BBVA Bancomer, S.A.,
Institución de Banca Múltiple,
Grupo Financiero BBVA Bancomer
and Subsidiaries
(Subsidiary of Grupo Financiero BBVA Bancomer, S.A. de C.V.)

Consolidated Financial Statements for the Years Ended December 31, 2015 and 2014, and Independent Auditors' Report Dated February 25, 2016

BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer and Subsidiaries
(Subsidiaryof Grupo Financiero BBVA Bancomer, S.A. de C.V.)

Independent Auditors' Report and Consolidated Financial Statements 2015 and 2014

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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 (subsidiary of Grupo Financiero BBVA Bancomer S.A. de C.V.) (the "Institution") which comprise the consolidated balance sheets as of December 31, 2015 and 2014 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 of the Institution

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 Auditors´ 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 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 of BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer and Subsidiaries for the years ended December 31, 2015 and 2014 have been prepared, in all material respects, in accordance with the accounting criteria of the Commission as issued in the Regulations.

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 25, 2016

BBVA Bancomer, S.A.,
Institución de Banca Múltiple, Grupo Financiero BBVA Bancomerand Subsidiaries
(Subsidiaryof Grupo Financiero BBVA Bancomer, S.A. de C.V.)
Av. Paseo de la Reforma 510, Col. Juárez, México, D.F., C.P. 06600

Consolidated Balance Sheets

At December 31, 2015 and 2014
(In millions of Mexican pesos)

Assets	2015	2014
Cash and cash equivalents	$ 150,102	$ 124,190
Margin call accounts	2,774	3,810
Securities:		
Trading	249,462	242,970
Available for sale	147,946	152,187
Held to maturity	16,877	16,382
	414,285	411,539
Debtors from repurchase agreements	11,231	144
Derivatives:		
Trading	95,854	85,070
Hedging	13,279	6,925
	109,133	91,995
Valuation adjustments arising from hedges of financial assets	2,137	2,456
Performing loans:		
Commercial loans-		
Business or commercial activity	343,955	296,507
Financial entities	15,869	10,060
Government entities	137,515	127,988
	497,339	434,555
Consumer	217,982	193,411
Mortgage	167,842	159,466
Total performing loans	883,163	787,432
Non-performing loans:		
Commercial loans-		
Business or commercial activity	5,159	5,338
Financial entities	499	42
Government entities	1	2
	5,659	5,382
Consumer	7,433	7,487
Mortgage	8,313	9,082
Total non-performing loans	21,405	21,951
Total loans	904,568	809,383
Allowance for loan losses	(27,386)	(26,081)
Total loans, net	877,182	783,302
Benefits receivable from securitization transactions	1,136	1,165
Receivables, sundry debtors and prepayments, net	61,072	58,548
Long-lived assets available for sale	-	376
Repossessed assets, net	5,662	6,822
Property, furniture and equipment, net	39,641	28,946
Equity investments	1,518	1,377
Deferred taxes, net	12,309	6,958
Other assets:		
Deferred charges, prepaid expenses and intangibles	6,941	8,209
Other short and long term assets	1,010	1,415
	7,951	9,624
Total assets	$ 1,696,133	$ 1,531,252

Liabilities	2015	2014
Deposits:		
Demand deposits	$ 681,755	$ 578,150
Time deposits-		
From general public	150,934	134,541
Money market	28,892	13,868
	179,826	148,409
Bank bonds	91,220	71,128
	952,801	797,687
Interbank loans and loans from other entities:		
Payable on demand	1,571	7,305
Short-term	12,903	37,758
Long-term	6,364	4,558
	20,838	49,621
Creditors from repurchase agreements	244,431	258,742
Security loans	1	1
Collateral sold or delivered in guarantee:		
Security loans	36,898	38,194
Repurchase agreement	-	- 1
	36,898	38,195
Derivatives:		
Trading	100,229	93,946
Hedging	7,868	5,478
	108,097	99,424
Valuation adjustments arising from hedges of financial liabilities	4,536	3,084
Other payables:		
Income taxes payable	1,999	-
Employee profit sharing (PTU) payable	3	2
Transaction settlement creditors	39,742	29,911
Creditors for collateral received in cash	26,599	15,478
Accrued liabilities and other	29,546	28,888
	97,889	74,279
Subordinated debt	77,958	69,495
Deferred credits and advanced collections	7,507	6,751
Total liabilities	1,550,956	1,397,279
Stockholders' equity		
Subscribed capital:		
Paid-in capital	24,138	24,138
Share premium	15,726	15,726
	39,864	39,864
Earned capital:		
Capital reserves	6,881	6,881
Results from prior years	69,584	60,639
Unrealized gains on available-for-sale securities	(692)	898
Result from valuation of cash flow hedges	550	707
Result from conversion of foreign subsidiaries	340	203
Net income	28,613	24,745
	105,276	94,073
Majority stockholders' equity	145,140	133,937
Non-controlling interest in consolidated subsidiaries	37	36
Total stockholders' equity	145,177	133,973
Total liabilities and stockholders' equity	$ 1,696,133	$ 1,531,252

Memorandum accounts (See note 3)	2015	2014
Contingent assets and liabilities	$ 403	$ 4
Credit commitments	458,700	384,121
Assets in trust or under mandate:		
Trusts	372,612	351,889
Mandates	9,779,404	615,273
	$ 10,152,016	$ 967,162
Assets in custody or under administration	$ 193,529	$ 166,976
Collateral received by the entity	115,402	57,058
Collateral received and sold or pledged as guarantee by the entity	104,440	57,057
Investment banking transactions on behalf of third parties, net	62,129	57,998
Uncollected earned interest derived from non-performing loans	11,335	8,508
Other record accounts	2,682,535	1,993,588
	$ 3,169,370	$ 2,341,185
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."

Eduardo Osuna Osuna	Javier Malagón Navas	Natalia Ortega Gómez	José Homero Cal y Mayor García
Chief Executive Officer	Chief Financial Officer	General Director, Internal Audit	Director, Corporate Accounting

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

BBVA Bancomer, S.A.,
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Av. Paseo de la Reforma 510, Col. Juárez, México, D.F., C.P. 06600

Consolidated Statements of Income

For the years ended December 31, 2015 and 2014
(In millions of Mexican pesos)

	2015	2014
Interest income	$ 119,831	$ 111,081
Interest expense	(28,022)	(27,126)
Net interest income	91,809	83,955
Allowance for loan losses	(28,482)	(25,526)
Net interest income after allowance for loan losses	63,327	58,429
Commission and fee income	33,243	30,204
Commission and fee expense	(11,392)	(9,412)
Trading income	3,262	3,291
Other operating income	854	475
Administrative and promotional expenses	(51,959)	(50,534)
Net operating income	37,335	32,453
Share in net income of unconsolidated subsidiaries and affiliates	100	142
Income before income taxes	37,435	32,595
Current income tax	(13,516)	(9,279)
Deferred income tax	4,695	1,430
Income before non-controlling interest	28,614	24,746

	2015	2014
Non-controlling interest	(1)	(1)
Net income	$ 28,613	$ 24,745

"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."

Eduardo Osuna Osuna
Chief Executive Officer

Javier Malagón Navas
Chief Financial Officer

Natalia Ortega Gómez
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, 2015 and 2014
(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, 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 of foreign subsidiaries	-	-	-	-	-	-	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
Changes due to stockholders' decisions-										
Transfer of net income to results from prior years	-	-	-	24,745	-	-	-	(24,745)	-	-
Cash dividends paid	-	-	-	(15,800)	-	-	-	-	-	(15,800)
Total	-	-	-	8,945	-	-	-	(24,745)	-	(15,800)
Comprehensive income-										
Net income	-	-	-	-	-	-	-	28,613	1	28,614
Result from valuation of securities available for sale	-	-	-	-	(1,590)	-	-	-	-	(1,590)
Result from valuation of cash flow hedges	-	-	-	-	-	(157)	-	-	-	(157)
Result from conversion of foreign subsidiaries	-	-	-	-	-	-	137	-	-	137
Total	-	-	-	-	(1,590)	(157)	137	28,613	1	27,004
Balances at December 31, 2015	$ 24,138	$ 15,726	$ 6,881	$ 69,584	$ (692)	$ 550	$ 340	$ 28,613	$ 37	$ 145,177

"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."

Eduardo Osuna Osuna	Javier Malagón Navas	Natalia Ortega Gómez	José Homero Cal y Mayor García
Chief Executive Officer	Chief Financial Officer	General Director, Internal Audit	Director, Corporate Accounting

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, 2015 and 2014
(In millions of Mexican pesos)

	2015	2014
Net income	$ 28,613	$ 24,745
Adjustments derived from items not involving cash flows:		
Profit or loss derived from the valuation of investment and financing activities	108	93
Depreciation of property, furniture and equipment	2,421	1,912
Amortization of intangible assets	1,453	1,477
Provisions	(2,246)	943
Current and deferred income taxes	8,821	7,849
Share in net income of unconsolidated subsidiaries and affiliates	(100)	(142)
Non-controlling interest	1	1
	39,071	36,878
Operating activities:		
Change in margin call accounts	1,186	1,935
Change in investments in securities	618	(34,562)
Change in debtors from repurchase agreement	(11,087)	(95)
Change in derivatives (assets)	(10,784)	(24,627)
Change in loan portfolio (net)	(78,046)	(77,274)
Change in benefits receivable from securitization transactions	29	10
Change in repossessed assets (net)	1,160	808
Change in other operating assets (net)	194	(9,415)
Change in deposits	139,501	74,030
Change in interbank loans and other loans from other entities	(29,164)	17,287
Change in creditors from repurchase agreements	(14,311)	2,489
Change in collaterals sold or delivered in guarantee	(1,297)	(6,011)
Change in derivatives (liabilities)	6,283	32,560
Change in subordinated debt	(1,146)	(2,268)
Change in other operating liabilities	23,169	19,376
Change in hedging instruments (of hedged items related to operation activities)	(2,681)	(2,393)
Income taxes paid	(11,518)	(9,897)
Net cash provided (used in) by operating activities	12,106	(18,047)
Investing activities:		
Proceeds from disposals of property, furniture and equipment	67	37
Payments for the acquisition of property, furniture and equipment	(13,183)	(8,881)
Proceeds from disposals of equity investments	-	47
Payments for the acquisition of equity investments	(121)	(58)
Collection of cash dividends	110	132
Proceeds from disposal of long-lived assets available for sale	376	-
Payments for the acquisition of intangible assets	(1,300)	(1,172)
Net cash used ininvesting activities	(14,051)	(9,895)

	2015	2014
Financing activities:		
Cash dividends paid	(15,800)	(15,950)
Net cash used in financing activities	(15,800)	(15,950)
Net increase (decrease) in cash and cash equivalents	21,326	(7,014)
Cash flow adjustments from exchange rate fluctuations	4,586	2,908
Cash and cash equivalents at the beginning of the period	124,190	128,296
Cash and cash equivalents at the end of the period	$ 150,102	$ 124,190

"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."

Eduardo Osuna Osuna
Chief Executive Officer

Javier Malagón Navas
Chief Financial Officer

Natalia Ortega Gómez
General Director, Auditing

José Homero Cal y Mayor García
Director, Corporate Accounting

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

Notes to Consolidated Financial Statements

For the years ended December 31, 2015 and 2014
(In millions of Mexican pesos)

1. Incorporation and corporate purpose

BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer and subsidiaries (the "Institution") is a direct subsidiary of Grupo Financiero BBVA Bancomer, S.A. de C.V. (the "Financial Group") and indirect subsidiary of Banco Bilbao Argentaria, S.A. ("BBVA") and is regulated by, among others, the Mexican Credit Institutions Law and general purpose regulations issued by Mexican National Banking and Securities Commission (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 2015, the principal macroeconomic indicators underwent certain changes, among them, accumulated inflation in 2015 was 2.10% compared to 4.18% in 2014, and Gross National Product (GNP),which was expected to increase by between 1.9% and 2.4%, increased by 1.1% in 2015. Also, given the world situation regarding international oil prices, towards the end of 2015, the peso suffered a significant depreciation of 17% against the US dollar, going from $14.74 Mexican pesos per US dollar at the close of 2014 to $17.25 Mexican pesos per US dollar as of December 31, 2015.

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 the Institution are in accordance with the financial accounting and reporting requirements prescribed by the Commission but not in accordance with Mexican Financial Reporting Standards ("MFRS" or "NIF"), and may differ in certain significant respects from the financial reporting standards accepted in the country of use.

2. Basis of preparation of the financial statements

Monetary unit of the financial statements- The consolidated financial statements and Notes as of December 31, 2015 and 2014 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, and the result from conversion of foreign subsidiariesand the valuation effect of equity in subsidiaries.

Consolidation of financial statements - The accompanying consolidated financial statements include the financial statements of the Institution and those of its subsidiaries over 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, 2015 and 2014, 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.
Financiera Ayudamos, S.A. de C.V., SOFOM, ER	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 assets and liabilities from functional and recording currency to Mexican pesos	Exchange rate to convert net results from functional and recording currency to Mexican pesos
BBVA Bancomer USA, Inc.	U.S. Dollars	$17.2487 Mexican pesos	$15.8662 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 IFRS, the effects of inflation are recognized when the economic environment of a country is considered to be highly inflationary. Given theinflation rates in Mexico over recent years, the effects derived from the recognition of inflation under the criteria of the Commission up through 2007 are eliminated under IFRS.

b) Credit loss reserves: Under IFRS, the loan portfolio should be analyzed to determine the credit risk to which the Institution is exposed by estimating the need for reservesto cover impairments in value. Therefore, internal corporate criteria must be used to classify risks in the commercial portfolio; these criteria differ from those established by the Commission for the determination of credit loss reserves.

c) Variations in assumptions for labor obligations: Under IFRS, the variations in assumptions 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 accounting criteria of the Commission establishes that such variances should be recognized directly to results.

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

3. 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 shall be based onMFRS 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 in order to appropriately reflect the specialized operations carried out by the Company.

The regulations of the Commission referred to in the preceding paragraph, set forth standards for the recognition, valuation, presentation and, if applicable, disclosure, related to specific headings of the consolidated financial statements, as well as the standards applicable to their preparation.

In this regard, the Commission clarifies that the application of accounting criteria, or the concept of supplemental application, will not apply in the case of transactions which, by express provision of law, are not permitted or are prohibited or, by the same token, are not expressly authorized.

The following is a description of the principal accounting policies followed by the Institution:

Changes in accounting policies -

Changes in the Commission's Accounting Criteria-

On July 23, 2015, the Federal Official Gazette published an amendment to the accounting criteria applicable tomarket participants to derivative contracts listed in stock markets. This amendment establishes that the derivatives markets and traders that participate in the markets for listed derivatives contracts should maintain their accounting in accordance with the applicable rules. For such purpose, clearinghouses and settlement partners which participate in the derivatives contracts market should observe the "Accounting Criteria for Clearinghouses," and "Accounting Criteria for Settlement Partners", respectively. These amendments went into effect on the day after their publication.

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

Improvements to MFRS-

The objective of these improvements is to incorporate changes and clarifications in order to establish a more appropriate regulatory approach. Improvements to MFRS are classified between those improvements that result in accounting changes affecting the valuation, presentation or disclosure of items reported in the consolidated financial statements, and those improvements that do not result in accounting changes, but rather only serve to clarify existing standards.

On January 1, 2015, the Institution adopted the following improvements to MFRS that result in accounting changes:

NIF B-8, *Consolidated or Combined Financial Statements*– Clarifies the criteria to be evaluated in order to identify an investment entity and indicates that given the nature of the primary activity of an investment entity, it may be difficult for such an entity to exercise control over the entities in which it has invested; therefore, an analysis should be carried out in order to conclude whether the entity exercises control over its investees. If there is no control, it must identify the type of investment concerned and, apply the appropriate NIF for accounting recognition.

Bulletin C-9, *Liabilities, Provisions, Contingent Assets and Liabilities and Commitments*– Clarifies and modifies the accounting treatment for liabilities arising from customer advances denominated in foreign currency. When an entity receives advance collections for sales or services denominated in foreign currency, the changes in exchange rates between the functional currency and the transaction currency do not affect the amount of the advance collection. Accordingly, the balance of the customer advances liability should not be modified as a result of such changes in exchange rates.

On January 1, 2015, the Institutionadopted the following improvements to NIFs that do not result in 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 includes in a footnote the disclosures in the financial statements of an entity that are not prepared on a going concern basis in accordance with 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 disclose the contingencies arising from the fact that the entity is not operating on a going concern basis. Consequently, Circular 57 *Sufficient Disclosure* is repealed as a result of the Commercial Bankruptcy Law.

NIF B-15, *Conversion of Foreign Currencies* – The definition of foreign operations was modified to clarify that it not only refers to a legal entity or a cash generating unit whose operations are based on or carried out in an economic environment or currency different from those of the reporting entity, but also includes legal entities or cash generating units that operate in the same country as the reporting entity (parent or holding company), but use a currency different from that of the reporting entity.

The adoption of these improvements did not have a material effect on the Institution's financial information.

Changes in accounting estimates applicable in 2015

Methodology for the determination of the allowance for loan losses applicable to the consumer credit portfolio

On August 27, 2015, the Commission issued a Resolution which modifies the Provisions for Credit Institutions and results in various changes to the methodology for classifying consumer loan portfolio in order to adopt an expected loss modelfor such portfolio, as well as for certain guarantees.

For such consumer loans, the Commission believes it advisable to recognize the guarantee schemes known as *pari passu,* or first losses, for such portfolio classification in order to eliminate regulatory inconsistencies.

This change in estimate did not have a material effect on the Institution's consolidated financial statements as of December 31, 2015.

Methodology for the determination of the allowance for loan losses applicable to credits granted under the Commercial Bankruptcies Law

On August 27, 2015, the Commission issued a Resolution which modifies the Provisions for Credit Institutions, indicating the term during which credit institutions may continue to use the methodology for the allowance for expected losses due to credit risks related to loans granted to borrowers declared commercially bankrupt with a prior restructuring plan. This Resolution establishes that once an agreement is adopted between the borrower and the recognized lenders, or the bankruptcy of the borrower is determined in accordance with the Commercial Bankruptcies Law, such methodology can no longer be applied.

Authorization may be requested from the Commission to continue using the methodology to determine allowances for expected losses forloans granted to borrowers declared commercially bankrupt with a prior restructuring plan for a term not to exceed six months from the adoption of the agreement.

This change in estimate did not have a material effect on the Institution's consolidated financial statements as of December 31, 2015.

Changes in accounting estimates applicable in 2014

Methodology for the determination of the allowance for loan losses applicable to loans granted under the Commercial Bankruptcies Law

On March 26, 2014, the Commission issued a Resolution which modifies the Provisions for Credit Institutions, adjusting the methodology applicable to the classification of credit portfolio for loans granted in accordance with article 224, sections II and III of the Commercial Bankruptcies Law, in order to make it consistent with the amendments made on January 10, 2014 to such provision.

This methodology mainly covers the consideration of collateral established in accordance with article 75 of the Commercial Bankruptcies 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.

This change in estimate did not have a material effect on the Institution's consolidated financial statements as of December 31, 2014.

Special accounting criteria applicable in 2015

Special accounting criteria applicable to the loans subject to the support resulting from the floods caused by hurricane "Patricia"

Support offered in connection with natural disasters

In Official Notice No. P-071/2015 dated November 9, 2015, 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 "Patricia" and at the same time to ensure stability. It also indicates that the benefits must be documented within 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 of Credit Institutions issued by the Commission.

The special accounting criteria applicable to BBVA Bancomer, 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 that established in paragraph 56 of Criterion B-6 “Loan Portfolio”of the Regulations for Credit Institutions.

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 “Loan Portfolio”.

Loans classified as revolving from the start, which are restructured or renewed, will not be considered as overdue portfolio under the terms established in paragraph 61 of Criterion B-6 “LoanPortfolio “of the Regulations of Credit Institutions.

The aforementioned loans will not be considered as restructured in accordance with that established in paragraph 26 of Criterion B-6 “LoanPortfolio “of the Regulations of Credit Institutions.

Without the relief offered by the special accounting criteria, the current portfolio reported in the balance sheet would have been reduced by $16 while the allowance for loan losses would have increased by approximately $1, due to the fact that loans receiving the support would have been classified in non-performing 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	17	$ 1	$ 27

Special accounting criteria applicable in 2014

Special accounting criteria applicable to the credits subject to the support resulting from the floods caused by the hurricane “Odile”

Support offered in connection with 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 indicates that the benefits must be documented within120 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 “Loan 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 “Loan 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 “Loan Portfolio”.

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

Without the relief offered by the special accounting criteria, the performing 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 receiving support would have been classified in non-performing 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 - As of December 31, 2014, the Institutionpresented “Assigned securities to be settled” of $5,157, within liabilities. In accordance with NIF B-1, *Accounting changes and error corrections*, to improve the clarity of the financial information, the Institution has reclassified such “Assigned securities to be settled” to the heading, “Investment in securities” under the category of Trading securities in the amount of $5,157, to make the presentation of such amounts consistent with that presented as of December 31, 2015. The effects of the aforementioned reclassification, in the headings of the consolidated balance sheet, are as follows:

	Increase (decrease) due to the reclassifications	Reclassified retrospectively	Originally reported
Assigned securities to be settled	$ (5,157)	$ (5,157)	$ 5,157
Investments in securities	$ (5,157)	$ -	$ 248,127

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 2015 and 2014, measured through the value of the Investment Units (UDI), is 12.34% and 11.76%, 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, 2015 and 2014.

The inflation percentages for the years ended December 31, 2015, 2014 and 2013 were 2.10%, 4.18% and 3.78%, 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.

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

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 - The Institution 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, 2015 and 2014, 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 selling 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 amortized cost 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 purchasing 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 amortized cost 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 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

– *Optional securities ("Warrants")*:

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

– *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 underlying's 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 cash collateral provided 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 Institution classifies its portfolio under the following headings:

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

b. *Home mortgages:* Direct loans denominated in Mexican pesos, foreign currency, Investment Units or multiples of the minimum wage ("VSM"), as well as any accrued interest, granted to individuals and used for the acquisition, construction, remodeling or improvement of housing, for non-businesss purposes; includesequityloanssecured by the home of the borrower and home mortgage loans granted to former employees who rendered services to the credit institution.

c. *Consumer:* Direct loans, denominated in Mexican pesos or foreign currency, as well as any accrued interest, granted to individuals in relation to credit card operations, personal loans, payroll transactions (excluding those granted through a credit card), loans for the acquisition of consumer durables and finance lease transactions entered into with individuals; includesconsumer loans granted to former employees who rendered services to the credit institution.

Performing loans–The Institution has the following criteria to classify the loans as performing portfolio:

- Loans that are current in the payments of both principal and interest.
- Loans that do not exhibit characteristics of non-performing portfolio.
- Restructured or renewed loans which have evidence of sustained payment.

Non-performing loan portfolio - The Institution applies the following criteria to classify outstanding loans as non-performing.

- Loans with a single payment of principal and interest at maturity are considered non-performing 30 days after the date of maturity.
- Loans with a single payment of principal at maturity and with periodic interest payments are considered non-performing 90 days after interest is due or 30 days after principal is due.
- Loans whose principal and interest payments have been agreed in periodic installments are considered non-performing 90 days after an installment becomes due.
- If debts are composed by revolving credits with two outstanding monthly billing periods or, if the billing period is not monthly, when payments have been outstanding for 60 or more days.
- Mortgage loans with periodic partial payments of principal and interest and are considered non-performing when a payment is 90 days or more in arrears.
- Customer checking accounts showing overdrafts will be reported in the non-performing portfolio at the date of the overdraft.
- If the borrower is declared bankrupt in accordance with the Commercial Bankruptcy Law, except for the following:

i. Loans on which the Institution continuesto collect payments under the terms of the fraction VIII, article 43 of the Commercial Bankruptcy Law.
ii. Loans that are granted under the terms of article 75 in relation with the fractions II and III of article 224 of the of the Commercial Bankruptcy Law.

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

Non-performing portfolio which are restructured or renewed will remain in non-performing portfolio until there is evidence of sustained payment; i.e., payment by the borrower without arrears for the total amount of principal and interest due and payable for at least three consecutive installmentsin accordance with the loan payment scheme, or, in the case of loans with installments that cover periods in excess of 60 calendar days, the payment of one installment as established in the accounting criteria of the Commission.

The loan payments referred to in the preceding paragraph must cover at least 20% of principal or the total amount of any interest accrued under payment restructuring or renewal schemes. However, accrued interest recognized in memoranda accounts is not considered for this purpose.

Furthermore, loans with a single payment of principal upon maturity and periodic payments of interest that are restructured or renewed during the credit term are classified as non-performing portfolio, until there is evidence of sustained payment. This includes loansfor which at least 80% of the original term of the loan has not elapsed, loansfor which payments received have not covered the total amount of accrued interest or covered the principal of the original amount of the loan, and loans thatwould have been settled as of the date of renewal or restructuring in question.

The accrual of interest is suspended at the time the loan is classified as non-performing portfolio, including those loans which, in accordance with the respective contract, capitalize interest to the amount of the debt. While a loan remains in the non-performing portfolio, accrued interest is recorded in memoranda accounts. When interest on non-performing portfolio is collected, it is recognized directly in the results of the year under the heading"Interest income".

With regard to ordinary uncollected accrued interest on loans that are classified as non-performing portfolio, the Institution creates an allowance for the total amount of accrued interest outstanding at the time the loan is transferred to non-performing portfolio.

Acquisitions of loan portfolio - On the acquisition date, acquired loan portfolio must be measured based on the contractual value of the portfolio and the same portfolio classification used by the originator; any difference arising in relation to the acquisition price is recorded as follows:

a) When the acquisition price is lower than the portfolio's contractual value, the difference is recognized in results of the year under the heading "Other operating income (expense)", up to the amount of the allowance for loan losses recognized in accordance with the Commission's rules, and any remaining amount as a deferred credit, which will be amortized on a proportional basisin relation to 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 on a proportional basis in relation to 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 recognizes the allowance for loan losses based on the following:

– *Commercial loan portfolio:*

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

The amount of the allowance for loan losses on each loanis determined by applying the following formula:

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

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 loan (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 formula:

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

Where:

Quantitative credit score$_i$= Is the score obtained for the nth borrower when evaluating the risk factors.
Qualitative credit score$_i$ = Is the score obtained for the nth borrower when evaluating the risk factors.
α = Is the relative weight of the quantitative credit score.

Unsecured loans-

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

a. 45%, for Preferred Positions.
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 loans which are 18 months or more in arrears for the amount due and payable under the original terms.

The Exposure to Default of each loan (EI_i) 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:

$$EI_i = S_i$$

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 loan granted to the borrower, adjusted for accrued interest, less payments of principal and interest, as well as any reduction, forgiveness, rebate and discount granted. In any case, the amount subject to the classification must not include uncollected accrued interest recognized in memorandum accounts on the balance sheet for loansclassified within non-performing 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.

Loans granted under the terms of the Commercial Bankruptcy Law

On March 26, 2014, the Commission issued a Ruling which amends the Provisions, whereby it modifies the methodology applicable to the classification of commercial loan portfolio for loans 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 loans 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 loans 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 loans granted under the terms of article 224, section III of the Commercial Bankruptcy Law at the classification date."

Commercial loan portfolio of financial institutions (up to May 31, 2014)

In accordance with the Provisions regarding the classification methodology of the loan portfolio up to such dates, the Institution individually classified the commercial loan portfolio, for the loans or group of loans 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. Portfolio owed by the Federal Government or with an express federal guarantee was 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.

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

In Document 121-1/116843-2014 and 121-1/116844-2014 dated April 21, 2014, the Commission granted authorization to apply new parameters for the classification for the Business (with annual sales above 50 million pesos) and Other Enterprises portfolio, which were applied since April, 2014.

In Document 121-1/18705/2015 and 121-1/18706/2015 dated May 13, 2015, the Commission granted authorization to apply new parameters for the classification for the Business and O portfolio used in its "Expected Loss Internal Methodology", which were applied since May 2015.

The internally developed methodology consists of the calculation of the expected loss of 12 months with the following concepts:

- Probability of Default – Based on a rating determined based on the financial information of the companies and 100% for non-performing portfolio.

- Severity of Loss – Calculated based on the collateral and time in default.

  The Institution records the respective allowances for loan losses monthly, applying the results of the classification made quarterly to the balance of the debt recorded on the final day of each month.

  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	to	45.00%

– *Portfolio of States and their Municipalities:*

When classifying the loan 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 loans granted to States and Municipalities.

The allowance for loan losses of each loan will be determined using the following formula:

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

Where:

R_i =	The amount of the allowance for loan losses to be created for the nth credit.
PI_i=	Probability of Default of the nth credit.
SP_i =	Severity of the Loss of the nth credit.
EI_i =	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 formula:

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

a. 45%, for Preferred Positions.
b. 100%, for Subordinated Positions or when the loan is 18 months or more in arrears for the amount due and payable under the original terms.

The Exposure to Default of each loan (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 loan 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 for loans classified within non-performing 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.

– *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 credit enhancements 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 credit enhancement with respect to the loans and the means of formalizing the credit enhancement, 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 risk 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%

– *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 loan, 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 loan 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 accrued interest but not collected for loans in non-performing 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 121-1/116801/2014 dated January 13, 2014, the Commission granted authorization to apply new parameters for the classification of revolving consumer loan portfolio used in its “Expected Loss Internal Methodology”, which were applied for the year 2014 and in Document 121-1/18702-2015 dated February 13, 2015, the Commission granted authorization to apply new parameters for the classification of revolving consumer loan portfolio used in its “Expected Loss Internal Methodology”, which were applied starting on February 2015.

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 such as 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	to	75.01%

As of December 31, 2015 and 2014, the classification and creation of the allowance for loan losses of the consumer loan 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 non-performing 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.

Restructuring and renewal processes

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

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

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

- the modification of the interest rate established for the remainder of the loan period;
- the change of currency or account unit, or
- the concession of a grace period regarding the payment obligations detailed in the original credit terms, unless this concession is granted after the originally- agreed period, in which case it is considered as a renewal.

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

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

Interest rate: when the agreed interest rate improves.

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

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

A renewal is a transaction which extends the credit duration or maturity date or when the loan is paid at any time by using the proceeds of another loan contracted with the same entity in which one of the parties is the same debtor or another individual or entity with equity shareholding relationships thereby constituting a joint risk. Credit is not considered to be renewed when disposals are made during the term of a pre-established credit line.

Restructured or renewed non-performingloans remain in the non-performing portfolio until evidence of sustained payment is obtained; i.e., timely borrower payment compliance in relation to the total principal and accrued interest due, with a minimum of three consecutive payments in accordance with the loan payment scheme or, in the case of loans with payment periods exceeding 60 calendar days, the settlement of one payment, as established by the accounting criterion issued by the Commission.

The loan payments referred to by the preceding paragraph must cover at least 20% of principal or any interest accrued under the restructuring or renewal payment scheme. Accrued interest recognized in memoranda accounts is not considered for this purpose.

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

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

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

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

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

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

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

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 cash 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 revenues derived from such services at the time they are earned. Such revenues are presented under the heading"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 residual 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 12.

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 settlement 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.

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

Property 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 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%
Construction	1.3%
Construction Components:	
Elevators	3.3%
Power plants	2.8%
Pipelines	2.8%
Air conditioner	2.8%
Computer equipment	25.0%
ATM’s	12.5%
Furniture and equipment	10.0%
Vehicles	25.0%
Machinery and equipment	10.0%

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

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

Impairment of long-lived assets in use - The Institution reviews 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. 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.

Income Tax - Income Tax (“ISR”) is recorded in results of the year in which they are incurred. 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 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”.

Deferred taxes–Deferred taxes which are expected to be recovered are recorded as a tax credit and is presented in the balance sheet under the heading of “Deferred charges, prepaid expenses and intangibles”.

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 UDIs.

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.

Financial margin - The Institution’s financial margin is comprised of 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 expense.

Commissions charged and associated costs and expenses - Commissions charged for initial loan origination are recorded as deferred revenues under “Deferred revenues and other advances”, and are amortized to earnings under “Interest income”, using the straight line method over the life of the loan, except for those related to revolving loans, which are amortized over a 12 month period.

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.

Commissions recognized after the initial loan grant, those incurred as part of the maintenance of such loans, or those collected on undrawn loans are recognized in earnings when they are incurred.

Commissions collected for credit card annual fees, whether the first or subsequent renewal fees, are recognized as deferred revenues under “Deferred revenues and other advances”, and are amortized over a 12 month period against earnings under “Commission and fee income”.

The incremental costs and expenses associated with the initial loan grant are recognized as a deferred charge and are amortized against earnings as “Interest expense” during the same accounting period in which income from collected commissions is recognized.

Any other costs or expenses, including those related to promotion, advertising, potential customers, management of existing loans (follow-up, control, recoveries, etc.) and other ancillary activities related to the establishment and monitoring of loan policies are recognized directly in earnings as incurred under the respective line item that corresponds to the nature of the cost or expense.

Costs and expenses associated with the issuance of credit cards are recognized as a deferred charge, which is amortized to earnings over a 12 month period under the respective line item that corresponds to the nature of such cost or expense.

On the cancellation date of a credit line, the remaining unamortized balance of commission fees collected for credit lines cancelled before the end of the 12 month period are recognized directly in results for the year under the heading “Commissions and fees collected”.

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.

Securities in custody and under administration are deposited in S.D. Indeval, Deposit Institution Securites, S.A. de C.V.

– *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, 2015 and 2014, the other recording accounts present a balance of $2,682,535 and $1,993,588, 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.

4. Cash and cash equivalents

At December 31, 2015 and 2014, cash and cash equivalents consisted of the following:

	2015	2014
Cash	$ 55,964	$ 47,433
Banks	21,879	15,961
Restricted cash	72,188	60,723
Other quick funds	71	73
	$ 150,102	$ 124,190

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 $17.2487 Mexican pesos and $14.7414 Mexican pesos per one U.S. dollar, as of December 31, 2015 and 2014, respectively, and are comprised as follows:

	Mexican pesos		U.S. Dollars (in Mexican pesos)		Total	
	2015	2014	2015	2014	2015	2014
Deposits with foreign credit institutions	$ -	$ -	$ 16,755	$ 14,854	$ 16,755	$ 14,854
Central Bank of Mexico	4,664	-	34	158	4,698	158
Domestic banks	436	955	(10)	(6)	426	949
	$ 5,100	$ 955	$ 16,779	$ 15,006	$ 21,879	$ 15,961

As of December 31, 2015 and 2014, restricted funds available are as follows:

	2015	2014
Monetary regulation deposits (1)	$ 59,682	$ 59,681
Foreign exchange to be received (2)	49,542	41,159
Foreign exchange to be delivered (2)	(42,418)	(40,531)
Interbank loans call money (3)	5,000	67
Other restricted deposits	382	347
	$ 72,188	$ 60,723

(1) As of December 31, 2015 and 2014, the only account of the Central Bank of Mexico includes the Institution's Monetary Regulation Deposits in the Central Bank of Mexico, which amount to $59,682 and $59,681, 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 Sole Account kept by each credit institution.

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

Furthermore, on June 27, 2014, through Circular 11/2014, the Central Bank of Mexico increased the required 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.

(2) Foreign currencies to be received and delivered for purchases and sales to be settled in 24 and 48 hours as of December 31, 2015 and 2014 are composed as follows:

	2015		
	Balance in foreign Currency (Millions of US dollars)		**Mexican peso equivalent**
Purchases of foreign currencies to be received at 24 and 48 hours	2,872	$	49,542
Sales of foreign currencies to be settled at 24 and 48 hours	(2,459)		(42,418)
	413	$	7,124

	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

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, 2015 and 2014, represent interbank loan transactions agreed at a term shorter than or equal to four business days, respectively, at a rate of 3.32% and 2.93%, respectively.

5. Margin call accounts

At December 31, 2015 and 2014, margin call accounts are comprised as follows:

	2015	2014
Derivatives margin in authorized markets	$ 2,774	$ 3,810

6. Securities

At December 31, 2015 and 2014, financial instruments were as follows:

a. ***Trading -***

Instrument	2015				2014
	Acquisition Cost	Accrued interest	Increase (decrease)due to valuation	Book value	Book value
Securitized certificates	$ 10,451	$ 77	$ 27	$ 10,555	$ 10,673
Sovereign debt Eurobonds	7,748	87	(253)	7,582	6,891
Net equity instruments	5,578	-	(291)	5,287	4,427
ADR’s	1,217	-	(49)	1,168	5,587
Commercial paper companies	-	-	-	-	798
Promissory notes with returns realizable at maturity	39	-	-	39	3,477
Udibonos	2,692	16	(15)	2,693	5,213
Corporate Eurobonds	1,685	13	(62)	1,636	1,853
Fixed-rate bonds	8,678	119	(21)	8,776	4,953
CEDES	600	-	-	600	1
BPA´s (Savings Protection Bonds)	1,208	8	-	1,216	-
Bank securitized certificates	2,354	1	17	2,372	1,777
Exchangeable securitization certificates (CBIC´s)	228	4	-	232	560
CETES	591	-	-	591	99
Bondes	8,142	4	-	8,146	-
Treasury Bills	8,970	-	(5)	8,965	7,814
Treasury Notes	86	1	(2)	85	72
	60,267	330	(654)	59,943	54,195
Collateral granted (a.1)	186,765	(320)	2,481	188,926	192,175
Value date purchases (a.2)	6,142	25	(18)	6,149	15,390
Value date sales (a.3)	(5,526)	(30)	-	(5,556)	(18,790)
Total	$ 247,648	$ 5	$ 1,809	$ 249,462	$ 242,970

During 2015 and 2014, valuation losses for net amounts of ($276) and ($477), respectively, were recorder in results of the year.

At December 31, 2015 and 2014, the remaining periods of these investments were as follows:

2015

Instrument	Less than 1 month	Between 1 and 3 Months	More than 3 Months	Without a Fixed period	Total acquisition cost
Securitization certificates	$ 70	$ 30	$ 10,351	$ -	$ 10,451
Sovereign debt Eurobond	380	-	7,368	-	7,748
Net equity instruments	-	-	-	5,578	5,578
ADR's	-	-	-	1,217	1,217
Promissory notes with returns realizable at maturity	-	-	39	-	39
Udibonos	-	-	2,692	-	2,692
Corporate Eurobonds	5	-	1,680	-	1,685
Fixed-rate bonds	-	-	8,678	-	8,678
CEDES	-	300	300	-	600
BPA´s (Savings Protection Bonds)	-	-	1,208	-	1,208
Bank securitized certificates	-	34	2,320	-	2,354
Exchangeable securitization certificates (CBIC´s)	-	-	228	-	228
CETES	-	591	-	-	591
Bondes	-	-	8,142	-	8,142
Treasury Bills	-	-	8,970	-	8,970
Treasury Notes	-	-	86	-	86
Total	$ 455	$ 955	$ 52,062	$ 6,795	$ 60,267

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 Eurobond	-	102	6,738	-	6,840
Net equity instruments	-	-	-	4,634	4,634
ADR's	-	-	-	5,760	5,760
Commercial paper companies	411	387	-	-	798
Promissory notes with returns realizable at maturity	-	3,477	-	-	3,477
Udibonos	-	-	5,206	-	5,206
Corporate Eurobonds	7	-	1,871	-	1,878
Fixed-rate bonds	-	-	4,848	-	4,848
Bank securitized certificates	-	-	1,754	-	1,754
Exchangeable securitization certificates (CBIC´s)	-	-	552	-	552
CETES	2	97		-	99
Treasury Bills	-	-	7,814	-	7,814
CEDES	-	1	-	-	1
Treasury Notes	-	-	74	-	74
Total	$ 632	$ 4,316	$ 38,953	$ 10,394	$ 54,295

a.1. The collateral granted as of December 31, 2015 and 2014 was comprised as follows:

Instrument	2015 Acquisition cost	2015 Accrued interest	2015 Valuation Increase (decrease)	2015 Book value	2014 Book value
BPA's (Savings Protection Bonds)	$ 51,420	$ 58	$ 1,135	$ 52,613	$ 45,112
Fixed rate bonds	26,374	(319)	908	26,963	37,663
Bank securitization certificates	72	-	-	72	-
CETES	57,855	105	336	58,296	4,709
Bondes	3,449	-	1	3,450	51,434
Udibonos	1,847	-	(2)	1,845	4,856
Securitization certificates	1,091	-	2	1,093	1,938
CEDES	-	-	-	-	1,000
Exchangeable securitization certificates (CBIC's)	4,580	-	(6)	4,574	4,900
Bonds received as repurchase agreement warranties	146,688	(156)	2,374	148,906	151,612
Fixed rate bonds	30,859	(172)	94	30,781	36,914
Udibonos	6,130	-	(3)	6,127	-
BPA's (Savings Protection Bonds)	1,514	4	16	1,534	2,922
Bondes	-	-	-	-	727
CETES	1,574	4	-	1,578	-
Other warranties	40,077	(164)	107	40,020	40,563
Total restricted securities	$ 186,765	$ (320)	$ 2,481	$ 188,926	$ 192,175

a.2 Value date purchases at December 31, 2015, and 2014 was comprised as follows:

Instrument	2015 Acquisition Cost	2015 Accrued Interest	2015 Valuation Increase (Decrease)	2015 Book Value	2014 Book Value
Fixed rate bonds	$ 4,112	$ 22	$ 8	$ 4,142	$ 11,287
CETES	596	-	-	596	566
Udibonos	541	1	(1)	541	2,826
Net worth instruments	503	-	(3)	500	457
BPA's (Savings Protection Bonds)	201	1	-	202	-
ADR's	89	-	(23)	66	16
Corporate Eurobonds	-	-	-	-	6
Securitization certificates	-	-	-	-	35
Sovereign debt Eurobonds	100	1	1	102	197
Total	$ 6,142	$ 25	$ (18)	$ 6,149	$ 15,390

a.3 Value date sales at December 31, 2015, and 2014 were comprised as follows:

Instrument	2015 Acquisition cost	2015 Accrued interest	2015 Valuation Increase (Decrease)	2015 Book value	2014 Book value
Fixed rate bonds	$ (2,851)	$ (24)	$ (5)	$ (2,880)	$ (11,917)
CETES	(397)	-	-	(397)	(2,560)
Udibonos	(1,595)	(3)	2	(1,596)	(2,775)
Securitization certificates	(90)	(1)	(1)	(92)	(544)
Net worth instruments	(139)	-	5	(134)	(517)
BPA's (Savings Protection Bonds)	-	-	-	-	(207)
ADR's	(17)	-	-	(17)	(46)
Sovereign debt Eurobonds	(437)	(2)	(1)	(440)	(224)
	$ (5,526)	$ (30)	$ -	$ (5,556)	$ (18,790)

b. ***Available for sale -***

Instrument	2015 Acquisition cost	2015 Accrued interest	2015 Valuation increase (decrease)	2015 Book value	2014 Book value
Sovereign debt Eurobonds	$ 25,561	$ 507	$ (330)	$ 25,738	$ 18,986
Securitization certificates	15,229	122	6	15,357	17,230
Corporate Eurobonds	3,044	45	(28)	3,061	3,251
Udibonos	346	-	(32)	314	-
Net worth instruments	803	-	(193)	610	714
ADR's	11	-	370	381	288
CEDES UDIs	75	45	(3)	117	115
Bank Eurobonds	293	2	(1)	294	-
Brem´s	-	-	-	-	10
	45,362	721	(211)	45,872	40,594
Restricted securities (b.1)	102,905	(461)	(370)	102,074	111,593
Total	$ 148,267	$ 260	$ (581)	$ 147,946	$ 152,187

At December 31, 2015, 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
Net worth instruments	$ -	$ -	$ 803	$ 803
ADR's	-	-	11	11
Sovereign debt Eurobonds	-	25,561	-	25,561
Corporate Eurobonds	585	2,459	-	3,044
Eurobonos bancarios	-	293	-	293
Bank Eurobonds	266	14,963	-	15,229
CEDES UDI's	-	75	-	75
Udibonos	-	346	-	346
Total	$ 851	$ 43,697	$ 814	$ 45,362

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 instrument	-	-	807	807
CEDES UDI´s	-	75	-	75
ADR's	-	-	10	10
Total	$ 499	$ 37,755	$ 817	$ 39,071

b.1 Collateral granted (restricted securities) as of December 31, 2015 and 2014, were as follows:

	2015				2014
Instrument	Acquisition cost	Accrued interest	Increase (Decrease) due to valuation	Book value	Book value
Fixed rate bonds	$ 88,368	$ (434)	$ (367)	$ 87,567	$ 95,056
Bondes	-	-	-	-	1,113
Securitization certificates	147	(1)	(3)	143	943
Brem's	13,236	(26)	-	13,210	13,200
Udibonos	-	-	-	-	323
Total warranties receivable from repurchase agreements	101,751	(461)	(370)	100,920	110,635
Treasury Billsgiven as warranties	1,154	-	-	1,154	958
Total other warranties	1,154	-	-	1,154	958
Total restricted securities	$ 102,905	$ (461)	$ (370)	$ 102,074	$ 111,593

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

The following securities have medium and long-term maturities:

	2015			2014
Instrument	Acquisition cost	Accrued interest	Book value	Book value
Government bonds- Mortgage debtor support program	$ 15,052	$ -	$ 15,052	$ 14,616
Government bonds- State and Municipality debtor support program	1,774	-	1,774	1,722
U.S. Treasury securities	51	-	51	44
Total	$ 16,877	$ -	$ 16,877	$ 16,382

For the years ended December 31, 2015 and 2014, the yields related to the overall held to maturity portfolio, recorded in the result of the year, amounted to $487 and $489, 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 providing the collateral retains the corporate and economic rights of such instruments, unless there is default on the secured obligations. 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 decrease in the secured 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.

7. Repurchase transactions

As of December 31, 2015 and 2014, repurchase transactions were comprised as follows:

a. ***Repurchase agreement debtors –***

As repurchasing party:

	2015			2014		
	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
Bondes	$ 48,840	$ 48,665	$ 175	$ 144	$ -	$ 144
Fixed rate bonds	6,717	6,650	67	-	-	-
BPA's (saving protection bonds)	10,973	10,922	51	-	-	-
Securitization certificates	12,000	1,062	10,938	-	-	-
Total	$ 78,530	$ 67,299	$ 11,231	$ 144	$ -	$ 144

b. ***Repurchase creditors -***

Security vendor:

	2015	2014
	Liability Side	Liability Side
Instrument	Payables under resale agreements	Payables under resale agreements
Fixed rate bonds	$ 110,943	$ 129,007
BPA's (Savings Protection Bonds)	51,434	44,400
Federal Government Development Bonds (Bondes)	3,049	52,032
CETES	57,914	4,709
Udibonos	1,847	5,173
Securitization certificates	1,376	3,780

Instrument	2015 Liability Side Payables under resale agreements	2014 Liability Side Payables under resale agreements
BREMS	13,216	13,195
Bank Bonds	72	546
CBIC's	4,580	4,900
CEDES	-	1,000
Total	$ 244,431	$ 258,742

At December 31, 2015 and 2014, the interest (premiums) earned by the Institution were $744and $265, respectively. Also, at December 31, 2015 and 2014, the interest (premiums) charged to the Institution were $9,734 and $10,393, respectively.

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

	2015			2014		
	Memoranda accounts		Liability portion	Memoranda accounts		Liability portion
Instrument	Collateral received for securities loans	Collateral received for loans and sold or given in guarantee	Creditors from collateral Sold or given in guarantee	Collateral received for securities loans	Collateral received for loans Sold or given in guarantee	Creditors from collateral sold or given in guarantee
Borrower:						
Government securities -						
Fixed rate bonds	$ 22,941	$ 22,941	$ 22,941	$ 20,949	$ 20,949	$ 20,949
Net worth instruments	-	-	-	14	14	14
Investment unit bonds (Udibonos)	6,577	6,577	6,577	3,564	3,564	3,564
CETES	2,634	2,634	2,634	8,292	8,292	8,292
CBIC´s	4,746	4,746	4,746	5,375	5,375	5,375
	36,898	36,898	36,898	38,194	38,194	38,194
Repurchase agreements:						
Federal Government Development Bonds (Bondes)	49,958	49,958	-	10,507	10,507	-
Fixed rate bonds	17,617	17,617	-	4,352	4,352	-
BPA's (saving protection bonds)	10,929	10,929	-	4,005	4,005	1
	78,504	78,504	-	18,864	18,864	1
Total	$115,402	$115,402	$ 36,898	$ 57,058	$ 57,058	$ 38,195

Premiums payable were recognized in the results of 2014 and 2013 for the amount of $44 and $67, respectively.

At December 31, 2015 and 2014, 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.

8. Derivatives

At December 31, 2015 and 2014, 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, 2015 and 2014. 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 26.

Trading:

	2015			
	Notional amount		Balance	
Transaction	Asset	Liability	Debit	Credit
Long-term futures position	$ 25,864	$ 25,864	$ -	$ -
Short-term futures position	16,330	16,330	-	-
Long-term forwards contracts	381,528	381,837	8,779	9,088
Short-term forwards contracts	339,906	347,927	2,776	10,797
Options acquired	4,419	-	4,419	-
Options sold	-	7,813	-	7,813
Swaps	908,032	900,683	79,880	72,531
	$ 1,676,079	$ 1,680,454	$ 95,854	$ 100,229

	2014			
	Notional amount		Balance	
Transaction	Asset	Liability	Debit	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

Hedging:

	2015			
	Notional amount		Balance	
Transaction	Asset	Liability	Debit	Credit
Long-term forwards contracts	$ 2,873	$ 2,779	$ 94	$ -
Short-term forwards contracts	314	297	38	21
Swaps	101,939	96,639	13,147	7,847
	$ 105,126	$ 99,715	$ 13,279	$ 7,868

	2014			
	Notional amount		Balance	
Transaction	Asset	Liability	Debit	Credit
Swaps	$ 89,681	$ 88,234	$ 6,925	$ 5,478

b. ***Futures and forward contracts -*** For the year ended December 31, 2015, the Institution carried out transactions in recognized markets (Mexican Derivatives Market (Mex-Der) Chicago and ITAU), including an equity of $5,263 distributed in rates of $34, currencies of $4,939, indexes and securities of $290.

The Institution also entered into forward contracts with the principal foreign currencies. At the close of the year 2015, the following contracts are open:

Trading:

		Sales		Purchases		
Type of Transaction	**Underlying**	**Receivable**	**Contract value**	**Contract value**	**Deliverable**	**Book balance**
Futures	TIIE	$ 4,824	$ 4,824	$ -	$ -	$ -
	Bono M10	-	-	2,394	2,394	-
	BMF	20	20	472	472	-
	Index	4,319	4,319	300	300	-
	S&P	-	-	5,747	5,747	-
	U.S. dollars	7,167	7,167	16,951	16,951	-
		$ 16,330	$ 16,330	$ 25,864	$ 25,864	$ -
Forwards	U.S. dollars	$ 311,781	$ 320,009	$ 369,754	$ 369,858	$ (8,332)
	Index	11,715	11,509	6,091	6,303	(6)
	Equity	5,157	5,161	5,683	5,676	3
	Bonds	11,253	11,248	-	-	5
		$ 339,906	$ 347,927	$ 381,528	$ 381,837	$ (8,330)

Hedging:

		Sales		Purchases		
Type of transaction	**Underlying**	**Receivable**	**Contract value**	**Contract value**	**Deliverable**	**Book balance**
Forwards	U.S. dollars	$ 314	$ 297	$ 2,873	$ 2,779	$ 111
		$ 314	$ 297	$ 2,873	$ 2,779	$ 111

At the close of the year 2014, the following contracts are open:

Trading:

		Sales		Purchases		
Type of transaction	**Underlying**	**Receivable**	**Contract value**	**Contract value**	**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	$ 410,416	$ 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)

Options - At December 31, 2015, option transactions were as follows:

Trading:

Type of transaction		Underlying	Notional amount	Fair value
Purchases	OTC Options	Interest rates	$ 35,898	$ 666
		Equity securities and index	16,065	1,852
		U.S. dollars	80,416	701
	Market options	Equity securities and index	6,804	1,200
				$ 4,419
Sales	OTC Options	Interest rates	$ 226,836	$ 956
		Equity securities and index	12,071	5,603
		U.S. dollars	83,261	262
	Market options	Equity securities and index	6,879	992
				$ 7,813

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

c. ***Swaps –*** At December 31, 2015, swaps transactions were as follows:

Trading:

Underlying	Currency	Receivable contract value	Payable contract value	Receivable	Payable	Net position
Currency	U.S. Dollar	$ 248,490	$ 206,434	$ 267,706	$ 217,944	$ 49,762
	Mexican Peso	172,766	156,591	271,080	264,092	6,988
	UDIS	88,944	101,460	-	-	-
	Euro	31,365	69,536	33,234	76,460	(43,226)
	Colombian Peso	333	692	-	-	-
	Pound Sterling	1,272	1,272	1,647	1,719	(72)
	Swiss Franc	-	3,449	-	3,741	(3,741)
	Chilean Peso	2,890	-	-	-	-
				573,667	563,956	9,711
Interest rates	Mexican Peso		$ 2,362,155	$ 260,287	$ 261,581	$ (1,294)
	U.S. Dollar		951,357	71,797	72,321	(524)
	Pound Sterling		509	39	37	2
	Euro		69,758	2,324	2,512	(188)
				334,447	336,451	(2,004)
Shares	U.S. Dollar		$ 1,135	$ 53	$ 28	$ 25
	Mexican Peso		84	2	1	1
				55	29	26
CDS	U.S. Dollar		$ 1,380	$ 44	$ 35	$ 9
CRA	Mexican Peso		$ -	$ (393)	$ -	$ (393)
Authorized markets	Mexican Peso		$ 3,163	$ 212	$ 212	$ -
				$ 908,032	$ 900,683	$ 7,349

The Institution entered into nominal interest rate swaps in Mexican pesos with various institutions, at annual rates ranging from 1.80% to 20.26%. At December 31, 2015, the notional amount of swaps was $2,362,155.

At December 31, 2014, swap transactions were as follows:

Trading:

Underlying	Currency	Receivable contract value	Payable contract value	Receivable	Payable	Net position
Currency	U.S. 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

Underlying	Currency	Receivable contract value	Payable contract value	Receivable	Payable	Net position
Interest rates	Mexican peso	$ -	$ 1,644,916	$ 280,044	$ 282,157	$ (2,113)
	U.S. dollar		615,053	1,474	1,796	(322)
	Euro		30,758	48,363	48,317	46
				329,881	332,270	(2,389)
Shares	U.S. dollar		$ 5,030	$ 125	$ 9	$ 116
CDS	U.S. dollar		$ 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.

Hedging:

At December 31, 2015-

Underlying	Currency	Receivable contract value	Payable contract value	Receivable	Payable	Net position
Currency	Mexican peso	$ 22,949	$ 21,241	$ 25,430	$ 25,090	$ 340
	U.S. dollar	34,975	8,015	42,166	9,349	32,817
	Pound Sterling	-	1,200	-	1,693	(1,693)
	Euro	-	23,390	-	26,582	(26,582)
				67,596	62,714	4,882
Interest rates	Mexican peso	$ -	$ 30,713	$ 13,806	$ 14,861	$ (1,055)
	U.S. dollar	-	56,353	20,537	19,064	1,473
				34,343	33,925	418
				$ 101,939	$ 96,639	$ 5,300

The Institution entered into nominal interest rate swaps in Mexican pesos with various institutions at annual rates ranging from 3.33% to 8.91%. At December 31, 2015, the notional amount of swaps was $30,713.

At December 31, 2014-

Hedging:

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. dollar	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. dollar		48,313	20,318	19,304	1,014
				34,380	34,712	(332)
				$ 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.

Collateral received in OTC derivatives as of December 31, 2015 and 2014 is recorded under the heading “Creditors for collateral received in cash” and is shown as follows:

	2015			2014
Cash received as derivatives warranty	Acquisition cost	Accrued interest	Book value	Book value
Actimed, S.A. de C.V., SIID	$ 2	$ -	$ 2	$ -
Banco Actinver, S.A., IBM	2	-	2	-
Banco Base, S.A., IBM	100	-	100	-
Banco Inbursa, S.A., IBM	1,482	1	1,483	865
Banco JP Morgan, S.A., IBM	510	-	510	120
Banco Nacional de Obras, S.N.C	652	2	654	709
Banco Regional de Monterrey, S.A., IBM	41	-	41	-
BBVA Banco Continental	161	-	161	-
BBVA Colombia	225	-	225	-
Banco Nacional Com Exterior, S.N.C.	509	1	510	275
Bimar Internacional	446	-	446	-
Credit Agricole CIB	1,625	1	1,626	960
Credit Suisse Securities	8,143	3	8,146	7,520
Deutsche Bank	2,541	1	2,542	-
Docuformas S.A.P.I de C.V.	-	-	-	4
Fondo Alterna S.A. de C.V. SIID	-	-	-	1
Goldman Sachs Paris	3,794	1	3,795	1,205
HSBC Bank USA N.A N.Y	46	-	46	-
J. Aron and Company	1,065	-	1,065	1,197
Merrill Lynch Cap.S.E	569	-	569	-
Morgan Stanley & CO	393	-	393	546
Morgan Stanley SAS	1,294	-	1,294	-
Natixis	1,575	1	1,576	573
Royal Bank of Scotland	-	-	-	24
Sociedad Hipotecaria Federal, S.N.C.	1,369	4	1,373	1,479
Valores Mexicanos, S.A. de C.V.	1	-	1	-
VECTOR Casa de Bolsa, S.A. de C.V.	22	-	22	-
XIGNUX, S.A. de C.V.	17	-	17	-
Total warranties received in cash	$ 26,584	$ 15	$ 26,599	$ 15,478

As of December312015and 2014, the Institutionhasnotregistered“Collateral received”inaccounts.

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

Held for trading purposes:

Transaction type	2015			
	Book value		Balance	
	Asset	Liability	Asset	Liability
Options acquired	$ 238	$ -	$ 238	$ -
Options sold	-	1,119	-	1,119
Swaps	18,869	17,524	5,195	3,850
	$ 19,107	$ 18,643	$ 5,433	$ 4,969

Transaction type	2014			
	Book value		Balance	
	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

e. ***Embedded options (Underlying) -***

Held for trading purposes:

Transaction type		Underlying	2015	
			Face value	Fair value
Purchases	OTC Options	U.S. dollar	$ 257	$ 2
		Interest rates	33,293	178
		Indexes	2,991	58
			$ 36,541	$ 238
Sales	OTC Options	Interest rates	$ 13,506	$ 105
		Indexes	15,647	1,011
		U.S. dollar	107	3
			$ 29,260	$ 1,119

Transaction type		Underlying	2014	
			Face value	Fair value
Purchases	OTC Options	U.S. 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
		U.S. dollar	1,536	6
			$ 18,794	$ 1,193

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

Held for trading purposes:

Underlying	Currency	2015 Receivable face value	Receivable market value	Payable market value	Fair value
Currency	Mexican peso	$ 5,272	$ 5,315	$ 5,403	$ (88)
	U.S. dollar	4,556	5,335	4,950	385
	Euro	358	419	411	8
		$ 10,186	$ 11,069	$ 10,764	$ 305
Interest rate	Mexican peso	$ 49,401	$ 7,618	$ 6,635	$ 983
	U.S. dollar	1,015	182	125	57
		$ 50,416	$ 7,800	$ 6,760	$ 1,040

Underlying	Currency	2014 Receivable face value	Receivable market value	Payable market value	Fair value
Currency	Mexican peso	$ 10,222	$ 10,337	$ 10,575	$ (238)
	U.S. 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
	U.S. dollar	881	198	142	56
		$ 31,602	$ 6,779	$ 6,391	$ 388

As of December 31, 2015, the Institution has entered into the following hedge contracts:

Type of Hedge: Cash Flow Hedges

Description of coverage	Risk hedged	Hedge instrument	Maximum maturity date of hedge	Fair value hedge instrument	Periods in which flows affect results	Amount recognized in comprehensive income of the period	Amount that is reclassified from Equity to Income Statement	Line of the Consolidated Income Statement where the Hedge is being applied	Line of the Consolidated Balance Sheet where the primary position is recorded	Ineffectiveness recognized
Partial coverage of Monetary Regulation Deposit	Variable flows from the DRM	24 IRS FIJA/TIIE	June-2020	$ 298	53 months	$ (15)	$ 559	Interest Margin from Cash and cash equivalents	Restricted cash	-
Coverage corporate credits Euro / Libor	Variable flows from the credit	5 CCS Basis EUR/USD	July-2020	$ 1,230	59 months	$ 1,115	$ -	Interest Margin from Loan Portfolio	Performing Loan Portfolio	-
Coverage of expenses and investment in EUR and USD	Exchange rate variation in estimated expense flows	23 FWD sale EUR/MXP	November-2016	$ 93	11 months	$ 93	$ 95	Expenses	Property, furniture and equipment Marketing	-
Coverage of sovereign bonds of the Brazilian government	Variable flows from the bond	5 FWD sale BRL/USD/MXN	January-2017	$ 18	12 months	$ 18	$ -	Interest Margin from Securities	Securities	-

* As of the date the cash flows prognosticated for the transactions occurred within the time initially agreed.

Type of Hedge: Fair Value

Description of coverage	Nature of the records covered	Hedge instrument	Maximum maturity of hedge	Fair value hedge instrument	Gain/loss hedge instrument	Gain/loss hedging element	Part of the balance sheet where the primary position is recorded
Coverage of credits in USD and MXP From Fixed Rate to Floating-Rate	Fixed Rate Risk on Credits in USD And Fixed Rate in MXP	• 3 IRS Pays Variable Interest in USD and receives fixed interest • 2 IRS Pays Variable Interest in MXP and receives fixed interest	2040	$ (1,542)	$ 249	$ (361)	Performing Loan Portfolio
Coverage of Mexican Sovereign Bonds in EUR/USD/GBP	Fixed Rate on Bonds UMS in EUR/ USD/GBP - V/F	93 CCS V/F	2025	$ 880	$ (1,376)	$ 1,380	Securities
Coverage Issuance of Subordinated Notes USD	Fixed Rate on Notes Issued USD V/F	31 IRS F/V	2024	$ 1,524	$ 225	$ (216)	Subordinated debt
Coverage Issuance of Subordinated Notes USD	Fixed Rate in Notes USD V/F	24 CCS F/V	2024	$ 2,647	$ 318	$ (327)	Subordinated debt
Coverage of Corporate Bonds	Fixed Rate in Foreign Currency USD, EUR, UDI	67 CCS V/F	2025	$ (2,080)	$ (248)	$ 242	Securities
Coverage of Corporate Bonds	Fixed Rate on Bonds USD	62 IRS V/F	2027	$ (66)	$ 54	$ (54)	Securities

* The Fair value of the Cross Currency Swaps (CCS) do not include the exchange rate, as it is not part of the hedging.
IRS –Interest rate Swaps. CCS - Cross currency swaps.

9. Loan portfolio

Loans granted classified by type of loan at December 31, 2015 and 2014, were as follows:

	Performing portfolio		Non-performing portfolio		Total	
	2015	2014	2015	2014	2015	2014
Commercial loans-						
Denominated in Mexican pesos-						
Commercial	$ 208,486	$ 181,726	$ 4,907	$ 4,964	$ 213,393	$ 186,690
Rediscounted portfolio	10,306	8,464	50	171	10,356	8,635
Lease portfolio	1,311	1,078	6	45	1,317	1,123
Denominated in U.S. dollars- (equivalent in Mexican pesos)						
Commercial	122,355	104,128	137	109	122,492	104,237
Rediscounted portfolio	1,239	955	48	41	1,287	996
Lease portfolio	258	156	11	8	269	164
Total commercial loans	343,955	296,507	5,159	5,338	349,114	301,845
Financial entities	15,869	10,060	499	42	16,368	10,102
Government entities	137,515	127,988	1	2	137,516	127,990
Total trade loans	497,339	434,555	5,659	5,382	502,998	439,937
Consumer-						
Credit card	95,280	93,200	3,789	4,148	99,069	97,348
Other consumer loans	122,702	100,211	3,644	3,339	126,346	103,550
Total consumer loans	217,982	193,411	7,433	7,487	225,415	200,898
Mortgage	167,842	159,466	8,313	9,082	176,155	168,548
Total loans	$ 883,163	$ 787,432	$ 21,405	$ 21,951	$ 904,568	$ 809,383

During 2015 and 2014, the Institution acquired portfolio in the amount of $158 and $5,585, respectively.with a corresponding book value at the time of the purchase of $1 and $21, respectively.

At December 2015 and 2014, housing loan portfolio includes restricted securitized current portfolio of $5,663 and $6,748, respectively, and non-performing portfolio of $94 and $103, respectively.

Commercial loans are detailed below; the distressed and non-distressed performing and non-performing portfolios at December 31, 2015 and 2014, 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:

	2015				
	Distressed		Non-distressed		
Portfolio	Performing	Non performing	Performing	Non performing	Total
Business or commercial activity	$ -	$ 3,488	$ 316,189	$ 990	$ 320,667
Credits to financial entities	-	321	16,080	179	16,580
Credits to government entities	-	1	137,515	-	137,516
Business credit card	3	802	27,997	1,120	29,922
Company credit card	-	2	86	2	90
Total	$ 3	$ 4,614	$ 497,867	$ 2,291	$ 504,775

Portfolio	2014				
	Distressed		Non-distressed		
	Performing	Non performing	Performing	Non performing	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

The restructured and renewed portfolio at December 31, 2015, and 2014 were as follows:

Restructured Portfolio	2015 Performing	Non performing	Total
Business or commercial activity	$ 55,558	$ 1,415	$ 56,973
Consumer loans	898	1,151	2,049
Residential mortgage loans	17,379	4,182	21,561
Total	$ 73,835	$ 6,748	$ 80,583

Restructured Portfolio	2014 Performing	Non performing	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, 2015, the Institution has collateral in real property in the amount of $9,589, together with collateral in securities in the amount of $4,973, for restructured commercial loans.

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

As of December 31, 2015, and 2014 aging of non-performing portfolio is as follows:

Portfolio	2015				
	Period				
	1 to 180 days	181 to 365 days	366 days to 2 years	Warranty	Total
Business or commercial activity	$ 3,128	$ 1,547	$ 2,224	$ (1,240)	$ 5,659
Consumer loans	4,763	1,620	1,050	-	7,433
Mortgage loans	1,452	2,286	4,575	-	8,313
Total	$ 9,343	$ 5,453	$ 7,849	$ (1,240)	$ 21,405

2014

Portfolio	Period 1 to 180 days	181 to 365 days	366 days to 2 years	Credit Enhancement	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

At December 31, 2015 and 2014, unaccrued commissions for initially granting credit, by type and average payment period, are as follows:

	2015			
	By amortization period			
	1 to 5 years	15 years	More than 15 years	Total
Business or commercial activity	$ 463	$ 447	$ 180	$ 1,090
Mortgage loans	-	21	217	238
Total	$ 463	$ 468	$ 397	$ 1,328

	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

As of December 31, 2015 and 2014, the balances of non-performing loan portfolio fully reserved and eliminated from the balance sheet were as follows:

Concept	2015	2014
Business or commercial activity	$ 3,866	$ 3,160
Consumer loans:		
Credit card	3,316	3,611
Other consumer loans	3,783	2,968
	7,099	6,579
Mortgage	4,223	2,654
Total	$ 15,188	$ 12,393

As of December 31, 2015 and 2014, the amounts of portfolio sold without including securitization transactions, were as follows:

Concept	2015	2014
Business or commercial activity	$ 978	$ -
Credit card and consumer	12,392	14,250
Mortgage	1,335	884
Total	$ 14,705	$ 15,134

As of December 31, 2015 and 2014, the amount of lines of credit and letters of credit recorded in memoranda accounts comes to $458,700 and $384,121, respectively.

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

	2015			2014
Type of loan	Interest	Commissions	Total	Total
Commercial loans-				
Denominated in Mexican pesos-				
Commercial	$ 14,635	$ 1,004	$ 15,639	$ 14,396
Rediscounted portfolio	564	-	564	479
Lease portfolio	79	-	79	74
Denominated in U.S. dollars-				
Commercial	3,889	1	3,890	3,084
Rediscounted portfolio	56	-	56	52
Lease portfolio	7	-	7	6
Total commercial loans	19,230	1,005	20,235	18,091
Credits to financial entities	487	-	487	477
Credits to government entities	5,977	-	5,977	4,575
Total commercial credits	25,694	1,005	26,699	23,143
Consumer credits -				
Credit card	27,934	-	27,934	26,110
Other consumer credits	24,398	299	24,697	20,834
Total Consumer credits	52,332	299	52,631	46,944
Mortgage	17,344	63	17,407	16,908
Total	$ 95,370	$ 1,367	$ 96,737	$ 86,995

As of December 31, 2015 and 2014, the amount of the recoveries of credit portfolio written off or eliminated were $738 and $592, respectively, recognized in the heading, “Other operating income” in the consolidated statement of income.

At December 31, 2015 and 2014, loans classified by economic sectors were as follows:

	2015		2014	
	Amount	Concentration percentage	Amount	Concentration percentage
Private (companies and individuals)	$ 349,114	38.59%	$ 301,845	37.29%
Credit card and consumer	225,415	24.92%	200,898	24.82%
Residential mortgage	176,155	19.47%	168,548	20.82%
Government entities	137,516	15.20%	127,990	15.82%
Financial	13,917	1.54%	9,302	1.15%
Foreign (non-Mexican entities)	2,450	0.28%	794	0.10%
Other past-due loans	1	-	6	-
Total	$ 904,568	100.00%	$ 809,383	100.00%

Related-party loans - At December 31, 2015 and 2014, loans granted to related parties in accordance with the provisions of article 73 of the law of credit institutions, amounted to $39,750 and $34,980, respectively. The amount of related-party loans at December 31, 2015 and 2014 includes $13,984 and $10,378, 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 certain 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 comprised as follows:

Restructured loans under the Agreement	$ 4,098
Non-performing 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 accruing shall be at the rate resulting from the arithmetic average of the annual rates of return based on discounted CETES within 91 days, issued during the immediately preceding month each period, led to a yield curve within 28 days, capitalized monthly, for the periods in which are not available with the observed rates, interest rates futures Cetes within 91 days of the month immediately preceding each period, which publishes Proveedor Integral de Precios, S.A.

As of December, 31, 2015, the annuities have been totally paid.

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

As of December 31, 2015, 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	$ 1,741	13/07/2017	2,109,235	$ 63	13/07/2017
422-9	128,738,261	12,109	07/07/2022	-	-	-
423-9	10,656,993	1,003	01/07/2027	468,306	14	01/07/2027
424-6	383,470	36	20/07/2017	96,876	3	20/07/2017
431-2	964,363	83	04/08/2022	1,800	-	04/08/2022
Total		$ 14,972			$ 80	

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, 2015, and 2014, 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, 2015, and 2014, the Institution has no loans with debtors or groups of entities or individuals representing a joint risk in which the individual amount exceeds 18.5% of its basic capital, respectively.

As of December 31, 2015 and 2014, the maximum amount of financing with the three largest debtors comes to $26,754 and $27,020, 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.

10. UDI-denominated restructured loans

At December 31, 2015 and 2014, restructured loans denominated in UDIS amounted to $2,901 and $3,496, respectively.

11. 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 3:

2015					
		Allowance for the losses			
Risk category	**Total loans**	**Commercial**	**Consumer**	**Mortgage**	**Total allowance**
A1	$ 597,656	$ 726	$ 1,116	$ 234	$ 2,076
A2	120,489	573	1,220	169	1,962
B1	56,385	269	1,217	64	1,550
B2	46,717	160	1,657	32	1,849
B3	32,363	443	1,227	22	1,692
C1	17,703	239	1,008	135	1,382
C2	18,102	236	2,464	299	2,999
D	16,804	1,430	1,494	1,704	4,628
E	15,494	2,006	4,566	1,413	7,985
	921,713	6,082	15,969	4,072	26,123
Excepted	22,073	-	-	-	-
Additional	-	213		1,050	1,263
Total	$ 943,786	$ 6,295	$ 15,969	$ 5,122	$ 27,386

2014					
		Allowance for the losses			
Risk category	**Total loans**	**Commercial**	**Consumer**	**Mortgage**	**Total allowance**
A1	$ 506,135	$ 727	$ 1,050	$ 220	$ 1,997
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	6,101	14,537	4,303	24,941
Excepted	51,381	-	-	-	-
Additional	-	61	-	1,079	1,140
Total	$ 838,750	$ 6,162	$ 14,537	$ 5,382	$ 26,081

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, 2015 and 2014 is determined based on the balance of the portfolio at that date.

The allowance for loan losses at December 31, 2015 and 2014 covers 100% of non-performing accrued interest.

The amount of the allowance at December 31, 2015 and 2014 includes the classification of the loan granted in foreign currency valued at the exchange rate in effect on December 31, 2015 and 2014.

At December 31, 2015, and 2014, the Institution has created additional mortgage portfolio reserves of $1,050 and $1,079, respectively, which represent the supplement required by the internal expected loss rating model.

At December 31, 2015, and 2014, the Institution has created additional mortgage portfolio reserves of $213 and $61, respectively, which represent the supplement required by the internal expected loss rating model.

At December 31, 2015 and 2014, the allowance for loan losses represents 127.94% and 118.81%, respectively, of the non-performing loan portfolio.

At December 31, 2015 and 2014, allowance by type of portfolio risk estimates is comprised as follows:

Item	2015	2014
Commercial loans-		
Commercial	$ 5,447	$ 5,337
Financial entities	514	203
Government entities	334	622
	6,295	6,162
Consumer	15,969	14,537
Mortgage	5,122	5,382
Total allowance	$ 27,386	$ 26,081

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

	2015	2014
Balance at beginning of year	$ 26,081	$ 27,336
Allowances charged to income statement	28,482	25,526
Applications and write-offs of the year	(27,329)	(26,960)
Exchange effect	152	179
Balance at end of year	$ 27,386	$ 26,081

12. 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-Dic-07	13-Mar-08	05-Ago-08	08-Dic-08	03-Ago-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	$ 221
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	$ 4,129

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, 2015 and 2014, amounts reported under "Benefits to be received in securitization operations", of $1,136 and $1,165 represent the outstanding trust certificates of unconsolidated securitizations.

The summarized financial information of unconsolidated securitization trusts as of December 31, 2015 and 2014, are shown below:

No. of Trust	711		752		781		847	
	2015	2014	2015	2014	2015	2014	2015	2014
Assets	$ 698	$ 890	$ 357	$ 438	$ 2,360	$ 2,893	$ 1,856	$ 2,302
Liabilities	$ 634	$ 826	$ 329	$ 405	$ 259	$ 975	$ 1,690	$ 2,108
Stockholders' equity	$ 64	$ 64	$ 28	$ 33	$ 2,101	$ 1,918	$ 166	$ 194
Net result	$ 1	$ (1)	$ 2	$ 5	$ 183	$ 145	$ 19	$ 19

In compliance with the order of rules and priority of distributions established in clause 11 of the Trust Contract described in this Note, the Assignee will distribute to the last Beneficiary, in proportion to the percentage represented by the respective certification, the residual or surplus of the Assignee (cash flows of principal and interest).

13. Receivables, sundry debtors and prepayments, net

The balance at December 31, 2015 and 2014, consists of the following:

Item	2015	2014
Debtors from transaction settlement (a)	$ 32,106	$ 32,720
Loans to officers and employees	10,240	8,810
Sundry debtors	3,376	2,798
Debtors from collateral provided through OTC derivatives (b)	14,213	13,275
Others	1,710	1,424
	61,645	59,027
Less – Allowance for uncollectible accounts	(573)	(479)
Total	$ 61,072	$ 58,548

(a) The debtors for settlement of transactions as of December 31, 2015 and 2014, are composed as follows:

	2015	2014
Foreign currencies	$ 26,451	$ 23,019
Investments in securities	4,455	8,975
Derivatives	1,200	726
Total	$ 32,106	$ 32,720

(b) Debtors for collateral granted on OTC derivatives as of December 31, 2015 and 2014 is comprised as follows:

	2015			2014
Collateral provided through derivatives	**Acquisition cost**	**Accrued interest**	**Book value**	**Book value**
BBVA Servex	$ 9,363	$ -	$ 9,363	$ 102
Banco INVEX	21	-	21	-
Banco Mercantil del Norte	359	-	359	-
Banco Monex	28	-	28	-
Banco Nacional de México,S.A., IBM	486	1	487	15
Banobras, S.N.C.	-	-	-	162
Barclays Bank PLC	267	-	267	284
BPN Paribas	1,372	1	1,373	-
Deutsche Bank	-	-	-	5,813
Goldman Sachs París	-	-	-	514
HSBC México, S.A., IBM	1,490	1	1,491	1,511
JP Morganchase BK NY	438	-	438	415
Morgan Stanley & Co	81	-	81	3,207
Morgan Stanley Capital	-	-	-	423
Natixis	-	-	-	27
Royal Bank of Scotland	39	-	39	566
Societé Generalé	256	-	256	236
Toronto Dominion Bank	10	-	10	-
Total	$ 14,210	$ 3	$ 14,213	$ 13,275

14. Repossessed assets, net

Repossessed assets at December 31, 2015 and 2014, were as follows:

Item	2015	2014
Buildings	$ 5,296	$ 5,472
Land	2,750	2,999
Securities	20	20
	8,066	8,491
Less - Allowance for impairment of repossessed assets	(2,404)	(1,669)
Total	$ 5,662	$ 6,822

The movements of the reserve for a decrease in real estate value are summarized below, for the years ended December 31, 2015 and 2014:

	2015	2014
Opening balance	$ 1,669	$ 1,448
Application to income statement	977	1,288
Reserve application sale of asset and others	(242)	(1,067)
Ending balance	$ 2,404	$ 1,669

15. Property, furniture and equipment, net

Property, furniture and equipment at December 31, 2015 and 2014 were as follows:

Item	2015	2014
Furniture and equipment	$ 14,347	$ 10,651
Office space	9,023	9,109
Installation costs	15,747	10,752
Land	2,725	2,627
Construction	12,980	-
Construction in progress	172	8,695
	54,994	41,834
Less- Accumulated depreciation and amortization	(15,353)	(12,888)
Total	$ 39,641	$ 28,946

For the year ended December 31, 2015, depreciation and amortization are $2,421 and $1,453, respectively. For the year ended December 31, 2014, depreciation and amortization are $1,912 and $1,477, respectively.

As part of the strategic housing project during 2015 staff moving to new corporate headquarters was made, reclassified $11,149 works in construction process and its components.

16. Equity investments

Investments in associate 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			
	2015	2014	2015	2014
Fideicomiso No.1729 *INVEX* - Enajenación de Cartera (1)	32.25%	32.25%	$ 758	$ 758
I+D México, S.A. de C.V.	50.00%	50.00%	283	298
Compañía Mexicana de Procesamiento, S.A. de C.V.	50.00%	50.00%	124	115
Servicios Electrónicos Globales, S.A. de C.V.	46.14%	46.14%	120	94
Seguridad y Protección Bancarias, S.A. de C.V.	26.14%	22.14%	15	15
Others	Various	Various	218	97
Total			$ 1,518	$ 1,377

(1) 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, 2015 is $3,875, of which the Institution's contributions come to $758.

The investment in shares of associate companies as of December 31, 2015 and 2014 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, 2015 and 2014, the dividends received from associate companies and other permanent investments were $62 and $122, respectively.

At December 31, 2015 and 2014, the Institution holds equity in the results of associate companies for the amount of $100 and $142, respectively.

17. 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, 2015 and 2014, of $12,309 and $6,958, respectively, as follows:

Item	2015 Temporary Difference Base	2015 Deferred income taxes	2014 Temporary Difference Item	2014 Deferred income taxes
Temporary differences - assets:				
Allowance for loan losses	$ 30,526	$ 9,158	$ 25,665	$ 7,699
Commissions and interest	9,403	2,821	7,086	2,126
Advance premium on swap	2,210	663	-	-
Provisions	5,186	1,556	6,241	1,872
Other assets	3,883	1,165	247	75
Repossessed assets	3,350	1,005	2,353	706
Tax loss carry	93	28	97	29
Valuation securities available for sale (capital)	986	296	-	-
Other debtors and creditors	570	171	363	109
Total assets	56,207	16,863	42,052	12,616
Temporary differences - liabilities:				
Valuation of investments at fair value	14,067	4,220	9,257	2,777
Available for sale securities valuation	-	-	1,282	385
Valuation derivatives coverage	447	134	357	107
Advance premium on swap	-	-	6,776	2,033
Pension allowance	550	165	677	203
Other liabilities	116	35	511	153
Total liabilities	15,180	4,554	18,860	5,658
Net deferred tax asset	$ 41,027	$ 12,309	$ 23,192	$ 6,958

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

18. Other assets

Other assets at December 31, 2015 and 2014 were as follows:

Item	2015	2014
Software (net)	$ 3,626	$ 3,789
Prepaid expenses	2,906	3,316
Pension plan prepayment	1,010	1,414
Other unapplied expenses	409	487
IETU and ISR (net)	-	618
Total	$ 7,951	$ 9,624

As of December 31, 2015 and 2014, 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, 2015 and 2014 are detailed below:

Item	2015	2014
Historical cost	$ 11,958	$ 10,698
Amortization	(8,332)	(6,909)
Total	$ 3,626	$ 3,789

19. 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 2015 and 2014 the Institution was subject to liquidity requirements of U.S. $4 and $636 million, respectively, and maintained investments in liquid assets of U.S. $979 and $999 million respectively, reflecting liquidity excesses of U.S.$975 million and U.S.$363 million, respectively.

	2015	2014
Demand deposits-		
Demand deposits	$ 681,755	$ 578,150
Time deposits-		
Notes with interest payable at maturity	144,310	140,616
Time deposits	35,516	7,793
Credit instruments issued (a)	91,220	71,128
Total	$ 952,801	$ 797,687

(a) Credit instruments issued

Description of the principal programs

As of December 31, 2015 and 2014, the Institution has placed short-term and long-term debt with a market value of $91,220 and $71,128, respectively, composed as follows:

Instrument	2015	2014	Period (days)	Rate
Bank bonds LP	$ 30,951	$ 23,589	1,499	3.40%
Bank bonds CP	6,989	3,395	334	3.42%
Securitized certificates MXP	8,858	3,906	3,003	6.93%
Securitized certificates UDI,s	18,242	17,864	5,355	4.03%
Senior Notes	26,180	22,374	2,740	4.44%
Total	$ 91,220	$ 71,128		

20. Interbank loans and loans from other entities

At December 31, 2015 and 2014, interbank loans and loans from other entities were as follows:

Item	Mexican pesos		U.S. dollars in Mexican pesos		Total	
	2015	2014	2015	2014	2015	2014
Bank loans	$ 6,711	$ 31,459	$ 94	$ 571	$ 6,805	$ 32,030
Loanscall money	450	5,113	1,121	2,192	1,571	7,305
Loans from other entities	11,049	9,185	1,413	1,101	12,462	10,286
Total	$ 18,210	$ 45,757	$ 2,628	$ 3,864	$ 20,838	$ 49,621

Interbank loans and loans from other entities in foreign currency were contracted by the Institution with terms ranging from four days to 5 years and annual rates ranging between 0.55% and 1.50% annual in 2015. Such loans are contracted with eight foreign financial institutions.

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. Such loans are contracted with six foreign financial institutions.

The Institution maintains availability of liquidity in the central bank up to the amount of the Deposit of Monetary Regulation (DRM), the balance was $59,676 (excluding interest) for both years. The amount of this line ready for the year 2015 and 2014 amounted to $702 and $26,438; respectively, while the balance of the overdraft amounted to $58,974 and $33,238, respectively.

21. 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 2015 and 2014, for $529 and $482, respectively, both effects were recognized in the headings of "Other operating income" in the consolidated statement of income.

	2015					
		Others retirement benefits				
At December 31, 2015, obligations for defined benefits were composed as follows:	Pension plan and seniority premiums	Integral medical services	Life insurance	Retiree sports facility	Severance payments	Total
Opening balance January 1, 2015.	$ 3,275	$ 5,162	$ 842	$ 15	$ 3	$ 9,297
Financial cost	268	434	71	1	1	775
Actuarial losses and gains generated in the period	16	(223)	(78)	(1)	3	(283)
Benefits paid	(448)	(410)	(5)	(1)	(3)	(867)
Reductions	-	1	2	-	-	3
Obligations for defined benefits	$ 3,111	$ 4,964	$ 832	$ 14	$ 4	$ 8,925
Amount of obligations for benefit acquired	$ 3,111	$ 4,964	$ 832	$ 14	$ -	$ 8,921
At December 31, 2015, plan assets were as follows:						
Opening balance	$ 4,181	$ 5,266	$ 1,287	$ -	$ -	$ 10,734
Returns expected from plan assets	347	444	110	-	-	901
Actuarial losses and gains generated during the period	(311)	(402)	(100)	-	-	(813)
Reductions	-	1	2	-	-	3
Benefits paid	(448)	(410)	(5)	-	-	(863)
Plan assets	$ 3,769	$ 4,899	$ 1,294	$ -	$ -	$ 9,962
The information on the projected net liability (asset) is presented below:						
Defined benefit obligation	$ 3,111	$ 4,964	$ 832	$ 14	$ 4	$ 8,925
Plan assets	(3,769)	(4,899)	(1,294)	-	-	(9,962)
Unfunded liability (prepaid expense)	(658)	65	(462)	14	4	(1,037)
Current (liabilities) net asset derived from employee pensions	$ (658)	$ 65	$ (462)	$ 14	$ 4	$ (1,037)
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:						
Financial cost	$ 268	$ 434	$ 71	$ 1	$ 1	$ 775
Return on plan assets	(347)	(444)	(110)			(901)
Immediate recognition of actuarial losses for the year	327	178	22	(1)	3	529
Net cost of the period	$ 248	$ 168	$ (17)	$ -	$ 4	$ 403

	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)
Current (liabilities) 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:						
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

The nominal interest rates utilized in the actuarial calculations were:

Item	2015	2014
Actual return on plan assets rate	9.30%	8.75%
Interest rate	9.30%	8.75%
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, 2015.

	+ 1%	- 1%
In net cost of the period	$ 11	$ (9)
In the defined benefits obligations	$ 461	$ (399)

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, 2015 and 2014, the plans for indemnities and sports for retirees did not have assets to fund the obligations for defined benefits.

At December 31, 2015, assets of the various plans were invested in government securities. Also, the expected return on plan assets at December 31, 2015 was estimated by an amount of $901 of goodwill, being the real at the same date in the amount of $(234) handicapping performance.

22. Subordinated debt

Item	2015	2014
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
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.	8,624	7,371

Item	2015	2014
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.	17,249	14,741
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.	21,561	18,427
Preferred capitalization notes for USD 1,000 million, issued in July 2012, at an interest rate of 6.75% and additional issuances of USD 500 million on September 2012, at an interest rate of 5.45% payable semiannually starting on March 30, 2013, and maturing on September 30, 2022, the number of outstanding securities is 1,500,000 with a face value of $1,000 US dollars each.	25,873	22,112
Preferred capitalization notes for USD 200 million, issued in November 2014, at an interest rate of 5.35% payable semiannually, starting on May 12, 2015, and maturing on November 12, 2029, the number of outstanding securities is 200,000 with a face value of $1,000 dollars each.	3,450	2,949
Unpaid accrued interest	1,201	1,036
Total	$ 77,958	$ 69,495

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

On December 31, 2015 the Institution exercised the early redemption option of the “Debentures BANCOMER 08-3” for the amount of $2,859, which were issued on December11, 2008, with maturity on November 26, 2020.

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.

23. Related parties

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

	2015	2014
Banco Bilbao Vizcaya Argentaria, S.A.		
Derivative financial instruments	$ (9,474)	$ (6,424)
Creditors from repurchase agreements	$ (441)	$ (694)
Grupo Financiero BBVA Bancomer, S.A. de C.V.		
Account payable	$ 4,426	$ 5,197
BBVA Bancomer Operadora, S.A. de C.V.		
Fees paid for administrative services	$ 12,058	$ 14,259
Account payable	$ 1,823	$ 2,018
BBVA Bancomer Servicios Administrativos, S.A. de C.V.		
Fees paid for administrative services	$ 7,480	$ 6,232
Account payable	$ 1,558	$ 1,297
Seguros BBVA Bancomer, S.A. de C.V.		
Commissions income	$ 1,746	$ 1,452
Insurance premiums paid	$ 916	$ 774
BBVA Bancomer Gestión, S.A. de C.V.		
Commissions income	$ 2,426	$ 2,452
Aplica Tecnología Avanzada, S.A. de C.V.		
Deposits	$ 18	$ 608
Performing loans	$ 604	$ 968
Income:		
Interest	$ 20	$ 30
Fees paid for administrative services	$ 43	$ 104
Expense:		
Processing and system development	$ 2,252	$ 1,880

	2015	2014
Facileasing, S.A. de C.V.		
Deposits	$ 46	$ 44
Performing loans	$ 7,802	$ 11,343
Income:		
Interest	$ 229	$ 343
Fees paid for administrative services	$ 59	$ 67
Facileasing Equipment, S.A. de C.V.		
Deposits	$ 128	$ 106
Performing loans	$ 7,768	$ 7,800
Income:		
Interest	$ 301	$ 319
Fees paid for administrative services	$ 41	$ 45

As of December 31, 2015 and 2014, there are other transactions and operations with related parties which are not material.

24. Income taxes

The main changes affecting brought to the Institution:

a) *Income Tax*

The Institution is subject to ISR. In accorandance with the Income Tax Law 2014 (law 2014) the rate for 2015 and 2014 was 30%, and will continue for subsecuent years.

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. In the case of residents abroad they can apply double treaty agreements. 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) *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.

The provision in results is composed as follows:

	2015	2014
Current:		
ISR	$ 13,516	$ 9,279
Deferred:		
ISR	$ (4,695)	$ (1,430)

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:

	2015	2014
Statutory rate	30.00%	30.00%
Add (deduct) -		
Effect of nondeductible items	0.52%	0.97%
Annual adjustment for inflation	(2.62%)	(5.62%)
Cancellation provisions from previous years	(3.27%)	(0.94%)
Other effects	(1.00%)	(0.22%)
Effective rate	23.63%	24.19%

Recoverable IMPAC - As of December 31, 2015 and 2014, the Institution has recoverable IMPAC of $553 and $721, respectively.

25. Stockholders' equity

Capital stock- The capital stock of the Institution at December 31, 2015 and 2014, was as follows:

	Number of shares at Par Value of $0.28 Mexican pesos per share					
	2015			2014		
	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					
	2015			2014		
	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

Atthe Stockholders’ Ordinary General Meeting held on February 26, 2015, a cash dividend was authorizedinthe amount of$17,100fromthe account "Results from previous years", which wasdistributedin proportion to ownership interestat the rate of$1.08227848101266pesosper share, andpaid to shareholdersduring2015, as follows:$2,222 on March 25, 2015; $5,426 on June 24, 2015; $3,726 on September 23, 2015and$4,426 on January 20, 2016.

At the Stockholders’ Ordinary General Meeting held on February 26, 2015, agreement was reached that given the consolidated financial statements approved at such Meeting reported net income in fiscal year 2014 in the amount of $24,745, and given the fact that the Institution has the respective legal reserve fully established, the income for the year was transferred to the account, "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.

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

The net result of the institution is subject to the legal provision requiring that 5% of the profits of each year be transferred to the legal reserve until it equals 20% of the share capital. This reserve may not be distributed to stockholders during the existence of the Financial Group, except in the form of dividends.

***Capitalization index (*unaudited*)* -**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 (115% and 150%) 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 form exposure to operating risk, the Institution must use:

- The Institution is using the Alternative Standard Method, authorized by the Commission on November 27, 2015.

The capital requirement based on the Alternative Standard Method should be constructed within a term of three years; the weighting factor is considered according to the business line.

According to the amendments to the Capitalization rules issued in December 2014, which went into effect in October 2015, please note the following:

– *Capitalization due to market risk:*

According to the amendments to the capitalization rules which went into effect October 2015, the weighting factors applicable to the RC-01, RC-02, RC-03 and RC-04 reports were amended. Furthermore, in RC on the share positions (RC-05) the weighting factors for General Market Risk are being changed; the calculation for portfolio diversification is omitted to instead use 8% for specific market risk; and, finally, the calculation for Liquidation Risk is eliminated.

A new RC was added to the Market requirements, RC-18, which captures the Gamma and Vega effects on the Options positions and is reflected in the total Market Risk at the close of December 2018. This requirement is additional to the requirements generated in the rest of the RCs.

– *Capitalization for credit risk*

With regard to credit risk, the amendments to the capitalization rule meant that the counterparty risk would be divided into counterparty credit risk and risk with related parties, credit risk for adjustment of credit valuation and with related parties and exposure to the default fund in clearinghouses.

The capitalization ratio of the Institution as of December 31, 2015 amounted to 14.92% of total risk (market, credit and operational) and 21.06% credit risk, which are 4.42 and 10.56 points higher than the minimum required.

The amount of net capital, composed Complementary Basic Capital and is broken down below (the figures shown may differ in their presentation of the basic financial statements):

– *Basic capital:*

Concept	Account
Stockholders' equity	$ 144,795
Capitalization instruments	10,923
Subordinated debt instruments related to securitization schemes	(1,722)
Deductions equity investments in financial institutions	(4,080)
Organizational costs and other intangibles	(5,403)
Total	$ 144,513

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	$ 8,264	17/05/2022	70%	$ 6,037
Eligible capital notes	17,249	22/04/2020	70%	12,074
Total	$ 25,513			$ 18,111

– *Complementary capital:*

Item	Amount
Obligations and capitalization instruments	$ 37,355
Allowance for loan losses	103
Total	$ 37,458
Net capital	$ 181,971

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				
Eligible capital notes	$ 21,561	10/03/2021	80%	$ 17,249
Eligible capital notes	17,249	22/04/2020	80%	13,799
Eligible capital notes	8,264	17/05/2022	80%	6,899
Total	$ 47,074			$ 37,947

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	$ 174,403	$ 13,952
Transactions in Mexican pesos with real rate or rate denominated in UDIs	20,795	1,664
Rate of return based on the General Minimum Wage	17,798	1,424
Interest rate transactions in foreign currency with a nominal rate	42,767	3,421
Positions in UDIs and Mexican pesos with yield linked to NCPI	25	2
Positions in currencies with yield indexed to exchange rates	4,208	337
Positions in shares or with yield indexed to the price of a share or group of shares	18,869	1,509
Transactions based on the General Minimum Wage	219	17
Gamma (RC-18)	3,563	285
Vega (RC-18)	2,049	164
Surtax	3,369	270
Total market risk	$ 288,065	$ 23,045

– *Assets subject to credit risk:*

Item	Risk-Weighted Assets	Capital Requirements
Weighted at 10%	$ 1,101	$ 88
Weighted at 11.5%	1,560	125
Weighted at20%	23,840	1,907
Weighted at 50%	47,465	3,797
Weighted at 75%	19,249	1,540
Weighted at100%	353,946	28,316
Weighted at 115%	10,823	866
Weighted at 150%	1,466	117
Weighted at 1250%	5,105	408
Internal methodology TDC / E and C	347,014	27,762
CVA	18,849	1,508
ECC	17	1
Counterpart	18,275	1,462
Related	15,182	1,215
Repurchase	29	2
Total credit risk	$ 863,921	$ 69,114
Operational risk	$ 67,425	$ 5,394

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 33 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.

The Institution 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 2015", in compliance with the obligation to disclose information on the Capitalization Ratio, which is located on the following Internet page www.bancomer.com/informacioninversionistas.

26. Position in foreign currency

At December 31, 2015 and 2014, 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 $17.2487Mexican pesos and $14.7414 Mexican pesos per U.S. dollar, respectively, and the position in foreign currency was as follows:

	Millions of U.S Dollars	
	2015	**2014**
Assets	13,291	13,388
Liabilities	(13,592)	(13,965)
Net liability position in U.S. dollars	(301)	(577)
Net liability position in Mexican pesos (nominal value)	$ (5,192)	$ (8,505)

As of February 25, 2016, the foreign currency position (unaudited) is similar to that of the close of the year and the exchange rate as of that date is $18.2893 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, 2015 and 2014 was USD $72 and USD $459 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.

27. UDI position

At December 31, 2015 and 2014, the Institution had UDI-denominated assets and liabilities translated into Mexican pesos, considering the prevailing conversion rate of $5.381175 Mexican pesos and $5.270368 Mexican pesos per UDI, respectively, as follows:

	Millions of UDIs	
	2015	**2014**
Assets	5,079	6,157
Liabilities	(5,096)	(4,512)
Net (liability) asset position in UDIs	(17)	1,645
Net (liability) assets position in Mexican pesos (nominal value)	$ (92)	$ 8,669

As of February 25, 2016 the position in UDIS (unaudited) is similar to that of the close of the year and the exchange rate as of that date is $5.429602 Mexican pesos per UDI.

28. 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 2015 and 2014, contributions made by the Institution to IPAB for insurance to deposits amounted to $4,049 and $3,389, respectively.

29. Financial margin

For the years ended December 31, 2015 and 2014, the main items composing the financial margin were as follows:

	2015		
		Amount valued	
	Mexican pesos	Dollars	Total
Interest income:			
Credit portfolio interest and returns	$ 91,647	$ 3,723	$ 95,370
Securities interest and returns	4,855	346	5,201
Interest from quick assets	2,610	84	2,694
Interest and premiums from repurchase agreements and securities loans	13,693	-	13,693
Memoranda account interest	86	-	86
Commissions collected for initially granting credit	1,288	79	1,367
Others	1,301	119	1,420
Total interest income	115,480	4,351	119,831
Interest expense:			
Deposit interest	(11,789)	(677)	(12,466)
Interest from loans provided by banks and other entities	(820)	(25)	(845)
Debenture interest	(1,073)	(2,125)	(3,198)
Interest and premiums from repurchase agreements and securities loans	(10,745)	-	(10,745)
Expenses incurred to initially grant credit	(142)	-	(142)
Others	(497)	(129)	(626)
Total interest expense	(25,066)	(2,956)	(28,022)
Financial margin	$ 90,414	$ 1,395	$ 91,809

	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
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

30. Commissions and fee income

For the years ended December 31, 2015 and 2014, the main items for which the Institution recorded commissions and fee income in the consolidated statement of income were as follows:

Concept	2015	2014
Credit and debit cards	$ 16,287	$ 14,735
Bank commissions	7,722	7,124
Investment funds	2,426	2,452
Insurance	1,684	1,460
Others	5,124	4,433
Total	$ 33,243	$ 30,204

During 2015 and 2014, the amount of revenues received by the Institution in trust operations amounted to $292 and $252, respectively.

31. Trading income

For the years ended December 31, 2015 and 2014, the main items composing the trading income were as follows:

	2015	2014
Valuation result:		
Derivatives	$ 3,303	$ (3,060)
Foreign currency	(2,674)	3,224
Securities investments	1,507	(3,011)
	2,136	(2,847)
Purchase-sale result:		
Derivatives	1,417	(727)
Foreign currency	2,745	1,858
Securities investments	(3,036)	5,007
	1,126	6,138
Total	$ 3,262	$ 3,291

32. Segment information

The Institution and its subsidiaries take part in different activities of the financial system, such as credit operations, treasury operations, and transfer of funds from abroad, distribution and administration of investment funds, 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 2015 and 2014, which show the difference segments as indicated in the preceding paragraph:

2015 Concept	Total	Commercial Bank	Corporate and Government Banking	Market Operation	Other Segments
Financial margin	$ 91,809	$ 67,168	$ 16,683	$ 2,562	$ 5,396
Allowance for loan losses	(28,482)	(28,363)	(119)	-	-
Net interest income after allowance for loan losses	63,327	38,805	16,564	2,562	5,396
Commissions and fees, net	21,851	16,444	5,164	507	(264)
Trading income	3,262	1,660	324	697	581
Other operating income (expenses)	854	430	172	(1)	253
Net operating revenues	89,294	$ 57,339	$ 22,224	$ 3,765	$ 5,966
Administration and promotion costs	(51,959)				
Net operating revenues	37,335				
Share in net income of unconsolidated subsidiaries and affiliates	100				
Income before income taxes	37,435				
Current income tax	(13,516)				
Deferred income tax	4,695				
Income before non-controlling interest	28,614				
Non-controlling interest	(1)				
Net income	$ 28,613				

2014 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				

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

33. Risk management and derivatives transaction (Unaudited figures)

Organizational structure

The Risk Department reports directly to senior management of the Financial Group, thus guaranteeing the independence of the Business Units and establishing the necessary autonomy to determine the functions and profile of the respective teams.

Generally speaking, based on national and international best practices, two specialized Credit Risk Teams have been created: one covering the wholesale portfolio and the other the retail portfolio, assuming the admission, follow-up and recovery functions. By the same token, the management of market, structural and liquidity risks is gathered into a single unit, to which is added the management of risks of non-bank businesses and asset handling.

As support for the above-mentioned units, the Technology and Methodologies unit has been created, with technical expertise which will help to meet the specialized needs of the Risks areas, while a Follow-Up and Reporting Unit has been established for the integration, follow-up and generation of the necessary reports for all the internal or external areas which have to participate in best risk management; this unit also plays an important role in the information disclosure processes and their strict adherence to national and international regulations.

Furthermore, the Internal Controllership unit has been established to guarantee the correct implementation and development of the Internal Control System of the Financial Group, while also including the Technical Unit and the Appraisal Unit of the Institution.

In conformity with the Commission's regulatory requirements for the disclosure of the policies and procedures established by credit institutions for comprehensive risk management, below we present the measures established for such purpose by management, as well as the respective quantitative information.

Compliance in the area of Comprehensive Risk Management is based on the recognition of fundamental principles for the efficient and effective management of risks, evaluating them on quantifiable and non-quantifiable bases, with the aim of satisfying the basic processes of identification, measurement, monitoring, limitations, control and dissemination.

Furthermore, the regulatory entities of insurance companies, pension firms and retirement fund managers have issued provisions to this effect. By way of summary, below we present the main activities performed in this regard by the Institution.

Qualitative Information:

– *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:*

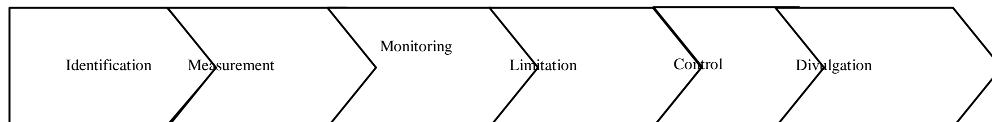
Banking business, with positions on and off the balance sheet, including credits, traditional deposits, investments in securities, derivatives, majority financing, etc.

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.

– *Market Risk:*

The purpose of market risk management is as follows:

- The proper identification of the risks to which the Financial Group is exposed, by maintaining positions in financial instruments for operational or investment purposes.
- Measurement of exposures through the application of proven and reliable processes and methodologies.
- Continuous risk monitoring.
- Efficient limitation of exposures.
- Effective control over positions.
- Inform decision-making bodies of the risks assumed/profitability obtained within the portfolios controlled.



With regard to the process for market risk measurement and the operating and investment portfolios, the daily measurement of market risk is made through Value at Risk (VaR) statistical techniques, such as the central measurement:

1) Define the degree of sensitivity in the valuation of positions to changes in prices, interest rates or indexes.
2) Reasonably estimate the expected change for a specific time horizon with certain prices, rates, rates or indexes, considering it the degree to which they can be moved
3) Reevaluate the portfolio to such expected changes sets and thereby determine the maximum potential loss in terms of value.

In summary, the Value at Risk (VaR) has been fixed based on the view that one day's operation will not lose more than the amount calculated 99% of the time, in the positions that are within Global Markets, considering a horizon of 500 business days.

When significant risks are identified, they are measured and limits are assigned in order to ensure adequate control. The global measurement of risk is made through a combination of the methodology applied to the Trading Portfolios and the Structural Balance Sheet.

– *Trading portfolios*

In the specific case of the Financial Group, the VaR is calculated by Historical Simulation and based on the view that within a one-day horizon not more than such VaR will be lost 99% of the time.

Two methodologies are used with or without "Exponential Smoothing": one which very strongly weights the last market data and the other which gives the same weight to the information from a full year of trends.

	4T 2014	3T 2015	4T 2015
VaR of trading securities			
One-day VaR	$ 148	$ 192	$ 184
10-day VaR	468	602	587
Total risk	$ 616	$ 794	$ 771

	VaR 1 day	VaR 10 days
VaR of trading securities		
Fixed-income	$ 161	$ 523
Variable income	$ 36	$ 116
Foreign currency	$ 52	$ 150
Vega	$ 39	$ 123

Furthermore, daily simulations are performed of the losses or gains on the portfolios by means of reassessments under catastrophic scenarios (*stress tests*). These estimates are generated by applying percentage changes to the risk factors, which were observed in a specific period of the history, which covers significant market turbulence. Every month back testing is performed to compare the daily losses and gains that would have been observed if the same positions had been held, by considering only the change in value due to a market movement against the calculation of the value at risk, so that the models used can be calibrated.

– *Structural Balance Sheet*

The market risk of the Structural Balance sheet or structural risk is defined as the potential change produced in the financial margin and/or in the net worth of an entity due to changes in interest rates and/or exchange rates.

The objectives of structural risk management are to guarantee the business sustainability in the long term and maintain the continuous generation of results.

The measurement of interest rate and exchange rate risk on the Structural Balance sheet includes the calculation of Economic Value and Financial Margin sensitivities by virtue of movements parallel to an increase or drop in interest rates (+/- 100 basis points), as well as the estimate of expected losses in simulation scenarios of nonparallel movements in risk factors (interest rate and exchange rate), according to the methodology authorized by the Risks Committee.

The structural risk measurement system is QRM (Quantitative Risk Management), which in turn incorporates the characterization of the headings of the Structural Balance Sheet according to the financial characteristics of each heading. The methodology behind the Economic Value consists of estimating the fair value of the positions on the Structural Balance Sheet, through the calculation of the current value of its net future flows (the flows expected from its assets less the flows expected from its liabilities) discounted at market interest rates. By the same token, the methodology behind the Financial Margin metrics is based on the projection of the interest income and expenses from the Structural Balance Sheet, month-to-month in a 12 month horizon, considering the projected growth of the business. Specifically, the principal assumptions behind the characterization of the headings of the Structural Balance Sheet are as follows:

– Prepayment rates: Supposes an advance payment of certain headings of the Structural Balance Sheet, such as mortgage loans, commercial portfolio, among others.

– Evolution of products which do not have a maturity date: for sight deposits and credit card, core or stable and volatile balances are calibrated, and subsequently their evolution over time is forecast.

The assumptions behind the characterization of the headings on the Structural Balance Sheet are modeled based on historical observations, of the same headings of the Structural Balance Sheet and the evolution of the risk factors. At least once a year there is a revision and validation of the adjustment of the models and systems comprising the risk metrics of the Structural Balance Sheet.

The Structural Risk policies include a red flag scheme for the Economic Value and Financial Margin metrics, in which follow-up is provided each month in the Risks Committee and is presented quarterly to the Board of Directors; if the red flag limits are exceeded, mitigation measures are established according to the situation of the current and forecast market, prudence in the activity, financial and reputational impact, among others, in which the Assets and Liabilities Committee is the executive body responsible for handling the situation. Such committee adopts investment and hedging strategies within the policies and risk limits approved by the Board of Directors and delegated Risk Committee of the Board.

Estimated Economic Value Sensitivity

Portfolio	**-100 pb**	**+100 pb**
Mexican pesos	$ 4,246	$ (4,844)
Foreign currency	(1,304)	1,241
Total	$ 2,942	$ (3,603)

Financial Margin Sensitivity Projected to 12 Months

Portfolio	**-100 pb**	**+100 pb**
Mexican pesos	$ (1,226)	$ 1,203
Foreign currency	(348)	357
Total	$ (1,574)	$ 1,560

The Economic Value sensitivity presents below the percentage of red flag use, on average at monthly closes.

The Financial Margin sensitivity projected to 12 months presents below the percentage of limit use, on average at monthly closes.

4T 15 Risk Exposure Structural Balance Sheet

Portfolio	Red flag use	Limit use
Mexican pesos	42.8%	29.5%
Foreign currency	16.5%	15.5%

– *Credit risk*

The measurement of credit risk is associated with volatility of expected revenues and has two basic measures: Expected Loss (PE) and Unexpected Loss (PNE).

The PE of a portfolio represents the average credit balance which was not paid, plus the net of the losses incurred for its recovery and is considered as an inevitable business loss from granting credit over time. The calculation of the Global PE of each portfolio first requires the determination of the PE for each borrower; for this reason, the model focuses initially on an individual situation.

Expected Loss = Probability of Default x Severity of Loss x Exposure

Portfolio *	Percentage
Commercial	0.8%
Consumer	6.3%
Mortgage	0.5%

Portfolio *	PD's	Severity
Commercial	2.0%	36.4%
Consumer	6.3%	87.7%
Mortgage	2.1%	22.3%

*The parameters are weighted on the current portion of each of the portfolios and are calculated based on internal models of the Institution.

Probability of Default is the likelihood that a customer may default on his obligations. The elements which enable the determination of this factor are risk classification by client, migration of credit quality and situation of overdue portfolio.

Severity of Loss is that net economic loss from the recovery of financing; the elements which enable this factor to be determined are recovery expenses (foreclosure and sale) and the type of collateral.

Exposure refers to the maximum amount of the balance at the time of the default; the elements which enable this factor to be determined are the size of the line, disposition of the line and type of product.

Once the level of expected loss is determined, its volatility determines the amount of economic capital necessary to cover the identified risks. As the credit losses may vary significantly over time, it may be inferred that creating a fund with an amount equal to the average loss will have covered the credit loss in the long term; however, in the short-term the fluctuations and, therefore, the risk, remain in effect and generate uncertainty. Therefore, it should also be covered with a second fund that can be used as collateral to be paid when the latter exceed the average losses.

From our standpoint, the average losses can be supported with the creation of an allowance for loan losses which should be treated as a cost of the credit business, whereas the second fund created to cover unexpected losses should be assured by setting aside a specific amount of capital which may be used or not, but which assures the solvency of the Financial Group in the event of above average losses. This allocated capital therefore depends on how volatile the credit losses are over time and is known as economic capital, so as to give it a risk connotation.

The level of solvency desired by the Financial Group has to be established in the calculation of the PNE, in such a way that the amount allocated covers the volatility of the losses a specific number of times, thus assuring a specific credit quality for the bank at a certain level of probability. This solvency probability is determined by using the risk classification with which the institution wishes to operate; consequently, the economic capital will have to be equal to the amount necessary for the probability to materialize. Furthermore, the origination models (Scorings or Ratings) are defined for use in all the transaction and portfolio levels and in the behavior models they are established for the most important portfolio, which is Credit Cards. These models, apart from supporting the credit decision, are linked with the probability of default established above.

Scope and nature of risk information and measurement systems and their reporting

The information systems for the internal model are housed in a system developed internally for the Institution, which is run in a mainframe IBM environment (Host) as part of the ALTAMIRA unified bank management platform, DB2 databases, and is developed in COBOL.

The ratings agencies which use the Standard Method and, as the case may be, the causes of possible modifications are: Standard & Poor's and Moody's, Fitch, and they are used to assign weighting factors to the credit portfolio and derivatives operations.

The process to assign ratings of public issues to comparable assets is performed through consulting of the credits and/or counterparties, supplementing and updating the historical file of our institution.

Coverage and/or mitigation policies by each type of risk

Risk Mitigation Techniques Method to value guarantees and revaluations for the Companies and Large Companies portfolio.

The establishment of personal guarantees or security interests in personal or real property, apart from improving the credit structure of the operation, allows the estimate of the Severity of the Loss to be mitigated in order to reduce the credit reserves derived from the regulatory portfolio classification.

The Institution performs revaluations of the credits, depending on the type of collateral, using statistical methods or confirming the existence and physical condition of the collateral. The value of the personal and real estate guarantees is updated each year over the term of the credit, except for those which require an ongoing evaluation (shares listed on stock markets) or for discontinued periods (investment projects).

The Institution applies internal methodologies to homogeneous portfolios; i.e., it does not partially adopt internal methods inside the portfolios. The Credit Card, Companies and Large Companies portfolios are certified by using this methodology.

Internal ratings systems and the relationship between internal and external ratings

In the Financial Group, the credit risk models comprise two clearly differentiated types in computer applications which support the ratings tools for contracts and customers (Scoring and Rating, respectively).

Companies and Large Companies Portfolios

The objective of the Rating module is to provide tools for analysis and valuation which enable a credit classification to be given to a customer based on homogeneous data and criteria for the Financial Group. The Rating is a tool for customer classification, geared towards Company Banking and Corporate Banking

The Rating basically consists of classifying the customer based on a series of quantitative variables, which are obtained from the Financial Statements (Balance Sheet and Profit and Loss Account) and from a series of qualitative variables (sector, market position, etc.).

Using these variables, a series of rules or red flag signals are established which enable the agent or analyst to clarify specific aspects which require a justification (elevated indebtedness, reduced level of proprietary funds, etc.) which, depending on their importance, might condition the result obtained for the credit to be granted.

The Rating forms part of the information used in the decision-making process of an operation and is the essential support for the setting of pricing policies which take into account the risk-profitability binomial.

Credit card

The Scoring module provides tools for analysis and valuation which enable a credit rating to be fixed with a focus on product based on homogeneous data and criteria for the financial group. There are two types of Scoring:

Origination Scoring, which is obtained at the time of contracting, based on proprietary information of the operation and information requested from the customer, generates a score for each operation.

Behavioral Scoring is obtained each month, based on payments behavior with the Institution. This model, which is used in the assignment of scores for each of the operations, is easy to understand, stable and enables the expert to use it in decision-making.

The Institution uses internal estimates for purposes different from the calculation of capital requirements for credit risk of the internal model in the following processes:

Admission: Based on the Scoring and Rating tools (for Credit card and Companies, respectively) a debtor risk rating is obtained, which determines the solvency of the credit applicant to determine whether it should be granted by standardizing the decision-making, as well as the use of automatic evaluation models. It also ensures that the decision taken by the authorized bodies maintain the profitability and quality of the portfolio.

Calculation of Expected Loss and Capital: Every month an estimate is made of Expected Loss, Economic Capital and Regulatory Capital based on Internal Models for the portfolios of credit card and Companies and Large Companies.

Measurement of RAR: The RAR is determined for credit cards based on accounting balances and risk parameters (CER). For credits granted to Companies and Large Companies, the Risk-Adjusted Profitability (RAR) and Added Economic Benefit indicators are obtained.

Management and recognition process of the credit risk coverage

The Institution has a robust system in place to handle financial security interests in real or personal property and a calculation engine, which have been certified by the Commission, according to the integral method to recognize credit risk coverage, established in Articles 2 Bis 31, 2 Bis 36, 2 Bis 37 and 2 Bis 48 of the CUB.

The integral approach used for the hedge recognition is governed by the following points:

Amount of adjusted collateral*:* The adjusted amount of collateral decreases its market value to take into consideration the loss in value which it may suffer due to the effects of the fluctuation in its market price and fluctuation in exchange rates.

$$CA_i = \frac{C_i}{C_i^{**}} \cdot (1 - H_C^i - H_{FX}^i) \cdot \frac{(t-0.25)_i}{T-0.25}$$

Covered and uncovered exposure*:* The calculation of uncovered exposure (E*) is a cyclical process in which each iteration is incorporated into a new collateral (CAi) according to the prioritization determined, until there is no eligible collateral to be included in the process.

Internal ratings process:

For the Companies and Large Companies internal model, the Institution considers Groups III and IV and certain cases from Group V of the Rules for the Capitalization Requirements of Full-Service Banks and National Credit Institutions and Development Banks of the Commission. Group IV excludes customers with Investment Projects, as well as Small and Medium Mortgage Promoters, and Small and Medium Companies (Pymes) according to the sales volume (customers with transactions valued at less than MX $ 60 million). Large Promoters are considered from Group III.

Within the Wholesale Portfolio, the global criterion has been defined that segmentation into subgroups should be performed based on the sales figure, according to the following table:

Sales volume	Segment
> 50 mill usd	Large companies (Corporate)
<=50 mill usd	Large companies (Corporate)
>60 mill mxp	Companies

Close EYGE December 2015

Scale	Available	Balance	Exposure	Weighted median severity	Weighted median risk	Exposure non-financial security interest	Exposure financial security interest
A	$ 6,036	$ 57,760	$ 60,054	43.00%	0.03%	$ -	$ -
A-	-	2,504	2,504	31.64%	0.03%	2,442	-
BBB+	1,619	4,091	4,426	43.09%	0.05%	-	-
BBB	4,937	13,619	15,339	43.03%	0.08%	597	-
BBB-	2,685	36,113	36,925	42.94%	0.11%	-	-
BB+	1,766	55,215	55,654	42.20%	0.15%	3,787	311
BB	1,270	26,180	26,546	41.32%	0.29%	5,489	27
BB-	3,745	34,224	35,264	40.12%	0.44%	8,045	57
B+	771	26,935	27,156	38.98%	0.66%	11,083	465
B	886	17,988	18,215	40.36%	1.03%	6,213	77
B-	242	11,696	11,768	39.63%	1.75%	3,836	248
C	70	4,134	4,158	40.31%	2.48%	1,502	23
D	5	2,468	2,470	10.39%	66.24%	784	-
Total general	$ 24,032	$ 292,927	$ 300,479			$ 43,778	$ 1,208

<u>Consumer Portfolio</u>:

For the Credit Card internal model, the Institution considers Group VI (Consumer and Housing loans) in accordance with the Capitalization Rules of the CUB. Such Group matches the loans made to customers -Individuals - who were granted a revolving credit line for personal use.

Probability of default

In the calibrations of the probabilities of default, a definition of default based on 90 days is used, which matches the default definition used by Basel II.

Consequently, for the Institution, a transaction/customer will be considered as "bad" or in arrears when either of the following options arises:

- 90 days have elapsed since the day of the first nonpayment
- The amount should go through a materiality filter so that the transaction/customer may be considered in arrears.

Severity of Loss

The method used to estimate the severity or LGD is the so-called Workout LGD, based on the cash flow discount of exposures in arrears recovered at different moments in time derived from the portfolio recovery process. The recovery cycle is the process in which a contract goes into arrears and ends when it emerges from such situation. Once a contract goes into arrears, it begins a recovery process known as a recovery cycle in which those movements that increase the debt and which reduce the debt are accounted for. That part which could not be recovered is known as a Loss and if it is expressed as a percentage of the Exposure to Default, it is known as Severity of Loss.

Throughout this recovery process, there is a constant identification of the amounts entering capital accounts, recoveries in memorandum accounts and capital accounts, and the amount of exposure at the time of default. Therefore, the severity is calculated as the difference between the accrued deposits less discounted recoveries (carried to present value) at the opening date of the cycle, for the exposure to default.

Severity = LGD = (Σ entries in arrears - Σ recoveries)/EAD

Exposure to Default

The exposure to default (EAD) is not a parameter that is estimated, but is considered as the calculation of the disposed balance in the period under analysis, plus the Available balance and line granted, adjusted for Credit Conversion Factors, (CCF1 and CCF2), respectively. In other words the EAD is calculated as the disposed balance plus a conversion factor multiplied by the undisposed balance of the line, plus another conversion factor multiplied by the credit limit.

EAD = Disposed Balance + CCF1*Undisposed Balance + CCF2 *Limits

Departures from the definition of default established in Article 2 Bis 68 of these provisions are reflected in the fact that filters are used for the internal models on defaulting borrowers at 90 days with the concept of materiality filter described in the preceding point.

The Credit Card and Companies and Large Companies parameters which make up the Expected Loss (PE) are estimated each year and are applied to the portfolio each month, so that the estimated Expected Loss is used to predict the reserves that the Institution should have. These estimated reserve levels (PE) are compared to the real losses observed, in order to assess whether the parameters adequately predict the behavior of the losses which are presented throughout the year, because the amount of Estimated Expected Loss in one month should be sufficient to cover the losses from defaults of the following year.

To perform the comparison, the level of reserves presented in the portfolio in one month is taken as reference and compared with the sum of the incurred (real) losses accumulated throughout the year. It is considered that the level of reserves is adequate when at the close of the year the accumulated amount of real losses does not exceed the estimated reserve.

For the Credit Card portfolio this comparison was made with seven annual windows beginning December 2013 to June 2014, based on which the result is that the amount of the incurred losses is lower than that of the Expected Loss, so we may conclude that the establishment of reserves for the Credit Card portfolio is sufficient to meet the risks required therein.

For the Companies and Large Companies portfolio, this comparison was made with three annual windows, from April 2014 through June 2014, on which basis the result is that the amount of the incurred losses is less than that of the Expected Loss, so we may conclude that the establishment of reserves for the Companies and Large Companies portfolio is sufficient to meet the risks required therein. Such comparison is illustrated below:

Close TDC December 2015

Scale	Available	Balance	Exposure	Weighted median severity	Weighting average weighted risk
BBB+	$ -	$ -	$ -	35.65%	0.15%
BBB	1	-	-	35.65%	0.21%
BBB-	2	1	2	35.60%	0.31%
BB+	25,869	6,023	9,467	75.46%	0.52%
BB	36,735	9,414	15,408	76.25%	0.88%
BB-	31,021	10,645	16,572	76.06%	1.53%
B+	30,372	14,101	20,838	76.90%	2.60%
B	24,694	15,455	21,914	77.48%	4.44%
B-	27,893	23,808	30,667	77.56%	7.80%
C	9,207	16,798	19,545	74.10%	21.59%
D	-	2,583	2,583	78.14%	100.00%
Total general	$ 185,794	$ 98,828	$ 136,996		

– *Liquidity Risk*

Quantitative information

a) Concentration limits regarding the different groups of collateral received and the principal sources of financing

Apart from the regulatory liquidity ratios, the liquidity risk control scheme of the Financial Group is based on the establishment of limits in three fundamental areas:

- Self-financing through the LtSCD ratio or Loan to Stable Customer Deposits (maximum relationship of the financing of the net credit investment with stable customer deposits);
- Diversification of the financing structure through a maximum amount of Short-Term (FCP); and
- Capacity to absorb liquidity shocks through the 30 day Basic Capacity (CB 30d – available liquidity buffer coefficient and net outlays of liquidity established within the respective unexpired deadline). There are also red flags to prevent the limits from being exceeded, including the follow-up on other unexpired deadlines.

There are also metrics to identify possible threats in advance to allow for the adoption, as the case may be, of the necessary preventive measures, including indicators of concentration of financing or liquidity in foreign exchange or diversification of long-term financing, among others.

4T 15 Liquidity risk exposure: average monthly closes Absolute margin in relation to the limit (positive without excess, negative with excess)	
LtSCD	13%
FCP 12m	$142,373
CB 30d	57%

b) Exposure to liquidity risk and financing needs at Institution level, bearing in mind legal, regulatory and operational limitations and the transferability of liquidity

The Institution exposure to liquidity risk and its financing needs are based on the principle of decentralized and independent management of liquidity (including the Institution or any of its associated entities), so as to avoid dependencies or subsidies and eventual contagion due to crisis. At all times they take into account the legal, regulatory and operational limitations on the transferability of liquidity of the applicable rules in setting the liquidity risk policies of the Institution, including the regimes for admission of liabilities and investments for liability transactions in Foreign Currency of Banxico, operating rules of the payment systems, risk diversification in the performance of liability operation specified by the Provisions, among others.

In the case of the investment regime for liability operations in Foreign Currency, apart from the Shortfall regulatory limit, as a preventive measure there is also a red flag system in place which is stricter than the regulatory limit for the investment regime for liability operations in Foreign Currency of Banxico.

c) **Balance sheet operations itemized by expiration deadlines and the resulting liquidity gaps, including operations recorded in memorandum accounts.**

The following table details the liquidity gaps of Institution at different terms.

	At sight	30 days	Six months	One year	More than one year	No expiration date	Total
Funds available	$ 71,868	$ 14,173	$ 5,124	$ 2,934	$ 63,069	$ -	$ 157,168
Credit portfolio	-	78,552	135,368	75,349	588,136	-	877,405
Securities portfolio	-	931	77,271	5,207	335,875	-	419,284
Total Assets	$ 71,868	$ 93,656	$ 217,763	$ 83,490	$ 987,080	$ -	$ 1,453,857
Deposits	$ 864	$ 122,577	$ 40,325	$ 1,924	$ 4,389	$ 663,156	$ 833,235
Issues and Debentures	-	957	37,623	10,789	148,500	-	197,869
Creditors from repurchase agreements	-	243,939	1,050	-	-	-	244,989
Net rest of balance sheet	-	-	-	-	-	177,764	177,764
Total liabilities	$ 864	$ 367,473	$ 78,998	$ 12,713	$ 152,889	$ 840,920	$ 1,453,857
Off-balance-sheet	-	(175)	(454)	5,470	3,601	-	-
Liquidity gaps	71,004	(273,992)	138,311	76,247	837,792	(840,920)	-
Accumulated gaps	71,004	(202,988)	(64,676)	11,569	849,361	8,441	-

** The figures in the preceding table only consider the Institution individually, not on a consolidated basis.*

Embedded derivatives-

Under the programs for issuance of Structured Bank Bonds of the Institution, it has recorded foreign currency, ratios and interest-rate options, equivalent to a nominal amount of $65,801; also, the Institution has recorded interest rate and foreign currency swaps for a nominal amount of $60,602.

Qualitative information

a) The liquidity risk is handled in the Institution by considering for such purpose the tolerance to such risk; the structure and responsibilities for liquidity risk management; internal liquidity reports; the liquidity risk strategy and the policies and procedures through the business lines and with the Board of Directors.

The handling of liquidity risk in the Institution is governed by the following principles: decentralized and independent liquidity management; self-financing of the credit activity of the banks; liquidity planning in the process of growth planning in the activity; clear segregation of functions to achieve a proactive management of liquidity risk, including intraday liquidity and management of collateral, establishment of a transfer pricing system and standards for internal use of liquidity; as well as alignment with regulatory requirements.

The structure and responsibilities for liquidity risk management are clearly segregated by function and area:

– *Setting of general policies, fundamental metrics and limits.* The risk liquidity policies are approved by the Board of Directors, with the prior favorable opinion of the Risk Committee; which bodies approve the liquidity risk limits scheme.

– *Risk identification, measurement and control*. Risks identifies, measures and establishes measurements to control liquidity risk to which the Financial Group is subject through the setting, follow-up and reporting of a limits scheme.

– *Management of investing and deposits activity*. This is performed by the business areas in accordance with the risks policy.

– *Liquidity management and financing*. This is performed by Finances, specifically in the Financial Management area, leaving short-term performance delegated (including the performance of intraday liquidity) in the Global Markets unit

– *Generation of follow-up information*. As much as possible, the Systems and Finances areas of the Financial Group supply the relevant information for purposes of liquidity risk. At the same time, Risks promotes the ongoing improvement of information quality to ensure a correct decision-making process.

The status of the limits and red flags is reported through daily internal reports to Senior Management, internal audit and the areas which handle risk, even more frequently in times of crisis; in order to perform the measurement of liquidity risk, there are applications developed internally by the Systems area, and the risk measurement system of the Structural Balance Sheet QRM (Quantitative Risk Management) is also used.

Strategies are outlined within the risk limits approved by the Board of Directors and Risks Committee delegated by the Board, and are agreed upon in the Assets and Liabilities Committee, always within the liquidity risk tolerance approved. Also, follow-up is given on the evolution of liquidity risk and excess risk in these bodies.

b) Financing strategy, including diversification policies, and whether the financing strategy is centralized or decentralized

Every year the Financial Group prepares a growth plan of its activity, considering the business's growth projections, the maturities profile of assets and liabilities, the appetite for risk and projected market conditions. On such basis, the financing plan is prepared in the wholesale markets, seeking to maintain diversification in financing, thus ensuring that there is no excessive dependence on short-term financing.

c) Liquidity risk mitigation techniques used

The Institution liquidity risk model, based on the principles quoted in subsection (a) of this quantitative information, at all times takes into account the legal, regulatory and operational restrictions on the transferability of liquidity.

Specifically, one of the strengths of the Institution is based on the quality of its funding, which is diversified by type of customers, instruments and markets. With regard to deposits, there is an extensive network of retail and wholesale customers. This attraction of deposits is complemented and strengthened with local and international issues, maintaining constant access to debt markets.

If liquidity risk limits or red flags are triggered, specific action and communication procedures are established within the Financial Group, based on a clear definition of roles by the different areas and decision-making bodies, with the level of communication depending on whether a limit or red flag was triggered. Also, there is a Liquidity Contingency Plan, which when activated has an inventory of action measures classified by type, based on whether they are related with Banxico, the wholesale market or commercial activity. Mitigation techniques include internal and external liquidity sources, selected according to the situation of the current and forecast market, prudence in the activity, financial and reputational impact, among others.

d) Use of stress tests

Liquidity risk stress tests are performed under different scenarios, in each case evaluating the status of coverage of the available liquidity buffer with the liquidity needs of the scenario in question under different temporary horizons. The results of these tests form an integral part of the Liquidity Contingency Plan, given that the latter is activated by them.

e) Description of contingent financing plans

The Liquidity Contingency Plan or Contingency Financing Plan is considered a fundamental part of liquidity risk management at times of liquidity stress.

It contains concrete procedures to facilitate decision-making, a rapid adoption of contingent measures and efficient communication, specifying the functions and responsibilities in these situations, together with the authority to activate it. It is defined on the basis of four principles: coordination between the participating units, effective level of information, confidentiality of the actions and information and enforceability. It is authorized by the Board of Directors of the Institution, with the prior favorable opinion of its delegated Risk Committee; the proposal of the Liquidity Contingency Plan to the Board of Directors and its subsequent amendments is made by the Managing Director of the Institution.

Furthermore, the Financial Group has a Contingency Plan or Recovery Plan in place which establishes possible actions to be performed to restore its financial position in light of adverse scenarios which might affect its solvency and/or liquidity. This plan describes the situation of the Institution by detailing key business lines, recovery indicators, and corporate governance if adverse scenarios arise and the processes needed to implement recovery measures. This plan is also approved by the Board of Directors.

– *Liquidity Coverage Coefficient (CCL)*

The Liquidity Coverage Coefficient quantifies the potential capacity of the Institution to meet 30 day liquidity needs in a stress scenario with available liquid assets.

According to the information disclosure requirements specified in Exhibit 5 of the General Provisions on Liquidity Requirements for Full Service Banks, the following Liquidity Coverage Coefficient Disclosure Form is presented.

According to the information disclosure requirements specified in Exhibit 5 of the General Provisions on Liquidity Requirements for Full Service Banks, the following Liquidity Coverage Coefficient Disclosure Form is presented.

Liquidity coverage coefficient	4T 2015 Unweighted amount	4T 2015 Weighted amount
Computable liquid assets		
Total computable liquid assets	Not applicable	$ 194,444
Cash outlays		
Stable financing	$ 337,992	$ 16,900
Less stable financing	118,765	11,877
Unsecured retail financing	456,757	28,777
Operational deposits	101,349	23,997
Nonoperational deposits	226,017	93,286
Unsecured debt	3,310	3,310
Unsecured wholesale financing	330,676	120,593
Secured wholesale financing	Not applicable	3,197
Outlays related to financial derivatives	22,185	22,185
Lines of credit and liquidity	414,288	35,407
Additional requirements	436,473	57,592
Other contingent financing obligations	8,933	8,933
Total cash outlays	Not applicable	$ 219,092
Cash receipts		
Cash receipts from secured transactions	$ 44,923	$ 600
Cash receipts from unsecured transactions	84,137	51,432
Other cash receipts	2,499	2,499
Total cash receipts	$ 131,559	$ 54,331
Total computable liquid assets	Not applicable	$ 194,444
Net total cash outlays	Not applicable	$ 164,561
Liquidity coverage coefficient	Not applicable	118.25%

a) *Calendar days included in the quarter being disclosed*

The quarter reported includes 92 calendar days.

b) *The primary causes of the results of the Liquidity Coverage Coefficient and the evolution of its principal components.*

During 2015, the CCL has remained above the 100% requirement, even though the regulatory minimum was 60%, which means that there are sufficient liquid assets for a 30 day liquidity stress outlay. The structure of the components has remained similar over the year, but an improvement in the CCL is notable in the final quarter, due to the increase in liquid assets originated by additional deposits which generated larger receipts for deposits in other Banks.

Description	1 T	2 T	3 T	4 T
Liquid assets	$ 173,672	$ 185,971	$ 190,020	$ 194,444
Outlays	$ 216,684	$ 210,771	$ 216,179	$ 219,092
Receipts	$ 56,120	$ 40,861	$ 41,478	$ 54,531
CCL	108%	109%	109%	118%

c) *Changes in the principal components in the quarter reported*

Description	Changes 4T vs 3T
Liquid assets	$ 4,424
Outlays	$ 2,913
Receipts	$ 13,053
CCL	9%

d) *Evolution of the composition of Eligible and Computable Liquid Assets*

In the quarter there was a slight improvement in liquid assets due to a rearrangement.

Level	3 T	4 T	Variance
N1 Cash	$ 111,451	$ 124,269	12%
N1 Securities	48,389	37,572	(22%)
IIA	23,496	26,860	14%
IIB	6,684	5,743	(14%)
Total	$ 190,020	$ 194,444	

e) *Concentration of financing sources*

One of the great strengths of the Institution is the quality of its funding, which is diversified by type of customers, instruments and markets. With regard to deposits, there is an extensive network of both retail and wholesale customers. This attraction of deposits is supplemented and strengthened with local and international issues, over different terms, and constant access is maintained with debt markets.

The following table shows the principal financing sources at the close of the year, representing 86% of the total liabilities of the Institution.

Sources of financing (December 2015)	% of total liabilities
Customer deposits	53.7%
Collateralized financing	18.2%
Securities	5.9%
Debentures	5.0%
Money market	1.9%
Interbank	1.3%

f) *Exposures in financial derivatives and possible margin calls*

Exposure, according to current local exposure guidelines in derivatives for the Liquidity Coverage Coefficient, is as follows:

Description		**December 2015**
Net outlay of derivatives at market value plus outlay for potential exposure	$	22,458

g) *Mismatch of foreign currencies*

The liquidity risk associated with foreign currency transactions is covered in conformity with the provisions of the Liquidity Coefficient in Foreign Currency, established by Banxico. Furthermore, the risk associated with the exchange rate is duly funded and is handled within the regulatory limits

h) *Degree of centralization of liquidity management and interaction between the group's units*

The responsibility for handling liquidity is concentrated in the Financial Management unit, which reports directly to the CFO and is independent from the business units. It maintains a direct interaction with the business areas, defining strategies for how to use and attract liquidity.

The strategies are applied within the risk limits approved by the Board of Directors and the Board's delegated Risk Committee, and are agreed upon in the Assets and Liabilities Committee, the executive body responsible for handling capital and the structural risks of the balance sheet with regard to interest rates, exchange rates and liquidity.

i) *Cash flow outlays and receipts relevant for its liquidity profile*

The Institution considers that all relevant 30 day flows are covered in the CCL metric, for which reason there are no additional flows to be considered.

The Institution has cash flow hedges to reduce exposure to variances in flows, changing such flows to a fixed rate in order to improve the sensitivity of the financial margin. The method used to evaluate prospective effectiveness is by sensitivity analysis; 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 from the hedged position.

The surplus from cash flow hedge derivatives recognized in equity as of December 31, 2015 is $467, of which, based on the present value of coupons that will be settled in 2016, income of $279 is excepted to be recognized in results.

– *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 operational risk losses recorded in 2015 were $1,555, mainly from fraud and operational errors.

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.

Based on the above, the institution considers that the main factors influencing the legal risk are: degree of non-compliance with local regulations types of judicial process which involves; lawsuit amount and likelihood of an unfavorable outcome.

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.

Operational risk derives from the probability that there will be human errors, inadequate or defective internal processes, systems failures and also external events which might represent a loss for the Institution. This definition includes legal risk and excludes strategic and/or business risk and reputational risk.

Operational risk is inherent to all the activities, products, systems and processes, and its origins are quite varied (processes, internal and external frauds, technological, human resources, commercial practices, disasters, suppliers). The management of operational risk is integrated into the global risk management structure of the Financial Group.

Throughout the Institution there is an integrated internal control and operational risk methodology. This methodology helps to identify risks in the organization's areas, generate analyses to prioritize risks according to their residual estimate (after including the effect of the controls), link the risks to the processes and establish an objective level for each risk which, by comparison with the residual risk, identifies weaknesses that can be managed. To provide the necessary support to this methodology, the Institution has a corporate application: STORM (*Support Tool for Operational Risk Management*), which includes indicator and scenario modules.

The framework of operational risk management defined by the Institution includes a governance structure based on three lines of defense with: clear demarcation of the responsibilities, policies and procedures common to the entire Institution, systems to identify, measure, monitor, control and mitigate the operational risks and losses, as well as tools and methodologies to quantify the operational risk in terms of capital

Framework of operational risk management: Three lines of defense

Business units

– They manage the operational risk of their respective areas, coordinated by the GRO Business in the areas, and by the process owners and controls.

Internal Controllership, GRO Country and Internal Control Specialists

– The Internal Controllership function and GRO Country (Operational Risk Management Country) are responsible for designing, maintaining and updating the framework of operational risk and Internal Control in the Institution and confirming that it is correctly applied in the field of the business and support areas.

    - They define procedures, systems and tools.
    - Reporting to Senior Management.

– The Internal Control Specialists assess the effectiveness of the documented controls and assure the permanent updating of the internal control system, in adherence to the Internal Control objectives and guidelines defined by the Controllership and authorized by the Board of Directors at the behest of the Audit Committee.

Internal Audit:

- In general it ascertains compliance with the framework of operational risk management, with independent review and testing of the controls, processes and systems of the Financial Group.

  Operational risk management in the Institution is designed and coordinated from the Operational Risk Management function (GRO Country) in conjunction with the corporate criteria of the Institution. The business or support areas in turn have Operational Risk Managers (GRO Business) which for functional purposes report to GRO Country and are responsible for implementing the model in the day-to-day of the business areas. Accordingly, the Institution has an operational perspective, which is where the operational risks are identified and prioritized and mitigation decisions are taken.

To carry out this task, the Institution has tools in place to cover the qualitative and quantitative aspects of operational risk:

Operational Risk Management Tool- The STORM corporate tool documents the identification and management of the most important risks which constitute the reference to focus attention on the Operational Risk Management Committees of the business and support units, and on the delegated Risk Committees of the Board of Directors held during the year.

Indicators fixed in the principal operational risks and their controls: The indicators help measure the evolution of the risks and their controls over time, generate red flag signals and measure the effectiveness of the controls on an ongoing basis. These indicators are defined and followed up by the Internal Control Specialists.

SIRO Tool - Operational risk events almost always have a negative impact on the accounts of the Institution. To ensure detailed control over them, they are registered in a database known as SIRO (Operational Risk Integrated System). To ensure reliability it receives the information directly from accounting by automatic interfaces in 95% of the cases.

Capitalization for operational risk

Based on the changes to the Provisions published by the Commission on December 31, 2014, which define the methodological criteria to determine the capital requirement for operational risk through the Basic, Standard, and Alternative Standard approaches, the Financial Group requested and obtained authorization from the Commission on November 27, 2015, to use the Alternative Standard method to calculate the capital requirement for operational risk, based on the information as of October 2015.

The Alternative Standard Method consists of a simple totaling of the net revenues for each of the eight business lines, multiplied by the factors related to each line, except when it involves the calculation of the capital requirements for Operational Risk of the retail banking and commercial banking business lines, for which the capital requirement will be calculated by substituting the monthly net revenue of each of these lines of business, for the amount exercised of monthly loans and advances for each business line, multiplied by a fixed factor “m”, which will be 0.035.

The factors to be used by business line are as follows:

Business lines	% Applicable to each business line
Corporate finances	18
Transactions and sales	18
Retail banking	12
Commercial banking	15
Payments and settlements	18
Agency services	15
Asset management	12
Retail brokerage	12

To calculate the net revenues and the amount exercised of loans and advances, it is essential to consider the amount applicable to the 36 months before the month for which the capital requirement is being calculated, which must be grouped into three periods of 12 months to determine the annual net revenues.

The losses derived from operational risk in 2015 were $1,555, mainly due to frauds and operational errors.

34. Financial indicators (unaudited)

As of December 31, 2015 and 2014, according to article 182 of the Provisions, the Institution's financial indicators are as follows:

Ratio	2015	2014
Ratio of default	2.40%	2.70%
Hedge ratio of portfolio of overdue credits	127.90%	118.80%
Operating efficiency	3.20%	3.90%
ROE	19.70%	14.60%
ROA	1.70%	1.30%
Capitalization ratio credit and market risk	14.90%	15.20%
Basic capital 1 on credit, market and operational risk	10.90%	10.50%
Liquidity	78.60%	84.20%
Net adjusted interest margin (MIN) /Average Productive Assets	4.30%	4.40%

35. Ratings

At December 31, 2015, 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	A3	P-2	Aaa.mx	MX-1	Stable
Fitch	A-	F1	AAA (mex)	F1+ (mex)	Positive

36. Contingencies

As of December 31, 2015 and 2014, 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 $321 and $392 in these cases.

At December 31, 2015 and 2014, 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, 2015 and 2014, the Institution has analyzed the effect of each of these lawsuits and has recorded a reserve of $229 and $210 for labor lawsuits.

37. New accounting principles

Amendments to the accounting criteria issued by the Commission

On November 9, 2015, different amendments to the accounting criteria of credit institutions were published in the Federal Official Gazette. The purpose of these amendments is to make the necessary adjustments to the accounting criteria of credit institutions for the operations they perform, in order to have reliable financial information. These amendments went into effect on January 1, 2016.

The most significant changes are described below:

a. Accounting Criterion C-5, *Consolidation of special purpose entities*, is eliminated.

b. The following are added as part of the accounting criteria of the Commission: NIF C-18, *Obligations associated with the retirement of property, plant and equipment*, and NIF C-21, *Agreements with joint control,* due to the enactment of such standards by the CINIF.

c. For the consolidated financial statements, it is incorporated in the application of specific provisions, that for those special purpose entities ("SPE") created prior to January 1, 2009 in which control was maintained, there will be no obligation to apply the provisions contained in NIF B-8, *Combined or consolidated financial*, with regard to their consolidation.

d. It is established that overdrafts in customer checking accounts which do not have a line of credit for such purposes, will be classified as overdue debts and an allowance for the total amount of such overdraft must be established simultaneously with such classification, at the time the event takes place.

e. It is established that the net asset for defined benefits to employees must be presented on the balance sheet under the heading of "Other assets".

f. It is specified that the applicable regulation must be applied according to that set forth by Banxico to include the purchase of foreign currencies which are not considered derivatives, as "Funds available".

g. It is established that if the offset balance of foreign currencies to be received with foreign currencies to be delivered were to reach a negative amount, such item must be presented under the heading of "Other accounts payable".

h. It is clarified that if an item of restricted funds available were to show a negative balance, such item must be presented under the heading of "Other accounts payable". Previously the negative balance of restricted funds available was not considered for such presentation.

i. The definition of "Transaction costs" in Accounting Criterion B-2, *Investments in securities* and in

Accounting Criterion B-5, *Derivatives and hedge operations,* is modified.

j. The definitions of “Borrower”, “Appraisal Percentage Guarantees”, “Payment capacity”, “Extended Portfolio”, “Assignment of Credit Rights”, “Consolidation of Credits”, “Debtor of Credit Rights”, “Vendor of Discounted Receivables”, “Financial Factoring”, “Purchaser of Discounted Receivables”, “Line of Credit”, “Discount Transaction”, “Special Repayment Regime”, “Ordinary Repayment Regime” and “Housing Subaccount”, are incorporated into Accounting Criterion B-6, *Loan Portfolio*

k. The definition of “Renewal” is modified in Accounting Criterion B-6, *Loan Portfolio,* to now consider it as that transaction in which the loan balance is settled partially or totally, through an increase in the total amount of the loan, or using the proceeds derived from another loan contracted with the same entity, involving either the same debtor, a joint obligor of such debtor, or another person who, due to his asset ties, represents common risks.

l. “Mortgage Loans” are defined as those credits intended for remodeling or improvement of the home which are backed by the savings in the borrower’s housing subaccount, or have a security interest granted by a development bank or a public trust established by the Federal Government for economic development.

m. Loans for financial factoring, discount and credit right assignment operations are incorporated in the definition of “Commercial Loans”.

n. It is clarified that a loan will not be considered as renewed for any dispositions made during the effective term of a pre-established line of credit, provided that the borrower has settled the total amount of the payments which are due and payable under the original loan conditions.

o. It is established that when credit dispositions made under a line of credit are restructured or renewed independently from the line of credit which supports them, they must be assessed in accordance with the characteristics and conditions applicable to the restructured or renewed disposition or dispositions.

When as a result of such evaluation it is concluded that one or more dispositions granted under a line of credit should be transferred to overdue portfolio due to the effect of their restructuring or renewal and such dispositions, individually or collectively, represent at least 40% of the total disposed balance of the line of credit at the date of the restructuring or renewal, such balance, as well as its subsequent dispositions, must be transferred to overdue portfolio as long as there is no evidence of sustained payment of the dispositions which originated the transfer to overdue portfolio, and the total dispositions granted under the line of credit fulfilled the due and payable obligations at the date of transfer to current portfolio.

The aforementioned percentage is applicable as of January 1, 2016, and will be reduced to 30% for the year 2017, and 25% for the year 2018 and thereafter.

p. It is established that in the case of loans acquired from INFONAVIT or the FOVISSSTE, where there is an obligation to respect the terms which the aforementioned agencies contracted with the borrowers, sustained payment of the loan is deemed to exist when the borrower has timely settled the total due and payable amount of principal and interest, of at least one repayment in the credits under the Ordinary Repayment Regime (ROA) and three repayments for the loans under the Special Repayment Scheme (REA).

q. It is stipulated that for restructurings of loans with periodic payments of principal and interest whose repayments are less than or equal to 60 days in which the periodicity of payment is modified to shorter periods, the number of repayments equivalent to three consecutive repayments under the original loan payment scheme must be considered.

r. The assumptions are established to consider that sustained payment exists for those loans with a single payment of principal at maturity, regardless of whether the payment of interest is periodic or at maturity, as follows:

   i. The borrower must have paid at least 20% of the original loan amount at the time of the restructuring or renewal, or,

   ii. The amount of the accrued interest must have been paid in accordance with the payment scheme for the respective restructuring or renewal at a term of 90 days.

s. With regard to consolidated loans, if two or more loans originated the transfer to overdue portfolio of the total balance of the consolidated loan, to determine the repayments required to consider their sustained payment, the original loan payment scheme whose repayments are equal to the longest repayment period must be considered. Previously the practice was to give the treatment for the worst of the credits to the total balance of the restructuring or renewal.

t. It is established that evidence must be made available to the Commission when demonstrating sustained payment to substantiate that the borrower has the appropriate payment capacity at the time the restructuring or renewal is performed, so as to meet the new loan conditions.

u. It is clarified that the advance payment of installments of restructured or renewed loans, different from those with a single payment of principal at maturity, regardless of whether the interest is paid periodically or at maturity, is not considered to be sustained payment. This is the case with repayments of restructured or renewed loans which are paid before the calendar day's equivalent to loans with repayments that cover periods greater than 60 calendar days have elapsed.

v. The extension of the loan term is incorporated as a restructuring situation.

w. The respective standards for the recognition and valuation of financial factoring, discounting and credit right assignment transactions are included.

x. It is established that commissions and fees different from those collected for granting the credit will be recognized in results of the year on the date that they are accrued, and if part or all of the consideration received for the collection of the respective commission or fee is received before the accrual of the respective income, such advance must be recognized as a liability.

y. The item stating that overdrafts in customer checking accounts should be reported as overdue portfolio is eliminated.

z. It is established that repayments which have not been fully settled under the terms originally agreed and are 90 days or more in arrears with the payments related to the loans which the entity acquired from the INFONAVIT or the FOVISSSTE, in accordance with the respective REA or ROA payment modality, as well as the loans made to individuals for the remodeling or improvement of the home for no speculative purposes which are backed by the savings from the borrower's housing subaccount, will be considered as overdue portfolio.

aa. The transfer to overdue portfolio of the loans referred to in the preceding point will be subject to the exceptional deadline of 180 or more days in arrears as of the date on which:

i. The loan resources are disposed of for the purpose for which they were granted,

ii. The borrower begins a new employment relationship in which he has a new employer, or

iii. The partial payment of the respective repayment was received. The exception contained in this subsection will be applicable provided that it refers to credits under the ROA scheme, and each of the payments made during such period represents at least 5% of the repayment agreement.

bb. It is specified that loans with a single payment of principal at maturity, regardless of whether the interest is paid periodically or at maturity, will be considered as overdue portfolio as long as there is no evidence of sustained payment.

cc. It will be considered that loans granted under a new line of credit, revolving or not, which are restructured or renewed at any time, may remain in current portfolio provided that there are grounds to justify the payment capacity of the debtor. Furthermore, the borrower must have:

i. Settled the total amount of due and payable interest;
ii. Settled all of the payments for which he is liable under the terms of the contract at the date of the restructuring or renewal.

dd. It is established that when credit dispositions made under a line of credit are restructured or renewed independently from the line of credit that supports them, they must be assessed in accordance with the characteristics and conditions applicable to the restructured or renewed disposition or dispositions.

When as a result of such assessment it is concluded that one or more dispositions granted under a line of credit should be transferred to overdue portfolio due to the effect of a restructuring or renewal, and such dispositions, individually or collectively, represent at least 25% of the total disposed balance of the line of credit at the date of the restructuring or renewal, such balance, together with its subsequent dispositions, must be transferred to overdue portfolio as long as there is no evidence of sustained payment of the dispositions which originated the transfer to overdue portfolio, and the total of the dispositions granted under the line of credit have fulfilled the due and payable obligations at the date of the transfer to current portfolio.

ee. The requirement that the borrower must have paid the total amount of the interest accrued at the date of renewal or restructuring to consider that a loan remains current will be considered as fulfilled, when after the interest accrued at the final cutoff date has been paid, the term elapsed between such date and the restructuring or renewal does not exceed the lower of half of the payment period under way or 90 days.

ff. Current loans with periodic partial payments of principal and interest which are restructured or renewed more than once may remain in current portfolio if there are elements to justify the payment capacity of the debtor. It is specified that in the case of commercial loans, such elements must be duly documented and placed in the loan file.

gg. If different loans granted by the same entity to the same borrower are consolidated in a restructuring or renewal, each of the consolidated loans must be analyzed as if they were restructured or renewed separately and, if as a result of such analysis it is concluded that one or more of such loans would have been transferred to overdue portfolio due to the effect of such restructuring or renewal, then the total balance of the consolidated loan must be transferred to overdue portfolio.

hh. With regard to presentation standards in the balance sheet and the statement of income, it is established that:

   i. Housing loans acquired from the INFONAVIT or the FOVISSSTE must be segregated inside the current portfolio, into ordinary portfolio and extended portfolio.

   ii. It is specified that the amount of loans for financial factoring, discount and credit rights assignment transactions will be presented net of the respective appraisal percentage guarantee.

   iii. Any commissions received before the accrual of the respective revenue will be presented under the heading of "Deferred credits and advance collections".

   iv. The financial revenue accrued in the financial factoring, discount and credit rights assignment transactions will be considered as interest income.

ii. With regard to disclosure standards, new requirements are incorporated such as:

   i. Breakdown of the restricted current portfolio and unrestricted and overdue portfolio for the media and residential portfolio, low income portfolio, remodeling or improvement secured by the housing subaccount and loans acquired from the INFONAVIT or the FOVISSSTE, segregated into ordinary portfolio and extended portfolio.

   ii. Total amount and number of loans acquired from the INFONAVIT or the FOVISSSTE transferred to overdue portfolio, as well as the total amount of loans that were not transferred to overdue portfolio, segregated into loans that the entity acquired from the INFONAVIT or the FOVISSSTE, in accordance with the respective REA or ROA payment modality, and loans granted to individuals for remodeling or improving the home for no speculative purposes, which are backed by the savings of the borrower's housing subaccount.

   iii. Principal characteristics of the loans acquired from the INFONAVIT or the FOVISSSTE, describing at least those related to their classification as extended portfolio, ROA and REA, together with those related to the assignment of such credits.

   iv. Description of the obligation and rights held by the INFONAVIT and FOVISSSTE in relation to the portfolio acquired by the entity.

   v. Identification by type of loan for the medium and residential portfolio, low income portfolio, remodeling or improvement guaranteed by the housing subaccount, and loans acquired from the INFONAVIT or FOVISSSTE of the balance of the overdue portfolio as of the date on which it was classified as such, in the following terms: from 1 to 180 calendar days, from 181 to 365 calendar days, from 366 calendar days to two years, and more than two years in overdue portfolio.

   vi. Total amount of housing loans backed by the housing subaccount, broken down into current and overdue portfolio and specifying the percentage which it represents of the total housing loans.

   vii. Total accumulated amount of the restructuring or renewal by type of loan, differentiating that originated in the exercise of those consolidated loans transferred to overdue portfolio as of result of a restructuring or renewal, from those restructured loans to which the criteria for the transfer to overdue portfolio were not applied.

jj. It is established in Accounting Criterion B-7, *Foreclosed assets,* that in the case of assets whose valuation to determine fair value may be made through an appraisal, the latter must comply with the requirements established by the CNBV for providers of bank appraisal services.

kk. It is clarified in Accounting Criterion C-2, *Stock market operations,* that in the case of stock market instruments executed and recognized in the consolidated financial statement prior to January 1, 2009, it will not be necessary to reevaluate the transfer of recognized financial assets prior to such date.

In this regard, the principal effects that this exception might have on such financial statements should be disclosed in notes to the financial statements, as well as the effects of recognition of the adjustments for valuation of the profits on the remnant of the assignee (recognized in results or in stockholders' equity) and of the asset or liability recognized for administration of transferred financial assets.

ll. The definition of "Agreement with Joint Control", "Joint Control" is incorporated, and the definition of "Associated Company", "Control" "Holding Company", "Significant Influence", "Related Parties" and "Subsidiary" is modified in Accounting Criterion C-3, *Related parties*.

Individuals or business entities which, directly or indirectly, through one or more intermediaries exert significant influence on, are significantly influenced by, or are under significant influence of the entity, as well as agreements with joint control in which the entity participates, are now considered to be related parties.

mm. The disclosure requirements contained in Accounting Criterion C-3*, Related parties*, are extended to agreements with joint control.

nn. As an amendment to Accounting Criterion C-4,*Information by segments*, the purchase and sale of foreign currency is incorporated within the segment of Treasury and investment banking operations.

oo. Different modifications are made to the presentation of the balance sheet to incorporate the opening of the current and overdue home loan portfolio in the following segments: medium and residential, low income, loans acquired from the INFONAVIT or FOVISSSTE, and remodeling and improvement with collateral granted by the development bank or public trusts.

pp. The requirement is established to present on the balance sheet as a liability under the heading "Inactive global deposits account", the principal and interest on deposit instruments which do not have a date of maturity or, when they do, they are renewed automatically, as well as the transfers or expired or unclaimed investments referred to in article 61 of the Credit Institutions Law.

qq. A heading named "Re-measurements for defined benefits to employees" is added as part of earned capital on the balance sheet, as a result of the enactment of NIF D-3, *Employee benefits*.

rr. The heading "Collateral granted" is incorporated at the foot of the balance sheet within memorandum accounts.

ss. It is specified that insurance and bonding, technical assistance expenses, maintenance expenses, fees different from those paid to the IPAB and consumables and fixtures should be included in the statement of income.

tt. The statement of changes in stockholder's equity should include re-measurements for defined benefits to employees as part of movements inherent to the recognition of comprehensive income, as a result of the enactment of NIF D-3, *Employee benefits.*

NIF´s issued by the CINIF applicable to the Institution

At January 2015, the CINIF issued several amendments to NIF D-3, Employee Benefits.
These amendments came into effect from at January 1, 2016.

The principal modifications derived from the application of this new NIF D-3 in the Financial Group's financial information are as follows:

- Discount rate for liabilities - Defined Benefits Obligation (OBD)

  - The discount rate to calculate the OBD will be determined by taking the market rate of high-quality corporate bonds, provided that there is a deep market for such bonds. Otherwise, the market rate of the bonds issued by the federal government must be taken.

- Recognition of actuarial gains and losses

  - The use of the broker is eliminated for the deferral of actuarial gains and losses.
  - The accumulated balance of retained earnings and accumulated losses as of December 31, 2015 will be recognized as part of stockholders' equity and in liabilities as of January 1, 2016.
  - Any actuarial gains and losses generated as of January 1, 2016 will be treated as re-measurements for defined benefits to employees, and will be recognized in stockholders' equity and in liabilities.

- Amortization of actuarial gains and losses

  - The actuarial gains and losses recognized in stockholders' equity must be recycled to results in the Remaining Useful Life of the Plan.

- Expected return on plan assets

  - The expected return on the plan assets will be estimated with the discount rate of the liabilities instead of the expected rate of return for the fund.

Due to the enactment of the NIF D-3, on December 31, 2015 the Commission issued different transitory articles to the "Resolution amending the General provisions applicable to credit institutions", published in the Federal Official Gazette on November 9, 2015.

These transitory articles establish that credit institutions may recognize the entire balance of plan amendments (past service) and the accumulated balance of the plan's gains and losses not recognized for entities which used the broker approach progressively at the latest on December 31 of each year.

If the option is taking to progressively apply the aforementioned balances, the recognition of such balances should begin in the year 2016, recognizing 20% in that year and another 20% in each of the subsequent years, until reaching 100% within a maximum term of five years.

The re-measurements of gains and losses from the defined benefits plan which should be recognized at the end of each period, together with their respective recycling to results of the year, should be calculated on the total amount of the plan's gains or losses; i.e., on the aggregate of the plan's gains or losses, plus those not recognized on the balance sheet of the institutions.

Credit institutions which elect to apply this option must report their decision to the Commission at the latest by January 31, 2016.

By the same token, if all or part of the remnant effect is recognized before the established deadlines, the Commission must be informed within the 30 calendar days following the date on which the respective accounting record is made. The entities may perform such recognition in advance, provided that at least 20% or the total remnant is recognized in the respective year.

Credit institutions which applied any of the aforementioned options should disclose the adjustments derived from applying the option in question in the public financial reporting communications for the years 2016 and up to that in which the progressive recognition of the aforementioned effects is concluded.

NIF Promulgated

At December 31, 2015, the CINIF has issued the following NIFs and Interpretations to FRS (INIF) that could have an impact on the consolidated financial statements of the Institution:

a. Effective as of January 1, 2016:

   INIF 21, Recognition of separation payments for employees

b. Effective as of January 1, 2018:

   NIF C-2, *Investment in financial instruments*
   NIF C-3, *Accounts receivable*
   NIF C-9, *Provisions, contingencies and commitments*
   NIF C-16, *Impairment on financial instruments receivable*
   NIF C-19, *Financial instruments payable*
   NIF C-20, *Financial instruments receivable*
   NIF D-1, *Revenue from contracts with customers*
   NIF D-2, *Costs from contracts with customers*

Improvements to NIF 2016

Improvements to the NIF 2016 – The following improvements were issued, effective January 1, 2016, which generate accounting changes:

NIF B-7, *Business acquisitions* – Clarifies that the acquisition and/or merger of entities under common control, and the acquisition of noncontrolling equity or the sale without losing control of the subsidiary, are outside the scope of this NIF, regardless of how the amount of the consideration was determined.

NIF C-1, *Cash and cash equivalents* and NIF B-2, *Statement of cash flows* – Modified to consider foreign currency as cash and not as cash equivalents. Clarifies that both the initial and subsequent valuation of cash equivalents must be at fair value.

Bulletin C-2, *Financial instruments and Document of amendments to Bulletin C-2*–

a. The definition of financial instruments available for sale is modified to clarify that they are those in which investment is made from time to time with the intention of trading them over the medium-term prior to maturity, so as to obtain profits based on changes in market value, and not only through their related returns.

b. Criteria for classifying a financial instrument as available for sale is clarified to prohibit such classification when i) the intention is to hold it for an indefinite period, ii) the entity is willing to sell the financial instrument, iii) it has a sale or redemption option on the instrument, and iv) the issuer of the instrument has the right to liquidate the financial instrument at an amount significantly lower than its amortized cost.

c. The concept of purchase expenses is eliminated and the definition of transaction costs is incorporated.

d. The reversal of impairment losses from financial instruments held to maturity is allowed, in the net income or loss for the period.

NIF C-7, *Investments in associates, joint ventures and other permanent investments* – Establishes that contributions in kind should be recognized at the fair value that was negotiated between owners or shareholders, unless they are the result of debt capitalization, in which case they should be recognized for the capitalized amount.

Bulletin C-10, *Financial derivatives and hedge transactions-*

a. The method to be used to measure the effectiveness should be defined, which should be evaluated at the beginning of the hedge, in the following periods and at the date of the financial statements.
b. Clarifies how to designate a primary position.
c. The accounting for the transaction costs of a financial derivative is modified to be recognized directly in the net income or loss of the period at acquisition, and not deferred and amortized during its effective term.
d. Clarifications are made on the recognition of embedded derivatives.

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

NIF C-19, *Financial instruments payable (FIP)* - Clarifications are made with regard to: i) the definition of transaction costs, ii) when amortization of the transaction costs should be recalculated, iii) the entity should demonstrate, as support for its accounting policy, that it complies with the conditions for designating a financial liability at fair value through net income or loss, and iv) disclosing the gain or loss when an FIP is derecognized and the fair values of significant long-term fixed-rate liabilities. Furthermore, an appendix is incorporated as support in the determination of the effective interest rate.

NIF C-20, *Financial instruments receivable* **–** Changes are incorporated to clarify and explain various concepts due to the issuance of the new NIF related to financial instruments and the final issuance of IFRS 9, *Financial Instruments*. The most important of these include: transaction costs and related amortization, effective interest rate, impairment, foreign-currency instruments, reclassification between fair value debt instruments and financial instruments receivable, the value of money over time and disclosure of qualitative and quantitative information.

At the date of issuance of these consolidated financial statements, the Institution has not completed its evaluation of the potential effects of adopting these new standards on its financial information.

38. Authorization of the issuance of the consolidated financial statements

The consolidated financial statements were authorized for issuance on February 25, 2016, 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.

39. Review of the consolidated financial statements by the Commission

The accompanying consolidated financial statements at 31 December 2015 and 2014 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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