**BBVA Bancomer, S.A.,**
**Institución de Banca Múltiple,**
**Grupo Financiero BBVA Bancomer**
**and Subsidiaries**

Consolidated Financial Statements
for the Years Ended December 31, 2014
and 2013, and Independent Auditors'
Report Dated February 16, 2015

**BBVA Bancomer, S.A., Institución de Banca Múltiple,**
**Grupo Financiero BBVA Bancomer and Subsidiaries**

# Independent Auditors' Report and Consolidated Financial Statements 2014 and 2013

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# Independent Auditors' Report to the Board of Directors and Stockholders of BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer

We have audited the accompanying consolidated financial statements of BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer and Subsidiaries (the "Institution") which comprise the consolidated balance sheets as of December 31, 2014 and 2013 and the consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation of these consolidated financial statements in accordance with the accounting criteria established by the Mexican National Banking and Securities Commission (the "Commission") through the "General Regulations Applicable to Credit Institutions" (the "Regulations"), and for such internal controls as management deems necessary for the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

***Independent Auditor´s Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements.

An audit involves performing procedures to obtain evidence supporting the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institution's preparation and fair presentation of the consolidated financial statements 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 Institution's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

***Opinion***

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer and Subsidiaries as of December 31, 2014 and 2013, and their financial performance and their cash flows for the years then ended in accordance with the accounting criteria of the Commission as issued in the Regulations.

***Emphasis matter***

As explained in Note 4 to the accompanying consolidated financial statements, during 2013 the Commission issued amendments to the accounting criteria related to the classification of the commercial portfolio, for the purpose of changing the model for establishing the allowance for loan losses based on a model of incurred loss, to a model of expected loss, in which the credit losses for the next 12 months are estimated using the credit information which best anticipates them. In conformity with such amendments, the Institution recognized as of January 31, 2014 the initial financial effect of the credit portfolio of financial institutions, which generated the creation and recording of credit reserves on the consolidated balance sheet under the heading of “Allowance for loan losses” for the amount of MX $75.6 million, with a corresponding charge in the consolidated statement of income for the same amount, under the heading of “Allowance for loan losses”. As of June 30, 2013, the Institution recognized the initial financial effect of the commercial credit portfolio, which generated the establishment and recording of credit reserves on the consolidated balance sheet under the heading of “Allowance for loan losses” in the amount of MX $1,551 million, with a corresponding charge in stockholders’ equity under the heading of “Result from previous years”, for the same amount. Furthermore, in conformity with NIF D-4, Taxes on income, the Institution recognized the related deferred income tax for this initial financial effect derived from the change in classification methodology of the commercial credit portfolio, in the amount of MX $465 million. Therefore, the initial financial effect recognized in stockholders’ equity under the heading “Result from previous years” derived from the application of the change in classification methodology for commercial credit portfolio was MX $1,086 million, net of taxes on income.

***Other matter***

The accompanying consolidated financial statements have been translated into English for the convenience of users.

Galaz, Yamazaki, Ruiz Urquiza, S.C.
Member of Deloitte Touche Tohmatsu Limited

C.P.C. Ernesto Pineda Fresán

February 16, 2015

**BBVA Bancomer, S.A.,**
**Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer and Subsidiaries**
**Av. Universidad 1200, Col. Xoco, México, D.F., C.P. 03339**

# Consolidated Balance Sheets

**At December 31, 2014 and 2013**
**(In millions of Mexican pesos)**

| Assets | 2014 | 2013 |
|---|---|---|
| Cash and cash equivalents | $ 124,190 | $ 128,296 |
| Margin call accounts | 3,810 | 5,671 |
| Securities: | | |
| Trading | 248,127 | 242,582 |
| Available for sale | 152,187 | 124,916 |
| Held to maturity | 16,382 | 15,890 |
| | 416,696 | 383,388 |
| Debtors from repurchase agreements | 144 | 49 |
| Derivatives: | | |
| Trading | 85,070 | 60,443 |
| Hedging | 6,925 | 2,915 |
| | 91,995 | 63,358 |
| Valuation adjustments derived from hedges of financial assets | 2,456 | 1,299 |
| Performing loans: | | |
| Commercial loans- | | |
| Business or commercial activity | 296,507 | 263,580 |
| Financial entities | 10,060 | 11,154 |
| Government entities | 127,988 | 89,545 |
| | 434,555 | 364,279 |
| Consumer | 193,411 | 180,574 |
| Mortgage | 159,466 | 154,046 |
| Total performing loans | 787,432 | 698,899 |
| Non-performing loans: | | |
| Commercial loans- | | |
| Business or commercial activity | 5,338 | 5,689 |
| Financial entities | 42 | - |
| Government entities | 2 | 2 |
| | 5,382 | 5,691 |
| Consumer | 7,487 | 7,451 |
| Mortgage | 9,082 | 9,533 |
| Total non-performing loans | 21,951 | 22,675 |
| Total loans | 809,383 | 721,574 |
| Allowance for loan losses | (26,081) | (27,336) |
| Total loans, net | 783,302 | 694,238 |
| Benefits receivable from securitization transactions | 1,165 | 1,175 |
| Receivables, sundry debtors and prepayments, net | 58,548 | 49,138 |
| Long-lived assets available for sale | 376 | - |
| Repossessed assets, net | 6,822 | 7,630 |
| Property, furniture and equipment, net | 28,946 | 22,391 |
| Equity investments | 1,377 | 1,373 |
| Deferred taxes, net | 6,958 | 5,478 |
| Other assets: | | |
| Deferred charges, prepaid expenses and intangibles | 8,209 | 7,642 |
| Other short and long term assets | 1,415 | 757 |
| | 9,624 | 8,399 |
| Total assets | $ 1,536,409 | $ 1,371,883 |

| Liabilities | 2014 | 2013 |
|---|---|---|
| Deposits: | | |
| Demand deposits | $ 578,150 | $ 525,505 |
| Time deposits- | | |
| From general public | 134,541 | 119,319 |
| Money market | 13,868 | 10,518 |
| | 148,409 | 129,837 |
| Bank bonds | 71,128 | 57,243 |
| | 797,687 | 712,585 |
| Interbank loans and loans from other entities: | | |
| Payable on demand | 7,305 | 17,432 |
| Short-term | 37,758 | 9,847 |
| Long-term | 4,558 | 4,620 |
| | 49,621 | 31,899 |
| Creditors from repurchase agreements | 258,742 | 256,253 |
| Security loans | 1 | 1 |
| Collateral sold or delivered in guarantee: | | |
| Security loans | 38,194 | 37,775 |
| Repurchase agreement | 1 | - |
| Derivatives | - | 6,432 |
| | 38,195 | 44,207 |
| Assigned values pending settlement | 5,157 | - |
| Derivatives: | | |
| Trading | 93,946 | 61,387 |
| Hedging | 5,478 | 4,833 |
| | 99,424 | 66,220 |
| Valuation adjustments derived from hedges of financial liabilities | 3,084 | 304 |
| Other payables: | | |
| Employee profit sharing (PTU) payable | 2 | 1 |
| Transaction settlement creditors | 29,911 | 34,749 |
| Creditors for collateral received in cash | 15,478 | 5,867 |
| Accrued liabilities and other | 28,888 | 22,322 |
| | 74,279 | 62,939 |
| Subordinated debt | 69,495 | 64,607 |
| Deferred credits and advanced collections | 6,751 | 7,087 |
| Total liabilities | 1,402,436 | 1,246,102 |
| **Stockholders' equity** | | |
| Subscribed capital: | | |
| Paid-in capital | 24,138 | 24,138 |
| Share premium | 15,726 | 15,726 |
| Earned capital: | | |
| Capital reserves | 6,881 | 6,881 |
| Results from prior years | 60,639 | 45,764 |
| Unrealized gains on available-for-sale securities | 898 | 1,102 |
| Result from valuation of cash flow hedges | 707 | 1,182 |
| Result from conversion of foreign subsidiaries | 203 | 134 |
| Net income | 24,745 | 30,825 |
| | 133,937 | 125,752 |
| Non-controlling interest in consolidated subsidiaries | 36 | 29 |
| Total stockholders' equity | 133,973 | 125,781 |
| Total liabilities and stockholders' equity | $ 1,536,409 | $ 1,371,883 |

| Memorandum accounts (See note 4) | 2014 | 2013 |
|---|---|---|
| Contingent assets and liabilities | $ 4 | $ 36 |
| Credit commitments | 384,121 | 313,705 |
| Assets in trust or under mandate: | | |
| Trusts | 351,889 | 328,676 |
| Mandates | 615,273 | 689,055 |
| | 967,162 | 1,017,731 |
| Assets in custody or under administration | 166,976 | 281,803 |
| Collateral received by the Institution | 57,058 | 61,124 |
| Collateral received and sold or pledged as guarantee by the Institution | 57,057 | 59,717 |
| Investment banking transactions on behalf of third parties, net | 57,998 | 44,904 |
| Uncollected earned interest derived from non-performing loans | 8,508 | 10,819 |
| Other record accounts | 1,993,588 | 1,497,679 |
| | 2,341,185 | 1,956,046 |
| Historical paid-in capital | $ 4,243 | $ 4,243 |

"These consolidated balance sheets were prepared according to the Accounting Criteria applicable to Credit Institutions issued by the Mexican National Banking and Securities Commission, in conformity with Articles 99, 101 and 102 of the Mexican Credit Institutions Law, of general and compulsory observance, consistently applied, reflecting the financial position of the Institution as of the dates stated above, which were carried out and measured according to sound banking practices and applicable legal and administrative dispositions."

"These consolidated balance sheets were approved by the Board of Directors under the responsibility of the signatories."

| | | | |
|---|---|---|---|
| Vicente Rodero Rodero<br>Chief Executive Officer | Javier Malagón Navas<br>Chief Financial Officer | Fernando del Carre González del Rey<br>General Director, Internal Audit | José Homero Cal y Mayor García<br>Director, Corporate Accounting |

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

**BBVA Bancomer, S.A.,**
**Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer**
**and Subsidiaries**
**Av. Universidad 1200, Col. Xoco, México, D.F., C.P. 03339**

# Consolidated Statements of Income

**For the years ended December 31, 2014 and 2013**
**(In millions of Mexican pesos)**

| | 2014 | 2013 |
|---|---|---|
| Interest income | $ 111,081 | $ 103,581 |
| Interest expense | (27,126) | (28,832) |
| Net interest income | 83,955 | 74,749 |
| Allowance for loan losses | (25,526) | (23,699) |
| Net interest income after allowance for loan losses | 58,429 | 51,050 |
| Commission and fee income | 30,204 | 28,451 |
| Commission and fee expense | (9,412) | (9,022) |
| Trading income | 3,291 | 2,611 |
| Other operating income (expense) | 475 | (62) |
| Administrative and promotional expenses | (50,534) | (43,136) |
| Net operating income | 32,453 | 29,892 |
| Share in net income of unconsolidated subsidiaries and affiliates | 142 | 169 |
| Income before income taxes | 32,595 | 30,061 |
| Current income tax | (9,279) | (5,265) |
| Deferred income tax | 1,430 | (2,057) |
| Income before discontinued operations | 24,746 | 22,739 |

| | 2014 | 2013 |
|---|---|---|
| Discontinued operations | - | 8,085 |
| Income before non-controlling interest | 24,746 | 30,824 |
| Non-controlling interest | (1) | 1 |
| Net income | $ 24,745 | $ 30,825 |

"These consolidated statements of income were prepared according to the Accounting Criteria applicable to Credit Institutions issued by the Mexican National Banking and Securities Commission, in conformity with Articles 99, 101 and 102 of the Mexican Credit Institutions Law, of general and compulsory observance, consistently applied, reflecting the operations of the Institution for the years stated above, which were carried out and measured according to sound banking practices and applicable legal and administrative dispositions."

"These consolidated statements of income were approved by the Board of Directors under the responsibility of the signatories."

Vicente Rodero Rodero
Chief Executive Officer

Javier Malagón Navas
Chief Financial Officer

Fernando del Carre González del Rey
General Director, Internal Audit

José Homero Cal y Mayor García
Director, Corporate Accounting

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# Consolidated Statements of Changes in Stockholders' Equity

**For the years ended December 31, 2014 and 2013**
**(In millions of Mexican pesos)**

| | Subscribed Capital | | Earned Capital | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Paid-in Capital | Share Premium | Capital Reserves | Results from Prior Years | Unrealized Gains on Available for Sale Securities | Result from Valuation of Cash Flow Hedges | Result from Conversion of Foreign Subsidiaries | Net Income | Non-controlling Interest | Total Stockholders' Equity |
| Balances at December 31, 2012 | $ 24,138 | $ 15,726 | $ 6,881 | $ 43,742 | $ 1,863 | $ 1,566 | $ 129 | $ 23,193 | $ 31 | $ 117,269 |
| Changes due to stockholders' decisions- | | | | | | | | | | |
| Transfer of net income to results from prior years | - | - | - | 23,193 | - | - | - | (23,193) | - | - |
| Cash dividends paid | - | - | - | (20,085) | - | - | - | - | - | (20,085) |
| Total | - | - | - | 3,108 | - | - | - | (23,193) | - | (20,085) |
| Comprehensive income- | | | | | | | | | | |
| Net income | - | - | - | - | - | - | - | 30,825 | (2) | 30,823 |
| Result from valuation of securities available for sale | - | - | - | - | (761) | - | - | - | - | (761) |
| Result from valuation of cash flow hedges | - | - | - | - | - | (384) | - | - | - | (384) |
| Cumulative effect of change in rating methodology for determining allowance for loan losses on commercial loans | - | - | - | (1,086) | - | - | - | - | - | (1,086) |
| Result from conversion | - | - | - | - | - | - | 5 | - | - | 5 |
| Total | - | - | - | (1,086) | (761) | (384) | 5 | 30,825 | (2) | 28,597 |
| Balances at December 31, 2013 | 24,138 | 15,726 | 6,881 | 45,764 | 1,102 | 1,182 | 134 | 30,825 | 29 | 125,781 |
| Changes due to stockholders' decisions- | | | | | | | | | | |
| Transfer of net income to results from prior years | - | - | - | 30,825 | - | - | - | (30,825) | - | - |
| Cash dividends paid | - | - | - | (15,950) | - | - | - | - | - | (15,950) |
| Total | - | - | - | 14,875 | - | - | - | (30,825) | - | (15,950) |
| Comprehensive income- | | | | | | | | | | |
| Net income | - | - | - | - | - | - | - | 24,745 | 1 | 24,746 |
| Result from valuation of securities available for sale | - | - | - | - | (204) | - | - | - | - | (204) |
| Result from valuation of cash flow hedges | - | - | - | - | - | (475) | - | - | - | (475) |
| Adjustment from valuation of investments in subsidiaries | - | - | - | - | - | - | - | - | 6 | 6 |
| Result from conversion | - | - | - | - | - | - | 69 | - | - | 69 |
| Total | - | - | - | - | (204) | (475) | 69 | 24,745 | 7 | 24,142 |
| Balances at December 31, 2014 | $ 24,138 | $ 15,726 | $ 6,881 | $ 60,639 | $ 898 | $ 707 | $ 203 | $ 24,745 | $ 36 | $ 133,973 |

"These consolidated statements of changes in stockholders' equity were prepared according to the Accounting Criteria applicable to Credit Institutions issued by the Mexican National Banking and Securities Commission, in conformity with Articles 99, 101 and 102 of the Mexican Credit Institutions Law, of general and compulsory observance, consistently applied, reflecting the changes in stockholders' equity of the Institution for the years stated above, which were carried out and measured according to sound banking practices and applicable legal and administrative dispositions."

"These consolidated statements of changes in stockholders' equity were approved by the Board of Directors under the responsibility of the signatories."

| | | | |
|---|---|---|---|
| Vicente Rodero Rodero | Javier Malagón Navas | Fernando del Carre González del Rey | José Homero Cal y Mayor García |
| Chief Executive Officer | Chief Financial Officer | General Director, Internal Audit | Director, Corporate Accounting |

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

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# Consolidated Statements of Cash Flows

**For the years ended December 31, 2014 and 2013**
**(In millions of Mexican pesos)**

| | 2014 | 2013 |
|---|---|---|
| Net income | $ 24,745 | $ 30,825 |
| Adjustments derived from items not involving cash flows: | | |
| Profit or loss derived from the valuation of investment and financing activities | 93 | 6 |
| Depreciation of property, furniture and equipment | 1,912 | 1,516 |
| Amortization of intangible assets | 1,477 | 1,375 |
| Provisions | 943 | 951 |
| Current and deferred income taxes | 7,849 | 7,322 |
| Share in net income of unconsolidated subsidiaries and affiliates | (142) | (169) |
| Non-controlling interest | 1 | (1) |
| | 36,878 | 41,825 |
| Operating activities: | | |
| Change in margin call accounts | 1,935 | (1,915) |
| Change in investments in securities | (29,405) | (37,117) |
| Change in debtors from repurchase agreement | (95) | 104 |
| Change in derivatives (assets) | (24,627) | 4,091 |
| Change in loan portfolio (net) | (77,274) | (58,721) |
| Change in benefits receivable from securitization transactions | 10 | - |
| Change in repossessed assets (net) | 808 | (1,489) |
| Change in other operating assets (net) | (9,415) | (11,701) |
| Change in deposits | 74,030 | 40,297 |
| Change in interbank loans and other loans from other entities | 17,287 | 7,021 |
| Change in creditors from repurchase agreements | 2,489 | 37,130 |
| Change in security loans (liabilities) | - | (1) |
| Change in collaterals sold or delivered in guarantee | (6,011) | 9,995 |
| Change in derivatives (liabilities) | 32,560 | (4,570) |
| Change in subordinated debt | (2,268) | (4,470) |
| Change in other operating liabilities | 14,219 | 13,732 |
| Change in hedging instruments (of hedged items related to operation activities) | (2,393) | 423 |
| Income taxes paid | (9,897) | (8,768) |
| Net cash used in operating activities | (18,047) | (15,959) |
| Investing activities: | | |
| Proceeds from disposals of property, furniture and equipment | 37 | 963 |
| Payments for the acquisition of property, furniture and equipment | (8,881) | (6,202) |
| Proceeds from disposals of equity investments | 47 | - |
| Payments for the acquisition of equity investments | (58) | (702) |
| Collection of cash dividends | 132 | 207 |
| Proceeds from disposal of long-lived assets available for sale | - | 8,085 |
| Payments for the acquisition of intangible assets | (1,172) | (1,579) |
| Net cash (used in) provided by investing activities | (9,895) | 772 |

| | 2014 | 2013 |
|---|---|---|
| Financing activities: | | |
| Cash dividends paid | (15,950) | (20,085) |
| Net cash used in financing activities | (15,950) | (20,085) |
| Net (decrease) increase in cash and cash equivalents | (7,014) | 6,553 |
| Cash flow adjustments from exchange rate fluctuations | 2,908 | 175 |
| Cash and cash equivalents at the beginning of the period | 128,296 | 121,568 |
| Cash and cash equivalents at the end of the period | $ 124,190 | $ 128,296 |

"These consolidated statements of cash flows were prepared according to the Accounting Criteria applicable to Credit Institutions issued by the Mexican National Banking and Securities Commission, in conformity with Articles 99, 101 and 102 of the Mexican Credit Institutions Law, of general and compulsory observance, consistently applied, reflecting the cash flows of the Institution for the years stated above, which were carried out and measured according to sound banking practices and applicable legal and administrative dispositions."

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

Vicente Rodero Rodero
Chief Executive Officer

Javier Malagón Navas
Chief Financial Officer

Fernando del Carre González del Rey
General Director, Auditing

José Homero Cal y Mayor García
Director, Corporate Accounting

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

## 1. Explanation added for translation into English

The accompanying consolidated financial statements have been translated from the original statements prepared in Spanish into English for use outside of Mexico. The accounting policies used to prepare the accompanying financial statements and used by BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer and Subsidiaries (the "Institution") are in accordance with the financial accounting and reporting requirements prescribed by the Mexican National Banking and Securities Commission (the "Commission") but not in accordance with Mexican Financial Reporting Standards ("MFRS"), and may differ in certain significant respects from the financial reporting standards accepted in the country of use.

## 2. Incorporation and corporate purpose

The Institution is a subsidiary of Grupo Financiero BBVA Bancomer, S.A. de C.V. (the "Financial Group") and is regulated, among others, by the Mexican Credit Institutions Law and general purpose regulations issued by the Commission and by Banco de México (the "Central Bank of Mexico" or "Banxico"). The Institution and its subsidiaries engage in full service banking activities, carried out in accordance with such laws, which activities mainly include receiving funds, accepting loans, granting credits, trading securities and derivatives and executing trust fund agreements.

The Commission, as regulator of financial institutions, is empowered to review the financial information of the Institution and can request changes thereto.

The main regulatory provisions require credit institutions to maintain a minimum capital ratio in relation to the credit and market risks of their operations, comply with certain limits with respect to deposit acceptance, debentures and other kinds of funding, which may be denominated in foreign currency, and establish minimum limits for paid-in capital and capital reserves, which the Institution complies with satisfactorily.

The Institution has no employees, except for the Chief Executive Officer. Personnel is provided by BBVA Bancomer Operadora, S.A. de C.V. and BBVA Bancomer Servicios Administrativos, S. A. de C. V., (related parties) which provide management advisory and personnel services, under the contract signed by the parties.

During the year 2014, the principal macroeconomic indicators suffered certain changes, inasmuch as accumulated inflation in 2014 was 4.18%, compared to 3.78% in the year 2013, and there was an estimated increase in Gross National Product (GNP) of between 2% and 2.5% compared to 2013, in which the increase was 1.1%. Also, given the world situation regarding international oil prices, towards the end of 2014 the peso suffered a significant depreciation of 13% against the US dollar, going from $13.08 Mexican pesos per US dollar at the close of 2013 to $14.74 Mexican pesos per US dollar as of December 31, 2014.

## 3. Basis of preparation of the financial statements

***Monetary unit of the financial statements-*** The consolidated financial statements and Notes as of December 31, 2014 and 2013 and for the years then ended include balances and transactions in pesos of different purchasing power.

***Comprehensive income*** **-** This is composed of the net result of the year, plus other items representing a gain or loss from the same period, which, in accordance with the accounting practices followed by the Institution, are presented directly in stockholders' equity, such as the result from valuation of securities available for sale, the result from the valuation of cash flow hedges, recognition in the allowance for loan losses of commercial portfolio due to change in classification methodology and the result from conversion of foreign subsidiaries.

***Consolidation of financial statements*** **-** The accompanying consolidated financial statements include the financial statements of the Institution, those of its subsidiaries in which control is exercised, and its securitized transactions trusts. Equity investments are measured according to the equity method, in conformity with the accounting criteria prescribed by the Commission. All significant intercompany balances and transactions have been eliminated in consolidation.

As of December 31, 2014 and 2013, the consolidated subsidiaries of the Institution are as follows:

| Entity | Ownership percentage | Location | Activity |
|---|---|---|---|
| BBVA Bancomer USA, Inc. | 100.00% | United States of America | Holding company of companies engaged in the sale of notes denominated in U.S. dollars and other foreign currencies, as well as bank operations. |
| Opción Volcán, S.A. de C.V. | 99.99% | Mexico | Real estate leasing. |
| Desitel, Tecnología y Sistemas, S.A. de C.V. | 99.99% | Mexico | Provider of computer data transfer services. |
| Fideicomiso No. 29764-8 Socio Liquidador Integral de Operaciones Financieras Derivadas | 100.00% | Mexico | Offset and settle futures contracts on behalf of third parties and own position. |
| Adquira México, S.A de C.V. | 50.00% | Mexico | Develop, administer, market and operate a shopping club, as well as markets by economic means. |
| Visacom, S.A. de C.V. | 99.99% | Mexico | Holding company of companies engaged in marketing and data communication activities among companies. (Liquidated on December, 2013). |
| Financiera Ayudamos, S.A. de C.V., SOFOMER | 99.99% | Mexico | Granting of loans in accordance with the terms of article 87-B of the General Law on Credit Organizations and Auxiliary Activities. |
| Unidad de Avalúos México, S.A. de C.V. | 99.99% | Mexico | Appraisal services. |
| Fideicomiso Irrevocable para la emisión de Certificados Bursátiles Número 881 | 100.00% | Mexico | Issuance of certificates through the Mexican Stock Market backed by mortgage loans. |
| Fideicomiso Irrevocable para la emisión de Certificados Bursátiles Número 989 | 100.00% | Mexico | Issuance of certificates through the Mexican Stock Market backed by mortgage loans. |
| Fideicomiso Empresarial Irrevocable de Administración y Pago Identificado No. F/1859 | 100.00% | Mexico | Financing for the acquisition of modular drilling equipment, to subsequently grant it under capital lease with a purchase option to PEMEX Exploración y Producción. |
| Fideicomiso Empresarial Irrevocable de Administración y Pago Identificado No. F/1860 | 100.00% | Mexico | Financing for the acquisition of modular drilling equipment to subsequently grant it under capital lease with a purchase option to PEMEX Exploración y Producción. |

***Conversion of financial statements of subsidiaries in foreign currency***- To consolidate the financial statements of the foreign subsidiary, such financial statements denominated in the recording currency are adjusted to comply with the accounting criteria prescribed by the Commission. The financial statements are then converted to Mexican pesos, based on the following methodology:

- Foreign transactions whose recording and functional currency are the same convert their financial statements using the following exchange rates:1) the closing rate for the assets and liabilities and 2) the historical rate for stockholders' equity and 3) the rate on the date of accrual for revenues, costs and expenses. The effects of conversion are recorded in stockholders' equity.

The recording and functional currency of the foreign transaction and the exchange rates used in the different conversion processes are as follows:

| Entity | Recording and functional currency | Exchange rate to convert from functional and recording currency to Mexican pesos Assets and liabilities | Exchange rate to convert from functional and recording currency to Mexican pesos Results |
|---|---|---|---|
| BBVA Bancomer USA, Inc. | U.S. Dollars | $14.7414 Mexican pesos | $13.3458 Mexican pesos |

The Institution's functional currency is the Mexican peso. Given that the Institution holds an investment in a subsidiary abroad whose functional currency is not the Mexican peso, it is exposed to a foreign currency conversion risk. Furthermore, monetary assets and liabilities have been contracted in different currencies, principally the US dollar and the euro, and there is an exposure to exchange rates, attributable to commercial operations and the supply of goods and services, over the normal course of business.

***Principal differences between the consolidated financial statements and the financial statements presented to Banco Bilbao Vizcaya Argentaria, S.A. (BBVA) (unaudited)*** – In conformity with article 182 of the Provisions, the main differences between the Provisions and International Financial Reporting Standards (IFRS ), which are used to prepare the consolidated financial statements of BBVA (holding company), are as follows:

a) Effects of inflation: Under the criteria of international standards, the effects of inflation may only be recognized when it is considered that the economic environment of the country is highly inflationary. Given the low inflation rates in Mexico over the last few years, it is essential to eliminate the effects derived from the recognition of inflation under the criteria of the Commission up to 2007.

b) Credit reserves: Under the criteria of international standards, the credit portfolio should be analyzed to determine the credit risk to which the Institution is exposed, by estimating the need for hedging due to impairment in their value. Therefore, corporate criteria must be used to classify risks in the commercial portfolio; these criteria different as established by the Commission for the determination of credit reserves.

c) Variations in assumptions for labor obligations: Under the criteria of international standards, the variations in assumptions generated due to increases or reductions in the current value of the obligations or due to variations in the fair value of assets, are applied against stockholders' equity, whereas the local standard establishes that such variances should be carried directly to results.

For further information on the monetary effects of these differences, please consult www.bancomer.com/informacioninversionistas.

## 4. Significant accounting policies

The accounting policies of the Institution, which are in conformity with the accounting criteria of the General Regulations Applicable to Credit Institutions (the "Regulations") prescribed by the Commission (the "Accounting Criteria"), and are considered as a general framework for financial information, require that management makes certain estimates and use certain assumptions to determine the valuation of certain items included in the consolidated financial statements and make the required disclosures to be included therein. While the estimates and assumptions used may differ from their final results, management believes they were appropriate under the circumstances.

In conformity with Accounting Criterion A-1, Basic scheme of the collective accounting criteria applicable to credit institutions, issued by the Commission, the Institution's accounting will be adjusted to the Financial Reporting Standards ("FRS") defined by the Mexican Board for Financial Reporting Standards ("CINIF"), except when in the Commission's judgment a specific regulation or Accounting Criterion must be applied, bearing in mind that the subsidiaries perform specialized operations.

The principal accounting policies followed by the Institution are described as follows:

***Changes in MFRS issued by the CINIF applicable to the Institution-***

As of January 1, 2014, the Institution adopted the following new MFRS:

*NIF C-11, Stockholders' equity*
*NIF C-12, Financial instruments with debt from capital or both*
Improvements to Financial Reporting Standards 2014

Some of the principal changes established in these provisions are:

NIF C-11, *Stockholders' equity* - The former Bulletin C-11, *Stockholders' equity,* established that, in order for advances for future capital increases to be presented in stockholders' equity, there should be "… A ruling adopted at a stockholders' or owners' meeting that they will be applied for future increases in common stock …". This NIF also requires that the price per share to be issued for such advances must be fixed and it should be established that they cannot be reimbursed before they are capitalized, in order to qualify as stockholders' equity. It also indicates generically when a financial instrument fulfills the characteristics of equity to be considered as such, because otherwise it would be debt.

NIF C-12, *Financial instruments with characteristics of debt and equity* - Establishes that the principal characteristic for a financial instrument to qualify as an equity instrument is that the respective holder should be exposed to the risks and benefits of the entity, instead of having the right to collect a fixed amount from the entity.

The principal change in the classification of redeemable equity instrument, such as a preferred share, consists of establishing that, exceptionally, when certain conditions indicated in this standard are fulfilled, which include that the redemption can only be exercised when the company is liquidated, as long as there is no other unavoidable payment obligation in favor of the holder, the redeemable instrument is classified as equity. The concept of subordination is incorporated, a crucial element in this standard, because if a financial instrument has a preference of payment or reimbursement before other instruments, it would qualify as a liability, due to the existing obligation to settle it. An instrument with an option to issue a fixed number of shares at a fixed price established in a currency different from the functional currency of the issuer can be classified as equity, provided that the option is available to all the owners of the same class of equity instruments, in proportion to their holding.

*Improvements to the NIF 2014* - The objective of the Improvements to Financial Reporting Standards 2014 ("Improvements to the NIF 2014") is to incorporate changes and clarifications into the NIF themselves so as to establish a more appropriate regulatory position.

The improvements to the MFRS are divided into those improvements which generate accounting changes in valuation, presentation or disclosure in the financial statements of the entities, and those improvements which are modifications to the MFRS to make relevant clarifications, which help to establish a clearer and more understandable regulatory proposal; as they are clarifications, they do not generate accounting changes in the financial statements of the entities.

The improvements to the MFRS which generate accounting changes are as follows:

NIF C-5, *Prepaid expenses* - A paragraph was added to establish that when an entity purchases goods or services whose payment is denominated in foreign currency and accordingly makes advance payments before they are received, the exchange fluctuations between their functional currency and the currency of payment should not affect the recognized amount of the advance payment.
Bulletin C-15, *Impairment in the value of long-lived assets and the disposal* - This Is modified to indicate that losses for impairment cannot be capitalized in the value of an asset. It is also modified to establish that the balance sheets of previous periods which are presented as comparative should be restructured for the presentation of the assets and liabilities related to discontinued operations, by eliminating the current difference in relation to that established in International Financial Reporting Standard (IFRS) 5, Noncurrent assets held for sale and discontinued operations.

The Improvements to the MFRS which do not generate accounting changes are as follows:

Bulletin C-9, *Liabilities, provisions, contingent assets and liabilities and commitments* - The term "affiliated company" is eliminated because it is not used internationally; the common term currently used is "related party".

Bulletin C-15, Impairment in the value of long-lived assets and the disposal - The definition of the term "appropriate discount rate" which should be used to determine the use value required in impairment tests, is modified to clarify that such "appropriate discount rate" should be in real or nominal terms, depending on the financial hypotheses used in the cash flow projections.

The adoption of these regulations and interpretations did not have any significant effects on the Institution's financial information.

***Changes in the Accounting Criteria of the Commission –***

*Changes made during the year 2014*

On March 26, 2014, the Commission made certain changes to the methodology for determination of credit reserves for credits granted under article 75 in relation to sections II and III of article 224 of the Commercial Bankruptcy Law, and for those credits which, as established in section VIII of article 43 of such Law, continue receiving payments. This is derived from the amendment to the Commercial Bankruptcy Law which took place on January 10, 2014.

Furthermore, on September 24, 2014, the Commission published the adjustments to Accounting Criterion B-6, Credit portfolio in the Federal Official Gazette, in order to make it consistent with the change in the methodology of credit reserves described in the preceding paragraph. These changes went into effect on the day following their publication.

In this regard, the amendments to such Accounting Criterion contemplate the incorporation of the definition of payment and the change in the definition of overdue portfolio to exclude those credits in bankruptcy proceedings which continue receiving payment under the terms established by section VIII of the Commercial Bankruptcy Law, or those granted in accordance with article 87 in relation to sections II and III of article 224 of the aforementioned Law.

On May 19, 2014, several amendments to the accounting criteria for credit institutions were published in the Federal Official Gazette.

These modifications are in line with the constant updates to the accounting criteria issued by the Commission and also seek to achieve consistency with international accounting regulations.

With these changes the Commission hopes to encourage credit institutions to have transparent financial information comparable with that generated in other countries.

*Methodology for determination of the allowance for loan losses applicable to credits granted in accordance with the Commercial Bankruptcy Law*

On March 26, 2014, the Commission issued a Ruling which amends the Provisions, adjusting the methodology applicable to the classification of commercial credit portfolio for credits granted under the terms of sections II and III of article 224 of the Commercial Bankruptcy Law in order to make it consistent with the changes made to such statute on January 10, 2014.

This methodology mainly contemplates the consideration of collateral created under the terms of article 75 of the Commercial Bankruptcy Law for the determination of the Severity of the Loss by applying certain adjustment factors or discount percentages to each type of admissible security interest in personal or real property.

The Institution did not have any material effects in the consolidated financial statements as of December 31, 2014 as a result of such change in estimate.

*Methodology for the determination of allowances for loan losses applicable to commercial credit portfolio*

On June 24, 2013, the Commission issued a Ruling that amends the Provisions, modifying the methodology applicable to the classification of commercial credit portfolio, with the aim of changing the current model for creating the allowance for loan losses based on an incurred loss model to an expected loss model, in which the credit losses of the following 12 months are estimated using the credit information which best anticipates them.

The Commission stipulated the recognition of the initial financial effect derived from the application of the methodology for classification of the commercial credit portfolio in stockholders' equity at the latest as of December 31, 2013, under the heading of "Results from previous years". The Commission established two deadlines for implementation of this change in methodology: December 31, 2013, to recognize the initial financial effect of the commercial credit portfolio and June 30, 2014, to recognize the initial financial effect for the credit portfolio of financial institutions.

According to such modifications, the Institution recognized as of January 31, 2014, the initial financial effect of the credit portfolio of financial institutions, which originated the establishment and recording of credit reserves on the consolidated balance sheet under the heading "Allowance for loan losses" in the amount of $75.6, with a corresponding charge in the consolidated statement of income for the same amount, under the heading "Allowance for loan losses".

As of June 30, 2013, the Institution recognized the initial financial effect of the commercial credit portfolio, which originated the establishment and recording of credit reserves on the consolidated balance sheet under the heading "Allowance for loan losses" in the amount of $1,551, with a corresponding charge in stockholders' equity under the heading "Result from previous years" for the same amount. Additionally, pursuant to that established in NIF D-4, Taxes on income, the Institution recognized the related deferred income tax for this initial financial effect derived from the change in classification methodology of the commercial credit portfolio, in the amount of $465. For this reason, the initial financial effect recognized in stockholders' equity under the heading "Result from previous years" due to the application of the change in classification methodology for the commercial credit portfolio, was $1,086, net of taxes on income.

***Special accounting criteria applicable in 2014***

*Special accounting criteria applicable to the credits subject to the support resulting from the floods caused by the hydro-meteorological phenomenon "Odile"*

***Support by natural disasters***

In Official Notice No. P110/2014 dated September 19, 2014, the Commission authorized credit institutions to apply special accounting criteria in order to support customers who reside in or whose income is sourced in places that have been declared "disaster zones" as a result of Hurricane "Odile" and at the same time to ensure stability. It also, considers that the benefits must be documented at the latest 120 days after the date of the incident.

The application of the support to the borrowers consists of the partial or total deferral of payment of principal and/or interest for up to three months, provided that the borrowers have been classified for accounting purposes as current at the date of the incident, as established in Paragraph 8 of Accounting Criterion B-6 “Credit Portfolio” of the Regulations issued by the Commission.

The special accounting criteria applicable to the Institution, by type of loan, are as follows:

Loans with “a single payment of principal at maturity and periodic payments of interest, and loans with a single payment of principal and interest at maturity”, which are restructured or renewed, will not be considered as overdue portfolio in accordance with paragraph 56 of Criterion B-6 “Credit Portfolio”.

Loans with “periodic payments of principal and interest”, which are restructured or renewed, may be considered as current at the time such event takes place, without having to apply the requirements of paragraphs 57 and 59 of Criterion B-6 “Credit Portfolio”.

Loans classified as revolving from the start, which are restructured or renewed, will not be considered as overdue portfolio under paragraph 61 of Criterion B-6 “Credit Portfolio”.

The aforementioned loans will not be considered as restructured in accordance with paragraph 26 of Criterion B-6 “Credit Portfolio”.

Without the relief offered by the special accounting criteria, the current portfolio reported in the balance sheet would have been reduced by $1,451, while the allowance for loan losses would have increased by approximately $679, due to the fact that loans which received the support would have been classified in overdue portfolio if the deferral had not been applied.

Below we detail, by type of loan, the amount subject to deferral and the total amount of the loans:

| **Type of portfolio** | **No. of Cases** | **Amount deferred** | **Total amount of the credit** |
|---|---|---|---|
| Mortgage loans | 4,555 | $ 83 | $ 2,581 |
| Consumer and automobile loans | 2,378 | 11 | 149 |
| Credit card | 10,881 | 183 | 263 |
| PyMEs | 393 | 8 | 85 |
| Total | 18,207 | $ 285 | $ 3,078 |

***Reclassifications*** **-** Certain headings of the consolidated financial statements for the year ended December 31, 2013 have been reclassified to conform with the presentation used in 2014.

***Recognition of the effects of the inflation in the financial statements*** **-** Beginning January 1, 2008, the Institution discontinued recognition of the effects of inflation, in conformity with the guidance in NIF B-10. Through December 31, 2007, such recognition resulted mainly in inflationary gains or losses on non-monetary and monetary items, which are presented in the consolidated financial statements as an increase or decrease in stockholders’ equity accounts, and also in nonmonetary items.

The accumulated inflation of the three years prior to 2014 and 2013, measured through the value of the Investment Units (UDI), is 11.76% and 12.31%, respectively, for which reason the economic environment in both years is classified as noninflationary. As discussed previously, the cumulative effects of inflation up to December 31, 2007 are maintained in the accounting records of the consolidated balance sheets as of December 31, 2014 and 2013.

The inflation percentages for the years ended December 31, 2014, 2013 and 2012 were 4.18%, 3.78%, and 3.91%, respectively; therefore, the economic environment qualifies as non-inflationary in all of these years.

***Offsetting of financial assets and financial liabilities***- Financial assets and financial liabilities may be offset in such a way that the debit or credit balance, as the case may be, is presented on the consolidated balance sheet, if and only if, there is a contractual right to offset the amounts recognized and the intention to settle the net amount, or to realize the asset and cancel the liability simultaneously.

***Cash and cash equivalents-*** Cash and cash equivalents are recorded at nominal value, except for silver and gold coins, which are stated at their fair value at each period-end. Cash held in foreign currency is valued at the exchange rate published at year end by the Central Bank of Mexico.

The foreign currencies acquired whose settlement is agreed at a date after the completion of the purchase and sale transaction will be recognized at such transaction date as restricted funds available (foreign currencies to be received), whereas the foreign currencies sold will be recorded as a disbursement of funds available (foreign currencies to be delivered). The counterparty must be a settlement account, either credit or debit, as the case may be.

This heading also includes interbank loan transactions agreed at a term of less than or equal to three business days, as well as other funds available, such as correspondent funds and liquid notes.

***Margin accounts-*** The margin accounts granted in cash (and in other assets equivalent to cash) required from the entities as a result of performing transactions with financial derivatives in recognized markets or stock exchanges are recorded at their nominal value.

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

***Securities -***

– *Trading securities:*

Trading securities are those securities in which the Institution invests to take advantage of short-term market fluctuations. The transaction costs for the acquisition of the securities are recognized in results of the year on the acquisition date. These securities are stated at fair value (which includes the discount or markup, as the case may be) in conformity with the following guidelines:

*Debt instruments-*

Debt instruments are valued at fair value, which must include both the principal and accrued interest. Interest earned is determined based on the effective interest method.

*Equity instruments-*

Equity instruments are valued at their fair value. In the case of securities registered with the National Securities Registry (RNV) or authorized, registered or regulated in markets recognized by the Commission. Gains or losses resulting from valuation are recognized in the consolidated statement of income.

*Value date transactions-*

This heading records the "Value date transactions" which refer to purchase-sale transactions of securities assigned but not settled, which are valued and recorded as negotiable instruments, recording the reception and departure of the instrument subject matter of the transaction at the time it is performed against the respective debit or credit settlement account. If the amount of the negotiable instruments is insufficient to cover the amount of the securities to be delivered for these operations, the credit balance is presented under the heading "Securities assigned to be settled".

– Securities available for sale:

Securities available-for-sale consist of debt instruments and equity securities acquired with an intention other than obtaining gains from trading them on the market or holding them to maturity. The transaction costs for the acquisition of the securities are recognized as part of the investment. These securities are valued in the same manner as trading securities with unrealized valuation gains or losses recognized in stockholders' equity.

– *Securities held to maturity:*

Securities held to maturity are debt instruments with fixed or determinable payments or an established maturity acquired with both the intent and the capacity of holding them to maturity. These instruments are initially recorded at fair value, which presumably reflects the agreed price, plus the transaction costs for the acquisition of securities. They are subsequently accounted for using amortized cost, thus affecting the results of the year based on accrued interest and the discount or markup received or paid for their acquisition according to the effective interest method.

The Institution determines the increase or decrease from appraisal at fair value using restated prices provided by the price supplier, who uses different market factors in its determination.

Cash dividends of share certificates are recognized in the results for the year in the same period in which the right to receive the related payment is generated.

The exchange gain or loss on investments in securities in foreign currencies is recognized in results for the year.

The accounting criteria issued by the Commission permit the transfer of securities classified as "held to maturity" to the category of "securities available for sale", provided the Institution ceases to have the intention or capacity to hold them to maturity.

Also, such criteria allow for reclassifications to be made to the category of "Securities held to maturity", and from "Trading securities" to "Securities available for sale", under extraordinary circumstances, subject to the prior assessment and express authorization of the Commission.

***Impairment*** - Credit Institutions must assess whether there is objective evidence regarding the impairment of a security at the consolidated balance sheet date.

A security is only considered to be impaired and, accordingly, an impairment loss is only incurred when there is objective evidence of this impairment as a result of one or more events which occurred after its initial recognition, which affected estimated future cash flows and can be reliably determined. It is unusual that a single event is determined as the sole cause of impairment, and it is more common that impairment results from the combined effect of different events. The losses expected as the result of future events are not recognized, regardless of their probability.

The objective evidence that a credit instrument is impaired includes observable information, among others, about the following events:

a) Significant financial difficulties of the issuer of the security
b) It is probable that the issuer of the security will be declared bankrupt or undergo another type of financial reorganization
c) Default on contractual clauses, such as nonpayment of interest or principal;
d) The disappearance of an active market for the credit instrument in question due to financial difficulties or
e) Measurable reduction in the estimated future cash flows of the group of securities as of the initial recognition of such assets, although the reduction cannot be identified with the individual securities of the group, including:

    i. adverse changes in the payment status of the issuers in the group, or
    ii. local or national economic conditions which are correlated with defaults in the securities of the group.

As of December 31, 2014 and 2013, management has not identified objective evidence of impairment of any securities.

***Repurchase transactions -*** Repurchase agreements are recorded as follows:

At the contracting date of the repurchase transaction, when the Institution is the reselling party, the entry of cash or a debit settlement account, and an account payable at fair value, initially at the agreed-upon price, are recorded and represent the obligation to restitute cash to the repurchasing party. Subsequently, during the term of the repurchase transaction, the account payable is valued at fair value by recognizing the interest on the repurchase agreement using the effective interest method in results of the year.

In relation to the collateral granted, the Institution will reclassify the financial assets in its balance sheet as restricted, which will be valued based on the criteria described above in this note until the maturity of the repurchase transaction.

When the Institution acts as repurchasing party, the withdrawal of funds available is recognized on the contracting date of the repurchase transaction or a credit settlement account, with an account receivable recorded at fair value, initially at the price agreed, which represents the right to recover the cash paid.  The account receivable will be valued subsequently during the term of the repurchase agreement at fair value through the recognition of interest on the repurchase agreement based on the effective interest method in the results of the year.

The Institution recognizes the collateral received in memorandum accounts, following the guidelines for valuation established in accounting criterion B-9, "Custody and Administration of Assets (B-9)", until the maturity of the transaction.

***Collateral granted and received other than cash in repurchase agreements -*** In relation to the collateral in repurchase transactions granted by the seller to the buyer (other than cash), the buyer recognizes the collateral received in memorandum accounts, by following the guidelines on custody transactions established in accounting criterion B-9. The selling party reclassifies the financial asset on its consolidated balance sheet, and it is presented as restricted, for which purpose the standards for valuation, presentation and disclosure are followed in accordance with the respective accounting treatment.

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 guarantee 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).

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 by the buyer are cancelled when the repurchase transaction reaches maturity or there is a default on the part of the seller.

For transactions in which the buyer sells or in turn provides the collateral received as guarantee (for example, when another repurchase or securities loan transaction is agreed), 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.

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.

***Securities loans -*** Securities loans 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. In these transactions, a collateral or guarantee is requested by the lender from the borrower.

At the contracting date of the securities loan, when the Institution acts as lender, it records the security subject matter of the loan 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.

When it acts as the borrower, at the contracting date of the securities loan, the Institution records the security subject matter of the loan received in memorandum accounts, following the valuation guidelines for the securities recognized, in the account “Assets in custody or under administration”.

The security subject matter of the transaction received and the collateral received are presented in memorandum the heading of “Collateral received by the Institution”. The collateral received from other transactions are presented under the heading of “Collateral received and sold or pledged as guarantee by the Institution”.

***Derivatives -*** The Institution carries out two different types of transactions:

– Trading. Consists of the position assumed by the Institution 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 Institution’s policies require that for purposes of entering into derivative transactions, both trading parties must belong to the Financial System and have authorization from the Central Bank of Mexico to carry out this type of transaction, classifying and, if applicable, determining risk exposure lines. Prior to carrying out these transactions, corporate customers must be granted a credit line authorized 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 or cancelled 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 Institution initially recognizes all agreed derivatives (including those forming part of hedges) as assets or liabilities (depending on the rights and/or obligations they embody) in the consolidated balance sheet 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 “Trading 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 “Trading income”.

Derivatives must be presented under a specific asset or liability heading 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 balance sheet, the heading derivatives must be split between those held for trading and hedging purposes.

*Trading transactions:*

– *Forwards and futures contracts*:

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 value and presented under assets; if negative, it is considered as a deficit and presented under liabilities.

– *Options:*

The balance represents the fair value of future cash flows to be received, and recognizes the valuation effects in results of the year.

The balance represents the fair value of future cash flows to be delivered, and recognizes the valuation effects in results of the year.

– *Swaps:*

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

*Hedging transactions*

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

a. If they are fair value hedges, the primary position covered is valued at market and the net effect of the derivative hedge instrument is recorded in results of the period under the heading "Trading income".

b. If they are cash flow hedges, the hedge derivative is valued at market and the valuation of the effective part of the hedge is recorded in the account "Result from valuation of cash flow hedges". The ineffective part is recorded in results of the period under the heading "Trading income".

c. In hedges of a net investment in a foreign transaction that complies with all the conditions, they are accounted for in similar fashion to cash flow hedges; the effective portion is recognized in stockholders equity and the ineffective portion is recognized in results.

***Embedded derivatives*** - The Institution separates the embedded derivatives of structured notes, whereby the reference underlying is based on the exchange rate, price indexes, interest rate options with extendable periods and UMS bond price options.

In the case of debt and bond contracts in which the reference underlying is an interest rate with implied cap, floor and collar, The reference underlyings are considered to be closely related to the host contract, and consequently, these items 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 not performed in recognized markets or stock exchanges*** - The account receivable generated for collateral provided in cash in derivative transactions not performed in recognized markets or stock exchanges is presented under the heading "Other accounts receivable", whereas the account payable generated for the reception of collateral provided in cash is presented under the heading "Sundry creditors and other accounts payable".

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

***Loan portfolio*** - The balances in the loan portfolio represent the amounts disbursed to borrowers, less repayments made to date, plus accrued but unpaid interest. The "Allowance for loan losses" is presented as a deduction from the total loan balance.

The outstanding balance of past-due loans is recorded as non-performing as follows:

- When there is evidence that the customer has been declared bankrupt.
- When payments have not been fully settled according to contractual terms, considering that:
  - Loans with a single payment of principal and interest at maturity are considered past due 30 calendar days after the date of maturity.
  - In the case of loans with a single repayment of principal at maturity, but with periodic interest payments, the total of the principal and interest when a scheduled payment is three months past due.
  - Loans for which agreement has been reached regarding payment of principal and interest in scheduled payments are considered past due three months after the first installment is past due.
  - In the case of revolving credit granted, loans are considered past due when payment has not been received for two normal billing periods or, when the billing period is not monthly, two months or more following maturity.
  - Customer bank accounts showing overdrafts are reported as non-performing loans at the time the overdraft occurs.

Interest is recognized in income when it is accrued. The accrual of interest is suspended when loans become non-performing.

Interest accrued during the period in which the loan was considered non-performing is not recognized as income until collected.

The commissions collected for the initial granting of loans are recognized as a deferred credit under the heading of “Deferred credits and advanced collections”, which is amortized as interest income using the straight-line method over the term of the loan. Any other type of commission is recognized on the date that it is generated, under the heading of “Commissions and fees income”.

Commissions collected on the restructuring or renewal of loans are added to the commissions originated and are recognized as a deferred loan that is amortized to results using the straight-line method throughout the new term of the loan.

Incremental costs and expenses incurred for the initial granting of credits are recognized as a deferred charge, which must be amortized to the results of the year as an interest expense during the same accounting period in which revenues are recognized for collected commissions. As the Institution considers that the incremental costs and expenses incurred for the initial granting of credits are immaterial, they were recognized in the consolidated statement of income as incurred.

Commissions collected for annual credit card fees, whether for the first year or for subsequent renewals, are recognized as a deferred credit under the “Deferred credits and advance collection” heading and amortized over a 12-month period to the results of the year under the “Commissions and fee income” heading.

The costs and expenses incurred to grant credit cards are recognized as a deferred charge, which is amortized over a 12-month period to the results of the year under the respective heading, depending on the nature of the cost or expense.

Furthermore, when a number of loans granted to the same creditor are consolidated into a single loan, the treatment applicable to the lowest rated loan involved in the restructuring or renewal will be applied to the total balance of the resulting loan.

Restructured overdue credits are not considered as current portfolio until there is evidence of sustained payment, which is considered to have occurred when the banks receive full and timely payment for three consecutive monthly installments, or the payment of an installment in those cases where the installment covers periods in excess of 60 days and it is evidenced that the borrower is able to pay.

Performing loans other than those that have a single payment of principal at maturity and periodic payments of interest, which are restructured or renewed without having completed at least 80% of the original term of the loan, will still be considered as current only when the borrower has:

a. Settled the total amount of the accrued interest, and
b. Settled the principal of the original loan, which should have been settled as of the date of renewal or restructuring, as the case may be.

If all the conditions described in the preceding paragraph are not fulfilled, they will be considered as overdue from the time that they are restructured or renewed until there is evidence of sustained payment.

Loans with a single payment of principal and interest at maturity that are renewed at any time will be considered as overdue until there is evidence of sustained payment. They will be considered as current only when the borrower has made timely payments on the total amount of the interest payable and also paid 25% of the original amount of the loan.

*Acquisitions of loan portfolio* - On the acquisition date of the portfolio, the contractual value of the portfolio acquired must be recognized based on the type of portfolio which the originator would have classified; any difference generated in relation to the acquisition price is recorded as follows:

a) When the acquisition price is lower than its contractual value, the differences is recognized in results of the year under the heading of "Other operating income (expenses)", up to the amount of the allowance for loan losses that was created as established in the following paragraph, and the surplus as a deferred credit, which will be amortized when the respective collections are made, based on the percentage which the latter represent of the contractual value of the loan;

b) When the acquisition price of the portfolio is higher than its contractual value, a deferred charge is recognized, which will be amortized as the respective collections are made, based on the percentage which the latter represent of the contractual value of the loan;

c) Regarding the acquisition of revolving credits, such difference will be recognized directly to results of the year on the acquisition date.

***Allowance for loan losses –***

The Institution classifies its portfolio under the following headings:

a. Commercial: Direct or contingent credits, including bridge loans denominated in Mexican pesos, foreign currency, as well as any interest generated, granted to corporations or individuals with business activities and applied to their commercial or financial line of activity; including those granted to financial institutions different from interbank loans for less than three business days, credits for factoring transactions and credits for capital lease transactions which are performed with such corporations or individuals; credits 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. They also include credits granted to States, Municipalities and their decentralized agencies.

b. Home mortgages: Direct credits denominated in Mexican pesos, foreign currency, Investment Units or multiples of the minimum wage ("VSM"), as well as any interest generated, granted to individuals and applied for the acquisition, construction, remodeling or improvement of the home, for nonprofit purposes; including those liquidity credits guaranteed by the home of the borrower and those granted for such purposes to former employees who rendered services to the credit institution.

c. Consumer: Direct credits, denominated in Mexican pesos, or foreign currency, as well as any interest generated, granted to individuals, derived from credit card operations, personal loans, payroll transactions (different from those granted through a credit card), credits for the acquisition of consumer durables and capital lease transactions which are performed with individuals; including those credits granted for such purposes to former employees who rendered services to the credit institution.

The Institution recognizes the allowance for loan losses based on the following:

– *Commercial loan portfolio:*

The Institution, when classifying the commercial credit portfolio, considers the Probability of Default, Severity of the Loss and Exposure to Default, and also classifies the aforementioned commercial credit portfolio into different groups and establishes different variables for the estimation of the probability of default.

This methodology was adopted by the Institution on June 30, 2014 for the credit portfolio of financial institutions, and on June 2013 for the commercial credit portfolio, as discussed in this same Note 4.

The amount of the allowance for loan losses on each credit will be the result of applying the following expression:

$$R_i = PI_i \times SP_i \times EI_i$$

Where:

*Ri* = Amount of the allowance for loan losses to be created for the nth credit.
*PIi* = Probability of Default of the nth credit.
SPi = Severity of the Loss on the nth credit.
EIi = Exposure to Default on the nth credit.

The probability of default of each credit (PIi) will be calculated according to the following formula:

$$PI_i = \frac{1}{1 + e^{-(500 - TotalCreditScore_i) \times \frac{\ln(2)}{40}}}$$

For purposes of the above:

The total credit score of each borrower will be obtained by applying the following expression:

$$TotalCreditScore_i = \alpha \times (QuantitativeCreditScore_i) + (1 - \alpha) \times (QualitativeCreditScore_i)$$

Where:
*Quantitative credit scorei* =Is the score obtained for the nth borrower when evaluating the risk factors.
*Qualitative credit scorei* =Is the score obtained for the nth borrower when evaluating the risk factors.
$\alpha$ =Is the relative weight of the quantitative credit score.

*Unsecured loans-*

The Severity of the Loss ($SP_i$) of commercial credits which are not covered by security interests in real property, or personal or credit-derived collateral will be:

a. 45%, for Preferred Positions.
b. 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.
c. 100%, for credits which report 18 months or more in arrears for the amount due and payable under the terms originally agreed.

The Exposure to Default of each credit (EIi) will be determined based on the following:

I. For disposed 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:

$$EI\ i = Si$$

II. For other credit lines:

$$EI_i = S_i * Max\left\{\left(\frac{S_i}{AuthorizedLineofCredit}\right)^{-0.5794}, 100\%\right\}$$

Where:

$S_i$: The unpaid balance of the nth credit at the classification date, which represents the amount of credit effectively granted to the borrower, adjusted for interest accrued, less payments of principal and interest, as well as any reduction, forgiveness, rebate and discount granted. In any case, the amount subject to the classification must not include uncollected accrued interest recognized in memorandum accounts on the balance sheet, of credits which are in overdue portfolio.

*Authorized Line of Credit:* The maximum authorized amount of the line of credit at the classification date.

The Institution may recognize the security interests in real property, or personal or credit-derived collateral in the estimate of the Severity of the Loss of the loans, with the aim of decreasing the reserves derived from the portfolio classification. In any case, it may elect not to recognize the credit enhancements if larger reserves are generated as a result. For such purpose, the Regulations established by the Commission are applied.

*Credits granted under the terms of the Commercial Bankruptcy Law*

On March 26, 2014, the Commission issued a Ruling which amends the Provisions, whereby it adjusts the methodology applicable to the classification of commercial credit portfolio for credits granted under the terms of sections II and III of article 224 of the Commercial Bankruptcy Law in order to make it consistent with the amendments to such statute on January 10, 2014.

This methodology mainly contemplates the consideration of collateral created under the terms of article 75 of the Commercial Bankruptcy Law for the determination of the Severity of the Loss by applying certain adjustment factors or discount percentages applicable to each type of admissible security interest based on personal or real property.

Pursuant to the foregoing, in the case of credits granted under the terms of section II of article 224 of the Commercial Bankruptcy Law, the Severity of the Loss will be subject to the following treatment:

$$SP = Max\left(Min\left(1 - \frac{Collateral + Adjusted\ Estate}{Si}, 45\%\right), 5\%\right)$$

Where:

*Collateral* = Any collateral created under the terms of article 75 of the Commercial Bankruptcy Law by applying, as the case may be, adjustment factors or discount percentages for each type of admissible security interest based on personal or real property.

*Adjusted Estate* = The Estate, as this term is defined in the Commercial Bankruptcy Law, deducting the amount of the obligations referred to in article 224, section I of the aforementioned Law and applying a 40% discount to the resulting amount.

$S_i$ = Unpaid balance of the credits granted under the terms of article 224, section II of the Commercial Bankruptcy Law at the classification date.
In the case of credits granted under the terms of article 224, section III of the Commercial Bankruptcy Law, the Severity of the Loss will be subject to the following treatment:

$$SP = Max\left(Min\left(1 - \frac{Adjusted\,Estate}{Si}, 45\%\right), 5\%\right)$$

Where:

Adjusted Estate = The Estate, as this term is defined in the Commercial Bankruptcy Law, deducting the amount of the obligations referred to in sections I and II of article 224 of the aforementioned Law and applying a 40% discount to the resulting amount

$S_i$ = Unpaid balance of the credits granted under the terms of article 224, section III of the Commercial Bankruptcy Law at the classification date."

*Commercial credit portfolio of financial institutions (up to May 31, 2014) and commercial credit portfolio (up to May 31, 2013)*

Pursuant to that established in the Provisions regarding the classification methodology of the credit portfolio up to such dates, the Institution individually classified the commercial credit portfolio, for the credits or group of credits owed by the same debtor whose balance equals or exceeds an amount equal to 4 million UDIS at the classification date. The remainder was classified in parametric form based on the number of months elapsed as of the first default. The portfolio owed by the Federal Government or with an express federal guarantee, was considered as exempted.

In 2001, the Institution certified its internal classification scheme for debtor risk, Bancomer Risk Classification ("CRB"), before the Commission to comply with the requirements for classification of risk and the creation of allowances for loan losses.

On October 8, 2012, the Institution requested that the Commission renew the application of the internal CRB methodology used for the housing promoters' segment, which was authorized through Document 111-2/53218/2013, with validity until November 30, 2013. Likewise, on November 12, 2012, the Institution requested the renewal of the application of the internal CRB methodology to the remainder of its commercial portfolio, which was authorized through Document 111-2/53234/2013, with validity until June 30, 2013.

CRB determined a client's creditworthiness through the weighted result of ratings based on five risk criteria, which include: performance, historical payment capacity, indebtedness capacity, projected payment capacity and macroeconomic conditions. These criteria represent the valuation of the client's profile, the financial position of the borrower and the economic status of the industry, which are measured through the grading of various quantitative and qualitative credit risk factors, weighted through the application of a single algorithm and fixed weighting parameters. The design of this algorithm and its associated weighting factors are the result of statistical and econometric analyses applied to historical data over several years.

The internal classification system presented different levels of risk, which identified loans on a level of acceptable risk, loans under observation and loans of unacceptable risk or in default. The risks included in the CRB model are summarized in the following list:

**Level**

1. Exceptional
2. High
3. Good
4. Adequate
5. Potential weakness
6. Actual weakness
7. Critical weakness
8. Loss

The comparability of the CRB with Regulatory Risk Classification was based upon an analysis of equivalency of default probabilities between the CRB and the Debtor's Risk Classification according to the Commission, and is as follows:

| CRB | Payment Experience | Commission's Classification Equivalent | |
|---|---|---|---|
| | | Commercials | Promoters |
| 1 | | A1 | A1 |
| 2 | | A1 | A1 |
| 3 | Non-payment for less than 30 days | A2 | A2 |
| 3 | Non-payment for 30 days or more | A2 | B1 |
| 4 | Non-payment for less than 30 days | B1 | B1 |
| 4 | Non-payment for 30 days or more | B2 | B2 |
| 5 | Non-payment for less than 30 days | B3 | B2 |
| 5 | Non-payment for 30 days or more | C1 | B3 |
| 6 | Non-payment for less than 30 days | C1 | C1 |
| 6 | Non-payment for 30 days or more | C2 | C2 |
| 7 | | D | D |
| 8 | | E | E |

The allowances for the losses from the commercial loan portfolio created by the Institution as a result of the classification of each loan are classified in accordance with the following percentages:

| Risk Level | Percentages Ranges Loss Reserves | | |
|---|---|---|---|
| A1 | 0% | to | 0.90% |
| A2 | 0.901% | to | 1.50% |
| B1 | 1.501% | to | 2.00% |
| B2 | 2.001% | to | 2.50% |
| B3 | 2.501% | to | 5.00% |
| C1 | 5.001% | to | 10.00% |
| C2 | 10.001% | to | 15.50% |
| D | 15.001% | to | 45.00% |
| E | More than | | 45.00% |

For this portfolio, general reserves were considered in risk A1 and A2 rating and specifications were those corresponding to the degree of risk B1 from now.

The Institution records the respective allowance for loan losses on a monthly basis, applying the results of the classification performed quarterly to the balance of the loans as of the last day of each month.

– *Portfolio of States and their Municipalities:*

When classifying the credit portfolio of States and Municipalities, the Institution considers the Probability of Default, Severity of the Loss and Exposure to Default, while also classifying the aforementioned portfolio of States and Municipalities into different groups and establishing different variables for the estimation of the probability of default of the commercial portfolio in relation to credits granted to States and Municipalities.

The allowance for loan losses of each credit will be the result of applying the following expression:

$$R_i = PI_i \times SP_i \times EI_i$$

Where:

*Ri* =The amount of the allowance for loan losses to be created for the nth credit.
*PIi* =Probability of Default of the nth credit.
*SPi* =Severity of the Loss of the nth credit.
*EIi* =Exposure to Default of the nth credit.

The probability of default of each credit (PIi) will be calculated according to the following formula:

$$PI_i = \frac{1}{1 + e^{-(500 - TotalCreditScore_i)\times\frac{\ln(2)}{40}}}$$

For purposes of obtaining the respective PIi, the total credit score of each borrower is calculated by applying the following expression:

Total Credit Score = α (PCCt) + (1-α) PCCl

Where:

*PCCt* = Quantitative Credit Score = IA+ IB + IC
*PPCl* = Qualitative Credit Score = IIA + IIB
α = 80%
*IA* = Average days in arrears with banking institutions (IFB) + % of on time payments with IFB + % of on time payments with non-bank financial institutions.
*IB* = Number of ratings agencies recognized in accordance with the provisions which provide a classification to the State or Municipality.
IC = Total debt to eligible participations + debt service to adjusted total revenues + short-term debt to total debt + total revenues to current expense + investment to total revenues + proprietary revenues to total revenues.
*IIA* = Local unemployment rate + presence of financial services of regulated entities.
*IIB* = Contingent obligations derived from retirement benefits to adjusted total revenues + operating balance sheet to local Gross Domestic Product + level and efficiency of collections + robustness and flexibility of the regulatory and institutional framework for budget approval and execution + robustness and flexibility of the regulatory and institutional framework for approval and imposition of local taxes + transparency in public finances and public debt + issuance of outstanding debt in the stock market.

*Unsecured loans-*

The Severity of the Loss ($SP_i$) of the credits granted to the 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 Subordinated Positions or when the credit reports 18 months or more of arrears for the amount due and payable under the terms originally agreed.

The Exposure to Default of each credit (EIi) will be determined based on the following:

$$EI_i = S_i * Max\left\{\left(\frac{S_i}{Autorized\ Line\ of\ Credit}\right)^{-0.5794}, 100\%\right\}$$

*Si* = The unpaid balance of the nth credit at the classification date, which represents the amount of credit effectively granted to the borrower, adjusted for interest accrued, less payments of principal and interest, as well as any reduction, forgiveness, rebate and discount granted. In any case, the amount subject to the classification must not include uncollected accrued interest, recognized in memorandum accounts on the balance sheet, of credits which are in overdue portfolio.

*Authorized Line of Credit* = The maximum authorized amount of the credit line at the classification date.

The Institution may recognize the security interests in real property, or personal or credit-derived collateral in the estimation of the Severity of the Loss of the loans, for the purpose of reducing the allowance for loan losses derived from the portfolio classification. For such purpose, the provisions established by the Commission are applied.

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.

On October 5, 2011, a ruling was published in the Federal Official Gazette that modifies the Regulations related to the classification methodology of commercial loan portfolio granted to States and their Municipalities, as well as the accounting treatment for loan portfolio, the Institution applied this methodology until May 31, 2013.

The most important modifications referred to the following:

1) A new methodology was established to modify the current incurred loss model to rate and create the allowance for this portfolio to a model based on expected loss in which the losses for the next 12 months were estimated using the best loan information available which considered the likelihood of default, the severity of the loss and the exposure to default.

2) The likelihood of default was determined based on quantitative and qualitative scores based on several risk factors established in the Accounting Criteria. The likelihood of default was 0% for loans guaranteed by a program established by a federal law that was in turn included in the Federal Expense Budget for the Year Ended December 31, 2012 .With certain exceptions, when a loan with the credit institution is past due, the likelihood of default was 100%.

3) Real and personal collateral as well as loan derivatives were considered to determine the severity of the loss and the exposure to default.

Loans owed by decentralized agencies of the States and their Municipalities in excess of 900,000 UDIS at the classification date was rated individually by considering a level of risk based on the ratings assigned by the ratings agencies (Fitch, MOODY's, HR Ratings and S&P) authorized by the Commission (this classification must not be more than 24 months old). Those municipalities which were backed by an express personal guarantee by the state government may be classified with the level of risk applicable to the state offering such guarantee. Finally, it is established that real guarantees must be assessed using the same regulatory mechanism applied to any secured loan and when there was no Federal Participation, the level of risk must be moved two levels higher.

– *Mortgage portfolio:*

The Institution determines the allowance for loan losses related to the mortgage portfolio based on criteria established by the Commission, calculating the Probability of Default, Severity of Loss and Exposure (expected loss model) as of the classification date, according to the following:

– Probability of default: For portfolio with less than four payments in arrears, it is determined based on the number of late payments, the maximum delay in the last four monthly periods, the average payment commitment of the last seven periods, as well as the value of the guarantees with respect to the loans and the currency; and 100% if there are four or more late payments.

– Severity of loss: This is determined based on the value of the guarantee with respect to the loans and the means of formalizing the guarantee, and, in the case of unemployment insurance coverage, the balance of the housing subaccount.

The allowances for loan losses on the mortgage portfolios established by the Institution as the result of classifying the loans will be based on the following risks levels and percentages:

| **Risk Level** | **Allowance Percentage Ranges for Loan Losses** | | |
|---|---|---|---|
| A1 | 0% | to | 0.50% |
| A2 | 0.501% | to | 0.75% |
| B1 | 0.751% | to | 1.00% |
| B2 | 1.001% | to | 1.50% |
| B3 | 1.501% | to | 2.00% |
| C1 | 2.001% | to | 5.00% |
| C2 | 5.001% | to | 10.00% |
| D | 10.001% | to | 40.00% |
| E | 40.001% | to | 100.00% |

For this portfolio, general reserves were considered in risk A rating. The specific reserves were the ones with risk rating of B or above.

– *Consumer loan portfolio that does not include credit card operations:*

The Institution determines the allowance for loan losses related to non-revolving consumer portfolio as established by the Commission, calculating the Probability of Default, Severity of Loss and Exposure (expected loss model) as of the classification date, as follows:

– Probability of default: Depending on the payment periodicity and the type of credit, it is determined using variables such as the number of payments in arrears, the maximum length of arrears, average payment compliance, the remaining term and the number of times that the credit is paid or financed.

– Severity of loss: This is 65% for up to 10 months in arrears and 100% thereafter.

– Exposure refers to the balance as of the classification date excluding interest accrued but not collected for credits in overdue portfolio.

Allowances for loan losses in the consumer portfolio, excluding credit card operations, are classified based on the following degrees of risk and percentages:

| Level of risk | Allowance Percentage Ranges for Loan Losses | | |
|---|---|---|---|
| A1 | 0% | to | 2.00% |
| A2 | 2.01% | to | 3.00% |
| B1 | 3.01% | to | 4.00% |
| B2 | 4.01% | to | 5.00% |
| B3 | 5.01% | to | 6.00% |
| C1 | 6.01% | to | 8.00% |
| C2 | 8.01% | to | 15.00% |
| D | 15.01% | to | 35.00% |
| E | 35.01% | to | 100.00% |

For this portfolio, general reserves were considered in risk A rating. The specific reserves were the ones with risk rating of B or above.

– *Consumer credit card loan portfolio:*

The Commission approved the Institution’s request to apply an internal credit card rating model per Document 111-1/69930/2009 on June 22, 2009, which has been applied from the month of August 2009.

In Document 111-2/53217/2012 dated November 20, 2012 and 111-2/23006/2011 dated January 25, 2011, the Commission granted authorization to apply new parameters for the classification of revolving consumer credit portfolio used in its “Expected Loss Internal Methodology”, which were applied for the years 2014 and 2013, respectively.

The internally developed rating methodology involves calculating the expected 12-month loss based on the following:

– Non-compliance probability - Based on variables including portfolio type, account aging, admission tool or the behavior of loans with at least three outstanding payments, together with a 100% rating for loans with three or more outstanding payments.

– Loss severity - Is calculated based on variables like portfolio type, balance aging and noncompliance period.

– Exposure - Is determined according to the credit limit and current balance.

The allowance for credit card losses created by the Institution following this credit rating process is classified according to the following risk level and percentages:

| Level of risk | Allowance Percentage Ranges for Loan Losses | | |
|---|---|---|---|
| A1 | 0% | to | 3.00% |
| A2 | 3.01% | to | 5.00% |
| B1 | 5.01% | to | 6.50% |
| B2 | 6.51% | to | 8.00% |
| B3 | 8.01% | to | 10.00% |
| C1 | 10.01% | to | 15.00% |
| C2 | 15.01% | to | 35.00% |
| D | 35.01% | to | 75.00% |
| E | More than | | 75.01% |

For this portfolio, general reserves are recorded for A and B-1 risk ratings and specific criteria apply to B-2 risk ratings and lower.

As of December 31, 2014 and 2013, the classification and creation of the allowance for loan losses of the consumer credit portfolio is performed with figures as of the last day of each month and is presented to the Commission at the latest as of the 30 days following the month classified, in accordance with the reserve percentages applicable to each type of portfolio, as indicated above.

Additionally, a reserve is recognized for the total amount of the uncollected interest earned applicable to loans that are classified within past-due portfolio.

*Additional reserves:*

The additional reserves established by the Institution reflect internal rating models, mainly for mortgage loans, which consists of applying specific percentages (expected loss) to the unpaid balance of the debtor.

***Securitization with transfer of ownership*** **-** By securitizing the mortgage portfolio with transfer of ownership, the Institution (the "Transferor") transfers the financial assets through a securitization vehicle (the "Trust"), to enable the latter to issue securities through an intermediary (the "Brokerage House"), for placement among small investors, which represent the right to the returns or the proceeds generated from the securitized financial asset, and as consideration the Transferor receives cash and a certification granting it the right to the remaining flows from the Trust after payment of the certificates to their holders.

The Transferor provides administrative services for the transfer of the financial assets and recognizes in results of the year the revenues derived from such services at the time they are earned. Such revenues are presented under the heading of "Commissions and fee income". Any expenses incurred from managing the Trust will be reimbursed by the Trust itself with the prior authorization of the Common Representative, provided that the Trust has sufficient cash flows to make such reimbursement. The Transferor will hold any payments made on account of the Trust in debtor accounts until the latter reimburses such expenses.

On December 17, 2007, the Commission authorized the Institution, 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 computed as of the authorization date; such program is revolving.

The Institution recognized the securitized transactions performed during 2009 in accordance with the accounting criteria issued by the Commission in April 2009 regarding C-1 "Asset recognition and derecognition", C-2 "Securitized transactions" and C-5 "Consolidation of special-purpose entities". After applying these criteria, the Institution derecognized the securitized assets held by the trusts, which were subsequently consolidated on its balance sheet.

Accordingly, these assets are recorded under assets in the balance sheet. The securitizations performed prior to 2009 are not consolidated, based on the treatment established by the Commission.

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

- The Institution has tools to measure and quantify the impact of securitized transactions on the balance sheet and statement of income based on the cost of funding, release of capital, reserves and liquidity levels when structuring issuances and during the life of each.

- The valuation system measures the follow-up of certificate performance and the subordinated portions recorded by the Institution 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 Institution'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.

Notwithstanding the above, the Institution has taken a conservative position and decided not to recognize the valuation of the benefits on the remaining securitization transactions of the trusts 711, 752, 781 and 847 resulting from the application of the methodology explained above, and recognized only the amortization of the value of the confirmed cash flows received from such trusts, which are held at amortized cost.

The characteristics of securitization contracts are detailed in Note 13.

***Other receivable, net -*** Balances of sundry debtors that are not settled within the 90 or 60 days following their initial recognition (the number of days depend on whether balances are identified or not) are reserved with a charge to results of the year, regardless of the probability of recovery.

The debit and credit balances of the transaction settling accounts represent currency and security purchases and sales recorded on the date of transaction.

***Repossessed assets or assets received through payment in kind, net -*** Assets that are foreclosed or received through payment in kind are recorded at the lower of cost or fair value, less the direct and incremental costs and expenses incurred when they were awarded.

Goods acquired through legal foreclosure are recognized on the date on which the foreclosure ruling is issued.

Goods received as payment are recorded on the date on which the in-kind payment document is executed or when the delivery or transfer of ownership is formalized in a document.

On the recording date of the repossessed 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 balance sheet, or the portion involving accrued or overdue payments settled through the partial payments in kind referred to by accounting criterion B-6, “Loan Portfolio”.

If the value of the asset which originated the foreclosure, net of reserves, exceeds the value of the repossessed assets, the difference will be recognized in results of the year under the heading “Other operating income (expenses)”.

When the value of the asset that originated the foreclosure, net of reserves, is less than the value of the repossessed assets, the value of the latter must be adjusted to the net value of the asset.

Repossessed assets are valued according to the type of asset in question, and such valuation must be recorded against results of the year as “Other operation income (expenses)”, as the case may be.

In accordance with the rules of the Commission, the mechanism to follow in determining the allowance for holding repossessed assets or assets received as payment in kind, is as follows:

**Allowance for personal property**

| **Time elapsed as of the 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 the 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% |

***Property, furniture and equipment, net -*** They are recorded at acquisition cost. Assets acquired prior to December 31, 2007 were restated by applying factors derived from the UDIs up to that date. The related depreciation and amortization is 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, using the straight-line method as of the month following the acquisition date, applying the following rates:

| | Rate |
|---|---|
| Real estate | 2.5% |
| Computer equipment | 25% |
| ATM's | 12.5% |
| Furniture and equipment | 10% |
| Vehicles | 25% |
| Machinery and equipment | 10% |

The Institution capitalizes the interest from financing as part of construction in progress.

***Impairment of long-lived assets in use -*** The Institution revises the book value of long-lived assets in use, in the presence of any indicator of impairment which shows that the book value might not be recoverable, considering the higher of the present value of the future net cash flows or the net selling price, in the event of their eventual disposal. Impairment is recorded if the book value exceeds the higher of the aforementioned values.

The indicators of impairment considered for such purposes are, among others, the losses from operations or negative cash flows in the period, if they are combined with a history or projection of losses, depreciation and amortization charged to results which, in percentage terms, in relation to revenues, are substantially higher than those of previous years, or the services rendered, competition and other economic and legal factors.

***Equity investments-*** Are represented by those equity investments made by the Institution 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.

***Taxes on income*** **-** Income Tax ("ISR") and Business Flat Tax ("IETU") are recorded in results of the year in which they are incurred. The Institution determines the deferred tax on temporary differences and tax credits, as of the initial recognition of the items and at the end of each period. The deferred tax derived from the temporary differences is recognized by using the assets and liabilities method, which compares the accounting and tax values of the assets and liabilities. This comparison results in temporary differences, both deductible and creditable, which are added to the tax credit for the undeducted allowance for loan losses, and the tax rate at which the items will reverse is then applied. The amounts derived from these three items refer to the recognized deferred tax asset or liability. The deferred tax asset is recorded only when it can very probably be recovered.

The effect of all the items above is presented net in the balance sheet within the caption "Deferred taxes, net".

Asset tax paid which is expected to be recovered is recorded as a tax credit and is presented in the balance sheet under the heading of "Deferred charges, prepaid expenses and intangibles".

As a result of the 2014 Tax Reform, deferred IETU is no longer recognized as of December 31, 2013.

***Other assets*** **-** Software, computer developments and intangible assets are recorded originally at the face value incurred, and were restated from that date of acquisition or disbursement until December 31, 2007, using the factor derived from the UDI.

The amortization of software, computer developments and intangible assets with a definite useful life is calculated by the straight-line method, applying the respective rates to the restated expense.

***Labor liabilities*** - Under Mexican Labor Law, the Institution is liable for the payment of severance indemnities and seniority premiums to employees terminated under certain circumstances.

The Institution records the liability for severance payments, seniority, pensions, comprehensive medical services and life insurance as it is accrued, in accordance with actuarial calculations based on the projected unit credit method, using nominal rates. The Institution recognizes the actuarial gains and losses against the result of the year, in accordance with NIF D-3 "*Employee Benefits*".

Therefore, the liability is being recognized which, at present value, will cover the benefits obligation projected to the estimated date of retirement of the employees working at the Institution and its subsidiaries, as well as the obligation derived from the retired personnel.

***Provisions*** - Provisions are recognized for present obligations as a result of past events, that are probable to result in the future use of economic resources and that can be reasonably estimated.

***Foreign currency transactions*** **-** Foreign currency transactions are recorded at the exchange rate effective at the transaction date except for those generated by foreign branches. Assets and liabilities denominated in foreign currency are adjusted at the period end exchange rate published by the Central Bank of Mexico. Exchange fluctuations related to these assets and liabilities are charged to the income statement.

***Discontinued operations***-The discontinuation of an operation is the process (decision, development and termination) of definitive interruption of a significant activity of the entity. The gain or loss on the discontinued operation, net of ISR, is presented in the income statement under the heading "Discontinued operations", in the period in which an operation is discontinued.

The results for the year of the discontinued operation before the decision to discontinue and the results of the discontinued operation relative to previous years are reclassified, net of ISR, under the heading "Discontinued operations".

***Financial margin*** - The Institution's financial margin is composed by the difference between total interest income less interest expense.

Interest income is comprised of the general returns generated by the loan portfolio based on the periods established in loans executed with borrowers and negotiated interest rates, the application of interest collected in advance, the premiums or interest accrued by deposits made with financial entities, bank loans, margin call accounts, securities investments, repurchase agreements and securities loans. In addition, amortization of debt placement premiums and commissions collected for initially granting credit, as well as dividends of equity instruments are included in interest income.

Interest expense is comprised of the premiums, discounts and interest, bank loans, repurchase agreements, securities loans, debentures, debt placement issuance expenses and discounts. The amortization of costs and expenses incurred to originate loans is included within interest expenses.

***Memorandum accounts -***

Memorandum accounts are used to record assets or commitments which do not form part of the Institution's balance sheet because the related rights are not acquired or such commitments are not recognized as a liability of the entities until such eventualities occur, respectively. The amounts accrued in the memorandum accounts have only been subject to audit tests when an accounting record arises from their information (the memorandum accounts that were not audited are indicated in each case):

– *Contingent assets and liabilities:*

  Any formal claims received by the Institution which involve some kind of liability are recorded in books.

– *Credit commitments:*

  Credit commitments represent the amount of letters of credit granted by the Institution which are considered as irrevocable commercial credits not utilized by the borrowers, and unused authorized credit lines.

  The items recorded in this account are subject to credit classification.

– *Assets in trust or under mandate (unaudited):*

  Assets in trust include the value of the goods received in trust, and the data related to the administration of each one is kept in separate records. Assets under mandate record the declared value of the goods subject to mandate contracts executed by the Institution.

– *Assets in custody or under administration (unaudited):*

  This account is used to record the goods and securities which are received from third parties for custody or to be administered by the Institution.

– *Collateral received by the Institution:*

  This balance represents the total amount of collateral received in repurchase transactions and securities loans, with the Institution acting as the repurchasing party and borrower.

– *Collateral received and sold or given in guarantee by the Institution:*

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

– *Uncollected earned interest derived from non- performing loans:*

The interest earned is recorded in memorandum accounts once a current portfolio credit is transferred to overdue portfolio all.

– *Other record accounts (unaudited):*

As of December 31, 2014 and 2013, the other recording accounts present a balance of $1,993,588 and $1,497,679, respectively.

***Cash Flow Statement -*** The consolidated Cash flow statement presents the Institution's ability to generate cash and cash equivalents, as well as how the organization uses those cash flows to meet their needs. The cash flow Statement has been prepared using the indirect method based on the provisions of Criterion D-4 "Cash Flow Statements" of the Accounting Criteria.

The consolidated statement of cash flows, together with the rest of the consolidated financial statements provide information that enables the user to:

- Assess the changes in assets and liabilities of the Institution and on its financial structure.
- Evaluate collection and payment amounts and dates in order to adapt to circumstances and opportunities to generate and/or apply cash and cash equivalents.

## 5. Cash and cash equivalents

At December 31, 2014 and 2013, cash and cash equivalents consisted of the following:

| | 2014 | 2013 |
|---|---|---|
| Cash | $ 47,433 | $ 46,411 |
| Banks | 15,961 | 13,545 |
| Restricted funds | 60,723 | 68,295 |
| Other quick funds | 73 | 45 |
| | $ 124,190 | $ 128,296 |

Banks include deposits in domestic and foreign banks in Mexican pesos and U.S. dollars, translated at the exchange rate published by the Central Bank of Mexico of $14.7414 Mexican pesos and $13.0843 Mexican pesos per one U.S. dollar, as of December 31, 2014 and 2013, respectively, and are comprised as follows:

| | Mexican pesos | | U.S. Dollars (in Mexican pesos) | | Total | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Deposits with foreign credit institutions | $ - | $ - | $ 14,854 | $ 12,536 | $ 14,854 | $ 12,536 |
| Central Bank of Mexico | - | - | 158 | 105 | 158 | 105 |
| Domestic banks | 955 | 904 | (6) | - | 949 | 904 |
| | $ 955 | $ 904 | $ 15,006 | $ 12,641 | $ 15,961 | $ 13,545 |

As of December 31, 2014 and 2013, restricted funds available are as follows:

| | 2014 | 2013 |
|---|---|---|
| Monetary regulation deposits (1) | $ 59,681 | $ 65,077 |
| Foreign exchange to be received (2) | 41,159 | 41,446 |
| Foreign exchange to be delivered (2) | (40,531) | (38,583) |
| Interbank loans call money (3) | 67 | - |
| Other restricted deposits | 347 | 355 |
| | $ 60,723 | $ 68,295 |

(1) As of December 31, 2014 and 2013, the unique account of the Central Bank of Mexico includes the Institution's Monetary Regulation Deposits in the Central Bank of Mexico, which come to $59,681 and $65,077, respectively. These Monetary Regulation Deposits will have an indefinite duration, for which purpose the Central Bank of Mexico will provide timely notice of the date and the procedure for withdrawal of the respective balances. Interest on the deposit is payable every 28 days by applying the rate established in the Regulations issued by the Central Bank of Mexico.

On June 9, 2014, through Circular 9/2014, the Central Bank of Mexico modified the interest rate paid on the Monetary Regulation Deposits to reference it to the one-day Interbank Interest Rate, which the Board of Governance of the Central Bank of Mexico determined as a target rate for monetary policy purposes. As a result, the Central Bank of Mexico established new rules applicable to the Monetary Regulation Deposits which include the following:

a) The Central Bank of Mexico terminated the Monetary Regulation Deposits which the credit institutions had established based on Circular 30/2008, issued by the Central Bank of Mexico on July 9, 2008, and its amendment disseminated through Circular 36/2008 issued on August 1, 2008.

b) On June 19, 2014, at the opening of operations of SIAC- the Central Bank of Mexico made the deposits necessary in the Unique Account kept by each credit institution.

c) It also indicated the procedure which the Institution must follow for the establishment of Monetary Regulation Deposits, in terms of the amount, term, yield and composition.

Furthermore, on June 27, 2014, through Circular 11/2014, the Central Bank of Mexico increased the amount which Credit institutions must establish as a Monetary Regulation Deposit on a proportional basis, in accordance with figures reported for May 2014. The proportional amount applicable to the Institution was $59,681.

Foreign currencies to be received and delivered for purchases and sales to be settled in 24 and 48 hours as of December 31, 2014 and 2013 are composed as follows e:

| | **2014** | | |
|---|---|---|---|
| | **Balance in foreign Currency (Millions of US dollars)** | | **Mexican peso equivalent** |
| Purchases of foreign currencies to be received at 24 and 48 hours | 2,792 | $ | 41,159 |
| Sales of foreign currencies to be settled at 24 and 48 hours | (2,749) | | (40,531) |
| | 43 | $ | 628 |

| | **2013** | | |
|---|---|---|---|
| | **Balance in foreign Currency (Millions of US dollars)** | | **Mexican peso equivalent** |
| Purchases of foreign currencies to be received at 24 and 48 hours | 3,168 | $ | 41,446 |
| Sales of foreign currencies to be settled at 24 and 48 hours | (2,949) | | (38,583) |
| | 219 | $ | 2,863 |

(2) When the foreign exchange deliverable or receivable on the purchases and sales are recorded under the heading of "Funds available", the settlement accounts for the equivalent value of these operations are recorded net in the balance sheet under the headings of "Other accounts receivable, net" and "Creditors from settlement of operations".

(3) "Call money" operations granted to December 31, 2014 and 2013, represent interbank loan transactions agreed at a term shorter than or equal to three business days, respectively, at a rate of 4.50%.

## 6. Margin call accounts

At December 31, 2014 and 2013, margin call accounts are composed as follows:

| | 2014 | 2013 |
|---|---|---|
| Derivatives margin in authorized markets | $ 3,810 | $ 5,671 |

## 7. Securities

At December 31, 2014 and 2013, financial instruments were as follows:

a. ***Trading –***

| Instrument | 2014 Acquisition Cost | 2014 Accrued Interest | 2014 Increase (Decrease) due to Valuation | 2014 Book Value | 2013 Book Value | |
|---|---|---|---|---|---|---|
| Securitized certificates | $ 10,560 | $ 94 | $ 19 | $ 10,673 | $ 7,684 | |
| Sovereign debt Eurobonds | 6,840 | 88 | (37) | 6,891 | 6,077 | |
| Net equity instruments | 4,634 | - | (207) | 4,427 | 5,644 | |
| ADR´s | 5,760 | - | (173) | 5,587 | 2,363 | |
| Commercial paper companies | 798 | - | - | 798 | 1,209 | |
| Promissory notes with returns realizable at maturity | 3,477 | 1 | (1) | 3,477 | 988 | |
| Investment unit bonds (Udibonos) | 5,206 | 12 | (5) | 5,213 | 957 | |
| Corporate Eurobonds | 1,878 | 23 | (48) | 1,853 | 780 | |
| Fixed-rate bonds | 4,848 | 90 | 15 | 4,953 | 689 | |
| BPA´s (Savings Protection Bonds) | - | - | - | - | 431 | |
| Bank securitized certificates | 1,754 | 21 | 2 | 1,777 | 295 | |
| Exchangeable securitization certificates (CBIC´s) | 552 | 9 | (1) | 560 | 169 | |
| CETES | 99 | - | - | 99 | 95 | |
| Tresury Bills | 7,814 | - | - | 7,814 | 60 | |
| Investment unit bonds (CEDES) | 1 | - | - | 1 | 2 | |
| Tresury Notes | 74 | - | (2) | 72 | - | |
| | 54,295 | 338 | (438) | 54,195 | 27,443 | |
| Collateral granted | 191,431 | (196) | 940 | 192,175 | 212,494 | a.1 |
| Value date purchases | 15,342 | 47 | 5 | 15,394 | 8,966 | a.2 |
| Value date sales | (13,588) | (37) | (12) | (13,637) | (6,321) | a.3 |
| Total | $ 247,480 | $ 152 | $ 495 | $ 248,127 | $ 242,582 | |

During 2014 and 2013, valuation losses for net amounts of ($477) and ($760), respectively, were recorder in results of the year.

At December 31, 2014 and 2013, the remaining periods of these investments were as follows:

| | 2014 | | | | |
|---|---|---|---|---|---|
| **Instrument** | **Less than 1 month** | **Between 1 and 3 Months** | **More than 3 Months** | **Without a Fixed period** | **Total Acquisition cost** |
| Securitization certificates | $ 212 | $ 252 | $ 10,096 | $ - | $ 10,560 |
| Sovereign debt Eurobonds | - | 102 | 6,738 | - | 6,840 |
| Net worth instruments | - | - | - | 4,634 | 4,634 |
| ADR´s | - | - | - | 5,760 | 5,760 |
| Commercial paper - companies | 411 | 387 | - | - | 798 |
| Promissory notes with returns payable at maturity | - | 3,477 | - | - | 3,477 |
| Investment unit bonds (Udibonos) | - | - | 5,206 | - | 5,206 |
| Corporate Eurobonds | 7 | - | 1,871 | - | 1,878 |
| Fixed rate bonds | - | - | 4,848 | - | 4,848 |
| Bank securitization certificates | - | - | 1,754 | - | 1,754 |
| Exchangeable securitization certificates (CBIC's) | - | - | 552 | - | 552 |
| CETES | 2 | 97 | - | - | 99 |
| Treasury Bills | - | - | 7,814 | - | 7,814 |
| Tresury Notes | - | - | 74 | - | 74 |
| Deposit certificates (CEDES) | - | 1 | - | - | 1 |
| Total | $ 632 | $ 4,316 | $ 38,953 | $ 10,394 | $ 54,295 |

| | 2013 | | | | |
|---|---|---|---|---|---|
| **Instrument** | **Less than 1 month** | **Between 1 and 3 Months** | **More than 3 Months** | **Without a Fixed period** | **Total Acquisition cost** |
| Securitization certificates | $ - | $ 481 | $ 7,184 | $ - | $ 7,665 |
| Sovereign debt Eurobonds | 170 | 8 | 5,851 | - | 6,029 |
| Net worth instruments | - | - | - | 5,341 | 5,341 |
| ADR´s | - | - | - | 2,356 | 2,356 |
| Commercial paper - companies | 258 | 803 | 148 | - | 1,209 |
| Promissory notes with returns payable at maturity | 8 | 978 | 1 | - | 987 |
| Investment unit bonds (Udibonos) | - | - | 941 | - | 941 |
| BPA´s (Savings Protection Bonds) | 430 | - | 1 | - | 431 |
| Corporate Eurobonds | - | - | 807 | - | 807 |
| Fixed rate bonds | - | - | 632 | - | 632 |
| Bank securitization certificates | - | - | 294 | - | 294 |
| Exchangeable securitization certificates (CBIC's) | - | - | 167 | - | 167 |
| CETES | - | - | 95 | - | 95 |
| Treasury Bills | - | - | 65 | - | 65 |
| Deposit certificates (CEDES) | - | - | 2 | - | 2 |
| Total | $ 866 | $ 2,270 | $ 16,188 | $ 7,697 | $ 27,021 |

a.1 The collateral granted as of December 31, 2014 and 2013, were composed as follows:

| | 2014 | | | | 2013 |
|---|---|---|---|---|---|
| Instrument | Acquisition Cost | Accrued Interest | Valuation Increase (Decrease) | Book Value | Book Value |
| Fixed rate bonds | $ - | $ - | $ - | $ - | $ 505 |
| Net worth instruments | - | - | - | - | 64 |
| Bonds received as security loan warranties | - | - | - | - | 569 |
| BPA's (Savings Protection Bonds) | 45,068 | 82 | (38) | 45,112 | 61,959 |
| Fixed rate bonds | 37,352 | 9 | 302 | 37,663 | 58,566 |
| Federal Treasury Certificates (Cetes) | 4,709 | - | - | 4,709 | 27,478 |
| Federal Government Development Bonds (Bondes) | 50,912 | (13) | 535 | 51,434 | 11,027 |
| Investment unit bonds (Udibonos) | 4,850 | - | 6 | 4,856 | 11,805 |
| Securitization certificates | 1,938 | - | - | 1,938 | 4,388 |
| PRLV´S | - | - | - | - | 2,000 |
| CEDES | 1,000 | - | - | 1,000 | 2,000 |
| Exchangeable securitization certificates (CBIC's) | 4,900 | - | - | 4,900 | 7,915 |
| Commercial paper | - | - | - | - | 444 |
| Bonds received as repurchase agreement warranties | 150,729 | 78 | 805 | 151,612 | 187,582 |
| Fixed rate bonds | 37,083 | (274) | 105 | 36,914 | 11,908 |
| T BILLS received as derivatives warranties | - | - | - | - | 7,068 |
| BPA's (Savings Protection Bonds) | 2,892 | - | 30 | 2,922 | 5,053 |
| Federal Government Development Bonds (Bondes) | 727 | - | - | 727 | 274 |
| CETES | - | - | - | - | 40 |
| Other warranties | 40,702 | (274) | 135 | 40,563 | 24,343 |
| Total restricted securities | $ 191,431 | $ (196) | $ 940 | $ 192,175 | $ 212,494 |

a.2 Value date purchases at December 31, 2014, and 2013, were composed as follows:

| Instrument | 2014 Acquisition Cost | 2014 Accrued Interest | 2014 Valuation Increase (Decrease) | 2014 Book Value | 2013 Book Value |
|---|---|---|---|---|---|
| Fixed rate bonds | $ 11,252 | $ 33 | $ 4 | $ 11,289 | $ 4,184 |
| CETES | 566 | - | - | 566 | 2,452 |
| Investment unit bonds (Udibonos) | 2,819 | 6 | 1 | 2,826 | 1,093 |
| Net worth instruments | 458 | - | (1) | 457 | 294 |
| BPA´s (Savings Protection Bonds) | - | - | - | - | 899 |
| Sovereign debt Eurobonds | - | - | - | - | 43 |
| ADR’s | 20 | - | (4) | 16 | 1 |
| Corporate Eurobonds | 6 | - | - | 6 | - |
| Securitization certificates | 35 | - | - | 35 | - |
| Sovereign debt Eurobonds | 186 | 8 | 5 | 199 | - |
| Total | $ 15,342 | $ 47 | $ 5 | $ 15,394 | $ 8,966 |

a.3 Value date sales at December 31, 2014, and 2013, were composed as follows:

| Instrument | 2014 Acquisition Cost | 2014 Accrued Interest | 2014 Valuation Increase (Decrease) | 2014 Book Value | 2013 Book Value |
|---|---|---|---|---|---|
| Fixed rate bonds | $ (7,829) | $ (23) | $ (9) | $ (7,861) | $ (2,074) |
| CETES | (2,292) | - | - | (2,292) | (2,355) |
| Investment unit bonds (Udibonos) | (1,943) | (3) | - | (1,946) | (509) |
| Federal Government Development Bonds (Bondes) | - | - | - | - | (498) |
| \|Securitization certificates | (543) | (1) | - | (544) | (348) |
| Net worth instruments | (520) | - | 3 | (517) | (243) |
| BPA’s (Savings Protection Bonds) | (201) | (6) | - | (207) | (202) |
| ADR's | (46) | - | - | (46) | (92) |
| Sovereign debt Eurobonds | (214) | (4) | (6) | (224) | - |
| | $ (13,588) | $ (37) | $ (12) | $ (13,637) | $ (6,321) |

b. ***Available for sale –***

| Instrument | 2014 Acquisition Cost | 2014 Accrued Interest | 2014 Valuation Increase (Decrease) | 2014 Book Value | 2013 Book Value | |
|---|---|---|---|---|---|---|
| Sovereign debt Eurobonds | $ 18,258 | $ 381 | $ 347 | $ 18,986 | $ 13,943 | |
| Securitization certificates | 16,748 | 108 | 374 | 17,230 | 12,566 | |
| Corporate Eurobonds | 3,163 | 67 | 21 | 3,251 | 3,030 | |
| Fixed rate bonds | - | - | - | - | 2,000 | |
| Net worth instruments | 807 | - | (93) | 714 | 800 | |
| ADR's | 10 | - | 278 | 288 | 248 | |
| CEDES Udis | 75 | 39 | 1 | 115 | 107 | |
| Brem's | 10 | - | - | 10 | - | |
| | 39,071 | 595 | 928 | 40,594 | 32,694 | |
| Restricted securities | 111,385 | 49 | 159 | 111,593 | 92,222 | b.1 |
| Total | $ 150,456 | $ 644 | $ 1,087 | $ 152,187 | $ 124,916 | |

At December 31, 2014, the remaining scheduled maturities of the above instruments were as follows:

| Instrument | Between 1 and 3 Months | More than 3 Months | Without a Fixed period | Total Acquisition Cost |
|---|---|---|---|---|
| Sovereign debt Eurobonds | $ - | $ 18,258 | $ - | $ 18,258 |
| Securitization certificates | 499 | 16,249 | - | 16,748 |
| Corporate Eurobonds | - | 3,163 | - | 3,163 |
| Brem's | - | 10 | - | 10 |
| Net worth instruments | - | - | 807 | 807 |
| CEDES UDI´s | - | 75 | - | 75 |
| ADR's | - | - | 10 | 10 |
| Total | $ 499 | $ 37,755 | $ 817 | $ 39,071 |

At December 31, 2013, the remaining scheduled maturities of the above instruments were as follows:

| Instrument | More than 3 Months | Without a Fixed period | Total Acquisition Cost |
|---|---|---|---|
| Sovereign debt Eurobonds | $ 13,738 | $ - | $ 13,738 |
| Securitization certificates | 12,133 | - | 12,133 |
| Corporate Eurobonds | 3,047 | - | 3,047 |
| Fixed rate bonds | 1,885 | - | 1,885 |
| Net worth instruments | - | 807 | 807 |
| CEDES UDI´s | 68 | - | 68 |
| ADR's | - | 9 | 9 |
| Total | $ 30,871 | $ 816 | $ 31,687 |

b.1 Collateral granted (restricted securities) as of December 31, 2014 and 2013, were as follows:

| Instrument | 2014 Acquisition Cost | 2014 Accrued Interest | 2014 Increase (Decrease) due to Valuation | 2014 Book Value | 2013 Book Value |
|---|---|---|---|---|---|
| Fixed rate bonds | $ 94,833 | $ 73 | $ 150 | $ 95,056 | $ 36,205 |
| Federal Government Development Bonds (Bondes) | 1,112 | - | 1 | 1,113 | 27,285 |
| CETES | - | - | - | - | 3,285 |
| Securitization certificates | 924 | - | 19 | 943 | 2,159 |
| Brem's | 13,224 | (24) | - | 13,200 | - |
| UDIBONOS | 334 | - | (11) | 323 | 302 |
| Total warranties receivable from repurchase agreements | 110,427 | 49 | 159 | 110,635 | 69,236 |
| Fixed rate bonds | - | - | - | - | 22,214 |
| T BILLS given as warranties | 958 | - | - | 958 | 772 |
| Total other warranties | 958 | - | - | 958 | 22,986 |
| Total restricted securities | $ 111,385 | $ 49 | $ 159 | $ 111,593 | $ 92,222 |

c. ***Held to maturity -***

*The following securities have medium and long-term maturities:*

| Instrument | 2014 Acquisition Cost | 2014 Accrued Interest | 2014 Book Value | 2013 Book Value |
|---|---|---|---|---|
| Government bonds- Mortgage debtor support program | $ 14,616 | $ - | $ 14,616 | $ 14,179 |
| Government bonds- State and Municipality debtor support program | 1,722 | - | 1,722 | 1,672 |
| U.S. Treasury securities | 44 | - | 44 | 39 |
| Total | $ 16,382 | $ - | $ 16,382 | $ 15,890 |

For the years ended December 31, 2014 and 2013, the yields related to the overall held to maturity portfolio, recorded in the result of the year, amounted to $489 and $593, respectively.

d. ***Collateral Received***

The terms and conditions for the delivery of securities as collateral are in line with the framework contracts of Repurchase Agreements, Securities Loans, and Derivatives (ISDA/CEMOF). These contracts establish the exchange of collateral, which will help mitigate the credit risk, in order to have a reasonable level of collateral; the collateral granted does not fulfill criteria for transfer of ownership, for which reason the entity which provides the collateral retains the corporate and economic rights of such instruments, unless there is default on the obligations guaranteed. However, these framework contracts stipulate the temporary use and enjoyment of such securities with the commitment to return them at maturity of the guarantee transaction or margin return calls due to a drop in the guaranteed value at risk.

As a result of the collateral exchange agreements of financial institutions which have a negative market value, a commitment is made to deliver to the other party (which therefore presents a positive market value) assets or cash to reduce the exposure for credit risk, under the terms stipulated in the aforementioned bilateral contract.

## 8. Repurchase transactions

As of December 31, 2014 and 2013, repurchase transactions were composed as follows:

a. ***Repurchase agreement debtors*** -

*As repurchasing party:*

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | Asset Side | Liability Side | | Asset Side | Liability Side | |
| **Instrument** | **Receivable Under repurchase** | **Collateral sold or delivered** | **Debit** | **Receivable under repurchase** | **Collateral sold or delivered** | **Debit** |
| Federal Government Development Bonds (Bondes) | $ 144 | $ - | $ 144 | $ - | $ - | $ - |
| BPA's (saving protection bonds) | - | - | - | 15,533 | 15,484 | 49 |
| Total | $ 144 | $ - | $ 144 | $ 15,533 | $ 15,484 | $ 49 |

b. ***Repurchase creditors -***

*Security vendor:*

| | 2014 | 2013 |
|---|---|---|
| | Liability Side | Liability Side |
| **Instruments** | **Payables under resale agreements** | **Payables under resale agreements** |
| Fixed rate bonds | $ 129,007 | $ 92,939 |
| BPA's (Savings Protection Bonds) | 44,400 | 60,863 |
| Federal Government Development Bonds (Bondes) | 52,032 | 38,199 |
| CETES | 4,709 | 30,610 |
| Investment unit bonds (Udibonos) | 5,173 | 12,126 |
| Securitization certificates | 3,780 | 11,573 |
| BREMS | 13,195 | - |
| Bank Bonds | 546 | - |
| CBIC's | 4,900 | 7,943 |
| CEDES | 1,000 | 2,000 |
| Total | $ 258,742 | $ 256,253 |

c. ***Creditors in transactions involving securities loans and derivatives –***

| Instrument | 2014 Memoranda accounts: Collateral Received for Securities Loans | 2014 Memoranda accounts: Collateral Received for Loans and Sold or Given in Guarantee | 2014 Liability portion: Creditors from Collateral Sold or Given in Guarantee | 2013 Memoranda accounts: Collateral Received for Securities Loans | 2013 Memoranda accounts: Collateral Received for Loans Sold or Given in Guarantee | 2013 Liability portion: Creditors from Collateral Sold or Given in Guarantee |
|---|---|---|---|---|---|---|
| Borrower: | | | | | | |
| Government securities - | | | | | | |
| Fixed rate bonds | $ 20,949 | $ 20,949 | $ 20,949 | $ 27,775 | $ 27,775 | $ 27,775 |
| Net worth instruments | 14 | 14 | 14 | 1 | 1 | 1 |
| Investment unit bonds (Udibonos) | 3,564 | 3,564 | 3,564 | 9,567 | 9,567 | 9,567 |
| CETES | 8,292 | 8,292 | 8,292 | 403 | 403 | 403 |
| CBIC´s | 5,375 | 5,375 | 5,375 | 29 | 29 | 29 |
| | 38,194 | 38,194 | 38,194 | 37,775 | 37,775 | 37,775 |
| Derivatives: | | | | | | |
| Treasury Notes | - | - | - | 6,715 | 6,432 | 6,432 |
| | - | - | - | 6,715 | 6,432 | 6,432 |
| Repurchase agreements: | | | | | | |
| Federal Government Development Bonds (Bondes) | 10,506 | 10,506 | - | - | - | - |
| Fixed rate bonds | 4,352 | 4,352 | - | - | - | - |
| BPA's (saving protection bonds) | 4,005 | 4,005 | 1 | - | - | - |
| | 18,863 | 18,863 | 1 | - | - | - |
| Total | $ 57,057 | $ 57,057 | $ 38,195 | $ 44,490 | $ 44,207 | $ 44,207 |

Premiums payable were recognized in the results of 2014 and 2013 for the amount of $67 and $78, respectively.

At December 31, 2014 and 2013, the Institution has contracted repurchase agreements for an average period of 20 days, while transactions involving securities loans are performed over an average period of 15 days.

## 9. Derivatives

At December 31, 2014 and 2013, securities and derivative transactions were as follows:

a. ***Derivatives*** - The chart below shows the open derivative instrument transactions of the Institution as of December 31, 2014 and 2013. The currency position generated by these derivative instruments must be added to the position in the balance sheet in order to obtain the year-end position amount analyzed in Note 27.

*Trading:*

| Transaction | 2014 Notional amount Asset | 2014 Notional amount Liability | 2014 Balance Debit | 2014 Balance Credit |
|---|---|---|---|---|
| Long-term futures position | $ 57,819 | $ 57,819 | $ - | $ - |
| Short-term futures position | 25,404 | 25,404 | - | - |
| Long-term forwards contracts | 404,530 | 395,604 | 13,132 | 4,206 |
| Short-term forwards contracts | 447,146 | 464,632 | 2,776 | 20,262 |
| Options acquired | 5,405 | - | 5,405 | - |
| Options sold | - | 9,913 | - | 9,913 |
| Swaps | 820,225 | 816,033 | 63,757 | 59,565 |
| | $ 1,760,529 | $ 1,769,405 | $ 85,070 | $ 93,946 |

| Transaction | 2013 Notional amount Asset | 2013 Notional amount Liability | 2013 Balance Debit | 2013 Balance Credit |
|---|---|---|---|---|
| Long-term futures position | $ 117,947 | $ 117,947 | $ - | $ - |
| Short-term futures position | 12,394 | 12,394 | - | - |
| Long-term forwards contracts | 277,374 | 277,193 | 3,306 | 3,125 |
| Short-term forwards contracts | 274,394 | 273,195 | 3,647 | 2,448 |
| Options acquired | 1,898 | - | 1,898 | - |
| Options sold | - | 4,757 | - | 4,757 |
| Swaps | 746,288 | 745,753 | 51,592 | 51,057 |
| | $ 1,430,295 | $ 1,431,239 | $ 60,443 | $ 61,387 |

*Hedging:*

| Transaction | 2014 Notional Amount Asset | 2014 Notional Amount Liability | 2014 Balance, net Debit | 2014 Balance, net Credit |
|---|---|---|---|---|
| Swaps | $ 89,681 | $ 88,234 | $ 6,925 | $ 5,478 |

| Transaction | 2013 Notional Amount Asset | 2013 Notional Amount Liability | 2013 Balance, net Debit | 2013 Balance, net Credit |
|---|---|---|---|---|
| Swaps | $ 73,925 | $ 75,843 | $ 2,915 | $ 4,833 |

a1. ***Futures and forward contracts*** **-** For the year ended December 31, 2014, the Institution carried out transactions in recognized markets (Mexican Derivatives Market (Mex-Der) Chicago and ITAU), including an equity of $6,914 distributed in rates of ($122), currencies of $6,722, $249 indexes and securities of $65.

The Institution also entered into forward contracts with the principal foreign currencies. At the close of the year 2014, the following contracts are open:

*Trading:*

| Type of Transaction | Underlying | Sales: Receivable | Sales: Contract Value | Purchases: Contract Value | Purchases: Deliverable | Book Balance |
|---|---|---|---|---|---|---|
| Futures | TIIE | $ 4,822 | $ 4,822 | $ 7,827 | $ 7,827 | $ - |
| | Bond M10 | 2,452 | 2,452 | 1,485 | 1,485 | - |
| | Cetes | - | - | 500 | 500 | - |
| | Index | 1,400 | 1,400 | 697 | 697 | - |
| | U.S. dollars | 16,730 | 16,730 | 47,310 | 47,310 | - |
| | | $ 25,404 | $ 25,404 | $ 57,819 | $ 57,819 | $ - |
| Forwards | U.S. dollars | $ 393,077 | $ 418,558 | $ 378,991 | $ 369,933 | $ (8,281) |
| | Index | 6,302 | 6,294 | 4,777 | 4,877 | (92) |
| | Equity | 3,206 | 3,321 | 3,251 | 3,128 | 8 |
| | Bonds | 44,561 | 44,601 | 17,511 | 17,666 | (195) |
| | | $ 447,146 | $ 464,632 | $ 404,530 | $ 395,604 | $ (8,560) |

At the close of the year 2013, the following contracts are open:

*Trading:*

| Type of Transaction | Underlying | Sales: Receivable | Sales: Contract Value | Purchases: Contract Value | Purchases: Deliverable | Book Balance |
|---|---|---|---|---|---|---|
| Futures | TIIE | $ 4,818 | $ 4,818 | $ 60,676 | $ 60,676 | $ - |
| | Bond M10 | - | - | 1,104 | 1,104 | - |
| | Index | 7,246 | 7,246 | 626 | 626 | - |
| | U.S. dollars | 330 | 330 | 55,541 | 55,541 | - |
| | | $ 12,394 | $ 12,394 | $ 117,947 | $ 117,947 | $ - |
| Forwards | U.S. dollars | $ 269,711 | $ 268,207 | $ 243,254 | $ 243,014 | $ 1,744 |
| | Index | 99 | 100 | 25,961 | 26,083 | (123) |
| | Equity | 4,316 | 4,469 | 5,302 | 5,139 | 10 |
| | Bonds | 268 | 419 | 2,857 | 2,957 | (251) |
| | | $ 274,394 | $ 273,195 | $ 277,374 | $ 277,193 | $ 1,380 |

a2. ***Options*** - At December 31, 2014, option transactions were as follows:

Trading:

| Type of Transaction | | Underlying | Notional Amount | Fair Value |
|---|---|---|---|---|
| Purchases | OTC Options | Interest rates | $ 26,364 | $ 762 |
| | | Equity securities and index | 102,518 | 2,406 |
| | | U.S. dollars | 57,995 | 1,628 |
| | Market options | Equity securities and index | 3,612 | 609 |
| | | | | $ 5,405 |
| Sales | OTC Options | Interest rates | $ 208,186 | $ 983 |
| | | Equity securities and index | 92,962 | 7,425 |
| | | U.S. dollars | 60,810 | 1,098 |
| | Market options | Equity securities and index | 5,891 | 407 |
| | | | | $ 9,913 |

At December 31, 2013, option transactions were as follows:

Trading:

| Type of Transaction | | Underlying | Notional Amount | Fair Value |
|---|---|---|---|---|
| Purchases | OTC Options | Interest rates | $ 24,238 | $ 766 |
| | | Equity securities and index | 27,776 | 1,065 |
| | | U.S. dollars | 51,010 | (12) |
| | | Energy commodities | 544 | - |
| | Market options | Equity securities and index | 3,182 | 79 |
| | | | | $ 1,898 |
| Sales | OTC Options | Interest rates | $ 150,669 | $ 949 |
| | | Equity securities and index | 26,428 | 3,718 |
| | | U.S. dollars | 52,338 | 60 |
| | | Energy commodities | 544 | - |
| | Market options | Equity securities and index | 1,666 | 30 |
| | | | | $ 4,757 |

a3. ***Swaps*** - At December 31, 2014, swaps transactions were as follows:

*Trading:*

| Underlying | Currency | Receivable Contract Value | Payable Contract Value | Receivable | Payable | Net Position |
|---|---|---|---|---|---|---|
| Currency | US dollar | $ 189,851 | $ 160,762 | $ 210,000 | $ 177,305 | $ 32,695 |
| | Mexican peso | 150,987 | 144,700 | 255,933 | 258,309 | (2,376) |
| | UDIS | 85,893 | 96,616 | - | - | - |
| | Euro | 21,102 | 41,440 | 22,669 | 46,268 | (23,599) |
| | Colombian peso | 380 | 790 | - | - | - |
| | Peruvian nuevo sol | 212 | 147 | - | - | - |
| | Pound Sterling | 1,149 | 1,149 | 1,569 | 1,592 | (23) |
| | Development Unit – Chile | 1,247 | 1,258 | - | - | - |
| | Chilean Peso | 1,277 | - | - | - | - |
| | | | | 490,171 | 483,474 | 6,697 |
| Interest rates | Mexican peso | | $1,644,916 | $ 280,044 | $ 282,157 | $ (2,113) |
| | US dollar | | 615,053 | 1,474 | 1,796 | (322) |
| | Euro | | 30,758 | 48,363 | 48,317 | 46 |
| | | | | 329,881 | 332,270 | (2,389) |
| Shares | US dollar | | $ 5,030 | $ 125 | $ 9 | $ 116 |
| CDS | U.S. dollars | | $ 1,253 | $ 40 | $ 38 | $ 2 |
| CRA | Mexican peso | | | $ (234) | $ - | $ (234) |
| Authorized markets | Mexican peso | | $ 3,263 | $ 242 | $ 242 | $ - |
| | | | | $ 820,225 | $ 816,033 | $ 4,192 |

The Institution entered into nominal interest rate swaps in Mexican pesos with various institutions, at annual rates ranging from 1.77% to 20.26%. At December 31, 2014, the notional amount of swaps was $1,644,916.

At December 31, 2013, swap transactions were as follows:

*Trading:*

| Underlying | Currency | Receivable Contract Value | Payable Contract Value | Receivable | Payable | Net Position |
|---|---|---|---|---|---|---|
| Currency | US dollar | $ 158,845 | $ 138,061 | $ 178,997 | $ 154,615 | $ 24,382 |
| | Mexican peso | 147,457 | 145,165 | 250,329 | 259,417 | (9,088) |
| | UDIS | 82,141 | 94,436 | - | - | - |
| | Euro | 10,600 | 21,259 | 11,399 | 23,731 | (12,332) |
| | Yen | 2,610 | 2,610 | 2,621 | 2,620 | 1 |
| | Colombian peso | 4,121 | 2,205 | - | - | - |

| Underlying | Currency | Receivable Contract Value | Payable Contract Value | Receivable | Payable | Net Position |
|---|---|---|---|---|---|---|
| | Peruvian nuevo sol | 201 | 139 | - | - | - |
| | Pound Sterling | 1,083 | 2,167 | 1,335 | 2,692 | (1,357) |
| | Development Unit – Chile | 1,206 | 1,217 | - | - | - |
| | Chilean Peso | 1,305 | - | - | - | - |
| | Swiss Franc | 736 | 736 | 763 | 762 | 1 |
| | | | | 445,444 | 443,837 | 1,607 |
| Interest rates | Mexican peso | | $1,319,479 | $ 262,833 | $ 264,909 | $ (2,076) |
| | US dollar | | 372,402 | 36,904 | 36,061 | 843 |
| | Euro | | 5,738 | 747 | 759 | (12) |
| | | | | 300,484 | 301,729 | (1,245) |
| Shares | Mexican peso | | $ 203 | $ 6 | $ 2 | $ 4 |
| | US dollar | | 7,917 | 314 | 14 | 300 |
| | | | | 320 | 16 | 304 |
| CDS | U.S. dollars | | $ 1,112 | $ 41 | $ 41 | $ - |
| CRA | Mexican peso | | | $ (131) | $ - | $ (131) |
| Authorized markets | Mexican peso | | $ 4,704 | $ 130 | $ 130 | $ - |
| | | | | $ 746,288 | $ 745,753 | $ 535 |

The Institution entered into nominal interest rate swaps in Mexican pesos with various institutions, at annual rates ranging from 2.36% to 20.26%. At December 31, 2013, the notional amount of swaps was $1,319,479.

*Hedging:*

At December 31, 2014-

| Underlying | Currency | Valor Value Receivable | Contract Value Deliverable | Receivable | Deliverable | Net Position |
|---|---|---|---|---|---|---|
| Currency | Mexican peso | $ 17,437 | $ 21,227 | $ 19,462 | $ 25,790 | $ (6,328) |
| | U.S. dollars | 29,225 | 5,549 | 35,839 | 6,529 | 29,310 |
| | Pound Sterling | - | 970 | - | 1,440 | (1,440) |
| | Euro | - | 17,185 | - | 19,763 | (19,763) |
| | | | | 55,301 | 53,522 | 1,779 |
| Interest rates | Mexican peso | | $ 29,378 | $ 14,062 | $ 15,408 | $ (1,346) |
| | U.S. dollars | | 48,313 | 20,318 | 19,304 | 1,014 |
| | | | | $ 89,681 | $ 88,234 | $ 1,447 |

The Institution entered into nominal interest rate swaps in Mexican pesos with various institutions at annual rates ranging from 3.29% to 9.29%. At December 31, 2014, the notional amount of swaps was $29,378.

At December 31, 2013-

*Hedging:*

| Underlying | Currency | Valor Value Receivable | Contract Value Deliverable | Receivable | Deliverable | Net Position |
|---|---|---|---|---|---|---|
| Currency | Mexican peso | $ 13,565 | $ 13,483 | $ 15,215 | $ 17,052 | $ (1,837) |
| | U.S. dollars | 21,053 | 2,747 | 25,041 | 3,233 | 21,808 |
| | Yen | - | 2,610 | - | 2,622 | (2,622) |
| | GBP | - | 914 | - | 1,264 | (1,264) |
| | Euro | - | 15,171 | - | 16,888 | (16,888) |
| | | | | 40,256 | 41,059 | (803) |
| | | | **Contract Value Deliverable** | **Receivable** | **Deliverable** | **Net Position** |
| Interest rates | Mexican peso | | $ 58,274 | $ 15,512 | $ 16,069 | $ (557) |
| | U.S. dollars | | 38,295 | 18,157 | 18,715 | (558) |
| | | | | 33,669 | 34,784 | (1,115) |
| | | | | $ 73,925 | $ 75,843 | $ (1,918) |

The Institution entered into nominal interest rate swaps in Mexican pesos with various institutions at annual rates ranging from 3.79% to 9.30%. At December 31, 2013, the notional amount of swaps was $58,274.

Collateral received in OTC derivatives as of December 31, 2014 and 2013 is recorded under the heading "Creditors for collateral received in cash" and is shown as follows:

| | 2014 | | | 2013 |
|---|---|---|---|---|
| Cash received as derivatives warranty | Acquisition Cost | Accrued Interest | Book Value | Book Value |
| BBVA Servex | $ - | $ - | $ - | $ 3,381 |
| Soc. Hipotecaria Federal | 1,476 | 3 | 1,479 | 1,251 |
| J. Aron and Company | 1,197 | - | 1,197 | 875 |
| Societe Generale | - | - | - | 120 |
| Credit Agricole CIB | 960 | - | 960 | 201 |
| Banco Nacional Comercio Exterior | 274 | 1 | 275 | 33 |
| Docuformas S.A.P.I. de C.V. | 4 | - | 4 | 4 |
| Morgan Stanley & Co. | 546 | - | 546 | 2 |
| Credit Suisse Security | 7,519 | 1 | 7,520 | - |
| Natixis | 573 | - | 573 | - |
| Royal Bk Of Scotland | 24 | - | 24 | - |
| Goldman Sachs Paris | 1,205 | - | 1,205 | - |
| Banco JP Morgan S.A. | 120 | - | 120 | - |
| Fondo Alterna S.A C.V. SIID | 1 | - | 1 | - |
| Banco Inbursa S.A. I.B.M. | 865 | - | 865 | - |
| Banco Nacional de OB | 707 | 2 | 709 | - |
| Total warranties received in cash | $ 15,471 | $ 7 | $ 15,478 | $ 5,867 |

The Institution has recorded the collateral received for OTC derivatives in memoranda accounts, as detailed below:

| Securities received as derivative warranties | Counterparty | 2013 Face value | 2013 Book value |
|---|---|---|---|
| Treasury Notes | CSFB | $ 6,715 | $ 6,715 |
| Total warranties received in securities | | $ 6,715 | $ 6,715 |

As of December 31, 2014 the Institution does not have any "Collateral Received" recorded in memorandum accounts because the collateral which CSFB held at the close of the year 2013 was substituted by a cash deposit which came to $7,520 at the close of the year 2014.

a4. ***Transactions with embedded derivative financial instruments -***

*Held for trading purposes*:

| | 2014 | | | |
|---|---|---|---|---|
| | Book value | | Balance | |
| Transaction type | Asset | Liability | Asset | Liability |
| Options acquired | $ 476 | $ - | $ 476 | $ - |
| Options sold | - | 1,193 | - | 1,193 |
| Swaps | 27,777 | 26,837 | 5,258 | 4,318 |
| | $ 28,253 | $ 28,030 | $ 5,734 | $ 5,511 |

| | 2013 | | | |
|---|---|---|---|---|
| | Book value | | Balance | |
| Transaction type | Asset | Liability | Asset | Liability |
| Options acquired | $ 513 | $ - | $ 513 | $ - |
| Options sold | - | 521 | - | 521 |
| Swaps | 22,848 | 22,904 | 2,533 | 2,589 |
| | $ 23,361 | $ 23,425 | $ 3,046 | $ 3,110 |

a5. ***Embedded options (Underlying) –***

*Held for trading purposes*:

| Transaction type | | Underlying | 2014 Face value | 2014 Fair value |
|---|---|---|---|---|
| Purchases | OTC Options | US dollar | $ 1,546 | $ 6 |
| | | Interest rates | 28,192 | 100 |
| | | Indexes | 15,861 | 370 |
| | | | $ 45,599 | $ 476 |
| Sales | OTC Options | Interest rates | $ 3,722 | $ 27 |
| | | Indexes | 13,536 | 1,160 |
| | | US dollar | 1,536 | 6 |
| | | | $ 18,794 | $ 1,193 |

| Transaction type | | Underlying | 2013 Face value | | 2013 Fair value | |
|---|---|---|---|---|---|---|
| Purchases | OTC Options | US dollar | $ | 3,376 | $ | 45 |
| | | Interest rates | | 11,754 | | 311 |
| | | Indexes | | 10,148 | | 157 |
| | | | $ | 25,278 | $ | 513 |
| Sales | OTC Options | Interest rates | $ | 5,096 | $ | 25 |
| | | Indexes | | 10,307 | | 451 |
| | | US dollar | | 2,510 | | 45 |
| | | | $ | 17,913 | $ | 521 |

a6. ***Embedded swaps (Underlying) -***

*Held for trading purposes*:

| Underlying | Currency | 2014 Receivable face value | | Receivable market value | | Payable market value | | Fair value | |
|---|---|---|---|---|---|---|---|---|---|
| Currency | Mexican peso | $ | 10,222 | $ | 10,337 | $ | 10,575 | $ | (238) |
| | US dollar | | 8,611 | | 10,253 | | 9,458 | | 795 |
| | Euro | | 346 | | 408 | | 413 | | (5) |
| | | $ | 19,179 | $ | 20,998 | $ | 20,446 | $ | 552 |
| Interest rate | Mexican peso | $ | 30,721 | $ | 6,581 | $ | 6,249 | $ | 332 |
| | US dollar | | 881 | | 198 | | 142 | | 56 |
| | | $ | 31,602 | $ | 6,779 | $ | 6,391 | $ | 388 |

| Underlying | Currency | 2013 Receivable face value | | Receivable market value | | Payable market value | | Fair value | |
|---|---|---|---|---|---|---|---|---|---|
| Currency | Mexican peso | $ | 10,421 | $ | 10,661 | $ | 11,713 | $ | (1,052) |
| | US dollar | | 7,489 | | 9,546 | | 8,590 | | 956 |
| | | $ | 17,910 | $ | 20,207 | $ | 20,303 | $ | (96) |
| Interest rate | Mexican peso | $ | 10,844 | $ | 2,641 | $ | 2,601 | $ | 40 |

## 10. Loan portfolio

Loans granted classified by type of loan at December 31, 2014 and 2013, were as follows:

| | Performing portfolio | | Non-performing portfolio | | Total | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Commercial loans- | | | | | | |
| Denominated in Mexican pesos- | | | | | | |
| Commercial | $ 181,726 | $ 174,260 | $ 4,964 | $ 5,283 | $ 186,690 | $ 179,543 |
| Rediscounted portfolio | 8,464 | 6,482 | 171 | 178 | 8,635 | 6,660 |
| Lease portfolio | 1,078 | 1,034 | 45 | 50 | 1,123 | 1,084 |
| Denominated in U.S. dollars- (equivalent in Mexican pesos) | | | | | | |
| Commercial | 104,128 | 80,906 | 109 | 134 | 104,237 | 81,040 |
| Rediscounted portfolio | 955 | 775 | 41 | 37 | 996 | 812 |
| Lease portfolio | 156 | 123 | 8 | 7 | 164 | 130 |
| Total commercial loans | 296,507 | 263,580 | 5,338 | 5,689 | 301,845 | 269,269 |
| Financial entities | 10,060 | 11,154 | 42 | - | 10,102 | 11,154 |
| Government entities | 127,988 | 89,545 | 2 | 2 | 127,990 | 89,547 |
| Total trade loans | 434,555 | 364,279 | 5,382 | 5,691 | 439,937 | 369,970 |
| Consumer- | | | | | | |
| Credit card | 93,200 | 96,656 | 4,148 | 4,081 | 97,348 | 100,737 |
| Other consumer loans | 100,211 | 83,918 | 3,339 | 3,370 | 103,550 | 87,288 |
| Total consumer loans | 193,411 | 180,574 | 7,487 | 7,451 | 200,898 | 188,025 |
| Mortgage | 159,466 | 154,046 | 9,082 | 9,533 | 168,548 | 163,579 |
| Total loans | $ 787,432 | $ 698,899 | $ 21,951 | $ 22,675 | $ 809,383 | $ 721,574 |

During 2014 and 2013, the Institution acquired portfolio in the amount of $5,585 and $66 respectively. With a corresponding book value at the time of the purchase of $21 and $0, respectively.

At December 2014 and 2013, housing loan portfolio includes restricted securitized current portfolio of $6,748 and $7,892, respectively; and past-due portfolio of $103 and $105, respectively.

Commercial loans are detailed below; the distressed and non-distressed current and overdue portfolios at December 31, 2014 and 2013, are also identified. This portfolio does not include guarantees and interest collected ahead of time, which are shown as part of the commercial portfolio on the consolidated balance sheet:

| | 2014 | | | | |
|---|---|---|---|---|---|
| | Distressed | | Non-distressed | | |
| Portfolio | Current | Overdue | Current | Overdue | Total |
| Business or commercial activity | $ 355 | $ 2,137 | $ 275,448 | $ 2,672 | $ 280,612 |
| Credits to financial entities | 12 | 38 | 9,585 | - | 9,635 |
| Credits to government entities | - | 1 | 125,559 | - | 125,560 |
| Business credit card | 550 | 1,620 | 23,496 | 14 | 25,680 |
| Company credit card | 4 | 6 | 87 | - | 97 |
| Total | $ 921 | $ 3,802 | $ 434,175 | $ 2,686 | $ 441,584 |

| Portfolio | 2013 | | | | |
|---|---|---|---|---|---|
| | Distressed | | Non-distressed | | |
| | Current | Overdue | Current | Overdue | Total |
| Business or commercial activity | $ 929 | $ 4,223 | $ 242,833 | $ 1,201 | $ 249,186 |
| Credits to financial entities | - | - | 11,406 | - | 11,406 |
| Credits to government entities | - | - | 89,147 | 2 | 89,149 |
| Business credit card | 490 | 951 | 20,258 | - | 21,699 |
| Company credit card | 5 | 6 | 72 | - | 83 |
| Total | $ 1,424 | $ 5,180 | $ 363,716 | $ 1,203 | $ 371,523 |

The restructured and renewed portfolio at December 31, 2014, and 2013 were as follows:

| Restructured Portfolio | 2014 | | |
|---|---|---|---|
| | Current | Past due | Total |
| Business or commercial activity | $ 49,138 | $ 1,386 | $ 50,524 |
| Consumer loans | 669 | 1,106 | 1,775 |
| Residential mortgage loans | 18,477 | 4,843 | 23,320 |
| Total | $ 68,284 | $ 7,335 | $ 75,619 |

At December 31, 2014, the Institution has warranties in real property for the amount of $25,079, together with warranties in securities for the amount of por $25,064, for restructured commercial credits.

| Restructured Portfolio | 2013 | | |
|---|---|---|---|
| | Current | Past due | Total |
| Business or commercial activity | $ 46,579 | $ 1,882 | $ 48,461 |
| Consumer loans | 594 | 848 | 1,442 |
| Residential mortgage loans | 20,994 | 6,011 | 27,005 |
| Total | $ 68,167 | $ 8,741 | $ 76,908 |

At December 31, 2013, the Institution has warranties in real property for the amount of $28,044, together with warranties in securities for the amount of $23,030 for restructured commercial credits

As of December 31, 2014, and 2013 aging of past due portfolio is as follows:

| Portfolio | 2014 | | | | |
|---|---|---|---|---|---|
| | Period | | | | |
| | 1 to 180 days | 181 to 365 days | 365 days to 2 years | Warranty | Total |
| Business or commercial activity | $ 2,611 | $ 771 | $ 3,111 | $ (1,111) | $ 5,382 |
| Consumer loans | 7,208 | 304 | - | (25) | 7,487 |
| Mortgage loans | 1,756 | 2,803 | 4,523 | - | 9,082 |
| Total | $ 11,575 | $ 3,878 | $ 7,634 | $ (1,136) | $ 21,951 |

| Portfolio | 2013 Period 1 to 180 days | 181 to 365 days | 365 days to 2 years | Warranty | Total |
|---|---|---|---|---|---|
| Business or commercial activity | $ 2,559 | $ 1,851 | $ 2,197 | $ (916) | $ 5,691 |
| Consumer loans | 7,057 | 400 | - | (6) | 7,451 |
| Mortgage loans | 1,578 | 2,790 | 5,165 | - | 9,533 |
| Total | $ 11,194 | $ 5,041 | $ 7,362 | $ (922) | $ 22,675 |

At December 31, 2014 and 2013, unaccrued commissions for initially granting credit, by type and average payment period, are as follows:

| | 2014 By amortization period 1 to 5 years | 15 years | More than 15 years | Total |
|---|---|---|---|---|
| Business or commercial activity | $ 466 | $ 396 | $ 125 | $ 987 |
| Mortgage loans | - | 28 | 263 | 291 |
| Total | $ 466 | $ 424 | $ 388 | $ 1,278 |

| | 2013 By amortization period 1 to 5 years | 15 years | More than 15 years | Total |
|---|---|---|---|---|
| Business or commercial activity | $ 455 | $ 238 | $ 125 | $ 818 |
| Mortgage loans | 1 | 32 | 323 | 356 |
| Total | $ 456 | $ 270 | $ 448 | $ 1,174 |

As of December 31, 2014 and 2013, the balances of overdue credit portfolio fully reserved and eliminated from the balance sheet were as follows:

| Concept | 2014 | 2013 |
|---|---|---|
| Credit card | $ 3,611 | $ 5,930 |
| Commercial | 3,160 | 2,490 |
| Consumer | 2,968 | 2,707 |
| Mortgage | 2,654 | 567 |
| Total | $ 12,393 | $ 11,694 |

As of December 31, 2014 and 2013, the amounts of portfolio sold without including securitization transactions, were as follows:

| Concept | 2014 | 2013 |
|---|---|---|
| Business or commercial activity | $ - | $ 569 |
| Credit card and consumer | 14,250 | 10,884 |
| Mortgage | 884 | 493 |
| Total | $ 15,134 | $ 11,946 |

As of December 31, 2014 and 2013, the amount of lines of credit and letters of credit recorded in memoranda accounts comes to $384,121 and $313,705, respectively.

Revenues from interest and commissions recorded in the financial margin, segmented by type of credit, are composed as follows:

| Type of loan | 2014 Interest | 2014 Commissions | 2014 Total | 2013 Total |
|---|---|---|---|---|
| Commercial loans- | | | | |
| Denominated in Mexican pesos- | | | | |
| Commercial | $ 13,531 | $ 865 | $ 14,396 | $ 14,520 |
| Rediscounted portfolio | 479 | - | 479 | 473 |
| Lease portfolio | 74 | - | 74 | 77 |
| Denominated in U.S. dollars- | | | | |
| Commercial | 3,083 | 1 | 3,084 | 2,306 |
| Rediscounted portfolio | 52 | - | 52 | 47 |
| Lease portfolio | 6 | - | 6 | 4 |
| Total commercial loans | 17,225 | 866 | 18,091 | 17,427 |
| Credits to financial entities | 477 | - | 477 | 525 |
| Credits to government entities | 4,575 | - | 4,575 | 4,991 |
| Total commercial credits | 22,277 | 866 | 23,143 | 22,943 |
| Consumer credits - | | | | |
| Credit card | 26,110 | - | 26,110 | 24,180 |
| Other consumer credits | 20,588 | 246 | 20,834 | 16,980 |
| Total Consumer credits | 46,698 | 246 | 46,944 | 41,160 |
| Mortgage | 16,836 | 72 | 16,908 | 16,522 |
| Total | $ 85,811 | $ 1,184 | $ 86,995 | $ 80,625 |

As of December 31, 2014 and 2013, the amount of the recoveries of credit portfolio written off or eliminated were $592 and $597, respectively, recognized in the heading “Other operating income (expense)” of the consolidated statement of income.

At December 31, 2014 and 2013, loans classified by economic sectors were as follows:

| | 2014 Amount | 2014 Concentration Percentage | 2013 Amount | 2013 Concentration Percentage |
|---|---|---|---|---|
| Private (companies and individuals) | $ 301,840 | 37.29% | $ 269,264 | 37.32% |
| Credit card and consumer | 200,898 | 24.82% | 188,025 | 26.06% |
| Residential mortgage | 168,548 | 20.82% | 163,579 | 22.67% |
| Government entities | 127,989 | 15.82% | 89,547 | 12.40% |
| Financial | 9,308 | 1.15% | 10,973 | 1.52% |
| Foreign (non-Mexican entities) | 794 | 0.10% | 182 | 0.03% |
| Other past-due loans | 6 | - | 4 | - |
| Total | $ 809,383 | 100.00% | $ 721,574 | 100.00% |

***Related-party loans*** - At December 31, 2014 and 2013, loans granted to related parties in accordance with the provisions of article 73 of the law of credit institutions, amounted to $32,179 and $31,883, respectively.

The amount of related-party loans at December 31, 2014 and 2013 includes $10,378 and $9,364, respectively, of letters of credit, which are recorded in memorandum accounts.

***Credit support program -***

*Early termination of debtor support programs:*

On July 15, 2010, an agreement was signed between the Federal Government, through the Treasury Department (SHPC), and some Credit Institutions, with the participation of the Mexican Bankers' Association, to early terminate the debtor support programs (the "Agreement").

The support programs in which the Institution participated, and which are the subject matter of this Agreement, are:

– Housing Loan Debtor Support Program
– Housing Loan Debtor Benefits Agreement

At December 31, 2010, the amount of the payment obligations of the Federal Government is composed as follows:

| | | |
|---|---|---|
| Restructured credits under the Agreement | $ | 4,098 |
| Overdue portfolio which showed payment compliance as of March 31, 2011 | | 37 |
| Total base mount | $ | 4,135 |

General conditions of payment obligations of Federal Government:

The payment obligations of the Federal Government will be fulfilled through installments of $827 a year, adjusted for accrued interest and any excess amount between the 7.5% and the average of the indicators of arrears at the close of each of the months of the year immediately before the payment, for a period of five years, in accordance with the following:

| Annual payment | Payment date |
|---|---|
| First | December 1, 2011 |
| Second | June 1, 2012 |
| Third | June 3, 2013 |
| Fourth | June 2, 2014 |
| Fifth | June 1, 2015 |

The interest earned will be at the rate resulting from the arithmetical average of the annual rates of return on the discount basis of 91-day CETES (Mexican Treasury Bills), carried to a 28-day yield curve.

In accordance with a clarification arrived at between Institution and the Commission, the first and second annuity were not paid on the scheduled dates, but rather liquidated, by common agreement between the Commission and the Secretariat of Finance and Public Credit, on November 1, 2012, for 2014 and 2013 the annuity was paid on the date scheduled in the agreement.

*Position in special Cetes and special "C" Cetes which the Institution keeps under the heading of "Securities held to maturity":*

As of December 31, 2014, the remnant of the special Cetes and special "C" Cetes is composed as follows:

| | Special Cetes | | | Special "C" Cetes | | |
|---|---|---|---|---|---|---|
| Trust of Origin | No. of securities | Amount | Date of maturity | No. of securities | Amount | Date of maturity |
| 421-5 | 18,511,119 | $ 1,691 | 13/07/2017 | 2,109,235 | $ 62 | 13/07/2017 |
| 422-9 | 128,738,261 | 11,757 | 07/07/2022 | - | - | - |
| 423-9 | 10,656,993 | 973 | 01/07/2027 | 468,306 | 14 | 01/07/2027 |
| 424-6 | 383,470 | 35 | 20/07/2017 | 96,876 | 3 | 20/07/2017 |
| 431-2 | 964,363 | 81 | 04/08/2022 | 1,800 | - | 04/08/2022 |
| Total | | $ 14,537 | | | $ 79 | |

***Loan granting policies and procedures*** - The Institution'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 Credit Institutions Law, the conservative credit rules established 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 promotion 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 principal policies and procedures to determine concentrations of credit risk and which form part of the credit manuals are:

*Common risk:*

– Establish the criteria for determining the individuals or corporations that represent common risk for the Institution.
– Establish the criteria for determining whether individuals and/or corporations act in unison and are integrated into the same business group or consortium, in order 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 Institution, as well as the handling of exceptions.

*Risk diversification:*

At December 31, 2014, and 2013, the Institution disclosed that it 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:

– At December 31, 2014, and 2013, the Institution has no loans with debtors or groups of entities or individuals representing a joint risk in which the individual amount exceeds 10% of its basic capital, respectively.

As of December 31, 2014 and 2013, the maximum amount of financing with the three largest debtors comes to $27,020 and $18,508, respectively.

*Potential risk:*

- Loan applications must be sanctioned 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 Institution's criteria, are used to make decisions and allow greater efficiency in the handling of high volume of loan applications.

## 11. UDI-denominated restructured loans

At December 31, 2014 and 2013, restructured loans denominated in UDIS amounted to $3,496 and $4,205, respectively.

## 12. Allowance for loan losses

The following table presents the results of basic loan ratings of the Institution made for the purpose of recording the loan loss allowance based on the requirements discussed in Note 4:

| 2014 | | | | | |
|---|---|---|---|---|---|
| | | Allowance for the losses | | | |
| **Risk category** | **Total loans** | **Commercial** | **Consumer** | **Mortgage** | **Total Allowance** |
| A1 | $ 506,135 | $ 788 | $ 1,050 | $ 220 | $ 2,058 |
| A2 | 109,714 | 577 | 1,103 | 147 | 1,827 |
| B1 | 46,114 | 220 | 1,211 | 46 | 1,477 |
| B2 | 32,320 | 141 | 1,233 | 35 | 1,409 |
| B3 | 28,410 | 464 | 863 | 28 | 1,355 |
| C1 | 17,698 | 332 | 816 | 145 | 1,293 |
| C2 | 16,043 | 77 | 2,279 | 301 | 2,657 |
| D | 18,515 | 1,586 | 1,574 | 1,944 | 5,104 |
| E | 12,420 | 1,977 | 4,408 | 1,437 | 7,822 |
| | 787,369 | 6,162 | 14,537 | 4,303 | 25,002 |
| Loans exempt from classification | 51,381 | - | - | - | - |
| Additional | - | - | - | 1,079 | 1,079 |
| Total | $ 838,750 | $ 6,162 | $ 14,537 | $ 5,382 | $ 26,081 |

| 2013 | | | | | |
|---|---|---|---|---|---|
| | | Allowance for the losses | | | |
| **Risk category** | **Total loans** | **Commercial** | **Consumer** | **Mortgage** | **Total Allowance** |
| A1 | $ 409,873 | $ 893 | $ 1,076 | $ 183 | $ 2,152 |
| A2 | 134,178 | 791 | 1,046 | 148 | 1,985 |
| B1 | 58,007 | 535 | 973 | 94 | 1,602 |
| B2 | 31,708 | 286 | 1,151 | 38 | 1,475 |
| B3 | 24,241 | 518 | 756 | 25 | 1,299 |
| C1 | 16,057 | 221 | 923 | 131 | 1,275 |
| C2 | 17,212 | 247 | 2,441 | 291 | 2,979 |
| D | 20,673 | 2,316 | 1,559 | 2,116 | 5,991 |
| E | 10,401 | 638 | 4,405 | 1,416 | 6,459 |
| | 722,350 | 6,445 | 14,330 | 4,442 | 25,217 |

| 2013 | | | | | |
|---|---|---|---|---|---|
| | | Allowance for the losses | | | |
| **Risk category** | **Total loans** | **Commercial** | **Consumer** | **Mortgage** | **Total Allowance** |
| Loans exempt from classification | 20,624 | - | - | - | - |
| Additional | - | - | 352 | 1,767 | 2,119 |
| Total | $ 742,974 | $ 6,445 | $ 14,682 | $ 6,209 | $ 27,336 |

The total loan portfolio balance used for classification purposes includes amounts related to the irrevocable lines of credit granted, letters of credit and guarantees given, which are recorded in memorandum accounts.

The balance of the estimate at December 31, 2014 and 2013 is determined based on the balance of the portfolio at that date.

The allowance for loan losses at December 31, 2014 and 2013 covers 100% of past-due interest.

The amount of the allowance at December 31, 2014 and 2013 includes the classification of the loan granted in foreign currency valued at the exchange rate in effect on December 31, 2014 and 2013.

At December 31, 2014, the Institution has created additional mortgage portfolio reserves of $1,079 and $1,767, respectively, which represent the supplement required by the internal expected loss rating model.

As of December 31, 2013, the Institution has established additional credit card reserves for $352, originated due to the estimated calculation to recognize the effects of the change in the credit card cycle applied as of January 2014.

At December 31, 2014 and 2013, the allowance for loan losses represents 118.81% and 120.55%, respectively, of the non-performing loan portfolio.

At December 31, 2014 and 2013, allowance by type of portfolio risk estimates is comprised as follows:

| **Item** | **2014** | **2013** |
|---|---|---|
| Commercial loans- | | |
| Commercial | $ 5,337 | $ 5,619 |
| Financial entities | 203 | 167 |
| Government entities | 622 | 659 |
| | 6,162 | 6,445 |
| Consumer | 14,537 | 14,682 |
| Mortgage | 5,382 | 6,209 |
| Total allowance | $ 26,081 | $ 27,336 |

***Changes in the allowance for loan losses*** - Below is an analysis of the allowance for loan losses:

| | **2014** | **2013** |
|---|---|---|
| Balance at beginning of year | $ 27,336 | $ 27,934 |
| Allowances charged to income statement | 25,526 | 23,699 |
| Allowances charged to the result from prior years | - | 1,551 |
| Applications and write-offs of the year | (26,960) | (25,901) |
| Exchange effect | 179 | 53 |
| Balance at end of year | $ 26,081 | $ 27,336 |

## 13. Securitization operations

***Mortgage portfolio securitizations -***

The Institution has issued securitization certificates ("CB"), which have generally been formalized through the following contracts:

***Irrevocable Trusts created between BBVA Bancomer – Invex, Grupo Financiero for the Issuance of Fiduciary Securitization Certificates -***

– ***Transfer contract -***

This contract is entered into by and between the Institution ("Transferor"), Banco Invex, S.A. ("Transferee") and Monex Casa de Bolsa, S.A. de C.V. ("Common Representative") for the purpose of assigning, on the part of the Transferor, current portfolio, to the Irrevocable Fiduciary Certificate Issuance Trust ("the Stock Market Certificates"), free of all encumbrance and without reservation or limitation of title, together with all related benefits, proceeds and accessories applicable. The Transferor is liable only for the declarations included in such contract, for which reason non-compliance with any of the declarations will only mean that the "Transferor" replacing one or more of the ineligible loans or reimbursing in cash the proportional part of the consideration; consequently, the Transferor does not assume any obligation regarding the mortgage loans. Furthermore, the consideration was fixed as the right to receive the total amount obtained in the placement of the SMCs, less the respective issuance costs.

– ***Irrevocable Fiduciary Stock Market Certificate Issuance Trust Contract -***

This contract is entered into by and between the Institution ("Trustor" and "First Beneficiary"), Banco Invex, S.A. ("Trustee"), and Monex Casa de Bolsa, S.A. de C.V. ("Common Representative"), which stipulates that the objective of the Trust is the acquisition of mortgage loans, free of all encumbrance and without any reservation or limitation of title, in terms of the Assignment Contract, the issuance of SMCs, which will have such mortgage loans as a source of payment and the placement of the SMCs among small investors; while the Trustee will have all those powers and obligations considered necessary to achieve such purpose.

The same contract established the initial value of guarantees with respect to the loan backing the certificate, which amount is recorded for accounting purposes under "Benefits receivable from securitized transactions" for the Institution.

– ***Portfolio Management and Collection Contract -***

This contract is entered into by and between the Institution ("Administrator"), Banco Invex, S.A. ("Trustee") and Monex Casa de Bolsa, S.A. de C.V. ("Common Representative"). Under this contract, the Trustee contracted the Administrator to carry out the management and collection solely and exclusively in relation to the mortgage loan and any "repossessed assets" that were transferred in the assignment contract. Accordingly, to enable the Administrator to fulfill its obligations, the Trustee will pay a management commission to the Administrator equivalent to the amount resulting from multiplying the unpaid balance of the principal of the mortgage loans by the percentage stipulated and divided by 12.

***Irrevocable Trust Number 989 created between BBVA Bancomer – CI Banco (formerly The Bank New York Mellon) for the Issuance of Securitization certificates -***

On June 17, 2013, the Commission issued Document Number 153/6937/2013 to authorize the registration of the Institution with the National Securities Registry of the Program for the issuance of Securitization Certificates for amounts up to $20,000 or the equivalent in UDIS for a five-year period as of the authorization date.

– On June 21, 2013, the sixth issuance of mortgage portfolio securitization certificates was made for the amount of $4,413, based on the program for the issuance of securitization certificates authorized by the Commission.

– ***Assignment Contract -***

On that same date, the Institution, in its capacity as trustor and final trust beneficiary, and the Trustee, in its capacity as trustee and through their Joint Representative, executed Irrevocable Trust No. F/00989 for the issuance of fiduciary securitization certificates to enable the Trustee to issue securitization certificates to be offered to investors through the Mexican Stock Exchange, Bolsa Mexicana de Valores, S.A.B. de C.V. ("BMV"), and which will be underwritten by mortgage credits.

– ***Irrevocable Trust Contract for the Issuance of Fiduciary Securitization Certificates -***

This contract was executed by the Institution; (Trustor and final Trust Beneficiary) CI Banco, S.A., Institución de Banca Múltiple (formerly The Bank of New York Mellon, S.A., Institución de Banca Múltiple), (Trustee) and Monex Casa de Bolsa, S.A. de C.V. (Joint Representative), which stipulates that the purpose of the trust is to acquire mortgage credits, free from liens or encumbrances and without any ownership reserves or limitations pursuant to the terms of the Assignment Contract, to issue securitization certificates. These securitization certificates will have the aforementioned mortgage loans as their source of payment and to allow them to be offered to investors. Meanwhile, the trustee will have all the powers and obligations needed to attain this objective.

– ***Portfolio Administration and Collection Contract -***

This contract was executed between the Institution (Administrator) and CI Bank, S.A., Institución de Banca Múltiple (formerly The Bank of New York Mellon, S.A., Institución de Banca Múltiple), (Trustee) and Monex Casa de Bolsa, S.A. de C.V. (Joint Representative). Under the terms of the contract, the Trustee contracted the Administrator to perform administration and collection activities exclusively related to the mortgage loans and any foreclosed real property transferred through the Assignment Contract. Accordingly and to enable the Administrator to fulfill its obligations, the Trustee will pay an administration commission to the Administrator.

The specific characteristics of each issue are detailed below:

| | Trusts | | | | | |
|---|---|---|---|---|---|---|
| **Concept** | **711** | **752** | **781** | **847** | **881** | **989** |
| Execution date of trust contract | 19-Dec-07 | 13-Mar-08 | 05-Aug-08 | 08-Dec-08 | 03-Aug-09 | 21-Jun-13 |
| Number of credits assigned | 2,943 | 1,587 | 9,071 | 18,766 | 15,101 | 10,830 |
| Amount of portfolio | $ 2,644 | $ 1,155 | $ 5,696 | $ 5,823 | $ 6,545 | $ 4,413 |
| SMCs issued | 25,404,498 | 11,143,185 | 11,955,854 | 55,090,141 | 59,101,116 | 41,920,673 |
| Face value per SMC ( in Mexican pesos) | $ 100.00 | $ 100.00 | 100 UDIS | $ 100.00 | $ 100.00 | $ 100.00 |
| Amount of issue of SMC | $ 2,540 | $ 1,114 | $ 4,830 | $ 5,509 | $ 5,910 | $ 4,192 |
| Series A1 | - | - | $ 2,415 | - | $ 562 | - |
| Series A2 | - | - | $ 2,415 | - | $ 1,732 | - |
| Series A3 | - | - | - | - | $ 3,616 | - |
| Gross annual interest rate | 9.05% | 8.85% | - | 9.91% | - | 6.38 |
| Series A1 | - | - | 4.61% | - | 6.14% | - |
| Series A2 | - | - | 5.53% | - | 8.04% | - |
| Series A3 | - | - | - | - | 10.48% | - |
| Effective duration of the SMC (years) | 20.5 | 20.42 | 24.84 | 22 | 20.08 | 20 |
| Value of certification | $ 103 | $ 40 | $ 866 | $ 314 | $ 635 | $ 635 |
| Value of guarantees with respect to the loan % | 3.9% | 3.5% | 15.2% | 5.4% | 9.7% | 5.0% |
| Total cash flow received for the assignment | $ 2,507 | $ 1,091 | $ 4,751 | $ 5,475 | $ 5,733 | $ 4,124 |

The third issue, which refers to Trust 781, was made in UDIS. The exchange rate of the UDI used at the issue date is $4.039765 Mexican pesos per UDI.

As of December 31, 2014 and 2013, amounts reported under "Benefits to be received in securitization operations", of $1,165 and $1,175 represent the outstanding trust certificates of unconsolidated securitizations.

The summarized financial information of unconsolidated securitization trusts as of December 31, 2014 and 2013, are shown below:

| No. of Trust | 711 | | 752 | | 781 | | 847 | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Assets | $ 890 | $ 1,100 | $ 438 | $ 542 | $ 2,893 | $ 3,455 | $ 2,302 | $ 2,791 |
| Liabilities | $ 826 | $ 1,021 | $ 405 | $ 503 | $ 975 | $ 1,666 | $ 2,108 | $ 2,565 |
| Stockholders' equity | $ 64 | $ 79 | $ 33 | $ 39 | $ 1,918 | $ 1,789 | $ 194 | $ 226 |
| Net result | $ (1) | $ 14 | $ 5 | $ 7 | $ 145 | $ 234 | $ 19 | $ 56 |

## 14. Receivables, sundry debtors and prepayments, net

The balance at December 31, 2014 and 2013, consists of the following:

| Item | 2014 | 2013 |
|---|---|---|
| Debtors from transaction settlement | $ 32,720 | $ 29,596 |
| Loans to officers and employees | 8,810 | 8,021 |
| Sundry debtors | 2,798 | 2,750 |
| Debtors from collateral provided through OTC derivatives | 13,275 | 7,902 |
| Others | 1,424 | 1,297 |
| | 59,027 | 49,566 |
| Less – Allowance for uncollectible accounts | (479) | (428) |
| Total | $ 58,548 | $ 49,138 |

The debtors for settlement of transactions as of December 31, 2014 and 2013, are composed as follows:

| | 2014 | 2013 |
|---|---|---|
| Foreign currencies | $ 23,019 | $ 23,590 |
| Investments in securities | 8,975 | 5,923 |
| Derivatives | 726 | 83 |
| Total | $ 32,720 | $ 29,596 |

Debtors for collateral granted on OTC derivatives as of December 31, 2014 and 2013 is composed as follows:

| | 2014 | | | 2013 |
|---|---|---|---|---|
| Collateral provided through derivatives | Acquisition Cost | Accrued Interest | Book Value | Book Value |
| BNP Paribas | $ - | $ - | $ - | $ 1,265 |
| HSBC México, S. A. | 1,511 | - | 1,511 | 1,220 |
| Deutsche Bank | 5,813 | - | 5,813 | 980 |
| Natixis | 27 | - | 27 | 860 |
| JP Morgan Chase Bank NY | 414 | 1 | 415 | 741 |
| Goldman Sachs Paris | 514 | - | 514 | 642 |
| | 2014 | | | 2013 |

| Collateral provided through derivatives | Acquisition Cost | Accrued Interest | Book Value | Book Value |
|---|---|---|---|---|
| Barclays Bank PLC | 284 | - | 284 | 611 |
| Banco Nacional de México | 15 | - | 15 | 412 |
| Morgan Stanley Caps | 423 | - | 423 | 389 |
| Banco JP Morgan S.A. | - | - | - | 370 |
| Banobras | 162 | - | 162 | 128 |
| Royal Bank of Scotland | 566 | - | 566 | 121 |
| Morgan Stanley & Co | 3,207 | - | 3,207 | 98 |
| HSBC Bank USA NA NY | - | - | - | 30 |
| Bank of America NA | - | - | - | 21 |
| Societe Generale | 236 | - | 236 | - |
| Toronto Dominion Bank | - | - | - | 14 |
| BBVA Servex | 102 | - | 102 | - |
| Total | $ 13,274 | $ 1 | $ 13,275 | $ 7,902 |

## 15. Repossessed assets, net

Repossessed assets at December 31, 2014 and 2013, were as follows:

| Item | 2014 | 2013 |
|---|---|---|
| Buildings | $ 5,472 | $ 5,885 |
| Land | 2,999 | 3,173 |
| Securities | 20 | 20 |
| | 8,491 | 9,078 |
| Less - Allowance for impairment of repossessed assets | (1,669) | (1,448) |
| Total | $ 6,822 | $ 7,630 |

The movements of the reserve for a drop in real estate value are summarized below, for the years ended December 31, 2014 and 2013:

| | 2014 | 2013 |
|---|---|---|
| Opening balance | $ 1,448 | $ 976 |
| Aplication to income statement | 1,288 | 1,225 |
| Reserve application sale of foreclosed and others | (1,067) | (753) |
| End balance | $ 1,669 | $ 1,448 |

## 16. Property, furniture and equipment, net

Property, furniture and equipment at December 31, 2014 and 2013 were as follows:

| Item | 2014 | 2013 |
|---|---|---|
| Furniture and equipment | $ 10,651 | $ 8,229 |
| Office space | 9,109 | 9,759 |
| Installation costs | 10,752 | 7,752 |
| Land | 2,627 | 2,519 |
| Construction in progress | 8,695 | 5,379 |
| | 41,834 | 33,638 |

| Item | 2014 | 2013 |
|---|---|---|
| Less- Accumulated depreciation and amortization | (12,888) | (11,247) |
| Total | $ 28,946 | $ 22,391 |

For the year ended December 31, 2014, depreciation and amortization are $1,912 and $1,477, respectively. For the year ended December 31, 2013, depreciation and amortization are $1,516 and $1,375, respectively.

As part of the strategic real estate plan, the Institution is currently building the corporate headquarters of the Financial Group, with an estimated termination date of 2014. As of December 31, 2014 and 2013, the amount of this investment is $11,321 and $7,898, respectively.

Likewise, the amount of expenses incurred for this item during 2014 and 2013 is $3,315 and $1,977, respectively.

## 17. Equity investments

Investments in associated companies were valued according to the equity method, while other permanent investments were recorded at their acquisition cost. The most significant of these investments are detailed below:

| Entity | Equity participation | 2014 | 2013 |
|---|---|---|---|
| Fideicomiso No.1729 INVEX - Enajenación de Cartera | 32.25% | $ 758 | $ 700 |
| I+D México, S.A. de C.V. | 50.00% | 298 | 323 |
| Compañía Mexicana de Procesamiento, S.A. de C.V. | 50.00% | 115 | 107 |
| Servicios Electrónicos Globales, S.A. de C.V. | 46.14% | 94 | 93 |
| Seguridad y Protección Bancarias, S.A. de C.V. | 22.14% | 15 | 12 |
| Others | Various | 97 | 138 |
| Total | | $ 1,377 | $ 1,373 |

The investment in shares of associated companies as of December 31, 2014 and 2013 was determined in some cases based on unaudited financial information, which is adjusted, if any differences arise, once the audited information becomes available.

At December 31, 2014 and 2013, the dividends received from associated companies and other permanent investments were $122 and $217, respectively.

At December 31, 2014 and 2013, the Institution holds equity in the results of associated companies for the amount of $142 and $169, respectively.

On October 24, 2013 and in conjunction with other banks, the Institution created Irrevocable Trust Number 1729 for portfolio sale purposes with credit portfolio (factoring) and cash contributions. The Trustee is Banco Invex, S.A. Institución de Banca Múltiple, Invex Grupo Financiero. At the close of the year 2014, the Trust assets are composed of real estate property and cash, and the total value of the Trust as of December 31, 2014 and 2013 is $3,854 and $3,557, respectively, of which the Institution's contributions come to $758 and $700, respectively.

## 18. Deferred taxes

The Institution has recognized a net deferred income tax asset resulting from temporary differences between the book and tax bases of assets and liabilities and tax loss carryforwards at December 31, 2014 and 2013, of $6,958 and $5,478, respectively, as follows:

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | Temporary Difference | | Temporary Difference | |
| Item | Base | Deferred Income Taxes | Base | Deferred Income Taxes |
| Temporary differences - assets: | | | | |
| Allowance for loan losses | $ 25,665 | $ 7,699 | $ 15,373 | $ 4,612 |
| Commissions and interest | 7,086 | 2,126 | 6,663 | 1,999 |
| Advance premium on swap | - | - | 5,905 | 1,771 |
| Provisions | 6,241 | 1,872 | 5,286 | 1,586 |
| Other assets | 247 | 75 | 1,105 | 331 |
| Repossessed assets | 2,353 | 706 | 2,222 | 667 |
| Tax loss carry | 97 | 29 | - | - |
| Allowance for debtors and creditors | 363 | 109 | 296 | 89 |
| Total assets | 42,052 | 12,616 | 36,850 | 11,055 |
| Temporary differences - liabilities: | | | | |
| Valuation of investments at fair value | 9,257 | 2,777 | 15,333 | 4,600 |
| Available for sale securities valuation | 1,282 | 385 | 1,574 | 472 |
| Valuation derivatives coverage | 357 | 107 | 131 | 39 |
| Advance premium on swap | 6,776 | 2,033 | - | - |
| Pension allowance | 677 | 203 | 789 | 237 |
| Other liabilities | 511 | 153 | 763 | 229 |
| Total liabilities | 18,860 | 5,658 | 18,590 | 5,577 |
| Net deferred tax asset | $ 23,192 | $ 6,958 | $ 18,260 | $ 5,478 |

Based on financial projections, the deferred tax balance derived from the allowance for loan losses will be realized in the medium-term.

## 19. Other assets

Other assets at December 31, 2014 and 2013 were as follows:

| Item | 2014 | 2013 |
|---|---|---|
| Software (net) | $ 3,789 | $ 4,011 |
| Prepaid expenses | 3,316 | 3,047 |
| Pension plan prepayment | 1,414 | 757 |
| Other unapplied expenses | 487 | 411 |
| IETU and ISR (net) | 618 | 173 |
| Total | $ 9,624 | $ 8,399 |

As of December 31, 2014 and 2013, the amortization of software is determined based on cost or restated cost up to 2007, using the straight-line method, as of the month following that of its purchase, by applying the 20% rate.

The amount of the historical cost and software amortization at December 31, 2014 and 2013 are detailed below:

| Item | 2014 | 2013 |
|---|---|---|
| Historical cost | $ 10,698 | $ 9,421 |
| Amortization | (6,909) | (5,410) |
| Total | $ 3,789 | $ 4,011 |

## 20. Deposits

***Liquidity coefficient*** - The provisions of the Treatment for Admission of Liabilities and Investment for Foreign Currency Transactions, issued by the Central Bank of Mexico for credit institutions establishes the mechanism for determining the liquidity coefficient of liabilities denominated in foreign currency.

Based on the above procedure, in 2014 and 2013 the Institution was subject to liquidity requirements of U.S. $636 million and U.S. $181 million, respectively, and maintained investments in liquid assets of U.S. $999 million and U.S.$932 million, reflecting liquidity excesses of U.S.$363 million and U.S.$751 million, respectively.

***Deposits*** - The liabilities derived from deposits are composed as follows:

| | 2014 | 2013 |
|---|---|---|
| Demand deposits- | | |
| Demand deposits | $ 578,150 | $ 525,505 |
| Time deposits- | | |
| Notes with interest payable at maturity | 140,616 | 112,568 |
| Time deposits | 7,793 | 17,269 |
| Credit instruments issued (a) | 71,128 | 57,243 |
| Total | $ 797,687 | $ 712,585 |

(a) Credit instruments issued

***Description of the principal programs***

As of December 31, 2014 and 2013, the Institution has placed short-term and long-term debt with a market value of $71,128 and $57,244, respectively, composed as follows:

| Instrument | 2014 | 2013 | Period (days) | Rate |
|---|---|---|---|---|
| Bank bonds LP | $ 23,589 | $ 12,788 | 1,610 | 3.26% |
| Bank bonds CP | 3,395 | 2,070 | 274 | 3.34% |
| Securitized certificates MXP | 3,906 | 15,291 | 3,640 | 8.09% |
| Securitized certificates UDI,s | 17,864 | 17,145 | 5,355 | 4.03% |
| Senior Notes | 22,374 | 9,949 | 2,740 | 4.44% |
| Total | $ 71,128 | $ 57,243 | | |

## 21. Interbank loans and loans from other entities

At December 31, 2014 and 2013, interbank loans and loans from other entities were as follows:

| Item | Mexican pesos | | U.S. dollars in Mexican pesos | | Total | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Bank loans | $ 31,459 | $ 1,551 | $ 571 | $ 2,998 | $ 32,030 | $ 4,549 |
| Loans call money | 5,113 | 13,506 | 2,192 | 3,926 | 7,305 | 17,432 |
| Loans from other entities | 9,185 | 8,981 | 1,101 | 937 | 10,286 | 9,918 |
| Total | $ 45,757 | $ 24,038 | $ 3,864 | $ 7,861 | $ 49,621 | $ 31,899 |

Interbank loans and loans from other entities in foreign currency were contracted by the Institution with terms ranging from two days to 6 years and annual rates ranging between 0.10% and 7.16% annual in 2014 and 0.30% and 6.32% in 2013. Such loans are contracted with six foreign financial institutions.

The Institution maintains liquidity available in Central Bank of Mexico to the amount of the Monetary Regulation Deposit (DRM), whose balance was $59,676 and $64,911 (excluding interest) for 2014 and 2013, respectively. The amount exercised from this line for the year 2014 was $26,438 and for the year 2013, was $1,443. The available balance was $33,238 for 2014 and $63,468 for 2013.

## 22. Labor liabilities

The Institution has liabilities from labor obligations related to severance payments, which will cover the pension, seniority premiums due upon retirement. The Institution also has a plan for integral medical services to pensioners and their economic dependents, as well as the payment of life insurance. The amount of such labor liabilities is determined based on calculations performed by independent actuaries using the projected unit credit method and in conformity with the methodology established in NIF D-3. The management of plan assets is made through an irrevocable trust.

As of January 1, 2007, following the execution of the employer substitution contract, all the Institution’s employees (except the Chief Executive Officer) were transferred to the payroll of BBVA Bancomer Operadora, S. A. de C.V., a company belonging to the Financial Group. Employees retained all vested benefits and only personnel without vested benefits were transferred to a variable compensation scheme. Given the above, the Institution only has a labor obligation related to the retirees and only one active employee.

The Institution made the necessary adjustments in the profit and loss account as a result of the actuarial variations that are included in the amount recorded for the liabilities and assets using the assumptions as of the close of each year. For this reason it recorded a charge to results, in 2014 and 2013, for $482 and ($658), respectively.

Both effects were recognized in the headings of “Other operating income (expenses)” in the consolidated statement of income.

| | 2014 | | | | | |
|---|---|---|---|---|---|---|
| | | Others retirement benefits | | | | |
| | Pension plan and seniority premiums | Integral medical services | Life insurance | Retiree sports facility | Severance payments | Total |
| **At December 31, 2014, obligations for defined benefits were composed as follows:** | | | | | | |
| **Opening balance** | $ 3,235 | $ 4,373 | $ 769 | $ 20 | $ 3 | $ 8,400 |
| Financial cost | 286 | 399 | 70 | 2 | - | 757 |
| Actuarial losses and gains generated in the period | 201 | 786 | 9 | (6) | 2 | 992 |
| Benefits paid | (447) | (397) | (5) | (1) | - | (850) |
| Amortization of past services and Plan Amendments | - | - | - | - | (1) | (1) |
| Reductions | - | - | - | - | (1) | (1) |
| **Obligations for defined benefits** | $ 3,275 | $ 5,161 | $ 843 | $ 15 | $ 3 | $ 9,297 |
| Amount of obligations for benefit acquired | $ 3,275 | $ 5,161 | $ 843 | $ 15 | $ - | $ 9,294 |
| **At December 31, 2014, plan assets were as follows:** | | | | | | |
| **Opening balance** | $ 3,713 | $ 4,426 | $ 1,046 | $ - | $ - | $ 9,185 |
| Returns expected from plan assets | 331 | 403 | 97 | - | - | 831 |
| Actuarial losses and gains generated during the period | 202 | 256 | 51 | - | - | 509 |
| Contributions made by the Institution | 382 | 578 | 98 | - | - | 1,058 |
| Paid benefits | (447) | (397) | (5) | - | - | (849) |
| **Plan assets** | $ 4,181 | $ 5,266 | $ 1,287 | $ - | $ - | $ 10,734 |
| **The information on the projected net liability (asset) is presented below:** | | | | | | |
| Defined benefit obligation | $ 3,275 | $ 5,161 | $ 843 | $ 15 | $ 3 | $ 9,297 |
| Plan assets | (4,181) | (5,266) | (1,287) | - | - | (10,734) |
| **Unfunded liability (prepaid expense)** | (906) | (105) | (444) | 15 | 3 | (1,437) |
| **Liabilities (current) net asset derived from employee pensions** | $ (906) | $ (105) | $ (444) | $ 15 | $ 3 | $ (1,437) |
| **The amortization period of the unamortized items is five years** | | | | | | |
| **For the years ended December 31, 2014, the net cost of the period was as follows:** | | | | | | |
| Labor cost of services for the year | $ - | $ - | $ - | $ - | $ - | $ - |
| Financial cost | 286 | 399 | 70 | 2 | - | 757 |
| (Return) on plan assets | (331) | (403) | (97) | - | - | (831) |
| Immediate recognition of actuarial losses for the year | (1) | 529 | (41) | (6) | 1 | 482 |
| Advance amortization of actuarial losses in other proceeds (expenses) | - | - | - | - | (1) | (1) |
| **Net cost of the period** | $ (46) | $ 525 | $ (68) | $ (4) | $ - | $ 407 |

| | 2013 | | | | | |
|---|---|---|---|---|---|---|
| | | Others retirement benefits | | | | |
| | Pension plan and seniority premiums | Integral medical services | Life insurance | Retiree sports facility | Severance payments | Total |
| **At December 31, 2013, obligations for defined benefits were composed as follows:** | | | | | | |
| **Opening balance** | $ 3,561 | $ 5,080 | $ 818 | $ 11 | $ 3 | $ 9,473 |
| Service cost | - | - | - | - | - | - |
| Financial cost | 274 | 402 | 65 | 1 | - | 742 |
| Actuarial losses and gains generated in the period | (153) | (707) | (109) | 9 | - | (960) |
| Benefits paid | (447) | (402) | (6) | (1) | - | (856) |
| **Obligations for defined benefits** | $ 3,235 | $ 4,373 | $ 768 | $ 20 | $ 3 | $ 8,399 |
| Amount of obligations for benefit acquired | $ 3,235 | $ 4,373 | $ 768 | $ 20 | $ - | $ 8,396 |
| **At December 31, 2013, plan assets were as follows:** | | | | | | |
| **Opening balance** | $ 4,069 | $ 4,317 | $ 1,052 | $ - | $ - | $ 9,438 |
| Returns expected from plan assets | 316 | 342 | 84 | - | - | 742 |
| Actuarial losses and gains generated during the period | (682) | (746) | (189) | - | - | (1,617) |
| Contributions made by the Institution | 456 | 915 | 105 | - | - | 1,476 |
| Paid benefits | (446) | (402) | (6) | - | - | (854) |
| **Plan assets** | $ 3,713 | $ 4,426 | $ 1,046 | $ - | $ - | $ 9,185 |
| **The information on the projected net liability (asset) is presented below:** | | | | | | |
| Defined benefit obligation | $ 3,235 | $ 4,373 | $ 768 | $ 20 | $ 3 | $ 8,399 |
| Plan assets | (3,713) | (4,426) | (1,046) | - | - | (9,185) |
| **Unfunded liability (prepayment)** | (478) | (53) | (278) | 20 | 3 | (786) |
| **Unamortized items** | | | | | | |
| Unrecognized actuarial losses and (gains) | - | - | - | - | (1) | (1) |
| **Liabilities (current) net asset derived from employee pensions** | $ (478) | $ (53) | $ (278) | $ 20 | $ 2 | $ (787) |
| **The amortization period of the unamortized items is five years** | | | | | | |
| **For the years ended December 31, 2013, the net cost of the period was as follows:** | | | | | | |
| Labor cost of services for the year | $ - | $ - | $ - | $ - | $ - | $ - |
| Financial cost | 274 | 402 | 65 | 1 | - | 742 |
| (Return) on plan assets | (316) | (342) | (84) | - | - | (742) |
| Immediate recognition of actuarial losses for the year | 529 | 39 | 80 | 9 | 1 | 658 |
| **Net cost of the period** | $ 487 | $ 99 | $ 61 | $ 10 | $ 1 | $ 658 |

The nominal interest rates utilized in the actuarial calculations were:

| Item | 2014 | 2013 |
|---|---|---|
| Actual return on plan assets rate | 8.75% | 9.49% |
| Interest rate | 8.75% | 9.49% |
| Salary increase rate | 4.75% | 4.75% |
| Medical services increase rate | 6.75% | 6.75% |

Below is the effect of the one percentage point increase or reduction in the rate of the assumed variance trend of medical attention costs as of December 31, 2014.

| | +1% | - 1% |
|---|---|---|
| In net cost of the period | 44 | (39) |
| In the defined benefits obligations | 516 | (442) |

At December 31, 2014, the assets from the different plans were invested in government securities. Also, the expected return on plan assets as of December 31, 2014 was estimated at $832, while the actual return during the period was $2,490.

As of the year 2010, the plan entitled sports for retirees is established, due to the right of employees to continue receiving the sports service once they retire. Under this scheme the Institution pays part of the dues and the employee the rest.

At December 31, 2014, the plans for indemnities and sports for retirees did not have assets to fund the obligations for defined benefits.

## 23. Subordinated debt

| Item | 2014 | 2013 |
|---|---|---|
| Bancomer 06 debentures at the TIIE rate + 0.30%, payable every 28 days and with maturity on September 18, 2014, the number of outstanding securities is 25,000,000 with a face value of $100 Mexican pesos each. | $ - | $ 2,500 |
| Bancomer 09 debentures at the TIIE rate + 1.30%, payable every 28 days and with maturity on June 7, 2019, the number of outstanding securities is 27,292,325 with a face value of $100 Mexican pesos each. | - | 2,729 |
| Bancomer 08-3 debentures at the TIIE rate + 1.00%, payable every 28 days and with maturity on November 26, 2020, the number of outstanding securities is 28,591,672 with a face value of $100 Mexican pesos each. | 2,859 | 2,859 |
| Non-preferred capitalization notes for US $500 million, issued in May 2007 at an interest rate of 6.0080% issued May 17, 2017, payable semiannually and LIBOR + 1.81% as of May 18, 2017, payable quarterly, and maturing on May 17, 2022 the number of outstanding securities is 500,000 with a face value of $1,000 dollars each. | 7,371 | 6,542 |

| Item | 2014 | 2013 |
|---|---|---|
| Non-preferred capitalization notes for USD 1,000 million, issued in April 2010, at an interest rate of 7.25% payable semiannually, beginning as of October 22, 2010, and maturing on April 22, 2020, the number of outstanding securities is 1,000,000 with a face value of $1,000 dollars each. | 14,741 | 13,084 |
| Preferred capitalization notes for USD 1,250 million, issued in March 2011, at an interest rate of 6.50% payable semiannually, starting at 10 of September 2011 and maturing on March 10, 2021, the number of outstanding securities is 1,250,000 with a face value of $1,000 dollars each. | 18,427 | 16,355 |
| Preferred capitalization notes for USD 1,000 million, issued in July 2012 , at an interest rate of 6.75% and expansion of emission by USD 500 million on September 2012, at an interest rate of 5.45% payable semiannually, starting at 30 of March 2013, an maturing on September 30, 2022, the number of outstanding securities is 1,500,000 with a face value of $1,000 dollars each. | 22,112 | 19,627 |
| Preferred capitalization notes for USD 200 million, issued in November 2014, at an interest rate of 5.35% payable semiannually, starting at 12 of May 2015, an maturing on November 12, 2029, the number of outstanding securities is 200,000 with a face value of $1,000 dollars each. | 2,949 | - |
| Unpaid accrued interests | 1,036 | 911 |
| Total | $ 69,495 | $ 64,607 |

The debt issuance costs related to these issues are amortized using the straight-line method over the term of the debt.

On July 11, 2014 the Institution exercised the early redemption option of the “Debentures BANCOMER 09” for the amount of $2,729, which were issued on June 19, 2009, with maturity on June 7, 2019.

On September 18, 2014, the Institution made the payment derived from the maturity of the “Debentures BANCOMER 06” in the amount of $2,500, which were issued on September 28, 2006.

On August 2, 2013, the Institution exercised the early redemption option established for the “BANCOMER 08 debentures” for the amount of $1,200, which were issued on July 28, 2008, with maturity on July 16, 2018.

On October 21, 2013, the Institution exercised the early redemption option established for the “BANCOMER 08-02 debentures” for the amount of $3,000, which were issued on October 6, 2008, with maturity on September 24, 2018.

## 24. Related parties

Balances and transactions with related parties, as established in Bulletin C-3 Related Parties, issued by the Commission, are as follows:

| | 2014 | 2013 |
|---|---|---|
| *Banco Bilbao Vizcaya Argentaria, S.A.* | | |
| Derivative financial instruments | $ (6,424) | $ 3,148 |
| Creditors from repurchase agreements | $ (694) | $ - |
| *Grupo Financiero BBVA Bancomer, S.A. de C.V.* | | |
| Account payable | $ 5,197 | $ - |
| *BBVA Bancomer Operadora, S.A. de C.V.* | | |
| Fees paid for administrative services | $ 14,259 | $ 11,369 |
| Account payable | $ 2,018 | $ 1,826 |
| *BBVA Bancomer Servicios Administrativos, S.A. de C.V.* | | |
| Fees paid for administrative services | $ 6,232 | $ 4,771 |
| Account payable | $ 1,297 | $ 861 |
| *Seguros BBVA Bancomer, S.A. de C.V.* | | |
| Commissions income | $ 1,452 | $ 1,339 |
| Insurance premiums paid | $ 774 | $ 550 |
| *BBVA Bancomer Gestión, S.A. de C.V.* | | |
| Commissions income | $ 2,452 | $ 2,626 |
| *Aplica Tecnología Avanzada, S.A. de C.V.* | | |
| Deposits | $ 608 | $ 551 |
| Performing loans | $ 968 | $ 1,046 |
| *Income:* | | |
| Interest | $ 30 | $ 35 |
| Fees paid for administrative services | $ 104 | $ 129 |

| | 2014 | 2013 |
|---|---|---|
| *Expense:* | | |
| Processing and system development | $ 1,880 | $ 1,658 |
| *Facileasing, S.A. de C.V.* | | |
| Deposits | $ 44 | $ 35 |
| Performing loans | $ 11,343 | $ 7,333 |
| *Income:* | | |
| Interest | $ 343 | $ 212 |
| Fees paid for administrative services | $ 67 | $ 73 |
| *Facileasing Equipment, S.A. de C.V.* | | |
| Deposits | $ 106 | $ 56 |
| Performing loans | $ 7,800 | $ 8,033 |
| *Income:* | | |
| Interest | $ 319 | $ 308 |
| Fees paid for administrative services | $ 45 | $ 49 |

As of December 31, 2014 and 2013, there are other transactions and operations with related parties which are not material.

## 25. Income taxes

Pursuant to the tax reforms implemented in 2014, below are the principal amendments affecting the Institution:

***Principal reforms to the Income Tax Law, Business Flat Tax Law, Cash Deposits Tax Law and Value-Added Tax Law.***

*a) Income Tax*

The 30% rate is left on a definitive basis. The temporary status of the 29% rate is eliminated for 2014 and the 28% rate established in the Income Tax Law (LISR) as of the year 2015.

An additional income tax of 10% is established on dividends paid when they are distributed to individuals and residents abroad. Income tax is paid by means of withholding and is a final payment. This tax will be applicable on the distribution of income generated as of the year 2014.

The reforms to the LISR which went into effect on January 1, 2014 substitute the deduction of increases to the allowance for loan losses of banks for the deduction of those write-offs approved by the Commission for credit portfolio generated as of the year 2014 *b) Business Flat Tax and Cash Deposits Tax*

The Business Flat Tax Law (LIETU) and the Cash Deposits Tax Law (“LIDE”) are repealed.

*c) Value-Added Tax*

The applicable rate of Value-Added Tax (“IVA”) is standardized nationwide by increasing the rate in the border zone from 11% to 16%.

ISR is calculated by considering as taxable or deductible certain effects of inflation, such as the depreciation calculated on values in constant pesos, and the effect of inflation is accrued or deducted on certain monetary assets and liabilities through the annual adjustment for inflation.

Based on financial projections and the 2014 tax reforms, which repealed the IETU, as noted above, the Institution will pay ISR, for which reason it recognizes only deferred ISR.

The provision in results is composed as follows:

| | 2014 | 2013 |
|---|---|---|
| Current: | | |
| ISR | $ 9,279 | $ 5,265 |
| Deferred: | | |
| ISR | $ (1,430) | $ 2,057 |

***Taxable income*** - The principal items which affected the determination of the Institution’s tax results were the annual adjustment for inflation, provisions for expenses, the result from markets valuation, the difference between book and tax depreciation and amortization and the deduction for bad debts, in relation to the accounting increase of the estimate.

The LISR reforms as of the year 2014 considered the deduction of the increases made to the allowance for loan losses of banks for the deduction of those write-offs approved by the Commission in relation to credit portfolio.
The reconciliation of the statutory ISR rate and the effective rate, expressed as a percentage of income before income taxes, which is the tax incurred by the Institution, is as follows:

The reconciliation of the statutory ISR rate and the effective rate, expressed as a percentage of income before income taxes, which is the tax incurred by the Institution, is as follows:

| | 2014 | 2013 |
|---|---|---|
| Statutory rate | 30.00% | 30.00% |
| Add (deduct) - | | |
| Effect of nondeductible items | 0.97% | 0.69% |
| Annual adjustment for inflation | (5.62%) | (4.84%) |
| Cancellation provisions from previous years | (0.94%) | (1.16%) |
| Other effects | (0.22%) | (0.19%) |
| Effective rate | 24.19% | 24.50% |

***Recoverable IMPAC*** - As of December 31, 2014 and 2013, the Institution has recoverable IMPAC of $721 and $889, respectively.

## 26. Stockholders' equity

***Capital stock*** - The capital stock of the Institution at December 31, 2014 and 2013, was as follows:

| | Number of shares at Par Value of $0.28 Mexican pesos per share | | | | | |
|---|---|---|---|---|---|---|
| | 2014 | | | 2013 | | |
| | Authorized | Unsubscribed | Paid-in | Authorized | Unsubscribed | Paid-in |
| Series "F" | 9,107,142,859 | (1,378,926,692) | 7,728,216,167 | 9,107,142,859 | (1,378,926,692) | 7,728,216,167 |
| Series "B" | 8,749,999,999 | (1,324,851,134) | 7,425,148,865 | 8,749,999,999 | (1,324,851,134) | 7,425,148,865 |
| Total | 17,857,142,858 | (2,703,777,826) | 15,153,365,032 | 17,857,142,858 | (2,703,777,826) | 15,153,365,032 |

| | Historical Amount | | | | | |
|---|---|---|---|---|---|---|
| | 2014 | | | 2013 | | |
| | Authorized | Unsubscribed | Paid-in | Authorized | Unsubscribed | Paid-in |
| Series "F" | $ 2,550 | $ (386) | $ 2,164 | $ 2,550 | $ (386) | $ 2,164 |
| Series "B" | 2,450 | (371) | 2,079 | 2,450 | (371) | 2,079 |
| Subtotal | $ 5,000 | $ (757) | 4,243 | $ 5,000 | $ (757) | 4,243 |
| Capitalization of restatement | | | 10,971 | | | 10,971 |
| Restatement to Mexican pesos as of December 2007 | | | 8,924 | | | 8,924 |
| Total | | | $ 24,138 | | | $ 24,138 |

At a Stockholders' Ordinary General Meeting on February 27, 2014, the Institution authorized distribution a cash dividend of $16,450, taken from the "Results from prior years" which was distributed on the basis of $1.085567460776 Mexican pesos per share, which were paid to the shareholders during 2014 as follows: On March 26, 2014 $2,058; on June 25, 2014 $3,497; on September 24, 2014 $5,198 and on January 21, 2015 $5,197.

A Stockholders' Ordinary General Meeting held on February 27, 2014 agreed that as the consolidated financial statements approved by such Meeting reported net income in fiscal year 2013, in the amount of $30,825, and given the fact that the Institution has the respective legal reserve fully established, the income for the year was transferred to the accounting "Result from previous years".

If profits are distributed without incurring tax attributable to the Institution, this will have to be paid when the dividend is distributed. Therefore, the Institution has to keep an account for the income subject to each rate.

As of January 1, 2014, based on the LISR reforms, dividends paid by Mexican companies to individuals and residents abroad incur an additional 10% income tax; in the case of residents abroad, the respective tax treaties may be applied.

Dividends paid in 2014 come from results from years prior to 2014, so the additional 10% income tax is not applicable on the payment of dividends to individuals and residents abroad.

Capital reductions will incur tax on the excess of the amount distributed against tax value, determined in accordance with the LISR.

By provision of law, the Institution is required to create a legal reserve equal to 10% of net income until reaching 100% of the amount of common stock paid-in. This reserve cannot be distributed to shareholders while the Institution exists, except in the form of a stock dividend.

***Capitalization index -*** Current regulations establish requirements for specific net capital levels, as a percentage of risk assets, for both market and credit purposes. However, in order to determine net capital, deferred taxes represent a maximum of 10% of basic capital.

Based on the standard method, the transactions are classified in eight different groups depending on the counterparty, and must be weighted based on the degree of risk applicable to the respective credit classification assigned by one of the Ratings Agencies.

Furthermore, under this method a higher weighting factor is assigned to the overdue portfolio (125%) and the mortgage credits will now have a factor of between 50% and 100%, depending on the level of down payment and the related guarantees provided.

*Capitalization for operating risk:*

To calculate the capital requirement for exposure to operating risk, the Institution must use:

– Basic indicator method, which must cover minimum capital equivalent to 15% of the average of the last 36 months of the financial or intermediation margin.

– Standard, alternative standard or other methods determined by the Commission.

The basic-method capital requirement should be built up within three years, and must be within the ranges of between five and 15% of the average sum of credit and market risk requirements over the last 36 months.

On April 9, 2010, the Mexican Treasury Department (SHCP) published modifications to the "Rules for capitalization requirements of full-service banks, national credit institutions, development banks". The main changes are as follows:

*Capitalization due to market risk:*

The Institution may make the calculation of Caps and Floors options, defined as a series of purchase or sale options based on the same underlying interest rate, with the same notional amount, with consecutive maturities and equivalent terms between one and the next, in the same purchase or sale direction, and with the same counterparty, as a cash flow exchange transaction ("swap"), in which a variable interest rate is received and a fixed interest rate is delivered, or vice versa, according to the Caps or Floors options packages in question, in accordance with section VI of article 2 Bis 100, as well as subsections a) and b) of section I of article 2 Bis 102 of these provisions, by considering the respective maturity of the options based on the maturity date of each swap flow.

On November 28, 2012, the SHCP published modifications for the calculation of the ICAP applicable to credit institutions to strengthen the composition of net capital according to the guidelines issued by the Capital Accord of the Basel Committee on Banking Supervision (Basel III Accord) which, among other objectives, strives to help international banking institutions increase their capacity to face financial or economic problems by increasing capital and enhancing quality. These modifications took effect as of January 1, 2013.

The capitalization index of the Institution as of December 31, 2014 was 15.22% of the total risk (market, credit and operational) and 23.94% of credit risk, which are 7.22 and 15.94 points above the required minimums.

The capitalization index of the Institution as of December 31, 2013 was 15.90% of the total risk (market, credit and operational) and 24.78% of credit risk, which are 7.90 and 16.78 points above the required minimums.

The net capital, divided into basic capital and complementary capital, is detailed as follows (the amounts shown in this note may differ in presentation from the basic financial statements):

– *Basic capital:*

| Item | | Amount |
|---|---|---|
| Stockholders' equity | $ | 133,730 |
| Capital notes | | 12,483 |
| Deductions of subordinated debt instruments related to securitization schemes | | (1,880) |
| Deductions of investments in shares of financial entities | | (2,263) |
| Organization expenses, other intangible assets | | (5,619) |
| Total | $ | 136,451 |

The main characteristics of debt and capital notes were as follows:

| Item | | Appraised Amount | Maturity Date | Calculation Percentage | | Weighted Average Amount |
|---|---|---|---|---|---|---|
| Non-convertible debt considered as basic capital: | | | | | | |
| Eligible capital notes | $ | 7,371 | 17/05/2022 | 80% | $ | 5,897 |
| Eligible capital notes | | 14,741 | 22/04/2020 | 80% | | 11,793 |
| | $ | 22,112 | | | $ | 17,690 |

– *Complementary capital:*

| Item | | Amount |
|---|---|---|
| Obligations and capitalization instruments | $ | 42,340 |
| Allowance for loan losses | | 89 |
| Total | $ | 42,429 |
| - *Net capital:* | $ | 178,880 |

The main characteristics of debt and capital notes were as follows:

| Item | | Appraised Amount | Maturity Date | Calculation Percentage | | Weighted Average Amount |
|---|---|---|---|---|---|---|
| Non-convertible debt considered as complementary capital: | | | | | | |
| BANCOMER-08-3 | $ | 2,859 | 26/11/2020 | 100% | $ | 2,859 |
| Eligible capital notes | | 18,427 | 10/03/2021 | 90% | | 16,584 |
| Eligible capital notes | | 14,741 | 30/09/2022 | 90% | | 13,267 |
| Eligible capital notes | | 7,371 | 30/09/2022 | 90% | | 6,634 |
| | $ | 43,398 | | | $ | 39,344 |

Assets at risk are as follows:

– *Assets subject to market risk:*

| Item | Risk-Weighted Positions | Capital Requirements |
|---|---|---|
| Transactions in Mexican pesos with a nominal rate | $ 173,382 | $ 13,871 |
| Transactions in Mexican pesos with real rate or rate denominated in UDIs | 13,488 | 1,079 |
| Rate of return based on the General Minimum Wage | 20,680 | 1,654 |
| Interest rate transactions in foreign currency with a nominal rate | 30,039 | 2,403 |
| Positions in UDIs and Mexican pesos with yield linked to NCPI | 17 | 1 |
| Positions in currencies with yield indexed to exchange rates | 13,295 | 1,064 |
| Positions in shares or with yield indexed to the price of a share or group of shares | 23,265 | 1,861 |
| Transactions based on the General Minimum Wage | 138 | 11 |
| Surtax | 8,415 | 673 |
| Total market risk | $ 282,719 | $ 22,617 |

– *Assets subject to credit risk:*

| Item | Risk-Weighted Assets | Capital Requirements |
|---|---|---|
| Weighted at 10% | $ 801 | $ 64 |
| Weighted at 11.5% | 1,152 | 92 |
| Weighted at 20% | 35,295 | 2,824 |
| Weighted at 23% | 1,068 | 85 |
| Weighted at 50% | 51,704 | 4,136 |
| Weighted at 75% | 16,108 | 1,289 |
| Weighted at 100% | 300,863 | 24,069 |
| Weighted at 115% | 577 | 46 |
| Weighted at 125% | 14,019 | 1,122 |
| Weighted at 150% | 292 | 23 |
| Weighted al 1250% | 5,257 | 421 |
| Internal methodology TDC / E and C | 320,070 | 25,606 |
| Total credit risk | $ 747,206 | $ 59,777 |
| Operational risk | $ 145,362 | $ 11,629 |

***Equity Management*** - The Institution has the equipment, processes and systems required to correctly identify, measure, monitor, control and mitigate the risks to which it is exposed. Please see Note 35 for a more detailed explanation.

Likewise, periodic processes have been defined and established to ensure that financial reports disclose and reflect the risks to which the Institution is exposed.

As required by the Commission, the Institution performs exercises involving the preparation of annual financial projections for stress scenarios.

These exercises verify that the Institution has sufficient capital to allow it to continue as a resource intermediary and credit grantor. Accordingly, these exercises consider different assumptions regarding the future behavior of the expected loss of credit portfolios and the behavior of macroeconomic variables.

It also performs an analysis that includes certain liquidity crisis scenarios. These stress scenarios estimate the magnitude of the effects generated for the self-financing ratio and the capacity of available explicit assets to cover maturities with a 12-month horizon so as to ascertain the Institution's survival horizon. The results of these activities show that the Institution has a satisfactory level of resistance as regards liquidity crisis scenarios.

Similarly, the Institution has different management mechanisms which it can activate in the event of different stress scenarios that could impair its solvency as regards capital and/or liquidity. Given the Institution's robust financial position and balance sheet structure, these resources allow it to access local and international wholesale markets to obtain financing and capital, dispose of high quality assets for sale and/or securitization, and discount securities on the market and with the Central Bank of Mexico.

Consequently, the Institution has the mechanisms needed to effectively mitigate stress scenarios which could impair its capital and liquidity.

For further detail, please consult "Exhibit 1-O" as required by the Provisions "Information supplemental to the fourth quarter 2014", in compliance with the obligation to disclose information on the Capitalization Ratio, which is located on the following Internet page www.bancomer.com/informacioninversionistas.

## 27. Position in foreign currency

At December 31, 2014 and 2013, the exchange rate determined by the Central Bank of Mexico and used by the Institution to value its assets and liabilities in foreign currency (translated to U.S. dollars) was $14.7414 Mexican pesos and $13.0843 Mexican pesos per U.S. dollar, respectively, and the position in foreign currency was as follows:

| | Millions of U.S Dollars | |
|---|---|---|
| | **2014** | **2013** |
| Assets | 13,388 | 11,691 |
| Liabilities | (13,965) | (12,003) |
| Net liability position in U.S. dollars | (577) | (312) |
| Net liability position in Mexican pesos (nominal value) | $ (8,505) | $ (4,087) |

As of February 16, 2015, the foreign currency position (unaudited) is similar to that of the close of the year and the exchange rate as of that date is $14.8979 Mexican pesos per US$1.00.

According to the provisions of the Central Bank of Mexico, the position reported to that H. Institution as of December 31, 2014 and 2013 was USD $459 and USD $270.6 million, respectively short, which includes delta FX options, and excludes assets and liabilities that are not computable.

The Institution performs transactions in foreign currency, primarily in US dollars, Euros and Japanese yen. The Institution 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 of Mexico regulations. Consequently, the Institution's position in all foreign currencies is consolidated in US dollars at each monthly close.

The foreign currency position of the other subsidiaries is immaterial.

## 28. UDI position

At December 31, 2014 and 2013, the Institution had UDI-denominated assets and liabilities translated into Mexican pesos, considering the prevailing conversion rate of $5.270368 Mexican pesos and $5.058731 Mexican pesos per UDI, respectively, as follows:

| | Millions of UDIs | |
|---|---|---|
| | **2014** | **2013** |
| Assets | 6,157 | 8,106 |
| Liabilities | (4,512) | (5,261) |
| Net liability position in UDIs | 1,645 | 2,845 |
| Net liability position in Mexican pesos (nominal value) | $ (8,669) | $ (14,390) |

As of February 16, 2015 the position in UDIS (unaudited) is similar to that of the close of the year and the exchange rate as of that date is $5.281537 Mexican pesos per UDI.

## 29. Preventive and protective savings mechanism

The Bank Savings Protection Institute ("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.

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 fee s 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 2014 and 2013, contributions made by the Institution to IPAB for insurance to deposits amounted to $3,389 and $3,003, respectively.

## 30. Financial margin

For the years ended December 31, 2014 and 2013, the main items composing the financial margin were as follows:

| | 2014 | | |
|---|---|---|---|
| | | Amount valued | |
| | **Mexican pesos** | **Dollars** | **Total** |
| Interest income: | | | |
| Credit portfolio interest and returns | $ 82,666 | $ 3,145 | $ 85,811 |
| Securities interest and returns | 4,568 | 472 | 5,040 |
| Interest from quick assets | 2,857 | 73 | 2,930 |
| Interest and premiums from repurchase agreements and securities loans | 14,264 | - | 14,264 |
| Memoranda account interest | 178 | - | 178 |
| Commissions collected for initially granting credit | 1,184 | - | 1,184 |
| Others | 1,623 | 51 | 1,674 |
| Total interest income | 107,340 | 3,741 | 111,081 |

2014
Amount valued
Mexican pesos Dollars Total

| | 2014 | | |
|---|---|---|---|
| | | Amount valued | |
| | Mexican pesos | Dollars | Total |
| Interest expense: | | | |
| Deposit interest | (9,895) | (553) | (10,448) |
| Interest from loans provided by banks and other entities | (927) | (20) | (947) |
| Debenture interest | (114) | (2,888) | (3,002) |
| Interest and premiums from repurchase agreements and securities loans | (11,800) | (18) | (11,818) |
| Expenses incurred to initially grant credit | (98) | - | (98) |
| Others | (706) | (107) | (813) |
| Total interest expense | (23,540) | (3,586) | (27,126) |
| Financial margin | $ 83,800 | $ 155 | $ 83,955 |

| | 2013 | | |
|---|---|---|---|
| | | Amount valued | |
| | Mexican pesos | Dollars | Total |
| Interest income: | | | |
| Credit portfolio interest and returns | $ 77,127 | $ 2,428 | $ 79,555 |
| Securities interest and returns | 3,699 | 858 | 4,557 |
| Interest from quick assets | 2,797 | 68 | 2,865 |
| Interest and premiums from repurchase agreements and securities loans | 13,841 | - | 13,841 |
| Memoranda account interest | 123 | - | 123 |
| Commissions collected for initially granting credit | 1,070 | - | 1,070 |
| Others | 1,524 | 46 | 1,570 |
| Total interest income | 100,181 | 3,400 | 103,581 |
| Interest expense: | | | |
| Deposit interest | (10,364) | (593) | (10,957) |
| Interest from loans provided by banks and other entities | (713) | (23) | (736) |
| Debenture interest | (604) | (3,554) | (4,158) |
| Interest and premiums from repurchase agreements and securities loans | (12,200) | (15) | (12,215) |
| Expenses incurred to initially grant credit | (61) | - | (61) |
| Others | (660) | (45) | (705) |
| Total interest expense | (24,602) | (4,230) | (28,832) |
| Financial margin | $ 75,579 | $ (830) | $ 74,749 |

## 31. Commissions and fee income

For the years ended December 31, 2014 and 2013, the main items for which the Institution recorded commissions and fee income in the consolidated statement of income were as follows:

| Concept | 2014 | 2013 |
|---|---|---|
| Credit and debit cards | $ 14,735 | $ 13,705 |
| Bank commissions | 7,124 | 6,973 |
| Investment funds | 2,452 | 2,626 |
| Insurance | 1,460 | 1,342 |
| Others | 4,433 | 3,805 |
| Total | $ 30,204 | $ 28,451 |

During 2014 and 2013, the amount of revenues received by the Institution in trust operations amounted to $252 and $249, respectively.

## 32. Trading income

For the years ended December 31, 2014 and 2013, the main items composing the trading income were as follows:

| | 2014 | 2013 |
|---|---|---|
| Valuation result: | | |
| Derivatives | $ (3,060) | $ 580 |
| Foreign currency | 3,224 | (2,125) |
| Securities investments | (3,011) | 2,005 |
| | (2,847) | 460 |
| Purchase-sale result: | | |
| Derivatives | (727) | 1,781 |
| Foreign currency | 1,858 | 1,913 |
| Securities investments | 5,007 | (1,543) |
| | 6,138 | 2,151 |
| Total | $ 3,291 | $ 2,611 |

## 33. Discontinued operations.

On November 27, 2012, by mutual agreement with its parent company Banco Bilbao Vizcaya Argentaria, S.A. (“BBVA”), the Institution established with Afore XXI Banorte, S.A. de C.V., the plan for the sale of the shares held directly or indirectly by Administradora de Fondos para el Retiro Bancomer, S.A. de C.V. (“Afore”), of which 75% was held by the Institution. On January 9, 2013, having obtained the respective authorizations from the National Retirement Saving System Commission (“CONSAR”) and the Federal Antitrust Board (“COFECO”), BBVA completed the sale of 100% of the participation in the Afore and on that same date the administration and control of the Afore was transferred. The total adjusted price was $22,117. Net income before taxes, recorded in the year 2013 by the Institution for its 75% holding, was $8,085, recorded in the consolidated statement of income under the heading “Discontinued operations”.

## 34. Segment information

The Institution and its subsidiaries take part in different activities of the financial system, such as credit operations, treasury operations, transfer of funds from abroad, distribution and administration of investment funds, among others. Performance evaluation, as well as the management of the risks of the different activities, is based on the information produced by the Institution's business units, more than the legal entities in which the results generated are recorded.

Below we present the revenues obtained during the years 2014 and 2013, which show the difference segments as indicated in the preceding paragraph:

| 2014<br>Concept | Total | Commercial Bank | Corporate and Government Banking | Market Operation | Other Segments |
|---|---|---|---|---|---|
| Financial margin | $ 83,955 | $ 61,364 | $ 14,848 | $ 3,455 | $ 4,288 |
| Allowance for loan losses | (25,526) | (26,243) | 717 | - | - |
| Net interest income after allowance for loan losses | 58,429 | 35,121 | 15,565 | 3,455 | 4,288 |
| Commissions and fees, net | 20,792 | 15,988 | 4,698 | 629 | (523) |
| Trading income | 3,291 | 1,303 | 311 | 1,707 | (30) |
| Other operating income (expenses) | 475 | 566 | 146 | 1 | (238) |
| Net operating revenues | 82,987 | $ 52,978 | $ 20,720 | $ 5,792 | $ 3,497 |
| Administration and promotion costs | (50,534) | | | | |
| Net operating revenues | 32,453 | | | | |
| Share in net income of unconsolidated subsidiaries and affiliates | 142 | | | | |
| Income before income taxes | 32,595 | | | | |
| Current income tax | (9,279) | | | | |
| Deferred income tax | 1,430 | | | | |
| Income before non-controlling interest | 24,746 | | | | |
| Non-controlling interest | (1) | | | | |
| Net income | $ 24,745 | | | | |

| 2013<br>Concept | Total | Commercial Bank | Corporate and Government Banking | Market Operation | Other Segments |
|---|---|---|---|---|---|
| Financial margin | $ 74,749 | $ 53,915 | $ 12,922 | $ 2,355 | $ 5,557 |
| Allowance for loan losses | (23,699) | (23,122) | (577) | - | - |
| Net interest income after allowance for loan losses | 51,050 | 30,793 | 12,345 | 2,355 | 5,557 |
| Commissions and fees, net | 19,429 | 16,063 | 4,175 | 770 | (1,579) |
| Trading income | 2,611 | 1,258 | 312 | 1,669 | (628) |
| Other operating income (expenses) | (62) | 204 | 187 | - | (453) |
| Net operating revenues | 73,028 | $ 48,318 | $ 17,019 | $ 4,794 | $ 2,897 |
| Administration and promotion costs | (43,136) | | | | |
| Net operating revenues | 29,892 | | | | |
| Share in net income of unconsolidated subsidiaries and affiliates | 169 | | | | |
| Income before income taxes | 30,061 | | | | |
| Current income tax | (5,265) | | | | |
| Deferred income tax | (2,057) | | | | |
| Income before non-controlling interest | 22,739 | | | | |
| Discontinued operations | 8,085 | | | | |
| Income before non-controlling interest | 30,824 | | | | |
| Non-controlling interest | 1 | | | | |
| Net income | $ 30,825 | | | | |

Other segments include the results related to management of the credit portfolio assigned to the recovery area.

## 35. Risk management and derivatives (Unaudited figures)

Considering the Commission's regulatory requirements relative to the disclosure of the policies and procedures established by credit institutions for comprehensive risk management, below are the measures implemented by management for this purpose, as well as the respective quantitative information:

The "Regulations", issued by the Commission, were implemented through the recognition of basic rules for efficient risk management, evaluating risks as quantifiable (credit, market and liquidity) and non-quantifiable (operational and legal), so the basic identification, measurement, monitoring, limitation, control and disclosure processes are satisfied. To summarize, the following is performed:

– *Participation of the governing bodies:*

  The Board of Directors is responsible for establishing the objectives of risk exposure and fixing capital related limits, as well as authorizing the policies and procedures manuals related to risks.

  The Risk Committee is responsible for monitoring the position and compliance with the risk limits to which the Institution is exposed, and for ensuring adherence to Board of Directors' resolutions.

– *Policies and procedures:*

  Risk manuals with standard contents, including strategy, organization and operating, technological and methodological frameworks, and regulatory processes. Specific manual for legal risks, including related methodologies.

  Defined and limited third-party responsibilities, risk training programs and communication of policies and procedures.

– *Tactic decision making:*

  Independence of the Comprehensive Risk Management Unit.

  Interaction of this unit with operating committees.

  Establishment of monitoring processes and daily and monthly reports.

  Limits structure in terms of economic capital for each business unit and type of risk.

  Establishment, by the Risk Committee, of the authorization and ratification of process for new products and/or services involving risk for the Institution.

– *Tools and analyses:*

  Continuous measurement of credit, market and liquidity risks under consistent methodologies and parameters.

  Indicators of diversification levels (correlations).

  Establishment of periodic analyses of sensitivity, testing under extreme conditions and review and improvement of models.

  Install monitoring and operational and legal risk control methodologies in conformity with international standards.

  Risk integration by defining capital requirements to absorb them.

– *Information:*

Periodic reports to the Risk Committee, Board of Directors, risk taking units, finance and senior management.

– *Technological platform:*

Comprehensive review of all source and calculation systems for risk quantification, projects for the improvement, quality and sufficiency of data and automation.

– *Audit and comptrollership:*

Participation of internal audit regarding compliance with Regulations on Comprehensive Risk Management and implementation of compliance plans by type and area of risk.

Performance of audits in compliance with Regulations on Comprehensive Risk Management by a firm of independent experts, concluding that risk measurement models, systems, methodologies, assumptions, parameters and procedures comply with their functionality based on the characteristics of the risk operations, instruments, portfolios and exposures of the Institution.

The Institution believes that at this date it fully complies with the provisions of Regulations on Comprehensive Risk Management, while projects continue to improve measurements and limitations, automation of processes and methodological refinements.

***Methodological framework - Techniques for valuation, measurement and description of risks***

For risk purposes, the Institution's balance sheet is envisioned as follows:

– *Market risk:*

Operations and investment portfolios- Investments in trading securities, securities, ledger of repurchase transactions and related derivative transactions.

Structural balance, Available for sale, Other assets, including securities held to maturity and derivatives for the management of interest rate risk.

– *Credit risk:*

Domestic and foreign financial institutions, companies and corporate- Traditional loan portfolio, including small and medium companies, and exposures from investments in issues, and counterparts in derivative financial instruments.

Retail/consumer loans- Credit cards, financing plans.

Mortgage - Mortgage portfolio.

– *Liquidity risk:*

Banking business, with positions on and off the balance sheet, including credits, traditional deposits, investments in securities, derivatives, majority 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.

– *Operational Risk:*

The measurement and control of operational risk is the responsibility of a separate operational risk unit which manages market risk and credit risk, as well as audit units and compliance.

Aware of the importance of considering all aspects associated with operating 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, without overlooking the objectivity of the systems utilized for this purpose. An operating risk is defined as one that cannot be classified as a credit or market risk. This is a broad definition which primarily includes the following risk classes: process, fraud, technological, human resources, commercial and legal practices, and suppliers and disasters.

The operating risk management model is based on a cause-effect model which identifies the operating risk associated with the Institution's processes through a continuous improvement circuit:

- Identification. Consists of determining which risk factors (circumstances which can become operating risk events) reside in the processes of each business/support unit. This is the most important part of the cycle because it determines the existence of all other parts.

- Quantification. The cost that can be generated by a risk factor is quantified by using historical data (database of operating losses) or estimated in the case of risks which have not arisen as past events. This quantification is based on two components: occurrence frequency and monitoring the impact generated in the event of occurrence.

- Mitigation. After having identified and quantified operating risk factors, if this risk exceeds desired levels, a mitigation process is implemented to reduce the risk level by either transferring it or modifying the processes which reduce the frequency or impact of an event. Mitigation decisions are made by the Operating Risk Committee created by each business/support unit.

- Follow-up. Qualitative follow-up is provided to analyze the evolution of the operating risk, which involves evaluating the implementation level of mitigation measures. Quantitative follow-up consists of measuring the evolution of causal operating risk indicators, while also analyzing the evolution of operating risk losses recorded in a database.

In the specific case of technological risks, aside from the general operating risk methodology, a technological Risk Committee has also been created to ensure that identified risks and mitigation plans are standardized throughout the Institution and are compliant with logical security, business continuity, data processing efficiency and technological evolution standards. Likewise, this Committee ensures the adequate management of the Institution's technological infrastructure.

In the case of legal risk, aside from the operating risk management circuit, the probability of an adverse verdict derived from administrative processes or legal proceedings in which the Institution is either plaintiff or defendant is also calculated.

Given that the different departments have doubts regarding compliance with certain operating processes established by Mexican and/or foreign laws, consultations are periodically requested from attorneys specializing in different areas to obtain a reliable legal opinion and guarantee compliance with legal provisions.

The Institution therefore considers that the main factors influencing its legal risk are the level of noncompliance with local regulations, the types of legal proceedings in which it is involved and the claimed amount and probability of receiving an unfavorable verdict.

Operating Risk events can arise in the Banking Business for different reasons such as: fraud, process operating errors, disasters, technological deficiencies and legal risks, etc. Accordingly, the Institution has established robust internal models to enable it to timely determine the occurrence of operating risk events.

With respect to the risk market measurement process and the operations and investment portfolios, the daily measurement of market risk is done through statistical techniques of the Value at Risk (VaR), the core measurement. As an example, VaR consists of the following:

a. To define the sensitive level in the valuation of positions facing changes in prices, rates or indexes.

b. To estimate the “reasonably” expected change for a determined timeframe in such prices, rates or indexes, considering the level under which such factors can move as a whole.

c. To revalue the portfolio under such expected changes as a whole and determine the potential “maximum” loss in terms of value.

The VaR has been set based on the consideration that, in a day’s transactions, 99% of the time losses will not exceed the calculated amount.

Also, different types of VaR calculations are performed, based on groups defined by risk factor: interest rate VaR, variable income VaR, volatility VaR (vega VaR) and exchange rate VaR.

With regard to the structural interest risk, categories are defined for each balance sheet heading based on their financial characteristics and the Economic Value and Financial Margin sensitivities are calculated using the methodology authorized by the Risk Committee. A red flag and limits system is in place for these sensitivities, whereby follow-up is provided each month in the Risk Committee and is presented quarterly to the Board of Directors.

| Economic value December 2014 (unaudited) | | | | | | December 2014 Financial margin with financial plan (unaudited) | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Portfolio | -100 pb | +100 pb | Sensitivity % | Alert | % Utilized | Portfolio | -100 pb | +100 pb | Sensitivity % | Alert | % Utilized |
| M.N. | 1,917 | (4,498) | 3.3% | 6.0% | 54.8% | M.N. | (971) | 936 | 1.1% | 4.0% | 27.0% |
| M.E. | (3,306) | 881 | 2.4% | 4.0% | 60.5% | M.E. | (42) | 296 | 0.0% | 2.0% | 2.3% |
| **Total** | **(1,389)** | **(3,617)** | **2.6%** | **8.0%** | **33.1%** | **Total** | **(1,013)** | **1,232** | **1.1%** | **5.0%** | **22.6%** |

| 2014 | | 2014 | |
|---|---|---|---|
| **Average Sensitivity of Economic Value Structural Balance Sheet** | | **Average Sensitivity of Financial Margin Structural Balance Sheet** | |
| **Portfolio** | **Alert Use** | **Portfolio** | **Limit Use** |
| MN | 52.0% | MN | 28.1% |
| ME | 35.1% | ME | 3.4% |
| **Total** | **30.7%** | **Total** | **23.5%** |

Liquidity risk management is governed by the following principles: decentralized, independent handling of liquidity (including BBVA or any other entity of the latter), in order to avoid dependencies or subsidies and potential contagion due to crises; self-financing of the credit activity of the banks; planning of liquidity in the planning process of activity growth; clear segregation of functions to enable a proactive management of liquidity risk, including intraday risk and handling of collateral; establishment of a transfer pricing system and internal use standards for liquidity; and coherence with regulatory requirements.

The liquidity risk control system is based on the establishment of limits in three fundamental areas: a) Self-financing of the banks through the LtSCD or Loan to Stable Customer Deposits (Maximum relationship of the financing of net credit investment with stable resources of customers); b) diversification of the financing structure through a maximum Short-Term Financing (FCP) amount; and c) capacity to absorb liquidity shocks through the 30 Day Basic Capacity or CB 30d (buffer coefficient of available liquidity and net outlays of liquidity forecast within the respective term yet to expire). There are also alerts in place to prevent the limits from being exceeded, including follow-up on other terms yet to expire. The status of the limits and alerts is reported every day to Senior Management and other areas handling liquidity.

Furthermore, there are liquidity risk prospective metrics in place, whose purpose is to identify in advance possible threats to enable the adoption, as the case may be, of the necessary preventive measures: i) Advanced or qualitative indicators, including different kinds of indicators, such as the concentration of the financing or liquidity in foreign currencies, and, ii) stress analysis, which is comprised of projections of liquidity outlays and receipts and of the financing structure and different stress scenarios considering the estimates of the activity's growth. Liquidity stress analysis plays a primary role not only in the design of the Liquidity Contingency Plan but also in the definition of the active measures to be taken to redirect the liquidity risk profile if necessary. Please note that the stress analysis and the Liquidity Contingency Plan were modified to include the new minimum requirements established in the changes to the Sole Banks Circular of the CNBV published in May 2014.

| **2014** | |
|---|---|
| **Liquidity Risk Exposure: average monthly closes** | |
| Absolute margin in relation to its limit (positive without excess negative with excess) | |
| LtSCD | 14 % |
| FCP | 61,872 mill. MXP |
| CB 30d | 38 % |

The Assets and Liabilities Committee is the executive body responsible for managing the structural interest risk and liquidity risk.

In relation to the measurement of credit risks, the Risk Exposure (Exposure) is determined using two methodologies: the risk from batch positions is determined based on the Monte Carlo simulation, which means that the valuation formulas and risk factors used are consistent with those used for the market risk calculations, and incorporate the effect of the credit risk mitigation techniques (netting and collateral), and the term effect correctly, because the future value of each position is calculated in each tranche, resulting in a lower consumption of credit risk and therefore a better utilization of the limits. Also, for online determination, Potential Risk Factors (FRP's) are used, which estimate the maximum expected increase for the positive market value of the transaction with a given level of confidence.  Such FRP's will be applied based on the type of product, duration, currency and the amount involved

***Quantitative information (unaudited) –***

– Operation and investment portfolio:

| | VaR 1 day | |
|---|---|---|
| **Portfolio** | **December 31, 2014** | **Average of the last quarter of 2014** |
| Interest rate | $ 173 | $ 142 |
| Variable income | $ 16 | $ 24 |
| Foreign exchange | $ 11 | $ 20 |

| Portfolio | VaR 1 day December 31, 2014 | VaR 1 day Average of the last quarter of 2014 |
|---|---|---|
| Volatility | $ 32 | $ 59 |
| Weighted | $ 157 | $ 148 |

– Total Credit Risk exposure in derivatives as of December 2014:

| Portfolio | December 31, 2014 (USD) |
|---|---|
| Counterparty Risk Exposure | $ 6,159 |

During 2014 and 2013, the Institution recognized losses due to operating risks (fraud, casualties, fines and penalties) for the amount of $563 and $429, respectively.

***Derivative transactions -***

Trading derivative instruments that are issued or acquired by the Treasury of the Institution are mainly intended to offer hedging solutions and investment alternatives to meet client needs. Furthermore, the Institution's treasury also acquires derivatives for the purpose of managing the risk from transactions with customers.

***Valuation methods -***

To determine the portfolio value, two procedures are used depending whether they are instruments listed in recognized markets or traded in "over-the-counter" markets. In the first case, the price information from the official price supplier is used, and in the second, internal methodologies have been developed with the support of independent experts and the Central Bank of Mexico itself, using variables provided in turn by the price supplier.

***Internal control procedures to manage market risks -***

To control the market risk incurred by the Institution's treasury, the Risk Management Department establishes a structure of VaR limits depending on the level of risk set by the Institution. In accordance with current regulations and international standards, such control is applied daily and is reported directly to the Institution's senior management. Following is a summary of the principal market risk limits (unaudited):

| Limit | |
|---|---|
| VaR (one-day horizon) | $ 239.3 |
| Annual loss | $ 763.8 |
| Monthly loss | $ 305.5 |

***Control of measures additional to VaR -***

Apart from follow-up on the implicit VaR level in the trading positions of the operating and investment portfolios, the Risk Department establishes a series of limits related to the sensitivity of the positions to minimum movements of the risk factors (sensitivities). A control is applied daily to the use of the interest rate sensitivity limit (Delta).

***Coherence between VaR limits and sensitivity limits -***

To ensure that the VaR limits maintain a coherent relationship compared to the sensitivity limits, the Global Risk Management Unit in Market Areas (UAGRAM) prepares an annual coherence study based on random sensitivity scenarios and maximum restrictions, depending on the risk factor and its duration. The VaR calculation derived from these scenarios is used to determine a global VaR level both for the entire Treasury and for its different constituent desks.

***Embedded derivatives -***

Under the Structured Bank Bonds issuance programs of the Institution, there are foreign currency, index and interest rate options recorded, equivalent to $64,393; also, there are interest rate and foreign currency swaps recorded for an amount of $50,781.

***Sensitivity of interest to derivatives -***

Below is a table showing the detail of the sensitivity of interest derivatives, grouped by type of instrument:

| **Sensitivity** | **Delta Interest Rate 1bp** |
|---|---|
| Swaps | $ (0.0861) |
| Interest-rate options | $ (0.1794) |

***Hedging derivatives -***

*Fair value:*

The Institution has fair value hedge derivatives intended to reduce the volatility of its results due to changes in the market value. The prospective effectiveness is measured by using the VaR, and the retrospective effectiveness by comparing the result from changes in the fair value against changes in the fair value of the primary position.

***Cash flows:***

The Institution maintains cash flow hedge derivatives to reduce exposure to variations in interest rates, by changing such rates to a fixed rate in order to reduce the volatility of the financial margin. The method for evaluating the prospective effectiveness is through a sensitivity analysis; the retrospective effectiveness is measured by comparing the change in the present value of the flows from the hedge instrument against the changes in the present value of the flows of the hedged position.

The profit from cash flow hedge derivatives recognized in equity at December 31, 2014 is $357, which, considering the present value of the coupons that cleared in 2015, it is estimated that revenue of $284 will be recognized in results.

***Documentation of hedges:***

Each hedge is supported by a file that includes:

– A general hedge document, describing the type of hedge, the risk to be covered, the strategy and purpose of performing the transaction, the primary position, the hedging derivative and the method to evaluate the prospective and retrospective effectiveness.

– The primary position contract.

– The inventory of the derivative.

– The inventory of the primary position.

– The prospective and retrospective effectiveness test of each period.

## 36. Financial indicators (unaudited)

As of December 31, 2014 and 2013, according to article 182 of the Provisions, the Institution's financial indicators are as follows:

| Ratio | 2014 | 2013 |
|---|---|---|
| Ratio of default | 2.70% | 3.10% |
| Hedge ratio of portfolio of overdue credits | 118.80% | 120.60% |
| Operating efficiency | 3.90% | 3.30% |
| ROE | 14.60% | 20.60% |
| ROA | 1.30% | 1.90% |
| Capitalization ratio credit and market risk | 15.20% | 15.90% |
| Basic capital 1 on credit, market and operational risk | 10.50% | 10.60% |
| Liquidity | 84.20% | 89.70% |
| Net adjusted interest margin (MIN) /Average Productive Assets | 4.40% | 4.50% |

## 37. Ratings

At December 31, 2014, the ratings assigned to the Institution are as follows:

| | Global Scale ME | | National Scale | | |
|---|---|---|---|---|---|
| Ratings Agency | Long Term | Short Term | Long Term | Short Term | Perspective |
| Standard & Poor's | BBB+ | A-2 | mxAAA | mxA-1+ | Stable |
| Moody's | A-3 | P-2 | Aaa.mx | MX-1 | Stable |
| Fitch | A- | F1 | AAA(mex) | F1+(mex) | Positive |

## 38. Contingencies

As of December 31, 2014 and 2013, there are claims filed against the Institution in ordinary civil and commercial lawsuits, as well as payment requests issued by the tax authorities. However, according to its attorneys, the claims filed are considered without merit and, in the event of adverse rulings, its financial position would not be significantly affected. For such purpose, the Institution has weighted the impact of each one and has recorded a reserve for $392 and $364 in these cases.

At December 31, 2014 and 2013, certain labor lawsuits have been filed against the Institution. However, its attorneys consider that these claims are without merit and that an adverse outcome would not significantly affect the Institution's financial position. Consequently, at December 31, 2014 and 2013, the Institution has analyzed the effect of each of these lawsuits and has recorded a reserve of $210 and $148 for labor lawsuits.

## 39. New accounting principles

As of December 31, 2014, the CINIF has enacted the following NIF which might have an impact on the Institution's financial statements:

a. Effective January 1, 2016:

NIF D-3, Employee benefits

b. Effective January 1, 2018:

NIF C-3, Accounts receivable
NIF C-20, Financing instruments receivable
NIF C-9, Provisions, contingencies and commitments
NIF C-19, Financial instruments payable

The advance application of the NIF C-3 and C-20 is permitted as of January 1, 2016 provided that they are applied together.

Improvements to the NIF 2015 – The following improvements were issued, effective January 1, 2015, which generate accounting changes:

NIF B-8, *Consolidated or combined financial statements* – Clarifies the elements to be evaluated to identify an investment entity, and indicates that because, given its primary activity, it is difficult to exercise control over the entities in which it participates, the respective analysis should be performed to conclude whether there is control over them or not.

Bulletin C-9, *Liabilities, provisions, contingent assets and liabilities and commitments* – The accounting treatment of liabilities for customer advances denominated in foreign currency is clarified and modified. When an entity receives advance collections for sales or services denominated in foreign currency, the exchange fluctuations between their functional currency and the payment currency do not affect the advance collections; therefore, the balance of the heading Customer advances should not be modified due to such exchange fluctuations.

The following improvements were issued which do not generate accounting changes:

NIF B-13, *Events subsequent to the date of the financial statements and Bulletin C-9, Liabilities, provisions, contingent assets and liabilities and commitments* –NIF B-13 mentions in a footnote the disclosures in the financial statements of an entity, when the latter are not prepared on a going concern basis, required by NIF A-7, Presentation and disclosure. Such requirement was included as part of the regulatory text in the disclosure standards section of NIF B-13, and as part of Bulletin C-9 to review the contingencies generated by not being an entity that operates on a going concern basis. Consequently, Circular 57, Sufficient disclosure derived from the Commercial Bankruptcy Law is repealed.

NIF B-15, *Conversion of foreign currencies* – The definition of Foreign transaction was adjusted to clarify that it should not only be understood as a legal entity or cash generating unit whose transactions are based or performed in an economic environment or currency different from those of the reporting entity, but also those which, in relation to the reporting entity (its parent company or holding company) should be classified as a foreign operation because they operate with a currency different from the reporting entity, despite operating in the same country.

At the date of issuance of the financial statements, the Institution has not finished determining the effects of these new standards on its financial information.

## 40. Authorization of the issuance of the consolidated financial statements

The consolidated financial statements were authorized for issuance on February 16, 2015, by the Board of Directors of the Institution and are subject to approval by the Annual General Meeting of Shareholders of the Institution who may be modified in accordance with the provisions in the General Law of Commercial Companies.

## 41. Review of the consolidated financial statements by the Commission

The accompanying consolidated financial statements at 31 December 2014 and 2013 are subject to review by the Commission, so that the same may be modified as a result of that review by this supervisory authority.

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