Grupo Financiero BBVA México, S.A.,
and Subsidiaries

Consolidated Financial Statements

December 31, 2023 and 2022
with independent auditor's report
(Translation from Spanish language (original))

Grupo Financiero BBVA México, S.A.,
and Subsidiaries

Consolidated Financial Statements

December 31, 2023 and 2022

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of
Grupo Financiero BBVA México, S.A. de C.V.
(Subsidiarie of Banco Bilbao Vizcaya Argentaria, S.A.)

Opinion

We have audited the accompanying consolidated financial statements of Grupo Financiero BBVA México, S.A. de C.V. and its Subsidiaries ("the Group") which comprise the consolidated statement of financial position as of December 31, 2023, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, have been prepared in all material aspects in accordance with the accounting criteria for Financial Group Holding Companies ("the Accounting Criteria") established by the National Banking and Securities Commission ("the Commission" or "CNBV").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are described in the "*Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*" section of our report. We are independent of the Company in accordance with the "*International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants*" ("IESBA Code") and the ethical requirements that are relevant to our audit of the consolidated financial statements in Mexico in accordance with the "*Código de Ética Profesional del Instituto Mexicano de Contadores Públicos*" ("IMCP Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the accompanying consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Allowance for loan losses

Description and why matter is considered as a key audit matter

We have considered the allowance for loan losses of the loan portfolio which amounts to $55,195 million pesos as a key audit matter, since its determination involves significant judgments by the Management as well as the use of the various factors established in the Group's internal methodology approved by the Commission and the standard methodology defined by the CNBV for loan portfolio rating processes, which requires the involvement of independent specialists from the Group's Management and internal auditor valuation specialists, such as the allocation of the collateral, guarantor's rating, assignment of "rating" for null values and impairment flag in applicable cases. Likewise, it is considered the reliability of the documentation and the updating of the information that serves as input for the calculation of said estimate.

In notes 3n) and 12 of the accompanying consolidated financial statements as of December 31, 2023, the disclosures on the accounting policy for recognition and analysis of allowance of loan losses are included, respectively.

How our audit addressed the key audit matter

Our audit procedures included, among others, the understanding of the key processes and control environment established by the Group, in the process of determining the allowance of loan losses of the loan portfolio, as well as the execution of design and operational effectiveness tests of the key controls implemented by the Group's Management.

Additionally, we assessed the key quantitative and qualitative factors used by the Group's Management to determine the allowance of loan losses of the loan portfolio, considering the items related to debtors during the loan portfolio rating process in accordance with the accounting methodologies and criteria established by the CNBV.

We also involved our valuation specialists to assist us in evaluating the reasonableness of Management's judgments regarding the allowance of loan losses of the loan portfolio, based on a sample basis.

Finally, we assessed the adequacy of the disclosures related to determining the allowance of loan losses of the loan portfolio, which was obtained in the accompanying consolidated financial statements as of December 31, 2023.

Technical reserves and reinsurance recoverable amounts

Description and why matter is considered as a key audit matter

As described in note 3ac to the accompanying consolidated financial statements the Group has significant liabilities for insurance contracts (called "technical reserves"), which represent 12% of the total liability shown in the consolidated financial statements as of 31 December 2023. Consistent with the regulation of the insurance industry established by the National Insurance and Bonding Commission ("CNFS"), the Group uses valuation models to determine these liabilities for insurance contracts and the amounts recoverable from reinsurance that they are relative to them. We consider a key audit issue in this area due to the complexity of the valuation models and the use of assumptions to determine technical reserves, such as discount rates, mortality, morbidity, portfolio performance, expenses, etc., which require a high level of judgment from the Management for their determination.

How our audit addressed the key audit matter

As part of the procedures, we performed independent calculations on the amounts of the reserves and the reinsurance recoverable amounts; we assessed the methodologies used by the Group considering their adherence to the applicable CNSF regulation.

We tested the inputs used in the models applied by the Group to calculate the reserves and assessed the reasonableness of such data. We involved our actuarial specialists in assessing the reserves of life and damage operations.

Finally, we assessed the adequacy of the disclosures related to the determination of the technical reserves, which were made in the accompanying consolidated financial statements as of December 31, 2023.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report presented to the CNBV and the annual report presented to stockholders, but does not include the consolidated financial statements and our auditor's report thereon. The other information is expected to be made available to us after the date of this auditor's report.

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

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

When we read the annual report presented to the CNBV and the annual report presented to stockholders, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and issuing the declaratory on annual report requested by CNBV which will describe the matter.

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

Management is responsible for the preparation and fair presentation of the accompanying consolidated financial statements in accordance with the Accounting Criteria, 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.

Auditor's 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 auditor's 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 auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that complies, in all material aspects, with the accounting regulatory framework indicated in the second paragraph of this report.

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

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

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

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 auditor's 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.

The partner in charge of the audit resulting in this independent auditor's report, is who signs it.

Mancera, S.C.
Member of
Ernst & Young Global Limited

SIGNATURE

C.P.C. Gabriel Alejandro Baroccio
Pompa

Mexico City, Mexico,
February 27, 2024

Grupo Financiero BBVA México, S.A. de C.V. and Subsidiaries
Av. Paseo de la Reforma 510, Col. Juárez, C.P. 06600, Ciudad de México, México
Consolidated statements of financial position
As of December 31, 2023 and 2022
(MXN millions)

Assets	2023	2022
Cash and cash equivalents (note 5)	$ 219,981	275,971
Margin accounts (derivative financial instruments) (note 6)	9,531	9,836
Investments in financial instruments (note 7):		
Negotiable financial instruments	435,507	371,061
Financial instruments to collect or sell	270,880	226,135
Financial instruments to collect principal and interest (Securities) (net)	279,137	234,667
	985,524	831,863
Debtors on repurchases/resales (note 8)	101,368	35,079
Derivative financial instruments (note 9):		
Trading	173,171	209,518
Hedging	8,666	6,658
	181,837	216,176
Valuation adjustments related to financial assets hedged	(933)	(639)
Loan portfolio with Stage 1 credit risk:		
Commercial	876,820	809,063
Consumer	407,588	346,721
Mortgage	318,625	293,570
Total loan portfolio with stage 1 credit risk	1,603,033	1,449,354
Loan portfolio with Stage 2 credit risk:		
Commercial	19,012	18,831
Consumer	11,482	8,616
Mortgage	12,032	10,428
Total loan portfolio with stage 2 credit risk	42,526	37,875
Loan portfolio with Stage 3 credit risk:		
Commercial	8,727	7,662
Consumer	12,518	9,363
Mortgage	6,859	6,823
Total loan portfolio with stage 3 credit risk	28,104	23,848
Loan portfolio measured at fair value	5,401	5,100
Loan portfolio	1,679,064	1,516,177
(+/-) Deferred items	(1,387)	(3,271)
(-) less:		
Allowance for loan losses (note 12)	(55,195)	(49,588)
Loan portfolio (net)	1,622,482	1,463,318
Loan portfolio of insurance and bonding institutions	3,864	3,132
(-) less:		
Allowance for loan losses of Insurance and Bonding Institutions	(180)	(151)
Loan portfolio of Insurance and Bonding Institutions (net)	3,684	2,981
Acquired collection rights (net)	1	1
Total loan portfolio (net) (note 10)	1,626,167	1,466,300
Accounts receivable from insurance and bonding companies (note 13)	13,404	11,582
Reinsurance and rebonding recoverable amounts (net)	1,440	1,279
Other accounts receivable (net) (note 15)	93,162	139,135
Foreclosed assets (net) (note 16)	1,144	1,611
Prepayments and other assets (net)	3,067	3,712
Property, plant and equipment (net) (note 17)	39,495	36,347
Assets from rights of use of property, plant and equipment (net) (note 18)	5,545	5,023
Permanent investments (note 19)	1,393	1,376
Deferred income tax assets (net) (note 28)	39,168	39,748
Intangible assets (net) (note 21)	5,198	4,699
Goodwill (note 21)	8,869	8,869
Total assets	$ 3,335,360	3,087,967

Liabilities and stockholders' equity	2023	2022
Deposits (note 22):		
Demand deposits	$ 1,436,621	1,366,059
Time deposits:		
General public	237,414	239,165
Money market	21,948	4,110
Securities issued	100,862	88,819
Global deposit account without transactions	6,560	6,716
	1,803,405	1,704,869
Interbank and other borrowings (note 23):		
Short term	6,728	6,528
Long term	33,342	32,634
	40,070	39,162
Technical reserves (note 24)	351,499	307,381
Creditors on repurchase/resale (note 8)	241,238	172,117
Securities lending	1	2
Collateral sold or pledged (note 8):		
Repurchase/resale (creditor balance)	18,466	15,379
Collateral securities lending	66,634	39,430
	85,100	54,809
Derivative financial instruments (note 9):		
Trading	196,759	232,352
Hedging	4,804	8,820
	201,563	241,172
Valuation adjustments to financial liabilities hedged	(3,039)	(4,771)
Accounts payable to reinsurers and bonding agents (net)	948	1,188
Lease liabilities (note 18)	5,904	5,153
Other accounts payable:		
Creditors on settlement of transactions	79,619	13,894
Creditors on margin accounts	80	342
Creditors on cash received as collateral (note 9)	16,761	13,438
Tax payable	4,897	4,422
Sundry creditors & other accounts payable (note 20)	39,251	128,904
	140,608	161,000
Financial instruments qualifying as liabilities		
Subordinated obligations outstanding (note 26)	50,504	38,623
Income tax liability	2,759	15,162
Liabilities for employee benefits (note 25)	11,768	7,149
Deferred credits and prepayments	6,465	5,359
Total liabilities	2,938,793	2,748,375
Stockholders' equity (note 29):		
Paid-in capital:		
Capital stock	9,799	9,799
Additional paid-in capital	79,333	79,333
	89,132	89,132
Earned capital:		
Capital reserves	204	204
Cumulative results	320,303	265,457
Other comprehensive income:		
Valuation of financial instruments to collect or sell	(4,913)	(9,190)
Valuation of derivative financial instruments for cash flow hedges	(544)	(1,353)
Remeasurements of defined employee benefits	(7,722)	(4,738)
	(13,179)	(15,281)
	307,328	250,380
Total controlling interest	396,460	339,512
Total non-controlling interest	107	80
Total stockholders' equity	396,567	339,592
Total liabilities and stockholders' equity	$ 3,335,360	3,087,967

(Continued)

Grupo Financiero BBVA México, S.A. de C.V. and Subsidiaries
Av. Paseo de la Reforma 510, Col. Juárez, C.P. 06600, Ciudad de México, México
Consolidated statements of financial position, continued
As of December 31, 2023 and 2022
(MXN millions)

Memorandum accounts

Transactions on behalf of third parties	**2023**	**2022**
Client current account:		
Client banks	$ 83	333
Settlement of client transactions	(18)	157
	65	490
Custody transactions:		
Financial instruments (securities) of clients received in custody		
Transactions on behalf of clients:		
Clients' repurchase/resale transactions	37	75
Securities lending on behalf of clients	-	-
Collateral received on behalf of clients	37	75
Collateral granted on behalf of clients	-	-
	74	150
Investment banking transactions on behalf of third parties	2,531,393	2,035,619
Total on behalf of third parties	$ 4,741,124	3,871,061

Transactions on its own behalf	**2023**	**2022**
Contingent assets and liabilities	$ 265	2,524
Loan commitments (note 10)	826,305	792,231
Assets in trust or under mandate:		
In trust	564,116	672,475
Under mandate	293	200
	564,409	672,675
Assets in custody or under management	292,957	264,323
Collateral received by the entity (note 8):		
Government debt	165,038	71,752
Other debt securities	5,569	298
Equity securities	5,138	-
Other financial instruments	-	5,105
	175,745	77,155
Collateral received and sold or pledged by the entity (note 8):		
Government debt	85,953	55,263
Other financial instruments	174	65
	86,127	55,328
Uncollected interest accrued on loan portfolio with Stage 3 credit risk	2,674	2,195
Other registration accounts	4,276,644	4,073,269
Total on its own behalf	$ 6,225,126	5,939,700
Shares delivered in custody (units)	15,854,682,820	15,854,682,820

The historical balance of capital stock as of December 31, 2023 and 2022 is $1,020.

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

These consolidated statements of financial position were prepared in accordance with the accounting criteria for holding and sub-holding companies, issued by the Supervisory Commissions, pursuant to the provisions of Articles 91, 92, 94 and 101 of the Law to Regulate Financial Groups, general and mandatory, consistently applied, reflecting the transactions carried out by the Holding Company and the financial entities and other companies that are part of the Financial Group that can be consolidated up to the aforementioned date, which were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions.

These consolidated statements of financial position were approved by the Board of Directors under the responsibility of the officers who sign them.

[SIGNED]	[SIGNED]	[SIGNED]	[SIGNED]
Eduardo Osuna Osuna	Luis Ignacio De la Luz Dávalos	Adolfo Arcos González	Ana Luisa Miriam Ordorica Amezcua
Chief Executive Officer	Chief Financial Officer	Head of Internal Audit	Head of Corporate Accounting

Grupo Financiero BBVA México, S.A. de C.V. and Subsidiaries
Av. Paseo de la Reforma 510, Col. Juárez, C.P. 06600, Ciudad de México, México
Consolidated statements of comprehensive income
For the years ended December 31, 2023 and 2022
(MXN millions)

		2023	2022
Interest income (note 33)	$	320,751	249,181
Interest expense (note 33)		(101,751)	(62,862)
Financial margin		219,000	186,319
Allowance for loan losses (note 12)		(44,995)	(35,640)
Financial margin adjusted for loan losses		174,005	150,679
Commissions and fees collected (note 34)		69,758	59,713
Commissions and fees paid (note 34)		(31,063)	(27,292)
Premium income (net)		43,761	37,206
Net increase in technical reserves		(6,486)	(5,594)
Net cost of loss rate, claims or other obligations pending compliance		(43,634)	(35,940)
Financial intermediation income (note 35)		25,068	15,419
Other operating income (expense)		(9,266)	(8,040)
Administrative and promotional expenses		(84,354)	(71,110)
Operating income		137,789	115,041
Interest in net income of other entities (note 19)		323	254
Income before income tax		138,112	115,295
Income tax (note 28)		(37,866)	(30,455)
Income from continuing operations		100,246	84,840
Discontinued operations		-	-
Net income	$	100,246	84,840
Other comprehensive income:			
Valuation of financial instruments to collect or sell		4,277	(3,034)
Valuation of derivative financial instruments for cash flow hedges		809	(565)
Remeasurement of employee defined benefits		(2,984)	(1,789)
Other comprehensive income for the period		2,102	(5,388)
Comprehensive income	$	102,348	79,452
Net income attributable to:			
Controlling and non-controlling interest		100,273	84,868
Non-controlling interest		(27)	(28)
	$	100,246	84,840
Comprehensive income attributable to:			
Controlling and non-controlling interest		102,375	79,480
Non-controlling interest		(27)	(28)
	$	102,348	79,452
Basic earnings per common share (pesos per share)	$	10.81	9.15

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

These consolidated statements of comprehensive income were prepared in accordance with the accounting criteria for holding and sub-holding companies, issued by the Supervisory Commissions, pursuant to the provisions of Articles 91, 92, 94 and 101 of the Law to Regulate Financial Groups, general and mandatory, consistently applied, showing all income and expenses derived from the transactions carried out by the Holding Company and the financial entities and other companies that are part of the Financial Group that can be consolidated, during the periods mentioned above, which were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions.

These consolidated statements of comprehensive income were approved by the Board of Directors under the responsibility of the officers who sign them.

[SIGNED]	[SIGNED]	[SIGNED]	[SIGNED]
Eduardo Osuna Osuna	Luis Ignacio De la Luz Dávalos	Adolfo Arcos González	Ana Luisa Miriam Ordorica Amezcua
Chief Executive Officer	Chief Financial Officer	Head of Internal Audit	Head of Corporate Accounting

Grupo Financiero BBVA México, S.A. de C.V. and Subsidiaries
Av. Paseo de la Reforma 510, Col. Juárez, C.P. 06600, Ciudad de México, México
Consolidated statements of changes in the stockholders' equity
For the years ended December 31, 2023 and 2022
(MXN millions)

		Paid in capital		Earned capital							
		Capital stock	Additional paid-in capital	Statutory reserves	Cumulative income	Valuation of financial instruments to collect or sell	Valuation of derivative financial instruments for cash flow hedges	Remeasurement of employee defined benefits	Total controlling interest	Non-controlling interest	Total stockholders' equity
Balances as of December 31, 2021	$	9,799	79,333	204	239,272	(6,156)	(788)	(2,949)	318,715	52	318,767
Retrospective adjustments for accounting changes					(4,710)				(4,710)		(4,710)
Balances as of January 1, 2022 (adjusted)		9,799	79,333	204	234,562	(6,156)	(788)	(2,949)	314,005	52	314,057
Owner's movements											
Declaration of dividends					(53,945)				(53,945)		(53,945)
Comprehensive income											
Net income					84,840				84,840	28	84,868
Other comprehensive income:											
Valuation of financial instruments to collect or sell						(3,034)			(3,034)		(3,034)
Result from valuation of derivative financial instruments of cash flow hedges							(565)		(565)		(565)
Remeasurement of employee defined benefits								(1,789)	(1,789)		(1,789)
Total		-	-	-	30,895	(3,034)	(565)	(1,789)	25,507	28	25,535
Balances as of December 31, 2022	$	9,799	79,333	204	265,457	(9,190)	(1,353)	(4,738)	339,512	80	339,592
Owner's movements											
Declaration of dividends					(45,400)				(45,400)		(45,400)
Comprehensive income											
Net income					100,246				100,246	27	100,273
Other comprehensive income:											
Valuation of financial instruments to collect or sell						4,277			4,277		4,277
Result from valuation of derivative financial instruments of cash flow hedges							809		809		809
Remeasurement of employee defined benefits								(2,984)	(2,984)		(2,984)
Total		-	-	-	54,846	4,277	809	(2,984)	56,948	27	56,975
Balances as of December 31, 2023	$	9,799	79,333	204	320,303	(4,913)	(544)	(7,722)	396,460	107	396,567

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

These consolidated statements of changes in the stockholders' equity were prepared in accordance with the accounting criteria for holding and sub-holding companies, issued by the Supervisory Commissions, pursuant to the provisions of Articles 91, 92, 94 and 101 of the Law to Regulate Financial Groups, general and mandatory, consistently applied, , showing all the movements in the stockholders' equity accounts derived from the transactions carried out by the Holding Company and the financial entities and other companies that are part of the Financial Group that can be consolidated, during the periods mentioned, which were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions.

These consolidated statements of changes in the stockholders' equity were approved by the Board of Directors under the responsibility of the officers who sign them.

[SIGNED]	[SIGNED]	[SIGNED]	[SIGNED]
Eduardo Osuna Osuna	Luis Ignacio De la Luz Dávalos	Adolfo Arcos González	Ana Luisa Miriam Ordorica Amezcua
Chief Executive Officer	Chief Financial Officer	Head of Internal Audit	Head of Corporate Accounting

Grupo Financiero BBVA México, S.A. de C.V. and Subsidiaries
Av. Paseo de la Reforma 510, Col. Juárez, C.P. 06600, Ciudad de México, México
Consolidated statements of cash flows
For the years ended December 31, 2023 and 2022
(MXN millions)

Operating activities:		2023	2022
Income before income taxes	$	138,112	115,295
Adjustments for items associated with investing activities:			
Depreciation of property, plant and equipment		2,773	2,495
Amortization of installation expenses		1,999	1,926
Amortization of intangible assets		1,784	1,771
Impairment losses or reversal of impairment losses of long-lived assets		169	61
Equity in net income of other entities		(323)	(254)
		6,402	5,999
Changes in operating items:			
Change in bank and other borrowings		1,232	(98)
Change in margin accounts (derivative financial instruments)		(370)	(1,819)
Change in investments in financial instruments (securities) (net)		(151,973)	10,326
Change in debtors on repurchases/resales		(66,290)	(26,865)
Change in derivative financial instruments (assets)		36,347	(74,891)
Change in loan portfolio (net)		(186,090)	(203,456)
Change in debtors of insurance and bonding companies		(1,822)	(1,913)
Change in amounts recoverable from reinsurance and rebonding (net)		(161)	(76)
Change in other accounts receivable (net)		45,055	(73,598)
Change in other operating assets (net)		375	(6,457)
Change in foreclosed assets (net)		466	(288)
Change in deposits		131,546	162,635
Change in technical reserves		44,119	34,500
Change in creditors on repurchases/resales		69,121	7,199
Change in collateral sold or pledged		30,290	2,068
Change in derivative financial instruments (liabilities)		(35,593)	80,094
Change in accounts payable for reinsurance and rebonding (liabilities)		(240)	107
Change in derivative financial instruments hedged (of hedged items related to operating activities)		(3,355)	871
Change in assets/liabilities from employee benefits		1,027	935
Change in other accounts payable		(88,822)	65,203
Change in other operating liabilities		72,698	(3,010)
Payments of income tax		(52,002)	(20,871)
Net cash flows from operating activities		(9,928)	71,890
Investment activities:			
Payments for acquisition of property, plant and equipment		(8,093)	(4,828)
Proceeds for disposal of property, plant and equipment		143	64
Proceeds for disposal of subsidiaries		-	33
Payments for acquisition of intangible assets		(2,423)	(2,086)
Net cash flows from investing activities		(10,373)	(6,817)
Financing activities:			
Cash dividend payments		(45,400)	(53,945)
Proceeds from the issuance of financial instruments qualifying as liabilities		16,935	-
Payments associated with financial instruments qualifying as liabilities		-	(31,448)
Net cash flows from financing activities		(28,465)	(85,393)
Net increase or decrease in cash and cash equivalents		(48,766)	(20,320)
Effects from changes in the value of cash and cash equivalents		(7,224)	(5,246)
Cash and cash equivalents at the beginning of period		275,971	301,537
Cash and cash equivalents at the end of the period	$	219,981	275,971

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

These consolidated statements of cash flows were prepared in accordance with the accounting criteria for holding and sub-holding companies, issued by the Supervisory Commissions, pursuant to the provisions of Articles 91, 92, 94 and 101 of the Law to Regulate Financial Groups, general and mandatory, consistently applied, showing the cash inflows and outflows derived from the transactions carried out by the Holding Company and the financial entities and other companies that are part of the Financial Group that can be consolidated, during the periods mentioned above, which were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions.p

These consolidated statements of cash flows were approved by the Board of Directors under the responsibility of the officers who sign them.

[SIGNED]	[SIGNED]	[SIGNED]	[SIGNED]
Eduardo Osuna Osuna Chief Executive Officer	Luis Ignacio De la Luz Dávalos Chief Financial Officer	Adolfo Arcos González Head of Internal Audit	Ana Luisa Miriam Ordorica Amezcua Head of Corporate Accounting

Grupo Financiero BBVA México, S. A. de C. V. and Subsidiaries

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023 and 2022

(MXN millions, except otherwise noted)

(1) Activity and operating regulatory environment-

Grupo Financiero BBVA México, S. A. de C. V. and subsidiaries (the "Group"), is a direct subsidiary of Banco Bilbao Vizcaya Argentaria, S. A. ("BBVA"), and is governed, among others, by the Law Regulating Financial Groups (*Ley para Regular las Agrupaciones Financieras*) (the "Law") as well as the Regulations Applicable to Financial Group Holding Companies (*Disposiciones de Carácter General Aplicables a las Sociedades Controladoras de Grupos Financieros*) (the "Regulations") which regulate any matters corresponding to the National Banking and Securities Commission (the "Commission" or, for its acronym in Spanish, "CNBV") and the National Insurance and Bonding Commission (for its acronym in Spanish, the "CNSF") (collectively, the "Surveillance National Commissions") and, therefore, is under inspection and surveillance of the Commission. The Group's purpose is acquiring and managing shares issued by multiple banking entities, broker-dealers, insurance companies, investment fund manager, financial entities and any other type of corporations that determines the Ministry of Finance and Public Credit (*Secretaría de Hacienda y Crédito Público*) (SHCP), pursuant to the provisions of the Law. The Group has its address at Avenida Paseo de la Reforma No. 510, Colonia Juárez, Cuauhtémoc, Mexico City, C.P. 06600.

The operations of the Group's subsidiaries have the main purpose of providing services as multiple banking activities, acting as intermediary in the stock exchange, providing insurance and pension services, managing investment fund assets and securities portfolios, as well as providing administrative services. These subsidiaries are governed mainly by the Financial Institutions Law (*Ley de Instituciones de Crédito*), the Securities Market Law (*Ley del Mercado de Valores*), the Insurance and Bonding Institutions Law (*Ley de Instituciones de Seguros y de Fianzas*), the General Corporations Law (*Ley General de Sociedades Mercantiles*), and the general provisions issued by the Mexican central bank (Banco de México) (the "Central Bank"), among other applicable laws.

The powers vested in the Commission -as the entity regulating financial groups-, include reviewing the Group's financial information and ordering any amendments thereto, if any.

By operation of law, the Group is unlimitedly liable for the obligations and losses of each one of its subsidiaries.

Significant restrictions in the Group

As a Holding Company, the Group may only contract direct or contingent liabilities and give as security its properties in the case of the sole agreement of responsibilities referred to in article 119 of the Law Regulating Financial Groups, of operations with the Institute for the Protection of Savings. Banking and with authorization from the Central Bank, in the case of the issuance of subordinated obligations of forced conversion to securities representing its capital and of obtaining short-term credits, while the placement of shares is carried out due to the incorporation or merger of that the aforementioned Law refers to.

Payment of dividends may be suspended in whole or in part through the application of corrective measures that aim to prevent and, where appropriate, correct any problems that may arise that could affect the financial stability or solvency of the Holding Company or financial entities members of the Group. During 2023 and 2022, the Group was not in any of these cases.

(2) Authorization and basis of presentation-

Authorization

On February 27, 2024, Eduardo Osuna Osuna, General Director, Luis Ignacio De La Luz Dávalos, General Director of Finance, Adolfo Arcos González, General Director of Internal Audit, and Ana Luisa Miriam Ordorica Amezcua, Director of Corporate Accounting, authorized the issuance of the accompanying consolidated financial statements and the notes thereto (hereinafter, the “financial statements”).

The Group’s shareholders and the Commission are authorized to amend the financial statements after their issuance. The accompanying financial statements will be submitted to the next Shareholders’ Meeting for approval.

Basis of presentation

a) Comparability criterion -

As of January 2022, new accounting criteria were incorporated for the Mexican financial system, in accordance with the Financial Reporting Standards (“Mexican FRS” or “FRS”), including changes in the financial statements and in the main indicators. As a result, financial information published in 2022 was not comparable with the information for 2021, nor with that published in previous years.

b) Statement of compliance -

The Group’s financial statements have been prepared in accordance with the accounting criteria for Financial Group Holding Companies (hereinafter, the “Accounting Criteria”) established by the Commission. The Commission is responsible for inspecting and supervising financial groups and reviewing their financial information.

The Accounting Criteria states that the Commission shall issue specific rules for specialized transactions and indicates that without specific accounting criterion of the Commission for credit institutions and, in a broader context, if there are no criteria in the Mexican Financial Reporting Standards (*Normas de Información Financiera*) (“FRS”) issued by the Mexican Board for Research and Development of Financial Reporting Standards (Consejo Mexicano de Normas de Información Financiera, A.C.) (for its acronym in Spanish, “CINIF”), the supplementary process, provided for in Mexican FRS A-8, will be observed, and only in the event that the International Financial Reporting Standards (IFRS) referred to in Mexican FRS A-8, do not provide a solution to accounting recognition, a supplementary rule that belongs to any other regulatory scheme may be chosen, provided that it meets all the requirements indicated in said Mexican FRS. Supplementariety must be applied in the following order: generally accepted accounting principles in the United States of America (“US GAAP”) and any accounting standard that is part of a formal and recognized set of standards, as long as it meets the requirements of criterion A-4 of the Commission.

c) Use of judgment and estimates -

The preparation of the financial statements requires Management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the period.

Judgments

Information regarding judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is described in the notes to the financial statements mentioned below:

— Note 7 – Investments in financial instruments: Securities market values without an observable market.

— Note 9 – Valuation of derivative financial instruments: Key assumptions to determine market value, especially those complex derivatives or without an active market.

— Notes 12 and 15 – Determination of allowance for loan losses and recoverability of accounts receivable: Assumptions and inputs used in its determination.

— Note 17 – Valuation of property, plant and equipment: Impairment tests of fixed assets values, including the key assumptions for determining the recoverable amount of those assets.

— Note 24 – Technical reserves: Key actuarial assumptions for estimating the expected value of future obligations, derived from payments of claims, benefits, guaranteed values, dividends, acquisition and administration expenses, as well as any other future obligation derived from insurance contracts, plus a risk margin.

— Note 25 – Measurement of obligations for defined benefits: Key actuarial assumptions.

— Note 28 – Recognition of deferred tax assets: Availability of future taxable income, and the realization of deferred tax assets.

Assumptions and estimation uncertainties

Information on estimation assumptions and uncertainties that have a significant risk of resulting in a material adjustment to the amounts in the asset and liability books in the following year are included in the following notes to the financial statements:

— Note 7 – Investments in financial instruments: Securities market values without an observable market.
— Note 9 – Valuation of derivative financial instruments: Key assumptions to determine market value, especially those complex derivatives or without an active market.
— Notes 12 and 15 – Determination of allowance for loan losses and recoverability of accounts receivable: assumptions and inputs used in its determination.
— Note 17 – Valuation of property, plant and equipment: Impairment tests of fixed assets values, including the Key assumptions for determining the recoverable amount of those assets.
— Note 24 – Technical reserves, key actuarial assumptions for the estimation of the expected value of future obligations, derived from payments of claims, benefits, guaranteed values, dividends, acquisition and administration expenses, as well as any other future obligation derived from insurance contracts, plus a margin of risk.
— Note 25 – Measurement of obligations for defined benefits: Key actuarial assumptions.
— Note 28 – Recognition of deferred tax assets: Availability of future taxable income, and the realization of deferred taxes assets.

d) Functional and reporting currency -

The financial statements are presented in the Group's reporting currency, Mexican pesos, which is the same as its recording and functional currency.

For disclosure purposes in the notes to the financial statements, any reference to "pesos" or "$" means millions of Mexican pesos, and references to "dollars" or "USD" means millions of US Dollars.

e) Financial assets and financial liabilities acknowledgment on trade date -

Assets and liabilities related to the purchase and sale of foreign currencies, investment securities, repurchase/resale agreements, securities lending and derivative financial instruments are acknowledged in the financial statements on the trade date, regardless of the settlement date.

f) Comprehensive income -

This item it is composed by the net result of the year plus other items that represent a gain or loss in the same year, which, according to the accounting practices followed by the Group, are presented directly in the stockholders' equity, such as gain or loss from valuation of financial instruments receivable or for sale, the gain or loss from valuation of derivative financial instruments for cash flow hedges, cumulative translation adjustment, and remeasurements for employee's defined benefits plans.

(3) Significant accounting policies-

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been consistently applied by the Group.

(a) Recognition of effects of inflation-

The Group's financial statements were prepared in accordance with the Accounting Criteria, which include the recognition of the effects of inflation on financial information through December 31, 2007, as the Group operates in a non-inflationary environment as from 2008 (cumulative inflation over the last three years less than 26%), using for such purpose the investment unit (Spanish acronym UDI), a unit used to measure inflation and whose value is established by the Central Bank.

Inflation percentages measured through the value of the UDI for years ended December 31, 2023 and 2022 were 4.38% and 7.58%, respectively; therefore, annual accrued inflation of the last three years before December 31, 2023 and 2022 was 20.83% and 19.50%, respectively, the reason why the economic environment for the last year qualifies as non-inflationary. As mentioned above, the cumulative effects of inflation until December 31, 2007 are recorded in the consolidated statement of financial position as of December 31, 2023 and 2022.

(b) Principles of consolidation-

The accompanying financial statements include the Group's financial statements, and those of its subsidiaries which it controls and the consolidated trusts arising from securitization transactions. All significant inter-company balances and transactions have been eliminated.

The subsidiaries' financial statements have been prepared according to the accounting criteria established by the Commission, except for the insurance Institutions financial statements, which are prepared under the accounting criteria for insurance and bonding companies in Mexico, issued by the CNSF.

The subsidiaries consolidated with the Group as of December 31, 2023 and 2022 are detailed as follows:

Company	Share	Activity
-BBVA México, S. A., Institución de Banca Múltiple and Subsidiaries (the "Banco" or "the Institution")	99.99%	Multiple banking activities
-Casa de Bolsa BBVA México, S. A. de C. V. (the "Broker-Dealer")	99.99%	Brokerage services
-BBVA Operadora México, S. A. de C. V. and Subsidiaries"	99.99%	Personnel services provider
-BBVA Servicios Administrativos México, S. A. de C. V. and Subsidiary	99.99%	Personnel services provider
-BBVA Asset Management México, S. A. de C. V., Sociedad Operadora de Fondos de Inversión (the "Fund Manager")	99.99%	Investment fund manager
-BBVA Seguros México, S. A. de C. V. and Subsidiaries ("BBVA Seguros México")	99.99%	Insurance company
-BBVA Pensiones México, S. A. de C. V. and Subsidiaries ("BBVA Pensiones México")	99.99%	Insurance company specializing in pensions
-BBVA Seguros Salud México, S. A. de C. V. ("Seguros Salud")	99.99%	Insurance company specializing in health care

(c) Offsetting financial assets and liabilities-

Financial assets and liabilities are subject to offsetting so that the consolidated statement of financial position shows the debit or credit balance, as applicable, if and only if, there is a contractual right to offset the recognized amounts and the intention to settle the net amount, or to realize the asset and write-off the liability simultaneously.

(d) New FRSs, Interpretations and Improvements to FRSs effective as of January 1, 2023-

New FRSs

The Group has not early adopted any standard, interpretation or improvement that has already been published but is not yet effective, even if such standard, improvement or interpretation allows early application.

Below is a description of the most relevant aspects of the pronouncements that became effective as of January 1, 2023, as well as their corresponding impact:

Financial Reporting Standard (FRS) A-1 "Conceptual Framework for Financial Reporting Standards" (effective for periods beginning on or after January 1, 2023)

FRS A-1 "Conceptual Framework for Financial Reporting Standards" was issued by the CINIF in November 2021 and its objective is to define and establish the Conceptual Framework (CF) that gives rational support to the particular FRSs and to the solution of the problems that arise in the accounting recognition of transactions and other events that economically affect an entity.

The new FRS A-1 replaced the eight individual standards that comprised the FRS A Series of the previous CF, in order to preserve the maximum possible convergence with International Financial Reporting Standards (IFRS), where, unlike Mexican FRS, the CF is not normative. In addition, the CF was updated to be consistent with the particular standards issued in recent years.

To make the new FRS A-1 more practical and functional, the new FRS A-1 is comprised of ten chapters. Among the main changes, in relation to the previous CF, adjustments were made to the definitions of assets and liabilities, restructuring of the hierarchy and description of the qualitative characteristics of the financial statements, changes in valuation concepts, incorporation of requirements related to the effective communication of the financial statements, and addition of offsetting criteria and grouping of items in presentation and disclosure standards, incorporation of the CINIF Technical Reports as an integral part of the FRS, among others.

The new FRS A-1 became effective for years beginning on or after January 1, 2023, and its early application is permitted.

The adoption of the new FRS A-1 had no effect on the Group's financial statements.

Financial Reporting Standard (FRS) B-14 "Earnings per share" (effective for fiscal years beginning on or after January 1, 2023)

This new FRS replaces Bulletin B-14 "Earnings per share," making clarifications that facilitate the determination of Earnings per share (EPS). The structure of the standard was modified to distinguish the rules applicable to attributable earnings and shares to be considered for the weighted average calculation of basic and diluted EPS. Changes due to changes in the EPS in prior periods produced by the initial application should be recognized prospectively.

The new FRS B-14 became effective for years beginning on or after January 1, 2023, allowing early application.

The adoption of the new FRS B-14 had no effect on the Group's financial statements.

Interpretation to Financial Reporting Standards (IFRS) 25 "International Tax Reforms - Pillar 2 Rules".

Due to convergence with international standards, this IFRS 25 was issued with the purpose of establishing guidelines for the recognition of income taxes derived from the application of the Pillar 2 Rules, which should be considered in conjunction with the requirements established in Mexican FRS D-4 "income taxes", indicating that an entity should not recognize or disclose information about deferred tax assets and liabilities related to complementary taxes derived from the Pillar 2 Rules, until the CINIF issues a new pronouncement to the contrary.

The IFRS 25 is effective for years beginning on or after January 1, 2023.

The adoption of IFRS 25 had no effect on the Group's financial statements.

Improvements to FRS 2023

In November 2022, the CINIF issued the document called "Improvements to FRS 2023", which contains specific amendments to some existing FRS. The main improvements that generate accounting changes are the following:

Mexican FRS B-11 "Disposal of long-lived assets and discontinued operations." It clarifies which is the recognition that would be generated by the difference that may exist between the amount payable to owners and the value of such long-lived assets, which should be affected to retained earnings, in the case of distributions of earnings to shareholders. This improvement is effective for fiscal years beginning on or after January 1, 2023, allowing its early application for fiscal year 2022.

Accounting changes that arise should be recognized prospectively as established in FRS B-1 Accounting Changes and Error Corrections.

Mexican FRS B-15 "Translation of foreign currencies." Derived from the incorporation of the practical solution for the preparation of complete financial statements for legal and tax purposes when the recording and reporting currency is the same, even when both are different from the functional currency, without performing the translation to the functional currency, indicating the entities that may opt for this solution. This improvement considers it convenient to make some clarifications to ensure a clear understanding and application of the practical expedient and is effective for fiscal years beginning on or after January 1, 2023, with early application permitted for fiscal year 2022. The accounting changes that arise should be recognized prospectively as established in FRS B-1 Accounting Changes and Error Corrections.

The main improvements to FRS that do not generate accounting changes are as follows:

Mexican FRS B-10 "Effects of Inflation." This improvement considers eliminating the reference to the annual average of 8% to consider that the economic environment is inflationary, when in fact what should be taken into account is whether the cumulative inflation of the three previous fiscal years is equal to or greater than 26%, in order not to generate confusion for its determination.

The Group's Management believes that the effects of adopting the improvements to FRS will not be material to the financial statements.

(d.1) Adoption of the effective interest rate (EIR) method of amortization of deferred items in the loan portfolio

Through publication in the Official Gazette dated September 23, 2021, the Commission disclosed the option so that during the year 2022, in the determination of the amortized cost referred to in criterion B-6 “Loan Portfolio”, the institutions could continue to recognize the interest accrued on the loan portfolio using the contractual interest rate, as well as the straight-line method for the recognition of fees charged and transaction costs, and must disclose such circumstance in the quarterly and annual financial statements for the year 2022. Management opted for such facility and notified the Commission in writing on December 1, 2021.

Beginning January 1, 2023, the subsequent recognition of the amortized cost of loan agreement, transaction costs, commissions, other items collected in advance, as well as items resulting from renegotiation transactions are amortized through the application of the EIR.

In compliance with the provisions of the Regulations, we detail as part of our disclosures in the notes to the financial statements the following:

a. The adoption mechanics were executed based on the Accounting Standards Implementation Process, through the creation of projects and complying with the following phases in the fiscal years, from the publication of the first drafts of the criteria:

- Regulatory Analysis. - Delimitation of impacts and scope;

- GAP analysis. - Analysis and confirmation of impacts with intervening areas;

- Master Plan. - Concentration of conceptual impacts, actions and responsible for implementation of all affected areas. As well as the involvement of top management;

- Execution of lines of action. - Design and solution, implementation and follow-up.

This project included the definitions of accounting policies, the processes for implementation, evaluation of impacts on both the consolidated financial statements and operations (admission, changes in systems, management metrics, etc.) and, finally, on the process of preparing the financial statements.

b. The main changes adopted for the determination and recognition of the application of amortized cost with effective interest rate are described below:

- At initial recognition, the transaction price must be quantified, which corresponds to the net amount financed (hereinafter “NAF”), resulting from adding or subtracting to the original amount of the loan, the insurance financed (if any), transaction costs, commissions, interest and other items collected in advance. This transaction price is the fair value of the loan portfolio at initial recognition and is the basis for applying the effective interest method required in the calculation of the amortized cost in its subsequent recognition.

- Transaction costs include, among others, fees and commissions paid to agents, advisors and intermediaries, appraisals, investigation expenses, as well as the debtor's credit evaluation, evaluation and recognition of collateral, negotiations for credit terms, preparation and processing of credit documentation and closing or cancellation of the transaction, including the proportion of employee compensation directly related to the time invested in the development of these activities.

- Transaction costs, as well as items collected in advance, are recognized as a deferred charge or loan, as appropriate, and are amortized against income over the life of the loan in the Statement of Comprehensive Income in the financial margin, in accordance with the EIR. Prior to the application of this criterion, deferred items were amortized on a straight-line basis.

- With respect to commissions charged and transaction costs related to the granting of credit cards, they should be recognized directly in income in the Statement of Comprehensive Income within the financial margin, at the time the loan is made.

- The EIR is the rate that exactly discounts the estimated future cash flows to be collected over the expected life of a loan in determining its amortized cost. Its calculation considers the contractual cash flows and relative transaction costs.

- To determine the EIR, the following steps are followed:

  1. Determine the amount of estimated future cash flows to be received. - By adding the principal and interest to be received according to the payment schedule of the loan, during the contractual term;

  2. Determine the effective interest. - By deducting the NAF from the estimated future cash flows to be received, determined in accordance with the preceding paragraph;

  3. Determine the effective interest rate. - It represents the relationship between the effective interest and the NAF.

- When a loan is restructured in stages 1 and 2, or partially liquidated through a renewal, the gain or loss on renegotiation should be determined as follows:

  1. Determine the carrying value of the loan without considering the allowance for loan losses;

  2. Determine the new future cash flows on the restructured or partially renewed amount, discounted to the original EIR; and 3.

  3. Recognize the difference between the carrying value and the determined future cash flows discounted at the original EIR as a deferred charge or credit against the gain or loss on renegotiation of loan portfolio in the statement of comprehensive income.

- The determination of the gain or loss on renegotiation is not applicable to credit cards or loans with credit risk stage 3.

c. Implementation method

Considering that the deferred items for origination fees on contracts with customers represent 0.19% of the total stage 1 and 2 loan portfolio as of January 1, 2023, we consider that their effect on the financial position of the Institution as a whole is immaterial. It should be noted that Management made reasonable and justifiable efforts as established in the conceptual framework of the FRSs and since the adoption of the criterion represents substantial changes in the Group's application systems and with a high degree of complexity for the identification of historical information and its extraction from storage sources, the implementation was carried out under the prospective method.

(d.2) Regulatory changes in the adoption of FRSs (2022)

Published in the Official Gazette on December 4, 2020 and December 21, 2021, the National Surveillance Commissions announced the obligation, effective January 1, 2022, to adopt the following Mexican FRS issued by the CINIF:

- B-17 "Fair value measurement"
- C-2 "Investment in financial instruments"
- C-3 "Accounts receivable"
- C-9 "Provisions, contingencies and commitments"
- C-10 "Derivative financial instruments and hedging relationships"
- C-14 "Derecognition and transfer of financial assets"
- C-16 "Impairment of financial instruments receivable"
- C-19 "Financial instruments payable"
- C-20 "Financial instruments to collect principal and interest"
- D-1 "Revenue from contracts with clients"
- D-2 "Costs from contracts with clients"
- D-5 "Leases."

Also, we identified that as a result of the adoption of some Mexican FRS, the following accounting criteria have been repealed:

- B-2 "Investment in securities"
- B-5 "Derivatives"
- B-11 "Collection rights"
- The Accounting Criteria to specific criteria of the C series, to adopt the relevant Mexican FRS:
  - C-1 "Recognition and derecognition of financial assets"
  - C-3 "Related parties"
  - C-4 "Information by segment."

It is worth mentioning that on September 23, 2021, the Resolution that amend the Regulations was issued in the DOF, published on March 13, 2020, to continue using, during 2022, the contractual interest rate for the accrual of interest on the loan portfolio, as well as the application of the straight-line method for the recognition of origination fees and the accrual of transaction costs, as provided by accounting criteria B-6 "Loan portfolio" in force until December 31, 2021, with such circumstance required to be disclosed in the 2022 quarterly and annual financial statements.

Also, it must apply the "Clarifications to Specific Rules," included in Schedule 33 of the Regulations which the Regulator considers necessary given the specialized transactions of the financial sector. Identifying, as the most relevant, that the loan portfolio should not be included in the scope of Mexican FRS C-20 "Financial instruments to collect principal and interest" to the loan portfolio and must follow the guidelines and modifications of the new criterion B-6 "Loan portfolio," clarifications to Mexican FRS C-16 in the scope and determination of the allowance for loan losses, and clarifications to Mexican FRS D-5 "Leases," among other clarifications.

In compliance with the provisions of the Regulations and as part of our disclosures in the notes to the financial statements, we have provided detail on:

i. The adoption mechanics were executed based on the Accounting Standards Implementation Process, through the creation of projects and complying with the following phases in the fiscal years, from the publication of the first drafts of the criteria:

   - Regulatory Analysis. - Delimitation of impacts and scope.

   - GAP analysis. - Analysis and confirmation of impacts with intervening areas.

   - Master Plan. - Concentration of conceptual impacts, actions and responsible persons for implementing all affected areas and the involvement of senior management.

   - Execution of lines of action - Design and solution, implementation and follow-up.

This project has established the definitions of accounting policies and processes for the implementation of standards that have implications both in the consolidated financial statements and in operations (risk admission and monitoring, changes in systems, management metrics, etc.) and, finally, in the process of preparing the financial statements.

In accordance with the transitory articles mentioned in the Regulations, and as a practical solution, the Holding Companies in the application of the accounting criteria that are modified may recognize on the date of initial application, that is, on January 1, 2022, the cumulative effect of the accounting changes. Also, the basic (consolidated) quarterly and annual financial statements required from Holding Companies under the Regulations relating to the period ended December 31, 2022, should not be presented with comparisons with each quarter of the year 2021 and for the year ended December 31, 2021.

Grupo Financiero BBVA México, S. A. de C. V. and Subsidiaries

The Group adopted this practical solution set forth in the Regulations; therefore, our financial information of past years is not comparable. As a result of the implementation of such criteria effective January 1, 2022, the Group’s initial consolidated statement of financial position is shown below, as follows:

Grupo Financiero BBVA México, S. A. de C. V. and Subsidiaries

Statement of financial position

ASSETS	12/31/2021	ASSETS	IMPACT	01/01/2022	EFFECT
Cash in hand	**$ 301,537**	**Cash and cash equivalents**		**$ 301,537**	
Margin accounts (derivatives)	**8,216**	**Margin accounts (derivative financial instruments)**		**8,216**	
Investment in securities	**849,765**	**Investments in financial instruments**		**849,744**	
Trading securities	403,705	Negotiable financial instruments		403,705	Implementation of Business Models, ALL of the FICPI instruments
Available-for-sale	248,822	Financial instruments to collect or sell		248,822	
Held to maturity	197,238	FIPCI (securities) (net)	**$ (21)**	197,217	
Repurchase agreement receivables	**8,214**	**Repurchase agreement receivables**		**8,214**	
Securities lending	**-**	**Securities lending**		**-**	
Derivatives	**146,702**	**Derivative financial instruments**	**(312)**	**146,390**	Recognition of counterparty risk adjustment (CVA) for OTC derivative positions
Valuation adjustments for the hedging of financial assets	**475**	**Valuation adjustments for the hedging of financial assets**		**475**	
Performing loan portfolio	1,291,449	Loan portfolio with stage 1 credit risk	**(42,139)**	1,249,310	Implementation of Amortized Cost and Portfolio at fair value business models, Classification of Portfolio by stages of credit risk level, Credit Cards portfolio in stage 3 at 90 days past due
		Loan portfolio with stage 2 credit risk	**30,921**	30,921	
Non-performing loan portfolio	22,699	Loan portfolio with stage 3 credit risk	**6,188**	28,887	
		Loan portfolio valued at fair value	**5,091**	5,091	
Loan portfolio	**1,314,148**	**Loan portfolio**	**57**	**1,314,205**	
Allowance for loan losses	**(34,941)**	**Allowance for loan losses**	**(8,047)**	**(42,988)**	Increase in ALL due to New Rating Models
		Loan portfolio with stage 1 credit risk	**11,832**	**11,832**	
		Loan portfolio with stage 2 credit risk	**(4,266)**	**(4,266)**	
		Loan portfolio with stage 3 credit risk	**(15,613)**	**(15,613)**	
Loan portfolio (net)	**1,279,207**	**Loan portfolio (net)**	**(7,990)**	**1,271,217**	
Other accounts receivable	**65,798**	**Other accounts receivable (net)**	**(35)**	**65,763**	Increase in ALL for other accounts receivable (receivable from employees)
		Allowance for expected loan losses	(35)	(35)	
Foreclosed assets	**989**	**Foreclosed assets (net)**	**334**	**1,323**	Initial recognition of foreclosed assets, considering the lower of the net realizable value and the gross credit value.
Premium receivable, Net	**9,669**	**Premium receivable, Net**		**9,669**	
Accounts receivable from reinsurers	**1,203**	**Accounts receivable from reinsurers**		**1,203**	
Other assets	**2,845**	**Advanced payments and other assets (net)**	**(345)**	**2,500**	Reclassification of origination costs of financial liabilities
Property, plant and equipment	**36,021**	**Property, plant and equipment (net)**		**36,021**	
		DU assets property, plant and equipment (net)	**4,227**	**4,227**	Right-of-use assets from long-term leases of branch offices
Permanent investments	**1,289**	**Permanent investments**		**1,289**	
Deferred income tax and employee profit sharing (net)	**26,840**	**Deferred income tax and employee profit sharing (net)**	**2,316**	**29,156**	Deferred tax on initial effects
Intangible assets	**13,599**	**Intangible assets**		**13,599**	
TOTAL, ASSETS	**$ 2,752,369**	**TOTAL, ASSETS**	**$ (1,826)**	**$ 2,750,543**	

BBVA
Creating Opportunities

Grupo Financiero BBVA México, S. A. de C. V. and Subsidiaries

LIABILITIES AND EQUITY	12/31/2021	LIABILITIES AND EQUITY	NET IMPACT	01/01/2022	EFFECT
Traditional deposits	**$ 1,555,032**	**Traditional deposits**	**$ (6)**	**$ 1,555,026**	
Demand deposits	1,241,780	Demand deposits		1,241,780	
Time deposits	219,865	Time deposits		219,865	
Negotiable instruments issued	87,984	Negotiable instruments issued	(6)	87,978	
Global deposit account without transactions	5,403	Global deposit account without transactions		5,403	
Bank and other borrowings	**39,433**	**Bank and other borrowings**		**39,433**	
Technical reserves	**272,880**	**Technical reserves**		**272,880**	
Reinsurance accounts payable	**1,082**	**Reinsurance accounts payable**		**1,082**	
Repurchase/resale agreements payable	**164,918**	**Repurchase/resale agreements payable**		**164,918**	
Securities lending	**2**	**Securities lending**		**2**	
Collateral sold or pledged	**52,742**	**Collateral sold or pledged**		**52,742**	
Derivatives	**158,581**	**Derivative financial instruments**	**(1,025)**	**157,556**	Recognition of the debit valuation adjustment (DVA) for OTC derivative positions
Valuation adjustments for financial liabilities hedging	**2,947**	**Valuation adjustments for financial liabilities hedging**		**2,947**	
	-	**Liabilities on leases**	**4,227**	**4,227**	Liabilities discounted and recognized at present value for long-term branch leases
Other accounts payable	**106,015**	**Other accounts payable**		**106,015**	
Provisions for sundry obligations	11,767	Provisions for sundry obligations		11,767	
Other sundry creditors	94,248	Other sundry creditors		94,248	
Subordinated debt	**72,056**	Subordinated debt	**(292)**	**71,764**	Reclassification of origination costs and revenues of financial liabilities measured at amortized cost
Deferred credits and prepayments	**7,914**	**Deferred credits and prepayments**	**(47)**	**7,867**	
TOTAL, LIABILITIES	**2,433,602**	**TOTAL, LIABILITIES**	**2,857**	**2,436,459**	
STOCKHOLDERS' EQUITY	**318,767**	**STOCKHOLDERS' EQUITY**	**(4,683)**	**314,084**	
Contributed capital	**89,132**	**Contributed capital**		**89,132**	
Earned capital:	**229,583**	**Earned capital:**	**(4,683)**	**224,900**	
Equity reserves	**204**	**Equity reserves**		**204**	
Results of previous years	**229,379**	**Cumulative results:**	**(4,710)**	**224,669**	Net effect of deferred taxes and profit sharing due to the implementation of the new accounting criteria and its breakdown is shown in the following table.
Net income	**65,502**	**Net income**		**65,502**	
		Effect new criteria:	**(4,710)**	**(4,710)**	
		Other comprehensive income	**27**	**27**	
Noncontrolling interest	**52**	**Noncontrolling interest**	**-**	**52**	
TOTAL, LIABILITIES AND EQUITY	**$ 2,752,369**	**TOTAL, LIABILITIES AND EQUITY**	**$ (1,826)**	**$ 2,750,543**	

The effect of the implementation, net of deferred taxes (IT and EPS) was a decrease of ($4,710) applied to “Cumulative Earnings,” within stockholders’ equity, as follows:

Item	Cumulative Earnings	Deferred	Net effect
ALL loan portfolio	$ (8,047)	2,635	(5,412)
ALL FICPI investments	(52)	16	(36)
ALL other accounts receivable	(35)	12	(23)
Valuation of loans at fair value	(35)	12	(23)
CRA	47	(16)	31
CVA	(359)	122	(237)
DVA	1,025	(350)	675
Portfolio interest Delinquent 2 Credit Cards	96	-	96
Foreclosed assets	334	(115)	219
Total	**$ (7,026)**	**2,316**	**(4,710)**

ii. Below is a brief description of the Mexican FRS effective on January 1, 2022, which are incorporated into the accounting criteria of the previous amending resolutions, together with the application of the Clarification to Specific Rules of the Accounting Criteria of the regulators and the Accounting Bulletins of specific rules.

Mexican FRS B-17 “Fair value measurement.” - In determining the fair value, this FRS provides for 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 specific FRSs. It defines fair value as the exit price that would be received for selling an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date. It is mentioned that fair value is a determination based on the market and not on a specific value of an asset or a liability and that when determining fair value, the entity must use assumptions that market participants would use when setting the price of an asset or a liability under current market conditions at a given date, including assumptions about the risk.

As a result, the Group’s intention to hold an asset or liquidate, or otherwise satisfy a liability, is not relevant in the determination of fair value.

The Commission issues clarifications that adjust the specific standards of recognition, valuation, reporting and, where appropriate, disclosure of this Mexican FRS that are mandatory to the Group and are as follows:

In determining fair value, the following must be considered:

a) With respect to the financial instruments referred to in sections I to III of Article 175 Bis 2 of the Banking Regulations, the provisions of this Mexican FRS shall not apply, and the provisions of Parts A and B of Chapter I, Section Two, Title Three, of the Banking Regulations.

b) With respect to financial instruments other than those indicated in the preceding paragraph, as well as virtual assets, in addition to the provisions of Part C of Chapter I, Section Two, Title Three, of the Banking Regulations, the provisions of Mexican FRS B-17 must be considered.

Updated prices for valuation determined using internal valuation models cannot be classified as Level 1.

Additionally, the following disclosures are required:

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

ii. When the volume or level of activity has decreased significantly, the adjustments that have been applied to the valuation adjusted price must be explained.

c) With respect to assets or liabilities other than those indicated in the previous sections, Mexican FRS B-17 must be applied when other specific Mexican FRS requires or allows fair value valuations and/or disclosures thereon.

d) Considers the recognition of the Credit Valuation Adjustment (CVA) and the Debit Valuation Adjustment (DVA) in "Over the Counter" (OTC) derivative financial instruments.

Management acknowledged the initial effect of the entry into force of this standard and the Commission's clarifications in the special rules; therefore, the Group has identified its financial instruments recorded at fair value in the consolidated statement of financial position and has documented as part of its internal policies the valuation methods, assumptions and inputs used in estimating the fair value of financial instruments according to the fair value hierarchy Levels 2 and 3, in accordance with the accounting criteria. The Group has also incorporated as part of its procedures the periodic review to identify if it is necessary to make any changes in the classification between levels.

On the other hand, the Group has incorporated in the valuations of OTC derivatives, both assets and liabilities, the CVA and DVA, respectively, to reflect the impact on the fair value of the counterparty's and the Group's own credit risk, respectively. The initial effect recognized against cumulative earnings within stockholders' equity is as follows:

– Credit for the reversal of credit risk adjustments (CRA) against the heading of the valuation of derivative financial instruments for $47.

– Charge for the initial effect of CVA against a credit in assets for derivative financial instruments for OTC trading purposes for $359.

– Credit for the initial effect of the DVA against a charge in liabilities for derivative financial instruments for OTC trading purposes for $1,025.

Mexican FRS C-2 "Investment in financial instruments" –Accounting Criteria B-2 "Investments in securities" issued by the Commission is repealed and it is provided that the Mexican FRS C-2 must be applied, in connection with the application of the rules related to the registration, valuation and presentation in the financial statements of its investments in financial instruments as follows:

– Eliminates the concept of intention for the classification of instruments.

– The business model concept is adopted for the classification and measurement of financial instruments as follows:

  - Financial Instruments to Collect Principal and Interest (FICPI).
  - Financial Instruments to Collect or Sell (FICS).
  - Negotiable financial instruments (NFI).

- The reclassification of investments in financial instruments between the categories of financial instruments receivable, financial instruments to collect or sell and negotiable financial instruments is not allowed, unless the entity's business model changes.

- Adopts the principle that all financial instruments are valued on initial recognition at fair value. Therefore, if there is an acquisition of a financial instrument at a price other than observable market prices, said value must be adjusted to observable market prices immediately.

The Commission issues clarifications that adjust the specific standards of recognition, valuation, reporting and, where appropriate, disclosure of this Mexican FRS that are mandatory to the Group and are as follows:

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

- Expected loan losses due to impairment of investments in financial instruments to collect or sell must be determined in accordance with the provisions of Mexican FRS C-16.

- Reclassifications:

Entities that carry out reclassifications of their investments in financial instruments under the Mexican FRS C-2 must report it in writing to the Commission within 10 business days following the authorization issued for such purposes by their Risk Committee, stating in detail the change in the business model that justifies them.

Management acknowledged the initial effect of the entry into force of this standard through the adoption of business models for the classification and measurement of investments in financial instruments that are detailed below:

- Negotiable financial instruments (NFI).

- Financial Instruments to Collect or Sell (FICS).

- Financial Instruments to Collect Principal and Interest (FICPI).

Mexican FRS C-3 "Accounts receivable" – This FRS will only be applicable to the "other accounts receivable" referred to in paragraph 20.1 of said FRS. The main characteristics issued for this Mexican FRS are shown below:

- Specifies that accounts receivable that are based on a contract represent a financial instrument, while some of the other accounts receivable generated by a legal or fiscal provision may have certain characteristics of a financial instrument, such as generating interest, but they are not financial instruments in themselves.

- It states that the allowance for collectability for trade accounts receivable is recognized from the moment in which the income accrues, based on the expected credit losses.

- It states that, since the initial recognition, the value of money over time should be considered, so if the effect of the present value of the account receivable is important in consideration of its term, it should be adjusted based on said present value. The effect of the present value is material when the collection of the account receivable is agreed, totally or partially, for a term greater than one year, since in these cases there is a financing transaction. The accounting changes that arise must be recognized retrospectively; however, the valuation effects can be recognized prospectively.

The Commission issues clarifications that adjust the specific standards of recognition, valuation, reporting and, where appropriate, disclosure of this Mexican FRS that are mandatory to the Group.

Management acknowledged the initial effect of the entry into force of this standard, which is considered immaterial for purposes of the financial statements as a whole. The Group has also documented as part of its accounting policies the scope of the types of accounts receivable with a term of less than one year and for the purposes of recognizing the expected loan loss it adopts the practical application provided for by FRS C-16 "Impairment of financial instruments receivable" and specified in criterion A-2 "Application of specific standards"; therefore, the various debtors that are not recovered within 60 or 90 days after their initial registration, depending on whether the debtors are not identified or are identified, are 100% reserved.

Mexican FRS C-9 "Provisions, contingencies and commitments" – It cancels Bulletin C-9 "Liabilities, provisions, contingent assets and liabilities and commitments," its scope is reduced by relocating the topic related to the accounting treatment of financial liabilities in the Mexican FRS C-19 "Financial instruments payable" and the definition of liability is modified by eliminating the qualifier "virtually unavoidable" and including the term "probable."

The Commission issues clarifications that adjust the specific standards of recognition, valuation, reporting and, where appropriate, disclosure of this Mexican FRS that are mandatory to the Group and are as follows:

- The provisions of Mexican FRS C-9 "Provisions, contingencies and commitments" will not be applicable in determining the guarantees (avales) granted, in which case the provisions of B-8 "Guarantees" will apply.

- Letter of Credit.

- Letters of credit issued by the entity upon receipt of its amount are subject to Mexican FRS C-9.

- The liability arising from the issuance of the letters of credit referred to in the preceding paragraph will be presented in the statement of financial position, under other accounts payable.

Management acknowledged the initial effect of the entry into force of this standard, which is considered immaterial for purposes of the financial statements as a whole.

Mexican FRS C-10 "Derivative financial instruments and hedging relationships" – Its objective is to provide for the valuation, presentation and disclosure standards for the initial and subsequent recognition of derivative financial instruments (DFI) and hedging relationships in the Group's financial statements.

Clarifications that adjust the specific standards of recognition, valuation, reporting and, where appropriate, disclosure of this Mexican FRS that are mandatory to the Group are as follows:

– In addition to the terms included in Mexican FRS C-10 "Derivative financial instruments and hedging relationships" and defined in the glossary contained in Mexican FRS, the term spot price is defined, and it is specifically mentioned that with respect to foreign currency, the spot price will be the closing exchange rate.

– The term "credit derivative financial instruments" is defined, stating that they are two types: a) Credit Default Derivative Financial Instruments and b) Total Return Derivative Financial Instruments.

– Fair value hedge for interest rate risk of a portion of a portfolio made up of financial assets or financial liabilities

– To be recognized in the books, the gain or loss in the hedging of the hedged risk, it can be fulfilled by presenting the adjustment to the carrying value of the item hedged by the gain or loss recognized in the results of the period.

Management acknowledged the initial effect of the entry into force of this standard, which is considered immaterial for purposes of the financial statements as a whole. Also, the Group has documented in its internal policy manuals the alignment of hedging as part of the Comprehensive Risk Management strategy and the relevant approvals have been obtained.

Mexican FRS C-13 "Related parties" – Clarifications adjusting the specific rules of recognition, valuation, reporting and, where appropriate, disclosure of this Mexican FRS that are mandatory to the Group are as follows:

For purposes of complying with the disclosure standards contained in Mexican FRS C-13, entities must additionally consider, as related parties:

a) the members of the board of directors of the holding company or financial entities and companies that are members of the Group to which, if applicable, it belongs;

b) persons other than key management personnel or relevant executives or employees who, with their signature, may bind the entity;

c) legal entities in which key management personnel or relevant executives of the entity are directors or administrators or hold any of the first three hierarchical levels in said legal entities, and

d) legal entities in which any of the persons indicated in the preceding paragraphs, as well as in Mexican FRS C-13, have power of command, this being understood as the de facto capacity to decisively influence the resolutions adopted at shareholders' meetings or meetings of the board of directors or by the management, conduct and execute the business of the entity in question or of the legal entities it controls.

In addition to the disclosures required by Mexican FRS C-13, entities must disclose, in aggregate form, through notes to the financial statements, information of any transactions between related parties, including:

a) A generic description of the transactions, such as:

   - loans made or received,
   - transactions with financial instruments where the issuer and holder are related parties,
   - repurchases or resales,
   - securities lending,
   - derivative financial instruments,
   - hedging transactions,
   - sale and acquisition of loan portfolio, and
   - those carried out through any person, trust, entity or other, when the counterparty and source of payment of said transactions depend on a related party;

b) any other information necessary to fully understand the transaction, and

c) the full amount of employee benefits provided to key management personnel or relevant executives of the entity.

Disclosure is only required for transactions with related parties that represent more than 1% of the net capital of the month prior to the date of preparation of the relevant financial information. The net capital will be determined in accordance with the capital requirements in the Banking Regulations.

Management acknowledged the initial effect of the entry into force of this standard, which is considered immaterial for purposes of the financial statements as a whole.

Mexican FRS C-14 “Derecognition and transfer of financial assets” – The main change in this standard related to the principle of transfer of risks and benefits of ownership of the financial asset, as a fundamental condition for derecognizing it. This means that when commercial, industrial and service entities discount accounts or documents receivable with recourse, they may not present the amount of the discount as a credit to the accounts and documents receivable, but rather as a liability. Similarly, financial entities may not derecognize the financial asset with a mere transfer of control over the asset.

The Commission issues clarifications that adjust the specific standards of recognition, valuation, reporting and, where appropriate, disclosure of this Mexican FRS that are mandatory to the Group.

Management acknowledged the initial effect of the entry into force of this standard, which is considered immaterial for purposes of the financial statements as a whole.

Mexican FRS C-16 “Impairment of financial instruments receivable” – It states that, to determine the recognition of the expected loss, 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 future cash flows to be recovered from financial instruments receivable (IFC) must be considered.

It also indicates that the expected loss should be recognized when, as the credit risk has increased, it is concluded that part of the financial instruments receivable’s future cash flows will not be recovered.

The Commission issues clarifications that adjust the specific standards of recognition, valuation, reporting and, where appropriate, disclosure of this Mexican FRS that are mandatory to the Group:

Expected loan losses due to the impairment of investments in financial instruments as indicated in section 45 of Mexican FRS C-2 “Investment in financial instruments” must be determined in accordance with the provisions of Mexican FRS C-16 “Impairment of financial instruments receivable.” In this regard, although the Commission does not establish specific methodologies for their determination, it would be expected that the expected loan losses due to the impairment of securities issued by a counterparty are consistent with the impairment determined for loans made to the same counterparty.

With respect to the determination of the estimated impact on the consolidated financial statements on the transition date, the Group will apply the rating methodologies to make up the amount of reserves of financial assets under Bulletin B-6 “Loan Portfolio” and the guidelines for the Banking Regulations applicable as of January 1, 2022, as follows:

a) Internal Reserve Methodologies based on Mexican FRS C-16 for all the relevant modelable portfolios: credit card, enterprises, large enterprises, mortgages, non-revolving consumer, and small and medium-size enterprises, both for the portfolios that are authorized and those in the process of authorization for the use of a model based on internal ratings for the capital requirement; with a prior notice to the Commission and once said regulator authorized the implementation plan in January 2022, with the commitment that said methodologies be adopted effective January of 2022; and

b) General Standard Methodology contained in Chapter V Bis of Title Two of the Regulations, for loans belonging to portfolios not included in the relevant Modelable Portfolios, such as portfolios of: Financial Institutions, States and Municipalities, Promoters and Investment Projects.

On the other hand, pursuant to official communication dated November 24, 2022, the Group informed the Commission of the decision to cease the application of internal reserve methodology based on FRS C-16 and apply the General Methodology Standard to determine reserves of the Non-Revolving Consumer and Small and Medium-Size Enterprises portfolio while it is in the process of receiving approval for the application of internal methodologies for capital requirements. Based on the foregoing, as of November 2022, the Standard General Methodology for Non-Revolving Consumer and Small and Medium-Size Enterprises portfolio was once again applied and an amount of $1,365 and $5,553, respectively, was determined as additional allowance for loan losses, which correspond to the difference between the allowances for loan losses obtained under the Internal Reserve Methodology, FRS C-16 and the amount of allowances obtained with the Standard General Methodology, with figures as of the end of October 2022.

Calculation under the Standard General Methodology for Non-Revolving Consumer Portfolio is carried out in accordance with Chapter V Bis, Section One, Part A of the General Regulations Applicable to Banks (*Disposiciones de Carácter General Aplicables a las Instituciones de Crédito*). Regarding Small and Medium-Size Enterprises Portfolio, calculation under the Standard General Methodology is carried out in accordance with Chapter V Bis, Section Three, Part A of the General Regulations Applicable to Banks (*Disposiciones de Carácter General Aplicables a las Instituciones de Crédito*).

For the recognition of the transition effect and in accordance with the Resolution amending the General regulations applicable to Credit Institutions published in the Official Gazette of the Federation on Friday, December 4, 2020, Management chose to make the recognition in the stockholders’ equity, within the result of previous years, as of January 1, 2022.

Management acknowledged the initial cumulative effect of the entry into force of this standard in a net amount of $5,412 of profit-sharing and deferred Income Tax, with a charge in the results of previous years and a credit to the allowance for loan losses. The initial cumulative financial effect should be understood as the difference resulting from subtracting on the same date the reserves that must be created, applying the methodologies in force as of January 1, 2022, minus the reserves that would be held for the balance of said portfolio, with the methodologies in force until December 31, 2021.

Regarding the determination of the impairment applicable to investments in financial instruments as indicated in section 45 of Mexican FRS C-2 “Investment in financial instruments”, Management has determined the loan losses in accordance with the provisions of Mexican FRS C-16 “Impairment of financial instruments receivable” and is consistent with the loan portfolio rating methodology. Management acknowledged the initial effect of the entry into force of this standard, which it considers immaterial for the purposes of the financial statements as a whole, which amounted to a net amount of profit sharing and deferred income tax of $36 charged to the results of previous years.

Mexican FRS C-19 “Financial instruments payable” – The main characteristics issued for this Mexican FRS are shown below:

- Provides for the possibility of valuing certain financial liabilities at fair value, upon satisfaction of certain conditions, after their initial recognition.

- Value long-term liabilities at their present value at initial recognition.

- When restructuring a liability, without substantially modifying the future cash flows to settle the same, the costs and commissions paid in this process will affect the amount of the liability and be amortized over a modified effective interest rate, instead of affecting directly the net profit or loss.

- Incorporates the provisions of IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments,” a topic not included in the existing regulations.

- The effect of extinguishing a financial liability must be presented as a financial result in the statement of comprehensive income.

- Introduces the concepts of amortized cost to value the financial liabilities and the effective interest method, based on the effective interest rate.

Clarifications that adjust the specific standards of recognition, valuation, reporting and, where appropriate, disclosure of this Mexican FRS that are mandatory to the Group are as follows:

- For the purposes of Mexican FRS C-19, liabilities related to the transactions referred to in B-3 and B-4 are not included, as they are already contemplated in said criteria.

- *Initial recognition of a financial instrument payable.*

The provisions of paragraph 41.1.1, number 4, of Mexican FRS C-19 will not apply regarding the use of 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 fair value with effects on the net result referred to in section 42.2 of Mexican FRS C-19 will not be applicable to entities.

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

Mexican FRS C-20 “Financial instruments to collect principal and interest” – The main characteristics issued for this Mexican FRS are shown below:

- The manner of classifying financial instruments in assets is modified, as the concept of intention to acquire and hold them is discarded to determine their classification, instead the concept of management’s business model is adopted.

- This classification groups financial instruments the purpose of which is to collect the contractual cash flows and obtain a gain for the contractual interest they generate, having a loan characteristic.

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

Clarifications that adjust the specific standards of recognition, valuation, reporting and, where appropriate, disclosure of this Mexican FRS that are mandatory to the Group are as follows:

- For the purposes of Mexican FRS C-20, assets originated by the transactions referred to in B-6, issued by the Commission, should not be included, since the recognition, valuation, reporting and disclosure standards for the initial and subsequent recognition of such assets are already contemplated in said criterion.

- Initial recognition of a financial instrument to collect principal and interest. The provisions of paragraph 41.1.1 number 4 of Mexican FRS C will not apply regarding the use of 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 recognizing the effective interest, the effective interest rate of the collection rights may be adjusted periodically to recognize the variations in the estimated cash flows to be received.

– *Fair Value Option*

The option to irrevocably designate in its initial recognition a financial instrument to collect principal and interest, to be subsequently valued at fair value with effects on the net result referred to in paragraph 41.3.4 of the Mexican FRS C-20 “Financial instruments to collect principal and interest” will not be applicable.

– *Loans to officers and employees*

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

– *Loans to retirees*

Loans to retirees will be considered part of the loan portfolio and must adhere to the guidelines of criterion B-6, except when, as with active employees, the collection of said loans is made directly, in which case they will be recorded in accordance with the guidelines applicable to loans to officers and employees.

Management acknowledged the initial effect of the entry into force of this standard, which is considered immaterial for purposes of the financial statements as a whole. Regarding the determination of impairment applicable to accounts receivable for loans to employees, Management has determined credit losses in accordance with the provisions of FRS C-16 and is consistent with the loan portfolio rating methodology. Management acknowledged the initial effect of the entry into force of this standard, which, although it was considered immaterial for the purposes of the financial statements as a whole, the initial effect was in fact recorded in a net amount of profit sharing and deferred income tax of $23 charged to the results of previous years.

Mexican FRS D-1 “Revenue from contracts with clients” – The main characteristics issued for this Mexican FRS are shown below:

- The transfer of control, basis for the opportunity of revenue recognition.
- The identification of the obligations to fulfill in a contract.
- The allocation of the transaction price between the obligations to be fulfilled based on the independent sale prices.
- The introduction of the concept of conditioned account receivable.
- The recognition of collection rights.
- The valuation of income.

Management acknowledged the initial effect of the entry into force of this standard, which is considered immaterial for purposes of the financial statements as a whole.

Mexican FRS D-2 “Costs from contracts with clients” – The main change in this standard is the separation of the regulations regarding the recognition of revenues from contracts with clients of the regulations corresponding to the recognition of costs for contracts with clients.

Management acknowledged the initial effect of the entry into force of this standard, which is considered immaterial for purposes of the financial statements as a whole.

Mexican FRS D-4 “Income Tax.” - Clarifications that adjust the specific standards of recognition, valuation, reporting and, where appropriate, disclosure of this Mexican FRS that are mandatory to the Group are as follows:

Regarding the disclosure required under Mexican FRS D-4 of temporary differences, those differences related to the financial margin and the main transactions of the entities must also be disclosed.

Management acknowledged the initial effect of the entry into force of this standard, which is considered immaterial for purposes of the financial statements as a whole.

Mexican FRS D-5 “Leases” – The application for the first time of this Mexican FRS generates accounting changes in the financial statements mainly for the lessee and grants different options for recognition. Among the main changes are the following:

- Eliminates the classification of leases as operative or capitalizable for a lessee, and the latter must recognize a lease liability to the present value of the payments and an asset for the right of use for that same amount, of all the 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 assets for right of use and an interest expense on lease liabilities.

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

- The accounting recognition by the lessor does not change in relation to the previous Bulletin D-5 and only some disclosure requirements are added.

Clarifications that adjust the specific standards of recognition, valuation, reporting and, where appropriate, disclosure of this Mexican FRS that are mandatory to the Group are as follows:

- *Financial leases*

The provisions of this Mexican FRS will not be applicable to loans made by the entity for finance lease transactions, subject manner of B-6, with the exception of the provisions of paragraph 67 of B-6.

For purposes of the provisions of paragraph 42.1.4, subsection c) and subsection d) of Mexican FRS D-5, it will be understood that the term of the lease covers most of the economic life of the underlying asset, if said lease covers the least 75% of its useful life. Also, 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.

– *Operating leases*

Accounting for lessor

If amortizations remain unsettled for a period exceeding 30 calendar days from the payment due date, lessor must establish the corresponding allowance. This action entails suspending the accrual of income and controlling it by recording relevant details in memorandum accounts under “Other registration accounts”.

Lessor must present in the statement of financial position the account receivable under “Other registration accounts,” and the rental income under “Other income (expenses)” of the transaction in the statement of comprehensive income.

Regarding the estimated impact on the Financial Statements on the transition date, the Group has chosen to apply the provisions of Article Transitory Eight of the Resolutions (Official Gazette of the Federation, December 4, 2020), which consists of recognizing lease liabilities in an amount equal at the current value of the future payments committed as of January 1, 2022. With respect to the asset, it has been decided to record right-of-use assets in an amount equal to the lease liabilities. As a result, the Group has determined that the initial impact and recognized right-of-use assets and lease liabilities is an approximate amount of $4,227, mainly from the branch network premises.

i) The main amendments to the Standards regarding recognition, valuation, reporting and disclosure applicable to specific items of the financial statements are detailed below:

A. *B-1 “Cash and cash equivalents*”

It states to include within this item of the financial statements the “cash equivalents”, which are short-term, highly liquid securities, easily convertible into cash, subject to immaterial risks of changes in their value and held to meet short-term commitments other than for investment purposes; they can be denominated in Mexican or foreign currency; for example, interbank loan transactions agreed for a term of less than or equal to three business days, the purchase of foreign currency that are not considered derivative financial instruments as provided by the Central Bank in the applicable regulation, as well as other cash equivalents such as correspondents, documents of immediate collection, precious metals and highly liquid financial instruments.

Highly liquid financial instruments are securities the disposal of which is expected within a maximum of 48 hours from their acquisition, generate returns and have immaterial risks of changes in value.

Management acknowledged the initial effect of the entry into force of this standard, which is considered immaterial for purposes of the financial statements as a whole.

B. *B-3 “Repurchase/Resale transactions”*

States that for purposes of offsetting financial assets and liabilities, with the entity acting as buyer, the provisions of Mexican FRS B-12 “Offsetting financial assets and financial liabilities” must be followed.

It requires disclosing the rates agreed in the relevant transactions.

Management acknowledged the initial effect of the entry into force of this standard, which is considered immaterial for purposes of the financial statements as a whole.

C. *B-6 "Loan portfolio"*

The main amendments to B-6 are as follows:

- Definitions. New accounting definitions are included to ensure the incorporation of international accounting criteria, such as: Portfolio with stage 1, 2 and 3 credit risk, amortized cost, transaction costs, effective interest rate, effective interest method.

- Standards of recognition and valuation:

Business Model:

- In determining the business model (BM) used by the Group to administer and manage the loan portfolio and whether contractual cash flows will be obtained from the flows, from the sale of the loan portfolio, or both. It states that the BM is a question of facts and not of an intention or affirmation.

- It states that the loan portfolio must be recognized under B-6 if the objective of the BM is to keep it to collect the contractual cash flows and the terms of the contract provide for cash flows on pre-established dates that correspond only to payments of principal and interest on the principal amount outstanding. That if this is not fulfilled, it must be dealt with in accordance with the provisions of Mexican FRS C-2, "Investment in financial instruments."

- It provides for the criteria to identify the considerations to determine the realization of the contractual cash flows of the loan portfolio, either through collection or sale. Although it states that sales do not determine the BM, it clarifies that a historical analysis of past sales and expectations of future sales must be conducted.

- It states that the BM may be to keep the loan portfolio to collect its cash flows, even if the entity sells it when there is an increase in its credit risk and indicates that there is no inconsistency when sales are made of the high risk portfolio.

Loan portfolio renegotiations:

- States that, if an Entity restructures a loan with credit risk stages 1 and 2, or partially liquidates it through a renewal, it must determine the profit or loss in the renegotiation as follows:

    a) It determines the carrying value of the loan without considering the allowance of loan losses;

    b) It determines the new future cash flows on the restructured or partially renewed amount, discounted at the original effective interest rate, and

    c) It recognizes the difference between the carrying value and the cash flows determined in subparagraph b) above as a deferred charge or credit against the profit or loss from loan portfolio renegotiation in the statement of comprehensive income.

Other considerations:

- Valuation of loans denominated in VSM (times minimum wage) or UMA (unit of measure and update) is recognized directly in the results of the year, when said units of measure are modified.

It provides for the categorization of the loan portfolio by level of credit risk:

– Portfolio with stage 1 credit risk

Loans made and acquired by the entity will be recognized in this category, as long as they do not meet the categorization criteria referred to in the sections Transfer to loan portfolio with stage 2 credit risk and Transfer to loan portfolio with stage 3 credit risk.

Loans that meet the conditions to be considered stage 2 credit risk may remain in stage 1 when compliance with the requirements contained in the Banking Regulations is proven, which must be duly documented in the risk policies.

– Transfer to loan portfolio with stage 2 credit risk

Loans must be recognized as a loan portfolio with stage 2 credit risk, in accordance with the provisions of the Banking Regulations, with the exception of the loans described in the paragraph corresponding to the guidelines for applying the registration of Transfer to loan portfolio with stage 3 credit risk.

– Transfer to loan portfolio with stage 3 credit risk

The unpaid balance in accordance with the payment conditions in the loan agreement must be recognized as a loan portfolio with stage 3 credit risk, as provided in paragraph 91. It is worth mentioning that the revolving consumer portfolio product is modified to remain in this stage when it maintains 90 days of past due payments. (3 months).

Renegotiations:

- It specifies that loans with stage 2 or stage 3 credit risk that are restructured or renewed may not be classified in a stage with lower credit risk as a result of said restructuring or renewal, as long as there is no evidence of sustained payment; unless the requirements of Bulletin B-6 are met to remain in the same risk stage and also with elements that justify the debtor's ability to pay.

- It states that after a second restructuring or renewal it must be classified in stage 3; unless it meets the requirements that must be met at the time of carrying out restructuring or renewal transactions to remain in the same risk stage and also with elements that justify the debtor's ability to pay.

- It states that loans that, due to a restructuring or renewal, are transferred to a category with higher credit risk must remain in said stage for a minimum of three months to prove sustained payment and, consequently, be transferred to the immediately following stage with lower credit risk.

Sale of loan portfolio:

- For loan portfolio sale transactions in which the conditions to write-off a financial asset under Mexican FRS C-14 "Derecognition and transfer of financial assets" are not met, the entity must keep in the asset the amount of the loan sold and recognize in liabilities the amount of funds from the recipient.

- In the events in which a loan portfolio sale is carried out, where the conditions for derecognizing a financial asset under the Mexican FRS C-14 are met, the allowance associated with it must be cancelled.

Regarding the determination of the impact on the Financial Statements on the transition date, Management has completed the implementation of this criterion and the results obtained are described below:

- The analysis of the loan portfolio was conducted and 99.6% complies with the Amortized Cost Business Model the objective of which is to maintain financial assets to receive the contract cash flows and to comply with the evaluation of whether the contract flows correspond only to payments of principal and interest in order to hold it to maturity. The rest of the portfolio, which represents 0.4%, corresponds to the loan portfolio that does not meet the evaluation of only principal and interest payments and must be measured at fair value.

The Business Models at amortized cost have been ratified before the Credit Committee and the evaluations of only payment of principal and interest for individualized loans and standardized products have been communicated.

- In the statement of financial position, the parameterizations were executed in the application systems where the loan portfolio is managed to record it by levels of credit risk in stages 1, 2 and 3.

The design and implementation of the criteria for transferring a portfolio with a credit risk in stages has been based in the accounting guidelines of B-6 “Loan portfolio” and in the criteria contained in the Regulations referring to the application of methodologies for portfolios with internal model and the standard methodology. Criteria incorporated into the risk and accounting policies.

Given these amendments, for the credit card product, its transfer to stage 3 after 90 days has been approved, like the rest of the portfolios. This effect resulted in the recognition of interest in stage 2, which was previously managed in memorandum accounts, and whose impact was a credit against retained earnings for $96.

- The increase due to the revaluation adjustment of the unpaid balance of loans denominated in VSM or UMA is recognized as part of the portfolio balance as interest income against results, which amounted to $800.

- On the other hand, it is necessary to comment that Management opted for the facility issued by the regulator, as indicated in the third paragraph of this Note, so that the Group during 2022 can continue to use the contractual interest rate for the accrual of the interest of the loan portfolio, as well as the application of the straight-line method for the recognition of origination fees and the accrual of transaction costs, as provided in accounting criteria B-6 in force until December 31, 2021, disclosing such circumstance in the quarterly and annual financial statements for said fiscal year. This situation has already been notified to the authority. It is worth mentioning that the results of applying the effective interest method as of January 2023 are shown in note 3 section (d.1) “Adoption of the deferred portfolio credit items amortization method with effective interest rate (EIR).”

D. *B-7 “Foreclosed assets*”

The main changes of this criterion are as follows:

- It states that the recognition value of foreclosed assets will be the lower of the gross carrying value of the portfolio and the net realizable value of the assets received, when the entity’s intention is to

sell said assets to recover the amount receivable. On the other hand, two new definitions are added, the net realizable value and disposal costs.

– It states that on the date of registration of foreclosed asset, the value of the asset and the allowance created must be removed from the statement of financial position in the total amount of the net asset and deducting the partial payments in kind according to criterion B-6 “Loan portfolio” and the differential must be recognized in the results of the year as other income (expenses) of the transaction.

Management acknowledged the initial effect of the entry into force of this standard, which corresponds to a decrease in the balance of foreclosed assets in the amount of $89, a $423 charge to the reserve of foreclosed assets with respect to a credit to cumulative earnings in an amount of $334.

ii) The main amendments to the Standards that entities must apply are detailed below:

a) Restricted assets. The margin accounts that entities give to the clearinghouse under transactions with derivative financial instruments carried out in recognized markets or exchanges must adhere to the provisions of Mexican FRS C-10 “Derivative financial instruments and hedging relationships.”

b) Clearing accounts. Assets and liabilities transactions carried out by entities, for example, in matters of investments in financial instruments, repurchase/resale agreements, securities lending, virtual assets and derivative financial instruments, once they reach their maturity and as long as the settlement is not received or delivered, as agreed in the respective contract, the amount of past due transactions receivable or payable must be recorded in clearing accounts (debtors or creditors on settlement of transactions).

Also, in transactions where immediate settlement or same-day value date is not agreed, including foreign currency trading, on the contract date, the amount receivable or payable must be recorded in clearing accounts, until settlement takes place. The allowance for expected loan losses relating to the aforementioned amounts receivable must be determined in accordance with Mexican FRS C-16 “Impairment of financial instruments receivable.”

For purposes of presenting the financial statements, clearing accounts will be presented under other accounts receivable (net) or other accounts payable, as appropriate. The balance of the debtor and creditor clearing accounts may be offset in accordance with the compensation rules provided for in Mexican FRS B-12 “Offsetting financial assets and financial liabilities.”

With respect to the transactions referred to above, the balance receivable or payable must be disclosed, for each type of transaction from which they come (currency, investments in financial instruments, repos, virtual assets, etc.), specifying that these are agreed transactions where settlement is pending.

c) Disclosures related to fair value determination

The entities with respect to the Valuation Adjusted Price that is provided by the price provider in determining the fair value under Section Two, Chapter I, of Title Three of the Banking Regulations, in addition to the accounting criteria or the relevant Mexican FRSs, they are required to disclose, at least, the following:

a) The level of the valuation adjusted price hierarchy (or fair value hierarchy) within which fair value measurements are classified, in accordance with the following:

I. Level 1, the highest level, relating to prices obtained exclusively with Level 1 input data.

II. Level 2, prices obtained with Level 1 input data.

III. Level 3, the lowest level, for prices obtained with Level 3 input data.

b) If there is any change in the valuation model, that change and the reasons for making it must be disclosed.

c) When there are changes from one period to another in the classification of the valuation adjusted price hierarchy with respect to the same security or financial instrument:

i. The amounts of the transfers between Level 1 and Level 2 of the valuation adjusted price hierarchy.

ii. The amounts of transfers to or from Level 3 of the valuation adjusted price hierarchy.

d) For valuation adjusted price classified in Level 3:

i. A reconciliation of opening balances to closing balances, separately disclosing changes during the period attributable to total gains or losses for the period recognized in net income and those recognized in Other Comprehensive Income (OCI).

e) When there is a significant decrease in the volume or level of activity in relation to normal market activity for a certain security or financial instrument, or in the event of disorderly conditions, the adjustments that have been applied to the valuation adjusted price must be explained.

f) The name of the price provider that which, if any, has provided the valuation adjusted price or the input data for its determination through internal valuation models.

Management acknowledged the initial effect of the entry into force of this standard, which is considered immaterial for purposes of the financial statements as a whole.

Improvements to 2022 Mexican FRS

In September 2021, the CINIF issued the document called “Improvements to 2022 Mexican FRS,” which contains specific amendments to some existing Mexican FRSs. The main improvements that generate accounting changes are as follows.

Mexican FRS B-7 “Business acquisitions” – It includes within its scope the accounting recognition of acquisitions of businesses under common control. It provides for the book value method to recognize business acquisitions between entities under common control. It requires the application of the purchase method in combinations of entities under common control when the acquiring entity has non-controlling shareholders whose shares are affected by the acquisition or when the acquiring entity is listed on a stock exchange. It makes annotations to the accounting treatment and recognition of costs and expenses related to the business combination. This improvement comes into force for the exercises that start January 1, 2022, allowing early application for the year 2021. The accounting changes that arise must be recognized prospectively as provided by Mexican FRS B-1 “Accounting changes and corrections of errors.”

Mexican FRS B-15 “Foreign currency conversion” – This improvement consists of incorporating within the FRS the practical solution for the preparation of complete financial statements for legal and tax purposes when the recording and reporting currency is the same, even when both are different from the functional currency, without carrying out the conversion to the functional currency, indicating the entities that can opt for this solution. This improvement repeals the Interpretation to FRS 15 “Financial statements the reporting currency of which is the same as the recording currency, but different from the functional currency” and comes into effect for the years beginning on or after January 1, 2022, allowing early application for the year 2021. The accounting changes that arise must be recognized prospectively as provided in FRS B-1 “Accounting changes and error corrections.”

Mexican RFS D-3 “Benefits to employee” – It considers the effects on the determination of the deferred employee profit-sharing (profit-sharing) derived from the changes in the determination of the profit-sharing incurred by the decree published on April 23, 2021 by the Federal Government. This improvement comes into force for the years that start on January 1, 2022, allowing early application for the year 2021. The accounting changes that arise must be recognized prospectively as provided in FRS B-1 “Accounting changes and error corrections.”

Mexican FRS B-1 “Accounting changes and error corrections” – It eliminates the requirement to disclose pro forma information when there is a change in the structure of the economic entity. This improvement comes into force for the years that start on January 1, 2022, allowing early application for the year 2021. The accounting changes that arise must be recognized prospectively as provided in FRS B-1 “Accounting changes and error corrections.”

Mexican FRS B-10 “Effects of inflation” – It modifies the disclosure requirement when the entity operates in a non-inflationary economic environment to limit them to being made when the entity considers it relevant. This improvement comes into force for the years that start on January 1, 2022, allowing early application for the year 2021. The accounting changes that arise must be recognized prospectively as provided in FRS B-1 “Accounting changes and error corrections.”

Mexican FRS B-17 “Fair value measurement” – It eliminates the requirement of disclosures for changes in an accounting estimate derived from a change in a valuation technique or in its application. This improvement comes into force for the years that start on January 1, 2022, allowing early application for the year 2021. The accounting changes that arise must be recognized prospectively as provided in FRS B-1 “Accounting changes and error corrections.”

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

The Group’s Management estimates that the effects of adopting the improvements to the FRS will not be material for the consolidated financial statements as a whole.

(e) Cash and cash equivalents-

Cash and cash equivalents consist of cash in hand, deposits with Mexican and foreign banks in pesos and dollars, as well as 24, 48, 72 and 96 hour foreign currency purchase and sale transactions. Also includes bank borrowings with original maturities of up to three days ("Call Money"), and monetary regulation deposits in the Central Bank (the latter deposits, considered restricted cash equivalents, are formed pursuant to Official Circular 3/2012 "Regulations applicable to transactions of financial institutions and the rural financial entity," issued by the Central Bank, as well as highly liquid financial instruments that are securities the disposal of which is expected within a maximum of 48 hours from acquisition.

Cash and cash equivalents are valued at fair value, which is their nominal value and for currencies in dollars, the exchange rate for the translation is the one published by the Central Bank on the same day in accordance with the rules issued by the Commission. As of the date of the financial statements, profits or losses due to the translation effect and accrued interest income are recognized in the year's results.

Foreign currencies acquired and agreed to be settled in 24, 48, 72 and 96 hours are recognized as restricted cash equivalent (foreign currency receivable), while the currencies sold are 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 "Other accounts receivable, net" and "Creditors on settlement of transactions," respectively.

The amount of overdrafts in checking accounts, the cleared balance of foreign currency to be delivered exceeding the foreign currency to be received or of some other concept in cash and cash equivalents with a credit balance, are presented under "Sundry creditors and other accounts payable."

(f) Margin accounts-

Margin accounts are made up of collateral pledged in cash (and in other assets equivalent to cash) that is requested to entities for entering into transactions with derivative financial instruments in organized markets or exchanges, recorded at nominal value.

For margin accounts assigned to the clearinghouse different from cash, as would be the case of debt instruments or shares, where the clearinghouse has the right to sell or pledge the financial assets which make up such margin accounts, the financial asset pledged is presented as restricted, and the valuation and disclosure standards are followed in accordance with the respective accounting treatment according to its nature.

The returns and fees that affect margin accounts, other than the fluctuations in the prices of derivatives, are recognized in the results of the year as accrued under "Interest income" and "Commissions and fees paid," respectively. Partial or total settlements deposited or withdrawn by the clearinghouse due to fluctuations in the prices of derivatives are recognized under "Margin accounts," affecting as a counterpart a specific account that may be debtor or creditor, as appropriate, and that represents an advance received, or a financing granted by the clearinghouse and that will reflect the effects of the valuation of the derivatives prior to settlement.

Margin accounts are intended to comply with the obligations derived from transactions with financial derivatives performed in organized markets and stock exchanges and refer to the initial margin, contributions and subsequent disbursements made during the effective term of the respective contracts.

(g) Fair value determination and hierarchy-

Governance and control model

The fair value determination process established in the Group ensures that financial assets and liabilities are valued in accordance with the criteria defined in FRS B-17 as well as in the Regulations.

Valuación Operativa y Referencias de Mercado, S. A. de C. V. (Valmer) is the Group's price provider.

For instruments recognized at fair value, the Market Variables Department is responsible for the following functions: - Identification. It includes the identification and classification of instruments subject to valuation with the purpose of establishing the models and the inputs for the determination of the relevant prices. - Modeling of instruments. Determine the valuation models, definition of inputs and price sources that reflect the correct values for each type of instrument. The internal valuation models, and their modifications, estimation methods of variables used, and the values and other instruments to which they are applicable, are approved by the Risk Committee. - Validation of market levels. Ensure that the price information obtained is in accordance with the market levels negotiated in a given period. - Incorporation and refinement of prices. Consolidate the price vector and enter it into the different systems that serve the information user areas- Internal price dissemination. Publication of prices to different areas, through vectors on public servers, email or internal publication computer pages.

The Asset & Liability Management (ALM) unit is responsible for calculating the fair value and hierarchy of all banking book items accounted for at amortized cost, ensuring that the calculation is made using management models and measurement of structural risk of interest rate. It ensures that the input data and assumptions are consistent with those used in the economic value measurement. The calculation is made using corporate tools.

General valuation criteria

All financial instruments, both assets and liabilities, are initially recognized at fair value, which, at that first moment, is equivalent to the transaction price, unless there is evidence to the contrary in an active market. Subsequently, and depending on the nature of the financial instrument, it may continue to be recorded at amortized cost or at fair value.

Fair value is determined as the market price that would be received to sell or transfer a financial asset or liability, respectively. However, for certain financial instruments of the Group, especially in the case of derivatives, there is no available market price, so their fair value is estimated through recent transactions of similar instruments or otherwise, through of mathematical valuation models sufficiently verified by the international financial community. When using these models, the specific characteristics of the asset or liability to be valued are taken into account and, especially, the different types of risks associated with the asset or liability. Notwithstanding the foregoing, the limitations of the valuation models developed and possible inaccuracies in the assumptions and parameters required by these models may result in the estimated fair value of a financial asset or liability not matching exactly the price at which the asset or liability could be delivered or settled at the valuation date.

In general, the Group considers an active market to be one that allows the observation of bid and ask prices representative of the levels to which the market participants would be willing to negotiate a certain asset or liability, with sufficient frequency and daily volume.

The Group applies the Direct Vector Valuation considering the Adjusted Price For Valuation provided by the Price Provider on the following financial instruments:

a. Securities registered in the National Securities Registry, registered or regulated in markets recognized by the Commission using general regulations.

b. Derivative Financial Instruments listed on national derivatives exchanges or belonging to markets recognized by the Central Bank.

c. Underlying assets and other financial instruments that are part of Structured Transactions or Packages of Derivatives, when they are Securities or financial instruments provided for in sections "a" and "b" above.

In the valuation of instruments other than those mentioned in the preceding paragraphs, Internal Valuation Models are applied to obtain the Adjusted Price for Valuation.

With respect to loan portfolios, valuation rules established in B-6 "Loan Portfolio" are applied.

Fair value hierarchy

The process for determining the fair value requires the classification of financial assets and liabilities based on the input data used to determine their fair value, as set forth below:

Level 1: Valuation using directly the quotation of the instrument, observable and readily and regularly available from independent price sources and referenced to active markets that the entity can access at the measurement date. The instruments classified within this level are fixed-income securities, equity instruments and certain derivatives listed in recognized exchanges.

Level 2: Valuation with commonly accepted techniques that use inputs obtained from observable data in markets.

Level 3: Valuation through valuation techniques in which significant variables are used that are not obtained from observable data in the market.

In some cases, inputs used to determine fair value may be classified within different levels of the fair value hierarchy, depending on whether or not the observable inputs are significant. In these cases, the fair value determination is classified in its entirety within the same level of the fair value hierarchy as the lowest level input that is significant to the entire valuation. Professional judgment is applied in assessing the relevance of a particular input to the full valuation.

The Group does not classify within the Level 1 hierarchy level the updated prices for valuation that are determined through the use of Internal Valuation Models.

(h) Investments in financial instruments-

Includes debt financial instruments (government securities, bank paper, stock certificates and commercial paper) and capital, listed and unlisted, classified as Negotiable financial instruments (NFI), Financial instruments to collect or sell (FICS) and Financial instruments to collect principal and interest (FICPI). Classification depends on the business model under which they are managed by the Group's Management, and the evaluation of the contractual characteristics of the cash flows.

The business model is based on the way in which the Group manages investments in financial instruments to generate cash flows and not on a particular intention to hold an instrument.

To determine the business model, the following are taken into account, among other factors:

- The manner in which the performance of the instruments that are part of the business model is determined and reported to the entity's key personnel,
- The risks and the way in which the risks that affect the performance of the business model are managed;
- The way in which business model managers are remunerated,
- The frequency, amount and timing of sales in previous years, the reasons for such sales and expectations regarding future sales.

The determination of the business model is not based on scenarios that are not reasonably expected to occur.

Based on the foregoing, financial instruments are classified and recognized in accounting as described below:

– *Negotiable financial instruments (NFI)-*

Debt and equity instruments that the Group has in its own position and whose business model is intended to obtain a profit between the purchase and sale price, i.e., based on the management of the market risks of such instrument. Transaction costs for the acquisition of the instruments are recognized in income for the year on the date of arrangement. Subsequently, they are valued at fair value, the valuation effect of which is recognized in the consolidated statement of income under the caption "Trading income."

– *Financial Instruments to Collect or Sell (FICS)-*

Financial instruments under a business model whose objective is to collect contractual cash flows from collections of principal and interest, or to obtain a profit on their sale, when appropriate. They are initially recognized at fair value, transaction costs are recognized as an implicit part of the amortized cost and are applied to the net profit or loss over the expected life of the instruments.

Subsequently, they are valued at fair value, recognizing the effect on stockholders' equity under "Valuation of financial instruments to collect or sell," net of deferred taxes, which is cancelled and recognized in income upon sale.

– *Financial instruments to collect principal and interest (FICPI)-*

Debt instruments whose objective is to collect the contractual cash flows; the contractual terms provide for cash flows on pre-established dates that correspond only to payments of principal and interest on the principal amount pending payment.

They are initially recognized at their fair value, which corresponds to the agreed consideration. Transaction costs are recognized as an implicit part of the amortized cost and are applied to the net profit or loss over the expected life of the instruments according to the effective interest method.

– *Other business models-*

In general, equity financial instruments are valued at fair value, recognizing variations in net profit or loss for the year; however, the effects of variations in the fair value of instruments that are not traded in the short term are recognized irrevocably within “Other Comprehensive Income.” At the time of their realization, said effects are recycled to the net income or loss of the year.

Cash dividends on equity securities are recognized in the results for the year in the same period in which the right to receive the payment is generated.

– *Reclassifications*

Reclassifications of financial instruments are only carried out when the Group decides to change the business model. In any case, reclassifications are authorized by the Risk Committee and informed in writing to the Commission, detailing the change in the business model that justifies them.

During the years ended December 31, 2023 and 2022, the Group did not carry out reclassifications of financial instruments.

– *Investment impairment-*

The expected credit losses due to the impairment of investments classified as FICS and FICPI are calculated in accordance with the Internal Methodologies based on FRS C-16 and defined by the General Office of Risks, recognizing their effects in the year’s results.

Pursuant to official communication 121-1/14591541/2022, dated January 10, 2022, the Commission authorized the implementation plan of the Internal Methodologies for reserves and allowances based on Mexican FRS C-16 to determine the allowance for loan losses by credit risk level for BBVA’s six relevant portfolios as of January 2022, including the Mortgage portfolio. The foregoing, in accordance with the provisions of Article 139 Bis 3, section I, of the Regulations. Said methodology was estimated with information as of September 2019.

Calculation of the expected credit loss requires a temporary structure during the life of the transaction and is based on the following components, in accordance with the minimum requirements for own estimates of risk parameters provided for in Schedule 15 Bis of the Regulations:

- Probability of default (PD): An estimate of the likelihood of default over a given time horizon.

- Loss Given Default (LGD): An estimate of the loss arising in case a default. It is based on the difference between the contractual cash flows due and those that lender would expect to receive, including from any collateral.

- Exposure at Default (EAD): An estimate of exposure at a future date of default, taking into account expected changes in the exposure after the reporting date, including expected repayments and drawdowns on committed facilities (CCFs).

- Term to maturity

- Discount rate: To discount an expected loss to present value at the reporting date using the annual interest rate of the transaction, which should be determined in accordance with the original terms and conditions of the contract.

The procedures for estimating the probability of default, loss given default and exposure at default, for appropriately assigning and modifying the level of credit risk of exposures are consistent and in accordance with the criteria for recognizing the level of credit risk of a borrower, in stages 1, 2 or 3, including prospective scenarios.

Expected credit losses will be assessed for one of the two time horizons, depending on whether the borrower's credit risk has increased significantly since origination. If it has increased (step 2), expected credit losses will be calculated over the life of the asset. If not, provisions will be based on the 12-month expected credit losses. Expected credit losses on impaired assets (step 3) will be expected credit losses over the life of the asset.

– *Value date transactions-*

Financial instruments purchased agreed to be settled on a date subsequent to the date on which the purchase and sale transaction is entered into are recognized as restricted securities, while instruments sold are recognized as securities to be delivered, reducing the investment securities position. The counterparty must be a clearing, credit or debit account, as appropriate.

When the amount of the securities to deliver exceeds the proprietary position of the same type of security (government, bank, equity and other debt securities), the amount is shown as a liability under "Assigned values to be settled."

(i) Repurchase/resale agreements-

Repurchase agreements are recorded as follows:

The repurchase/resale agreements that do not comply with the terms of criterion C-14 "Recognition and derecognition of financial assets," are treated as collateralized financing transactions, which reflects the economic substance of those transactions. This treatment is adopted regardless of whether it is "cash oriented" or "securities-oriented" repurchase/resale agreement.

Acting as seller on resale agreements-

On the contract date of the repurchase/resale agreement, either cash is received or a debit clearing account is created as well as a payable account valued at the price agreed at origination, and represents the obligation to repay the cash to the seller at a future date. Throughout the term of the repurchase/resale agreement, the payable account is valued at amortized cost and the corresponding accrued interest is recorded in the results for the year, in accordance with the effective interest rate method.

In relation to the collateral granted, financial assets transferred to the seller are reclassified by the Group in the consolidated statement of financial position, and presented as restricted securities, which continue to be valued in accordance with the accounting policy of the corresponding asset classification, until the maturity date of the repurchase/resale agreement.

Acting as buyer on repurchase agreements-

With the Group acting as a buyer, on the date of contracting the repurchase agreement transaction, recognizes the outflow of cash and cash equivalent or a creditor settlement account, recording an account receivable initially measured at the agreed price, which represents the right to recover the cash delivered. The account receivable is valued later during life of the repurchase agreement at amortized cost through the recognition of the effective interest method in the results of the year.

In accordance with the collateral received in repurchase transactions other than cash, the Group recognized it in memorandum accounts, by following the guidelines on custody transactions established in accounting criterion B-9, "Custody and Administration of Assets" until the maturity date of the repurchase/resale agreement.

When the buyer sells the collateral or provides it as a guarantee, the proceeds from the transaction are recognized, as well as an account payable for the obligation to repay the collateral to the selling party (measured initially at the price agreed), which is valued at fair value for its sale, or, if it is given as collateral in another repurchase transaction, at its amortized cost, (any spread between the price received and the value of the account payable is recognized in results of the year), the control of such sold or pledged collateral is performed in memorandum accounts, by applying for valuation purposes the standards for custody transactions established in accounting criterion B-9.

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

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

(j) Securities lending-

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

Acting as lender-

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

The amount of the premium earned is recognized in results of the year through the effective interest method during the term of the transaction, under "Interest income."

Acting as borrower-

As of the contract date of the securities lending, the Group records the security subject matter of the loan received in memorandum accounts, following the valuation guidelines for the securities recognized, in the account B-9 "Assets in custody or under management," financial assets given as collateral are recognized as restricted, which will follow the valuation, presentation and disclosure standards in accordance with the relevant accounting criteria.

On the date on which the Group sells the security subject matter of the transaction, it must recognize the proceeds from the sale, as well as an account payable for the obligation to return said security to the lender (measured initially at the agreed price) that will be valued at fair value, with the exception that the security subject matter of the transaction is given as collateral in a repurchase/resale agreement, for which the provisions of criterion B-3 must be followed.

The amount of accrued premium is recognized in the result of the year using the effective interest method during the term of the transaction, under "Interest expense."

(k) Clearing accounts settlement-

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

Financial assets and liabilities are offset and the net amount presented in the balance sheet as debit or credit balance, as appropriate, only when there is a contractual right to offset amounts and the intention to either settle them on a net basis or realize the asset and cancel the liability simultaneously.

(l) Derivatives-

The Group executes two different types of transactions based on intention:

– Trading - Consists of the position assumed by the Group as market participant for purposes other than hedging open risk positions.

– Hedging - Consists of the purchase or sale of derivative financial instruments to reduce the risk of a transaction or group of transactions.

The Group's policies require that for purposes of entering into derivative transactions, the qualification and, where appropriate, authorization of risk exposure lines by each one of the counterparts of the financial system that have been authorized by the Central Bank for the execution of this type of operations is required. Prior to carrying out these transactions with corporate clients, a credit line authorized must be granted by the Credit Risk Committee or provide readily realizable guarantees through the pertinent bond contracts. Transactions involving mid-sized and small businesses, as well as individuals, are carried out through readily realizable guarantees established in bond contracts.

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

The Group initially recognizes all derivatives (including those forming part of hedges) as assets or liabilities (depending on the rights and/or obligations they embody) in the consolidated statement of financial position at fair value, which presumably reflects the price at which the transaction was agreed. Any transaction costs that are directly attributable to the acquisition of the derivative are directly recognized in results under “Financial intermediation income.”

All derivatives are subsequently valued at fair value without deducting the transaction costs incurred for their sale or other types of disposal; this valuation effect is then recognized in the results of the period under “Net gain on financial assets and liabilities.”

Derivatives must be presented under a specific asset or liability item depending on whether their fair value (as a consequence of the rights and/or obligations they embody) results in a debit or credit balance, respectively. These debit or credit balances can be offset as long as they comply with the offsetting rules established by the applicable accounting criterion.

In the consolidated statement of financial position, the heading derivatives must be split between those held for trading and hedging purposes.

The determination of fair value considers the information and inputs provided by the price vendor authorized by the Commission, or an internal valuation process, provided there are no derivative financial instruments listed in domestic exchanges or traded in markets recognized by the Central Bank.

Trading transactions

– *Warrants-*

Warrants are documents which represent a temporary right acquired by the holders in exchange for the payment of a premium for the issue in Equity Shares or Indexes, whereby such right expires at the end of the effective term. Therefore, holding such securities implies that the intrinsic value and the market price of the warrant in the secondary market may vary based on the market price of the reference assets.

– *Forwards and futures-*

For options purchased the balance represents the difference between the fair value of the contract and the contracted forward price. If the difference is positive, it is considered as surplus and presented under assets; if negative, it is considered as a deficit and presented under liabilities.

– *Options-*

For options purchased, the balance represents the fair value of future cash flows to be received, and the valuation effects are recognized in results of the year.

For options sold, the balance represents the fair value of future cash flows to be delivered, and the valuation effects are recognized in results of the year.

– *Swaps-*

The balance represents the difference between the fair value of the asset (cash flow receivable) and the liability (cash flow payable).

Hedging transactions-

Hedge derivatives are valued at market value, and the effect is recognized depending on the type of accounting hedge, as follows:

a. Fair value hedges, the primary hedged position and the net effect of the derivative hedge instrument which is measured at fair value, is recorded in results of the period under “Financial intermediation income.”

b. Cash flow hedges, the hedge derivative is measured at fair value and the valuation of the effective part of the hedge is recorded in the account “Result from valuation of cash flow hedges” in Other Comprehensive Income. The ineffective part is recorded in results of the period under “Financial intermediation income.”

c. Hedges of a net investment in a foreign transaction that complies with all the conditions are accounted for in manner similar to cash flow hedges; the effective portion is recognized in Other Comprehensive Income and the ineffective portion is recognized in results.

Embedded derivatives-

– The Group bifurcates the embedded derivatives of structured notes (liabilities), whereby the reference underlying is based on the exchange rate, stock indexes, interest rate options with extendable periods and UMS bond price options.

  In the case of loan agreements and bond issuances where the reference underlying is an interest rate with embedded cap, floor and collar, the reference underlying’s is considered to be closely related to the host contract, and consequently, these derivatives are not bifurcated. Accordingly, the main contract issued for debt and bonds is recorded based on the applicable criteria to each contract, at the amortized cost in both cases.

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

– The account receivable from cash collateral provided in derivative transactions performed over-the-counter markets is presented under “Other accounts receivable, net,” whereas the account payable generated for the reception of collateral provided in cash is presented under “Sundry creditors and other accounts payable.”

  Collateral delivered in securities is recorded as restricted securities for guarantees, and collateral received in securities for derivative transactions is recorded in memorandum accounts.

Adjustments to the valuation for risk of default

The fair value of liabilities should reflect the entity’s default risk, which includes, among other components, its own credit risk. In view of the above, the Group makes valuation adjustments for credit risk in estimating the fair value of its assets and liabilities.

Adjustments to be made are calculated by estimating the exposure at default, the probability of default and the loss given default, which is based on the levels of recoveries, for all derivative products on any underlying, deposits and repurchase agreements at a legal entity level (all counterparties under the same master agreement) with which the Group has exposure.

Credit valuation adjustments ("CVA") and debit valuation adjustments ("DVA") are included in the valuation of derivatives, both assets and liabilities, to reflect the impact on the fair value of the counterparty's credit risk and the Group's own credit risk, respectively. The Group incorporates, in all exposures classified in any of the categories valued at fair value its valuation of both the counterparty's credit risk and the Group's own credit risk. In the trading portfolio, and in the specific case of derivatives, the credit risk is recognized through these adjustments.

As a general rule, the calculation of CVA is the sum of the positive expected exposure at date t, the probability of default between t-1 and t, and the LGD. Similarly, DVA is calculated as the sum of the negative expected exposure at date t, the probability of default of the group between t-1 and t, and the group's LGD. Both calculations are performed over the entire period of the potential exposure.

Calculation of the expected positive and negative exposure is performed through a Monte Carlo simulation of the market variables affecting all transactions pooled under the same master agreement (legal netting).

(m) Loan portfolio-

Business model-

The entity's business model determines whether the cash flows will come from obtaining contractual cash flows, from the sale of the loan portfolio, or both.

If the business model objective of the loan portfolio is to hold it to collect the contractual cash flows and the terms of the contract provide for cash flows at pre-established dates, which correspond only to payments of principal and interest on the principal amount outstanding, then the portfolio is presented in the statement of financial position at amortized cost.

The SPPI (Principal and Interest Payment Only) Test is a tool that allows evaluating the cash flows of the loan portfolio, by homogeneous portfolio or individual loan transactions. This test allows, through the analysis of contractual cash flows, to determine whether they correspond only to principal and interest payments.

Loan portfolio valued at fair value-

The loan portfolio with a Business Model other than holding the financial assets to receive the contractual cash flows, or, the contractual cash flows do not correspond only to the payment of principal and interest, are recognized at fair value and classified under the caption "Loan portfolio valued at fair value."

The balances in the loan portfolio represent the amounts disbursed to borrowers, plus accrued but unpaid interest less interests prepaid in advance. The allowance for loan losses is presented as a deduction from the total loan portfolio balance.

The Group classifies its portfolio under the following:

a. Commercial: Direct or contingent loans, including bridge loans, denominated in Mexican pesos or foreign currency and/or in UDIs, as well as any accrued interest, granted to corporations or individuals with business activities and used in relation to commercial or financial line of activity; includes loans granted to financial institutions (excluding interbank loans with maturities of less than three business days), loans for factoring transactions and loans related to finance lease transactions which are entered into with such corporations or individuals with business activity; loans granted to trustees who act on behalf of trusts and credit schemes commonly known as "structured" in which there is a change in net assets that allows for the individual assessment of the risk associated with the scheme. Also included are loans granted to States, municipalities and decentralized agencies and loans to state-owned productive enterprises.

b. Residential mortgages: Direct loans denominated in MXN, foreign currency, UDIs or multiples of the minimum wage (for its acronym in Spanish, "VSM") or in UDIs, as well as any accrued interest, granted to individuals and used for the acquisition, construction, remodeling or improvement of housing, for non-business purposes; includes equity loans guaranteed by the home of the borrower and mortgage loans granted to former employees who rendered services to the Group.

c. Consumer: Direct loans, denominated in MXN, or foreign currency, as well as any accrued interest, granted to individuals in relation to credit card operations, personal loans, payroll loans (other than those granted through credit cards), loans for the acquisition of durable consumer goods and capital lease transactions entered into with individuals, including loans granted for such purposes to former employees of the Group.

d. Restricted: The Group considers as restricted any asset for which there are circumstances that restrict its disposal and/or use, for example, the loan portfolio given as collateral or guarantee in securitization transactions. For such purposes, the same current valuation criteria applicable to the rest of the loan portfolio are followed. Within the Group's consolidated statement of financial position, loans considered as restricted will be grouped as stage 1, 2, or 3, as the case may be, and according to their nature as commercial, consumer or mortgage. The breakdown of restricted loans is made within the notes to the financial statements and not within the structure of the Group's consolidated statement of financial position.

Undrawn lines of credit are recorded in memorandum accounts under "Loan commitments."

At the time of contracting, transactions with letter of credits are recorded in memorandum accounts under "Loan commitments" which, when drew down by the client or its counterparty, are transferred to the loan portfolio.

The outstanding balance of the loan and related interest are classified in risk stages ranging from 1 to 3.

Stage 1 loan portfolio-

Loans in which the risk has not increased significantly from their initial recognition to the date of the financial statements and that do not meet the conditions to be considered stage 2 or 3 in terms of this criterion. The portfolio associated with this stage of impairment is the loan portfolio that is less than 30 days past due.

Stage 2 loan portfolio-

Loans that show a significant increase in 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. The portfolio associated with this stage of impairment is more than 30 days past due and less than 90 days past due.

Stage 3 loan portfolio-

Loans with credit impairment originated by the occurrence of one or more events that have a negative impact on expected future cash flows. The loan portfolio with 90 or more days past due is classified in this stage.

– Mortgage loans with periodic repayment of principal and interest, which are 90 or more days past due.

– Client checking accounts that do not have authorized credit line showing overdrafts will be reported as Stage 3 portfolio at the date of the overdraft.

– Borrowers declared bankrupt, except for those loans that continue to receive payments and that were granted for the purpose of maintaining the ordinary operation of the company and the necessary liquidity during the bankruptcy proceeding, in accordance with the provisions of Section VIII of Article 43 of the Commercial Bankruptcy Law, in accordance with the provisions of Article 75 in connection with Sections II and III of Article 224 of the Commercial Bankruptcy Law.

– Immediate collection documents referred to in Accounting Criterion B-1, "Cash and Cash Equivalents," of the Commission when not collected within the allotted period (2 or 5 days as appropriate).

In relation to maturity terms referred to in the preceding paragraphs, monthly periods can be used, regardless of the number of days in each calendar month, according to the following equivalences: (i) 30 days are equivalent to a month; (ii) 60 days are equivalent to two months; and (iii) 90 days are equivalent to three months.

Loans classified as stage 3 that are restructured or renewed will remain within the same stage of impairment, provided there is no evidence of sustained payment.

Sustained payments

It is considered that there is sustained payment when the borrower shows compliance of payment without delay for the aggregate amount of principal and interest for three consecutive repayments of the loan with respect to repayments of less than or equal to 60 days, or two repayments with respect to loans with periods over 61 and less than 90 calendar days, and with respect to loans with repayments covering periods of more than 90 calendar days, one repayment.

When the repayment periods agreed in the restructuring or renewal are not homogeneous, the number of periods representing the longest term must be considered for purposes of crediting sustained payment.

For restructurings in which payment periodicity is modified to shorter periods, the number of repayments of the original loan schedule must be considered.

In the case of consolidated loans, if two or more loans have originated the transfer to a portfolio with stage 2 or stage 3 credit risk, in order to determine the required repayments, the original payment schedule of the loan the repayments of which are equivalent to the longest term must be taken into account.

In any case, in demonstrating that there is sustained payment, the entity must make available to the Commission evidence that justifies that the borrower has the ability to pay at the time the restructuring or renewal is carried out in order to meet the new loan conditions.

The elements to be taken into account for the purposes of the preceding paragraph are at least the following: probability of default, guarantees granted to the restructured or renewed loan, the priority of payment with respect to other creditors and the liquidity of the borrower in view of the new financial structure of the financing.

Regarding loans with a single repayment of principal at maturity, regardless of whether the payment of interest is periodic or upon maturity, it is considered that there is a sustained payment of the loan upon the occurrence of any of the events below:

a) the borrower has covered at least 20% of the original amount of the credit at the time of restructuring or renewal, or else,

b) the amount of interest accrued was covered according to the payment plan for restructuring or renewal corresponding to a 90-day term.

Loans that are restructured or renewed on more than once, that have been agreed with a single repayment of principal at maturity, regardless of whether the interest payment is periodic or at maturity, will credit sustained payment of the loan when:

a) The borrower covers at least 20% of the outstanding principal on the date of the new restructuring or renewal;

b) The amount of interest accrued under the new restructuring or renewal payment scheme corresponding to a period of 90 days has been covered and at least said period has elapsed, and

c) The entity has elements that justify the borrower’s ability to pay. In the case of commercial loans, such elements must be duly documented and included into the credit file.

Prepayment of restructured or renewed loans, other than those with a single principal repayment at maturity, regardless of whether interest is paid periodically or at maturity, is not considered a sustained payment. Such is the case of repayments of restructured or renewed loans that are repaid without having elapsed the calendar days equivalent to the required periods.

In any case, loans that, due to a restructuring or renewal, are transferred to a category with greater credit risk, must remain in said stage for a minimum of three months in order to prove sustained payment and consequently be transferred to the immediately following stage with lower credit risk, except with respect to restructured or renewed loans that have been granted for a term of less than or equal to six months and that are not consecutively restructured or renewed for the same term. The foregoing will not be applicable to loans with repayment of principal at maturity, regardless of whether the payment of interest is periodic or at maturity, in which case a term of 90 days will be applicable.

Profit or loss from renegotiations-

In the restructuring of loans in stages 1 and 2 of credit risk, the Group recognizes the effect of the associated gain or loss as a deferred credit or charge under the caption "Deferred items" in the consolidated statement of financial position, which are amortized against income for the year based on the effective interest rate.

Financial factoring, discount and assignment agreement of credit rights-

At the beginning of the transaction, the value of the portfolio received is recognized against the cash outflow, recording the agreed value as other accounts payable and, if applicable, as deferred credit the financial income to be accrued deriving from operations of factoring, discount or assignment of credit rights.

The deferred credit income referred-to in the above paragraph will be determined, if applicable, by the difference between the value of the portfolio received reduced by the advance rate and cash outflow. This accruable financial income must be recognized in deferred credits and prepaid expenses and amortized under the straight-line method for the life of the credit under "Interest income."

If the transaction generates interest, it will be recognized as accrued.

The amount of advances granted, if any, will be recognized as part of the financial factoring, discount or assignment of credit rights, within commercial credits loans.

Financial asset derecognition-

The Group only derecognizes a financial asset when the related contractual rights expire or when the Group transfers the financial asset because of: a) the contractual rights to receive the cash flows derived from the financial asset are transferred, or b) the contractual rights to receive the cash flows derived from the financial asset are retained, while assuming the contractual obligation to pay these cash flows to a third party.

When a portion of the financial asset is derecognized, the Group must:

a) Derecognize the portion of the transferred financial asset based on the most recent carrying amount, including, if applicable, the proportional part of the estimates and/or supplementary accounts associated with the financial asset. If applicable, the respective proportion of the unapplied or unrecognized effects associated with the financial asset must be recognized in the results of the year.

b) Recognize the payments received from or incurred by the transaction, while considering any new financial assets and assumed obligations at fair value. For recognition purposes, the Group utilizes an accounting criterion reflecting the nature of the payment in question.

c) Recognize in the results of the year the gain or loss derived from the difference between the carrying value of the eliminated portion of the financial asset and the sum of (i) the received or incurred collections (recognized at fair value) and (ii) the effect (profit or loss) if any, the accrued valuation recognized in stockholders' equity.

Special accounting criteria, derived from the events caused by hurricane OTIS

Due to the unfortunate events caused by Hurricane Otis, which had severe effects in the state of Guerrero, the Ministry of Security and Citizen Protection, in accordance with applicable regulations, issued on October 26, 2023, through press release number BDE-007-2023, the "Resolution" declaring an Emergency Situation for the state of Guerrero due to the occurrence of severe rain and strong winds on October 24, 2023.

In this regard, pursuant to Article 175, first paragraph, of the 'General Provisions Applicable to Credit Institutions,' the National Banking and Securities Commission has decided to temporarily issue, through official letter P-307/2023 dated October 27, 2023, special accounting criteria for borrowers whose domicile or credits with payment sources are situated in the areas affected by the event mentioned in the aforementioned 'Resolution' from the preceding paragraph.

The support programs consist of granting borrowers a deferral of principal and/or interest payments for up to six months and will be applicable with respect to consumer, housing and commercial loans, and for customers who are classified as stage 1 and 2 as of October 24, 2023, observing that the accession procedures must be completed no later than April 30, 2024.

The special accounting criteria are detailed below:

1. Loans with "single payment of principal at maturity and periodic interest payments, as well as loans with single payment of principal and interest at maturity", which are restructured or renewed, will not be transferred to the next higher risk stage in accordance with the provisions of Paragraph 99 of B-6 Loan Portfolio contained in Schedule 33 of the Banking Regulations. This is provided that the borrowers are classified as stage 1 or 2 as of October 24, 2023, according to paragraph 10 and 11 of B-6.

2. For loans with "periodic payments of principal and interest", which are restructured or renewed, they may remain in the same risk category, without the provisions of Paragraphs 104 and 105 of B-6 being applicable. This is provided that the borrowers are classified as stage 1 and 2 portfolio as of October 24, 2023, according to paragraphs 10 and 11 of B-6.

3. Loans that from their inception are stipulated to be revolving, which are restructured or renewed by April 30, 2024, may not be transferred to the next higher risk stage in accordance with the provisions of Paragraph 100 of B-6. This benefit may not exceed 6 months from the original maturity date of the transactions and may only be applied to drawdowns authorized or agreed as of October 24, 2023, provided that the borrowers are classified as stage 1 or 2 portfolio on that date, according to paragraph 10 and 11 of the B-6.

4. In connection with the loans mentioned in the preceding paragraphs, these operations shall not be considered as restructured in accordance with Paragraph 35 of Criterion B-6.

5. In the event of including write-offs, forgiveness, bonuses or discounts on the loan balance to support borrowers, the Institutions may defer the creation of allowances for loan losses. When the amount of write-offs, forgiveness, bonuses or discounts is greater than the allowances for loan losses, a reserve for the difference will be established for a period not to exceed 12 months.

For the application of the special accounting criteria described above, the Group applied the following:

- The Institution did not make any contractual modifications that explicitly or implicitly consider the capitalization of interest or the charging of any restructuring fee.

- For revolving loans to individuals, the credit facilities previously authorized or agreed as of October 24, 2023 did not restrict, decrease or cancel more than 50% of the undrawn portion of such facilities.
- For revolving loan facilities agreed with entities, the credit facilities previously authorized or agreed as of October 24, 2023 did not restrict or cancel the previously authorized credit facilities.
- It did not request additional guarantees or substitution.
- Documented the new conditions through evidence of the agreement between the parties (by e-mail).

(n) Allowance for loan losses-

As of December 31, 2023 and 2022, the Group recognizes allowance for loan losses based on the following:

i) Commercial loan portfolio-

Large Enterprises and Enterprises-

The commercial portfolio classified under "Enterprises" is comprised of Enterprises with annual net sales over $130 and USD 50 million and Enterprises with annual net sales over $60 and below $130 that belong to the same business group. Also, the commercial portfolio classified under "Large Enterprises" is comprised of Large Enterprises with annual net sales over USD 50 million. It excludes clients with Investment Projects (Specialized Lending) and Medium and Small Mortgage Promoters.

It should be noted that, within the Enterprises universe, Business/Corporate Credit Cards are considered, provided that it is demonstrated that the counterparty is a client with an Enterprise rating, their sales are, at all times, greater than or equal to $60 and less than USD 50 million, and they belong to a business group.

Clients that make up the group of Large Promoters called G9 are excluded from the Promoter Profile, which, due to their business characteristics, sales volume, housing developments and size of their resources, mainly, are different from the common universe of promoters, and should be considered as clients with a corporate profile, as well as clients of PEMEX and CFE. The group of clients called "Large G9 Promoters" are qualified according to their annual sales volume by the corporate tools and are selected mainly for their business characteristics, sales volume, housing developments and size of their resources.

Pursuant to official communication 121-1/14591541/2022, dated January 10, 2022, the Commission authorized the implementation plan of the Internal Methodologies for reserves and allowances based on Mexican FRS C-16, to determine the allowance for loan losses by credit risk level for BBVA's six relevant portfolios as of January 2022, including the Enterprises and Large Enterprises portfolios. The foregoing, in accordance with the provisions of Article 139 Bis 3, section I, of the Regulations. Said methodology was estimated with information as of September 2019.

Calculation of the expected credit loss requires a temporary structure during the life of the transaction and is based on the following components, in accordance with the minimum requirements for own estimates of risk parameters provided for in Schedule 15 Bis of the Regulations:

- Probability of Default (PD): An estimate of the likelihood of default over a given time horizon.

- Loss Given Default (LGD): An estimate of the loss arising in case a default. It is based on the difference between the contractual cash flows due and those that lender would expect to receive, including from any collateral.

- Exposure at Default (EAD): An estimate of exposure at a future date of default, taking into account expected changes in the exposure after the reporting date, including expected repayments and drawdowns on committed facilities (CCFs).

- Term to maturity.

- Discount rate: To discount an expected loss to present value at the reporting date using the annual interest rate of the transaction, which should be determined in accordance with the original terms and conditions of the contract.

- Prospective Scenarios: The design of prospective scenarios is crucial, supplementing historical experience by introducing scenarios that enable the Group to proactively identify potential future situations. This involves considering market outlooks and the economic and financial environment in which the Group operates. BBVA Research, a specialized division within BBVA, is responsible for crafting internal prospective scenarios for various processes of the Group, including those utilized in estimating allowances under FRS C-16. These scenarios undergo updates at least annually. Detailed descriptions of these prospective scenarios can be found in the 'Situación México' reports, accessible on BBVA's website under Corporate Information -> Economic Studies -> Publications.

The procedures for estimating the probability of default, loss given default and exposure at default, for appropriately assigning and modifying the level of credit risk of exposures are consistent and in accordance with the criteria for recognizing the level of credit risk of a borrower, in stages 1, 2 or 3, including prospective scenarios.

The assessment of expected loan losses is contingent on one of two time horizons, determined by whether the borrower's credit risk has significantly increased since origination. In cases where an increase is identified (step 2), expected credit losses will be computed over the entire lifespan of the asset. Alternatively, if there is no significant increase, provisions will be established based on the 12-month expected credit losses. For impaired assets (step 3), the calculation of expected credit losses will extend over the life of the asset.

In accordance with the Regulations and since the Group applies internal reserve methodologies based on FRS C-16, it maintains as part of its credit risk policies the qualitative criteria to identify and categorize the loan portfolio, based on the increase in the level of credit risk. This criterion is applied from the time of origination and throughout the life of the loan, even if it has been renewed or restructured, allowing the portfolio to be classified by level of credit risk, in stage 1, stage 2 or stage 3. This is in addition to the quantitative criteria for default on payments of the portfolios, as defined in note 3 paragraph (m).

Small and medium-sized enterprises-

Pursuant to official communication 121-1/14591541/2022, dated January 10, 2022, the Commission authorized the implementation plan of the Internal Methodologies for reserves and allowances based on Mexican FRS C-16, to determine the allowance for loan losses by credit risk level, as of January 2022 of the "Small and Medium-Sized Enterprises" portfolio. The foregoing, in accordance with the provisions of Article 139 Bis 3, Section I of the Regulations.

In November 2022, BBVA requested approval from the CNBV to update the Implementation Plan for the Consumer Non-Revolving (CNR) and Small and Medium-Sized Enterprises (SME) portfolios, to defer the determination of allowance for loan losses under Internal Reserve Methodologies under Mexican FRS C-16.

Therefore, as of December 31, 2023 and 2022, the SME portfolio is rated under the standardized approach.

Commercial Loans other that for Large Enterprises and Enterprises-

The Group considers PD, LGD and EAD for rating the commercial loan portfolio other than the Large Enterprises and Enterprises groups, in accordance with the provisions of the Regulations.

I. The amount of the allowance for loan losses of each loan in stage 1 and 3 will be the result of applying the following equation:

$$Reserves\ Stage\ 1\ or\ 3_i = R_i = PD_I\ x\ \ LGD_I\ x\ EAD_i$$

Where:

$Reserves\ Stage\ 1\ or\ 3_i$	=	Amount of allowance for loan losses to be recorded for the i-th loan that is in stage 1 or 3, as applicable.
PD_I	=	Probability of Default of the i-th loan.
LGD_I	=	Severity of the Loss on the i-th loan.
EAD_i	=	Exposure to Default on the i-th loan.

II. For stage 2 loans, the allowance for the full life of loans will be estimated as follows:

a) For loans with periodic principal and interest payments and revolving loans:

$$Full\ Life\ Reserves_i = \frac{PD_i \times LGD_i \times EAD_i}{(1+r_i)} * \left[\frac{1-(1-PD_i)^n}{PD_i}\right] - \frac{PD_i \times LGD_i \times PAYMENT_i}{r_i(1+r_i)} * \left[\frac{1-(1-PD_i)^n}{PD_i}\right] + \frac{PD_i \times LGD_i \times PAYMENT_i}{r_i(r_i+PD_i)} * \left[1-\left(\frac{1-PD_i}{1+r_i}\right)^n\right]$$

b) For loans with a single payment at maturity of principal and interest or a single repayment of principal at maturity and periodic payment of interest:

$$Full\ Life\ Reserves_i = \frac{PD_i \times LGD_i \times EAD_i}{(r_i+PD_i)} * \left[1-\left(\frac{1-PD_i}{1+r_i}\right)^n\right]$$

Where:

$Full\ Life\ Reserves_i$	=	Amount of the estimate to be established for the i-th stage 2 loan.
PD_i	=	Probability of Default of the i-th loan.
LGD_i	=	Severity of the Loss on the i-th loan.
EAD_i		Exposure to Default on the i-th loan.
r_i		Annual interest rate of the i-th loan charged to client.
n		Remaining term of the i-th loan, number of years that, in accordance with the contract, remains to repay the loan at the portfolio rating date.
$PAYMENT_i$		Theoretical annual amortizable payment of the i-th loan, defined as:

$$PAYMENT_i = EAD_i \times (1 + r_i) * \frac{(1 - (1 + r_i)^{-1})}{(1 - (1 + r_i)^{-n})}$$

The amount of reserves for stage 2 loans will be the result of applying the following equation:

$$Reserves\ Stage\ 2_i = Max\ (Full\ Life\ Reserves_i, PD_I\ x\ \ LGD_I\ x\ EAD_i)$$

PD_i will be calculated according to the following equation:

$$PD_i = \frac{1}{1 + e^{-(500 - Total\ Credit\ Score_1)\ x\ \frac{1n(2)}{40}}}$$

For purposes of the foregoing:

The total credit score of each borrower will be obtained by using the following equation:

$$Total\ Credit\ Score_i = \alpha\ x\ (QCSt_i) + (1 - \alpha)\ x\ (QCSl_i)$$

Where:

Quantitative Credit Scorei $(QCSt_i)$	=	The score obtained for the i-th borrower when evaluating the risk factors according to the Regulations.
Qualitative Credit Scorei $(QCSl_i)$	=	The score obtained for the i-th borrower when evaluating the risk factors according to the Regulations.
α	=	The relative weight of the quantitative credit score stated in Schedule 21 or 22 of these provisions, as applicable.

Unsecured loans-

The LGD_i of commercial loans which are not covered by security interests in real property, or personal or credit-derived collateral will be:

a. 45%, for preferred positions classified under Schedule 18, 19, 20 and 22

b. 55% for preferred positions classified under Schedule 21

c. 75%, for Subordinated Positions, in the case of syndicated loans, those which for purposes of their priority of payment are contractually subordinated in relation to other creditors.

d. 100%, for loans which are 18 months or more in arrears for the amount due and payable under the original terms.

The EAD_i will be determined based on the following:

I. For used balances of uncommitted credit lines which may be canceled unconditionally or which in practice allow for an automatic cancellation at any time and without prior notice:

$$EAD_i = S_i$$

II. For credit facilities that do not meet the requirements described in the preceding section:

a) For loans classified under Schedule 22 that have a drawn balance as of the rating date:

$$EAD_i = Max\left(S_i, S_i + \left(0.3824 \times \left(\frac{S_i}{Authorized\ Credit\ Line}\right)^{0.3362}\right) \times (Authorized\ Credit\ Line - S_i)\right)$$

If the facility does not have a drawn balance as of the rating date:

$$EAD_i = Max\left(S_i, 0.07 \times (Authorized\ Credit\ Line)\right)$$

b) For loans classified under Schedule 21 that have a drawn balance as of the rating date:

$$EAD_i = Max\left(S_i, S_i + \left(0.2243 \times \left(\frac{S_i}{Authorized\ Credit\ Line}\right)^{0.3107}\right) \times (Authorized\ Credit\ Line - S_i)\right)$$

If the facility does not have a drawn balance as of the rating date:

$$EAD_i = Max\left(S_i, 0.07 \times (Authorized\ Credit\ Line)\right)$$

Where:

S_i	=	The outstanding balance of the i-th loan at the rate date, which represents the amount of loan granted to the borrower, adjusted for accrued interest, less payments of principal and interest, as well as any reduction, forgiveness, rebate and discount granted. In any case, the amount subject to classification must not include uncollected accrued interest recognized in memorandum accounts on the statement of financial position for loans classified within portfolio stage 3.
$Authorized\ Credit\ Line$		The maximum authorized amount of the credit line at the classification date.

The Group may recognize the security interests in real property, or personal or credit-derived collateral in the estimate of the LGD, with the aim of decreasing the reserves derived from the portfolio classification, according to the Regulations.

Acceptable collateral may be financial and nonfinancial. Also, collateral is recognized only if it complies with the requirements established by the Commission in the Regulations.

ii) Portfolio of States and their municipalities (governments)-

For rating states and municipalities, the Group considers the PD, LGD and EAD factors under the Regulations, as follows:

I. The amount of allowance for loan losses of each loan in stage 1 and 3 shall be the result of using the following equation:

$$Reserves\ Stage\ 1\ or\ 3_i = R_i = PD_I\ x\ \ LGD_I\ x\ EAD_i$$

Where:

$Reserves\ Stage\ 1\ or\ 3_i$	=	Amount of allowance for loan losses to be recorded for the i-th loan that is in stage 1 or 3, as applicable.
PD_I	=	Probability of Default of the i-th loan.
LGD_I	=	Severity of the Loss on the i-th loan.
EAD_i	=	Exposure to Default on the i-th loan.

II. For stage 2 loans, the allowance for the full life of loans will be estimated as follows:

c) For loans with periodic principal and interest payments and revolving loans:

$$Full\ Life\ Reserves_i = \frac{PD_i \times LGD_i \times EAD_i}{(1+r_i)} * \left[\frac{1-(1-PD_i)^n}{PD_i}\right] - \frac{PD_i \times LGD_i \times PAYMENT_i}{r_i(1+r_i)} * \left[\frac{1-(1-PD_i)^n}{PD_i}\right] + \frac{PD_i \times LGD_i \times PAYMENT_i}{r_i(r_i+PD_i)} * \left[1-\left(\frac{1-PD_i}{1+r_i}\right)^n\right]$$

d) For loans with a single payment at maturity of principal and interest or a single repayment of principal at maturity and periodic payment of interest:

$$Full\ Life\ Reserves_i = \frac{PD_i \times LGD_i \times EAD_i}{(r_i + PD_i)} * \left[1 - \left(\frac{1 - PD_i}{1 + r_i}\right)^n\right]$$

Where:

$Full\ Life\ Reserves_i$	=	Amount of the estimate to be established for the i-th stage 2 loan.
PD_i	=	Probability of Default of the i-th loan.
LGD_i	=	Severity of the Loss on the i-th loan.
EAD_i		Exposure to Default on the i-th loan.
r_i		Annual interest rate of the i-th loan charged to client.
n		Remaining term of the i-th loan, number of years that, in accordance with the contract, remains to repay the loan at the portfolio rating date.
$PAYMENT_i$		Theoretical annual amortizable payment of the i-th loan, defined as:

$$PAYMENT_i = EAD_i \times (1 + r_i) * \frac{(1 - (1 + r_i)^{-1})}{(1 - (1 + r_i)^{-n})}$$

The amount of reserves for stage 2 loans will be the result of applying the following equation:

$$PAYMENT_i = EAD_i \times (1 + r_i) * \frac{(1 - (1 + r_i)^{-1})}{(1 - (1 + r_i)^{-n})}$$

PD_i will be calculated according to the following equation:

$$PD_i = \frac{1}{1 + e^{-(500 - Total\ Credit\ Score_1)\ x\ \frac{1n(2)}{40}}}$$

For purposes of the foregoing:

The total credit score of each borrower will be obtained by using the following equation:

$$Total\ Credit\ Score_i = \alpha\ x\ (QCSt_i) + (1 - \alpha)\ x\ (QCSl_i)$$

Where:

$QCSt_i$	=	Quantitative Credit Score = IA + IB + IC + ID + IE
$QCSl_i$	=	Qualitative Credit Score = IIA + IIB
IA	=	Current income to current expense.
IB	=	Public investment to total expenditures.
IC	=	Financing to total participations.
ID	=	Average days of delinquency with credit institutions.
IE	=	Percentage of balance without days in arrears with the Group in the last 7 months considering the month of calculation.
IIA	=	Strength and flexibility of the regulatory and institutional framework for budget approval and execution, as well as for the approval and imposition of local taxes.
IIB	=	Transparency in public finances and public debt.

With respect to loans to States and Municipalities, described in section I of Schedule 18, institutions must determine the allowances as the product of the percentage of reserves by the EAD_i. The above, regardless of the fact that institutions must estimate and report the calculation of the PD_i.

A) When the loan is Guaranteed State Debt, in accordance with the provisions of the Law of Financial Discipline for Federal Entities and Municipalities, the credit reserve will be 0.5% of the EAD_i.

B) When loans have as their primary source of payment a specific percentage of the General Participation Fund (*Fondo General de Participaciones*), Funds corresponding to Branch 28 or Federal Contribution Funds, including those that in addition to said primary source have as a subsidiary source of payment the borrower's own income or other types of resources that do not come from Federal Funds, its credit reserve will be determined by applying the relevant percentage based on the debt service coverage ratio (DSCR) in accordance with the following table.

Range over DSCR	Percentage
3 < DSCR	0.0050
2 < DSCR <= 3	0.0066
1.5 < DSCR <= 2	0.0082
1 < DSCR <= 1.5	0.0107
0.75 < DSCR <= 1	0.0344
DSCR <= 0.75	0.0975

C) If the primary source of payment of the loan is the borrower's own income, the loan reserve will be the percentage that applies according to the DSCR in the following table:

Range over DSCR	Percentage
3 < DSCR	0.0064
2 < DSCR <= 3	0.0084
1.5 < DSCR <= 2	0.0105
1 < DSCR <= 1.5	0.0137
0.75 < DSCR <= 1	0.0493
DSCR <= 0.75	0.1242

The debt service coverage ratio is calculated as follows:

$$Debt\ service\ coverage\ ratio = \frac{PS}{SD}$$

Where:

PS	=	Estimate of the flow assigned as primary source of payment of the loan for the following 12 months from the rating date.
SD	=	Principal and interest payments to be made by the borrower during the following 12 months from the rating date.

Unsecured loans-

The LGD_i of the loans granted to States or Municipalities which are not covered by security interests in real property, or personal or credit-derived collateral will be:

a. 45%, for preferred positions.

b. 100%, for loans which are 18 months or more in arrears for the amount due and payable under the original terms of the loan.

The EAD_i will be determined using the following equation:

I. For balances drawn on uncommitted lines of credit, which are unconditionally cancellable or, in practice, that allow for automatic cancellation at any time and without prior notice, the following shall be considered:

$$EAD_i = S_i$$

II. For credit facilities that do not meet the requirements described in the preceding section:

c. For loans rated under Schedule 22 with a drawn balance as of the rating date:

$$EAD_i = Max\left(S_i, S_i + \left(0.3824 \times \left(\frac{S_i}{Authorized\ Credit\ Line}\right)^{0.3362}\right) \times (Authorized\ Credit\ Line - S_i)\right)$$

If the facility does not have a drawn balance as of the rating date:

$$EAD_i = Max\left(S_i, 0.07 \times (Authorized\ Credit\ Line)\right)$$

d. For loans classified under Schedule 21 that have a drawn balance as of the rating date:

$$EAD_i = Max\left(S_i, S_i + \left(0.2243 \times \left(\frac{S_i}{Authorized\ Credit\ Line}\right)^{0.3107}\right) \times (Authorized\ Credit\ Line - S_i)\right)$$

If the facility does not have a drawn balance as of the rating date:

$$EAD_i = Max\left(S_i, 0.07 \times (Authorized\ Credit\ Line)\right)$$

Where:

S_i	=	The outstanding balance of the i-th loan at the classification date, which represents the amount of loan granted to the borrower, adjusted for accrued interest, less payments of principal and interest, as well as any reduction, forgiveness, rebate and discount granted. In any case, the amount subject to classification must not include uncollected accrued interest recognized in memorandum accounts on the balance sheet for loans classified within stage 3.
$Authorized\ Credit\ Line$		The maximum authorized amount of the credit line at the classification date.

The Group may recognize the security interests in real property, or personal or credit-derived collateral in the estimation of the LGD of the credits, for the purpose of reducing the allowance for loan losses derived from the portfolio classification, according to the accounting criteria.

Admissible security interests in real property may be financial and nonfinancial. Furthermore, only those security interests in real property which comply with the requirements established by the Commission are recognized.

Allowances for the commercial loan portfolio, established by the Group as a result of the loan rating, are classified according to the risk levels and percentages shown below:

Risk Level	**Ranges of Percentage of Allowances**		
A-1	0.00%	to	0.90%
A-2	0.90%	to	1.50%
B-1	1.50%	to	2.00%
B-2	2.00%	to	2.50%
B-3	2.50%	to	5.00%
C-1	5.00%	to	10.00%
C-2	10.00%	to	15.50%
D	15.50%	to	45.00%
E	Greater than 45.00%		

iii) Mortgage loan portfolio-

The portfolio classified as “Mortgage” is comprised of loans made to clients - individuals - within the general public that had access to digital and/or physical services and complied with the requirements determined by the BBVA México, for the acquisition, construction, remodeling or improvement of housing for non-commercial speculative purposes secured by the borrower’s home, as well as liquidity loans also secured by the borrower’s home.

Pursuant to official communication 121-1/14591541/2022, dated January 10, 2022, the Commission authorized the implementation plan of the Internal Methodologies for reserves and allowances based on Mexican FRS C-16, to determine the allowance for loan losses by credit risk level for BBVA's six relevant portfolios as of January 2022, including the Mortgage portfolio. The foregoing, in accordance with the provisions of Article 139 Bis 3, section I, of the Regulations. Said methodology was estimated with information as of September 2019.

Calculation of the expected credit loss requires a temporary structure during the life of the transaction and is based on the following components, in accordance with the minimum requirements for own estimates of risk parameters provided for in Schedule 15 Bis of the Regulations:

- PD: An estimate of the likelihood of default over a given time horizon.

- LGD: An estimate of the loss arising in case a default. It is based on the difference between the contractual cash flows due and those that lender would expect to receive, including from any collateral.

- EAD: An estimate of exposure at a future date of default, taking into account expected changes in the exposure after the reporting date, including expected repayments and drawdowns on committed facilities (CCFs).

- Term to maturity.

- Discount rate: To discount an expected loss to present value at the reporting date using the annual interest rate of the transaction, which should be determined in accordance with the original terms and conditions of the contract.

- Prepayment rates: consider the prepayment amount in the contractual future cash flows of the loans.

- Prospective Scenarios: The design of prospective scenarios is crucial, supplementing historical experience by introducing scenarios that enable the Group to proactively identify potential future situations. This involves considering market outlooks and the economic and financial environment in which the Group operates. BBVA Research, a specialized division within BBVA, is responsible for crafting internal prospective scenarios for various processes of the Group, including those utilized in estimating allowances under FRS C-16. These scenarios undergo updates at least annually. Detailed descriptions of these prospective scenarios can be found in the 'Situación México' reports, accessible on BBVA's website under Corporate Information -> Economic Studies -> Publications.

The procedures for estimating the probability of default, loss given default and exposure at default, for appropriately assigning and modifying the level of credit risk of exposures are consistent and in accordance with the criteria for recognizing the level of credit risk of a borrower, in stages 1, 2 or 3, including prospective scenarios.

Expected credit losses will be assessed for one of the two time horizons, depending on whether the borrower's credit risk has increased significantly since origination. If it has increased (step 2), expected credit losses will be calculated over the life of the asset. If not, provisions will be based on the 12-month expected credit losses. Expected credit losses on impaired assets (step 3) will be expected credit losses over the life of the asset.

iv) Non-revolving consumer portfolio-

Pursuant to official communication 121-1/14591541/2022, dated January 10, 2022, the Commission authorized the implementation plan of the Internal Methodologies for reserves and allowances based on Mexican FRS C-16, to determine the allowance for loan losses by credit risk level as of January 2022 of the "Consumer Non-Revolving" portfolio. The foregoing, in accordance with the provisions of Article 139 Bis 3, Section I of the Regulations.

In November 2022, BBVA requested approval from the CNBV to update the Implementation Plan for the Consumer Non-Revolving (CNR) and Small and Medium-Sized Enterprises (SME) portfolios, to defer the determination of allowance for loan losses pursuant to Internal Reserve Methodologies under Mexican FRS C-16.

Therefore, as of December 31, 2023 and 2022, the SME portfolio is rated under the standard approach.

Pursuant to Resolution issued by the Commission on January 6, 2017, the Group determines reserves under this methodology, which considers PD, LGD and EAD factors, as described below follows:

The amount of the allowance for loan losses of each loan shall be the result of applying the following equation:

$$R_i = PD_i^x \; x \; LGD_i^x \; x \; EAD_i^x$$

Where:

R_i	=	Amount of the allowance for loan losses to be created for the i-th loan.
PD_i^x	=	Probability of default of the i-th loan, classified as ABCD (B), automobile (A), payroll (N), personal (P), other (O).
LGD_i^x	=	Loss Given Default of the i-th loan, classified as ABCD (B), automobile (A), payroll (N), personal (P), other (O).
EAD_i^x	=	Exposure to Default of the i-th loan.
x	=	Super index that indicates the loan type corresponding to ABCD (B), automobile (A), payroll (N), personal (P), other (O).

For rating non-revolving consumer portfolio, the Group considers a loss model according to the following:

- PD = it is determined based on the loan type classification (B, A, N, P and O), depending on the delays, incorporating in their determination risk coefficients with specific values established in the Regulations for each loan type, borrower's payment behavior variables within the Group and other entities of the Mexican Financial System, mainly.

- LGD = it is determined based on the loan type classification (B, A, N, P and O), depending on the delays, incorporating in their determination SP percentages in the observed delays at the rating date.

- EAD = corresponds to the principal and interest balance of each non-revolving consumer loan upon the portfolio rating.

Allowances for the consumer portfolio that do not include credit card transactions, established by the Group as a result of the loan rating, are classified according to the risk levels and percentages shown below:

Risk Level	Ranges of Percentage of Allowances		
A-1	0.00%	to	2.00%
A-2	2.01%	to	3.00%
B-1	3.01%	to	4.00%
B-2	4.01%	to	5.00%
B-3	5.01%	to	6.00%
C-1	6.01%	to	8.00%
C-2	8.01%	to	15.00%
D	15.01%	to	35.00%
E	35.01%	to	100.00%

v) Revolving consumer portfolio (credit cards)-

The commercial portfolio classified as "Credit Card" is identified through transactions related to loans made to clients -individuals- who have been authorized a revolving facility for personal use.

Pursuant to official communication 121-1/14591541/2022, dated January 10, 2022, the Commission authorized the implementation plan of the Internal Methodologies for reserves and allowances based on Mexican FRS C-16, to determine the allowance for loan losses by credit risk level for BBVA's six relevant portfolios as of January 2022, including the Credit Card portfolio. The foregoing, in accordance with the provisions of Article 139 Bis 3, section I, of the Regulations. Said methodology was estimated with information as of September 2019.

Calculation of the expected credit loss requires a temporary structure during the life of the transaction and is based on the following components, in accordance with the minimum requirements for own estimates of risk parameters provided for in Schedule 15 Bis of the Regulations:

- Probability of Default (PD): An estimate of the likelihood of default over a given time horizon.
- Loss Given Default (LGD): An estimate of the loss arising in case a default. It is based on the difference between the contractual cash flows due and those that lender would expect to receive, including from any collateral.
- Exposure at Default (EAD): An estimate of exposure at a future date of default, taking into account expected changes in the exposure after the reporting date, including expected repayments and drawdowns on committed facilities (CCFs).
- Term to maturity.
- Discount rate: To discount an expected loss to present value at the reporting date using the annual interest rate of the transaction, which should be determined in accordance with the original terms and conditions of the contract.

- Prospective Scenarios: The design of prospective scenarios is crucial, supplementing historical experience by introducing scenarios that enable the Group to proactively identify potential future situations. This involves considering market outlooks and the economic and financial environment in which the Group operates. BBVA Research, a specialized division within BBVA, is responsible for crafting internal prospective scenarios for various processes of the Group, including those utilized in estimating allowances under FRS C-16. These scenarios undergo updates at least annually. Detailed descriptions of these prospective scenarios can be found in the 'Situación México' reports, accessible on BBVA's website under Corporate Information -> Economic Studies -> Publications.

The procedures for estimating the probability of default, loss given default and exposure at default, for appropriately assigning and modifying the level of credit risk of exposures are consistent and in accordance with the criteria for recognizing the level of credit risk of a borrower, in stages 1, 2 or 3, including prospective scenarios.

Expected credit losses will be assessed for one of the two time horizons, depending on whether the borrower's credit risk has increased significantly since origination. If it has increased (step 2), expected credit losses will be calculated over the life of the asset. If not, provisions will be based on the 12-month expected credit losses. Expected credit losses on impaired assets (step 3) will be expected credit losses over the life of the asset.

vi) Restructuring-

A restructuring process is a transaction derived from any of the following situations:

a) The extension of credit enhancements given for the loan in question, or

b) The modification of original credit or payment scheme conditions, which include:

  – Change of interest rate for the remainder of the term of the loan;

  – Change of currency or account unit, or

  – Granting of a grace period regarding the payment obligations detailed in the original credit terms, unless this concession is granted after the originally- agreed period, in which case it is considered as a renewal.

Restructuring transactions do not include those which, at the date on which the agreements are amended, indicate payment compliance for the full amount due of principal and interest and which only modify one or more of the following original credit conditions:

Guarantees: only when they imply the extension or substitution of credit guarantees for others of higher quality.

Interest rate: when the agreed interest rate improves.

Currency: provided the respective rate is applied to the new currency.

Payment date: only if the change does not mean exceeding or modifying payment periodicity. Modifying the payment date must not permit nonpayment in any given period.

A renewal is a transaction that extends the term of the loan during or upon maturity or when the loan is paid at any time by using the proceeds generated by another loan incurred with the same entity in which one of the parties is the same debtor or another person with equity shareholding relationships that constitute joint risk. A loan is not considered to be renewed when borrowings are made during the term of a pre-established credit facility.

If a restructuring or renewal process is used to consolidate different loans granted to the same borrower in a single loan, the treatment applied to the total debt balance resulting from this restructuring or renewal process reflects the rating given to the worst rated among the component loans.

Performing loans other than those with a single principal payment and the payment of interest accrued periodically or at maturity, which are restructured or renewed before at least 80% of the original credit period has elapsed are only considered performing when the borrower has a) settled all accrued interest, and b) paid the principal of the original loan amount which was due at the renewal or restructuring date.

If all the conditions described in the preceding paragraph are not fulfilled, loans are classified as non-performing from their restructuring or renewal date and until evidence of sustained payment is obtained.

Performing loans other than those involving a single principal payment and the payment of interest periodically or at maturity, which are restructured or renewed during the final 20% of the original credit period are only considered as performing when the borrower has a) settled all accrued interest; b) paid the original loan amount due at the loan renewal or restructuring date and, c) paid 60% of the original loan amount.

If all the conditions described in the preceding paragraph are not satisfied, loans are classified as non-performing from their restructuring or renewal date and until evidence of sustained payment is obtained.

Loans involving a single principal payment and the payment of interest periodically or at maturity and which are restructured during the credit period or renewed at any time are classified as non-performing portfolio until evidence of sustained payment is obtained.

Loans which are initially classified as revolving and which are restructured or renewed at any time are only considered as performing when the borrower has settled all accrued interest, the loan has no overdue billing periods and the elements needed to verify the borrower’s capacity to pay are available, ergo, it is highly likely that the borrower will settle the outstanding payment.

Deductions, forgiveness, bonuses and discounts, that is, the forgiven amount of the loan repayment in part or in full, are recorded with a charge to the allowance for loan losses. In the event that the amount thereof exceeds the balance of the estimate associated with the loan, estimates are previously made up to the amount of the difference.

vii) Write-offs, eliminations (financial write-offs) and loan portfolio recoveries-

The Group periodically evaluates whether a stage 3 loan should remain on the statement of financial position, be eliminated, or written off. Write-offs and eliminations are made by writing off the unpaid balance against the allowance for loan losses. Within the credit manual, the policies and elements that prove the practical impossibility of recovery are established. When the unpaid balance exceeds the associated estimate, before making the write-off, the missing amount of the estimate is increased.

In the elimination, past due loans that are provisioned at 100% may be derecognized, even when they meet, after the date of their removal from the balance, the conditions to be written off.

Any recovery derived from loans previously written off pursuant to the Regulations shall be recognized in the results of the year within the heading of allowance for loan losses.

When the balance of the allowance for loan losses has exceeded the amount required pursuant to the Regulations, the differential must be canceled in the period in which said changes occur against the results of the year, affecting the same item that originated it, that is, the allowance for loan losses.

(o) Securitization with transfer of ownership-

By securitizing the mortgage loan portfolio with transfer of ownership, the Group (the "Transferor") transfers the financial assets through a securitization vehicle (the "Trust"), to enable the latter to issue securities through an intermediary (the "Group") to be placed among the general investing public, which represent the right to the returns or the proceeds from the securitized financial asset, and as consideration the Transferor receives cash and a certificate granting it the right to the remaining flows from the Trust after payment of the certificates to their holders.

On December 17, 2007, the Commission authorized the Group, through Document 153/1850110/2007, registered in the National Securities Register of the Share Certificate Issuance Program up to the amount of $20,000 or its equivalent in UDIs with an effective term of five years as of the authorization date; such program is revolving.

The benefit valuation methodology applied to the securitized transaction residual is detailed below:

- The Group has tools to measure and quantify the impact of securitized transactions on the statement of financial position and consolidated income statement based on the cost of funding, release of capital, reserves and liquidity levels when structuring issuances and during the life thereof.

- The valuation system measures the follow-up of certificate performance and the subordinated portions recorded by the Financial Group and, if applicable, it also values the bond position to consider its possible sale on a secondary market. The valuation model is used to calculate the Group's constant historical prepayment rate computation, the mortality rate, current credit percentage, interest rate, issuance amount and value of guarantees with respect to the loan guarantee, among other items.

During 2022, trust 881 was extinguished. As of the end of 2023 and 2022, there are no securitization trusts in the Group.

The characteristics of securitization contracts are detailed in Note 14.

(p) Receivables from insurance and bonding companies-

Premiums receivables represent balances of premiums which age is lower than the agreed term or than 45 days, according to the provisions of the CNSF. If said age is exceeded, they are written-off against net income.

(q) Other accounts receivable, net-

The Group's sundry debtors that are not recovered within 90 or 60 days after their initial recording, depending on whether debtors are identified or not, respectively, are 100% reserved against results for the year in accordance with the practical solution stated in FRS C-16.

This caption includes the balance of loans to employees. Interest accrued on these loans is shown under "Other operating income (expenses)" in the consolidated statement of comprehensive income.

(r) Net foreclosed assets or received through payment in kind-

Property acquired through legal foreclosure must be recorded on the date on which the foreclosure ruling is issued and final.

Property that has been received as payment is recorded on the date the payment deed is signed, or on which the transfer of ownership of the property has been formalized.

The recognition value of the foreclosed assets will be:

a) the lower of the gross carrying amount of the asset giving rise to the foreclosure and the net realizable value of the assets received, when the entity's intention is to sell those assets to recover the amount receivable; or

b) the lower of the gross carrying amount of the asset giving 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 recording date of the foreclosed assets or assets received through payment in kind, the value of the asset which originated the foreclosure, as well as its respective reserve, must be canceled from the statement of financial position, or the portion involving accrued or overdue payments settled through the partial payments in accordance with the Regulations.

The difference arising from the recording of the asset and the derecognition of the portfolio and allowance associated with the loan is recognized in income as other operating income (expense).

Upon sale of the foreclosed property, spread between the sales price and the carrying value of the awarded property, net of allowances, must be recorded directly in earnings for the year under "Other operating income (expenses)."

Foreclosed property is valued according to the type of property in question, recording an allowance for awarded property against earnings for the year under heading "Other operating income (expenses)."

Considering the foregoing, and in observance of the Regulations, the determination of the allowances for personal or real estate property foreclosed or received in payment over a period of time, is computed based on the tables shown below, depending on the type of property in question.

Allowance for personal property

Time elapsed as of repossession or payment in kind (months)	Allowance percentage
Up to 6	0%
More than 6 and up to 12	10%
More than 12 and up to 18	20%
More than 18 and up to 24	45%
More than 24 and up to 30	60%
More than 30	100%

Allowance for real estate property

Time elapsed as of repossession or payment in kind (months)	Allowance percentage
Up to 12	0%
More than 12 and up to 24	10%
More than 24 and up to 30	15%
More than 30 and up to 36	25%
More than 36 and up to 42	30%
More than 42 and up to 48	35%
More than 48 and up to 54	40%
More than 54 and up to 60	50%
More than 60	100%

(s) Property, plant and equipment, net-

Recorded at acquisition cost. Assets acquired prior to December 31, 2007 were restated by applying factors derived from UDI up to that date. Related depreciation and amortization are recorded by applying a given percentage based on the estimated useful life of such assets to the cost restated to that date.

Depreciation is determined based on the cost or the cost restated until 2007, as appropriate using the straight-line method as of the month following of the acquisition date, using the following rates:

Real estate	2.50%
Construction	1.30%
Construction components:	
Elevators	3.30%
Power plants	2.80%
Pipelines	2.80%
Air conditioners	2.80%
Computer equipment	25.00%
ATMs	12.50%
Furniture and equipment	10.00%
Vehicles	25.00%
Security equipment	10.00%

The estimated useful lives, residual value and depreciation method of construction and its components, are reviewed at the end of each year, and the effect of any change in estimate is recognized initially recorded on a prospective basis.

Maintenance and minor repair expenses are recognized in results for the year when they are incurred.

(t) Leases-

The Group assesses whether a contract is, or contains, a lease contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in FRS D-5 "Leases."

The Group recognizes a right-of-use asset and a lease liability on the lease inception date.

The right-of-use asset is initially measured at cost, comprising the initial amount of the lease liability adjusted for any lease payments made on or before the inception date, plus initial direct costs incurred, less lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from inception date to the end of the lease, unless the lease transfers ownership of the underlying asset to the Group at the end of the lease or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as property and equipment. Depreciation of the asset is recorded in income under depreciation.

The right-of-use asset is reduced periodically for impairment losses, if applicable, and adjusted for certain revaluations of the lease liability such as changes in the amount of rent due to inflation adjustment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate embedded in the lease or, if that rate cannot be readily determined, the incremental financing rate of the Group or the risk-free rate determined with reference to the term of the lease.

The Group has defined a homogeneous mechanism to determine the Unsecured discount rate according to the financing costs in each geography, with respect to the remaining term of each commitment and integrating the liquidity risk to reflect the terms of the lease (such as the lease term and currency in which payments are denominated) and the type of asset leased. This is because the cost is not clearly expressed, nor directly by the tenants, thus avoiding subjective differences in determination.

The lease payments included in the valuation of the lease liability comprise the following:

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

The lease liability is valued at amortized cost using the effective interest method, and is subsequently revalued according to the following conditions:

- there is a change in future lease payments arising from a change in an index or rate;

- there is a change in the Group's estimate of the amount expected to be paid under a residual value guarantee;
- if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or
- if there is a fixed payment in substance of modified lease.

When the lease liability has been revalued in accordance with the foregoing, an adjustment is made to the book value of the right-of-use asset, or it is recorded in income if the book value of the right-of-use asset has been reduced to zero.

According to the negotiations with lessors, the Group can make advance rent payments for one, two and up to three years, which reduce the balance of the lease liability according to the periodicity of the payment.

Short-term leases and leases of low-value assets

The Group has decided not to recognize right-of-use assets and lease liabilities of low-value assets and short-term leases, including the lease of branches and offices.

The Group recognizes the lease payments associated with these leases as a straight-line expense over the lease term.

(u) Impairment of long-lived assets in use-

The Group periodically tests the net book value of long-lived assets to determine whether there is any indication that such value exceeds its recovery value. The recovery value represents the amount of potential net income reasonably expected to be obtained as a result of the use or realization of such assets.

If it is determined that net book value exceeds recovery value, the Group records the required allowances. When it is intended to sell the assets, these are recorded in the financial statements at the lower of net book value or realizable value. The assets and liabilities of a group classified as available-for-sale are shown separately in the consolidated statement of financial position.

(v) Equity investments-

Are represented by those equity investments made by the Group in entities over which it has significant influence but lacks control and are initially recorded at acquisition cost and subsequently valued by the equity method. The dividends received are decreased from the equity investment.

Furthermore, there are other equity investments which are recorded at acquisition cost and the dividends received from these investments are recognized in results for the year, except when they refer to profits from periods before the acquisition, in which case they are recorded as a reduction to the equity investment.

(w) Goodwill-

Goodwill recognized in a business acquisition represents the future economic benefits arising from assets acquired in a business acquisition that are not individually identified and separately recognized, which is evaluated following the provisions of FRS C-15 "Impairment in long-lived assets," subjecting it to impairment tests annually and when signs of impairment appear.

(x) Income tax and employee profit-sharing-

Income tax and profit-sharing payable for the year are determined in conformity with the tax regulations in effect.

Deferred income tax and profit-sharing are accounted for under the asset and liability method.

Deferred income tax and profit-sharing assets and liabilities are recognized for the future tax consequences attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and for operating loss carry forwards and other recoverable tax credits. Deferred income tax and profit-sharing assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax and profit-sharing assets and liabilities of a change in tax rates is recognized on the statement of income in the period that includes the enactment date.

The income tax and profit-sharing, current and deferred, are presented and classified in the results of the period, except those that originate from a transaction recognized under "Other Comprehensive Income" (OCI) or directly in an item of stockholders' equity.

Uncertain tax treatments are recognized in both accrued and deferred income taxes and the income taxes generated by a distribution of dividends.

(y) Advanced payments and other assets and intangibles-

Advance payments and other assets: includes disbursements made in advance for expenses and commissions as of December 31, 2023 and 2022, and it amounts to $3,067 and $3,712, respectively.

Intangibles: as of December 31, 2023 and 2022 is made up of software and computer developments, that are originally recorded at the value disbursed and the amortization thereof with a defined life is calculated in a straight line at a rate of 20% and the amounts are $5,198 and $4,699, respectively.

(z) Traditional deposits-

Deposits funding comprises demand and time deposits from the general public, as well as those obtained in money market transactions, negotiable instruments issued and the global deposit account without transactions, which are integrated as described below:

a. Demand deposits. Include checking accounts, savings accounts, and checking account deposits, among others.

b. Time deposits. Include, among others, withdrawable certificates of deposit on pre-determined days, bank acceptances and promissory notes with return payable at maturity captured from the general public and through money market transactions, the latter referring to term deposits made with other intermediaries. financial institutions, as well as treasuries of companies and government entities.

c. Negotiable instruments issued. Made up of, among others, bank bonds and stock certificates.

The Group, when calculating the effective interest rate, estimates the expected cash flows considering all the contractual terms of the Financial Instrument payable (such as prepayment, extension, early repayment and other similar options). The calculation includes all fess and other charges paid or received between the parties to the contract that are part of the effective interest rate, such as interest, fess, commissions and other items paid in advance, as well as transaction costs and all other premiums or discounts.

d. Global deposit account without transactions. Includes the principal and interest of the deposit-taking instruments that do not have a maturity date, or if they have a maturity date, are automatically renewed, and past due and unclaimed transfers or investments. If in the course of three years from when the funds are held in the global deposit account without transactions, the amount of which does not exceed, per account, the equivalent of 300 units of measurement (UMAS, from its Spanish acronym), they will be forwarded to public welfare, the Group will be required to report the funds corresponding to public welfare within a maximum period of fifteen days from December 31 of the year in which the aforementioned event occurs.

Traditional deposit-taking interests are recognized in results as they are accrued under “Interest expense.”

Issuance expenses, as well as the discount or premium in the placement, are recognized as a deferred charge or credit, as the case may be, which is amortized in results as it accrues as expenses or interest income, as appropriate, taking into consideration the term of the instrument that gave rise to it in proportion to the maturity of the instruments.

Valuation of the traditional deposits is at amortized cost through the effective interest rate.

(aa) Bank and other borrowings-

Bank and other borrowings comprise loans from domestic and foreign banks. Interest is recognized on an accrual basis under “Interest expenses.” Valuation is at amortized cost through the effective interest rate.

(ab) Employee benefits-

Short-term direct benefits

Short-term direct employee benefits are recognized in the consolidated results of the period as 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.

Long-term direct benefits

The Group’s net obligation regarding direct long-term benefits the Group is expected to pay after 12 months from the date of the most recent consolidated statement of financial position is the amount of future benefits that the employees have obtained in exchange for their service in the current and previous years. This benefit is discounted to determine its present value. Remeasurements are recognized in income in the period in which they accrue.

Severance benefits

A liability for severance benefits and a cost or expense is recognized when the Group has no realistic alternative other than to face the payments or cannot withdraw the offer of those benefits, or when it meets the conditions to recognize the costs of a restructuring, whichever occurs first. If they are not expected to be settled within 12 months after the end of the fiscal year, then they are discounted.

Post-employment benefits

Defined contribution plans

Obligations for contributions to defined contribution plans are recognized in income as the related services are rendered by the employees. Contributions paid in advance are recognized as an asset to the extent that the advance payment gives rise to a reduction in payments to be made in the future or to a cash reimbursement.

Defined benefit plans

The Group's net obligation relating to defined benefit pension plans, seniority premiums, benefits upon death, sports club benefits and statutory severance payments, is calculated on a separate basis for each plan, estimating the amount of future benefits earned by employees and in the current and previous years, deducting and deducing the fair value of the plan assets from such amount.

Calculation of the obligation for the defined benefit plans is performed on an annual basis by actuaries, 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 any curtailment in future contributions thereto. To calculate the present value of the economic benefits, any minimum financing requirement must be taken into consideration.

The labor cost of the current service, which represents the cost of the employee benefit period for having completed one more year of working life based on the benefit plans, is recognized in operating expenses. The Group determines the net interest expense (income) on the net liability (asset) for defined benefits of the year, by multiplying the discount rate used to measure the defined benefit obligation by the net liability (asset) defined at the beginning of the reporting annual period, considering changes in the net liability (asset) from the defined benefits during the period as result of the estimations of the contributions and benefit payments. Net interest and labor cost are recognized as part of the cost of the year as administrative expenses.

The amendments to the plans that affect the cost for services provided are recognized in earnings immediately in the year where said amendment occurs, without the possibility for deferral in subsequent years. Furthermore, the effects of any severance events or obligations curtailment for the period, which significantly reduce the cost of future services and/or significantly reduce the population subject to benefits, respectively, are recognized in earnings for the period.

Any remeasurement (before actuarial gains and losses) resulting from differences between the projected and actual actuarial assumptions by the end of the period are recognized in the period where they are incurred within the stockholders' equity.

(ac) Technical reserves-

The Group creates and measures technical reserves in accordance with the terms and provisions established by the Law of Insurance and Bonding Institutions and with the general rules issued by the CNSF in Title 5 of the Insurance regulations.

The technical reserves are established and measured in relation to all insurance and reinsurance obligations that the Group has assumed before the insured and beneficiaries of insurance and reinsurance contracts, the administration expenses, as well as the acquisition cost assumed in relation thereto.

To create and assess technical reserves, actuarial methods based on the application of actuarial practice standards indicated by the CNSF through general regulations, are used, and considering the information available in the financial markets, as well as the information available on technical insurance and reinsurance risks. The valuation of these reserves is assessed and validated by an independent actuary registered with the CNSF.

Regarding the technical reserves related to catastrophic risks and other reserves that the CNSF determined in accordance with the Law, the Group used the actuarial methods of creation and measurement established by the CNSF through general regulations.

The most significant aspects of their calculation and accounting are as follows:

i) Reserve for current risks

The Group registered with the CNSF the technical notes and the actuarial methods used for creating and measuring the current risk reserve.

The purpose of this reserve is to cover the expected value of future obligations (best estimate), from the payment of claims, benefits, acquisition and administration expenses, as well as any other future obligation derived from the insurance contracts, plus a risk margin.

The best estimate will be equal to the expected value of the future cash flows, considering income and expenses, of obligations, understood as the weighted average by probability of these cash flows, considering the temporary value of money based on the curves of market-risk free interest rate for each currency or monetary unit provided by the independent price vendors, as of the valuation date.

The hypothesis and procedures with which the future cash flows of obligations are determined, based on which the better estimate will be obtained, were defined by the Group in the method recorded for the calculation of the best estimate. For purposes of calculating the future cash flows of revenues, the premiums that upon valuation are overdue and outstanding are not considered, nor are the fractional payments accounted for in “Insurance premium receivable” in the consolidated statement of financial position.

Special mathematical reserve for pensions has the purpose of setting aside any required resources for the Group to face potential increases in the survival indexes of insured population.

Reserve for pension additional benefits has the purpose of setting aside any required resources for the Group to face future rents of additional benefits offered to its pensioners. The Group registered before the CNSF the technical notes and actuarial methods used to set up and value this reserve.

Multiannual insurance

In the case of multiannual policies, the reserve for current risks is the best estimate of the future obligations for the year of validity concerned, plus the gross premium corresponding to future cumulative annuities including the expected return of such annuities, during the validity of the policy and the risk margin. The acquisition cost shall be deduced from the premiums corresponding to future annuities and, if applicable, for accounting effects, shall be recorded at the date of issuance separately from the reserve.

The Group considers as multiannual policies, those insurance contracts whose lifetime is more than one year and except those long-term life insurance or insurance with contingent future premiums and their devolution is not anticipated at the time of extinction of the risk.

Catastrophic risk insurance

The Group determines the balance of reserve for current risks of the coverage for earthquake, hurricane and other hydrometeorology risks, based on the non-accrued annual risk premium, and applying the technical basis included in the Insurance regulations.

In the case of policies including risks which, because of their characteristics, cannot be valued on the basis of these technical criteria, mainly reinsurance taken abroad or covered goods located overseas, the reserve for current risks is calculated as the non-accrued part of the retained risk premium, the premium being set as 35% of the issues premiums of each of the policies effective at the date of valuation.

Risk margin

This is calculated by determining the net cost of capital corresponding to the Own Admissible Funds required to support the Solvency Capital Requirement (SCR), necessary to meet the Group's insurance and reinsurance obligations for the duration of the covered risk period. For purposes of valuation of the current risk reserve, the SCR obtained on September 30, 2021. If there are relevant increases or decreases in the amount of the Group's obligations as of the report date, the Group makes adjustments to this risk margin, which allows to recognize the increase or decrease the margin may have from the situations mentioned. In these cases, the Insurance Commission is informed of the adjustment made and the procedures used to make this adjustment.

Risk margin is determined for each insurance line and type, according to the term and currency considered in calculating the best estimate of the corresponding retained insurance obligation.

The net capital cost rate used to calculate the risk margin is 10%, equivalent to the additional interest rate, in relation to the market-risk free interest rate that an insurance institution would require to cover the capital cost demanded to maintain the amount of Own Admissible Funds supporting the corresponding SCR.

ii) Outstanding claims provision

The establishment, increase, valuation and recording of the outstanding claims provision is made through estimating obligations using the actuarial methods that the Group has registered for such purposes with the CNSF.

The purpose of this provision is to cover the expected value of accidents, benefits, guaranteed values or dividends, once the contingency provided for in the insurance contract occurs, plus a risk margin.

The amount of the outstanding claims provision will be equal to the sum of the best estimate and of a risk margin, which are calculated separately and in terms of Title 5 of the Insurance regulations.

This reserve includes the following:

Outstanding claims provision for claims and other obligations of known amount

– These are the outstanding obligations at closing of the period from claims reported, past due rents, guaranteed values and dividends accrued, among others, whose amount payable is determined upon valuation and is not likely to have adjustments in the future, the best estimate, for purposes of establishing this reserve is the amount corresponding to each one of the obligations known upon valuation.

For a future obligation payable in installments, the current value of future payment flows is estimated, discounted using the market-risk free interest rate curves for each currency or monetary unit, plus the risk margin calculated according to the provisions in force.

In case of reinsurance ceded operations, the corresponding recovery is recorded simultaneously.

Outstanding claims provision for claims incurred but not reported and adjustment expenses–

– These are the obligations that arise from claims that having occurred as of the valuation date, have not yet reported or have not been completely reported, as well as the adjustment, salvage and recovery expenses. The reserve upon valuation is determined as the best estimate of future obligations, brought to the present value using discount rates corresponding to the market-risk free interest rate curves for each currency or monetary unit, plus the risk margin calculated according to the provisions in force. In case of reinsurance ceded operations, the corresponding recovery is recorded simultaneously.

For purposes of calculating the reserve, a claim is defined as have not been completely reported when having occurred on dates prior to valuation of such accident, future claims or adjustments in addition to the estimates initially made, may derive.

Risk margin

This is calculated by determining the net cost of capital corresponding to the Own Admissible Funds required to support the Solvency Capital Requirement (SCR), necessary to meet the Group’s insurance and reinsurance obligations for the duration of the covered risk period. For purposes of valuation of the current risk reserve, the SCR obtained on September 30, 2021. If there are relevant increases or decreases in the amount of the Group’s obligations as of the report date, the Group makes adjustments to this risk margin, which allows to recognize the increase or decrease the margin may have from the situations mentioned. In these cases, the CNSF is informed of the adjustment made and the procedures used to make this adjustment. The risk margin is determined according to the term and currency considered in calculating the best estimate of the corresponding insurance obligation.

The net capital cost rate used to calculate the risk margin is 10%, equivalent to the additional interest rate, in relation to the market-risk free interest rate that an insurance institution would require to cover the capital cost demanded to maintain the amount of Own Admissible Funds supporting the corresponding SCR.

Reserve for pending obligations for administration of overdue payments and benefits

It corresponds to the administration of the sums entrusted by the insured or their beneficiaries to the Group for endowments, the best estimate of future obligations with which the reserve is created, it is the known amount of each of said obligations and, if any, the yields to be accredited to said amounts.

iii) Catastrophic risk insurance

Earthquake and/or volcanic eruption coverage

The purpose of this reserve is to cover the maximum likely loss of the Group in connection with the occurrence of catastrophic casualties in the underwritten obligations related to earthquake and volcanic eruption events. The reserve is cumulative and may only be affected in the event of casualties, and under certain situations included in the Law, with the CNSF prior approval. Increases to the reserve require the release of the current risk reserve for the earthquake insurance line and the capitalization of financial income. The balance of this reserve has a limit, determined by the technical procedure established in the rules issued by the CNSF.

Hurricane and other hydrometeorology risks

The purpose of this reserve is to cover the maximum likely loss of the Group in connection with the occurrence of catastrophic casualties in the underwritten obligations related to hurricane and other hydrometeorology risk insurance. The reserve is cumulative and may only be affected in the event of casualties, and under certain situations included in the Law, with the CNSF prior approval. Increases to the reserve require the release of the current risk reserve for the hurricane and other hydrometeorology risks insurance line and the capitalization of financial income. The balance of this reserve has a limit, determined by the technical procedure established in the rules issued by the CNSF.

iv) Reserve for contractual obligations

This reserve comprises the annuities to pensioners or beneficiaries, which claim period has expired but they have not been claimed and there is no evidence of their death or lost eligibility, respectively.

v) Contingency reserve

The funds of this reserve are intended for facing an adverse deviation in the obligations derived from the demographic hypotheses used in determining the pension amounts, which translates into excess obligations as a result of a change in the mortality rate provided for by the adopted demographic table.

vi) Reserve for investment fluctuations

Its purpose is assisting the institutions faced with possible variants in their investment yields. It is comprised by a portion of the financial yield derived from the difference between the investment yields of the institutions and the minimum yields credited to their technical reserves, without the balance exceeding the 50% of the gross solvency requirement, determined in provision 5.11.6 of the Insurance regulations.

(ad) Reinsurance-

Current

Transactions arising from reinsurance contracts, both ceded and inwards entered into by the Group, are shown under heading “Accounts receivable to reinsurers and bonding reinsurers” in the consolidated statement of financial position; for presentation purposes, the credit balances by reinsurers company are reclassified to the corresponding heading under liabilities.

Reinsurance assumed

Transaction arising from reinsurance assumed are accounted for depending on the statements of account received from cedants, which in general are prepared monthly, an aspect that causes the deferral of a month in the recording of premiums, losses, commissions, etc.

Reinsurance ceded

The Group limits the amount of its liability for risks assumed through the distribution with reinsurers companies, through automatic and facultative contracts, ceding to such reinsurance a portion of the premium.

The Group has a limited retention capacity in all lines of insurance and contracts stop-loss coverage, that basically cover life, accidents and casualty transactions.

Reinsurance recoverable amounts

The Group registers the participation of reinsurers in the current risk reserves and for obligations not yet complied with for incurred but not reported losses and adjustment expenses allocated to the loss, as well as the expected amount of future obligations arising from reported losses.

The Group’s management determines the estimate of the recoverable amounts for the participation of the reinsurers in the reserves mentioned in the preceding paragraph, considering the temporary differences between reinsurance recoveries and direct payments and the likelihood of recovery, as well as the expected loss from noncompliance of the counterparty. Methodologies for calculation of this estimate are registered with the CNSF and the effect is recognized in the consolidated income statement for the year.

Pursuant to the CNSF regulations, recoverable amounts from reinsurance contracts with counterparties that do not have an authorized register, cannot cover the Investment Base and cannot be part of the Acceptable Own Funds.

(ae) Provisions-

The Group has as a general parameter that provisions are recognized when it has a present obligation resulting from a past event, which is likely to result in an outflow of economic resources, and that can be estimated reasonably.

The accounting treatment of an item as a provision or as a contingent liability depends on the degree of uncertainty of the future outflow of economic resources to fulfill an obligation or, in the case of contingent assets, the uncertainty of the receipt of economic benefits for recover the asset. Therefore, the uncertainty levels defined in FRS A-1 as probable, possible and remote are the basis for accounting recognition.

Finally, these long-term provisions are recognized at present value using the internal deposit rate.

(af) Foreign currency transactions-

Transactions denominated in foreign currency are recorded in the currency of the operation and valued at the exchange rate determined by the Central Bank. Monetary assets and liabilities denominated in foreign currency are valued in local currency at the exchange rate at the end of day of each period, issued by the Central Bank. The differences in changes incurred in relation to assets or liabilities contracted in foreign currency are recorded in the results for the year.

Gain (loss) on foreign currency purchase-sale transactions originates from the difference between the exchange rates used to buy or sell foreign currency, including adjustment to the final position, valued at the exchange rate referred to in the previous paragraph.

(ag) Financial margin-

The Group's financial margin consists of the difference resulting from interest income less interest expense.

Interest income

Interest income comprise returns generated by the loan portfolio, depending on the terms established in agreements entered into with the borrowers and agreed upon interest rates, financial income accrued in financial leasing, financial factoring, discount and assignment of credit rights, amortization of interest collected in advance, as well as premiums and interest on deposits in financial institutions, shorter-term interbank loans or equal to three business days, margin accounts, investments in financial instruments, repurchase agreements and securities loans, the accrual of fees and commissions charged for the initial granting of loan, income and amortization of losses on renegotiations, dividends from capital financial instruments; as well as premiums for debt placement.

Similarly, valuation adjustments derived from items denominated in investment units (UDIS) or in some other general price index, the effect of credit valuation in VSM or UMA, as well as the exchange profit are considered interest income, provided said items come from positions related to income or expenses that are part of the financial margin.

Interest earned on loans made is included in earnings as it accrues. Interest on past-due portfolio is included in earnings until it is collected.

Fees charged for loan origination are recorded as deferred revenues under "Deferred items," of the consolidated statement of financial position, which is amortized against income for the year under the caption "Interest income," through the effective interest rate over the life of the loan, except for those originated by the granting of credit cards, which are recognized directly in income. Credit card annuity fees are recognized as a deferred credit and which are amortized over a 12-month period, which are recorded under the caption "Commissions and fees charged."

Interest expense

Interest expenses include discounts and interest for deposits from the Group, interbank loans, repurchase agreements and securities lending and subordinated obligations, as well as issuance and discount expenses for debt placement. Amortization based on the effective interest rate over the term of the loan of the costs and expenses associated with the initial granting of the loan, as well as losses and amortization of gains on renegotiations, are part of interest expense. In addition to expenses from hedging transactions and trading derivative financial instruments transactions, as well as those premiums paid for early redemption of financial instruments that qualify as liabilities.

Also, interest expenses are considered to be the valuation adjustments derived from items denominated in UDIs or in some other general price index, as well as the loss on changes in positions, provided said items come from assets or liabilities related to expenses or income that are part of the financial margin.

Transaction costs

The amortization of costs and expenses associated with the making of loan (transaction costs), the effect of renegotiating the loan portfolio, those derived from lease liabilities and the financial effect of provisions considered in Interest expense (as well as the loan origination fee, transaction costs must also be amortized with the effective interest rate starting in 2023).

(ah) Commissions and fees charged and paid-

The commissions and fees collected and paid are those generated by banking services and loan portfolio maintenance transactions. Fees recognized after the initial loan origination, those incurred as part of the maintenance of such loans, or those collected for other reasons than the granting are recognized in results when they are incurred.

Commissions and fees for loans received, placement of bank debt (other than those associated with its issuance) and for the provision of services, among others, of management, transfer, custody or management of funds, trustee activities, and for the granting of guarantees.

Commissions and fees related to the use or issuance of credit cards are also part of this item, either directly as commissions and fees for the first and subsequent annuities, inquiries or plastic issuance, or indirectly as those charged to affiliated establishments.

Income and expenses from commissions and similar fees are recognized against the consolidated income statement using different criteria, depending on their nature. The most significant are:

a. Those linked to financial assets and liabilities valued at fair value through profit and loss are recognized at the time of collection/payment.

b. Those originating from transactions or services that last over time are recognized over the life of such transactions or services.

c. Those that respond to a singular act are recognized when the act that originates them occurs.

At the inception of the agreement, performance obligations and their respective satisfaction timelines are identified and determined. It is noteworthy that the Group's revenue agreements are devoid of multiple performance obligations.

(ai) Salvage revenue-

Salvage revenue is recorded as an asset and a reduction in the loss ratio cost on the date on which it become known and recorded at the estimated realization value.

(aj) Memorandum accounts-

(i) Own account transactions:

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

– *Contingent assets and liabilities:*

Formal claims that may involve any liability for the Group.

– *Loan commitments:*

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

Said items recorded in this account are subject to loan rating.

– *Assets in trust or under mandate:*

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

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

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

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

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

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

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

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

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

As long as the income accrued from the management of trusts is suspended from accrual and not collected, control thereof is kept in memorandum accounts. In the event that such accrued income is collected, it is recognized directly in the results of the year.

– *Assets in custody or under management:*

Cash and securities owned by the clients under custody, guarantee and management are reflected in the respective memorandum accounts and were valued based on the price delivered by the price vendor.

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

– *Collateral received by the entity:*

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

– *Collateral received and sold or given in guarantee by the entity:*

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

– *Uncollected earned interest derived from Stage 3 loan portfolio:*

Interest accrued is recorded in memorandum accounts once a portfolio loan is transferred to past-due portfolio.

– *Other registration accounts:*

Other book accounts are mainly made up of guarantees received by the Group, among others.

(ii) Transactions on behalf of third parties:

Represented by cash deposits from clients, securities in custody and transactions entered into on behalf of clients. Cash is deposited at banks in accounts other than those owned by the Group. Valuation of assets in custody, related to securities or certificates that qualify as securities, is carried out at fair value. For transactions on behalf of third parties, these are valued addressing the nature of the transaction, that is, investments in securities, repurchase agreements, securities lending and derivatives.

(ak) Contingencies-

Significant contingency-related obligations or losses are accounted for when materialization becomes likely and there are reasonable elements for quantification. In the absence of these reasonable elements, a disclosure is included on a qualitative basis in the notes to the financial statements. Contingent revenues, profits or assets are recorded when there is certainty about their realization.

(4) Fair value of financial instruments-

Fair value hierarchy

Not all financial assets and liabilities are recognized at fair value, so the information referring to financial instruments recognized at fair value is broken down below, and subsequently that referring to instruments valued at amortized cost. For the latter, the fair value presented is not applied in accounting, except for those in which the book value is the best approximation of its fair value.

a. Financial instruments recognized at fair value

The financial instruments recognized at fair value, as well as the valuation methods, assumptions and inputs used to determine the fair value of instruments classified within level 2 and 3 as of December 31, 2023 and 2022:

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	2023						
	Level 1	Level 2	Level 3	Total			
Assets							
Negotiable financial instruments							
Fixed Income	133,603	159,869	1,451	294,923	Price provided by Valmer		
Variable Income	139,426	694	463	140,583	Price provided by Valmer		
Financial instruments to collect or sell							
Fixed Income	212,264	57,398	1,219	270,881	Price provided by Valmer		
Variable Income	-	-	-	-	Price provided by Valmer		
Derivatives for trading purposes							
Forwards	-	34,628	263	34,891	- Equity futures and forwards: Discounted cash flows	- Exchange rates - Futures prices quoted in the market - Market interest rates - Underlying asset prices: stocks; funds; - Volatilities observed in the market - Issuer credit spread levels - Quoted dividends - Correlations quoted in the market	- Implicit correlations between tenors - Interest rate volatilities - Volatility of volatility - Implicit asset correlations - Implied long-term volatilities - Embedded derivatives
Options	-	7,460	1,274	8,734	- Options on bonds: Black 76 - Equity Options: Local Volatility, Black 76, Binomial Tree - Exchange Rate Options: Black 76, Local Volatility, Binomial Tree - Other interest rate options: Black 76, SABR and LGM		
Swaps	-	128,938	608	129,546	- Linear interest rate products (Interest rate swaps, Call money swaps and FRA): Discounted cash flows.- Swaptions: Black and LGM - Swaptions: Black and LGM - Constant maturity swaps: SABR		
Derivatives for hedging purposes							
Forwards	21			21			
Swaps		8,644		8,644	- Discounted cash flows. - Swaptions: Black 76 and LGM	- Exchange rates - Futures prices quoted in the market - Market interest rates - Underlying asset prices: stocks; funds; - Volatilities observed in the market - Issuer credit spread levels - Quoted dividends - Correlations quoted in the market	
Loan portfolio valued at fair value		4,380	1,021	5,401	The methodologies and input data used in the options are used to value the complement due to the effect of the embedded options, depending on their type		

Grupo Financiero BBVA México, S. A. de C. V. and Subsidiaries

Liabilities	2023						
	Level 1	Level 2	Level 3	Total			
Derivatives for trading purposes							
Forwards		38,163	64	38,227	- Equity futures and forwards: Discounted cash flows	- Exchange rates - Futures prices quoted in the market - Market interest rates - Underlying asset prices: stocks; funds; commodities - Volatilities observed in the market - Issuer credit spread levels - Quoted dividends - Correlations quoted in the market	- Implicit correlations between tenors - Interest rate volatilities - Volatility of volatility - Implicit asset correlations - Implied long-term volatilities - Embedded derivatives
Options		20,779	8,319	29,098	- Options on bonds: Black 76 - Equity Options: Local Volatility, Black 76, Binomial Tree - Exchange Rate Options: Black 76, Local Volatility, Binomial Tree - Other interest rate options: Black 76, SABR and LGM		
Swaps		128,212	1,222	129,434	- Discounted cash flows - Swaptions: Black and LGM		
Derivatives for hedging purposes							
Swaps			4,804	4,804	- Discounted cash flows - Swaptions: Black and LGM	- Exchange rates - Futures prices quoted in the market - Market interest rates - Underlying asset prices: stocks; funds; commodities - Volatilities observed in the market - Issuer credit spread levels - Quoted dividends - Correlations quoted in the market	

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	2022						
	Level 1	Level 2	Level 3	Total			
Assets							
Negotiable financial instruments							
Fixed Income	99,866	142,845	1,419	244,130	Price provided by Valmer		
Variable Income	721	-	1	722	Price provided by Valmer		
Financial instruments to collect or sell							
Fixed Income	140,840	53,484	54	194,378	Price provided by Valmer		
Variable Income	653	-	-	653	Price provided by Valmer		
Derivatives for trading purposes							
Forwards		26,112	298	26,410	- Equity futures and forwards: Discounted cash flows		
Options	232	6,927	1,017	8,176	- Options on bonds: Black 76 - Equity Options: Local Volatility, Black 76, Binomial Tree - Exchange Rate Options: Black 76, Local Volatility, Binomial Tree - Other interest rate options: Black 76, SABR and LGM	- Exchange rates - Futures prices quoted in the market - Market interest rates - Underlying asset prices: stocks; funds; - Volatilities observed in the market - Issuer credit spread levels - Quoted dividends - Correlations quoted in the market	- Implicit correlations between tenors - Interest rate volatility - Volatility of volatility - Implicit asset correlations - Implied long-term volatilities - Embedded derivatives
Swaps		174,526	407	174,933	- Linear interest rate products (Interest rate swaps, Call money swaps and FRA): Discounted cash flows. - Swaptions: Black and LGM - Constant maturity swaps: SABR		
Derivatives for hedging purposes							
Swaps		6,647		6,647	- Discounted cash flows. - Swaptions: Black and LGM	- Exchange rates - Futures prices quoted in the market - Market interest rates - Underlying asset prices: stocks; funds; commodities - Volatilities observed in the market - Issuer credit spread levels - Quoted dividends - Correlations quoted in the market	
Loan portfolio valued at fair value			5,100	5,100	The methodologies and input data used in the options are used to value the complement due to the effect of the embedded options, depending on their type		

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	2022						
Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**			
Derivatives for trading purposes							
Forwards		27,961	14	27,975	- Equity futures and forwards: Discounted cash flows	- Exchange rates - Futures prices quoted in the market - Market interest rates - Underlying asset prices: stocks; funds; commodities - Volatilities observed in the market - Issuer credit spread levels - Quoted dividends - Correlations quoted in the market	- Implicit correlations between tenors - Interest rate volatility - Volatility of volatility - Implicit asset correlations - Implied long-term volatilities - Embedded derivatives
Options	294	25,738	4,903	30,935	- Options on bonds: Black 76 - Equity Options: Local Volatility, Black 76, Binomial Tree - Exchange Rate Options: Black 76, Local Volatility, Binomial Tree - Other interest rate options: Black 76, SABR and LGM		
Swaps		172,662	1,170	173,833	- Discounted cash flows. - Swaptions: Black and LGM		
Derivatives for hedging purposes							
Swaps		8,820		8,820	- Discounted cash flows. - Swaptions: Black and LGM	- Exchange rates - Futures prices quoted in the market - Market interest rates - Underlying asset prices: stocks; funds; commodities - Volatilities observed in the market - Issuer credit spread levels - Quoted dividends - Correlations quoted in the market	

a.1. Valuation Techniques

The main techniques used for the valuation of instruments classified in Level 2 and 3, as well as the main unobservable inputs, are described below:

– Comparable prices (similar asset prices): prices of comparable instruments and benchmarks are used to calculate its yield from the entry price or current rating making further adjustments to account for differences that may exist between valued asset and it is taken reference. It can also be assumed that the price of an instrument is equivalent to the other.

– Net asset value: this technique employs certain assumptions to use net present value as representative of fair value, which is equal to the total value of the assets and liabilities of a fund published by the managing entity.

– Black 76: variant of Black Scholes model, whose main application is the valuation of bond options, cap / floors and swaptions where the behavior of the forward and not the spot itself, is directly modeled.

– Black Scholes: The Black Scholes model postulates log-normal distribution for the prices of securities, so that the expected return under the risk neutral measure is the risk-free interest rate. Under this assumption, the price of vanilla options can be obtained analytically, so that inverting the Black-Scholes formula, the implied volatility for process of the price can be calculated.

– Local volatility: In the local volatility models, volatility, instead of being static, evolves over time according to the level of moneyness of the underlying, capturing the existence of smiles. The volatility smile of an option is the observed empirical relationship between its implied volatility and its strike price. These models are appropriate in the options whose value depends on the historical evolution of the underlying that uses Monte Carlo simulation for its valuation.

a.2. Quantitative information on unobservable inputs

Quantitative information of the unobservable input data used to calculate Level 3 valuations as of December 31, 2023 and 2022 is presented below:

		2023			
	Significant Unobservable Inputs	**Min**	**Average**	**Max**	**Units**
Derivatives for trading purposes					
Swaps on Interest Rate Underlying	Interest Rate Curves	(0.68%)	4.17%	6.36%	%
Options on Equity Underlying	Equity Volatilities	10	13.66	35.71	vegas
	Equity/Equity and Equity/FX Correlations	(42.24%)	(17.62%)	50.97%	%
	Equity Dividends	2.22	2.22	2.22	MXN
	Equity Repo Margin	(1.75%)	2.22%	13.11%	%

	2022				
	Significant Unobservable Inputs	**Min**	**Average**	**Max**	**Units**
Derivatives for trading purposes					
	Equity Volatilities	10	13.92	28.99	vegas
Options on Equity Underlying	Equity/Equity and Equity/FX Correlations	(7.55%)	50.18%	83.82%	%
Options on Exchange Rate Underlying	Exchange Rate Volatilities	6.79	11.18	12.39	vegas
Options on Interest Rate Underlying	Interest Rate Volatilities	9.48	19.37	27.33	vegas

a.3. Adjustments to the valuation for risk of default

The fair value of liabilities should reflect the entity's default risk, which includes, among other components, its own credit risk. In view of the above, the Group makes valuation adjustments for credit risk on the fair value of its assets and liabilities.

Adjustments are calculated by estimating the exposure at default, the probability of default and the loss given default, which is based on the levels of recoveries, for all derivative products on any underlying, deposits and repurchase agreements at a legal entity level (all counterparties under the same master agreement) with which the Group has exposure.

In the specific case of derivative financial instruments, credit valuation adjustments ("CVA") and debit valuation adjustments ("DVA") are included in the valuation, both assets and liabilities, to reflect the impact on the fair value of the counterparty's credit risk and the Group's own credit risk, respectively.

As a general rule, the calculation of CVA is the sum of the positive expected exposure at date t, the probability of default between t-1 and t, and the LGD. Similarly, DVA is calculated as the sum of the negative expected exposure at date t, the probability of default of BBVA between t-1 and t, and BBVA's LGD. Both calculations are performed over the entire period of the potential exposure. Calculation of the expected positive and negative exposure is done through a Montecarlo simulation of the market variables involved in all trades' valuation under the same legal netting set.

The information needed to calculate the probability of default and the loss given default of a counterparty comes from the credit markets. The counterparty's credit default swaps are used if liquid quotes are available. If a market price is not available, BBVA has implemented a mapping process based on the sector, rating and geography of the counterparty to assign probabilities of default and loss given default calibrated directly to market.

The amounts recorded in the consolidated statement of financial position as of December 31, 2023 and 2022 corresponding to credit risk valuation adjustments of derivative positions amounted to ($395) and ($567) per CVA and, and ($514) and $957 per DVA, respectively. The impact recorded in the comprehensive income statement as of December 31, 2023 and 2022 corresponding to said adjustments amounted to ($172), ($443) and ($208), ($67), respectively.

a.4. Reconciliation of the initial and final balance of Level 3 Financial Instruments

The movement of the balances of financial assets and liabilities recorded at fair value classified in Level 3 that appear in the consolidated balance sheets as of December 31, 2023 and 2022, is shown below:

	2023		2022	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Balance at the beginning	$ 3,197	$ (6,087)	$ 3,122	$ (1,334)
Changes in fair value recognized in profit and loss:				
Realized	(2)	(105)	239	(119)
Unrealized	(400)	164	(885)	18
Changes in fair value recognized in other comprehensive income:				
Purchased	369	-	1,395	-
Sales	(850)	-	(1,110)	-
Derecognition	184	1,291	(163)	146
Issuances	1,337	(6,056)	1,204	(4,847)
Settlements	-	-	-	-
Net inflows / outflows of Level 3	1,227	1,189	(605)	49
Ending balance	$ 5,062	$ (9,604)	$ 3,197	$ (6,087)

Changes in fair value that affected the result of the year were recognized under "Results from the valuation of financial instruments at fair value."

Changes in fair value that affected other comprehensive income were recognized under "Valuation of financial instruments to collect or sell."

a.5. Transfers between levels

The amounts of financial instruments that were transferred between the different levels of the hierarchy during 2023 and 2022 were as follows:

		2023					
	From:	**Level 1**		**Level 2**		**Level 3**	
Assets	**To:**	**Level 2**	**Level 3**	**Level 1**	**Level 3**	**Level 1**	**Level 2**
Negotiable financial instruments							
Debt		$ -	$ -	$ 286	$ 45	$ -	$ 137
Equity		-	-	-	-	-	-
Financial instruments to collect or sell							
Debt		-	-	-	1,212	-	-
Equity		-	-	-	-	-	-
Derivatives for trading purposes							
Forwards		-	-	-	-	-	(9)
Options		-	-	-	154	-	(250)
Swaps		-	-	-	73	-	(116)
Derivatives for hedging purposes							
Swaps		-	-	-	-	-	-
Portfolio at fair value		-	-	-	-	-	-
Total		$ -	$ -	$ 286	$ 1,484	$ -	$ (238)

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From:	Level 1		Level 2		Level 3	
To:	Level 2	Level 3	Level 1	Level 3	Level 1	Level 2
2023						
Liabilities						
Derivatives for trading purposes						
Futures	-	-	-	-	-	-
Options	-	-	-	(1,013)	-	2,207
Swaps	-	-	-	(71)	-	66
Derivatives for hedging purposes						
Futures	-	-	-	-	-	-
Swaps	-	-	-	-	-	-
Total	$ -	$ -	$ -	$ (1,084)	$ -	$ 2,273

From:	Level 1		Level 2		Level 3	
To:	Level 2	Level 3	Level 1	Level 3	Level 1	Level 2
2022						
Assets						
Negotiable financial instruments						
Debt	$ -	$ -	$ -	$ 254	$ -	$ 357
Equity	-	-	-	1	-	-
Financial instruments to collect or sell						
Debt	998	-	-	-	-	-
Equity	-	-	-	-	-	-
Derivatives for trading purposes						
Forwards	-	-	-	-	-	-
Options	-	-	-	12	-	443
Swaps	120,759	-	-	13	-	89
Derivatives for hedging purposes						
Swaps	-	-	-	-	-	-
Portfolio at fair value	-	-	-	-	-	-
Total	$ 121,757	$ -	$ -	$ 280	$ -	$ 889
Liabilities						
Derivatives for trading purposes						
Futures	$ -	$ -	$ -	$ -	$ -	$ -
Options	3,657	86	-	11	-	14
Swaps	115,693	-	-	172	-	305
Derivatives for hedging purposes						
Futures	-	-	-	-	-	-
Swaps	-	-	-	-	-	-
Total	$ 119,350	$ 86	$ -	$ 183	$ -	$ 319

These transfers basically correspond to:

– In capital and debt instruments, reclassifications from hierarchy level 1 to 2 occur mainly when, during the last month, no position or trading price has been observed on at least 90% of the business days. An instrument that, having been classified at level 2 for this reason and in subsequent periods meets said requirement, is reclassified to level 1. Transfers from level 2 to 3 occur when the issuer of the security ceases to trade, enters into default, there is not enough position or market information in electronic trading media (Reuters and Bloomberg), or it presents a static updated price, that is, it is repeated over a long period.

– In OTC derivatives, transfers from Level 2 to Level 3 occur in transaction in which the degree of unobservability in the market data used in the valuation exceeds the defined threshold (10%).

a.6 Sensitivity analysis

Sensitivity analysis is performed on derivative financial instruments with significant unobservable inputs (financial instruments included in level 3), in order to obtain a reasonable range of possible alternative valuations taking into account the nature of the methods and inputs used.

As of December 31, 2023 and 2022, the possible variation in the "Mark to Market" (MtM) derived from the uncertainty in the unobservable parameter, considering the highest (most favorable scenario) or lowest (least favorable scenario) value obtained via the "Additional Valuation-Adjustment" (AVA) calculated for said positions would be:

	2023		2022	
	Possible variation in the MtM derived from the uncertainty in the unobservable parameter		Possible variation in the MtM derived from the uncertainty in the unobservable parameter	
	Most favorable scenario	Least favorable scenario	Most favorable scenario	Least favorable scenario
Derivatives for trading purposes				
Swaps on Interest Rate Underlying	$ 43	$ (43)	$ -	$ -
Options on Underlying Equity	1	(1)	10	(10)
Options on Underlying Exchange Rate	-	-	2	(2)
Options on Underlying Interest Rate	-	-	-	-

a.7 Changes in valuation models

There were no changes in the valuation models presented to the Risk Committee during 2023.

At the Risk Committee meeting held on August 23, 2022, it was approved to replace the internal valuation model "Barone, Adesi & Whaley" applicable to the "Opción Americana FX" product, by the "Binomial Tree" model, to standardize it with the model used for the valuation of the Forward American FX product. - At the Risk Committee meeting held on November 22, 2022, it was approved to modify the methodology for the construction of the "Basis Swap UDI-USD" curve used in internal valuation models, due to the advantages of the new methodology.

b. Financial instruments recognized at amortized cost

The hierarchy of financial instruments recognized at amortized cost is presented below, as well as the valuation techniques and input data used to determine the fair value of instruments classified within level 2 and 3 as of December 31, 2023 and 2022.

	2023					
	Balance					
Assets	Level 1	Level 2	Level 3	Total	Valuation Techniques	Main input data
Cash and cash equivalents	$ 219,981			$ 219,981	The carrying value is the best approximation of its fair value	
Margin accounts		9,531		9,531	The carrying value is the best approximation of its fair value	
Repurchase agreement receivables	-	101,368	-	101,368	The carrying value is the best approximation of its fair value	
Investments in financial instruments (FICPI)	262,159	3,099	-	265,258	The carrying value is the best approximation of its fair value (level 2)	
Loan portfolio with stage 1, 2 and 3 credit risk			1,672,117	1,672,117	Present Value Method (Discounted Future Cash Flows)	- Credit spread - Prepaid rate - Interest rates - Credit spread - Prepaid rate - Interest rates
Other accounts receivable						
Debtors on settlement of transactions	54,478			54,478	The carrying value is the best approximation of its fair value	
Debtors for collateral in cash		7,999		7,999	The carrying value is the best approximation of its fair value	
Sundry debtors (staff loans)			18,299	18,299	Present Value Method (Discounted Future Cash Flows)	- Credit spread - Prepaid rate - Interest rates - Credit spread - Prepaid rate - Interest rates
Liabilities						
Traditional deposits						
Demand deposits			1,436,621	1,436,621	The carrying value is the best approximation of its fair value	
Time deposits						
Of the general public		1,573	236,285	237,858	Present Value Method (Discounted Future Cash Flows)	- Issuer credit risk - Prepaid rate - Interest rates
Money Market		21,937		21,937	Price provided by Valmer	
Negotiable instruments issued	20,800	78,321		99,121	The carrying value is the best approximation of its fair value. (level 2)	
Global deposit account without transactions			6,561	6,561	The carrying value is the best approximation of its fair value	
Bank and other borrowings						
Short term		17	6,083	6,100	Present Value Method (Discounted Future Cash Flows)	- Issuer credit risk - Prepaid rate - Interest rates
Long term	23,762	577	5,894	30,233	Present Value Method (Discounted Future Cash Flows)	- Issuer credit risk - Prepaid rate - Interest rates
Repurchase/resale agreements payable		241,238		241,238	The carrying value is the best approximation of its fair value	
Collateral sold or pledged	67,329	17,771		85,100	The carrying value is the best approximation of its fair value	

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	2023					
	Balance					
Liabilities	Level 1	Level 2	Level 3	Total	Valuation Techniques	Main input data
Other accounts payable						
Creditors on settlement of transactions	79,619			79,619	The carrying value is the best approximation of its fair value	
Creditors on margin accounts		80		80	The carrying value is the best approximation of its fair value	
Creditors on collateral received in cash		16,761		16,761	The carrying value is the best approximation of its fair value	
Financial instruments classified as liabilities						
Subordinated obligations outstanding	49,317			49,317		

	2022					
	Balance					
Assets	Level 1	Level 2	Level 3	Total	Valuation Techniques	Main input data
Cash and cash equivalents	275,795			275,795	The carrying value is the best approximation of its fair value	
Margin accounts		9,718		9,718	The carrying value is the best approximation of its fair value	
Repurchase agreement receivables		26,324		26,324	The carrying value is the best approximation of its fair value	
Investments in financial instruments (FICPI)	88,254	2,065		90,319	The carrying value is the best approximation of its fair value. (level 2)	
Loan portfolio with stage 1, 2 and 3 credit risk			1,507,551	1,507,551	Present Value Method (Discounted Future Cash Flows)	- Credit spread - Prepaid rate - Interest rates - Credit spread - Prepaid rate - Interest rates
Other accounts receivable						
Debtors on settlement of transactions	107,474			107,474	The carrying value is the best approximation of its fair value	
Debtors for collateral in cash		6,415		6,415	The carrying value is the best approximation of its fair value	
Sundry debtors (staff loans)			14,978	14,978	Present Value Method (Discounted Future Cash Flows)	- Credit spread - Prepaid rate - Interest rates - Credit spread - Prepaid rate - Interest rates

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	2022					
	Balance					
Liabilities	**Level 1**	**Level 2**	**Level 3**	**Total**	**Valuation Techniques**	**Main input data**
Traditional deposits						
Demand deposits			1,367,048	1,367,048	The carrying value is the best approximation of its fair value	
Time deposits						
Of the general public		63	243,725	243,788	Present Value Method (Discounted Future Cash Flows)	- Issuer credit risk - Prepaid rate - Interest rates
Money Market	4,095			4,095	Price provided by Valmer	
Negotiable instruments issued	23,386	63,021		86,407	The carrying value is the best approximation of its fair value. (level 2)	
Global deposit account without transactions			6,716	6,716	The carrying value is the best approximation of its fair value	
Bank and other borrowings						
Short term	99	167	6,103	6,369	Present Value Method (Discounted Future Cash Flows)	- Issuer credit risk - Prepaid rate - Interest rates
Long term	23,190	1,177	7,473	31,840	Present Value Method (Discounted Future Cash Flows)	- Issuer credit risk - Prepaid rate - Interest rates
Repurchase/resale agreements payable		185,263		185,263	The carrying value is the best approximation of its fair value	
Collateral sold or pledged		54,734		5 4,734	The carrying value is the best approximation of its fair value	
Other accounts payable						
Creditors on settlement of transactions	13,847			13,847	The carrying value is the best approximation of its fair value	
Creditors on margin accounts		342		342	The carrying value is the best approximation of its fair value	
Creditors on collateral received in cash		13,438		13,438	The carrying value is the best approximation of its fair value	
Financial instruments classified as liabilities						
Subordinated obligations outstanding	35,009			35,009		

(5) Cash and cash equivalents-

As of December 31, 2023 and 2022, cash and cash equivalents is as shown below:

	2023	2022
Cash	$ 59,865	$ 47,336
Banks	95,118	194,598
Restricted cash in hand:		
Purchase of foreign currency [1]	117,251	135,363
Sale of foreign currency [1]	(86,308)	(227,898)
Deposits at Central Bank [2]	34,000	34,002
Interbank loans (call money) [3]	-	-
Other cash and cash equivalents	55	35
	219,981	183,436
Reclassification to liability to offset foreign currency purchases and sales [1]	-	92,535
Total	$ 219,981	$ 275,971

Banks is represented by cash in MXN and US dollars using the closing exchange rate published by the Central Bank of MXN 16.9666 and MXN 19.5089 per US dollar as of December 31, 2023 and 2022, respectively

	2023			2022		
	MXN	US Dollars MXN Equivalent	Total	MXN	US Dollars MXN Equivalent	Total
Deposits with banks in the country	$ 727	$ -	$ 727	$ 183	$	$ 183
Deposits with foreign credit institutions	978	43,256	44,234	874	171,172	172,046
Central Bank	48,379	1,778	50,157	20,182	2,187	22,369
	$ 50,084	$ 45,034	$ 95,118	$ 21,239	$ 173,359	$ 194,598

(1) Currency to be received and delivered for purchases and sales to be settled in 24 to 96 hours as of December 31, 2023 and 2022 are as follows:

	2023		2022	
	Balance in foreign currency (millions)	**Equivalent in MXN**	**Balance in foreign currency (millions)**	**Equivalent in MXN**
Purchase of foreign currency to be received in 24, 48, 72 and 96 hours:				
USD	6,368	$ 108,050	5,747	$ 112,119
EUR	542	9,201	1,190	23,213
GBP	-	-	-	7
CNY	-	-	-	6
PEN	-	-	1	15
JPY	-	-	-	3
Total		$ 117,251		$ 135,363
Sale of foreign currency to be settled in 24, 48, 72 and 96 hours:				
USD	(5,049)	$ (85,667)	(11,144)	$ (217,408)
EUR	(38)	(641)	(538)	(10,490)
Total		$ (86,308)		$ (227,898)
		$ 30,943		$ (92,535)

(*) Balance reclassified after clearing foreign currency purchases and sales.

Upon recording the currencies to be delivered or received for sales and purchases under "Cash and cash equivalents," the settlement accounts for the counter value of these transactions are recorded in the consolidated statement of financial position under "Other accounts receivable, net" and "Creditors on settlement of transactions," as appropriate.

In accordance with the provisions in force for credit institutions, the Cash and cash equivalents states that if the offset balance of currencies to be received with currencies to be delivered the term of which is between 24 and 96 hours has a credit balance, it must be reclassified to "Sundry creditors and other accounts payable." As of December 31, 2023, the net balance was a debit balance and, therefore, no reclassification was made, whereas, as of December 31, 2022, the net credit balance of foreign currency to be received and delivered was reclassified for $92,535.

(2) As of December 31, 2023 and 2022, the single account of the Central Bank includes the Bank's Monetary Regulation Deposits ("DRM" for its acronym in Spanish) in the Central Bank, which amount to $34,000 and $34,002, respectively. These Monetary Regulation Deposits will have an indefinite duration for which the Central Bank will inform in advance the date and the procedure for the withdrawal of the balance. Interest on deposit are payable every 28 days applying the rate set forth in the regulation issued by the Central Bank.

As of December 31, 2023 and 2022, the amount of accrued interest not collected from the DRM that was recognized amounted to $97 and $99, respectively.

On May 12, 2016, through Circular 9/2016, the Central Bank disclosed the rules for auctions of Reportable Monetary Regulation Bonds (BREMS R) indicating that said BREMS R can be settled with DRM funds. The current Regulations state that the DRM may be made up of cash, securities or both.

For the years ended December 31, 2023 and 2022, the Group maintains BREMS R for $32,737 and $32,731, respectively, part of the DRM, which are recorded under "Investment in financial instruments," within the category of available-for-sale securities (note 7 (b)), as derived from the bond issuance prospectus, which set forth that they should only be sold directly or disposed of through repo transactions to the Central Bank, when the latter so determines through general regulations.

(3) For the years ended December 31, 2023 and 2022, interest recognized through the year's profit or loss for Call Money transactions amounts to $57 and $50, respectively, with an average rate of return of 11.2% and 8.4%. At the end of the month there are no Call Money transactions with Multiple Banking.

(6) Margin accounts (derivative financial instruments)-

As of December 31, 2023 and 2022, margin accounts are made up of guarantees granted in cash for derivative financial transactions in recognized markets for $9,531 and $9,836, respectively.

(7) Investments in financial instruments-

As of December 31, 2023 and 2022, investments in financial instruments are made up as shown below:

a. Negotiable financial instruments (NFI)

Instrument	2023 Acquisition cost	2023 Interest accrued	2023 Increase (decrease) by valuation	2023 Carrying value	2022 Carrying value
Unrestricted:					
Equity shares, net	$ 20,350	$ -	$ 988	$ 21,338	$ 17,268
American Depositary Receipts (ADRS)	46	-	(1)	45	48
Sovereign debt Eurobonds	2,410	44	(17)	2,437	2,109
Fixed-rate government bonds	28,732	225	306	29,263	4,225
Promissory notes with returns settled at maturity (PRLV)	5,932	-	(3)	5,929	25
Federal Mexican Treasury Securities (CETES)	21,074	4	60	21,138	21,685
Federal Government Development Bonds (BONDES)	501	5	-	506	9,637
Corporate Eurobonds	306	3	2	311	315
Securitized bank debt certificates	2,984	67	(216)	2,835	1,080
Securitized debt certificates	7,656	62	17	7,735	6,747
Exchangeable securitized debt certificates (CBICS)	2,105	37	(60)	2,082	1,134
Federal Government Development Bonds in UDIs (UDIBONOS)	-	-	-	-	-
UDIBONOS	21,086	6	470	21,562	2,594
Mexican Bank Saving Protection Bonds (BPAS)	24,975	750	63	25,788	24,480
Investment funds	105,319	-	13,877	119,196	105,611
Treasury notes	1,663	15	49	1,729	413
Total unrestricted	245,139	1,218	15,535	261,892	197,371
Restricted:					
Collateral granted (a.1.)	173,398	2,583	482	176,463	170,529
Value date purchases (a.2.)	4,441	33	3	4,477	7,238
Value date sales (a.3.)	(7,222)	(98)	(5)	(7,325)	(4,077)
Total restricted	170,617	2,518	480	173,615	173,690
Total	$ 415,756	$ 3,736	$ 16,015	$ 435,507	$ 371,061

During 2023 and 2022, the Group recognized income of $2,428 and losses of $908, respectively, in results, due to valuation of unrestricted securities (note 35).

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Also, as of December 31, 2023 and 2022, the residual terms of these unrestricted investments are as follows:

	2023				
Instrument	Less than 1 month	Between 1 and 3 months	More than 3 months	No fixed term	Total acquisition cost
Unrestricted securities:					
Equity shares, net	$ -	$ -	$ -	$ 20,350	$ 20,350
ADRS	-	-	-	46	46
Sovereign debt Eurobonds	-	1,000	1,410	-	2,410
Fixed-rate government bonds	-	81	28,651	-	28,732
Promissory notes with returns settled at maturity	57	5,875	-	-	5,932
CETES	777	55	20,242	-	21,074
CBICS	-	-	2,105	-	2,105
BONDES	-	1	500	-	501
Corporate Eurobonds	-	-	306	-	306
Securitized bank debt certificates	-	475	2,509	-	2,984
Securitized debt certificates	949	1,307	5,400	-	7,656
UDIBONOS	-	-	21,086	-	21,086
BPAS	-	1,415	23,560	-	24,975
Investment funds	-	-	-	105,319	105,319
Treasury notes	254	-	1,409	-	1,663
Total	$ 2,037	$ 10,209	$ 107,178	$ 125,715	$ 245,139

	2022				
Instrument	Less than 1 month	Between 1 and 3 months	More than 3 months	No fixed term	Total acquisition cost
Unrestricted securities:					
Equity shares, net	-	-	-	17,553	17,553
ADRS	-	-	-	73	73
Sovereign debt Eurobonds	-	331	1,834	-	2,165
Fixed-rate government bonds	-	205	4,037	-	4,242
Promissory notes with returns settled at maturity	25	-	-	-	25
CETES	353	169	21,237	-	21,759
CBICS	-	-	1,178	-	1,178
BONDES	-	131	9,445	-	9,576
Corporate Eurobonds	-	-	313	-	313
Securitized bank debt certificates	-	-	1,073	-	1,073
Securitized debt certificates	-	901	5,789	-	6,690
UDIBONOS	-	-	2,594	-	2,594
BPAS	-	3,796	20,039	-	23,835
Investment funds	-	-	-	99,141	99,141
Treasury notes	-	-	423	-	423
Total	$ 378	$ 5,533	$ 67,962	$ 116,767	$ 190,640

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a.1. Collateral granted as of December 31, 2023 and 2022 are made up as follows:

	2023				2022
Instrument	Acquisition cost	Interest accrued	Increase (decrease) by valuation	Carrying value	Carrying value
Collateral under securities lending:					
Equity shares, net	$ -	$ -	$ -	$ -	$ -
Bono IPAB	-	-	-	-	-
Fixed-rate government bonds	-	-	-	-	-
BONDES	-	-	-	-	14,506
BPAS	27,159	822	124	28,105	15,219
CETES	43,472	-	159	43,631	12,513
Total collateral under securities lending	70,631	822	283	71,736	42,238
Collateral under repurchase/resale agreements:					
Securitized bank debt certificates	-	-	-	-	1,403
BONDES	6,716	11	(2)	6,725	16,984
Fixed-rate government bonds	9,951	169	3	10,123	17,003
BPAS	38,736	1,360	126	40,222	42,219
CETES	36,841	-	84	36,925	40,966
UDIBONOS	3	-	-	3	1,441
CBICS	6,332	139	2	6,473	6,196
Eurobonds	-	-	-	-	-
Securitized debt certificates	-	-	-	-	107
Total collateral under repurchase/resale agreements	98,579	1,679	213	100,471	126,319
Other collateral:					
Fixed-rate government bonds	291	5	2	298	-
BPAS	1,584	67	(3)	1,648	1,099
Securitized debt certificates	391	3	(2)	392	394
CETES	1,259	-	4	1,263	-
Corporate Eurobonds	213	5	(9)	209	159
Treasury notes	450	2	(6)	446	320
Investment funds	-	-	-	-	-
Total other collateral	4,188	82	(14)	4,256	1,972
Total restricted securities by collateral granted	$ 173,398	$ 2,583	$ 482	$ 176,463	$ 170,529

a.2. Value date purchases as of December 31, 2023 and 2022 were comprised as follows:

	2023				2022
Instrument	Acquisition cost	Interest accrued	Increase (decrease) by valuation	Carrying value	Carrying value
Equity shares, net	$ 3	$ -	$ -	$ 3	$ 4
ADRS	-	-	-	-	3
Fixed-rate government bonds	2,303	27	1	2,331	6,024
BONDES	400	3	-	403	-
CETES	728	-	-	728	1,135
UDIBONOS	1,007	3	2	1,012	72
Securitized debt certificates	-	-	-	-	-
Sovereign debt Eurobonds	-	-	-	-	-
Total	$ 4,441	$ 33	$ 3	$ 4,477	$ 7,238

a.3. Value date sales as of December 31, 2023 and 2022 were comprised as follows:

	2023				2022
Instrument	Acquisition cost	Interest accrued	Increase (decrease) by valuation	Carrying value	Carrying value
Equity shares, net	$ -	$ -	$ -	$ -	$ (2)
ADRS	-	-	-	-	-
BPAS	(400)	(3)	-	(403)	-
Cetes	(1,066)	-		(1,066)	-
Fixed-rate government bonds	(4,543)	(92)	(3)	(4,638)	(3,848)
Corporate Eurobonds	-	-	-	-	(127)
UDIBONOS	(1,213)	(3)	(2)	(1,218)	(50)
Securitized debt certificates	-	-	-	-	(50)
Total	$ (7,222)	$ (98)	$ (5)	$ (7,325)	$ (4,077)

During 2023 and 2022, the Group recognized income of $184 and losses of $44, respectively, in results, due to the valuation of restricted securities coming from collaterals granted (note 35).

As of December 31, 2023 and 2022, returns associated with all the Group's trading securities recorded in the income for the year amounted to $30,683 and $23,332, respectively (note 33).

b. Financial Instruments to Collect or Sell (FICS)

	2023				2022
Instrument	Acquisition cost	Interest accrued	Increase (decrease) by valuation	Carrying value	Carrying value
Unrestricted securities:					
Equity shares, net	$ -	$ -	$ -	$ -	$ 653
CETES	5,023	337	9	5,369	6,709
Sovereign debt Eurobonds	34,564	409	(1,891)	33,082	28,478
Corporate Eurobonds	897	55	(40)	912	3,323
Fixed-rate government bonds	51,902	844	(1,323)	51,423	70,929
BONDES	4,953	128	(250)	4,831	1,141
BPAS	-	-	-	-	11,050
Securitized debt certificates	259	6	(35)	230	290
Securitized bank debt certificates	1,070	9	(4)	1,075	179
CEDES	-	-	-	-	-
Treasury	907	12	-	919	1,052
BREMS R (1)	32,701	112	(76)	32,737	32,731
UDIBONOS	1,180	148	(91)	1,237	2,484
Total unrestricted	133,456	2,060	(3,701)	131,815	159,019
Restricted (b.1)	142,872	2051	(5,858)	139,065	67,116
	$ 276,328	$ 4,111	$ (9,559)	$ 270,880	$ 226,135

(1) BREMS R part of the Monetary Regulation Deposit (note 5).

(2) As of December 31, 2023 and 2022, the result from the valuation of Financial Instruments to Collect or Sell is presented in accumulated OCI at the negative effect from the valuation net of deferred taxes of $4,913 and $9,190, respectively, of the derivatives that partially hedge said position of securities.

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As of December 31, 2023 and 2022, the terms at which the financial instruments are agreed to be bought or sold without restriction are as shown below:

	2023				
Instrument	Less than 1 month	Between 1 and 3 months	More than 3 months	No fixed term	Total Acquisition cost
Unrestricted:					
Equity shares, net	$ -	$ -	$ -	$ -	$ -
CETES	-	628	4,395	-	5,023
Sovereign debt Eurobonds	-	1,000	33,564	-	34,564
Corporate Eurobonds	-	-	897	-	897
Fixed-rate government bonds	-	-	51,902	-	51,902
BONDES	-	1,277	-	-	1,277
BPAS	-	-	-	-	-
Securitized debt certificates	-	(10)	3,945	-	3,935
Securitized bank debt certificates	(1)	7	1,064	-	1,070
CEDES	-	-	-	-	-
BREMS R	-	-	32,701	-	32,701
Treasury	-	-	907	-	907
UDIBONOS	-	-	1,180	-	1,180
Total sin unrestricted	$ (1)	$ 2,902	$ 130,555	$ -	$ 133,456

	2022				
Instrument	Less than 1 month	Between 1 and 3 months	More than 3 months	No fixed term	Total, Acquisition cost
Unrestricted:					
Equity shares, net	$ -	$ -	$ -	$ 524	$ 524
CETES	105	1,437	4,895	-	6,437
Sovereign debt Eurobonds	-	-	31,540	-	31,540
Corporate Eurobonds	-	(20)	3,496	-	3,476
Fixed-rate government bonds	-	2,870	73,866	-	76,736
BONDES	-	437	700	-	1,137
BPAS	-	-	10,734	-	10,734
Securitized debt certificates	-	25	261	-	286
Securitized bank debt certificates	157	-	17	-	174
CEDES	-	-	-	-	-
BREMS R	-	-	32,709	-	32,709
Treasury	-	1,044	-	-	1,044
UDIBONOS	-	-	2,481	-	2,481
Total unrestricted	$ 262	$ 5,793	$ 160,699	$ 524	$ 167,278

b.1 The collateral granted (restricted securities) of financial instruments to collect or sell as of December 31, 2023 and 2022 is summarized as follows:

Instrument	2023 Acquisition cost	2023 Interest accrued	2023 Increase (decrease) by valuation	2023 Carrying value	2022 Carrying value
Securitized corporate debt certificates	$ 119	$ 2	$ (6)	$ 115	$ 155
Fixed-rate government bonds	874	14	(34)	854	582
BPAS	7,037	261	(7)	7,291	4,461
Corporate Eurobonds	1	-	-	1	1
Securities lending	8,031	277	(47)	8,261	$ 5,199
Fixed-rate government bonds	120,991	1,439	(5,634)	116,796	57,534
Securitized debt certificates	807	12	(60)	759	2,752
Bpas	7,919	296	(1)	8,214	-
Securitized bank debt certificates	1,472	19	(113)	1,378	1,442
Corporate Eurobonds	-	-	-	-	189
Udibonos	3,652	8	(3)	3,657	-
Collateral under repurchase/resale agreements	134,841	1,774	(5,811)	130,804	$ 61,917
Treasury bills	-	-	-	-	-
Total restricted	$ 142,872	$ 2,051	$ (5,858)	$ 139,065	$ 67,116

As of December 31, 2023 and 2022, the returns associated with all of the Group's available-for-sale securities recognized in income for the year amounted to $13,990 and $12,504, respectively (note 33).

During 2023 and 2022, the amount of expected credit losses from impairment of financial instruments to collect or sell recognized in income was $(51) and $12, respectively.

c. Financial Instruments to Collect Principal and Interest (FICPI)

Instrument	2023 Acquisition cost	2023 Interest accrued	2023 Carrying value
Mortgage Debtor Support Program - Special CETES (note 10)	$ 1,743	$ 1	$ 1,744
Fixed-rate government bonds	83,606	1,406	85,012
Certificates of deposit	7,914	80	7,994
Corporate Eurobonds	20,924	267	21,191
Treasury	5,075	20	5,095
CETES	-	-	-
Securitized debt certificates	9,297	48	9,345
Securitized bank debt certificates	4,562	80	4,642
CBICS	2,978	26	3,004
UDIBONOS	139,645	1,486	141,131
Total to collect principal and interest	275,744	3,414	279,158
Allowance for expected loan losses for investments in financial instruments to collect principal and interest (securities)			(21)
Total to collect principal and interest, net			$ 279,137

Instrument	2022 Acquisition cost	2022 Interest accrued	2022 Carrying value
Mortgage Debtor Support Program – Special CETES (note 10)	$ 1,562	$ -	$ 1,562
Fixed-rate government bonds	60,975	872	61,847
Certificates of deposit	8,396	79	8,475
Corporate Eurobonds	14,797	208	15,005
Treasury	5,835	23	5,858
CETES	1,394	-	1,394
Securitized debt certificates	10,176	56	10,232
Securitized bank debt certificates	574	4	578
CBICS	2,877	25	2,902
UDIBONOS	125,608	1,231	126,839
Total to collect principal and interest	232,194	2,498	234,692
Allowance for expected loan losses for investments in financial instruments to collect principal and interest (securities)			(25)
Total to collect principal and interest, net			$ 234,667

(1) Reconciliation between the final and initial balance of the FICPI allowance for loan losses.

	2023	2022
Balance at the beginning of the period	$ (24)	$ -
Initial recognition in other comprehensive income	-	(4)
Effect on income for the year	3	(20)
Balance at the end of the period	$ (21)	$ (24)

As of December 31, 2023 and 2022, the returns associated with all of the Group's Financial Instruments to Collect Principal (FICPI) and Interest recognized in income for the year amounted to $18,323 and $20,002, respectively (note 33).

During 2023 and 2022, the amount of expected credit losses due to impairment of financial instruments to collect principal and interest, recognized in income was $3 and ($20), respectively.

d. Collateral Received and Delivered.

The terms and conditions for the delivery of collateral securities adhere to the framework agreements for repos, securities lending and derivatives (ISDA/CMOF). These agreements provide for the exchange of collaterals, which will mitigate credit risk, in order to have a reasonable level thereof; the guarantee received or delivered does not meet the property transfer criteria, so the entity that delivers the collateral maintains the corporate and economic rights of said instruments, unless there is a breach of the guaranteed obligations; however, these framework agreements contemplate the temporary use and exploitation of said instruments with the commitment to return them at the expiration of the guaranteed transaction or by calls to return the margin due to a decrease in the guaranteed value at risk.

Under the collateral exchange agreements of financial institutions that have a negative market value, it agrees to deliver or receive to the other party (which therefore has a positive market value) assets, liabilities or cash to reduce exposure for credit risk, in accordance with the terms signed in the bilateral agreement.

As of December 31, 2023 and 2022, there are no investments in debt securities other than government securities of the same issuer that exceed 5% of the Group's global capital, and they are under the limits established by the risk management policies.

As of December 31, 2023 and 2022, the Group does not maintain investments that come from unobservable markets.

(8) Repurchase/resale agreements and securities lending-

a. Repurchase agreement receivables

As of December 31, 2023 and 2022, repurchase transactions are as follows:

	2023			2022		
	Asset	Liability		Asset	Liability	
Instrument	Receivable under repurchase agreement	Collateral sold or pledged	Debit difference	Receivable under repurchase agreement	Collateral sold or pledged	Debit difference
BONDES	$ 57,017	$ -	$ 57,017	$ 28,551	$ -	$ 28,551
Fixed-rate government bonds	9,709	-	9,709	(111)	-	(111)
BPAS	31,236	-	31,236	5,365	-	5,365
CETES	3,406	-	3,406	1,274	-	1,274
Total	$ 101,368	$ -	$ 101,368	$ 35,079	$ -	$ 35,079

b. Creditors on repurchase/resale agreements

As of December 31, 2023 and 2022, creditors on repurchase/resale agreements are as follows:

Instrument	2023	2022
BONDES	$ 6,174	$ 16,171
Fixed-rate government bonds	123,255	58,901
BPAS	48,276	41,855
Securitized debt certificates	846	-
Bank bonds	1,696	3,182
CETES	36,760	40,990
CBICS	6,456	6,204
Corporate Eurobonds	-	3,151
Sovereign debt Eurobonds	-	222
UDIBONOS	17,775	1,441
Total	$ 241,238	$ 172,117

For the years ended December 31, 2023 and 2022, interest (premiums) receivable recorded by the Group were $6,269 and $4,024 presented in the consolidated income statements under "Interest income," and interest (premiums) payable recorded by the Group under "Interest expense" for the years ended December 31, 2023 and 2022 were ($37,335) and ($19,716) (see note 33).

c. Collateral sold or pledged in repurchase/resale agreements and securities lending transactions as of December 31, 2023 and 2022 are as follows:

	2023			2022		
	Memorandum accounts		Liability	Memorandum accounts		Liability
Instrument	Collateral received by the Group	Collateral received and sold or pledged	Collateral sold or pledged	Collateral received by the Group	Collateral received and sold or pledged	Collateral sold or pledged
Securities lending:						
Fixed-rate government bonds	$ 30,977	$ 31,008	$ 29,938	$ 21,842	$ 20,390	$ 19,808
UDIBONOS	26,863	25,104	25,104	6,221	6,221	6,221
CETES	12,722	11,418	11,418	13,336	13,336	13,336
CBICS	-	-	-	-	-	-
Equity shares, net	174	174	174	65	65	65
	70,736	67,704	66,634	41,464	40,012	39,430
Repurchase agreements:						
BONDES	48,043	9,235	9,238	19,641	8,642	8,643
Fixed-rate bonds	9,726	-	37	917	917	993
BPAS	31,306	8,106	8,109	4,757	4,757	4,742
CETES	2,600	1,082	1,082	1,000	1,000	1,001
CBICS	-	-	-	-	-	-
	91,675	18,423	18,466	26,315	15,316	15,379
Other collateral received	13,334	-	-	9,376	-	-
Total	$ 175,745	$ 86,127	$ 85,100	$ 77,155	$ 55,328	$ 54,809

Interest payable under collateral sold and granted in repurchase and securities lending transactions recognized in profit or loss for the years ended December 31, 2023 and 2022 amounted to ($357) and ($180), respectively, see note 33.

As of December 31, 2023 and 2022, the Group has repurchase agreements for an average period of 3 and 7 days, respectively, while transactions involving securities lending are performed over an average period of 1 and 2 days, respectively.

(9) Derivative financial instruments-

As of December 31, 2023 and 2022, securities and derivative transactions are as follows:

a. Derivative financial instruments.- The Group carries out derivative transactions to meet the needs of our clients, manage the sensitivity of its own portfolios, as a market maker and to hedge its own structural balance sheet risks.

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Trading:

	2023			
	Carrying value		Balance	
	Assets	Liabilities	Asset	Liability
Futures long position	$ 6,723	$ 6,723	$ -	$ -
Futures short position	63,734	63,734	-	-
Forwards long position	738,665	771,602	3,470	36,408
Forwards short position	740,367	710,766	31,420	1,819
Options purchased	8,734	-	8,734	-
Options sold	-	29,098	-	29,098
Swaps	1,971,612	1,971,500	129,547	129,434
	$ 3,529,835	$ 3,553,423	$ 173,171	$ 196,759

	2022			
	Carrying value		Balance	
	Assets	Liabilities	Asset	Liability
Futures long position	$ 61,799	$ 61,799	$ -	$ -
Futures short position	476	476	-	-
Forwards long position	591,486	613,922	3,227	25,663
Forwards short position	596,482	575,610	23,183	2,311
Options purchased	8,176	-	8,176	-
Options sold	-	30,935	-	30,935
Swaps	1,535,108	1,533,619	174,932	173,443
	$ 2,793,527	$ 2,816,361	$ 209,518	$ 232,352

Hedging:

	2023				
	Nominal amount		Balance		
	Assets	Liabilities	Asset	Liability	Net position
Futures	$ -	$ -	$ 22	$ -	$ -
Swaps	117,992	114,153	8,644	4,804	3,840
	$ 117,992	$ 114,153	$ 8,666	$ 4,804	$ 3,840

	2022				
	Nominal amount		Balance		
	Assets	Liabilities	Asset	Liability	Net position
Futures	$ -	$ -	$ 11	$ -	$ 11
Swaps	87,306	89,479	6,647	8,820	(2,173)
	$ 87,306	$ 89,479	$ 6,658	$ 8,820	$ (2,162)

b. Future and forward contracts – As of December 31, 2023 and 2022, the Group executed transactions in organized markets (Mex-Der and Chicago) obtaining a loss of ($8,087) and ($799), distributed by Rates of ($1,288) and ($142), Foreign Exchange of ($5,374) and $995, Indices of ($1,419) and $358 and Securities of ($6) and ($19), respectively.

At the end of the 2023 fiscal year, the open future and forward contracts are shown below:

Trading:

Type of transaction	Underlying	Sales		Purchases		
		Receivable	Contract value	Contract value	Payable	Net position
Futures	US dollar	$ 62,290	$ 62,290	$ 6,713	$ 6,713	$ -
	Indexes	1,443	1,443	-	-	-
	DC24 Bond	-	-	-	-	-
	S&P	-	-	10	10	-
		$ 63,734	$ 63,734	$ 6,723	$ 6,723	$ -
Forwards	US dollar	$ 702,454	$ 671,893	$ 694,655	$ 729,519	$ (4,303)
	Stocks	37,913	38,873	44,010	42,083	967
	Bonds	-	-	-	-	-
		$ 740,367	$ 710,766	$ 738,665	$ 771,602	$ (3,336)

At the end of the 2022 fiscal year, the open contracts are shown below:

Type of transaction	Underlying	Sales		Purchases		
		Receivable	Contract value	Contract value	Payable	Net position
Futures	US dollar	$ 427	$ 427	$ 61,482	$ 61,482	$ -
	Indexes	49	49	54	54	-
	DC24 Bond	-	-	259	259	-
	S&P	-	-	4	4	-
		$ 476	**$ 476**	**$ 61,799**	**$ 61,799**	**$ -**
Forwards	US dollar	$ 571,456	$ 551,463	$ 568,478	$ 590,583	$ (2,112)
	Stocks	24,893	24,012	23,008	23,339	550
	Bonds	133	135	-	-	(2)
		$ 596,482	**$ 575,610**	**$ 591,486**	**$ 613,922**	**$ 1,564**

c. Options - As of December 31, 2023, the Group has entered into option contracts as follows:

Trading:

	Type of transaction	Underlying	Reference amount	Fair value
Purchases	OTC Options (1)	US dollar	$ 109,024	$ 3,580
		Interest rates	128,707	1,880
		Equity and Indexes	27,185	3,274
	OM Options (2)	Equity and Indexes	-	-
				$ 8,734
Sales	OTC Options (1)	US dollar	110,799	4,895
		Interest rates	157,091	1,699
		Equity and Indexes	22,991	22,503
				$ 29,097

As of December 31, 2022, the Group has entered into option contracts as follows:

	Type of transaction	Underlying	Reference amount	Fair value
Purchases	OTC Options [1]	US dollar	$ 93,546	$ 3,404
		Interest rates	96,714	2,423
		Equity and Indexes	28,169	2,117
	OM Options [2]	Equity and Indexes	6,718	232
				$ 8,176
Sales	OTC Options [1]	US dollar	104,829	4,866
		Interest rates	120,826	2,567
		Equity and Indexes	25,333	23,208
				30,641
	OM Options [2]	Equity and Indexes	6,762	294
				$ 30,935

[1] OTC (Over The Counter) equivalent to Unorganized Markets

[2] OM (Organized Markets)

d. Swaps – As of December 31, 2023, the Group's swap transactions are as follows:

Trading:

Underlying	Divisa	Contract value receivable	Contract value payable	Receivable	Payable	Net position
Currency	Peso	$ 250,622	$ 232,031	$ 230,286	$ 231,111	$ (825)
	US dollar	248,609	240,787	248,720	221,425	27,295
	UDIs	48,733	50,537	47,372	48,014	(642)
	Euro	37,935	57,236	39,483	60,157	(20,676)
	Yen	-	67	-	68	(68)
	Colombian Peso	1,250	-	1,238	-	1,238
	GBP	1,081	1,081	1,124	1,130	(5)
	CLP	3,918	3,918	4,144	4,124	20
				$ 572,367	$ 566,029	$ 6,337
			Notional Amount			
Interest rates	Peso (1)		8,604,023	1,226,979	1,230,528	(3,549)
	Euro		232,057	13,044	12,950	95
	US dollar		1,490,552	159,493	160,875	(1,382)
	COP		-	-	-	-
				$ 1,399,516	$ 1,404,353	$ (4,836)
Stocks	Peso		4,304	$ 80	$ 878	$ (798)
	US dollar		1,527	27	232	(205
				$ 107	$ 1,110	$ (1,003)
CDS	US dollar		509	18	18	-
	Subtotal			1,972,008	1,971,510	498
CVA / DVA IFRS13				(396)	(10)	(386)
	Total			1,971,612	1,971,500	112

(1) The Group entered into Nominal Interest Rate Swaps in pesos with various institutions, which were agreed at rates between 3.50% and 20.26% per annum.

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As of December 31, 2022, the Group's swap transactions are as follows:

Trading:

Underlying	Divisa	Contract value receivable	Contract value payable	Receivable	Payable	Net position
Currency	Peso	168,107	154,085	159,979	151,752	8,227
	US dollar	190,606	176,830	193,320	171,554	21,766
	UDIs	43,997	47,339	43,930	45,876	(1,946)
	Euro	38,500	61,933	39,749	64,404	(24,655)
	Yen	-	132	-	134	(134)
	Colombian Peso	1,405	-	1,329	-	1,329
	GBP	1,173	1,173	1,212	1,223	(11)
	CLP	3,018	-	2,910	-	2,910
				442,429	434,943	7,486
			Notional Amount			
Interest rates	Peso (1)		5,756,861	923,695	927,960	(4,265)
	Euro		184,031	11,858	11,801	57
	US dollar		1,319,526	157,229	158,544	(1,315)
	COP			-	-	-
				1,092,782	1,098,305	(5,523)
Stocks	Peso		3,745	40	363	(323)
	US dollar		1,717	67	186	(119)
				107	549	(442)
CDS	US dollar	585	585	41	41	-
	Subtotal			1,535,359	1,533,838	1,521
CVA / DVA IFRS13				(251)	(219)	(32)
	Total			1,535,108	1,533,619	1,489

(1) The Group entered into Nominal Interest Rate Swaps in pesos with various institutions, which were agreed at rates between 3.50% and 20.26% per annum.

Swaps for hedging purposes:

As of December 31, 2023, swaps are as follows:

Fair value hedges:

Underlying	Currency	Contract value receivable	Contract value payable	Receivable	Payable	Net position
Currency	Peso	64,950	28,297	69,358	28,390	40,968
	US dollar	10,010	19,630	10,083	20,299	(10,217)
	GBP	-	1,020	-	1,051	(1,051)
	Euro	-	-	-	23,086	(23,086)
		74,960	69,671	79,441	72,826	6,614
			Notional Amount			
Interest rates	Peso (1)		62,978	15,143	14,811	333
	US dollar		61,589	23,408	26,515	(3,107)
				38,551	41,326	(2,774)
	Total			117,992	114,152	3,840

(1) As of December 31, 2023, the Group has open Nominal Interest Rate Swaps in pesos with various institutions at rates between 4.88% and 11.51% per annum.

As of December 31, 2022, swaps are as follows:

Fair value hedges:

Underlying	Currency	Contract value receivable	Contract value payable	Receivable	Payable	Net position
Currency	Peso	46,405	20,238	47,809	20,511	27,298
	US dollar	11,777	13,461	11,852	12,982	(1,130)
	GBP	-	1,107	-	1,133	(1,133)
	Euro	-	20,300	-	21,786	(21,786)
		58,182	55,106	59,661	56,412	3,249
			Notional Amount			
Interest rates	Peso (1)		54,124	12,857	13,910	(1,053)
	US dollar		51,440	14,788	19,157	(4,369)
				27,645	33,067	(5,422)
Total				87,306	89,479	(2,173)

(1) As of December 31, 2022, the Group has open Nominal Interest Rate Swaps in pesos with various institutions at rates between 4.88% and 10.98% per annum.

Collateral received in derivatives as of December 31, 2023 and 2022 is recorded under "Payables for collateral received in cash" as follows:

	2023			2022
	Acquisition cost	Interest accrued	Carrying value	Carrying value
Collateral received in cash in derivative transactions				
Alsea, S.A.B. de C.V.	$ 259	$ 1	$ 260	$ 213
Banca Afirme, S.A. IBM	42	-	42	12
Banco Mercantil del Norte, S.A. IBM	1,358	6	1,364	2,102
Banco del Bajío, S.A.	6	-	6	6
Banco Santander México, S.A. IBM	581	3	584	1,025
Bank of Nova Scotia	-	-	-	5
BBVA Madrid	3,441	11	3,452	2,148
BBVA Colombia	-	-	-	68
BNP Paribas	2,645	12	2,657	2,471
Credit Agricole CIB	586	3	589	314
Deutsche Bank	87	-	87	1,059
Goldman Sachs México Casa de Bolsa	623	3	626	22
HSBC México, S.A. IBM	722	3	725	506
J. Aron & Company	12	-	12	22
Kaluz, S.A.	-	-	-	169
Masari Casa de Bolsa, S.A. de C.V.	83	1	84	7
Mizuho Bank México IBM	-	-	-	3
Morgan Stanley & CO	531	3	534	224
Morgan Stanley Capital	5	-	5	5
MUFG Bank México IBM	4	-	4	338
Natixis	1,216	7	1,223	1,320
Scotiabank Inverlat	305	3	308	200
Standard Chartered	-	-	-	6
Actinver Casa Bolsa GFA	10	-	10	-
Banamex, S.A. IBM USD	1,052	7	1,059	-
Banco JP Morgan, S.A.	788	4	792	-
Banco Monex, S.A. IBM M	27	-	27	-
Banco Nacional de México	289	3	292	-
Comisión Federal Electricidad	427	4	431	-
Intercam Casa de Bolsa	2	-	2	-
Vector Casa de Bolsa	12	-	12	-
Collateral received in cash in derivative transactions	15,113	74	15,187	12,245
Collateral received in cash other than derivative transactions	1,574	-	1,574	1,193
	$ 16,687	$ 74	$ 16,761	$ 13,438

e. Counterparty and proprietary credit risk.- The amounts recorded in the consolidated statement of financial position as of December 31, 2023 and 2022, corresponding to credit risk valuation adjustments for positions in derivatives for trading purposes held in unrecognized markets amounted to $(395) and ($567) for CVA and $514 and $957 for DVA, respectively. The impact on the results for the years ended December 31, 2023 and 2022 amounted to ($271) and ($276), respectively.

f. Transactions with embedded derivatives.- Embedded derivatives as of December 31, 2023 and 2022 shown below are part of derivatives for trading purposes.

	2023			
	Carrying value		Balance	
	Asset	Liability	Asset	Liability
Options acquired	$ 277	$ -	$ 277	$ -
Options sold	-	175	-	175
Swaps	2,988	3,110	114	237
	$ 3,265	$ 3,285	$ 391	$ 412

	2022			
	Carrying value		Balance	
	Asset	Liability	Asset	Liability
Options acquired	$ 198	$ -	$ 198	$
Options sold	-	152	-	152
Swaps	1,557	1,559	52	54
	$ 1,755	$ 1,711	$ 250	$ 206

f.1. Embedded options (underlying)

Trading:

			2023	
	Type of transaction	Underlying	Reference amount	Fair Value
Purchases	OTC Options	US dollar	$ 2,174	$ 12
		Interest rates	9,999	265
		Equity and Indexes	-	-
			$ 12,173	$ 277
Sales	OTC Options	US dollar	$ 961	$ 36
		Interest rates	-	-
		Equity and Indexes	1,954	139
			$ 2,915	$ 175

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		Underlying	2022 Reference amount	2022 Fair Value
Purchases	OTC Options	US dollar	$ 865	$ 11
		Interest rates	19,649	169
		Equity and Indexes	-	18
			$ 20,514	$ 198
Sales	OTC Options	US dollar	$ 1,053	$ 64
		Interest rates	1,732	1
		Equity and Indexes	2,242	87
			$ 5,027	$ 152

f.2 Embedded swaps (underlying)

Trading:

Underlying	Currency	2023 Notional amount	Market value receivable	Market value payable	Fair value
Currency	Peso	$ 1,318	$ 1,335	$ 1,352	$ (17)
	US dollar	139	177	137	40
	Euro	-	1,121	1,109	12
			2,633	2,598	35
Interest rate	Peso	4,521	354	512	(158)
	US dollar	-	-	-	-
			354	512	(158)
		$ 5,978	$ 2,987	$ 3,110	$ (123)

Underlying	Currency	2022 Notional amount	Market value receivable	Market value payable	Fair value
Currency	Peso	$ 500	$ 502	$ 507	$ (5)
	Euro	521	533	532	1
			1,035	1,039	(4)
Interest rate	Peso	8,850	260	266	(6)
	US dollar	261	262	254	8
			522	520	2
		$ 10,132	$ 1,557	$ 1,559	$ (2)

f.3 Forward embedded (underlying)

As of December 31, 2023 and 2022, the Group does not have embedded forwards.

According to the Structured Banking Bonds issuance programs, as of December 31, 2023 and 2022 the Group embedded options and swaps for a nominal value of $15,088 and $5,979, and $25,541 and $10,132, respectively, with Interest Rates underlying for Swaps and Currencies, Indices and Interest Rates for options.

g. Alignment of hedges with the objectives of comprehensive risk management

At the BBVA Mexico Group, the Board of Directors approves, at the proposal of the Risk Committee (i) the objectives, guidelines and policies of Comprehensive Risk Management, as well as eventual modifications, (ii) the global risk exposure limits and, where appropriate, the Specific Risk Exposure Limits, considering the Consolidated Risk, broken down by business unit or risk factor, as well as, where appropriate, the Risk Tolerance Levels, (iii) special cases or circumstances in which both the Global Risk Exposure Limits and the Specific Risk Exposure Limits may be exceeded.

To monitor and control the risk of the Structural Balance (Banking Book) of interest rates and exchange rates, the Assets and Liabilities Committee adopts investment and hedging strategies within the risk policies and limits approved by the Board of Directors, Risk Committee delegated by the Board and Risk Management Committee Strategies. For a hedging relationship to qualify as such, it must be aligned with the objectives and policies of Comprehensive Risk Management, including the approved limits, and the strategies approved by the Assets and Liabilities Committee.

A scheme of economic value risk limits and financial margin has been established (note 33) of the structural balance, which is monitored on a monthly basis by the Risk Committee and ALCO and is presented quarterly to the Board of Directors; in case of exceedance, communication and control procedures are in place.

In addition, for control purposes, the prospective effectiveness of hedging relationships is monitored individually, and contrasted with the established effectiveness range (80-125), where, in the event of ineffectiveness, notifies the Assets and Liabilities Committee, in order to decide if a rebalancing of any specific coverage(s) is required based on alignment with the comprehensive Risk Management strategy, given that prospective measurement is not considered alone, as a preponderant factor in determining whether a coverage relationship should be discontinued.

The evaluation that exposure to credit risk does not dominate changes in the value of the economic relationship between the hedged item and the hedging instrument is made globally for each counterparty. For such purposes, the entity has established formal processes for constant monitoring and vigilance to ensure that said exposure is below the credit limits authorized for each customer or counterparty in particular (counterparty risk), also considering credit risk mitigating factors (collateral contract). This evaluation is carried out considering the accumulated credit risk for all transactions of derivative financial instruments entered into as a whole with said counterparty.

In accordance with the strategy and objective defined in the ALCO and CGL, Financial Management structures the hedges described below in such a way that the hedged item generally has values that move in opposite directions for the same risk (nominal, term and rate), thus ensuring the existence of an economic relationship and mitigating the covered risk.

On the other hand, the Global Markets unit carries out interest rate hedges to eliminate the asymmetric sensitivity between the fixed rate loans granted and their variable rate funding due to CGL transfer prices, and the risk management of said sensitivity that MG made in the swap market.

g.1 Fair value hedges

Derivatives that hedge the exposure to changes in the fair value of assets and liabilities or firm commitments that have not be recognized, through IRS or CCY the conversion from fixed rate to variable rate is made, depending on the currency in which the position is defined and the expected rate.

The risk to be hedged is interest rate risk, due to both the sensitivity of the hedged instrument and the cost of funds attributable to the acquisition of the hedged item. The other risks to which the hedged items are exposed, such as credit risk, contagion risk, liquidity risk, etc., are not hedged.

g.2 Cash flow hedges

The purpose of these hedges is to offset the exposure to variability in future cash flows attributable to a particular risk associated with a recognized asset or liability that may affect the results of the year in which such flows occur, firm commitment or highly probable forecasted transaction, such as coupons on variable rate deposits and the flow of expenses denominated in foreign currencies, below is a description of the application of the most relevant hedges:

Cash flow hedges with IRS and CCY

The Monetary Regulation Deposit in MXN with variable interest rate is hedged through swaps, hedging the variability of future cash flows up to the term of the hedge.

It is also possible to designate cash flow hedges for Eurobonds in which a fixed interest rate in USD or EUR is exchanged for a fixed rate in local currency.

Exchange rate hedges with Forwards

Within this type of strategy, Financial Management can designate as a primary position the estimation of annual budget cash flows in foreign currency in dollars and euros. The objective is to hedge the risk of possible depreciation of the domestic currency against the dollar or euro, currencies that affect the forecasted cash flows.

Interest rate hedges with FX Swaps

One of the main activities of Financial Management is the management of excess liquidity in pesos and dollars of the structural balance sheet, thus controlling and monitoring foreign currency positions, seeking to hedge FX Swap market spreads (implicit forward rate) vs. funding and short-term investment rates.

The objective of hedging with FX Swaps is to cover the variability in the expected flows from the investment of dollars with the FED at the FED Funds rate, this would be achieved by the rate differential between the implicit forward curve of the FX Swap, versus the investment rate of the local currency, ensuring, through the FX Swap instrument, a rate of return.

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As of December 31, 2023, the Group has entered into the following hedge contracts:

Type of hedge relationship: Cash Flow

Description of hedge item	Hedged risk	Hedge instrument	Maximum maturity date of hedge	Hedge instrument fair value	Periods in which flows affect income	Amount recognized in comprehensive income of period	Amount reclassified from equity to income	Item in consolidated statement of comprehensive income where hedge is applied	Item in consolidated statement of financial position where primary position is recognized	Ineffectiveness recognized
Partial hedge of Monetary Regulation Deposit (DRM) (1)	Variable flows from DRM	24 IRS FIXED/TIIE	Jan-25	(817)	12 months	1,230	(1,599)	Interest margin from cash	Restricted cash	1
Expenses and investment hedge in USD and EUR (1)	Variation of exchange rate in estimated expense cash flows	0 FWD Sell USD/MXP 0 FWD Sell EUR/MXP	-	-	-	-	-	Expenses	Property, plant and equipment, advertising, computing	-
Cash flow hedge UMS USD and EUR	Change from fixed to domestic fixed currency	69 CCS FIXED/FIXED USD/EUR	Oct 33	3,010	120 months	2,693	218	Interest margin from investments in financial instruments	Investment in securities	(1)
Cash flow hedge CCS Corporate bonds	Change from fixed to fixed domestic currency	1 CCS FIXED/FIXED USD	-	-	-	15	-	Interest margin from investments in securities	Investment in securities	-
Cash flow hedge IRS Corporate bonds	Change from variable rate to receive at fixed rate Amortized Cost	1 IRS FIXED/VAR MXP	Jul-25	(12)	19 months	(3)	25	Interest margin from investments in securities	Investment in securities	-

* To this date, all cash flows from forecasted transactions have occurred within the initially agreed terms.

Type of hedge: Fair Value

Description of hedge item	Nature of hedged risks	Hedge instrument	Maximum maturity date of hedge	Hedge instrument fair value	Gain/Loss of hedge instrument as of December 2023	Gain/Loss of hedge item as of December 2023	Balance sheet part where the primary item is recorded	Recognized ineffectiveness
Hedge of USD and MXN fixed-rate loans to change to variable (1)	Fixed rate risk in USD loans and fixed rate in MXN loans	2 IRS pays fixed interest in USD and receives variable, 2 IRS pays fixed interest in MXN and receives variable	2040	393	(237)	235	Stage 1 loan portfolio	(3)
Hedge of Mexican sovereign bonds denominated in EUR/USD/GBP (1)	Fixed rate UMS bonds in EUR/USD/ GBP	12 CCS V/F	2030	449	198	(199)	Investment in financial instrument	-
Hedge of issuance of USD subordinated notes (1) and (2)	Fixed rate in notes issued in USD V/F	16 IRS F/V	2033	(3,080)	1,432	(1,432)	Subordinated obligations outstanding	-
Hedge of issuance of USD subordinated notes (1) and (2)	Fixed rate in notes issued in USD V/F	9 CCS F/V	2024	2,238	(1,464)	1,464	Subordinated obligations outstanding	-
Corporate bond hedging (1) and (2)	Fixed rate in USD, EUR, UDI	7 CCS V/F	2025	47	19	(19)	Investments in securities	-
Hedge of corporate bonds and M's bonds (1)	Fixed rate in USD bonds/	15 IRS V/F	2027	534	(123)	146	Investments in securities	23
Securitized debt certificates	Fixed rate in MXN to variable rate in MXN	8 IRS F/V	2030	77	302	(303)	Issuances of liabilities	(1)
Hedge of UMS UDI bonds	Risk in Bond Ums Vento Margin	12 CCS Pays Udi / Receives MXp Fixed	2035	(189)	130	(126)	Issuances of liabilities	3
Hedge of UMS EUR Bonds	Risk in Bond Ums Vento Margin	74 CCS Pays Eur / Receives Mxp Fixed	2033	957	1,280	(1,272)	Issuances of liabilities	8

(1) As of December 31, 2023, the balance of interest on the open position of hedging derivatives amounts to $921.

(2) As of December 31, 2023, there is an effect for the exchange rate component amounting to $5,289.

* Fair value of Cross Currency Swaps (CCS) does not include an exchange rate component, as it is not part of the hedging relationship.

IRS - Interest rate swaps. CCS - Cross Currency Swaps.

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As of December 31, 2022, the Group has entered into the following hedge contracts:

Type of hedge relationship: Cash Flow

Description of hedge item	Hedged risk	Hedge instrument	Maximum maturity date of hedge	Hedge instrument fair value	Periods in which flows affect income	Amount recognized in comprehensive income of period	Amount reclassified from equity to income	Item in consolidated statement of comprehensive income where hedge is applied	Item in consolidated statement of financial position where primary position is recognized	Ineffectiveness recognized
Partial hedge of Monetary Regulation Deposit (DRM) (1)	Variable flows from DRM	24 IRS FIXED/TIIE	Jan-25	$ (2,047)	25 months	$ (970)	$ (70)	Interest margin from cash	Restricted cash	$ -
Expenses and investment hedge in USD and EUR (1)	Variation of exchange rate in estimated expense cash flows	0 FWD SALE USD/MXN 0 FWD SALE EUR/MXN	Dec-22	-	0 months	49	-	Expenses	Property, plant and equipment, advertising, computing	-
Cash flow hedge UMS USD and EUR	Change from fixed to domestic fixed currency	69 CCS FIXED/FIXED USD/EUR	Oct 33	317	132 months	2,042	667	Interest margin from investments in financial instruments	Investment in securities	-
Cash flow hedge CCS Corporate bonds	Change from fixed to fixed domestic	1 CCS FIXED/FIXED USD	Jul-25	(9)	31 months	14	27	Interest margin from investments in securities	Investment in securities	-
Cash flow hedge IRS Corporate bonds	Change from variable to fixed currency	1 IRS FIXED/VAR MXN	Oct-23	(15)	10 months	8	19	Interest margin from investments in securities	Investment in securities	-

* To this date, all cash flows from forecasted transactions have occurred within the terms initially agreed upon.

Type of hedge: Fair Value

Description of hedge item	Nature of hedged risks	Hedge instrument	Maximum maturity date of hedge	Hedge instrument fair value	Gain/Loss of hedge instrument as of December 2022	Gain/Loss of hedge item as of December 2022	Item in statement of financial position where primary position is recorded	Ineffectiveness recognized
Hedge of USD and MXN fixed-rate loans to change to variable (1)	Fixed rate risk in USD loans and fixed rate in MXN loans	2 IRS pays fixed interest in USD and receives variable, 2 IRS pays fixed interest in MXN and receives variable	2040	$ 630	$ 852	$ (868)	Stage 1 loan portfolio	$ (16)
Hedge of Mexican sovereign bonds denominated in EUR/USD/GBP (1)	Fixed rate UMS bonds in EUR/USD/ GBP	12 CCS V/F	2030	251	1,833	(1,833)	Investment in financial instruments	-
Hedge of issuance of USD subordinated notes (1) and (2)	Fixed rate in notes issued in USD V/F	14 IRS F/V	2029	(4,513)	(6,230)	6,230	Subordinated debt	-
Hedge of issuance of USD subordinated notes (1) and (2)	Fixed rate in notes issued in USD V/F	9 CCS F/V	2024	3,702	(5,634)	5,635	Subordinated debt	1
Corporate bond hedging (1) and (2)	Fixed rate in USD, EUR, UDI	13 CCS V/F	2025	14	224	(224)	Investments in securities	-
Hedge of corporate bonds and M's bonds (1)	Fixed rate in USD bonds/	19 IRS V/F	2027	657	350	(319)	Investments in securities	31
Securitized debt certificates	Fixed rate in MXN to variable rate in MXN	2 IRS F/V	2027	(225)	(278)	278	Issuances of liabilities	-
Hedge of UMS UDI bonds	Risk in Bond Ums Vento Margin	12 CCS Pays Udi / Receives Fixed MXN	2035	(318)	(318)	319	Issuances of liabilities	1
Hedge of UMS EUR Bonds	Risk in Bond Ums Vento Margin	74 CCS Pays Eur / Receives Fixed MXN	2033	(359)	(359)	(360)	Issuances of liabilities	1

(1) As of December 31, 2022, the balance of interest on the open position of hedging derivatives amounts to $2,007.

(2) As of December 31, 2022, there is an effect for the exchange rate component amounting to $3,076.

* Fair value of Cross Currency Swaps (CCS) does not include an exchange rate component, as it is not part of the hedging relationship.

IRS - Interest rate swaps. CCS - Cross Currency Swaps.

(10) Loan portfolio-

The entity's business model determines whether the cash flows will come from obtaining contractual cash flows, from the sale of the loan portfolio, or both.

If the objective of the business model of the loan portfolio is to hold it to collect the contractual cash flows and the terms of the contract provide for cash flows at pre-established dates, corresponding only to payments of principal and interest on the principal amount outstanding, then the portfolio is presented in the Statement of Financial Position at amortized cost. However, if this is not met, it should be treated in accordance with Mexican FRS C-2, "Investment in financial instruments."

Therefore, it is determined that the loan portfolio should be presented in the statement of financial position at amortized cost.

On the other hand, the SPPI (Solely Payments of Principal and Interest) test is a tool that allows evaluating the cash flows of the loan portfolio, by homogeneous portfolio or individual loan transactions. This test allows, through the analysis of contractual cash flows, to determine whether they correspond only to principal and interest payments.

Loan portfolio classified by type as of December 31, 2023 are as follows:

	Stage 1	Stage 2	Stage 3	Total
Commercial loans				
Denominated in MXN				
Commercial	$ 450,848	$ 14,554	$ 7,227	$ 472,629
Rediscounted portfolio	8,647	37	98	8,782
Leases	3,445	-	17	3,462
Denominated in UDIs (MXN equivalent):				
Commercial	1	-	3	4
Denominated in foreign currency (MXN equivalent):				
Commercial	184,460	4,401	1,369	190,230
Rediscounted portfolio	869	-	7	876
Leases	2,424	-	-	2,424
Commercial or business activity	650,694	18,992	8,721	678,407

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	Stage 1	Stage 2	Stage 3	Total
Denominated in MXN:				
Loans to financial entities	36,643	20	6	36,669
Loans to government entities	179,675	-	-	179,675
Denominated in foreign currency (MXN equivalent):				
Loans to financial entities	530	-	-	530
Loans to government entities	9,932	-	-	9,932
Interest received in advance	(654)			(654)
Total commercial loans	876,820	19,012	8,727	904,559
Consumer Loans				
Denominated in MXN:				
Credit card	169,512	5,788	5,139	180,439
Other consumer	238,133	5,694	7,379	251,206
Interest received in advance	(57)			(57)
Denominated in foreign currency (MXN equivalent):				
Other consumer				
Total consumer loans	407,588	11,482	12,518	431,588
Mortgage loans -				
Denominated in MXN:				
Middle-income and residential	313,346	11,347	6,586	331,279
Low income	3,439	476	184	4,099
Denominated in UDIs (equivalent in MXN):				
Middle-income and residential	1,836	209	89	2,134
Denominated in foreign currency (MXN equivalent):				
Middle-income and residential	4	-	-	4
Total mortgage loans	318,625	12,032	6,859	337,516
Total loan portfolio	$ 1,603,033	$ 42,526	$ 28,104	$ 1,673,663

As of December 31, 2023, the performing commercial loan portfolio includes restricted portfolio in the amount of $20,286, granted as collateral for interbank loans and loans from other agencies, to guarantee compliance with the Group's obligation under the financing granted by the Central Bank for $26,206 in order for BBVA to grant financing to SMEs, in accordance with Circular 25/2020 "Rules applicable to financing from Banco de México secured with qualified bank credit assets, for channeling to micro, small and medium-sized enterprises."

Loan portfolio classified by type as of December 31, 2022 are as follows:

	Stage 1	Stage 2	Stage 3	Total
Commercial loans				
Denominated in MXN				
Commercial	$ 406,721	$ 12,403	$ 5,454	$ 424,578
Rediscounted portfolio	9,441	-	-	9,441
Leases	1,202	-	-	1,202
Denominated in UDIs (MXN equivalent):				
Commercial	1	-	3	4
Denominated in foreign currency (MXN equivalent):				
Commercial	173,318	6,428	2,196	181,942
Rediscounted portfolio	1,192	-	-	1,192
Leases	2,640	-	-	2,640
Commercial or business activity	594,515	18,831	7,653	620,999
Denominated in MXN:				
Loans to financial entities	29,229	-	9	29,238
Loans to government entities	170,017	-	-	170,017
Denominated in foreign currency (MXN equivalent):				
Loans to financial entities	342	-	-	342
Loans to government entities	15,719	-	-	15,719
Interest collected in advance	(759)	-	-	(759)
Total, commercial loans	809,063	18,831	7,662	835,556
Consumer loans				
Denominated in MXN:				
Credit cards	140,807	3,818	3,287	147,912
Other consumer loans	205,914	4,798	6,076	216,788
Denominated in foreign currency				
(MXN equivalent):	-	-	-	-
Other consumer loans	-	-	-	-
Total, consumer loans	346,721	8,616	9,363	364,700

	Stage 1	Stage 2	Stage 3	Total
Mortgage loans-				
Denominated in MXN:				
Medium and residential	287,233	9,736	6,401	303,370
Low income	4,098	465	231	4,794
Denominated in UDIs (MXN equivalent):				
Medium and residential	2,233	227	191	2,651
Denominated in foreign currency (MXN equivalent):				
Medium and residential	6	-	-	6
Total, mortgage loans	**293,570**	**10,428**	**6,823**	**310,821**
Total, loan portfolio	**$ 1,449,354**	**$ 37,875**	**$ 23,848**	**$ 1,511,077**

As of December 31, 2022, the performing commercial loan portfolio includes a restricted portfolio in the amount of $22,148, granted as a guarantee from bank and other borrowings, to secure compliance with the Group’s obligation under the financing granted by the Central Bank for $23,768, in order for BBVA to grant financing to SMEs, in accordance with Circular 25/2020 “Rules applicable to Banco de México financing secured with qualified credit assets of banks, for channeling to micro, small and medium-sized enterprises.”

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The following is a breakdown of commercial loans as of December 31, 2023 and 2022, identifying the distressed and non-distressed portfolio, classified by risk stage, respectively.

		2023						
		Distressed			Non-distressed			
		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Total
Commercial or business activity		-	-	8,209	624,394	18,747	-	651,350
Ordinary portfolio		-	-	-	-	-	-	
	MXN	-	-	3,965	395,128	5,586	-	404,679
	Foreign currency	-	-	473	153,329	869	-	154,670
	UDIs	-	-	1	1	-	-	1
	UMA	-	-	-	-	-	-	-
	VSM	-	-	-	-	-	-	-
Portfolio under term extension		-	-	-	-	-	-	-
	MXN	-	-	2,865	41,512	8,760	-	53,137
	Foreign currency	-	-	903	34,424	3,532	-	38,859
	UDIs	-	-	2	-	-	-	2
	UMA	-	-	-	-	-	-	-
	VSM	-	-	-	-	-	-	-
Special repayment regime		-	-	-	-	-	-	-
	MXN	-	-	-	-	-	-	-
	Foreign currency	-	-	-	-	-	-	-
	UDIs	-	-	-	-	-	-	-
	UMA	-	-	-	-	-	-	-
	VSM	-	-	-	-	-	-	-
Loans to financial entities		-	-	6	37,173	18	-	37,197
Ordinary portfolio		-	-	-	-	-	-	
	MXN	-	-	6	36,643	10	-	36,659
	Foreign currency	-	-	-	530	-	-	530
	UDIs	-	-	-	-	-	-	-
	UMA	-	-	-	-	-	-	-
	VSM	-	-	-	-	-	-	-
Portfolio under term extension		-	-	-	-	-	-	-
	MXN	-	-	-	-	8	-	8
	Foreign currency	-	-	-	-	-	-	-
	UDIS	-	-	-	-	-	-	-
	UMA	-	-	-	-	-	-	-
	VSM	-	-	-	-	-	-	-
Special repayment regime		-	-	-	-	-	-	-
	MXN	-	-	-	-	-	-	-
	Foreign currency	-	-	-	-	-	-	-
	UDIs	-	-	-	-	-	-	-
	UMA	-	-	-	-	-	-	-
	VSM	-	-	-	-	-	-	-
Loans to government entities		-	-	-	191,299	-	-	191,299
		-	-	-	-	-	-	-
Ordinary portfolio		-	-	-	-	-	-	-
	MXN	-	-	-	141,697	-	-	141,697
	Foreign currency	-	-	-	9,932	-	-	9,932
	UDIs	-	-	-	-	-	-	-
	UMA	-	-	-	-	-	-	-
	VSM	-	-	-	-	-	-	-

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		2023						
		Distressed			Non-distressed			
		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Total
Portfolio under term extension		-	-	-	-	-	-	-
	MXN	-	-	-	39,670	-	-	39,670
	Foreign currency	-	-	-	-	-	-	-
	UDIs	-	-	-	-	-	-	-
	UMA	-	-	-	-	-	-	-
	VSM	-	-	-	-	-	-	-
Special repayment regime		-	-	-	-	-	-	-
	MXN	-	-	-	-	-	-	-
	Foreign currency	-	-	-	-	-	-	-
	UDIs	-	-	-	-	-	-	-
	UMA	-	-	-	-	-	-	-
	VSM	-	-	-	-	-	-	-
		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
Credit card business		-	-	512	24,609	246	-	25,367
Ordinary portfolio		-	-	-	-	-	-	-
	MXN	-	-	512	24,609	246	-	25,367
	Foreign currency	-	-	-	-	-	-	-
	UDIs	-	-	-	-	-	-	-
	UMA	-	-	-	-	-	-	-
	VSM	-	-	-	-	-	-	-
Portfolio under term extension		-	-	-	-	-	-	-
	MXN	-	-	-	-	-	-	-
	Foreign currency	-	-	-	-	-	-	-
	UDIs	-	-	-	-	-	-	-
	UMA	-	-	-	-	-	-	-
	VSM	-	-	-	-	-	-	-
Special repayment regime		-	-	-	-	-	-	-
	MXN	-	-	-	-	-	-	-
	Foreign currency	-	-	-	-	-	-	-
	UDIs	-	-	-	-	-	-	-
	UMA	-	-	-	-	-	-	-
	VSM	-	-	-	-	-	-	-
	Credit card business	-	-	-	-	-	-	-
Ordinary portfolio		-	-	-	-	-	-	-
	MXN	-	-	-	-	-	-	-
	Foreign currency	-	-	-	-	-	-	-
	UDIs	-	-	-	-	-	-	-
	UMA	-	-	-	-	-	-	-
	VSM	-	-	-	-	-	-	-
Portfolio under term extension		-	-	-	-	-	-	-
	MXN	-	-	-	-	-	-	-
	Foreign currency	-	-	-	-	-	-	-
	UDIs	-	-	-	-	-	-	-
	UMA	-	-	-	-	-	-	-
	VSM	-	-	-	-	-	-	-
Special repayment regime		-	-	-	-	-	-	-
	MXN	-	-	-	-	-	-	-
	Foreign currency	-	-	-	-	-	-	-
	UDIs	-	-	-	-	-	-	-
	UMA	-	-	-	-	-	-	-
	VSM	-	-	-	-	-	-	-
		-	-	-	-	-	-	-
Interest collected in advance		-	-	-	(654)	-	-	(654)
Total		$ -	$ -	$ 8,727	$ 876,821	$ 19,011	$ -	$ 904,559

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		2022						
		Distressed			Non-distressed			
		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Total
Commercial or business activity		$ -	$ -	$ 7,166	$ 571,112	$ 18,579	$ -	$ 596,857
Ordinary portfolio		-	-	5,109	490,159	10,878	-	506,146
	MXN	-	-	3,161	346,893	6,228	-	356,282
	Foreign currency	-	-	1,947	143,265	4,650	-	149,862
	UDIs	-	-	1	1	-	-	2
	UMA	-	-	-	-	-	-	-
	VSM	-	-	-	-	-	-	-
Portfolio under term extension				2,057	80,953	7,701	-	90,711
	MXN	-	-	1,806	47,068	5,924	-	54,798
	Foreign currency	-	-	249	33,885	1,777	-	35,911
	UDIs	-	-	2	-	-	-	2
	UMA	-	-	-	-	-	-	-
	VSM	-	-	-	-	-	-	-
Special repayment regime								
	MXN	-	-	-	-	-	-	-
	Foreign currency	-	-	-	-	-	-	-
	UDIs	-	-	-	-	-	-	-
	UMA	-	-	-	-	-	-	-
	VSM	-	-	-	-	-	-	-
Loans to financial entities		-	-	9	29,571	-	-	29,580
Ordinary portfolio		-	-	9	29,571	-	-	29,580
	MXN	-	-	9	29,229	-	-	29,238
	Foreign currency	-	-	-	342	-	-	342
	UDIs	-	-	-	-	-	-	-
	UMA	-	-	-	-	-	-	-
	VSM	-	-	-	-	-	-	-
Portfolio under term extension		-	-	-	-	-	-	-
	MXN	-	-	-	-	-	-	-
	Foreign currency	-	-	-	-	-	-	-
	UDIs	-	-	-	-	-	-	-
	UMA	-	-	-	-	-	-	-
	VSM	-	-	-	-	-	-	-
Special repayment regime		-	-	-	-	-	-	-
	MXN	-	-	-	-	-	-	-
	Foreign currency	-	-	-	-	-	-	-
	UDIs	-	-	-	-	-	-	-
	UMA	-	-	-	-	-	-	-
	VSM	-	-	-	-	-	-	-
Loans to government entities		-	-	-	185,737	-	-	185,737
Ordinary portfolio		-	-	-	158,217	-	-	158,217
	MXN	-	-	-	142,498	-	-	142,498
	Foreign currency	-	-	-	15,719	-	-	15,719
	UDIs	-	-	-	-	-	-	-
	UMA	-	-	-	-	-	-	-
	VSM	-	-	-	-	-	-	-
Portfolio under term extension		-	-	-	27,520	-	-	27,520
	MXN	-	-	-	27,520	-	-	27,520
	Foreign currency	-	-	-	-	-	-	-
	UDIs	-	-	-	-	-	-	-
	UMA	-	-	-	-	-	-	-
	VSM	-	-	-	-	-	-	-
Special repayment regime		-	-	-	-	-	-	-
	MXN	-	-	-	-	-	-	-
	Foreign currency	-	-	-	-	-	-	-
	UDIs	-	-	-	-	-	-	-
	UMA	-	-	-	-	-	-	-
	VSM	-	-	-	-	-	-	-
Credit card business		-	-	487	23,402	252	-	24,141
Ordinary portfolio		-	-	487	23,402	252	-	24,141
	MXN	-	-	487	23,402	252	-	24,141
	Foreign currency	-	-	-	-	-	-	-
	UDIs	-	-	-	-	-	-	-
	UMA	-	-	-	-	-	-	-
	VSM	-	-	-	-	-	-	-
Portfolio under term extension		-	-	-	-	-	-	-
	MXN	-	-	-	-	-	-	-

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		2022						
		Distressed			Non-distressed			
		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Total
	Foreign currency	-	-	-	-	-	-	-
	UDIs	-	-	-	-	-	-	-
	UMA	-	-	-	-	-	-	-
	VSM	-	-	-	-	-	-	-
Special repayment regime		-	-	-	-	-	-	-
	MXN	-	-	-	-	-	-	-
	Foreign currency	-	-	-	-	-	-	-
	UDIs	-	-	-	-	-	-	-
	UMA	-	-	-	-	-	-	-
	VSM	-	-	-	-	-	-	-
	Credit card business	-	-	-	-	-	-	-
Ordinary portfolio		-	-	-	-	-	-	-
	MXN	-	-	-	-	-	-	-
	Foreign currency	-	-	-	-	-	-	-
	UDIs	-	-	-	-	-	-	-
	UMA	-	-	-	-	-	-	-
	VSM	-	-	-	-	-	-	-
Portfolio under term extension		-	-	-	-	-	-	-
	MXN	-	-	-	-	-	-	-
	Foreign currency	-	-	-	-	-	-	-
	UDIs	-	-	-	-	-	-	-
	UMA	-	-	-	-	-	-	-
	VSM	-	-	-	-	-	-	-
Special repayment regime		-	-	-	-	-	-	-
	MXN	-	-	-	-	-	-	-
	Foreign currency	-	-	-	-	-	-	-
	UDIs	-	-	-	-	-	-	-
	UMA	-	-	-	-	-	-	-
	VSM	-	-	-	-	-	-	-
		-	-	-	-	-	-	-
Interest collected in advance		-	-	-	(759)	-	-	(759)
Total		**$ -**	**$ -**	**$ 7,662**	**$ 809,063**	**$ 18,831**	**$ -**	**$ 835,556**

The restructured and renewed portfolio as of December 31, 2023 and 2022 is as follows:

	Amount of restructured and renewed portfolio during 2023
	Commercial Loans
Stage 1 restructured or renewed loans (d)	
Stage 2 restructured or renewed loans	
Stage 3 restructured or renewed loans	$ 2,395
Restructured or renewed bullet loans transferred to stage 3 (a)	2,253
Loans maintained in stage 1 with the ability to pay (c)	80,029
Loans maintained in stage 2 with the ability to pay (c)	11,383
Consolidated loans transferred to stage 3 (b)	-
Loans restructured in stage 1 that were not transferred due to payment compliance (e)	-
Loans restructured in stage 2 that were not transferred due to payment compliance (e)	-

	Government Entities
Stage 1 restructured or renewed loans (d)	-
Stage 2 restructured or renewed loans	-
Stage 3 restructured or renewed loans	-
Restructured or renewed bullet loans transferred to stage 3 (a)	-
Loans maintained in stage 1 with the ability to pay (c)	38,202
Loans maintained in stage 2 with the ability to pay (c)	-
Consolidated loans transferred to stage 3 (b)	-
Loans restructured in stage 1 that were not transferred due to payment compliance (e)	-
Loans restructured in stage 2 that were not transferred due to payment compliance (e)	-

	Consumer loans
Stage 1 restructured or renewed loans (d)	686
Stage 2 restructured or renewed loans	460
Stage 3 restructured or renewed loans	1,453
Restructured or renewed bullet loans transferred to stage 3 (a)	-
Loans maintained in stage 1 with the ability to pay (c)	1,139
Loans maintained in stage 2 with the ability to pay (c)	100
Consolidated loans transferred to stage 3 (b)	494
Loans restructured in stage 1 that were not transferred due to payment compliance (e)	-
Loans restructured in stage 2 that were not transferred due to payment compliance (e)	-

	Mortgage loans
Stage 1 restructured or renewed loans (d)	4,382
Stage 2 restructured or renewed loans	2,194
Stage 3 restructured or renewed loans	2,233
Restructured or renewed bullet loans transferred to stage 3 (a)	-
Loans maintained in stage 1 with the ability to pay (c)	15,468
Loans maintained in stage 2 with the ability to pay (c)	2,466
Consolidated loans transferred to stage 3 (b)	-
Loans restructured in stage 1 that were not transferred due to payment compliance (e)	-
Loans restructured in stage 2 that were not transferred due to payment compliance (e)	-

a) Bullet loans correspond to loans with a single repayment of principal at maturity.

b) As stated in paragraph 110 of B-6.

c) In accordance with paragraphs 100 to 108 of B-6.

d) Loans that have already fulfilled sustained payment and are currently in stage 1.

e) In accordance with paragraph 112 of B-6 and in addition to compliance with payment of the aggregate amount of principal and interest due and modify the following original loan conditions such as: guarantees, interest rate, currency, payment date and/or extension of the credit facility.

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	Amount of restructured and renewed portfolio during 2022
	Commercial Loans
Stage 1 restructured or renewed loans (d)	-
Stage 2 restructured or renewed loans	-
Stage 3 restructured or renewed loans	2,359
Restructured or renewed bullet loans transferred to stage 3 (a)	2,860
Loans maintained in stage 1 with the ability to pay (c)	88,779
Loans maintained in stage 2 with the ability to pay (c)	11,999
Consolidated loans transferred to stage 3 (b)	-
Loans restructured in stage 1 that were not transferred due to payment compliance (e)	-
Loans restructured in stage 2 that were not transferred due to payment compliance (e)	-
	Government Entities
Stage 1 restructured or renewed loans (d)	-
Stage 2 restructured or renewed loans	-
Stage 3 restructured or renewed loans	-
Restructured or renewed bullet loans transferred to stage 3 (a)	-
Loans maintained in stage 1 with the ability to pay (c)	26,283
Loans maintained in stage 2 with the ability to pay (c)	-
Consolidated loans transferred to stage 3 (b)	-
Loans restructured in stage 1 that were not transferred due to payment compliance (e)	-
Loans restructured in stage 2 that were not transferred due to payment compliance (e)	-
	Consumer loans
Stage 1 restructured or renewed loans (d)	740
Stage 2 restructured or renewed loans	184
Stage 3 restructured or renewed loans	754
Restructured or renewed bullet loans transferred to stage 3 (a)	-
Loans maintained in stage 1 with the ability to pay (c)	2,190
Loans maintained in stage 2 with the ability to pay (c)	174
Consolidated loans transferred to stage 3 (b)	502
Loans restructured in stage 1 that were not transferred due to payment compliance (e)	-
Loans restructured in stage 2 that were not transferred due to payment compliance (e)	-
	Mortgage loans
Stage 1 restructured or renewed loans (d)	4,823
Stage 2 restructured or renewed loans	1,926
Stage 3 restructured or renewed loans	2,334
Restructured or renewed bullet loans transferred to stage 3 (a)	-
Loans maintained in stage 1 with the ability to pay (c)	17,981
Loans maintained in stage 2 with the ability to pay (c)	2,402
Consolidated loans transferred to stage 3 (b)	-
Loans restructured in stage 1 that were not transferred due to payment compliance (e)	-
Loans restructured in stage 2 that were not transferred due to payment compliance (e)	-

a) Bullet loans correspond to loans with a single repayment of principal at maturity.

b) As stated in paragraph 110 of B-6.

c) In accordance with paragraphs 100 to 108 of B-6.

d) Loans that have already fulfilled sustained payment and are currently in stage 1.

e) In accordance with paragraph 112 of B-6 and in addition to compliance with payment of the aggregate amount of principal and interest due and modify the following original loan conditions such as: guarantees, interest rate, currency, payment date and/or extension of the credit facility.

As of December 31, 2023 and 2022, the Group has real estate collateral of $6,687 and $16,652, and securities collateral of $- and $219, respectively, for restructured commercial loans.

As of December 31, 2023 and 2022, accrued initial origination fees by type of loan and average amortization period are summarized as follows:

	2023				2022			
	By amortization period				By amortization period			
	1 to 5 years	6 to 15 years	More than 15 years	Total	1 to 5 years	6 to 15 years	More than 15 years	Total
Commercial or business activity	$ 1,003	$ 173	$ 116	$ 1,292	$ 1,125	$ 168	$ 114	$ 1,407
Consumer loans	1,227	248	-	1,475	1,120	205	-	1,325
Mortgage loans	2	28	515	545	3	33	505	541
Total	$ 2,232	$ 449	$ 631	$ 3,312	$ 2,248	$ 406	$ 619	$ 3,273

The amount of transaction costs associated with the loan portfolio corresponds to commissions and incentives paid for the placement of loans, as well as credit evaluation expenses. The unamortized balance at December 31, 2023 is $1,882.

As of December 31, 2023 and 2022, stage 3 loan portfolio balances fully reserved and eliminated from the consolidated statement of financial position are summarized as follows:

	2023	2022
Commercial or business activity	$ 6,120	$ 5,908
Consumer loans:		
Credit cards	1,734	1,317
Other consumer	3,544	2,637
	5,278	3,954
Mortgage loans	2,973	2,634
Total	$ 14,371	$ 12,496

As of December 31, 2023 and 2022, the loan portfolio recognized at its fair value amounts to $5,401 and $5,100, which is made up of principal of $5,370 and $5,184, accrued interest not collected for $48 and $18 and a valuation of $(17) and $(102), respectively.

As of December 31, 2023 and 2022, the amount of undrawn credit facilities and letters of credit recorded in memorandum accounts amounted to $826,305 and $792,231, respectively. The allowance associated with undrawn lines of credit amounts to $80 and $163, respectively.

Credit facilities recorded in memorandum accounts - The amounts for credit facilities recorded in memorandum accounts are detailed below:

	2023	2022
Irrevocable credit facilities	$ 27,592	$ 22,227
Revocable credit facilities	713,561	676,495
Total	$ 741,153	$ 698,722

The loans migrated to stage 3 in 2023 and 2022 are detailed below:

	2023	2022
Final balance (previous year)	$ 23,848	$ 22,699
IFRS 9 implementation	-	6,188
Final balance (IFRS 9)	23,848	28,887
Inflow:		
Transfer from performing to stage 1 and 2	56,649	51,250
Restructured	3,264	1,797
	59,913	53,047
Outflows:		
Transfers from performing to stage 1 and 2	(10,237)	(17,043)
Cash settlements	(3,936)	(10,117)
Restructured	(81)	(51)
Reductions (*Quitas*)	(4,275)	(4,435)
Write-offs	(37,128)	(26,440)
	(55,657)	(58,086)
Final balance	$ 28,104	$ 23,848

Guarantees received are broken down as follows:

	2023	2022
Nature of guarantee:		
Guarantor (*Avalistas*)	$ 2,009,283	$ 1,907,718
Mortgage	1,131,025	1,087,772
Government	206,639	167,894
Pledges	117,065	139,357
Documentary	180,251	191,924
Vehicles	100,220	87,272
Other Institutions of Nafin Loan	41,733	33,512
Cash Deposit	17,757	27,773
Securities	10,353	8,067
Comfort Letters	12,943	12,658
Sociedad Hipotecaria Nacional	5,167	4,735
Other Institutions of Bancomext Loan	5,631	5,168
Fondos de Fomento FIRA	4,642	4,124
Warrants	1,154	991
Cash Investment	30	30
Total	$ 3,843,893	$ 3,678,995

In addition to the table above, the terms and conditions associated with the collateral are detailed below:

The guarantees or collateral associated with the various transactions carried out by the entity must be duly documented and formalized, safeguarded and registered with the relevant official agencies, in order to ensure due legal certainty for their effective enforcement if necessary. The guarantees admitted must be in accordance with the type of transaction to be carried out and must be free of present and/or future limitations (unattachable assets, limitations of previous encumbrances, liability in personal guarantees), etc.

Interest and fee income recorded in financial margin for the year ended December 31, 2023 and 2022, segmented by type of loan, is as follows:

	2023			2022		
Type of loan	**Interest**	**Fees**	**Total**	**Interest**	**Fees**	**Total**
Commercial loans:						
Denominated in MXN:						
Commercial	$ 64,832	$ 1,281	$ 66,113	$ 47,077	$ 1,037	$ 48,114
Rediscounted portfolio	1,354	-	1,354	1,171	-	1,171
Leases	295	-	295	162	-	162
Denominated in foreign currency (MXN equivalent):						
Commercial	11,275	-	11,275	3,193	-	3,193
Rediscounted portfolio	122	-	122	98	-	98
Leases	83	-	83	91	-	91
Commercial or business activity	77,961	1,281	79,242	51,792	1,037	52,829
Loans to financial entities	3,885	5	3,890	2,289	7	2,296
Loans to government entities	21,271	54	21,325	14,349	41	14,390
Total, commercial loans	103,117	1,340	104,457	68,430	1,085	69,515
Consumer loans -						
Credit cards	89,463	955	90,418	72,776	641	73,417
Other consumer loans	6,500	332	6,832	6,103	304	6,407
Total, consumer loans	95,963	1,287	97,250	78,879	945	79,824
Mortgage loans	30,648	148	30,796	27,922	84	28,006
Total, see note 33	$ 229,728	$ 2,775	$ 232,503	$ 175,231	$ 2,114	$ 177,345

Loans made, grouped by economic sector as of December 31, 2023 and 2022 are shown below:

	2023		2022	
Sector	**Amount**	**Concentration percentage**	**Amount**	**Concentration percentage**
Private (companies and individuals)	$ 679,888	40.49%	$ 623,512	41.12%
Credit cards and consumer	433,164	25.80%	366,527	24.17%
Mortgage	337,516	20.10%	310,821	20.50%
Loans to government entities	191,299	11.39%	185,737	12.25%
Financial	34,494	2.05%	27,294	1.80%
Foreign (non-Mexican entities)	2,703	0.16%	2,286	0.15%
Other overdue debts	-	0.00%	-	0.00%
Total	$ 1,679,064	100.00%	$ 1,516,177	100.00%

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Loans written off that were in stage 3 for fiscal year 2023 and 2022 amount to $32,849 and $25,068, respectively, of which there are no loans made to related parties.

Related loans - As of December 31, 2023 and 2022, loans made to related parties in accordance with Article 73 of the Banking Law total $40,148 and $41,308, including $17,406 and $20,558 of letters of credit, respectively, which are recorded in memorandum accounts.

Loan defaults - The following is a detail of loan defaults with a payment periodicity of less than 30 days (weekly, biweekly):

	2023					
	Stage 1		Stage 2		Stage 3	
No Defaults	No Contracts	Amount	No Contracts	Amount	No Contracts	Amount
Daily amortization	610	$ 142	40	$ 7	85	$ 8
COMMERCIAL	610	142	40	7	85	8
1	480	130	-	-	-	-
2	54	3	-	-	-	-
3	20	1	-	-	-	-
>=4	56	8	40	7	85	8
Biweekly amortization	47,997	2,826	59,573	3,969	79,524	5,157
CONSUMER PAYROLL	29,862	1,372	40,938	2,287	56,182	3,118
1	19,436	855	608	38	80	4
2	10,426	517	1,576	114	101	4
3	-	-	11,156	599	163	9
>=4	-	-	27,598	1,536	55,838	3,101
CONSUMER PERSONAL	18,135	1,454	18,635	1,682	23,342	2,039
1	12,546	982	415	34	120	15
2	5,589	472	1,024	97	113	11
3	-	-	5,021	447	109	15
>=4	-	-	12,175	1,104	23,000	1,998
Total	48,607	$ 2,968	59,613	$ 3,976	79,609	$ 5,165

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	2022					
	Stage 1		Stage 2		Stage 3	
No Defaults	No Contracts	Amount	No Contracts	Amount	No Contracts	Amount
Daily amortization	423	$ 35	29	$ 1	32	$ 4
COMMERCIAL	423	35	29	1	32	4
1	335	32	-	-	-	-
2	41	1	-	-	-	-
3	10	1	-	-	-	-
>=4	37	1	29	1	32	4
Biweekly amortization	37,346	2,001	50,445	3,155	70,891	4,069
CONSUMER PAYROLL	25,303	1,116	36,828	1,968	53,517	2,653
1	15,888	673	637	34	91	4
2	9,415	443	1,527	107	136	5
3	-	-	9,727	501	171	9
>=4	-	-	24,937	1,326	53,119	2,635
CONSUMER PERSONAL	12,043	885	13,617	1,187	17,374	1,416
1	8,141	584	297	20	110	14
2	3,902	301	893	79	88	8
3	-	-	3,647	304	78	9
>=4	-	-	8,780	784	17,098	1,385
Total	37,769	$ 2,036	50,474	$ 3,156	70,923	$ 4,073

As of December 31, 2023, the remaining balance of the special Federal Mexican Treasury Securities (CETES) and special “C” Federal Mexican Treasury Securities (CETES) is as follows:

	Special CETES			Special “C” CETES		
Originating trust	No. of securities	Amount	Maturity date	No. of securities	Amount	Maturity date
423-9	10,656,993	$ 1,721	07/01/2027	468,306	$ 23	07/01/2027
Total (note 7c)		$ 1,721			$ 23	

Loan granting policies and procedures – The Group’s credit manual regulates the granting, control and recovery of loans. This manual was authorized by the Board of Directors and outlines the parameters to be followed by officers involved in the credit process, which are based on the Banking Law, loan origination rules issued by the Commission and sound banking practices.

Credit authorization under the Board of Directors’ responsibility is centralized in empowered committees and officers. In the credit management function, the general process from origination to recovery is defined, specifying, by business unit, the policies, procedures and responsibilities of the officers involved, as well as the tools to be used in each step of the process.

The credit process is based on a thorough analysis of loan applications, in order to determine the comprehensive risk of each debtor. For most loans, debtors must at least have an alternate repayment source. The main policies and procedures to determine credit risk concentrations that form part of the credit manuals are presented below.

Common risk

– Establish the criteria for determining the individuals or corporations that represent common risk for the Group.

– Establish the criteria for determining whether individuals and/or corporations act in unison and are integrated into the same business group or consortium, to identify potential accumulated risk and the maximum limit of financing to be granted.

Maximum financing limit

– Make known the maximum legal credit rules issued by the authorities.

– Communicate the updated maximum credit limit for the Group, as well as the handling of exceptions.

Risk diversification

As of December 31, 2023 and 2022, the Group maintains the following credit risk operations in compliance with the general risk diversification rules established in the accounting Criteria and applicable to asset and liability transactions, as follows:

As of December 31, 2022, the maximum amount of financing with the three largest debtors amounted to MXN 54,478 million, which represented 19.3% of Core Capital. It is important to mention that in October 2023, new general regulations applicable to credit institutions came into effect, specifically in the section related to risk diversification in the execution of lending transactions. Previously, it was required to report the amount of financing with the three largest debtors; however, with the new regulations, it is now required to provide the amount corresponding to the four largest debtors. Considering this, as of December 31, 2023, the amount of financing with the four largest debtors amounts to MXN 70,874 million, which represents 23.3% of the Core Capital.

Potential risk

- Loan applications must be approved in terms of the amount of the risk.

- Avoid risk exposure above the legal limit and other institutional limits established.

Consumer loans, mortgage loans and loans to small and micro-sized companies are subject to automated evaluation and follow-up mechanisms that have been implemented, based on certain standard factors which, under the Group criteria, are used to make decisions and allow greater efficiency in the handling of the high volume of loan applications.

(11) Restructured loans denominated in UDIs-

As of December 31, 2023 and 2022, restructured loans denominated in UDIs amounted to $1,018 and $1,278, respectively.

(12) Allowance for loan losses-

As of December 31, 2023 and 2022, loan ratings of the Group, which includes the amounts for irrevocable loans and letters of credit recorded in memorandum accounts, made for the purpose of recording the loan loss allowance based on the requirements discussed in Note 3, is composed as shown below.

2023

		Allowances			
Risk category	**Portfolio Exposure Rating Base**	**Commercial**	**Consumer**	**Mortgage**	**Total allowances**
A1	$ 1,286,215	$ 2,048	$ 2,650	$ 222	$ 4,920
A2	86,752	522	1,456	35	2,013
B1	93,866	99	3,186	41	3,326
B2	50,981	186	2,120	37	2,343
B3	33,730	408	1,538	43	1,989
C1	44,228	428	2,736	301	3,465
C2	32,531	310	4,198	138	4,646
D	21,601	1,559	4,650	858	7,067
E	27,031	4,963	11,936	1,789	18,688
	1,676,935	10,523	34,470	3,464	48,457
Additional allowance	-	1,365	5,553	-	6,918
Total	$ 1,676,935	$ 11,888	$ 40,023	$ 3,464	$ 55,375

2022

		Allowances			
Risk category	**Portfolio Exposure Rating Base**	**Commercial**	**Consumer**	**Mortgage**	**Total allowances**
A1	$ 1,157,856	$ 1,733	$ 3,394	$ 231	$ 5,358
A2	73,430	474	1,423	24	1,921
B1	88,649	173	2,908	42	3,123
B2	47,066	119	2,021	70	2,210
B3	32,400	429	1,417	33	1,879
C1	42,195	699	2,578	224	3,501
C2	30,079	342	3,223	327	3,892
D	24,987	1,786	3,305	2,024	7,115
E	20,038	4,676	8,832	314	13,822
	1,516,700	10,431	28,101	3,289	42,821
Additional allowance	-	1,365	5,553	-	6,918
Total	$ 1,516,700	$ 11,796	$ 34,654	$ 3,289	$ 49,739

The total loan portfolio balance used for calculating the allowance for loan losses includes amounts related to irrevocable loans made and letters of credit granted, which are recorded in memorandum accounts.

The balance of the allowance for loan losses as of December 31, 2023 and 2022 is determined based on the balance of the portfolio at such dates.

The allowance for loan losses as of December 31, 2023 and 2022 covers 100% of past due interest.

The amount of the allowance for loan losses as of December 31, 2023 and 2022 includes the classification of loan granted in foreign currency valued at the exchange rate in effect on said dates.

As of December 31, 2023 and 2022, the allowance for loan losses represents 197.04% and 208.57%, respectively, of the stage 3 portfolio.

The allowance for loan losses as of December 31, 2023 and 2022 amounts to $55,375 and $49,739, which includes an allowance of $48,457 and $42,821, respectively, calculated in accordance with the methodologies approved by the Commission under the General Standard Methodology and Internal reserve methodologies based on FRS C-16, and $6,918 of additional reserves created as part of the modification during 2022 to the Arrears (ATRi) variables, Probability of Default (PD), Loss Given Default (LGD) and Percentage of Payment (%PAGOiA) and “amount due.”

As of December 31, 2023 and 2022, allowance for loan losses by type of portfolio is as follows:

	2023	2022
Commercial loans:		
Commercial or business activity	$ 11,098	$ 10,916
Financial entities	157	336
Government entities	633	544
	11,888	11,796
Consumer loans	40,023	34,654
Mortgage loans	3,464	3,289
Total loan allowances	$ 55,375	$ 49,739

Changes in the allowance for loan losses – The analysis below shows the allowance for loan losses changes for the years ended December 31, 2023 and 2022.

	2023		
	Stage 1-3	Additional	Total
Balance as of December 31, 2022	$ 42,821	$ 6,918	$ 49,739
Allowances charged to the year’s earnings [(1)]	46,637		46,637
Applications and write-offs of the year	(40,763)		(40,763)
Exchange rate fluctuations	(238)		(238)
Other expenses	-	-	-
Balance at the end as of December 31, 2023	$ 48,457	$ 6,918	$ 55,375

	2022		
	Stage 1-3	Additional	Total
Balance as of December 31, 2021	$ 34,941	$ -	$ 34,941
+/- (effect of change in criteria) *	8,052	-	8,052
Adjusted opening balance	42,993	-	42,993
Allowances charged to the year's earnings [1]	30,506	6,918	37,444
Applications and write-offs of the year	(30,611)	-	(30,611)
Exchange rate fluctuations	(67)	-	(67)
Other expenses	(20)	-	(20)
Balance at the end as of December 31, 2022	$ 42,821	$ 6,918	$ 49,739

[1] Recoveries of loan portfolio previously written off as of December 31, 2023 and 2022 were $1,642 and $1,805, respectively, and are presented under allowance for loan losses in the consolidated income statement, so, the net allowance for loan losses variation in the year's earnings for the year ended December 31, 2023 and 2022 is ($44,966) and ($35,619), respectively.

Cancellation of allowance for loan losses -

The cancellation of the allowance for loan losses for 2023 and 2022 amounts to ($40,763) and ($30,611), respectively.

The reasons for such cancellation are described below:

A. Foreclosure
B. Disposal
C. Write-off
D. Loan prepayment

(13) Receivables from insurance and bonding companies-

As of December 31, 2023 and 2022, insurance premium receivable is as follows:

	2023	2022
Life	$ 5,800	$ 5,731
Car	3,493	2,617
Third party liability	2,870	2,390
Accident, health and pensions	1,241	844
	$ 13,404	$ 11,582

As of December 31, 2023 and 2022, insurance premium receivable represents 3.54% and 3.47% of the total assets of the Group's three insurance companies.

(14) Securitization transactions-

Mortgage portfolio securitizations

The Group has issued securitized debt certificates (*certificados bursátiles*), which have generally been formalized through contracts mentioned below:

Irrevocable Trusts for the Issuance of Securitized Debt Certificates by BBVA México - Invex, Grupo Financiero (881).

During 2022, Irrevocable Trust 881 entered into with Banco Invex, S. A. was terminated early; the related loan portfolio was already included in the Group's consolidated financial statements; therefore, there was no accounting effect derived from such termination. The main characteristics of the loan portfolio were as follows:

– Assignment Agreement

This agreement was entered into by the Group (Transferor), Banco Invex, S. A. (Transferee) and Monex Casa de Bolsa, S. A. de C. V. (Common Representative) for the purpose of assigning, by the Transferor, mortgage performing loan portfolio, to an irrevocable trust for the issuance of securitized debt certificates Trust (the Securitized Debt Certificates), free and clear from any liens and without reservation or limitation of title, together with all related applicable benefits, proceeds and accessories. The Transferor is liable only for the representations included in such agreement, for which reason the noncompliance with any of the representations shall only mean that the Transferor shall replace one or more of the ineligible loans or reimburse in cash the proportional part of the consideration; consequently, the Transferor does not assume any obligation regarding the mortgage loans. Furthermore, the right to receive the full amount obtained from the offering of the Securitized Debt Certificates agreed as consideration, minus the relevant issuance expenses.

– Irrevocable Trust Agreement for the Issuance of Securitized Debt Certificates

This agreement was entered into by and between the Group (Settlor and First Beneficiary), Banco Invex, S. A. (Trustee), and Monex Casa de Bolsa, S. A. de C. V. (Common Representative), which stipulates that the purpose of the Trust is the acquisition of mortgage loans, free and clear from liens and without any reservation or limitation of title, in accordance with the Assignment Agreement, for the issuance of Securitized Debt Certificates, which shall have such mortgage loans as a source of payment to be later offered to the investing public. The Trustee shall have all those rights and obligations deemed necessary to achieve such purpose. This agreement stated the initial capacity that the certificate would have with respect to the total amount of the assigned portfolio, which amount is recorded in accounting under "Benefits receivable on securitization transactions" by the Group.

– Loan Servicing Agreement

This agreement was entered into by and between the Group (Servicer), the Trustee and the Common Representative. In accordance with this Agreement, the Trustee engaged the Servicer to provide servicing services solely and exclusively in connection with the mortgage loans and any foreclosed real estate transferred under the Assignment Agreement. Accordingly and to allow the Servicer to perform its obligations, the Trustee paid a servicing fee to the Servicer equivalent to the amount resulting from multiplying the unpaid balance of the principal of the mortgage loans by the percentage stipulated divided by 12.

The specific characteristics of each trust are detailed below:

	Trust 881
Execution date of trust agreement	August 3, 2009
Number of assigned loans	15,101
Amount of assigned portfolio	6,545
Securitized debt certificates issued	59,101,116
Par value per securitized debt certificate	100 pesos
Amount of issuance of securitized debt certificates:	
Series A1	$ 562
Series A2	1,732
Series A3	3,616
	$ 5,910
Annual gross interest rate	-
Series A1	6.14%
Series A2	8.04%
Series A3	10.48%
Term of securitized debt certificates (years)	20.08
Value of global certificate (*constancia*)	$ 635
Loan to value %	9.70%
Total, cash flow received after assignment	$ 5,733

(15) Other accounts receivable, net-

Other accounts receivable as of December 31, 2023 and 2022 are as follows:

	2023	2022
Debtors from settlement of transactions [a]	$ 54,370	$ 107,530
Loans to officers and employees [b]	21,152	17,289
Sundry debtors	7,013	5,009
Collateral provided through OTC derivatives [c]	7,999	6,415
Other	3,130	3,263
	93,664	139,506
Allowance for uncollectible accounts	(502)	(371)
	$ 93,162	$ 139,135

(a) Receivables from pending to be settle transactions as of December 31, 2023 and 2022, are as follows:

	2023	2022
Currency [a1]	$ 35,899	$ 96,213
Investment in securities	14,194	5,652
Derivatives	4,277	5,665
	$ 54,370	$ 107,530

(a1) As of December 31, 2023 and 2022, the balance of the settlement of transactions is net of the purchase and sale of foreign currencies for $41,280 and $97,987, respectively.

(b) As of December 31, 2023 and 2022, corresponds to officials and employees who currently belong to the Group's subsidiaries (see note 1).

(c) The receivables for collaterals granted by OTC derivatives as of December 31, 2023 and 2022 are made up as shown below:

	2023			2022
	Acquisition cost	Accrued interest	Carrying amount	Carrying amount
Collateral granted in derivatives:				
Actinver Casa Bolsa, S.A. de C.V.	$ -	$ -	$ -	$ 32
Banca Mifel, S.A. IBM	76	-	76	125
Banco Actinver S.A. IBM	226	1	227	37
Banco Base, S.A. IBM	7	-	7	27
Banco Bilbao Vizcaya Argentaria	-	-	-	-
Banco Intercam, S.A. IBM	52	-	52	53
Banco Invex, S.A. IBM	114	1	115	159
Banco JP Morgan, S.A. IBM	-	-	-	47
Banco Inbursa	923	4	927	155
Banco Mercantil del Norte, S.A. IBM	-	-	-	-
Banco Monex S.A.	-	-	-	134
Banco Nacional de Comercio Exterior, S. N. C.	1,685	17	1,702	216
Banco Nacional de Obras	1,675	17	1,692	1,945
Banco Nacional de México, S.A.	-	-	-	946
Banco Regional del Norte	78	-	78	109
Banco Santander, S.A. IBM	23	-	23	278
Banco Scotiabank Inverlat, S.A. IBM	589	3	592	-
Banco Ve por más, S.A. IBM	93	1	94	134
Bank of America México, S.A. IBM	135	1	136	208
Barclays Bank PLC	278	1	279	216
BNP Paribas NY Branch	-	-	-	-
Casa de Bolsa Finamex, S.A. B. de C.V.	157	1	158	83
Goldman Sachs	473	2	475	566
HSBC London	-	-	-	3
Merril Lynch Capital	503	2	505	146
Morgan Stanley	56	-	56	-
Nacional Financiera	608	6	614	550
Societe Generale	73	-	73	138
Standard Chartered Bank	19	-	19	-
UBS Ag Zurich	71	-	71	108
BBVA Colombia	28	-	28	-
	$ 7,942	$ 57	$ 7,999	$ 6,415

(16) Foreclosed assets, net-

Foreclosed assets account balance as of December 31, 2023 and 2022 are as follows:

	2023	2022
Buildings	$ 2,208	$ 2,579
Land	627	971
Securities and rights	-	12
	2,835	3,562
Allowance for derecognition	(1,691)	(1,951)
Total	$ 1,144	$ 1,611

During the year 2023 and 2022, there are no assets foreclosed for the Group's use.

For the years ended December 31, 2023 and 2022, the movements in the reserve for impairment of foreclosed assets are summarized below:

	2023	2022
Initial balance	$ 1,951	$ 2,665
+/- (effect of change in criteria) *	-	(423)
Adjusted opening balance	1,951	2,242
Reserves created in:		
"Other operating income"	145	189
Reserve applications for foreclosure sales and others	(405)	(480)
Final balance	$ 1,691	$ 1,951

* This effect is the one that was recorded against the cumulative results within stockholders' equity (note 3)

As of December 31, 2023 and 2022, fully reserved foreclosed assets are presented below:

	2023	2022
Buildings – Foreclosed value	$ 1,047	$ 1,155
Land – Foreclosed value	424	521
Securities and rights – Foreclosed value	-	12
Total	$ 1,471	$ 1,688

(17) Property, plant and equipment, net-

Property, plant and equipment as of December 31, 2023 and 2022 is as follows:

	2023		2022	
	Investment	Accumulated depreciation	Investment	Accumulated depreciation
Components subject to depreciation				
Furniture and equipment	$ 25,590	$ (16,765)	$ 22,342	$ (14,718)
Office furniture and equipment	19,348	(5,865)	19,414	(5,547)
Installation costs	23,669	(15,136)	21,243	(13,193)
	68,607	(37,766)	62,999	(33,458)
Components not subject to depreciation				
Land	5,493		5,537	
Work in progress	1		1	
Ongoing installation costs	3,151		1,268	
	8,645		6,806	
Property, plant and equipment, net	$ 39,495		$ 36,347	

Total depreciation for 2023 and 2022 was recorded in income in the amount of $2,773 and $2,495, respectively, and amortization of $1,999 and $1,926, respectively, which were recorded in administrative expenses.

(18) Leased assets (rights of use) and lease liabilities-

The Group leases real estate to install its branches. Leases are generally executed for a period of 5 years, of which, as specified in the contract, between 1 and 3 years are mandatory for both parties and the remaining years the mandatory term is only for lessor, at the end of the term there is the option to renew the lease after that date. Lease payments are renegotiated at the end of the lease. The amount of rental payments is mostly updated based on the INPC, annually.

Information on leases for which the Group is a lessee is presented below.

Assets under leases (right-of-use assets)

Right-of-use assets related to leased properties that do not meet the definition of investment property are made up as follows:

	Real Estate	
	2023	2022
Balance as of January 1,	$ 5,023	$ 4,262
Accumulated depreciation	(2,425)	(2,163)
Additions	2,951	2,936
Derecognition	(4)	(12)
Net balance of the right-of-use asset	$ 5,545	$ 5,023

Lease liabilities

The amount of its commitments as of December 31, 2023 and 2022 amounts to $5,904 and $5,153, respectively.

Amounts recognized in results:

	2023	2022
Financial margin:		
Interest on lease liabilities	$ 462	$ 338
General expenses:		
Depreciation of the right-of-use asset	(2,433)	(2,154)
Expenses related to short-term leases	264	243
Expenses related to leases of low value assets, excluding shot term	-	-
Other	382	299

Total lease cash outflows during 2023 and 2022 were $2,680 and $2,400, respectively.

(19) Permanent investments-

As of December 31, 2023 and 2022, investments in associates were valued based on equity method, while other permanent investments were recorded at acquisition cost. The most significant of these investments are detailed below:

	Share %		Amount	
	2023	2022	2023	2022
Fideicomiso No. 1729 INVEX - Disposal of Portfolio [1]	32.25%	32.25%	$ 222	$ 341
Servicios Electrónicos Globales, S.A. de C.V.	46.14%	46.14%	668	484
Compañía Mexicana de Procesamiento, S.A. de C.V.	50.00%	50.00%	137	212
Fideicomiso FIMPE	28.50%	28.50%	20	17
Other investments recognized at cost	Various	Various	143	129
Investment funds	Various	Various	203	193
Total			$ 1,393	$ 1,376

[1] In October 2013, Trust named Fideicomiso 1729 Invex Enajenación de Cartera (Trust 1729) was created by the banks that had a distressed factoring portfolio with “Corporación GEO.” Banco Invex, S. A., acted as trustee. The settlors contributed the collection rights and cash for expenses. On the other hand, “Corporación GEO” exchanged the collection rights transferred to the trust for real estate located in different parts of Mexico.

Investment in equity of associated companies was determined in some cases based on the non-audited financial information, which is adjusted should there were differences, once it is available.

For the years ended December 31, 2023 and 2022, dividends received from associated companies and from other permanent investments was $213 and $139, respectively, recorded in the consolidated statement of income, under “Participation in the net result of other entities.”

For the years ended December 31, 2023 and 2022, the Group recognized the participation in results of associates for $323 and $254, respectively.

The value of the Group's contribution and the changes of its reserve in Trust 1729 as of December 31, 2023 and 2022 is shown below:

Item	2023	2022
Total, contributions	$ 747	$ 747
Associated reserve	(270)	(270)
Net value	477	477
Allowance for derecognition	(255)	(136)
Net value	$ 222	$ 341

As a result of the updates in the appraisals and the various advances of recovery by the Trust, the Group recorded during the years ended December 31, 2023 and 2022, movements in the reserve on the Trust 1729's interest for $(119) and $188, respectively.

(20) Sundry creditors and other accounts payable-

For the years ended December 31, 2023 and 2022, sundry creditors and other accounts payable are as follows:

	2023	2022
Currency deliverable (note 5)	$ -	$ 92,535
Other deposits and obligations	14,438	14,224
Provisions for administration and personnel expenses	10,419	9,233
Legal, tax and labor contingencies (note 40)	4,043	3,726
Other	10,351	9,186
Total	$ 39,251	$ 128,904

(21) Intangible assets (net) and goodwill-

As of December 31, 2023 and 2022, intangible assets are summarized as follows:

	2023	2022
Net balance as of January 1	$ 4,699	$ 4,456
Additions	2,423	2,086
Derecognition	(140)	(72)
Amortization for the year	(1,784)	(1,771)
Net balance as of December 31	$ 5,198	$ 4,699

For the years ended December 31, 2023 and 2022, the amount of amortization charged to income for the year is $1,784 and $1,771, respectively.

The balance of goodwill as of December 31, 2023 and 2022 is summarized as follows:

	2023	2022
BBVA México, S.A., I.B.M.	$ 5,431	$ 5,431
BBVA Seguros México, S.A. de C.V.	3,295	3,295
BBVA Pensiones México, S.A. de C.V.	143	143
Total	$ 8,869	$ 8,869

During 2023 and 2022, management performed the annual evaluation of goodwill and no indications of impairment were identified.

(22) Traditional deposits-

As of December 31, 2023 and 2022, traditional deposits is made up as follows:

	2023	2022
Demand deposits[a]:		
Demand deposits	$ 1,436,621	$ 1,366,059
Time deposits:		
General public	237,414	239,165
Money market	21,948	4,110
Negotiable instruments issued[b]	100,862	88,819
Inactive deposit global account	6,560	6,716
Total	$ 1,803,405	$ 1,704,869

(a) As of December 31, 2023, the average rates in local currency of demand deposits (unaudited) according to their short-term and long-term demandability are 2.30% and 8.24%, respectively. As of December 31, 2022, the average rates in pesos of demand deposits (unaudited) based on their short- and long-term enforceability are 1.43% and 7.10%, respectively.

As of December 31, 2023 and 2022, the Group has short- and long-term debt placed of $100,862 and $88,819, respectively, which is made up as follows:

	2023			2022		
	Amount	Average term (days)	Average rate	Amount	Average term (days)	Average rate
Long term bank bonds	$ 963	910	8.00%	$ 1,741	585	8.91%
Short term bank bonds	10,516	65	14.00%	11,340	152	8.48%
Securitized debt certificates in MXN	49,798	94	12.00%	31,787	685	10.18%
Securitized debt certificates in UDIs	18,249	182	4.00%	17,486	1,286	4.36%
Securitized debt certificates in USD	-	-	-	1,967	27	4.90%
Subordinated and Senior Notes	21,336	364	3.13%	24,498	729	3.13%
Total	$ 100,862			$ 88,819		

Liquidity ratio (unaudited) - The provisions of the “Regime of admission of liabilities and investment for transactions in foreign currency” issued by the Central Bank for financial institutions establishes a mechanism for determining the liquidity coefficient for liabilities denominated in foreign currency.

In accordance with said regime, as of December 31, 2023 and 2022, the Group generated an additional liquidity requirement of USD zero and USD 7,930 million, respectively. As of December 31, 2023 and 2022, Investment in liquid assets amounted to USD 5,543 million and USD 10,941 million, respectively, resulting in a surplus of USD 5,543 million and USD 3,011 million, respectively, as of said date.

(23) Bank and other borrowings-

Loans received as of December 31, 2023 and 2022 are as follows:

	MXN		Rate in Average %		Average Term (days)	
	2023	2022	2023	2022	2023	2022
Loans from other entities:						
Short-term:						
Central Bank	$ -	$ 101	-	10.83	-	182
Trusts created with respect to Agriculture (FIRA)	5,756	5,017	10.38	9.53	151	149
	$ 5,756	$ 5,118				

	MXN		Rate in Average %		Average Term (years)	
	2023	2022	2023	2022	2023	2022
Long term:						
FIRA	$ 5,926	$ 6,860	10.37	9.15	3	3
Central Bank	26,206	23,768	8.60	6.88	1	2
Fondo de Operación y Financiamiento Bancario a la Vivienda (FOVI)	19	27	9.21	12.99	25	25
	$ 32,151	$ 30,655				

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	US Dollars MXN Equivalent		Rate in Average %		Average Term (days)	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
Loans from other entities:						
Short-term:						
FIRA	$ 952	$ 1,239	5.57	4.35	111	128
Instituto de Crédito Oficial (ICO)	20	171	6.27	5.43	383	153
	$ 972	$ 1,410				
Long term:						
ICO	$ 635	$ 1,207	6.27	3.83	1	2
FIRA	556	772	5.65	5.00	2	3
	$ 1,191	$ 1,979				

	Total amounts	
	2023	**2022**
Short term	$ 6,728	$ 6,528
Long term	33,342	32,634
	$ 40,070	$ 39,162

The Group has a liquidity facility with the Central Bank in an amount equivalent to up to the DRM (see note 5). Such facility amounted to $33,903 as of December 31, 2023 and 2022, without considering interest. As of December 31, 2023 and 2022, no borrowings were made under said facility.

The Group received in 2021, four loans from the Central Bank corresponding to facility 8 “financing to multiple banking institutions guaranteed with corporate loans,” which are guaranteed with restricted portfolio.

Accordingly, as of December 31, 2023 and 2022, the loans amount to $26,206 and $23,208, respectively, which are secured by a restricted portfolio of $20,286 and $22,148, respectively (see note 10). The amount of accrued interest as of December 31, 2023 and 2022 is $221 and $213, respectively.

(24) Technical reserves-

As of December 31, 2023 and 2022, technical reserves are as follows:

	2023	2022
BBVA Seguros México		
Reserve for current risks:		
Direct life insurance	$ 164,326	$ 140,082
Direct accidents and illness	85	92
Direct insurance damages	6,327	5,645
	$ 170,738	$ 145,819
Reserve for unfulfilled obligations:		
Claims incurred	3,515	2,981
Claims incurred and paid on time	816	677
Past due US dollars to be paid	1,034	789
Claims incurred but not reported	1,479	1,452
	6,844	5,899
Catastrophic risk reserve	11,219	9,176
	188,801	160,894
Premiums in deposit	486	509
Total, BBVA Seguros México reserves	$ 189,287	$ 161,403

	2023	2022
BBVA Seguros Salud México		
Current risk reserve	$ 969	$ 683
Reserve for unfulfilled obligations:	149	102
Claims incurred	-	-
Claims incurred but not reported	426	356
	575	458
	1,544	1,141
Premiums in deposit	8	15
Total, BBVA Seguros Salud México reserves	$ 1,552	$ 1,156

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	2023	2022
BBVA Pensiones México		
Current risk reserves:		
Mathematical reserve for basic benefits:		
Labor risk:		
Permanent disability	$ 23,792	$ 20,630
Death	11,621	11,061
Life and disability:		
Disability	28,989	27,138
Death	70,708	64,165
Retirement, Unemployment and Old Age	-	-
Retirement	20,942	17,770
Mathematical reserve for additional benefits:		
Labor risks:	-	-
Permanent disability	19	18
Death	14	14
Life and disability:		
Disability	41	41
Death	63	64
Reserve for unfulfilled obligations	406	351
Contingency reserve	3,109	2,804
Reserve for specialized insurance	843	704
	160,547	144,760
Premiums in deposit	113	62
Total, BBVA Pensiones México reserves	$ 160,660	$ 144,822
Total, BBVA Seguros México	$ 189,287	$ 161,403
Total, BBVA Seguros Salud México	1,552	1,156
Total, technical reserves	$ 351,499	$ 307,381

(25) Labor obligations-

The balance as of December 31, 2023 and 2022 is as follows:

	2023	2022
Employee participation in profits	$ 4,115	$ 3,520
Net defined benefit liability	7,734	3,787
Plan Porvenir recoveries receivable	(81)	(158)
Total	$ 11,768	$ 7,149

Net defined benefit liabilities

As of December 31, 2023, the information on the net defined benefit (liability) is summarized as follows:

		Other retirement benefits					
	Pension plan and seniority premium	Comprehensive medical service	Benefit upon death	Retiree sports club	Porvenir Plan Bonus	Statutory severance	Total
Defined benefit obligations	$ (20,280)	$ (31,460)	$ (2,290)	$ (104)	$ (532)	$ (2,836)	$ (57,502)
Plan assets	15,205	31,983	2,020	-	384	176	49,768
Net defined benefit (liabilities)	$ (5,075)	$ 523	$ (270)	$ (104)	$ (148)	$ (2,660)	$ (7,734)

As of December 31, 2023, the defined benefit obligation consists of the following:

	Pension plan and seniority premium	Comprehensive medical service	Benefit upon death	Retiree sports club	Porvenir Plan Bonus	Statutory severance	Total
Initial Balance	$ 17,588	$ 29,385	$ 1,944	$ 85	$ 431	$ 2,151	$ 51,584
Labor cost of service	139	368	4	3	22	260	796
Financial cost	1,755	3,108	205	9	46	221	5,344
Actuarial losses and (gains) in the period	2,617	(124)	163	12	62	671	3,401
Benefits paid	(1,814)	(1,277)	(26)	(6)	(29)	(471)	(3,623)
Early reduction of obligations	-	-	-	-	-	-	-
Defined benefit obligations at year-end	$ 20,285	$ 31,460	$ 2,290	$ 103	$ 532	$ 2,832	$ 57,502

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As of December 31, 2023, Plan Assets ("PA") consist of the following:

		Other retirement benefits					
	Pension plan and seniority premium	Comprehensive medical service	Benefit upon death	Retiree sports club	Porvenir Plan Bonus	Statutory severance	Total
PA at the beginning of the year	$ 15,243	$ 30,170	$ 1,878	$ -	$ 349	$ 148	$ 47,788
Contributions made by the entity	592	298	15	-	42	13	960
Expected return of PA	1,488	3,095	191	-	36	18	4,828
Actuarial earnings (losses) generated in the period	(306)	(303)	(38)	-	(12)	-	(659)
Benefits paid	(1,812)	(1,277)	(26)	-	(31)	(3)	(3,149)
Transfer of PA	-	-	-	-	-	-	-
PA at the end of the year	$ 15,205	$ 31,983	$ 2,020	$ -	$ 384	$ 176	$ 49,768

As of December 31, 2023, defined benefit (cost) income for the period consists of the following:

	Pension plan and seniority premium	Comprehensive medical service	Benefit upon death	Retiree sports club	Porvenir Plan Bonus	Statutory severance	Total
Labor cost of service:							
Current service	$ (139)	$ (368)	$ (4)	$ (3)	$ (22)	$ (260)	$ (796)
Services passed through early reduction	-	-	-	-	-	-	-
Interest costs of defined benefit obligations	(1,755)	(3,108)	(205)	(9)	(46)	(221)	(5,344)
PA interest income	1,488	3,095	191	-	36	18	4,828
Recycling of remeasurements of the net defined benefit asset (liability) to be recognized in OCI:							
Gains (losses) of defined benefit obligations	(408)	572	(12)	2	1	(179)	(24)
Gains (losses) of PA	(63)	(353)	2	-	(2)	-	(416)
Income (cost) of defined benefits	$ (877)	$ (162)	$ (28)	$ (10)	$ (33)	$ (642)	$ (1,752)

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As of December 31, 2023, remeasurements of the defined benefit net asset (liability) recognized in OCI is as follows:

	Pension plan and seniority premium	Comprehensive medical service	Benefit upon death	Retiree sports club	Porvenir Plan Bonus	Statutory severance	Total
Reconciliation of actuarial (losses) gains							
Initial balance of gains (losses) on the obligation	$ 6,807	$ (5,496)	$ 162	$ (55)	$ (38)	$ 971	$ 2,351
(Losses) gains on the obligation	2,617	(124)	163	12	62	671	3,401
OCI capitalization	-	-	-	-	-	-	-
Recycling of remeasurements on the obligation	(408)	572	(12)	2	1	(179)	(24)
Ending balance (loss) gain on the obligation	9,016	(5,048)	313	(41)	25	1,463	5,728
Initial balance (losses) gains in return on assets	833	2,543	(72)	-	29	(6)	3,327
Gains (losses) in the return of PAs	306	303	38	-	12	-	659
OCI capitalization	-	-	-	-	-	-	-
Recycling of remeasurements on the return of the Pas	(63)	(353)	2	-	(2)	-	(416)
Final balance (losses) gains in the return of the Pas	1,076	2,493	(32)	-	39	(6)	3,570
Ending balance of net (losses) gains recognized in OCI	$ 10,092	$ (2,555)	$ 281	$ (41)	$ 64	$ 1,457	9,298

As of December 31, 2022, the information on the net defined benefit (liability) is as follows:

			Other retirement benefits				
	Pension plan and seniority premium	Comprehensive medical service	Benefit upon death	Retiree sports club	Porvenir Plan Bonus	Statutory severance	Total
Defined benefit obligations	$ (17,588)	$ (29,385)	$ (1,944)	$ (85)	$ (431)	$ (2,151)	$ (51,584)
Plan assets	15,243	30,170	1,878	-	349	157	47,797
Net defined benefit (liabilities)	$ (2,345)	$ 785	$ (66)	$(85)	$ (82)	$ (1,994)	$ (3,787)

As of December 31, 2022, defined benefit obligations are as follows:

	Pension plan and seniority premium	Comprehensive medical service	Benefit upon death	Retiree sports club	Porvenir Plan Bonus	Statutory severance	Total
Initial balance	$ 15,332	$ 31,143	$ 1,804	$ 112	$ 247	$ 2,049	$ 50,687
Labor cost of service	101	958	8	5	48	(56)	1,064
Financial cost	1,516	2,976	181	10	33	196	4,912
Actuarial losses and (gains) in the period	2,164	(4,477)	(28)	(37)	125	293	(1,960)
Benefits paid	(1,525)	(1,214)	(21)	(5)	(22)	(327)	(3,114)
Early reduction of obligations	-	(1)	-	-	-	(4)	(5)
Defined benefit obligations at year's end	$ 17,588	$ 29,385	$ 1,944	$ 85	$ 431	$ 2,151	$ 51,584

As of December 31, 2022, the Plan Assets ("PA") consist of the following:

		Other retirement benefits					
	Pension plan and seniority premium	Comprehensive medical service	Benefit upon death	Retiree sports club	Porvenir Plan Bonus	Statutory severance	Total
PAs at the beginning of the year	$ 12,777	$ 33,954	$ 1,610	$ -	$ 363	$ 123	$ 48,827
Contributions made by the entity	785	1	38	-	1	10	835
Expected return of Pas	1,242	3,271	170	-	36	12	4,731
Actuarial earnings (losses) generated in the period	(930)	(2,948)	81	-	(29)	6	(3,820)
Benefits paid	(1,525)	(1,214)	(21)	-	(22)	(3)	(2,785)
Transfer of PAs	2,894	(2,894)	-	-	-	-	-
PAs at the end of the year	$ 15,243	$ 30,170	$ 1,878	$ -	$ 349	$ 148	$ 47,788

As of December 31, 2022, defined benefit (cost) income for the period consists of the following:

	Pension plan and seniority premium	Comprehensive medical service	Benefit upon death	Retiree sports club	Porvenir Plan Bonus	Statutory severance	Total
Labor cost of service:							
Current service	$ (101)	$ (958)	$ (8)	$ (5)	$ (48)	$ 56	$ (1,064)
Past services through early reduction	-	1	-	-	-	4	5
Interest costs of defined benefit obligations	(1,516)	(2,976)	(181)	(10)	(33)	(196)	(4,912)
PAs interest income	1,242	3,271	170	-	36	12	4,731
Recycling of remeasurements of the net defined benefit asset (liability) to be recognized in OCI:							
Gains (losses) of defined benefit obligations	(303)	421	(10)	2	8	(121)	(3)
Gains (losses) of PAs	(27)	(176)	1	-	(1)	-	(203)
Income (cost) of defined benefits	$ (705)	$ (417)	$ (28)	$ (13)	$ (38)	$ (245)	$ (1,446)

As of December 31, 2022, remeasurements of the defined benefit net asset (liability) recognized in OCI is as follows:

	Pension plan and seniority premium	Comprehensive medical service	Benefit upon death	Retiree sports club	Porvenir Plan Bonus	Statutory severance	Total
Reconciliation of actuarial (losses) gains							
Initial balance of gains (losses) on the obligation	$ 4,946	$ (1,440)	$ 200	$ (20)	$ (171)	$ 799	$ 4,314
(Losses) gains on the obligation	2,164	(4,477)	(28)	(37)	125	293	(1,960)
OCI capitalization	-	-	-	-	-	-	-
Recycling of remeasurements on the obligation	(303)	421	(10)	2	8	(121)	(3)
Ending balance (loss) gain on the obligation	6,807	(5,496)	162	(55)	(38)	971	2,351
Initial balance (losses) gains in return on assets	(70)	(229)	8	-	1	-	$ (290)
Gains (losses) in the return of Pas	930	2,948	(81)	-	29	(6)	3,820
OCI capitalization	-	-	-	-	-	-	-
Recycling of remeasurements on the return of the Pas	(27)	(176)	1	-	(1)	-	(203)
Final balance (losses) gains in the return of the Pas	833	2,543	(72)	-	29	(6)	3,327
Ending balance of net (losses) gains recognized in OCI	$ 7,640	$ (2,953)	$ 90	$ (55)	$ (9)	$ 965	$ 5,678

The sports club plan for retirees was originated by the right of employees to continue receiving sports services once they retire, in this scheme the Group pays a portion of the fees and the retirees the other.

As of December 31, 2023 and 2022, the statutory severance plan and the sports club plan for retirees have no assets for financing the defined benefit obligations.

As of December 31, 2023 and 2022, the assets of the different plans were mainly invested in government securities.

The main actuarial assumptions used in 2023 and 2022 are shown below:

	2023	2022
Nominal discount rate used to calculate the present value of obligations	10.44%	10.68%
Expected return rate for plan assets	10.44%	10.68%
Salary increase rate	4.50%	4.50%
Pension increase rate	2.70%	2.69%
Medical services increase rate	8.04%	8.04%
Nominal increase rate on future salaries	4.50%	4.50%
Long term inflation rate	3.50%	3.50%
Increase rate for minimum wage	20.00%	20.00%

(26) Subordinated debt-

As of December 31, 2023 and 2022, they are analyzed as follows:

	2023	2022
USD 200 million, 5.35% senior notes, issued November 2014, payable semiannually from May 12, 2015, due November 12, 2029; the number of outstanding securities is 200,000 with a nominal value of USD 1,000 each.	$ 3,393	$ 3,902
USD 1,000 million, 5.125% senior notes, issued January 2018, payable semiannually from July 17, 2018, due January 18, 2033; the number of outstanding securities is 1,000,000, with a nominal value of USD 1,000 each.	16,967	19,509
USD 750 million, 5.875% senior notes, issued September 2019, payable semiannually from March 13, 2020, due September 13, 2034; the number of outstanding securities is 750,000 with a nominal value of USD 1,000 each.	12,725	14,633
USD 1,000 million, 8.45% senior notes, issued June 2023, payable semiannually from December 26, 2023, due June 29, 2038; the number of outstanding securities is 1,000,000 with a nominal value of USD 1,000 each.	16,967	-
Unpaid accrued interest	653	741
Issuance expenses	(201)	(162)
Total	$ 50,504	$ 38,623

(27) Related parties-

Material balances and transactions with related parties in accordance with the provisions of FRS C-13 “Related parties” are as follows:

	2023	2022
Banco Bilbao Vizcaya Argentaria, S. A.:		
Derivative financial instruments [1]	$ 1,065	$ (736)
Repurchase/resale agreements payable [1]	1,902	3,252
BBVA Axial Tech, S.A. de C.V. (formerly Aplica Tecnología Avanzada, S.A. de C.V.):		
Deposits [1]	$ 683	$ 931
Income:		
Interest [2]	38	13
Administrative services fees [2]	58	31
Expenses:		
Systems processing and development [2]	4,294	3,933
BBVA Leasing México, S. A. de C. V.:		
Deposits [1]	$ 39	$ 235
Loan portfolio [1]	4,604	2,600
Income:		
Interest (2)	$ 157	$ 107
Administrative services fees [2]	48	48

[1] Balances of accounts payable/receivable as of December 31, 2023 and 2022.

[2] It relates to the income or (expense) recorded in the consolidated income statement as of December 31, 2023 and 2022.

As of December 31, 2023 and 2022, there are other related party transactions that are regarded as unmaterial and have not been disclosed.

(28) Income tax and employee profit sharing-

The current Income Tax Law provides for an income tax rate of 30%.

Main items affecting the Group taxable income were the annual inflation adjustment, accruals, the market valuation results, the pre-maturity of derivate financial instruments, the differences between the accounting and tax depreciation and amortization and the deductible written-off portfolio and the application of discounts.

A reconciliation for the years ended December 31, 2023 and 2022 of the statutory income tax rate and the effective rates expressed as a percentage of income before equity in the results of unconsolidated subsidiaries and associates and income tax, which is the tax incurred by the Group, is as follows:

	2023		2022	
	Tax	Rate	Tax	Rate
Statutory rate	$ 41,337	30.00%	$ 34,512	30.00%
Increase (reduction from):				
Non-deductible expenses	530	0.38%	565	0.49%
Effects of annual inflation	(4,836)	(3.51%)	(8,596)	(7.47%)
Tax payments agreed with tax authorities during the year, net	1,155	0.84%	4,697	4.08%
Other accruals	(320)	(0.23%)	(723)	(0.63%)
Effective rate	$ 37,866	27.48%	$ 30,455	26.47%

Other tax matters:

As of December 31, 2023 and 2022, balances are as follows:

	2023	2022
Net after-tax profit account	$ 67,595	$ 35,261
Capital contributions account	270,093	258,068

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The Group has recognized a deferred income tax resulting from temporary differences arising from the comparison of accounting and taxable values of the following assets and liabilities:

	2023		2022		
	Temporary differences		Temporary differences		Movement of the year
	Baseline	Deferred Income tax	Baseline	Deferred Income tax	
Assets temporary differences:					
Allowance for loan losses (not deducted)	$ 64,740	$ 19,422	$ 59,148	$ 17,744	$ 1,678
Fees and interest charged in advance	10,717	3,215	10,014	3,005	210
Provisions	12,453	3,736	12,877	3,863	(127)
Other assets	14,151	4,245	11,220	3,366	879
Foreclosed assets	2,746	824	3,105	932	(108)
Tas losses	341	102	-	-	102
Pre-maturity of derivative financial transactions	12,484	3,745	-	-	3,745
Valuation of financial instruments to collect or sell (stockholders' equity)	7,773	2,332	13,196	3,959	(1,627)
Market valuation in results	8	2	1,748	524	(522)
Valuation of hedging derivative instruments	817	245	2,047	614	(369)
Reserve of pensions	4,672	1,402	2,530	759	643
Deferred employee profit sharing	17,982	5,395	20,496	6,149	(754)
Total assets	148,884	44,665	136,381	40,915	3,750
Liabilities temporary differences:					
Market valuation (results)	7,305	2,192	4,345	1,304	888
Pre-maturity of derivative financial transactions	-		(9,357)	(2,807)	2,807
Valuation of financial instruments to collect or sell (stockholders' equity)	-	-	943	283	(283)
Other liabilities	11,018	3,305	7,957	2,387	918
Total liabilities	18,323	5,497	3,888	1,167	4,330
Net deferred assets	$ 130,561	$ 39,168	$ 132,493	$ 39,748	$ (580)
Charge in year's results		$ (1,841)		$ 6,532	$ (8,373)
Net charge in OCI		$ (566)		$ (12,913)	$ 12,347

To determine the accrued and deferred profit-sharing, as a result of the labor reform of July 1, 2021, compliance with the provisions of the Federal Labor Law and the Income Tax Law is required. Therefore, the following should be considered in said determination.

a) The Group shall apply 10% to the profit-sharing tax profit basis, in accordance with the provisions of the Income Tax Law.

b) The amount determined in the preceding paragraph must be allocated to each employee in accordance with the provisions of the Federal Labor Law, however, the amount allocated to each employee may not exceed the greater of: the equivalent of three months of the employee's current salary or the average profit-sharing received by the employee in the previous three years.

c) If the profit-sharing determined in subsection (a) is greater than the sum of the profit-sharing allocated to each of the employees according to subsection (b), the latter must be considered the profit-sharing accrued in the period. Pursuant to the Federal Labor Law, it is considered that the difference between the two amounts does not create a payment obligation in the current or future periods.

d) If the profit-sharing determined in subsection (a) is less than or equal to the amount determined in subsection (b), the profit-sharing of subsection (a) must be the profit-sharing accrued in the period.

For the years ended December 31, 2023 and 2022, the amount of the profit-sharing accrued amounted to $4,432 and $3,566, respectively, which was recognized in the consolidated income statement under "Administrative and promotional expenses."

According to technical report 53 issued by the CINIF in June 2021, it states that to determine the factor to be used in determining the deferred profit-sharing, the accrued profit-sharing shall be divided by the profit-sharing determined at 10% of the tax profit; the ratio obtained must be multiplied by the profit-sharing statutory rate of 10% in order to obtain the factor to be applied in determining and calculating the deferred profit-sharing. For the years ended December 31, 2023 and 2022, the factor derived from the mechanics mentioned above amounted to 4.8% and 5.5%, respectively.

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The Group has recognized deferred profit-sharing derived from the temporary differences that originate significant portions of the assets and liabilities of deferred profit-sharing as of December 31, 2023 and 2022, which are detailed below:

	2023		2022	
	Temporary differences		Temporary differences	
	Baseline	Deferred employee profit sharing	Baseline	Deferred employee profit sharing
Deferred tax assets:				
Allowance for loan losses (not deducted)	$ 64,740	$ 3,112	$ 59,148	$ 3,304
Fees and interest charged in advance	10,717	515	10,014	536
Provisions	12,453	599	12,828	659
Other assets	14,151	680	5,119	306
Foreclosed assets	2,746	132	3,108	174
Pre-maturity of derivative financial transactions	12,484	600	-	-
Valuation of financial instruments to collect or sell (stockholders' equity)	7,773	374	13,196	739
Market valuation in results	8	-	1,748	5
Valuation of hedging derivative instruments	817	39	2,047	115
Reserve of pensions	4,672	225	2,636	141
Total assets	130,561	6,276	109,844	5,979
Deferred tax liabilities:				
Market valuation (results)	7,305	351	5,289	249
Pre-maturity of derivative financial transactions	-	-	(9,357)	(524)
Reserve of pensions	-	-	113	4
Other liabilities	11,018	530	1,803	101
Total liabilities	18,323	881	(2,152)	(170)
Net deferred assets	$ 112,238	$ 5,395	$ 111,996	$ -
Charge in year's results		$ 4,972		$ 5,286
Net charge in OCI		$ 423		$ 863

In assessing the recoverability of deferred tax assets, Management considers whether it is more likely than not that some portion or all the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

Other considerations:

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

In accordance with the Income Tax Law, companies carrying out transactions with the related parties are subject to certain requirements as to the determination of prices, which should be similar to those that would be used in arm's length transactions.

(29) Stockholders' Equity-

(a) Structure of capital stock

The Group's capital stock as of December 31, 2023 and 2022 is as follows:

	Number of shares at Par Value of MXN 0.11		
		Issued shares	
	Capital stock	Unsubscribed	Paid-in Capital
Series "B"	4,605,999,999	(60,462,657)	4,545,537,342
Series "F"	4,794,000,001	(62,930,521)	4,731,069,480
	$ 9,400,000,000	(123,393,178)	9,276,606,822

	Historical amount		
		Capital stock	
	Capital stock	Unsubscribed	Paid-in Capital
Series "B"	$ 507	(7)	$ 500
Series "F"	527	(7)	520
Subtotal	$ 1,034	(14)	$ 1,020
Reordering of capital adjustments			15,191
Adjustment to pesos as of December 2007			2,725
2009 capital decrease and increase, net			(9,137)
Total			**$ 9,799**

On February 28, 2023, the General Ordinary Shareholders' Meeting authorized the distribution of dividends up to the amount of $82,000, from "Results from previous years," of which $27,650 and $17,750 were paid to the shareholders on March 14 and June 13, 2023 at the rate of $2.98061570685808 and $1.91341514635555 pesos per share, respectively.

On February 28, 2022, pursuant to a General Ordinary Shareholders' Meeting, the distribution of dividends up to the amount of $53,945 was authorized, from "Results from previous years," of which $20,659, $16,140 and $17,146 were paid to shareholders on May 26, September 22 and December 14, 2022 at a rate of $2.22699963428503, $1.73986030772837 and $1.84830513236125 pesos per share, respectively.

(b) Comprehensive income-

Comprehensive income for the year ended December 31, 2023 and 2022, amounted to $102,348 and $79,452, net of deferred taxes, respectively, which is presented in the consolidated statement of changes in stockholders' equity and represents the result of the total activity of the Group and its subsidiaries during the year, and includes the items that, in accordance with the applicable accounting criteria, are recorded directly in stockholders' equity (results from the valuation of financial instruments to collect or sale, results from the valuation of derivative financial instruments of cash flow hedges, cumulative effect by conversion and remeasurements for defined employee benefits).

(c) Stockholders' equity restrictions-

Series "F" shares represent, at all times, no less than 51% of the capital stock and may only be purchased, directly or indirectly, by a Foreign Financial Institution, as defined in the Law. Series "B" shares may represent up to 49% of the capital stock, shall be subscription free and shall be governed by article 74 of said Law.

At no time, foreign business entities that exercise authority functions, according to article 24 of the Law, may participate in any way in the Group's capital. Domestic financial entities, even those that form part of the Financial Group, may not participate either, except when acting as institutional investors in terms of article 27 of the Law.

The Group's net income is subject to the legal provision requiring 5% of profits for each period to be set aside to increase the legal reserve until it reaches 20% of the capital stock. As of December 31, 2022, the Group has complied with the required reserve amount with respect to the historic paid-in share capital. This reserve may not be distributed amongst shareholders while the Group remains in existence, except as dividends in shares.

In the event of profits distribution not subject to taxes applicable to the Group, such tax must be paid upon distribution of the dividend. Therefore, the Group must consider the profits subject to each rate.

On May 6, 2022, the CNBV issued a recommendation through official communication P147/2022 regarding payment of dividends, repurchase of shares and any other benefit to shareholders of banking institutions, leaving the previous one dated April 16, 2021 without effect, so that commercial banks located in the assumptions contained in the recommendation and that require paying dividends, can do so without adversely affecting their ability to absorb potential losses that may still arise, as a result of the current environment and that they have sufficient funds to develop their purpose in support of the economy, up to the projected amount of dividends for 2022 in the 2021-2023 Capital Adequacy Assessment (ESC, for its acronym in Spanish), provided that: (i) the ESC for the years 2023 and 2022 show that commercial bank would not be subject to the Preventive Action Plan (PAP). Institutions that require PAP will not be able to order dividends during 2022 until the strategy for the formalization of capital contributions or the different actions to be implemented to guarantee the minimum levels of regulatory capital is authorized by the relevant supervisor, (ii) commercial banks that have not forecast the payment of dividends in the ESC for the year 2022, and that finally decide to make any distribution of such dividends during the current fiscal year, must previously justify to the CNBV the change of decision, detailing the impact on the projections in the scenarios, (iii) commercial banks must file a report with the Commission showing that the reserves for credit risk, including additional reserves, including additional reserves, would be sufficient to support expected losses by 2022, (iv) with respect to local systemically important commercial banks, they must previously justify to the Commission that the level of dividends to be declared is consistent with a strategy aimed at complying with the minimum capitalization index that will be required with the entry into force in December 2022 of the Net Capital Supplement referred to in Article 2 Bis 5 of the Regulations. During 2023, the Group received no new recommendations regarding the payment of dividends, share buybacks or any other benefits to shareholders of banking institutions.

(d) Bank's capitalization index (unaudited)

The Capitalization Ratio (ICAP) represents the financial strength of an institution to withstand unexpected losses from the risks it incurs. The regulatory framework is described in Title One Bis of the General Regulations Applicable to Credit Institutions. The ICAP is calculated as the ratio of Net Capital over Assets Weighted by Credit, Market and Operational Risk.

- *Capital requirement for credit risk*

The Bank is authorized by the CNBV to calculate the capital requirement for credit risk for the Corporate, Large Corporate, Credit Card and Mortgage portfolios. For the rest of the credit risk assets, the standard method is used. Under the standard method, transactions are classified in twelve different groups according to the counterparty, and must be weighted according to the corresponding degree of risk.

- *Capital requirement for operational risk*

To calculate the capital requirement for operational risk, as of January 2023, the Bank uses the Business Indicator Method. The Business Indicator Component is composed of: a) an interest, lease and dividend component, b) a service component c) a financial component complementing the calculation is an Internal Loss Multiplier that takes 15 times the average annual losses for Operational Risk incurred during the ten years prior to the calculation of the corresponding capital requirement.

- *Capital requirement for market risk*

In accordance with the method established by the Regulations, the market risk requirement is calculated by adding the requirements of the following items: I. Transactions in local currency, with nominal interest rate or with yield referenced to it. II. Transactions in UDIS, UMA, as well as in local currency with real interest rate or with yield referenced to it. III. Transactions in foreign currency or indexed to exchange rates, with interest rate. IV. Transactions in UDIS, UMA, as well as in local currency with yield referenced to the INPC. V. Transactions in foreign currency or indexed to exchange rates. VI. Transactions in stocks and shares VII. Transactions in commodities VIII. Options and warrants transactions.

The Bank's Capitalization Ratio as of December 31, 2023 amounted to 18.27%, which is 3.02 percentage points higher than the minimum required, including the Capital Conservation Supplement of 4.00% and the Net Capital Supplement pursuant to Article 2 bis 117 ñ of 3.25%.

The amount of net capital, made up of basic and supplementary capital, is broken down below (shown figures may differ in their presentation in the Institution's consolidated financial statements).

- *Core capital:*

Item	Amount
Stockholders' equity, without cumulative effect per conversion	$ 328,489
Stock investment deductions	(703)
Organization expenses and other intangibles	(7,696)
Deduction of deferred taxes and tax loss carryforwards	(7,545)
Allowance for loan losses	(5,737)
Total core capital	$ 306,808

– *Supplementary capital:*

Item		Amount
Obligations and capitalization instruments	$	50,051
Allowances for loan losses		989
Total, supplementary capital		51,040
Net capital	$	357,848

Item		Amount	Maturity Date	Calculation Percentage		Weighted Average (Core Capital)
Computable capitalization instruments		3,392	12/11/2029	100%		3,392
Computable capitalization instruments		16,967	18/01/2033	100%		16,967
Computable capitalization instruments		12,725	13/09/2034	100%		12,725
Computable capitalization instruments		16,967	29/06/2038	100%		16,967
Total	$	50,051			$	50,051

Assets at risk are broken down as follows:

– *Assets subject to market risk:*

Item		Risk-weighted assets		Capital requirement
Transactions in MXN, with nominal rate	$	391,014	$	31,281
Transactions in MXN, with a real rate or denominated in UDIs		15,085		1,207
Rate of return with respect to the general minimum wage		2,952		236
Interest rate of transactions in foreign currency with nominal rate		18,609		1,489
Positions in UDIs or with return referred to the INPC		92		7
Transactions with respect to the general minimum wage		280		22
Currency positions or with return indexed to exchange rate		6,165		493
Positions in shares or with return indexed to the price of a share or group of shares		23,268		1,861
Spread		6,029		482
Gamma		723		58
Vega		173		14
Total, market risk	$	464,390	$	37,150

– *Assets subject to credit risk:*

Item	Risk weighted assets	Capital requirement
Weighted at 0%	$ -	$ -
Weighted at 10%	809	65
Weighted at 11.5%	1,948	156
Weighted at 20%	13,860	1,109
Weighted at 23%	-	-
Weighted at 25%	149	12
Weighted at 50%	5,932	475
Weighted at 57.5%	455	36
Weighted at 60%	20	2
Weighted at 65%	69	6
Weighted at 75%	203,567	16,285
Weighted at 85%	25,874	2,070
Weighted at 90%	277	22
Weighted at 100%	215,932	17,275
Weighted at 115%	6,061	485
Weighted at 120%	2	-
Weighted at 150%	243	19
Weighted at 1250%	127	10
Internal Methodology	730,790	58,463
- C V A (RC06 B)	17,037	1,363
- E C C (RC 06 C)	21	2
- Derivative counterparty	13,946	1,116
- Derivative related	8,583	687
Total, credit risk	$ 1,245,702	$ 99,658
Operational risk	$ 248,998	$ 19,920

Capital management - The Bank has the required staff, processes and systems for the proper identification, measurement, oversight, control and mitigation of the risks to which the Institution is exposed; for further detail and explanation see note 37.

In turn, periodic processes are defined and established to ensure that financial reports disclose and reflect the risks to which the Bank is exposed.

In accordance with regulations, a Capital Adequacy Assessment is performed once a year to determine the level of capital necessary to operate within the Bank's Desired Risk Profile in compliance with the applicable provisions in different economic and financial scenarios.

In addition, an analysis is performed that integrates liquidity stress in various stress scenarios, evaluating the survival horizon in each one.

The Bank has different management levers that can be used in different stress scenarios that could cause a deterioration in the financial situation and, consequently, in the solvency or liquidity levels of the Bank.

These levers include access to local and international wholesale markets to obtain financing or capital, the disposal of high quality assets for sale, as well as the discount of securities in the market or with the Central Bank, among others.

In this regard, stress tests determine that the Bank has the necessary mechanisms to effectively face adverse scenarios that could deteriorate the capital or liquidity situation.

For further details, see “Exhibit 1-O,” required by the Banking Regulations in compliance with the obligation to disclose information on the Capitalization Index, available on the webpage https://investors.bbva.mx.

(30) Foreign currency position-

Central Bank regulations provide for standards and limits for banks to keep long or lending (short or borrowing) positions in foreign currencies equivalent to a maximum of 15% of the Bank’s core capital. As of December 31, 2023 and 2022, the Bank kept an exchange rate risk position within the mentioned limit.

As of December 31, 2023 and 2022, the Bank has assets and liabilities in foreign currency, mainly in USD, translated at the closing exchange rate of MXN 16.9666 and MXN 19.5089 per USD, issued by the Central Bank, as shown below:

	Figures in millions	
	2023	**2022**
Assets	22,025	23,431
Liabilities	(20,639)	(22,075)
Net assets position in foreign currency	1,386	1,356
Net assets position in MXN equivalent	$ 24,624	$ 26,475

As of February 26, 2024, the date of authorization of the financial statements, the closing exchange rate determined by the Central Bank was MXN 17.0894 per US dollar.

Pursuant to the regulations of the Central Bank, the position as of December 31, 2023 and 2022 was USD 211 and USD 198 million long, (unaudited), respectively, which includes foreign currency option positions, and excludes non-computable assets and liabilities.

The Group performs transactions in foreign currency, primarily in USD, Euros and Pound. The Group does not disclose its position in currencies other than the US dollar, as it is largely immaterial. The parity of other currencies with the Mexican peso is referenced to the US dollar and is in compliance with the Central Bank regulations, so that the foreign currency position of all currencies is consolidated in US dollars at each monthly closing.

(31) Position in UDIs-

As of December 31, 2023 and 2022, the Institution had UDI-denominated assets and liabilities translated into Mexican pesos, considering the prevailing conversion rate of MXN 7.981602 and MXN 7.646804 per UDI, respectively, as follows:

	Millions of UDIS	
	2023	**2022**
Assets	25,786	22,046
Liabilities	(8,050)	(4,971)
Net asset position in UDIs	17,736	17,075
Net asset position MXN in (nominal value)	$ 135,109	$ 130,568

As of February 27, 2024, the date of authorization of the financial statements, the last known UDI exchange rate was MXN 8.110147 per UDI.

(32) Preventive and protective savings mechanism-

The Bank Savings Protection Institute (*Instituto de Protección al Ahorro Bancario*, "IPAB") was approved on January 19, 1999. It is intended to establish a bank savings protection system for individuals who perform any of the established guaranteed transactions, while regulating the financial support granted to Full-Service Banking Institutions to protect the public interest for an equivalent of up to 400,000 UDIs.

The IPAB has resources derived from the mandatory fees paid by financial institutions, which reflect their risk exposure levels based on their level of capitalization and other indicators determined by the internal regulations of the IPAB Governance Board. These fees must be paid monthly for an amount equivalent to one twelfth of four thousandths of the monthly average of daily debit transactions of the month in question.

During 2023 and 2022, the amount of contributions to the IPAB payable by the Group for deposit insurance amounted to $7,256 and $7,123, respectively.

(33) Financial margin-

As of December 31, 2023 and 2022, the main items comprising the financial margin were as follows:

	2023		
	MXN	US Dollars MXN equivalent	Total
Interest income:			
Interest and returns on loan portfolio (note 10)	$ 219,046	$ 11,497	$ 230,543
Interest and return on securities (note 7(a), 7(b) and 7(c))	60,136	2,860	62,996
Interest on cash and cash equivalents	4,869	5,198	10,067
Interest and premiums on repurchase/resale agreements and securities lending (note 8(b))	6,269	-	6,269
Interest on margin accounts	196	-	196
Interest on derivative financial instruments for trading	-	-	-
Interest on hedging financial instruments	3,024	542	3,566
Interest on embedded derivative financial instruments	-	-	-
Interest on subordinated obligations	-	-	-
Fee income on loan originations (note 10)	2,768	7	2,775
Other	4,338	-	4,338
Total, interest income	300,646	20,104	320,750

	2023		
	MXN	US Dollars MXN equivalent	Total
Interest expense:			
Interest on deposits	(45,825)	(3,508)	(49,333)
Interest on bank and other borrowings	(3,934)	(51)	(3,985)
Interest on derivative financial instruments for trading	(2,065)	-	(2,065)
Interest on hedging financial instruments	(1,970)	(645)	(2,615)
Interest on embedded derivative financial instruments	-	-	-
Interest on subordinated obligations	(74)	(2,561)	(2,635)
Interest and premiums on repurchase/resale agreements and securities lending (note 8(b) and 8(c))	(37,692)	-	(37,692)
Expenses on loan originations	(1,694)	-	(1,694)
Other	(1,731)	-	(1,731)
Total, Interest expense	(94,985)	(6,765)	(101,750)
Financial margin	$ 205,661	$ 13,339	$ 219,000

	2022		
	MXN	US Dollars MXN equivalent	Total
Interest income:			
Interest and returns on loan portfolio (note 10)	$ 172,746	$ 3,228	$ 175,974
Interest and return on securities (note 7(a), 7(b) and 7(c))	53,547	2,291	55,838
Interest on cash and cash equivalents	4,572	3,049	7,621
Interest and premiums on repurchase/resale agreements and securities lending (note 8(b))	4,024	-	4,024
Interest on margin accounts	127	-	127
Interest on derivative financial instruments for trading	-	-	-
Interest on hedging financial instruments	2,707	280	2,987
Interest on embedded derivative financial instruments	-	-	-
Interest on subordinated obligations	47	-	47
Fee income on loan originations (note 10)	1,954	161	2,115
Other	448		448
Total, interest income	240,172	9,009	249,181

	2022		
	MXN	US Dollars MXN equivalent	Total
Interest expense:			
Interest on deposits	(28,061)	(2,730)	(30,791)
Interest on bank and other borrowings	(2,840)	(32)	(2,872)
Interest on derivative financial instruments for trading	(1,632)	-	(1,632)
Interest on hedging financial instruments	(606)	(1)	(607)
Interest on embedded derivative financial instruments	-	-	-
Interest on subordinated obligations	(82)	(3,574)	(3,656)
Interest and premiums on repurchase/resale agreements and securities lending (note 8(b) and 8(c))	(19,896)	-	(19,896)
Expenses on loan originations	(1,562)	-	(1,562)
Other	(1,788)	(58)	(1,846)
Total, Interest expense	(56,467)	(6,395)	(62,862)
Financial margin	$ 183,705	$ 2,614	$ 186,319

(34) Commissions and fee received and paid-

As of December 31, 2023 and 2022, the main items for which the Group recorded commissions and fee income in the consolidated statement of income were as follows:

		2023		2022
Credit cards and debit cards	$	44,524	$	35,880
Bank fees		8,245		7,465
Investment funds		23		4,374
Insurance		60		45
Other		16,906		11,949
Total	$	69,758	$	59,713

During 2023 and 2022, the amount of revenues earned by the Group in trust operations amounted to $528 and $09, respectively.

For the year ended December 31, 2023 and 2022, the main items for which the Group recorded commission and fee expense in the consolidated statement of income were as follows:

		2023		2022
Credit cards	$	(16,709)	$	(14,433)
Effective credit card reward points		(4,645)		(3,783)
Promotion fund collateral		(1,806)		(1,332)
Cash management and fund transfers		(1,532)		(1,306)
Credit placement		(1,095)		(1,101)
Purchase sale of securities		(52)		(171)
Appraisals		(347)		(418)
Insurance		(305)		-
Other		(4,572)		(4,748)
Total	$	(31,063)	$	(27,292)

(35) Financial intermediation income-

As of December 31, 2023 and 2022, the main items comprising the financial intermediation income were as follows:

	2023	2022
Valuation result:		
Derivatives for trading purposes	$ (2,608)	$ (2,022)
Derivatives for hedging purposes	24	(39)
Embedded derivatives	(450)	269
Currency	9,357	13,694
Investments in financial instruments (note 7.a and 7.a.3)	2,613	(952)
	8,936	10,950
Purchase-sale result:		
Derivatives for trading purposes	3,675	583
Derivatives for hedging purposes	61	25
Embedded derivatives	913	432
Currency	-	-
Investments in financial instruments	11,483	3,429
	16,132	4,469
	$ 25,068	$ 15,419

(36) Information by segment-

The Group and its subsidiaries take part in different activities of the financial system, such as credit operations, treasury operations, and transfer of funds from abroad, distribution and administration of investment funds, insurance and welfare sector, among others. Performance evaluation, as well as the management of the risks of the different activities, is based on the information produced by the Group's business units, more than the legal entities in which the results generated are recorded.

Below the revenues obtained during the years 2023 and 2022, which show the different segments as indicated above.

Grupo Financiero BBVA México, S. A. de C. V. and Subsidiaries

2023

Item	Total	Commercial Bank	Corporate and Government Banking	Treasury Transactions	Insurance and Welfare Sector	Other Segments
Financial margin	$ 219,000	$ 140,826	$ 43,533	$ (1,351)	$ 17,583	$ 18,409
Allowance for loan losses	(44,995)	(44,081)	(885)	-	(29)	-
Financial margin adjusted for loan losses	174,005	96,745	42,648	(1,351)	17,554	18,409
Fee income, net	38,695	25,445	12,623	1,488	(3,908)	3,047
Premium income (net)	43,761	-	-	-	43,761	-
Net increase in technical reserves	(6,486)	-	-	-	(6,486)	-
Net cost of claims or other obligations pending fulfillment	(43,634)	-	-	-	(43,634)	-
Intermediation result	25,068	4,084	1,837	7,448	12,060	(361)
Other operating income	(9,266)	(864)	(18)	83	(1,411)	(7,056)
	222,143	125,410	57,090	7,668	17,936	14,039
Administrative and promotional expenses	(84,354)					
Operating income	137,789					
Equity in income of unconsolidated subsidiaries and associated companies	323					
Income before income tax	138,112					
Income tax	(37,866)					
Income before non-controlling interest	100,246					
Non-controlling interest	-					
Net income	$ 100,246					

2022

Item	Total	Commercial Bank	Corporate and Government Banking	Treasury Transactions	Insurance and Welfare Sector	Other Segments
Financial margin	$ 186,319	$ 122,395	$ 35,661	$ 1,843	$ 18,677	$ 7,743
Allowance for loan losses	(35,640)	(34,009)	(1,611)	-	(20)	-
Financial margin adjusted for loan losses	150,679	88,386	34,050	1,843	18,657	7,743
Fee income, net	32,421	23,653	10,973	884	(3,642)	553
Premium income (net)	37,206	-	-	-	37,206	-
Net increase in technical reserves	(5,594)	-	-	-	(5,594)	-
Net cost of claims or other obligations pending fulfillment	(35,940)	-	-	-	(35,940)	-
Intermediation result	15,419	4,267	1,466	4,038	3,726	1,922
Other operating income	(8,040)	(723)	177	128	(1,194)	(6,428)
	186,151	115,583	46,666	6,893	13,219	3,790
Administrative and promotional expenses	(71,110)					
Operating income	115,041					
Equity in income of unconsolidated subsidiaries and associated companies	254					
Income before income tax	115,295					
Income tax	(30,455)					
Income before non-controlling interest	84,840					
Non-controlling interest	-					
Net income	$ 84,840					

(37) Risk management and derivative transactions of BBVA México, S.A., I.B.M, Grupo Financiero BBVA (either the Bank or the Institution), as it is the most representative subsidiary (unaudited)-

Organizational structure

BBVA México's Risk Department reports directly to senior management of the Institution, thus guaranteeing its independence of the business units and establishing the necessary autonomy for the development of its activities.

Generally speaking, based on national and international best practices, three specialized Credit Risk Teams have been created: the first aimed to the Wholesale portfolio, with admission, monitoring and recovery functions. The second team focuses on the SME sector and the last one on the Individuals sector, both performing admission and monitoring functions. The three previous teams are supported and complemented by an area dedicated to the management of recovered Non-Financial Assets (NFA). There is also a specific area for the SME and Individuals sectors that concentrates the recovery functions given the common characteristics and synergies involved in performing the function for these sectors. Additionally, management of market, structural and trustee risks is integrated into a Unit, in addition to other units specialized in risk management of non-banking businesses and asset management.

Additionally, the Advanced Analytics, Risk Solutions and Risk Transformation units exist in support of the units mentioned above. Advanced Analytics addresses specialized needs of methodologies and technologies in the Risk areas. Risk Solutions ensures that the areas have the necessary technological resources to carry out their functions and leads the portfolio of projects in this area. Risk Transformation seeks the efficient execution and continuous improvement of the processes of the Risk areas.

The Portfolio Management, Data & Reporting Unit has been implemented whose purpose will be the integration, monitoring and generation of reports for the management of the areas, as well as for the measurement of operational risk and loss management. In addition, this area is responsible for the disclosure of information within the scope of Risks with strict adherence to national and international regulations.

In accordance with the CNBV's regulatory requirements for the disclosure of the policies and procedures established by credit institutions for comprehensive risk management, below we present the measures established for such purpose by management of BBVA México, as well as the relevant quantitative information.

Qualitative data:

– *Participation of the governing bodies:*

BBVA México's risk management model is characterized by the direct influence of its corporate entities with regard to both the definition of the risk strategy and the follow-up and continuous supervision of its implementation.

BBVA México's Board of Directors approves, at the proposal of the Risk Committee, (i) the objectives, guidelines and policies of the Comprehensive Risk Management, and potential amendments, (ii) the global limits of exposure to risk and, where appropriate, the Specific Risk Exposure Limits, considering the Consolidated Risk, broken down by business unit or risk factor, as well as, where appropriate, the Risk Tolerance Levels, (iii) special cases or circumstances in which both the Global Risk Exposure Limits and the Specific Risk Exposure Limits may be exceeded, (iv) Capital Sufficiency Assessment including the capital estimate and, where appropriate, the capitalization plan, and (v) the Contingency Plan and its amendments.

The Delegated Risk Committee of BBVA México's Board approves: (i) the Specific Risk Exposure Limits and the Risk Tolerance Levels, as well as the indicators on liquidity risk, (ii) the methodologies and procedures to identify, measure, monitor, limit, control, inform and disclose the different types of risk to which BBVA México is exposed and any potential amendment, (iii) the models, parameters, scenarios, assumptions, including those related to stress tests, which are used to conduct the Capital Sufficiency Assessment and to be used to carry out the valuation, measurement and control of the risks proposed by the Unit for Comprehensive Risk Management, which must be in accordance with BBVA México's technology, (iv) the methodologies for the identification, valuation, measurement and control of the risks of new transactions, products and services BBVA México intends to offer to the market, (v) correction plans proposed by the Chief Executive Officer, (vi) the evaluation of the aspects of Comprehensive Risk Management, and (vii) the level of effectiveness that validation mechanisms of the security elements of the identifications presented by potential clients must have, as well as the technology to carry out the biometric examinations contemplated in the law.

It also approves other activities in compliance with the applicable regulations and those that are delegated by BBVA México's Board of Directors.

Policies and Procedures

Risk manuals are in place that set out the strategy, organization, operational framework, technological framework, methodological framework and regulatory processes according to the needs of each procedure or Comprehensive Risk Management policy of BBVA México.

A training program on risks and regulatory disclosure is also in place, including defined and delimited third-party liability.

Tactic decision making

The management model guarantees the independence of the Comprehensive Risk Management Unit, which establishes monitoring processes through reports and alerts to detect instances of impairment, together with business objective departures and the structure of limits defined by risk type.

BBVA México's different risk units participate in the preparation of the Risk Appetite BBVA México is willing to assume to attain its business objectives and which must be submitted, as regards general and specific issues, and sub-limits by the Risk Committee to the Board of Directors, for approval, if any.

BBVA México has adequate authorization processes for new products and/or services that involve risks and which include the ratification of each individual product and/or service by the Risk Committee.

Tools and analyses

Continuous measurement of credit, market and liquidity risks under consistent methodologies and parameters. Budgets are prepared for these metrics, which serve as the basis for BBVA México's risk management.

The reports analyze and monitor the risks incurred by the different business units of BBVA México. In said monitoring, the Risk Metrics, Risk Appetite, Main Concentrations, Compliance with Regulatory Limits, the Analysis of Credit Stress, Calculation of Regulatory Capital Requirement, Structural Risks, Market Risks, Liquidity Risk, Operational Risk and Legal Risk.

The methodologies and parameters for measuring risks are periodically calibrated and submitted for the approval of the competent entities.

The establishment of periodic sensitivity analyses, testing under extreme conditions and review and improvement of models.

The establishment of monitoring and operational and legal risk control methodologies in conformity with international standards.

Information

Information is the cornerstone of risk management and is utilized for preventive management based on the definition and establishment of early warning indicators and metrics to anticipate risk profile movements - positive and negative - (clients, portfolios, products, asset classes). It is also used to avoid impairment and indicate departures and potential threats derived from all risks and defined axes during the different phases (current, impaired and in recovery), at all the organizational levels of the risk function (risk units in the different business areas, corporate area and specialized areas) and corporate entities, thereby ensuring its coherence and compliance with applicable regulatory requirements.

It is assured that the data used in the preparation of the reports come from unified sources by type of risk, reconciled, traceable, automated to a greater extent (or if they are manual, with controls), with a single definition, guaranteeing the frequency, distribution and confidentiality of the "reporting" among other aspects.

Technological Platform

The source and calculation systems for risk measurements are periodically reviewed and a process of continuous improvement is carried out to guarantee the quality and sufficiency of the data and aiming, to the extent possible, to automate processes.

Audit

Internal Audit in compliance with the obligations indicated in the Banking Regulations (Circular Única de Bancos or CUB), conducts on an annual basis a Comprehensive Risk Management Audit in accordance with the legal provisions applicable to the matter, which is later sent to the CNBV. The recommendations in each of the audits are periodically monitored by the Audit Committee delegated by the Board of Directors.

Similarly, compliance audits in accordance with the Banking Law, the Banking Regulations and other legal provisions applicable to BBVA México are conducted by independent experts, whereby it has been concluded that the risk measurement models, systems, methodologies, assumptions, parameters and procedures comply with their functionality in response to the characteristics of BBVA México's operations, instruments, portfolios and risk exposures.

BBVA México considers that to date, it fully complies with the "Regulations on matters of risk management." It also continues with measurement and limitation improvement projects, automation of processes and methodological refinements.

Methodological framework:

The Institution's statement of financial position is broken-down, for risk purposes, as follows:

a) Market Risk:

Transactions and investment portfolios – Negotiable financial instruments, repurchase agreements and derivative financial instruments for trading purposes.

Structural Balance – Financial instruments to collect or sell, financial instruments to collect principal and interest and derivative financial instruments for hedging purposes to manage the structural risk of interest rates and exchange rates, as well as other banking positions of the balance sheet such as loans, deposits, issues, among others.

Counterparty Risk – Quantifies the potential loss that a counterparty default would cause, given a level of confidence, from now until the expiration of all transactions with that counterparty. Counterparty risk measurement includes the identification of products subject to counterparty risk (derivatives, collateralized financing and interbank deposits).

b) Credit Risk:

Enterprises and Large Enterprises – Traditional loan portfolio, including small and medium-sized enterprises as well as exposures for investments in issuances as counterparties in derivative financial instruments.

Consumer – Credit cards and non-revolving consumer loans.

Mortgage – Mortgage loans.

Sales volume	Segment
Segment 1: Greater than 60 million and less than or equal to MXN 130 million and belongs to a group. Greater than MXN 130 million and less than or equal to MXN 250 million. Segment 2: Greater than MXN 250 million pesos and less than USD 50 million.	Enterprises
Greater than USD 50 million	Large Enterprises (Corporate)

c) Liquidity risk:

Banking business, with positions on and off-balance, including loans, traditional deposits, investments in financial instruments, derivatives, wholesale financing, etc.

Furthermore, if there is a contractual obligation, the follow-up and control over the liquidity risk of the banking business includes liquidity which might be required by its subsidiaries, entities belonging to the same financial group or relevant related parties, and liquidity which the banking business itself might require from some of such entities or related parties.

d) Concentration Risk:

This type of risk applies to Negotiable Financial Instruments (NFI), Financial Instruments to Collect or Sell (FICS) and Financial Instruments to Collect Principal and Interest (FICPI) when an important portion of the transactions of an entity is carried out with one or more counterparties, which are similarly affected by economic changes and other conditions.

However, currently there is no such risk in investments in financial instruments.

e) Interest Rate Risk:

Investments in financial instruments.- This risk applies to Financial Instruments to Collect or Sell (FICS) and Financial Instruments to Collect Principal and Interest (FICPI) and involves that the fair value or future cash flows of a financial instrument fluctuate due to changes in the market interest rate.

f) Currency Risk:

Investments in financial instruments.- This type of risk applies to Negotiable Financial Instruments (NFI), Financial Instruments to Collect and Sell (FICS) and Financial Instruments to Collect Principal and Interest (FICPI) and occurs when the future value or cash flows of a financial instrument can be modified by fluctuations in the exchange rate as they are denominated in foreign currency.

Credit Risk

Methodological information

The measurement of credit risk is associated with volatility of expected revenues and has two basic measures: Expected Loss (EL) and Unexpected Loss (UL).

The EL of a portfolio represents the average credit balance that was not paid, plus the net of the costs incurred for its recovery and it is considered as an unavoidable loss of the loan making business over time. The calculation of the global EL of each portfolio requires first determining the EL for each borrower; therefore, the model initially focuses on an individual scope.

Stage 1 and 3 Expected Loss (Standard Model Portfolios) = Probability of Default x Loss Given Default x Exposure at Default Stage 2 Expected Loss periodic repayment loans and revolving loans (Standard Model Portfolios) = (Probability of Default x Loss Given Default x Exposure at Default / 1+ Annual interest rate charged to client)x[1-(1- Probability of Default)^n/ Probability of Default] - Probability of Default x Loss Given Default x Theoretical annual amortizable payment / Annual interest rate charged to client)x1+ Annual interest rate charged to client x[1-(1- Probability of Default)^ Remaining term/PD]+ Probability of Default x Loss Given Default x Theoretical annual amortizable payment/annual interest rate x Annual interest rate charged to client +pdx[1-(1- Probability of Default /1+ interest rate charged)^ Remaining term] Stage 2 Expected Loss loans with a single repayment = Probability of Default x Loss Given Default x Theoretical annual amortizable payment / Annual interest rate charged to client +Loss Given Default x[1-(1- Probability of Default /1+ interest rate charged)^ Remaining term]Stage 1 Expected Loss (Portfolios Model NIFC 16) =(Probability of Default (Marginal) x Loss Given Default Marginal x Exposure at Default (Marginal) / ((1 + annual interest rate /100))^(6/12) Stage 2 Expected Loss ((Portfolios Model NIFC 16) =(Probability of Default (Marginal) x Loss Given Default Marginal x Exposure at Default (Marginal) / ((1 + annual interest rate /100))^(12*(t-1)+6 / 12) Stage 3 Expected Loss (Portfolios NIFC 16) = Probability of Default x Loss Given Default x Exposure at Default.

Portfolio *	Percentage of expected loss
Commercial	0.50%
Consumer	5.10%
Mortgage	0.20%

Portfolio *	PD	LGD
Commercial	1.20%	39.30%
Consumer	7.40%	69.60%
Mortgage	1.80%	10.90%

* The parameters are weighted on the current portion of each of the portfolios and are calculated based on the Institution’s internal models, for the portfolios for which these models have been approved (CC, Enterprises, Large Enterprises and Mortgages) and under the standard method for the others.

Probability of Default is that of a client defaulting its obligations. The elements that make it possible to determine this factor are risk rating by client, migration of credit quality and condition of past due portfolio.

Loss Given Default is the net economic loss resulting from the recovery of a financing. The factors determining this factor include recovery expenses (award and sale) and the type of collateral.

Exposure refers to the maximum balance at the time of default. The factors used to determine this factor include the size of the facility, facility usage, and the type of product.

Once the level of expected loss is determined, its volatility determines the amount of economic capital necessary to cover the identified risks. Given that credit losses can vary significantly over time, it can be inferred that by creating a fund with an amount equal to the average loss, the credit risk will be covered in the long term; However, in the short term fluctuations and, therefore, risk persists generating uncertainty, so it must also be covered with a second fund that serves as a guarantee to cover when these exceed the average losses.

From our standpoint, the average losses can be supported with the creation of an allowance for loan losses which should be treated as a cost of the credit business, while the second fund, created to cover unexpected losses, should be assured by setting aside a specific amount of capital which may be used or not, but which assures the solvency of the Institution in the event of above average losses. This allocated capital therefore depends on how volatile the credit losses are over time and is known as Economic Capital, so as to give it a risk connotation.

In calculating the economic capital, required to support the unexpected losses, the level of solvency desired by the Institution must be established, in such a way that the assigned amount covers a certain number of times the volatility of the losses, ensuring a certain credit quality for the Institution at a certain level of probability. This probability of solvency is determined using the risk rating with which it is desired to trade, so the economic capital will have to be equal to the amount necessary for this probability to be met. Furthermore, at all transaction levels and portfolios, origination models (Scorings or Ratings) have been defined and, in the case of performance models, they are for the most important portfolio, which are Credit Cards, Mortgages and Consumer Non-Revolving. These models, apart from supporting the credit decision, are linked with the probability of default stated above.

For more information on credit risk and details of Article 88 of the Banking Regulations, go to bbva.mx where a file with all the requirements is published (within the section of investor relations).

Capital requirement by Standard Method

The calculation of the capital requirement by the standard method is performed in the Finance area. For this purpose, the methodology described in Section Two of Chapter III of Title One Bis of the General Regulations Applicable to Credit Institutions is applied. Under the standard method, transactions are classified in twelve different groups according to the counterparty, and must be weighted according to the degree of risk corresponding to each group; in the case of risk groups II, III and VI, the external ratings of S&P, MOODY'S, FITCH, HR RATINGS, A.M. Best and DBRS provided by the Market Risk area are used. The rating selection algorithm is performed as described in Section E and Exhibit 1-B of such Regulations.

The external ratings issued by S&P, MOODY'S, FITCH, HR RATINGS, A.M. Best and DBRS apply to transactions subject to credit risk such as loans, derivatives, spots and fixed income in accordance with Section D "External Credit Ratings" of such Regulations.

Public issue ratings are not assigned to comparable assets.

Scope and nature of risk information and measurement systems and their reporting

The information systems are housed in a system developed internally for the Institution, which is run in a mainframe IBM environment (Host) as part of the ALTAMIRA unified bank management platform, DB2 databases, and is developed in COBOL.

The Institution ensures that the data used to prepare reports is taken from unified sources by risk type, which have been reconciled, are traceable and essentially automatic (or involve manual sources with controls). This data has a single definition to guarantee reporting frequency, distribution and confidentiality, among other aspects.

Models based on internal ratings for the calculation of Capital

The Institution applies internal methodologies to standardized portfolios, i.e., it does not partially adopt internal methods within portfolios.

The Commission authorized the use of advanced internal models for the first time on June 22, 2009 for the revolving consumer portfolio, and on April 21, 2014 in the case of Enterprises and Large Enterprises, and on November 16, 2018 for the Residential Mortgage Portfolio.

The most recent authorizations to update the parameters in order to be applied in the capital requirement calculations were given on April 28, 2023 for Credit Card, on January 27, 2022 for Enterprises, and on November 24, 2021 for Large Enterprises, and on December 13, 2023 for the Mortgage Portfolio.

The description of each of these portfolios corresponds to that defined in note 3 (m).

Scores and Ratings

The Scoring module provides analysis and valuation tools that allow setting a credit rating with a product approach for retail portfolios, based on homogeneous data and criteria for the Institution.

Ratings allow setting a credit rating for the wholesale portfolio.

Exposure at Default

The exposure at default (EAD) is defined as the calculation of the used balance in the period under analysis, plus the Available balance and facility granted, adjusted for Credit Conversion Factors (CCF1 and CCF2), respectively, CCF1 and CCF2 are calibrated from historic information.

$$EAD = Used\ Balance + CCF1 * Unused\ Balance + CCF2 * Limitis$$

Probability of Default

In the calibrations of the probabilities of default, a definition of default based on 90 days is used, which matches the default definition used by Basel II.

Consequently, for the Institution, a transaction/client will be considered “bad” or in default when either of the following options arises:

1. 90 days have elapsed since the day of the first payment default.

2. The amount should go through a materiality filter so that the transaction/client is considered in default.

The materiality filter constitutes the only difference to the definition of default provided in Article 2 Bis 68 of the Banking Regulations.

Loss Given Default

The method used to estimate the severity or LGD is the so-called Workout LGD, based on the cash flow discount of exposures in arrears recovered at different moments in time derived from the portfolio recovery process. The recovery cycle is the process in which a contract goes into arrears and ends when it emerges from such situation. Once a contract goes into arrears, it begins a recovery process known as a recovery cycle in which those movements that increase the debt and which reduce the debt are accounted for. That part which could not be recovered is known as a Loss and if it is expressed as a percentage of the Exposure at Default, it is known as Loss Given Default.

Throughout this recovery process, there is a constant identification of the amounts entering capital accounts, recoveries in memorandum accounts and capital accounts, and the amount of exposure at the time of default. Therefore, the LGD is calculated as the difference between the accrued deposits less discounted recoveries (carried to present value) at the opening date of the cycle, for the exposure at default.

$$Loss\ Given\ Default = LGD = (\Sigma\ entries\ in\ default - \Sigma\ recoveries)\ /\ EAD$$

Coverage and/or mitigation policies by each type of risk

The creation of real and personal guarantees, in addition to improving the credit structure of the transaction, makes it possible to reduce the estimate of the Expected Loss in order to reduce credit reserves derived from the regulatory portfolio rating.

The Institution performs revaluations of the loans, based on the type of collateral, using statistical methods or confirming the existence and physical condition of the collateral. The value of the personal and real estate guarantees is updated each year over the term of the loan, except for those which require an ongoing evaluation (shares listed on stock markets) or for discontinued periods (investment projects).

The Institution has a robust system in place to handle financial security interests in real or personal property and a calculation engine, which have been certified by the Commission according to the integral method to recognize credit risk coverage, provided in Articles 2 Bis 31, 2 Bis 36, 2 Bis 37 and 2 Bis 48 of the Banking Regulations.

The integral approach used for the hedge recognition is governed by the following points:

Adjusted collateral amount: The adjusted amount of a collateral decreases its market value to take into account the loss of value that it may suffer due to the effects of fluctuations in its market price and fluctuations in exchange rates.

$$CA = \frac{C}{1 \cdot C_{R}} \cdot (1 - H^{C} - H^{FX}) \cdot \frac{(t - 0.25)}{T - 0.25}$$

Covered and uncovered exposure: The calculation of uncovered exposure (E*) is a cyclical process in which each iteration is incorporated into a new collateral (CA_i) according to the prioritization determined, until there is no eligible collateral to be included in the process.

Internal ratings process: For the Enterprises and Large Enterprises internal model (E&LE), the Institution considers groups III and IV and certain cases from group V of the rules for the capitalization requirements of full-service banks and national credit institutions and development banks of the Commission. Group IV excludes clients with investment projects, as well as small and medium mortgage promoters, and small and medium-sized enterprises (SME) according to the sales volume (clients with transactions valued at less than $60). Large promoters are considered from group III.

- Profitability Measurement

In addition to the calculation of capital requirements for credit risk, the Institution uses internal estimates to measure the profitability of the transactions to be accepted and of the stock. In the case of loans granted to Corporations, Large Corporations, International Financial Institutions, States and Sovereigns, Profitability and Added Economic Benefit indicators are calculated during the client's evaluation process.

To measure the profitability of credit portfolios, two methodologies are followed. One is based on measuring profitability relative to regulatory capital calculated from risk-weighted assets (RoRC), and the second method measures profitability relative to economic capital (RAROEC).

The Risk area identifies, measures and establishes control mechanisms for rating systems through periodic monitoring. The Internal Validation area, which is independent from the Credit Risk units, evaluates the rating systems, as established in section V of Exhibit 15.

Internal methodologies under FRS C-16 for calculating reserves

Pursuant to official communication 121-1/14591541/2022, dated January 10, 2022, the Commission authorized the implementation plan of the Internal Methodologies for reserves and allowances based on Mexican FRS C-16 to determine the allowance for loan losses by credit risk level for BBVA's relevant portfolios as of January 2022, specifically the Credit Card portfolio, the Mortgage portfolio and the Enterprises and Large Enterprises portfolio. The foregoing, in accordance with the provisions of Article 139 Bis 3, section I, of the Regulations. Said methodology was estimated with information as of September 2019.

The implementation of the Non-Revolving Consumer (NRC) and Small and Medium Enterprise (SME) portfolios is expected to continue.

Calculation of the expected credit loss requires a temporary structure during the life of the transaction and is based on the following components, in accordance with the minimum requirements for own estimates of risk parameters provided for in Schedule 15 Bis:

- Probability of default (PD): An estimate of the likelihood of default over a given time horizon.

- Loss Given Default (LGD): An estimate of the loss arising in case a default. It is based on the difference between the contractual cash flows due and those that lender would expect to receive, including from any collateral.

- Exposure at Default (EAD): An estimate of exposure at a future date of default, taking into account expected changes in the exposure after the reporting date, including expected repayments and drawdowns on committed facilities (CCFs).

- Term to maturity.

- Discount rate: To discount an expected loss to present value at the reporting date using the annual interest rate of the transaction, which should be determined in accordance with the original terms and conditions of the contract.

- Prepayment rate: For some portfolios the prepayment amount is considered in the contractual future cash flows of the loans.

- Prospective Scenarios: The design of prospective scenarios is crucial, supplementing historical experience by introducing scenarios that enable the institution to proactively identify potential future situations. This involves considering market outlooks and the economic and financial environment in which the institution operates. BBVA Research, a specialized division within BBVA, is responsible for crafting internal prospective scenarios for various institutional processes, including those utilized in estimating allowances under FRS C-16. These scenarios undergo updates at least annually. Detailed descriptions of these prospective scenarios can be found in the 'Situación México' reports, accessible on BBVA's website under Corporate Information -> Economic Studies -> Publications.

The procedures for estimating the probability of default, loss given default and exposure at default, for appropriately assigning and modifying the level of credit risk of exposures are consistent and in accordance with the criteria for recognizing the level of credit risk of a borrower, in stages 1, 2 or 3, including prospective scenarios.

Expected credit losses will be assessed for one of the two time horizons, depending on whether the borrower's credit risk has increased significantly since origination. If it has increased (step 2), expected credit losses will be calculated over the life of the asset. If not, provisions will be based on the 12-month expected credit losses. Expected credit losses on impaired assets (step 3) will be expected credit losses over the life of the asset.

Description of the portfolios with internal methodologies

Below is a description of the credit card and mortgage portfolios rated under internal models:

Enterprises and Large Enterprises December 2023

Actual Risk Rating	Available	Balance	Exposure to default	Weighted average LGD	Risk weighting	Non-financial collateral exposure	Financial collateral exposure
A1	$ 101,489	$ 530,746	$ 569,707	38.65%	0.35%	$ 283,229	$ 7,028
A2	94	1,585	1,609	39.93%	4.31%	208	19
B1	110	1,217	1,230	42.27%	6.06%	192	4
B2	309	2,878	2,955	44.84%	6.41%	160	13
B3	192	3,606	3,653	54.78%	7.03%	1,421	67
C1	463	4,282	4,484	39.30%	2.03%	1,182	-
C2	46	868	880	37.25%	9.78%	9,428	11
D	20	3,293	3,300	40.36%	26.35%	3,785	23
E	-	4,606	4,606	76.21%	98.40%	4,179	20
Total	$ 102,723	$ 553,082	$ 592,423	39.10%	1.38%	$ 303,783	$ 7,184

* Average weighted percentage.

Below is a description of the credit card and mortgage portfolio rated under internal models:

Credit Cards December 2023

Actual Risk Rating	Available	Balance	Exposure to default	Weighted average LGD	Risk weighting
A1	$ 335,656	$ 102,368	$ 167,375	73.50%	2.10%
A2	7,343	19,602	21,946	74.40%	8.50%
B1	2,700	10,113	11,033	74.70%	11.70%
B2	1,621	7,763	8,336	74.80%	14.30%
B3	1,396	8,060	8,563	75.10%	17.30%
C1	1,429	11,858	12,377	75.60%	22.40%
C2	741	10,525	10,791	76.70%	37.30%
D	30	5,978	5,988	74.60%	87.40%
E	32	4,171	4,177	87.20%	100.00%
Total	$ 350,950	$ 180,439	$ 250,586		

Mortgage December 2023

Actual Risk Rating	Balance	Exposure to default	Weighted average LGD	Risk weighting	Current exposure	Expired exposure
A1	$ 303,068	$ 303,068	10.80%	0.70%	$ 303,068	$ -
A2	5,836	5,836	10.50%	6.50%	5,836	-
B1	4,805	4,805	12.60%	7.70%	4,805	-
B2	3,229	3,229	11.70%	11.10%	3,229	-
B3	2,458	2,458	11.50%	13.00%	2,458	-
C1	9,375	9,375	11.80%	18.70%	9,238	137
C2	2,282	2,282	13.60%	37.80%	2,007	275
D	3,103	3,103	27.60%	99.70%	10	3,093
E	3,354	3,354	52.90%	100.00%	-	3,354
Total	$ 337,510	$ 337,510			$ 330,651	$ 6,859

* Current exposure includes stage 1 and stage 2.
* Average weighted percentage.

- *Analysis of estimated losses under FRS C-16 internal methodologies*

Backtest

January 2022

Portfolio	Allo/1 Jan'22	OL 12 months/2 Feb22-Jan23	DIFF $ (OL-ALLO)	%Use of Allo 12 months/3 Jan-22
Cards	$ 10,694	$ 7,570	$ (3,124)	71%
EandLE	7,039	1,341	(5,699)	19%
Mortgages	3,133	1,877	(1,256)	60%
Total	$ 20,867	$ 10,788	$ (10,079)	52%

/1 OL = Observed Loss
/2 ALLO = Allowances
/3 % Use of Allo = OL / Allo

The use of the overall expected loss from internal reserving methodologies based on FRS C-16 is 52% ACCEPTABLE.

Scoring

Scoring provides analysis and assessment tools that allow setting a credit rating with a product focus for retail portfolios, based on data and criteria that are homogeneous for the Bank. There are two types of Scoring:

- Origination scoring, obtained at the time of contracting, based on proprietary information of the transaction and information requested from the client, generates a score for each transaction.
- Behavioral Scoring, obtained on a monthly basis, based on payment behavior with the Institution. This model, used to assign scores to each transaction, is easy to understand, stable and allows the expert to use it in decision-making.

Ratings allow setting a credit rating for the wholesale portfolio.

These scores and ratings are used both in the estimation of reserves with Internal Methodologies based on FRS C-16 and in the models based on internal capital ratings.

Use of internal estimates

One of the uses of internal estimates is the calculation of Reserves. The Internal Models allow for comprehensive credit risk management.

The Risk area identifies, measures and establishes control mechanisms for the rating systems through periodic monitoring. The Internal Validation area, which is independent from the Credit Risk units, evaluates the rating systems, as established in section XII of Exhibit 15 Bis.

Interest Rate Risk

Structural Balance

Regarding the risk of the Structural Balance of interest rates and exchange rates, sensitivity of Economic Value and Financial Margin are calculated in the face of parallel movements in the curves of +/- 100 bps and in the aggregate for Pesos and UDIs with respect to the US dollar based on cross-currency correlation and volatility effects, according to the methodology authorized by the Risks Committee. A system of alerts has been established for previous metrics; monthly follow-up is provided by the Risk Committee and is quarterly presented to the Board of Directors; mitigation measures have been established for those cases in which alert limits are exceeded.

The structural risk measurement system is QRM (Quantitative Risk Management), which in turn incorporates the characterization of the headings of the structural balance sheet according to the financial characteristics of each heading. The methodology behind the economic value consists of estimating the fair value of the positions on the structural balance sheet, through the calculation of the current value of its net future flows (the flows expected from its assets less the flows expected from its liabilities) discounted at market interest rates. By the same token, the methodology behind the net interest income metrics is based on the projection of the interest income and expenses from the structural balance sheet, month-to-month in a 12-month horizon, considering the projected growth of the business. Specifically, the principal assumptions behind the characterization of the headings of the structural balance sheet are as follows:

- Prepayment rates: Supposes an advance payment of certain headings of the structural balance sheet, such as mortgage loans, consumer loans and SME loans.
- Evolution of products which do not have a maturity date: for demand deposits and credit cards, core or stable and volatile balances are calibrated, and subsequently their evolution over time is forecast.

The assumptions behind the characterization of the items on the structural balance sheet are modeled based on historical observations, of the same headings of the structural balance sheet and the evolution of the risk factors. At least once a year there is a revision and validation of the adjustment of the models and systems comprising the risk metrics of the structural balance sheet.

To monitor the structural balance risk interest rate and exchange rate, in which the Assets and Liabilities Committee is the executive body responsible for handling the situation. Such committee is not a delegated body of the Board of Directors. It adopts investment and hedging strategies within the policies and risk limits approved by the Board of Directors and the Delegated Risk Committee of the Board.

As of December 31, 2023, the sensitivity of Economic Value and Sensitivity of Financial Margin +/- 100 bps and aggregated are presented below:

Note: Figures from the Structural Balance without the portfolio of Commitments with employees.

Estimated Economic Value Sensitivity (EVS)

Portfolio	(100) bps	+100 bps	Aggregated	Red Flag
Mexican pesos	$ 11,070	$ (11,151)	$ (14,664)	
Foreign currency	(3,953)	3,532	(4,842)	
Total	$ 7,117	$ (7,619)		
Total, aggregated			$ (13,703)	81%

12-Month Projection of Financial Margin Sensitivity (FMS)

Portfolio	(100) bps	+100 bps	Aggregated	Red Flag
Mexican pesos	$ (3,844)	$ 3,841	$ (4,864)	
Foreign currency	(1,725)	1,691	(2,097)	
Total	$ (5,569)	$ 5,532		
Total, aggregated			$ (6,003)	44%

The use of red flags in the quarter shows the following exposure:

Portfolio	Red Flag EVS	Red Flag FMS
Total	81.03%	42.71%

With respect to the annual use of red flags, exposure is as follows:

Portfolio	Red Flag EVS	Red Flag FMS
Total	77.32%	44.82%

Market, Liquidity and Operational Risks

Market Risk

Regarding the process for market risk measurement and the operating and investment portfolios, the daily measurement of market risk is made through Value at Risk (VaR) statistical techniques, such as the central measurement:

1) Define the degree of sensitivity in the valuation of positions to changes in prices, interest rates or indexes.

2) Reasonably estimate the expected change for a specific time horizon with certain prices, rates, rates or indexes, considering it the degree to which they can be moved.

3) Reevaluate the portfolio to such expected changes sets and thereby determine the maximum potential loss in terms of value.

In summary, the Value at Risk (VaR) has been fixed based on the view that one day's operation will not lose more than the amount calculated 99% of the time.

Market, Structural and Non-Banking Risks is responsible for establishing and monitoring the guidelines, methodologies and limits of market risk, counterparty risk, structural risk and liquidity risk of the Institution, establishing the risk measurement parameters, and providing reports, analysis and evaluations to Senior Management, the Risk Committee and the Board of Directors.

The market risk measurement quantifies the potential change in the value of the positions assumed as a result of changes in market risk factors. When significant risks are identified, they are measured and limits are assigned in order to ensure adequate control. The global measurement of risk is made through a combination of the methodology applied to the Trading Portfolios and the Structural Balance. Historical Simulation without smoothing is the official methodology currently utilized to calculate the VaR.

Trading Portfolios

In the specific case of the Institution, the VaR is calculated by Historical Simulation and provided that it will not be lost over the horizon of one more day of said VaR 99% of the time. Two methodologies are used with and without "Exponential Smoothing," one that weighs the latest market data very strongly and the other that gives the same weight to the information of a whole year of trends.

	3Q 2023	4Q 2023
Value at risk, trade financial instruments:		
1 day VaR	$ 214	$ 241
10 days VaR	665	765
Total	$ 879	$ 1,006
	1 day VaR	**10 days VaR**

Value at risk, trade financial instruments:				
Fixed Income	$	244	$	773
Variable Income	$	12	$	38
Changes	$	26	$	81
Vega	$	13	$	40

Furthermore, daily simulations are performed of the losses or gains on the portfolios by means of reassessments under catastrophic scenarios (stress tests). These estimates are generated by applying percentage changes to the risk factors, which were observed in a specific period of the history, which covers significant market turbulence. Every month backtesting is conducted to compare the daily losses and gains that would have been observed if the same positions had been held, by considering only the change in value due to a market movement against the calculation of the value at risk, so that the models used can be calibrated.

Liquidity Risk

Quantitative information

(a) Concentration limits regarding the different groups of collateral received and the principal sources of financing.

Apart from the regulatory liquidity ratios and the Institution's liquidity risk control scheme is based on the establishment of limits in three fundamental areas: (a) Self-financing through the LtSCD ratio (Loan to Stable Customer Deposits) that measures the maximum relationship of the financing of the net credit investment with stable client deposits); (b) financing structure diversification through a maximum amount of Short-Term (FCP); and (c) Capacity to absorb liquidity shocks through the 30 day Basic Capacity (30d securitized debt certificates– available liquidity buffer coefficient and net outlays of liquidity established within the respective unexpired deadline). There are also red flags to prevent the limits from being exceeded, including the follow-up on other unexpired deadlines. There are also metrics to identify possible threats in advance to allow for the adoption, as the case may be, of the necessary preventive measures, including indicators of financing concentration, foreign exchange liquidity, long-term financing diversification, intraday liquidity, among others. These metrics are listed below.

Quarterly

LtSCD	20%	
FCP 12m	$ 272,948	MXN Millions
CB 30d	134%	

Annual

LtSCD	18%	
FCP 12m	$ 222,778	MXN Millions
CB 30d	92%	

(b) Exposure to liquidity risk and financing needs at Institution level, bearing in mind legal, regulatory and operational limitations and the transferability of liquidity.

The Institution's exposure to liquidity risk and its financing needs are based on the principle of decentralized and independent management of liquidity (including Banco Bilbao Vizcaya Argentaria, S. A. in Spain or any of its entities), so as to avoid dependencies or subsidies and eventual contagion due to crisis. At all times they take into account the legal, regulatory and operational limitations on the transferability of liquidity of the applicable rules in setting the liquidity risk policies of the Institution, including the regimes for admission of liabilities and investments for liability transactions in Foreign Currency of the Central Bank, operating rules of the payment systems, risk diversification in the performance of liability operation specified by the Banking Regulations, among others.

In the case of the investment regime for liability operations in Foreign Currency, apart from the Shortfall regulatory limit, as a preventive measure there is also a red flag system in place which is stricter than the regulatory limit for the investment regime for liability operations in Foreign Currency of the Central Bank.

(c) The flows of the balance sheet at the end of December 31, 2023 by maturity and liquidity gaps are detailed below.

MXN in millions	Demand	30 days	6 months	1 year	More than 1 year	No maturity date	Total
Cash at hand	$ 218,671	$ -	$ -	$ -	$ -	$ -	$ 218,671
Loan portfolio	-	160,085	232,707	177,553	1,108,717	-	1,679,062
Investments in financial instruments	-	2,152	43,822	68,822	536,123	-	650,919
Total, assets	$ 218,671	$ 162,237	$ 276,529	$ 246,375	$ 1,644,840	$ -	$ 2,548,652
Deposits	$ -	$ 183,535	$ 59,644	$ 1,983	$ 51	$ 1,485,315	$ 1,730,528
Issuances and subordinated obligations	-	4,325	28,128	14,126	126,734	-	173,313
Repurchase/resale agreements payable	-	238,815	4,268	-	-	-	243,083
Net remainder of balance	-	-	-	-	-	401,730	401,730
Total, liabilities	$ -	$ 426,675	$ 92,040	$ 16,109	$ 126,785	$ 1,887,045	$ 2,548,654
Off-balance	$ -	$ (2,700)	$ 1,291	$ (4,617)	$ (13,337)	$ -	$ (19,363)
Liquidity gaps	218,671	(267,137)	185,781	225,650	1,504,718	(1,887,044)	(19,361)
Cumulative gaps	$ 218,671	$ (48,466)	$ 137,314	$ 362,964	$ 1,867,682	$ (19,363)	$ -

* Figures in the preceding table only consider the Institution individually, not on a consolidated basis.

Embedded derivatives

Pursuant to the Institution's programs for issuance of structured bank bonds, the Institution hold foreign currency, indexes and interest rates options, equivalent to a nominal of $15,088. The Institution also has interest rates and foreign currency swaps with a nominal of $5,979.

Qualitative information

(a) The manner in which the liquidity risk is managed in the Institution by considering for such purpose the tolerance to such risk; the structure and responsibilities for liquidity risk management; internal liquidity reports; the liquidity risk strategy and the policies and procedures through the business lines and with the Board of Directors.

The Institution's management of liquidity risk is governed by the following principles: decentralized and independent liquidity management; self-financing of the credit activity of the banks; liquidity planning in the process of growth planning in the activity; clear segregation of functions to achieve a proactive management of liquidity risk, including intraday liquidity and management of collateral, establishment of a transfer pricing system and standards for internal use of liquidity; as well as alignment with regulatory requirements.

The structure and responsibilities for liquidity risk management are clearly segregated by function and area:

- Setting of general policies, fundamental metrics and limits. The risk liquidity policies are approved by its Board of Directors, with the prior favorable opinion of the Risk Committee; which bodies approve the Institution's liquidity risk limits scheme.

- Risk identification, measurement and control. The Risks department identifies, measures and establishes measurements to control liquidity risk to which the Institution is subject through the setting, follow-up and reporting of a limits scheme.

- Management of investing and deposits activity. This is performed by the business areas in accordance with the risks policy.

- Liquidity management and financing. This is performed by Finance, through Financial Management.

- Generation of follow-up information. As much as possible, the Systems and Finance areas of the Institution supply the relevant information for purposes of liquidity risk. At the same time, the Risks department promotes the ongoing improvement of information quality to ensure a correct decision-making process.

The status of the limits and red flags is reported through daily internal reports to Senior Management, Internal Audit and the areas that handle risk, even more frequently in times of crisis.

Strategies are outlined within the risk limits approved by the Board of Directors and Risks Committee delegated by the Board and are agreed upon in the Assets and Liabilities Committee, always within the liquidity risk tolerance approved. Also, follow-up is given on the evolution of liquidity risk and excess risk in these bodies.

(b) Financing strategy, including diversification policies, and whether the financing strategy is centralized or decentralized.

Every year the Institution prepares a growth plan of its activity, considering the business's growth projections, the maturities profile of assets and liabilities, the appetite for risk and projected market conditions.

On such basis, the financing plan is prepared in the wholesale markets, seeking to maintain diversification in financing, thus ensuring that there is no excessive dependence on short-term financing.

(c) Liquidity risk mitigation techniques used by the Institution.

The Institution's liquidity risk model, based on the principles quoted in subsection (a) of this Section, at all times takes into account the legal, regulatory and operational restrictions on the transferability of liquidity.

Specifically, one of the strengths of the Institution is based on the quality of its funding, which is diversified by type of clients, instruments and markets.

With respect to deposits, there is an extensive network of retail and wholesale clients. This attraction of deposits is complemented and strengthened with local and international issues, maintaining constant access to debt markets.

In the event of liquidity risk limit or alert triggering, there are specific action and communication procedures within the Institution established with a clear definition of roles for the different areas and decision-making bodies, differentiating the communication level based on whether a limit or alert was triggered. Likewise, there is a Liquidity Contingency Plan, which in the event of activation has a stock of actions classified by their typology based on whether they are related or not to the Mexican Central Bank, the wholesale market or the commercial activity.

(d) An explanation on the use of stress tests

Liquidity risk stress tests are carried out in different stress scenarios, evaluating in each one the buffer coverage state of available liquidity with the liquidity needs of the scenario in question under different temporary horizons and delimiting the survival horizon under different situations. The results of these tests are integral part of the Liquidity Contingency Plan, as they are part of its activation program.

(e) Description of contingent financing plans

The Liquidity Contingency Plan or Contingency Financing Plan is set up as a fundamental element of liquidity risk management in moments of liquidity stress.

It contains clear procedures to make decision making easier, as well as to enable a fast adoption of contingent measures and effective communication, specifying functions and responsibilities in these situations, as well as the authority to activate it. It is defined based on four principles: coordination among the involved units, efficient level of information, confidentiality of performances and information and enforceability. This Plan and its amendments are approved by the Institution’s Board of Directors, at the proposal of the Chief Executive Officer. Its activation would be carried out by the Asset/Liability Committee, under a “traffic light approach” for the Plan indicators, which allows to distinguish severity of the situation.

Also, the Institution has a Contingency Plan or Recovery Plan that provides for potential actions to be performed with the purpose of restoring its financial situation in different adverse scenarios that could affect solvency and/or liquidity. This plan describes the bank situation detailing key business lines, recovery indicators, corporate governance for its preparation, as well as in the case of occurrence of adverse scenarios and the process to implement recovery measures. This plan is also approved by the Board of Directors at the proposal of the Risk Committee and prepared by the Chief Executive Officer.

Liquidity Coverage Ratio (LCR)

The LCR quantifies the potential capacity of the Institution to face its 30-day liquidity needs, with available liquid assets, under a stress scenario.

In accordance with the reporting requirements, specified in Schedule 5 of the General Regulations on Liquidity Requirements for Commercial Banks, the following is BBVA México’s Liquidity Coverage Ratio Disclosure Form relating to the fourth quarter of 2023.

Pursuant to Chapter 3, Article 8, of the Regulations, Financiera Ayudamos, S. A. de C. V. is consolidated in accordance with its nature, as part of the Entities Subject to Consolidation.

Grupo Financiero BBVA México, S. A. de C. V. and Subsidiaries

Liquidity Coverage Ratio	Unweighted amount	Weighted amount
Computable liquid assets:		
Total, computable liquid assets	N/A	$ 499,999
Cash outflows:		
Unsecured Retail Financing	$ 882,105	$ 58,394
Stable Financing	596,336	29,817
Less Stable Financing	285,769	28,577
Unsecured Wholesale Financing	701,834	237,833
Operating Deposits	358,612	82,266
Non-operating Deposits	334,420	146,764
Unsecured Debt	8,802	8,802
Secured Wholesale Financing	N/A	664
Additional Requirements	753,526	63,649
Outflows related to derivative financial instruments and other collateral requirements	29,248	19,145
Outflows related to debt instrument financing losses	-	-
Credit Facilities and Liquidity	724,279	44,504
Other Contractual Financing Obligations	97,312	19,023
Other Contingent Financing Obligations	-	-
Total, cash outflows	N/A	$ 379,562
Cash inflows		
Cash inflows from secured transactions	$ 66,227	$ 22
Cash inflows from unsecured transactions	127,695	68,152
Other cash inflows	4,410	4,410
Total, cash inflows	$ 198,332	$ 72,584
Total, computable liquid assets	N/A	499,999
Total, net cash outflows	N/A	306,977
Liquidity coverage ratio	N/A	162.61%

(a) Calendar days in the fourth quarter of 2023 are 92 days.

(b) Main causes of the results of LCR and the evolution of their main components.

The quarterly average LCR increased with respect to the previous quarter due to growth in fund gathering, mainly retail. Supported by the $13,500 senior issue made in November 2023.

Item	Weighted amount (average)		Change	
	4Q-23	3Q-23	money	percentage
Computable liquid assets	$ 499,999	$ 440,441	$ 59,558	13.50%
Outflows	379,562	349,222	30,340	8.70%
Inflows	72,585	74,481	(1,896)	(2.50%)
Net outflows	306,977	274,740	32,237	11.70%
LCR	162.61%	160.47%	0.02	1.30%

(c) Main changes of the LCR components in the quarter.

Item	Oct 23	Nov-23	Dec-23
Computable liquid assets	$ 450,953	$ 492,525	$ 556,277
Outflows	361,029	377,555	400,036
Inflows	70,946	73,722	73,122
Net outflows	290,083	303,833	326,914
LCR	155.43%	162.04%	170.36%

During the quarter, liquid assets and outflows increased due to the higher growth in deposits. There was a slight increase in inflows during the quarter.

(d) Evolution of the composition of Eligible and Computable Liquid Assets:

Computable Liquid Assets	4Q-23	3Q-23	Change
N1 Cash and Banks	$ 188,864	$ 176,931	$ 11,933
N1 Securities	302,802	256,164	46,638
N2 A	7,495	6,857	638
N2 B	837	490	347
Total	$ 499,998	$ 440,442	$ 59,556

The increase in liquid assets in the quarter is in level 1 assets, mostly with securities.

(e) Concentration of financing sources

One of the great strengths of BBVA México is the quality of its funding, which is diversified by type of clients, instruments and markets. Regarding deposits, there is an extensive network of both retail and wholesale clients. This attraction of deposits is supplemented and strengthened with local and international issues, over different terms, and constant access is maintained with debt markets. The following table shows BBVA México's funding structure at the end of December 2023.

Sources of financing (December 2023)	% funding structure
Customers' deposits	79.13%
Collateralized financing	11.11%
Negotiable instruments	4.61%
Subordinate obligations	2.31%
Money market	1.00%
Interbank	1.83%
Total	100%

(f) Exposures in financial derivatives and possible margin calls.

Exposure, according to current local exposure guidelines in derivatives for the LCR corresponds to a contingent outlay of transactions involving derivative financial instruments (LBA: Lookback Approach) is detailed below: As of December 31, 2023, it is $16,199.

Item	4Q-23
Contingent outlay (Lookback Approach)	$ 16,199

(g) Mismatch of foreign currencies

Liquidity risk associated to transactions in foreign currency is covered according to the provisions on the liquidity coefficient in foreign currency (ACLME), established by the Central Bank. Also, risk associated to exchange rate is duly funded and managed within the regulatory limits.

(h) Cash flow outlays and receipts that, if appropriate, are not captured in this framework but which the Institution considers relevant for its liquidity profile.

BBVA México considers that all relevant flows are covered in the LCR metric calculation, for which reason there are no additional flows to be considered.

(i) Impact on the Ratio of the incorporation of the Entities Subject to Consolidation, as well as the outflows derived from financial support to entities and companies that are part of the same financial group, consortium or business group that, in accordance with the Policies and Criteria, the Institution's board of directors has authorized to grant.

Impact on the Liquidity Coverage Ratio of the incorporation of the Entities Subject to Consolidation is immaterial.

Net Stable Financing Ratio (NSFR) Schedule 10

The NSFR aims to encourage institutions to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities.

In accordance with the reporting requirements specified in Schedule 10 of the General Regulations on Liquidity Requirements for Commercial Banks (Regulations), the following is t's BBVA México's Net Stable Funding Ratio Disclosure Form for the fourth quarter of 2023, which corresponds to the average of the fourth quarter 2023 closings.

Pursuant to Chapter 3, Article 8, of the Regulations, Financiera Ayudamos, S. A. de C. V. is consolidated in accordance with its nature, as part of the Entities Subject to Consolidation.

(a) The main causes of the results of the Net Stable Funding Ratio and the evolution of its main components.

The average NSFR increased in 4Q23 compared to 32Q23, due to the higher growth of deposits compared to the growth of the loan portfolio.

	Individual figures					Consolidated figures				
	Amount not weighted by residual term					Amount not weighted by residual term				
	Without maturity	< 6 months	from 6 months to 1 year	>= 1 year	Weighted amount	Without maturity	< 6 months	from 6 months to 1 year	>= 1 year	Weighted amount
Elements of the available stable funding pool:										
Capital	334,957	-	-	-	334,957	334,957	-	-	-	334,957
Fundamental and non-fundamental core capital	334,957	-	-	-	334,957	334,957	-	-	-	334,957
Other equity instruments	-	-	-	-	-	-	-	-	-	-
Retail deposits	-	949,735	1,532	29	888,328	-	949,735	1,532	29	888,328
Stable deposits	-	642,369	805	10	611,026	-	642,369	805	10	611,026
Less stable deposits	-	307,366	727	19	277,302	-	307,366	727	19	277,302
Wholesale financing	-	1,027,953	16,424	77,321	469,006	-	1,027,953	16,424	77,321	469,006
Operational deposits	-	24,920	-	-	12,460	-	24,920	-	-	12,460
Other wholesale financing	-	1,003,033	16,424	77,321	456,546	-	1,003,033	16,424	77,321	456,546
Interdependent liabilities	-	2,548	1,234	9,077	-	-	2,548	1,234	9,077	-
Other liabilities	30,483	90,834	-	95,142	95,142	30,483	90,834	-	95,142	95,142
Derivative liabilities for Net Financing Ratio purposes	Not applicable	-	-	-	Not applicable	Not applicable	-	-	-	Not applicable
All liabilities and shareholders' equity not in the above categories	30,483	90,834	-	95,142	95,142	30,483	90,834	-	95,142	95,142
Total Stable Financing Amount Available	Not applicable	Not applicable	Not applicable	Not applicable	1,787,432	Not applicable	Not applicable	Not applicable	Not applicable	1,787,432
Total Liquid Assets Eligible for Net Financing Ratio purposes	Not applicable	Not applicable	Not applicable	Not applicable	36,390	Not applicable	Not applicable	Not applicable	Not applicable	36,390
Deposits with other institutions for operational purposes	-	2,628	-	-	1,314	-	2,628	-	-	1,314
Current loans and securities	5,045	433,512	136,395	1,079,545	1,136,468	5,045	433,512	136,395	1,079,545	1,136,468
Guaranteed financing granted to financial entities with Level I eligible liquid assets.	-	40,980	-	-	4,098	-	40,980	-	-	4,098
Guaranteed financing granted to financial institutions with eligible liquid assets other than Tier I.	-	22,384	1,944	10,740	15,070	-	22,384	1,944	10,740	15,070
Secured financing granted to counterparties other than financial institutions, which:	-	348,801	112,470	760,599	852,634	-	348,801	112,470	760,599	852,634
Have a credit risk weighting of less than or equal to 35% according to the Basel II standardized approach for credit risk.	-	48,665	11,268	136,151	118,465	-	48,665	11,268	136,151	118,465
Mortgage loans (current) of which:	-	19,484	21,967	305,264	256,939	-	19,484	21,967	305,264	256,939
Have a credit risk weighting less than or equal to 35% according to the standard method established in the Regulations	-	7,251	8,197	116,307	83,323	-	7,251	8,197	116,307	83,323
Debt and equity securities other than Eligible Liquid Assets (other than those in default)	5,045	1,862	13	2,943	7,728	5,045	1,862	13	2,943	7,728
Interdependent assets	-	-	-	-	-	-	-	-	-	-
Other assets	104,704	248,680	3,310	41,598	169,823	104,704	248,680	3,310	41,598	169,823
Commodities physically traded, including gold	-	Not applicable	Not applicable	Not applicable	-	-	Not applicable	Not applicable	Not applicable	-
Initial margin provided on derivative transactions and contributions to central counterparty loss absorption fund	Not applicable	14,963	-	-	12,719	Not applicable	14,963	-	-	12,719
Derivative assets for Net Stable Funding Ratio purposes	Not applicable	-	-	-	-	Not applicable	-	-	-	-
Derivative liabilities for Net Stable Funding Ratio purposes before deduction for variation in initial margin	Not applicable	-	-	-	2,533	Not applicable	-	-	-	2,533
All assets and operations not included in the preceding categories	104,704	233,717	3,310	41,598	154,571	104,704	233,717	3,310	41,598	154,571
Off-balance sheet transactions	-	163,848	67,503	591,978	11,568	-	163,848	67,503	591,978	11,568
Total Stable Financing Amount Required	Not applicable	Not applicable	Not applicable	Not applicable	1,355,562	Not applicable	Not applicable	Not applicable	Not applicable	1,356
Net Stable Financing Ratio (%)	Not applicable	Not applicable	Not applicable	Not applicable	132.05%	Not applicable	Not applicable	Not applicable	Not applicable	132.05%

(b) Changes of the main components within the reporting quarter.

The main changes in the NSFR for the fourth quarter of 2023 correspond to the increase in fund gathering and the increase in the loan portfolio.

(c) The evolution of the composition of the Available Stable Financing Amount and the Required Stable Financing Amount.

Available Stable Financing Amount increases due to growth in both retail and wholesale funding supported by the issuance of $13,500 in November 2023. Required Financing Amount increases due to growth in loan balance.

(d) The impact on the Net Stable Funding Ratio of the incorporation of entities subject to consolidation.

The impact on the Net Stable Funding Ratio of the incorporation of Entities Subject to Consolidation is immaterial.

Operational Risk

1) Definition and valuation

Aware of the importance of considering all aspects associated with operational risk, the Institution has implemented comprehensive risk management which not only includes the quantitative aspects of risk, but also seeks to measure other elements that require the introduction of qualitative evaluation mechanisms.

According to the Banking Regulations issued by the Commission, operational risk is defined as: "The potential loss due to failures or deficiencies in internal controls, due to errors in the processing and storage of Operations or in the transmission of information, as well as due to adverse administrative and judicial decisions, fraud or theft and includes, among others, technological risk and legal risk, provided that:

a) Technological risk is defined as the potential loss due to damage, interruption, alteration or failures derived from the use of hardware, software, systems, applications, networks and any other information transmission channel in the provision of banking services to the Institution's clients.

b) Legal risk is defined as the potential loss due to non-compliance with the applicable legal and administrative regulations, the issuance of unfavorable administrative and judicial resolutions and the application of sanctions, in relation to the operations carried out by the Institution."

Operational risk materializes in losses caused as a result of: human errors; inadequate or flawed internal processes; improper conduct with clients, in the markets or against the entity; money laundering and terrorist financing; failures, interruptions or deficiencies of systems or communications; theft, loss or misuse of information, and deterioration of its quality; internal or external fraud including, in any event, those derived from cyberattacks; theft or physical damage to assets or people; legal risks, risks derived from the management of the workforce and occupational health, and inadequate service provided by suppliers; as well as damages derived from extreme weather events, pandemics and other natural disasters.

BBVA operational risk management includes those derived from compliance and conduct risk and money laundering and terrorist financing and excludes strategic and/or business risk and reputational risk. However, the management of reputational risk, entrusted to the Responsible Business unit, will be done in coordination with that of operational risks to the extent that it occurs as a result of operational events.

Operational risk is integrated into the Institution's risk structure, which has established and maintains robust internal models that provide timely information on the materialization of operational risk events.

Operational risk is measured by the Portfolio Management, Data & Reporting Unit, which is independent from the Market Risk and Credit Risk units, as well as from the Audit, Regulation and Internal Control units.

Losses derived from operational risk recorded in 2023 were $1,963, mainly due to operational items related to tax payments (surcharges). The monthly average of losses derived from operational risk recorded in 4Q-23 was $376, highlighting events related to tax payments and lawsuits.

2) General operational risk model

The operational risk management model is based on a cause-effect model which identifies the operational risk associated with the Bank's processes through a continuous improvement circuit.

Identification. Consists of determining which risk factors (circumstances which can become operational risk events) reside in the processes of each business/support unit.

Quantification. The cost that can be generated by a risk factor is determined by using historical data (database of operating losses) or estimated in the event of risks have not materialized in the form of events in the past. This quantification is based on two components: frequency of occurrence and monetary impact in case of occurrence.

Mitigation. At least for manageable risks (critical), mitigation and control that contribute to their reduction are identified, documented and tested, and the residual risk is calculated based on their effectiveness.

Monitoring. The Institution promotes continuous monitoring, by the Areas, of the proper functioning and effectiveness of its control environment, and must take into consideration, among other elements, the evolution of the management indicators defined for the Area, the events and losses experienced, as well as the results of the activity of the second line of defense, internal audit, supervisors or external auditors.

Additionally, specific management schemes have been established for technological risks and those derived from legal proceedings.

In the case of the former, in addition to the general operational risk methodology, Information Security & CISO ensures that identified risks and mitigation plans are standardized throughout the Institution and are compliant with logical security.

Regarding judicial processes, in addition to the operational risk management circuit of legal processes, the probability of adverse resolution is calculated on the inventory of administrative processes and legal claims where the Institution is a plaintiff or defendant. Based on the foregoing, the Institution considers that the main factors that influence legal risk are: degree of non-compliance with regulation; types of judicial process in which it is involved; amount demanded and probability of unfavorable resolution.

The Institution has an integrated internal control and operational risk methodology. This methodology makes it possible to identify risks in the organizational areas, assess the risks identified to prioritize/determine which are critical/manageable risks, define and implement mitigation and control measures for critical/manageable risks, determine the residual risk (risk assessment after the implementation of controls) and identify weaknesses in the control model.

3) General operational risk model

The operational risk management framework defined for the Institution includes a structure based on the three lines of defense model with a clear delimitation of responsibilities, policies and procedures common to the entire Institution. For its operation, it has systems to identify, measure, monitor, control and mitigate operational risks and losses, as well as tools and methodologies for the quantification of operational risk.

1st Line of Defense – Business Units

The owners of processes manage the operational risk of their respective areas and are in charge of identifying and evaluating operational risks, carrying out the controls and executing mitigation plans for risks that present control weaknesses.

Those in charge of Internal Control in Business Units and support areas (Risk Control Assurers or RCAs) coordinate and ensure the adequate operational risk management in their Units, extending the methodology for risk identification, promoting the implementation of necessary mitigation measures and controls in all operating processes performed and outsourced by the Area and monitoring their proper implementation and effectiveness.

2nd Line of Defense

- *i) Non-Financial Risks Unit*
- *ii) Risk Control Specialists (RCSs)*
- *iii) Responsible business*

Risk Control Specialists (RCSs) define the mitigation, control and monitoring framework in their field of specialty and contrast it with the one implemented by the first line of defense.

Functions of the Non-Financial Risks Unit

Non-Financial Risks, through the Head of Regulation and Internal Control, is responsible for designing and maintaining the Group’s Operational Risk management model and for assessing the degree and updating the degree of application in the business and support areas.

- Define methodology, systems and tools.
- Promote interaction between the areas responsible for internal control and control specialists and ensure compliance with the corporate plan.
- Keep Senior Management informed.

Responsible Business is responsible for the management of Reputational Risk, in coordination with the Group’s internal control model in those cases in which the Reputational Risk derives from operational events.

3rd Line of Defense – Internal Audit

Performs an independent review of the control model, verifying compliance and effectiveness of the established policies.

Operational risk management at the Institution is designed and coordinated at the Head of Non-Financial Risks, aligned with Grupo BBVA (in Spain) corporate criteria. Business or support areas have, in turn, Internal Control officers (RCAs) coordinated by the Non-Financial Risks Division, who are responsible for implementing the model in the day-to-day operations of the business areas. Thus, the Institution has a vision at the process level, where operational risks are identified and prioritized and mitigation decisions are made.

To carry out this task, the Institution has tools in place to cover the qualitative and quantitative aspects of operational risk:

Operational Risk Management Tool – The MIGRO (*Marco Integral para la Gestión del Riesgo Operacional*) corporate tool documents the identification and management of the most important risks which constitute the reference to focus attention on the Internal Control Supervision Committees of the business and support units, and on the delegated Risk Committees meetings of the Board held during the year.

In MIGRO, the mitigation, control and monitoring framework is documented, which includes details of the mitigating factors, indicators and controls implemented by the first line of defense to cover the different operational risks existing in its activity.

SIRO Tool – Operational risk events almost always have a negative impact on the accounts of the Institution. To ensure detailed control over them, they are registered in a database known as SIRO (*Sistema Integrado de Riesgo Operacional*). To ensure reliability it receives the information directly from accounting by automatic interfaces in 95% of the cases.

4) Governance Model

Each Area's management of its operational risks is reported through the Area's internal Control Supervision Committees, in which its Management analyzes the situation of its control environment and promotes and monitors the necessary mitigation measures to address the weaknesses observed. In this forum, the Risk Control Specialists contrast the proposed actions.

Relevant aspects of operational risk management derived from the Internal Control Supervision Committees are reported to the Senior Management, as well as to the Delegated Risk Committee of the Board, the Audit Committee delegated by the Board and the Board of Directors, through a reporting scheme coordinated by the Head of Non-Financial Risks, which encourages the highest level of the Institution to be permanently involved in the management of operational risks and the functioning of the Internal Control System.

5) Capitalization by operational risk

As of January 1, 2023, the Business Indicator Method by the CNBV to determine the capital requirement for operational risk, published on November 19, 2020 in the DOF, becomes effective. This method replaces all previous methods (basic, standard, alternative standard and advanced indicator).

6) The ROMIN Method (Operational Risk - Business Indicator Method) considers in its calculation:

Business Indicator (BI)

CIAD: Interest, lease and dividend component (Interest income, interest expense and dividend income, etc.).

CS: Services Component (Other operating income, other operating expenses, commissions and fees charged and paid, etc.).

CF: Financial Component (income from the purchase and sale of financial instruments, currencies, metals, etc.).

From which the Business Indicator Component (BIC) is calculated.

The factors to be used by business line are as follows:

Level	Level of BI	Marginal ratio (α)	Determination of BIC
I	If BI ≤ 3,500 mdu	12%	BIC = BI*12%
II	If 3,500 mdu < BI ≤ 104,000 mdu	15%	BIC = (3,500 mdu * 12%) + [(BI-3,500 mdu)*15%]
III	If BI > 104,000 mdu	18%	BIC = (3,500 mdu * 12%) +(100,500 mdu * 15%) + [(BI-104,000 mdu)*18%]

mdu = millions of UDIs

Internal Loss Multiplier (ILM)

$$ILM = \max\left[Ln\left(\exp(1) - 1 + \left(\frac{PI}{BIC}\right)0.8\right), 1\right]:$$

BIC: Business Indicator Component

PI: 15 times the average annual Operational Risk losses incurred during the previous ten years.

Where the Operational Risk Capital Requirement is determined by multiplying the BIC and the ILM.

The general objective of the risk management policies is to avoid significant losses derived from exposure to the Institution's risks, which are demonstrated by the levels of the financial indicators disclosed in note 36, which reflect the Bank's financial stability.

(38) Financial indicators (unaudited)-

As of December 31, 2023 and 2022, according to Article 182 of the Regulations, the Group's financial indicators are as follows:

	2023	2022
Delinquency ratio	1.67%	1.58%
Hedge ratio of portfolio of Stage 3 loan portfolio	196.40%	207.93%
Operating efficiency	2.77%	2.41%
ROE	27.23%	25.77%
ROA	3.12%	2.91%
Capitalization ratio, credit, market and operational risk (Bank)	18.27%	19.19%
Core capital 1 on credit, market and operational risk (Bank)	15.66%	16.83%
Liquidity	97.03%	92.41%
Net adjusted interest margin (MIN) /Average Productive Assets	6.82%	6.38%

(39) Ratings-

As of December 31, 2023, the ratings assigned to the companies that are part of the Group are as follows:

	Global Scale M. E.		Domestic Scale		
Rating Agency	Long Term	Short Term	Long Term	Short Term	Outlook
Banco					
Standard & Poor's	BBB	A-2	mxAAA	mxA-1+	Stable
Moody's	Baa1	P-2	AAA.mx	ML A-1.mx	Stable
Fitch	BBB	F2	AAA(mex)	F1 + (mex)	Stable
Casa de Bolsa BBVA México					
Moody's	N/A	N/A	AAA.mx	ML A-1.mx	Stable
Fitch	N/A	N/A	AAA(mex)	F1 + (mex)	Stable

(40) Commitments and contingent liabilities-

Contingencies-

As of December 31, 2023 and 2022, there are claims against the Group in ordinary civil and commercial actions, as well as contingencies and assessments by the tax authorities; however, in opinion of its lawyers, claims filed are considered inadmissible and, in the event of unfavorable resolutions, they would not affect significantly the Institution's financial condition, given that, as of December 31, 2023 and 2022, the Group has weighted the impacts of each one of them and has recorded a reserve for these matters for $2,662 and $2,250, respectively.

As of December 31, 2023 and 2022, there are claims against the Group in labor actions; however, in opinion of its lawyers, claims filed are considered inadmissible and, in the event of unfavorable resolutions, they would not affect significantly the Group's financial condition, given that, as of December 31, 2023 and 2022, the Group has weighted the impacts of each claim and has recorded a reserve for these labor matters of $1,322 and $1,262, respectively.

For the type of contingencies referred to in the previous descriptions and to depend on the third-party performance, it is impractical to quantify the inputs or out puts of resources, as well as the eventuality obtaining reimbursements.

(41) Recognition of the effect of applying the new reference interest rates

Financial markets regulators, both in Mexico and internationally, are carrying out improvements to the regulation to replace or modify the determination of the reference interest rates used in the financial markets. Examples of these rates are the Interbank Equilibrium Interest Rate, known as TIIE, used in Mexico, as well as the London InterBank Offered Rate, known as LIBOR, the Euro Interbank Offered Rate, known as EURIBOR, or the Prime Offering Rate, used in the United States of America (USA) for certain interbank transactions. Some of these rates are also called Interbank Offered Rates or IBOR rates.

The intention of the regulators is to replace IBOR rates (which are weighted average interest rates at which banks agree to lend to the central bank or to each other) with interest rates that are risk-free, that is, rates at which at the end of each day long positions or short positions are covered between the institutions of the financial system. The intention is that these are real transaction interest rates, and that they correspond to transactions guaranteed with repo agreements that reduce risks and volatility, and not offered interest rates.

Mexico's Central Bank published, in the fourth quarter of 2021, a document on the LIBOR Rate Transition Process to new reference rates aligned with international standards, highlighting that as there is greater certainty on the dates of cessation of publication of the LIBOR rates, in order to continue promoting the sound development of the financial system and in line with the recommendations of various international authorities. The document calls on local market participants so that, after December 31, 2021, LIBOR rates cease to be used as a reference for new contracts entered into in Mexico. Additionally, the use of the new RFRs (risk-free rates) is recommended in a new contract entered into after December 31, 2021.

Also, Mexico's Central Bank published amendments to the following provisions corresponding to the new reference rates, as part of the actions that facilitate an orderly and timely transition:

- Regulations applicable to credit institutions transactions, regulated multiple-purpose financial companies that maintain economic ties with credit institutions and the National Financial Institution for Agricultural, Rural, Forestry and Fisheries Development" contained in Circular 3/2012.

- Regulations referred to in Article 4 of the Law for the Transparency and Regulation of Financial Services in matters of interest rates, contained in Circular 14/2007, in matters of external reference rates.

On the other hand, in October 2019, the CINIF issued Interpretation to Mexican FRS 22, "Recognition of the expected effect on hedging relationships due to expected changes in reference interest rates," which focused on the expected effectiveness of hedging relationships due to changes expected in interest rates, establishing a practical solution to assume that the current reference interest rate will continue to exist until the end of the hedging relationship, which will continue to meet the requirements of its effectiveness and in October 2020 the CINIF issued the Interpretation to Mexican FRS 24 "Recognition of the effect of the application of the new reference interest rates."

The Interpretation to Mexican FRS 24 addresses the issue of recognition of the transition effect to the new reference interest rates.

The Commission granted confirmation of criteria to the Association of Banks of Mexico (ABM) on the homogeneous treatment that credit institutions must follow, referring to the fact that the modifications in the contractual conditions of the credits subject to a rate of interbank offer, which are originated by the IBOR rate reform, should not be considered as a restructuring in accordance with B-6 of Loan Portfolio, provided the following is met:

1. The interest rate is modified solely and exclusively as a direct consequence of the IBOR reform, and

2. Cash flows similar to the original ones are generated, that is, the new contractual interest rate is economically equivalent to the previous interest rate.

Transition process towards new reference rates

In line with the best market practices and recommendations of the different international organizations and working groups, the Group launched a transition process since the end of 2019.

To address the project, a Coordination Committee was established at the management level, with representatives from each of the affected areas, as well as specialized working groups for each of the matters involved. The action plans to be carried out were defined based on an initial impact assessment diagnosis.

The project was defined in three key phases:

- Phase 0 – Evaluation: in this preliminary phase, an analysis of the businesses, products, systems and processes affected in each unit or subsidiary was carried out. This phase was carried out during the second half of 2019.

- Phase 1 – Enabling: in this phase, the necessary conditions have been created to operate products linked to RFR: adapt processes and operating systems, conduct financial and risk analyses, as well as impact assessment through appropriate metrics. This phase has been carried out throughout 2020 and 2021.

- Phase 2 – Migration: in this last phase, the migration of IBOR-related transactions the maturity of which is beyond the dates of cessation of publication of the reference index (June 2023, with respect to the USD LIBOR) will be reviewed. Among possible actions, it is considered to carry out portfolio compression, migration of live transactions, renegotiation of some contracts, etc. This phase is planned to be developed, to a greater extent, throughout 2022-2023; without ruling out necessary actions to be carried out in advance, as required by clients and/or the regulators themselves (as was the case of the migration of derivative transactions in Clearinghouses and referenced to Eonia).

The general schedule of the project extended until June 2023 and was adapted throughout the life of the project as needed.

Quantitative Disclosures

The interest rates to which BBVA México is exposed by currency according to the IBOR reform are shown in the following table:

Currency	Reference rate prior to reform	Reference rate after the reform	Status as of December 31, 2023
USD	USD Libor	SOFR	Completed
USD	USD Libor	FED FUND	Completed
GBP	GBP Libor	SONIA	NA
CHF	CHF Libor	SARON	NA
JPY	YEN Libor	TONAR	NA
EUR	EURIBOR	EURIBOR	Completed
EUR	EONIA	ESTR	Completed

NA = Not Applicable (currently there are no positions in force referenced to these currencies/rates).

- Variable rate loans with clients: USD Libor
- Investments in financial instruments at floating rates: USD Libor, Euribor
- Mortgages: USD Libor, Euribor
- The Institution's Issuances: USD Libor, Euribor
- Bonds: USD Libor
- Interest rate derivative financial instruments: USD Libor, Euribor
- Demand checking accounts with interest: USD Libor, Euribor

As of December 31, 2022, the Group maintains exposures related to IBOR rates with respect to loans and financial assets, after completion of the transition project:

	Figures as of December 2022 Notional
Collateral and loans	$ 45,449
Collateral received	1,499
ESTR (replaces EONIA)	338
FED FUNDS**	1,161
Demand Loan	43,950
EURIBOR*	2,341
FED FUNDS**	41,609
Derivatives	2,296,420
Rates	2,296,420
EONIA	-
ESTR	137,407
EURIBOR*	164,670
FED FUNDS**	130,880
LIBOR USD	1,338,877
SOFR	524,586
Borrowings	151,160
Borrowings - Bilateral	98,078
EURIBOR*	70
LIBOR USD	61,318
SOFR	36,690
Borrowings - Syndicated	53,082
EURIBOR*	1,045
LIBOR USD	32,640
SOFR	19,397
Total general	$ 2,493,029

* The EURIBOR reference rate is not contractually modified, only the calculation methodology changed (ESTR + 8.5 bps).

** The FED FUNDS reference rate does not have any contractual or methodology modifications.

The Group has the following accounting list of cash flow and fair value hedges, which will be affected by the IBOR Transition.

The nominal amount of the hedging instruments directly affected, as of December 31, 2023 and 2022, is as shown below:

	Nominal Amount 2022	Nominal Amount 2023
Fair Value Hedge	$ 3,443	$ 3,076
USD	2,737	2,194
EUR	659	833
GBP	47	49
Cash Flow Hedge	907	1,558
USD	590	1,159
EUR	317	399
GBP	-	

(42) New regulatory pronouncements-

I. Improvements to 2024 FRSs

In December 2023, the CINIF issued "Improvements to 2024 FRSs," which contains specific amendments to some existing FRSs. The main improvements that generate accounting changes are the following:

FRS A-1 "Conceptual Framework for Financial Reporting Standards"

The definition of public interest entities is incorporated into the Conceptual Framework and establishes mandatory disclosure requirements and general disclosures applicable to all entities (public interest and non-public interest entities).

This improvement is effective for fiscal years beginning on or after January 1, 2025, allowing early application in 2024. The accounting changes arising should be recognized based on the provisions of FRS B-1 Accounting Changes and Error Corrections.

FRS C-10 "Derivative financial instruments and hedging relationships"

The accounting treatment of a hedge of equity financial instruments whose valuation at fair value is recognized in other comprehensive income (OCI) is incorporated, when the entity has elected to recognize the valuation of the hedged instrument in OCI, in accordance with the provisions of FRS C.2, and not to recognize against income or loss for the year the OCI of the time value of the hedging instrument, unless it has been discontinued.

This improvement is effective for fiscal years beginning on or after January 1, 2024, allowing early application in 2023. The accounting changes arising should be recognized prospectively as established in FRS B-1 Accounting Changes and Error Corrections.

FRS C-2 "Investment in financial instruments"

The definition is modified for greater clarity in the conceptualization of instruments receivable and salable, the term financial instruments receivable or salable is eliminated and replaced by financial instruments to collect or sell, understanding that according to its business model the objective is to collect the contractual cash flows and sell the financial asset, which may not be sold in the end because the expected market conditions do not occur without affecting its initial classification.

This improvement is effective for fiscal years beginning on or after January 1, 2024, allowing its early application for fiscal year 2023. The accounting changes arising should be recognized prospectively as established in FRS B-1 Accounting Changes and Error Corrections.

FRS D-4 "Income Tax"

It is specified that when there are benefits in the tax rate for the period to encourage the capitalization of earnings, current and deferred income tax assets and liabilities should be determined at the rate that will be applicable to undistributed earnings.

This improvement is effective for years beginning on or after January 1, 2024, allowing its early application in 2023. The accounting changes arising should be recognized prospectively as established in FRS B-1 Accounting Changes and Error Corrections.

The main improvements to FRS that do not generate accounting changes are as follows:

FRS A-1 FRS conceptual framework

The term relative importance is clarified as a characteristic associated with the relevance of the information, eliminating certain inconsistencies in the use of this term, since sometimes the term significant was used.

FRS B-8 Consolidated or combined financial statements

It is added that the controlling entity may choose not to present its consolidated financial statements for a specific purpose, for example, for legal purposes.

FRS C-2 Investment in financial instruments

Amendments are made to specify that from the initial valuation, NFIs may make an irrevocable election to recognize in the OCI changes in fair value (including foreign exchange fluctuations).

FRS C-9 Provisions, contingencies and commitments, FRS C-10 Derivative financial instruments and hedging relationships, FRS C-5 Prepayments

Clarifications are made in different FRS for a better understanding of the accounting treatment, both for the issuer and the holder of a financial guarantee agreement, adding such definition in the standards.

FRS C-6 Property, plant and equipment

It is specified that costs, along with revenues arising from the sale of items produced when the property, plant, and equipment component is in the designated place and conditions for its intended use, should be recognized in the results for the period.

FRS C-6 Property, plant and equipment and FRS C-8 Intangible assets

It is specified that the residual value, the depreciation or amortization period and method should be reviewed at least once a year.

FRS C-7 Investments in associates, joint ventures and other permanent investments

The accounting treatment of capital contributions in the form of a non-cash asset is clarified, specifically referring to assets that do not qualify as businesses under FRS B-7.

FRS C-8 Intangible assets

Changes are made to the term pre-operating costs for expenditures in pre-operating stages; to establish that such expenditures should be recognized as an expense unless they are part of the cost of an identifiable intangible asset that meets the recognition criteria of the FRS.

FRS C-19 Financial instruments payable

Clarifications are made regarding debt trading to clarify which commissions should be included in the cash flows of the so-called “10% test” and to clarify the presentation of the gain or loss arising from the derecognition or renegotiation of debt.

FRS D-8 Share-based payments

It is established that in the case of transactions with third parties in which a price of the good or service to be paid is fixed with a variable number of shares based on the market value of the shares on the date they are delivered, a liability is generated and it is considered that the existing debt with the supplier of the good or service at the time the shares are issued is being capitalized.

The Group’s Management is in the process of evaluating the effects of adopting the improvements to the FRS.

(43) Financial and tax effects of the impact of hurricane “Otis”.

Due to the unfortunate events caused by Hurricane Otis, which had severe effects in the state of Guerrero, the Ministry of Security and Citizen Protection, in accordance with applicable regulations, issued on October 26, 2023, through press release number BDE-007-2023, the “Resolution” declaring an Emergency Situation for the state of Guerrero due to the occurrence of severe rain and strong winds on October 24, 2023.

In this regard, pursuant to Article 175, first paragraph, of the 'General Provisions Applicable to Credit Institutions,' the National Banking and Securities Commission has decided to temporarily issue, through official letter P-307/2023 dated October 27, 2023, special accounting criteria for borrowers whose domicile or credits with payment sources are situated in the areas affected by the event mentioned in the aforementioned 'Resolution' from the preceding paragraph.

The support programs consist of granting borrowers a deferral of principal and/or interest payments for up to six months and will be applicable with respect to consumer, housing and commercial loans, and for customers who are classified as stage 1 and 2 as of October 24, 2023, observing that the accession procedures must be completed no later than April 30, 2024.

The special accounting criteria are detailed below:

6. Loans with "single payment of principal at maturity and periodic interest payments, as well as loans with single payment of principal and interest at maturity", which are restructured or renewed, will not be transferred to the next higher risk stage in accordance with the provisions of Paragraph 99 of B-6 Loan Portfolio contained in Schedule 33 of the Banking Regulations. This is provided that the borrowers are classified as stage 1 or 2 as of October 24, 2023, according to paragraph 10 and 11 of B-6.

7. For loans with "periodic payments of principal and interest", which are restructured or renewed, they may remain in the same risk category, without the provisions of Paragraphs 104 and 105 of B-6 being applicable. This is provided that the borrowers are classified as stage 1 and 2 portfolio as of October 24, 2023, according to paragraphs 10 and 11 of B-6.

8. Loans that from their inception are stipulated to be revolving, which are restructured or renewed by April 30, 2024, may not be transferred to the next higher risk stage in accordance with the provisions of Paragraph 100 of B-6. This benefit may not exceed 6 months from the original maturity date of the transactions and may only be applied to drawdowns authorized or agreed as of October 24, 2023, provided that the borrowers are classified as stage 1 or 2 portfolio on that date, according to paragraph 10 and 11 of the B-6.

9. In connection with the loans mentioned in the preceding paragraphs, these operations shall not be considered as restructured in accordance with Paragraph 35 of Criterion B-6.

10. In the event of including write-offs, forgiveness, bonuses or discounts on the loan balance to support borrowers, the Institutions may defer the creation of allowances for loan losses. When the amount of write-offs, forgiveness, bonuses or discounts is greater than the allowances for loan losses, a reserve for the difference will be established for a period not to exceed 12 months.

In order to apply the special accounting criteria, institutions must adhere to the following:

- Not to make any contractual modifications that explicitly or implicitly consider the capitalization of interest or the charging of any restructuring fee.
- For revolving loans to individuals, the credit facilities previously authorized or agreed as of October 24, 2023 must not be restricted or reduced by more than 50% of the undrawn portion of such facilities, or cancelled.
- For revolving loan facilities agreed with entities, the credit facilities previously authorized or agreed as of October 24, 2023 must not restrict or cancel the previously authorized credit facilities.
- Not to request additional guarantees or substitution.
- Document the new conditions through evidence of the agreement between the parties (by e-mail).

As a result of the adherence of borrowers to the support programs, as of December 31, 2023, the total balance of the supported portfolio corresponds to $2,278. These figures are broken down by number of cases and the amount deferred by type of loan is summarized below:

Portfolio	No. of agreements supported	Amount supported	Stage 1	Stage 2	Stage 3	Total	Reserves
Commercial	17	$ 2	$ 4	$ -	$ -	$ 4	$ -
SME	194	14	198	-	-	198	4
Mortgages	852	47	1,245	-	-	1,245	2
Auto	489	6	80	-	-	80	1
Payroll	4,297	16	260	-	-	260	20
Personal	1,436	10	123	-	-	123	9
Credit Card	12,398	59	365	-	3	368	41
Total	19,683	$ 154	$ 2,275	$ -	$ 3	$ 2,278	$ 77

Had the CCE not been applied, the Group would have had an immaterial impact on the portfolio classification in the balance sheet. Considering that BBVA México's support was granted as of November and that most of the portfolio was in stage 1 and stage 2 accounting status as of that month, as of December 31, due to the actual count of days of non-payment, the stage 3 portfolio would have been $257, which represents 11.26% of the total portfolio supported.

The accrued interest that would have been recognized in the Financial Margin as of December 31 would have been $78 if the support plans had not been applied.

As of December 31, the effect on solvency of applying the special accounting criteria did not have a relevant impact on the ICAP.

(44) Subsequent events

Facility 8 loans

Derived from the 2021 loan made by the Central Bank under facility 8 "financing to multiple banking institutions secured by corporate loans," at the end of January 31, 2024, two of the four loans made have been paid off, amounting to $13,500 due, of which, they are secured by a restricted portfolio with a value of $13,926 and are in the process of being released.

Divestiture of equity interest

Based on the authorization of the Ministry of Finance and Public Credit, through official letter No. UBVA/CBV/486/2023 dated November 9, 2023, on February 8, 2024, the Group divested its total shareholding in the companies BBVA Operadora México, S.A. de C.V. and BBVA Servicios Administrativos México, S.A. de C.V., through the sale of its shares as follows:

Entity	Number of Shares	Price (Pesos per share)		Amount	Purchaser
BBVA Operadora México, S.A. de C.V.	28,528,410	52.11	$	1,486	BBVA, S.A.
BBVA Servicios Administrativos México, S.A. de C.V.	163,011	924.63		151	BBVA Operadora México, S.A. de C.V.
BBVA Servicios Administrativos México, S.A. de C.V.	1	924.36		-	Ciervana, S.L.

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