

The difference between the value of the asset that gave rise to the foreclosure, net of estimates, and the value of the determined foreclosed asset, will be recognized in the results of the year as other income (expenses) of the operation.

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 consolidated 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 Bank financial statements consolidated.

  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 serve to evaluate the effectiveness of a hedging relationship and the possibility of rebalancing it.

  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, institutions must observe the following criteria:

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

(Continued)

It also 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).

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 consolidated as a whole.

- ***FRS D-1 "Income from contracts with customers"-*** The main characteristics issued for this FRS are shown below:

  - The transfer of control, basis for the opportunity to recognize income.
  - The identification of the obligations to fulfill in a contract.
  - The allocation of the transaction price among the obligations to be fulfilled based on the independent sale prices.
  - The introduction of the conditional account receivable concept.
  - Recognition of collection rights.
  - Establishes requirements and guidance on how to value the variable consideration and other aspects, when performing the valuation of income.

Appendix 33 establishes the acknowledgment in accordance with the provisions of 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 for contracts with customers"-*** The main change in this standard is the separation of the regulations related to the recognition of income from contracts with customers from the regulations corresponding to the recognition of costs for contracts with customers.

Changes in Criterion B-6 "Loan Portfolio"

Among the main changes are:

- The modification in the way of classifying financial instruments in assets, since the concept of intention to acquire and hold them is discarded to determine their classification, instead the concept of business model of administration and preparation is adopted of tests of financial instruments whose purpose is Only to Collect Principal and Interest (SPPI). The need for tests on the determination of these types of instruments is established.

- The Current and Past Due portfolio classification is eliminated, and the measurement of the portfolio is incorporated in three stages

  - **Portfolio with loan risk stage 1.-** These are all those loans whose credit risk has not increased significantly from their initial recognition to the date of the financial statements and that are not in the assumptions to be considered stage 2 or 3 in terms of Appendix 33.

  - **Portfolio with loan risk stage 2.- I**ncludes those loans that have shown a significant increase in credit risk from their initial recognition to the date of the financial statements in accordance with the provisions of the models for calculating the allowance for loan losses. established or permitted in the Provisions, as well as the provisions of Appendix 33.

  - **Portfolio with loan risk stage 3.-** Those loans with credit deterioration caused by the occurrence of one or more events that have a negative impact on the future cash flows of said loans in accordance with the provisions of Appendix 33.

(Continued)

- The evaluation of straight line origination costs is modified and measurement and valuation methods are incorporated:
  - o 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 allowance for loan losses.
  - o 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.
  - o Amortized origination costs at the effective rate.

Allowance for loan losses

The Institutions, for the purpose of calculating and establishing the allowance for loan losses, must qualify from their initial recognition the loans of their Credit Portfolio based on the criterion of significant increase in credit risk. This criterion will be applied from the moment of origination and throughout the life of the credit, even when it has been renewed or restructured.

Institutions may choose one of the following approaches:

I. The Standard Approach, which will be applicable to consumer, commercial and mortgage loan portfolios. Institutions that opt for this approach to calculate their allowance reserves must abide by the requirements and procedures contained in Chapter V Bis, which describes the General Standard Methodologies by type of loan portfolio.

   This approach introduces new criteria for the classification and measurement of financial instruments, which are based on the joint consideration of the Business Model (i.e. the way in which the Entity manages its assets to obtain the contractual cash flows) and the analysis of the characteristics of the contractual flows of the instruments (i.e. SPPI test for its acronym in English: “Solely Payments of Principal and Interests”). Likewise, it introduces the concept of “Significant Increase in Risk” for which the reserves must be estimated for the contractual life of the credit. For those who have not presented an increase in risk, the expected loss at 12 months can be estimated. The usual approach to estimate credit losses in collective loans is by estimating the Expected Loss (EP) that uses the parameters of Probability of Default (PI), Loss given default (LGD) and Exposure to Default (EI). This calculation must also include the possible impact on credit risk due to prospective information.

II. The Internal Approach, which is applicable to all modelable portfolios, using the Internal Reserve Methodologies based on FRS C-16 referred to in Chapter V Bis 1, which refers to two models (Basic and Advanced) . In this case, the Institutions will comply with the requirements contained in the aforementioned chapter and in Appendix 15 Bis."

Internal approach – Basic model, each credit institution will perform its own calculation of the Probability of Default (PI) considering its positions subject to credit risk, and in the case of Loss Given Default (LGD) and Exposure to Default (EI) in accordance with the provisions of the Standard Methodology of the Banking Commission (applicable only to Commercial Loan Portfolio).

Internal approach – Advanced model, in which the Institutions must estimate their own PI, SP and EI. (Applicable to Commercial Credit, Consumer and Home Mortgage Portfolios.

Loans belonging to portfolios that are not included in the relevant Modelable Portfolios will be rated according to the General Standard Methodology.

For the application of the internal approach, two main requirements are established in Appendix 15 Bis, which are:

1) Implementation plan: Which establishes notifying the Banking Commission by free writing, 90 days in advance of the implementation, as well as stipulating within the writing the knowledge and authorization of the Council, it must be signed by the General Director or in his absence, by the legal representative empowered to commit the Institution's resources. Additionally, specific requirements are established for its monitoring and measurement.

2) Request some basic conditions such as having systems and infrastructures that support the applicability of the methodology, annual monitoring of reviews of the implemented models, among others.

Credit institutions must identify and classify the Loan Portfolio, as defined in the General Provisions applicable to credit institutions, by level of credit risk, in accordance with what is indicated below:

a) Stage 1 to loans that do not present evidence of an increase in the level of credit risk, when they do not show any of the assumptions to be classified in this stage in accordance with the corresponding General Standard Rating Methodology, in accordance with this Resolution.

b) Stage 2, when at the time of rating the credits present evidence of an increase in the level of credit risk to be classified in this stage in accordance with the corresponding General Standard Rating Methodology, in accordance with this instrument.

c) Stage 3 to the credits that at the time of qualification meet the requirements to be classified in Stage 3 in accordance with the General Standard Methodology of qualification that corresponds to them, in accordance with this Resolution.

Credit institutions, in order to constitute the amount of allowance for loan losses, may choose to:

I) They will recognize in stockholders' equity, within the result of previous years, as of January 31, 2022, the initial accumulated financial effect derived from applying the corresponding credit portfolio rating methodology for the first time, and will disclose it in quarterly and annual financial statements consolidated. the relevant data of this operation requested by the Banking Commission.

II) Constitute the amount of allowance for loan losses at 100%, within a period of 12 months, counted from January 31, 2022. The institution will disclose in quarterly and annual financial statements consolidated the relevant data of this operation requested by the Banking Commission.

Management recognized the initial effect of the adoption of the new methodology for calculating reserves within "earnings from previous years" for an amount of $820, which was recorded on January 31, 2022

FRS D-5 “Leases”- The application of this FRS for the first time generates accounting changes in the financial statements consolidated 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 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 transaction with a return lease 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 FRS D-5, and only some disclosure requirements are added such as the addition of precisions to the disclosures for short-term and low-value leases for which a right-of-use asset was not recognized.

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- 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:

The provisions of this FRS will not apply to credits granted by the entity for financial leasing operations, being the subject of criterion B-6, with the exception of the provisions of paragraph 67 of the Criterion B-6.

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 the 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 said present value constitutes at least 90% of said fair value.

Credit institutions 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 the 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 rule that represents the recognition of a right-of-use asset for $2,519 and $10 USD and a lease liability for $2,519 and $10 USD, which was registered on January 31, 2022.