IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS ("QIBs") (WITHIN THE MEANING OF RULE 144A UNDER THE U.S. SECURITIES ACT of 1933, AS AMENDED (THE "SECURITIES ACT")) OR (2) NON-U.S. PERSONS (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT) OUTSIDE THE UNITED STATES.

IMPORTANT: You must read the following before continuing. The following applies to the Offering Memorandum following this page, and you are advised to read this carefully before reading, accessing or making any other use of the Offering Memorandum. In accessing the Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION, AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE LAWS OF OTHER JURISDICTIONS.

IN THE UNITED KINGDOM, THE FOLLOWING OFFERING MEMORANDUM IS ONLY BEING DISTRIBUTED TO, AND IS ONLY DIRECTED AT, PERSONS IN THE UNITED KINGDOM THAT ARE "QUALIFIED INVESTORS" WITHIN THE MEANING OF ARTICLE 2(1)(E) OF THE PROSPECTUS DIRECTIVE AND THAT ALSO (I) ARE "INVESTMENT PROFESSIONALS" AS DEFINED IN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE "ORDER"), (II) ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) ("HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS, ETC.") OF THE ORDER, OR (III) ARE PERSONS TO WHOM AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000) IN CONNECTION WITH THE ISSUE OR SALE OF ANY SECURITIES MAY OTHERWISE LAWFULLY BE COMMUNICATED OR CAUSED TO BE COMMUNICATED (ALL SUCH PERSONS TOGETHER REFERRED TO AS "RELEVANT PERSONS"). IN THE UNITED KINGDOM, THE FOLLOWING OFFERING MEMORANDUM IS DIRECTED ONLY AT RELEVANT PERSONS AND MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS, AND ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THE FOLLOWING OFFERING MEMORANDUM RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS.

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT, IN WHOLE OR IN PART, IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

Confirmation of your Representation: In order to be eligible to view the following Offering

Memorandum or make an investment decision with respect to the securities, investors must be either (1) QIBs or (2) non-U.S. persons (within the meaning of Regulation S under the Securities Act) outside the United States. The Offering Memorandum is being sent at your request and by accepting the e-mail and accessing the Offering Memorandum, you shall be deemed to have represented to us that (1) you and any customers you represent are either (a) QIBs or (b) non-U.S. persons (within the meaning of Regulation S under the Securities Act) and (2) that you consent to delivery of the Offering Memorandum by electronic transmission.

You are reminded that the Offering Memorandum has been delivered to you on the basis that you are a person into whose possession the Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver the Offering Memorandum to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the issuer in such jurisdiction.

The following Offering Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission, and consequently neither the initial purchasers, nor any person who controls them nor any of their directors, officers, employees nor any of their agents nor any affiliate of any such person accept any liability or responsibility whatsoever in respect of any difference between the Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request from the initial purchasers.

BBVA Bancomer

BBVA Bancomer, S.A.,

Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, acting through its Texas Agency

U.S. $200,000,000 5.350% Subordinated Preferred Capital Notes Due 2029

We, BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, a multi-purpose bank incorporated in accordance with the laws of the United Mexican States, or Mexico, acting through our Texas Agency, are offering the U.S. $200,000,000 5.350% **subordinated preferred capital notes due 2029**, or the "Notes." The Notes will mature on November 12, 2029, or the "Maturity Date," unless previously redeemed. We may redeem the Notes, in whole or in part, subject to any regulatory requirements, at our option on November 12, 2024 (the "Optional Call Date") only. **WE MAY ALSO REDEEM THE NOTES, IN WHOLE BUT NOT IN PART, SUBJECT TO ANY REGULATORY REQUIREMENTS, AT ANY TIME IF THERE ARE SPECIFIED CHANGES IN (1) THE MEXICAN OR UNITED STATES LAWS AFFECTING THE WITHHOLDING TAX APPLICABLE TO PAYMENTS UNDER THE NOTES OR (2) THE MEXICAN LAWS THAT RESULT IN A SPECIAL EVENT (AS DEFINED IN THIS OFFERING MEMORANDUM) OR (3) THE APPLICABLE TAX LAWS THAT RESULT IN INTEREST ON THE NOTES NOT BEING DEDUCTIBLE BY US IN WHOLE OR IN PART FOR MEXICAN INCOME TAX PURPOSES. SEE "DESCRIPTION OF THE NOTES—REDEMPTION—WITHHOLDING TAX REDEMPTION" AND "DESCRIPTION OF THE NOTES—REDEMPTION—SPECIAL EVENT REDEMPTION."**

PRINCIPAL AND INTEREST ON THE NOTES WILL BE DEFERRED AND WILL NOT BE PAID UNDER CERTAIN CIRCUMSTANCES. IF A TRIGGER EVENT (AS DEFINED IN THIS OFFERING MEMORANDUM) OCCURS, THE PRINCIPAL AMOUNT OF THE NOTES WILL BE WRITTEN-DOWN AS DESCRIBED IN THIS OFFERING MEMORANDUM, WITHOUT THE POSSIBILITY OF ANY FUTURE WRITE UP OR REINSTATEMENT OF PRINCIPAL, AND HOLDERS OF NOTES WILL AUTOMATICALLY BE DEEMED TO HAVE IRREVOCABLY WAIVED THEIR RIGHT TO CLAIM OR RECEIVE REPAYMENT OF ANY WRITTEN-DOWN PRINCIPAL AMOUNT OF THE NOTES, AND ANY UNPAID INTEREST WITH RESPECT THERETO, AS FURTHER DESCRIBED IN THIS OFFERING MEMORANDUM. See "Description of the Notes—Write Down." IF A MEXICAN REGULATORY EVENT (AS DEFINED IN THIS OFFERING MEMORANDUM) OCCURS, WE WILL SUSPEND PAYMENT OF INTEREST ON THE NOTES OR PAYMENT OF PRINCIPAL AT MATURITY UNTIL THE END OF THE RELATED SUSPENSION PERIOD (AS DEFINED IN THIS OFFERING MEMORANDUM), SUBJECT TO THE OCCURRENCE OF A WRITE-DOWN IN THE EVENT THAT DURING SUCH A SUSPENSION PERIOD A TRIGGER EVENT SHALL HAVE OCCURRED. See "Description of the Notes—Treatment of Interest and Principal During a Suspension Period."

The Notes are denominated in U.S. dollars and, subject to deferral during any Suspension Period and to one or more Write-Downs, will bear interest from (and including) November 12, 2014, or the "Issue Date," up to (but excluding) the Optional Call Date at a fixed rate per annum equal to 5.350%, payable semi-annually in arrears on May 12 and November 12 of each year (each an "Interest Payment Date"), commencing on May 12, 2015. Subject to deferral during any Suspension Period and to one or more Write-Downs, the Notes will bear interest from (and including) the Optional Call Date to, but excluding, the Maturity Date, at a fixed rate per annum equal to the sum of (i) the then-prevailing Treasury Yield plus (ii) 300 basis points, payable semi-annually in arrears on each Interest Payment Date, commencing on November 12, 2025. See "Description of the Notes—Principal and Interest."

The Notes will be issued by our Texas Agency but will be our unsecured subordinated general obligations, not different from our other subordinated unsecured obligations. In the event of our liquidation under Mexican law, the Notes will rank (i) junior to all of our present and future senior indebtedness, (ii) *pari passu* with all of our other present or future subordinated unsecured preferred indebtedness, and (iii) senior to all our subordinated secured non-preferred indebtedness and all classes of our capital stock, as described in this offering memorandum. See "Description of the Notes—Subordination." Payment of principal on the Notes may be accelerated only in the case of certain events involving our bankruptcy, liquidation or dissolution. **THE NOTES WILL BE UNSECURED AND NOT INSURED OR GUARANTEED BY THE SAVINGS PROTECTION AGENCY (*INSTITUTO PARA LA PROTECCIÓN AL AHORRO BANCARIO*, OR IPAB).**

Application has been made to have the Notes listed on the Official List of the Irish Stock Exchange, or ISE, and admitted to trading on the Global Exchange Market of the Irish Stock Exchange, which is the exchange-regulated market of the Irish Stock Exchange. The Global Exchange Market is not a regulated market for the purposes of EU Directive 2004/39/EC (as amended). There is no assurance that the Notes will be listed and admitted to trading on the Global Exchange Market of the Irish Stock Exchange.

Investing in the Notes involves risks. See "Risk Factors" beginning on page 18.

Issue Price: 99.786%

plus accrued interest, if any, from and including November 12, 2014, or the Issue Date

The Notes will be made in book-entry form through the facilities of The Depository Trust Company (DTC) and will be made on or about November 12, 2014.

The Notes have been rated "Baa3" by Moody's Investor Service, Inc., and "BBB-" by Fitch, Inc. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating agency without notice.

THE INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM IS EXCLUSIVELY OUR RESPONSIBILITY AND HAS NOT BEEN REVIEWED OR AUTHORIZED BY THE MEXICAN BANKING AND SECURITIES COMMISSION (*COMISIÓN NACIONAL BANCARIA Y DE VALORES,* OR THE "CNBV"). WE HAVE NOT AND WILL NOT REGISTER THE NOTES WITH THE MEXICAN NATIONAL SECURITIES REGISTRY (*REGISTRO NACIONAL DE VALORES*) MAINTAINED BY THE CNBV AND THEREFORE WE MAY NOT PUBLICLY OFFER THE NOTES OR SELL THE NOTES, NOR CAN THEY BE THE SUBJECT OF BROKERAGE ACTIVITIES IN MEXICO, EXCEPT THAT WE MAY OFFER THE NOTES IN MEXICO TO INSTITUTIONAL AND QUALIFIED INVESTORS PURSUANT TO THE PRIVATE PLACEMENT EXEMPTION SET FORTH IN ARTICLE 8 OF THE MEXICAN SECURITIES MARKET LAW (*LEY DEL MERCADO DE VALORES*). AS REQUIRED UNDER THE MEXICAN SECURITIES MARKET LAW, WE WILL NOTIFY AND FILE CERTAIN DOCUMENTATION WITH THE CNBV REGARDING THE OFFERING OF THE NOTES OUTSIDE OF MEXICO. SUCH NOTICE WILL BE SUBMITTED TO THE CNBV TO COMPLY WITH A LEGAL REQUIREMENT AND FOR INFORMATION PURPOSES ONLY, AND THE DELIVERY OF SUCH NOTICE TO, AND THE RECEIPT OF SUCH NOTICE BY, THE CNBV IS NOT A REQUIREMENT FOR THE VALIDITY OF THE NOTES, DOES NOT ADDRESS LEGAL, TAX OR OTHER CONSEQUENCES NOR DOES IT IMPLY ANY CERTIFICATION AS TO THE INVESTMENT QUALITY OF THE NOTES, OUR SOLVENCY, LIQUIDITY OR CREDIT QUALITY OR THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET FORTH HEREIN. THE ACQUISITION OF THE NOTES BY AN INVESTOR, INCLUDING ANY INVESTOR OF MEXICAN RESIDENCY, WILL BE MADE UNDER SUCH INVESTOR'S OWN RESPONSIBILITY.

The Notes are not intended to be sold and should not be sold to retail clients in the EEA, as defined in the rules set out in the Temporary Marketing Restriction (Contingent Convertible Securities) Instrument 2014 (as amended or replaced from time to time) other than in circumstances that do not and will not give rise to a contravention of those rules by any person. Prospective investors are referred to the section headed "Restrictions on marketing and sales to retail investors" on page iv of this Offering Memorandum for further information.

We have not and will not register the Notes under the United States Securities Act of 1933, as amended (the "Securities Act") or any state securities laws. We may not offer or sell the Notes within the United States or to U.S. persons, except to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A ("Rule 144A") under the Securities Act and to certain non-U.S. persons in offshore transactions in reliance on Regulation S ("Regulation S") under the Securities Act. You are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A or any state securities laws. See "Transfer Restrictions."

Joint Bookrunners

BBVA **Goldman, Sachs & Co.**

The date of this offering memorandum is November 6, 2014.

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BANCO DE MÉXICO HAS AUTHORIZED THE ISSUANCE OF THE NOTES, AS REQUIRED UNDER APPLICABLE MEXICAN LAW. AUTHORIZATION OF THE ISSUANCE OF THE NOTES BY *BANCO DE MÉXICO* DOES NOT ADDRESS THE LEGAL, TAX OR OTHER CONSEQUENCES TO THE HOLDERS OF THE NOTES, NOR DOES IT IMPLY ANY CERTIFICATION AS TO THE INVESTMENT QUALITY OF THE NOTES OR OUR SOLVENCY, LIQUIDITY OR CREDIT QUALITY, OR THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET FORTH HEREIN, OR THE TRANSLATION OF THE TERMS OF APPLICABLE MEXICAN LAW AND REGULATION, INCLUDING ARTICLES 121 AND 122 1 OF THE MEXICAN BANKING LAW (*LEY DE INSTITUCIONES DE CRÉDITO*), RELEVANT PROVISIONS OF CIRCULAR 3/2012 ISSUED BY *BANCO DE MÉXICO* AND THE GENERAL RULES APPLICABLE TO MEXICAN BANKS ISSUED BY THE CNBV (*DISPOSICIONES DE CARÁCTER GENERAL APLICABLES A LAS INSTITUCIONES DE BANCA MÚLTIPLE*).

We are responsible for the information contained in this offering memorandum. We have not, and the initial purchasers have not, authorized anyone to provide you with other information and we take no responsibility for other information that others may give you. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

Unless otherwise specified or the context otherwise requires, references in this offering memorandum to "the Bank," "Bancomer," "BBVA Bancomer," "we," "us" and "our" are references to BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer and its subsidiaries. References to "the Texas Agency" are to the Texas Agency of BBVA Bancomer, S.A., Institución de Banca Múltiple, and Grupo Financiero BBVA Bancomer. References to "the Issuer" are to the Bank acting through the Agency.

In connection with the issuance of the Notes, Goldman, Sachs & Co. (the "Stabilizing Manager"), or persons acting on their behalf, may over-allot the Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager or persons acting on their behalf will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made, and, if begun, may be ended at any time, but it must end no later than 30 days after the issue date of the Notes, or no later than 60 days after the date of the allotment of the Notes, whichever is the earlier. Any stabilization action will be undertaken by the Stabilizing Manager or persons acting on their behalf in accordance with applicable laws and regulations.

We, having made all reasonable inquiries, confirm that this offering memorandum contains all information with regard to us, our subsidiaries and the Notes that is material in the context of the issue and offering of the Notes, that the information contained in this offering memorandum is true and accurate and is not misleading as of the date of this offering memorandum, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which would make this offering memorandum or any of such information or the expression of any such opinions or intentions materially misleading. We accept responsibility for the information contained in this offering memorandum.

We are relying upon an exemption from registration under the Securities Act for offers and sales of securities that do not involve a public offering. By purchasing the Notes, you will be deemed to have made the acknowledgements, representations and agreements and the restrictions described above and as further described under "Transfer Restrictions" in this offering memorandum. We are not, and the initial purchasers are not, making an offer to sell the Notes in any jurisdiction except where such an offer or sale is permitted. You should understand that you will be required to bear the financial risks of your investment for an indefinite period of time.

Neither the CNBV, nor the U.S. Securities and Exchange Commission, nor any state or foreign securities commission has approved or disapproved of the Notes or determined if this offering memorandum is truthful or complete. Any representation to the contrary is a criminal offense.

We have submitted this offering memorandum solely to a limited number of qualified institutional buyers in the United States and to investors outside the United States so that they can consider a purchase of the Notes. This offering memorandum has been prepared solely for use in connection with the placement of the Notes and for the listing of the Notes on the Official List of the Irish Stock Exchange and admission to trading on the Global

Exchange Market of the Irish Stock Exchange. We have not authorized the use of this offering memorandum for any other purpose. This offering memorandum may not be copied or reproduced in whole or in part. This offering memorandum may be distributed and its contents disclosed only to those prospective investors to whom it is provided. By purchasing the Notes, you will be deemed to have made the acknowledgements, representations and agreements and the restrictions described above and as further described under "Transfer Restrictions" in this offering memorandum.

This offering memorandum is based on information provided by us and by other sources that we believe are reliable, but no assurance can be given by the initial purchasers as to the accuracy or completeness of such information. The initial purchasers assume no responsibility for the accuracy or completeness of the information contained herein (financial, legal or otherwise). In making an investment decision, prospective investors must rely on their own examinations of us and the terms of this offering and the Notes, including the risks involved. Moreover, the contents of this offering memorandum are not to be construed as legal, business or tax advice.

This offering memorandum does not constitute an offer of, or an invitation by or on behalf of, us or the initial purchasers or any of our or their respective directors, officers and affiliates to subscribe for or purchase any securities in any jurisdiction to any person to whom it is unlawful to make such an offer in such jurisdiction. Each purchaser of the Notes must comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, offers or sells such Notes or possesses or distributes this offering memorandum and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of such Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales.

THE NOTES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND THE APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES, PURSUANT TO REGISTRATION OR AN EXEMPTION THEREFROM. YOU SHOULD BE AWARE THAT YOU MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. SEE "RISK FACTORS" FOR A DESCRIPTION OF SPECIFIED FACTORS RELATING TO AN INVESTMENT IN THE NOTES. NEITHER WE, THE INITIAL PURCHASERS, NOR ANY OF OUR OR THEIR RESPECTIVE REPRESENTATIVES IS MAKING ANY REPRESENTATION TO YOU REGARDING THE LEGALITY OF AN INVESTMENT BY YOU UNDER APPROPRIATE LEGAL INVESTMENT OR SIMILAR LAWS. YOU SHOULD CONSULT WITH YOUR OWN ADVISORS AS TO LEGAL, TAX, BUSINESS, FINANCIAL AND RELATED ASPECTS OF A PURCHASE OF THE NOTES.

THE NOTES ARE NOT DEPOSITS WITH US AND ARE NOT INSURED BY THE UNITED STATES FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER UNITED STATES GOVERNMENTAL AGENCY OR ANY MEXICAN GOVERNMENTAL AGENCY, INCLUDING, WITHOUT LIMITATION, THE IPAB, AND ARE NOT GUARANTEED OR SECURED, IN ANY MANNER, BY ANY ENTITY THAT IS PART OF GRUPO FINANCIERO BBVA BANCOMER (INCLUDING ITS HOLDING COMPANY).

We reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than the full amount of the Notes offered hereby.

The Notes may not be purchased, held or disposed of by (1)(i) any pension, profit-sharing or other employee benefit plan subject to the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), (ii) any plan or arrangement subject to Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), (iii) any entity whose underlying assets are deemed to be the assets of any such employee benefit plan, plan or arrangement or (iv) any employee benefit plan or arrangement subject to provisions under any other federal, state, local, non-U.S. or other laws or regulations that are substantially similar to the provisions of ERISA or Section 4975 of the Code or (2) any person acting on behalf of or with the assets of any such employee benefit plan, plan, arrangement or entity, unless such purchase, holding and disposition is (a) covered by the exemptive relief provided by (i) Prohibited Transaction Class Exemption, or the PTCE, 96-23, 95-60, 91-38, 90-1 or 84-14, (ii) Section 408(b)(17) of ERISA or Section 4975(d)(20) of the Code, or (iii) another applicable statutory or administrative exemption or (b) not a violation of any applicable federal, state, local or non-US law that is substantially similar to ERISA or Section 4975 of the Code . Prospective purchasers must carefully consider the restrictions on purchase set forth in "Transfer Restrictions" and "Certain ERISA Considerations." For information regarding restrictions on acquisition of the Notes, see "Description of the Notes—Restrictions Applicable to Mexican Financial Institutions."

Restrictions on Marketing and Sales to Retail Investors

The Notes are complex financial instruments and are not a suitable or appropriate investment for all investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Notes to retail investors.

In particular, in August 2014, the U.K. Financial Conduct Authority (the "FCA") published the Temporary Marketing Restriction (Contingent Convertible Securities) Instrument 2014 (as amended or replaced from time to time, the "TMR") which took effect on 1st October, 2014. Under the rules set out in the TMR (as amended or replaced from time to time, the "TMR Rules"), certain contingent write-down or convertible securities, such as the Notes, must not be sold to retail clients in the EEA and nothing may be done that would or might result in the buying of such securities or the holding of a beneficial interest in such securities by a retail client in the EEA (in each case within the meaning of the TMR Rules), other than in accordance with the limited exemptions set out in the TMR Rules.

The Initial Purchasers are required to comply with the TMR Rules. By purchasing, or making or accepting an offer to purchase, any Notes from the Initial Purchasers, each prospective investor will be deemed to represent, warrant, agree with and undertake to each of the Initial Purchasers that:

(a) it is not a retail client in the EEA (as defined in the TMR Rules);

(b) whether or not it is subject to the TMR Rules, it will not sell or offer the Notes to retail clients in the EEA or do anything (including the distribution of this Prospectus) that would or might result in the buying of the Notes or the holding of a beneficial interest in the Notes by a retail client in the EEA (in each case within the meaning of the TMR Rules), other than (i) in relation to any sale of or offer to sell Notes to a retail client in or resident in the United Kingdom, in circumstances that do not and will not give rise to a contravention of the TMR Rules by any person and/or (ii) in relation to any sale of or offer to sell Notes to a retail client in any EEA member state other than the United Kingdom, where (a) it has conducted an assessment and concluded that the relevant retail client understands the risks of an investment in the Notes and is able to bear the potential losses involved in an investment in the Notes and (b) it has at all times acted in related to such sale or offer in compliance with the Markets in Financial Instruments Directive (2004/39/EC) ("MiFID") to the extent it applies to it or, to the extent MiFID does not apply to it, in a manner which would be in compliance with MiFID if it were to apply to it; and

(c) it will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA) relating to the promotion, offering, distribution and/or sale of the Notes, including any such laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Notes by investors in any relevant jurisdiction.

Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Notes from the Initial Purchasers, the foregoing representations, warranties agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

This offering memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 ("FSMA")) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

This offering memorandum has been prepared on the basis that, except to the extent sub-paragraph (ii) below may apply, any offer of the Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this offering memorandum as completed by final terms in relation to the offer of those Notes may only do so (i) in circumstances in which no obligation arises for the Issuer or any initial purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer, or (ii) if a prospectus for such offer has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State and (in either case) published, all in accordance with the Prospectus Directive, provided that any such prospectus has subsequently been completed by final terms which specify that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State, such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of such offer. Except to the extent sub-paragraph (ii) above may apply, neither the Issuer nor any initial purchaser have authorized, nor do they authorize, the making of any offer of the Notes in circumstances in which an obligation arises for the Issuer or any initial purchaser to publish or supplement a prospectus for such offer. The expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

In making an investment decision, you must rely on your own examination of our business and the terms of this offering, including the merits and risks involved. These Notes have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, these authorities have not confirmed the accuracy or determined the adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO CHILEAN RESIDENT INVESTORS

THESE NOTES ARE PRIVATELY OFFERED IN CHILE PURSUANT TO THE PROVISIONS OF THE SECURITIES MARKET ACT AND *NORMA DE CARÁCTER GENERAL NO. 336* (RULE 336), DATED JUNE 27, 2012, ISSUED BY THE SVS. PURSUANT TO RULE 336 THE FOLLOWING INFORMATION IS PROVIDED IN CHILE TO PROSPECTIVE RESIDENT INVESTORS OF THE OFFERED NOTES:

1. THE COMMENCEMENT OF THE OFFER IS NOVEMBER 6, 2014.
2. THE OFFER IS SUBJECT TO RULE 336.
3. THE OFFER REFERS TO SECURITIES THAT ARE NOT REGISTERED WITH THE *REGISTRO DE VALORES* (SECURITIES REGISTRY) OR THE *REGISTRO DE VALORES EXTRANJEROS* (FOREIGN SECURITIES REGISTRY) OF THE SVS AND THEREFORE:
    a. THE SECURITIES ARE NOT SUBJECT TO THE OVERSIGHT OF THE SVS; AND
    b. THE ISSUER THEREOF IS NOT SUBJECT TO REPORTING OBLIGATION WITH RESPECT TO THE OFFERED NOTES IN CHILE.
4. THE NOTES MAY NOT BE PUBLICLY OFFERED IN CHILE UNLESS AND UNTIL THEY ARE REGISTERED WITH THE SECURITIES REGISTRY OF THE SVS.

INFORMACIÓN A LOS INVERSIONISTAS RESIDENTES EN CHILE

LOS VALORES SE OFRECEN PRIVADAMENTE EN CHILE DE CONFORMIDAD CON LAS DISPOSICIONES DE LA LEY N° 18.045 DE MERCADO DE VALORES, Y LA NORMA DE CARÁCTER GENERAL N° 336 DE 27 DE JUNIO DE 2012 ("NCG 336") EMITIDA POR LA SUPERINTENDENCIA DE VALORES Y SEGUROS DE CHILE.

EN CUMPLIMIENTO DE LA NCG 336, LA SIGUIENTE INFORMACIÓN SE PROPORCIONA A LOS POTENCIALES INVERSIONISTAS RESIDENTES EN CHILE:

1. *LA OFERTA DE ESTOS VALORES EN CHILE COMIENZA EL DÍA 6 DE NOVIEMBRE DE 2014.*
2. *LA OFERTA SE ENCUENTRA ACOGIDA A LA NCG 336.*
3. *LA OFERTA VERSA SOBRE VALORES QUE NO SE ENCUENTRAN INSCRITOS EN EL REGISTRO DE VALORES NI EN EL REGISTRO DE VALORES EXTRANJEROS QUE LLEVA LA SUPERINTENDENCIA DE VALORES Y SEGUROS, POR LO QUE:*
    a. *LOS VALORES NO ESTÁN SUJETOS A LA FISCALIZACIÓN DE ESA SUPERINTENDENCIA; Y*

b. EL EMISOR DE LOS VALORES NO ESTÁ SUJETO A LA OBLIGACIÓN DE ENTREGAR INFORMACIÓN PÚBLICA SOBRE LOS VALORES OFRECIDOS.

4. *LOS VALORES NO PODRÁN SER OBJETO DE OFERTA PÚBLICA EN CHILE MIENTRAS NO SEAN INSCRITOS EN EL REGISTRO DE VALORES CORRESPONDIENTE.*

AVAILABLE INFORMATION

We will issue the Notes under an indenture (the "Indenture"), dated as of November 12, 2014, among us, The Bank of New York Mellon, as trustee, paying agent, transfer agent and registrar (the "Trustee") and The Bank of New York Mellon SA/NV, Dublin Branch, as Irish paying agent (the "Irish Paying Agent"). To permit compliance with Rule 144A under the Securities Act in connection with resales of Notes, we will be required under the Indenture, upon the request of a holder of Rule 144A notes or Regulation S notes (during the restricted period, as defined in the legend included under "Notice to Investors"), to furnish to such holder and any prospective purchaser designated by such holder the information required to be delivered under Rule 144A(d)(4) under the Securities Act if at the time of the request we are neither a reporting company under Section 13 or Section 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act.

The Indenture further requires that we furnish to the Trustee (as defined herein) all notices of meetings of the holders of the Notes and other reports and communications that are generally made available to holders of the Notes. At our request, the Trustee will be required under the Indenture to give these notices, reports and communications received by it from us to all record holders of the Notes promptly upon receipt. See "Description of the Notes."

We will make available to the holders of the Notes, at the corporate trust office of the Trustee at no cost, copies of the Indenture as well as this offering memorandum, including a review of our operations, and our annual audited consolidated financial statements and our unaudited quarterly consolidated financial statements, each prepared in conformity with Mexican Banking GAAP (as defined herein). We will also make available for inspection at the corporate trust office of the Trustee our unaudited quarterly consolidated financial statements prepared in accordance with Mexican Banking GAAP. Information is also available for inspection at the office of the Irish Paying Agent.

Application has been made to have the Notes listed on the Official List of the Irish Stock Exchange and admitted to trading on the Global Exchange Market of the Irish Stock Exchange. This offering memorandum forms, in all material respects, the listing particulars for admission to the Irish Stock Exchange. We will be required to comply with any undertakings given by us from time to time to the Irish Stock Exchange in connection with the Notes, and to furnish to it all such information as the rules of the Irish Stock Exchange may require in connection with the listing of the Notes.

SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

We are a multi-purpose bank (*institución de banca múltiple*) incorporated in accordance with the laws of Mexico with limited liability (*sociedad anónima*). Most of our directors and officers, as well as the experts named in this offering memorandum, reside outside of the United States, and substantially all of their assets and our assets are located outside of the United States. As a result, it may not be possible for you to effect service of process within the United States upon these persons or to enforce against them or against us in United States courts judgments predicated upon the civil liability provisions of the U.S. federal securities laws. We have been advised by our internal counsel that there is doubt as to the enforceability, in original actions in Mexican courts, of liabilities predicated solely on U.S. federal securities laws and as to the enforceability in Mexican courts of judgments of U.S. courts obtained in actions predicated upon the civil liability provisions of the U.S. federal securities laws.

FORWARD-LOOKING STATEMENTS

This offering memorandum contains forward-looking statements. Examples of such forward-looking statements include, but are not limited to, the following: (1) statements regarding our future results of operations and financial condition, (2) statements of plans, objectives or goals, including those related to our operations, and (3) statements of assumptions underlying such statements. Words such as "believe," "anticipate," "should," "estimate," "forecast," "expect," "may," "intend" and "plan" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

You should not place undue reliance on forward-looking statements, which are based on current expectations. Forward-looking statements involve inherent risks and uncertainties, both general and specific, and there are risks that the predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution investors that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed or implied in such forward-looking statements. These factors include, among others, the following:

- competition;
- profitability of our businesses;
- acquisitions and divestitures;
- credit and other risks of lending, such as increases in default of borrowers;
- limitations on our access to sources of financing on competitive terms;
- restrictions on foreign currency convertibility and remittance outside of Mexico;
- failure to meet capital or other requirements;
- changes in reserve or capital requirements;
- changes in requirements to make contributions to or for the receipt of support from programs organized by the Mexican Government;
- changes in overall economic conditions in Mexico, including exchange rates and interest rates;
- changes in exchange rates, market interest rates or the rate of inflation;
- the effect of changes in accounting principles, new legislation, intervention by regulatory authorities, government directives or monetary or fiscal policy in Mexico; and
- the other factors discussed under "Risk Factors" in this offering memorandum.

Should one or more of these factors or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, believed, estimated, expected or intended, as described in this offering memorandum. All forward-looking statements and risk factors included in this offering memorandum are made as of the date on the front cover of this offering memorandum, based on information available to us as of such date, and we do not have any intention nor do we assume any obligation to update these forward-looking statements.

PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION

Accounting Principles

Our audited consolidated financial statements as of December 31, 2012 and 2013 and for the years ended December 31, 2011, 2012 and 2013 (our "Audited Financial Statements"), and our unaudited consolidated financial statements as of June 30, 2014 and for the three and six-month periods ended June 30, 2013 and 2014 (our "Unaudited Financial Statements" and together with our Audited Financial Statements, our "Financial Statements") contained in this offering memorandum have been prepared in accordance with the accounting principles and regulations prescribed by the CNBV for banks, as amended, or Mexican Banking GAAP.

Mexican Banking GAAP differs in certain respects from Mexican Financial Reporting Standards, which we refer to as Mexican GAAP or MFRS, as published by the Mexican Board for the Research and Development of Financial Reporting Standards, or CINIF (*Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera*). Mexican Banking GAAP also differs in certain respects from generally accepted accounting principles in the United States of America, or U.S. GAAP, and the guidelines of the U.S. Securities and Exchange Commission applicable to banking institutions in the United States. See "Annex A—Significant Differences Between Mexican Banking GAAP and U.S. GAAP." No reconciliation of any of our Financial Statements to U.S. GAAP has been prepared for the purposes of this offering memorandum. Any such reconciliation would likely result in material differences. See "Risk Factors— The Financial Statements included in this offering memorandum have been prepared and are presented in accordance with Mexican Banking GAAP, which is significantly different from U.S. GAAP."

Effective January 2008, we adopted the guidelines of MFRS B-10 "Recognition of the Effects of Inflation," which provide that the effects of inflation will only be required to be recorded in our financial statements in an inflationary environment where cumulative inflation over the three preceding years is equal to or greater than 26%. Because the economic environment in the three preceding years did not qualify as inflationary, as defined in the MFRS B-10, we did not use inflationary accounting to prepare our Financial Statements. For a description of the methodology used to adjust the financial statements to reflect the effects of inflation, see note 4 to our Financial Statements included elsewhere in this offering memorandum.

Unless otherwise specified, in accordance with Mexican Banking GAAP, our Financial Statements and the other financial information with respect to us contained in this offering memorandum are presented in consolidated form. We consolidate entities (including special-purpose entities, such as securitized transaction trusts) over which we exercise control. Our investments in affiliates are accounted for under the equity method. See note 13 to our Financial Statements included elsewhere in this offering memorandum.

Currencies

In this offering memorandum, references to "pesos" or "Ps." are to Mexican pesos, and references to "U.S. dollars" or "U.S. $" are to United States dollars.

This offering memorandum contains translations of various peso amounts into U.S. dollars at specified rates solely for your convenience. You should not construe these translations as representations by us that the peso amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rates indicated. Unless otherwise indicated, we have translated peso amounts into U.S. dollars at the exchange rate of Ps. 12.9712 to U.S. $1.00, which was the rate on June 30, 2014, as published by *Banco de México*, in the Federal Official Gazette (*Diario Oficial de la Federación*) on July 1, 2014. On October 3, 2014, the noon buying rate for cable transfers in New York reported by the Board of Governors of the Federal Reserve System was Ps. 13.4725 to U.S. $1.00. On October 3, 2014, the rate published by *Banco de México* in the Federal Official Gazette was Ps. 13.4835 to U.S. $1.00. See "Exchange Rates and Currency" for information regarding rates of exchange between the peso and U.S. dollar for the periods specified therein.

Terms Relating to our Loan Portfolio

As used in this offering memorandum, the following terms relating to our loan portfolio and other credit assets have the meanings set forth below, unless otherwise indicated.

"*Total performing loans*" and "*total performing loan portfolio*" refer to the aggregate of (1) the total principal amount of loans outstanding as of the date presented, (2) amounts attributable to "*accrued interest*, but unpaid" (3) "*rediscounted loans*" and (4) the "*UDI Trusts*" (as explained below). Under Mexican Banking GAAP, we include as income for any reporting period interest accrued but unpaid during that period. Such "*accrued interest*" is reported as part of our total performing loan portfolio in the financial statements until it is paid or becomes part of the total non-performing loan portfolio in accordance with CNBV rules. "*Rediscounted loans*" are peso- and U.S. dollar-denominated loans made to finance projects in industries that qualify for priority status under the wholesale lending programs of the Mexican Government's development banks and are generally funded in part by such development banks. In accordance with Mexican Banking GAAP, rediscounted loans are recorded on the balance sheet as outstanding loans until they are paid or becoming non-performing in accordance with CNBV's rules. As is mandated by the CNBV, total performing loans include the off-balance sheet portfolio trusts, or the UDI Trusts, which are trusts holding our loans converted into UDIs that are consolidated in our financial statements. Under a UDI-based loan or financial instrument, interest is calculated on the outstanding UDI balance of the loan or financial instrument. Principal and interest payments are made by the borrower in an amount in pesos equivalent to the amount due in UDIs at the stated value of the UDIs on the day of payment. Under the UDI Trust program, we are liable for all future losses, if any, on the loans in the UDI Trusts. See notes 3, 10 and 11 to our Financial Statements included elsewhere in this offering memorandum.

The terms "*total non-performing loans*" and "*total non-performing loan portfolio*" include past-due principal and past-due interest. For a description of our policies regarding the classification of loans as non-performing, see "Selected Statistical Information—Non-Performing Loan Portfolio." The term "*net non-performing loans*" refers to total non-performing loans less allowance for loan losses on these loans.

References in this offering memorandum to "*provisions*" are to additions to the loan loss allowance or reserves recorded in a particular period and charged to income, except in the case of certain provisions associated with loans and foreclosed assets and other loan losses that were charged to stockholders' equity (net of deferred taxes). See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations."

References in this offering memorandum to "*allowance*" are to the aggregate loan loss allowance or reserves shown as of a particular date as a balance sheet item.

The terms "*total loans*" and "*total loan portfolio*" include total performing loans plus total non-performing loans, each as defined above. The terms "net total loans" and "*net total loan portfolio*" refer to net total performing loans plus net non-performing loans, as defined above.

The loan portfolio information provided in "Selected Statistical Information" was determined in accordance with the manner in which we have presented the components of our loan portfolio in other sections of this offering memorandum as described above, except that the data for the loan portfolio presented under "Selected Statistical Information" does not include amounts attributable to accrued interest, which represented less than 1% of our total loan portfolio as of December 31, 2013. See "Selected Statistical Information—Loan Portfolio" and the footnotes to the tables included therein.

Terms Relating to our Capital Adequacy

As used in this offering memorandum, the following terms relating to our capital adequacy have the meanings set forth below, unless otherwise indicated.

- "*Total capital*" or "*total net capital*" refers to total net capital (*capital neto*), as such term is determined based on the Mexican Banking Law and the Rules for Capitalization referred to below.

- "*Tier 1 Capital*" refers to the basic capital (*parte básica*) of the Total Net Capital, as such term is determined based on the Rules for Capitalization or Tier 1 Capital 1 plus Tier 1 Capital 2, as such determination may be amended from time to time.

- "*Tier 1 Capital 1*" refers to the amount of the basic capital 1 of Tier 1 capital, as such term is defined in the Rules for Capitalization, including common equity, also known as Capital Fundamental, as such determination may be amended from time to time.

- "*Tier 1 Capital 2*" refers to the amount of the basic capital 2 of Tier 1 Capital, as such term is defined in the Rules for Capitalization, also known as Additional Tier 1, as such definition may be amended from time to time.

- *"Tier 2 Capital"* refers to the *parte complementaria* (additional portion) of the Total Net Capital, as such term is determined based on the Rules for Capitalization.

- "*Capital Ratios*" refers to each of the ratios of (i)(a) the Total Net Capital (*capital neto*), (b) Capital Fundamental or (c) Tier 1 Capital to (ii) risk- weighted assets calculated in accordance with the methodology established from time to time by the Ministry of Finance and Public Credit (*Secretaría de Hacienda y Crédito Público*, or the SHCP) or the CNBV, as the case may be, pursuant to the Rules for Capitalization and the Mexican Capitalization Requirements.

- "*General Rules Applicable to Mexican Banks*" means the General Rules Applicable to Mexican Banks (*Disposiciones de Carácter General Aplicables a las Instituciones de Crédito*) published by the CNBV in the Federal Official Gazette on December 2, 2005, as such regulations have been amended and may be further amended from time to time.

- "*Rules for Capitalization*" means until May 1, 2010 the Rules for Capitalization Requirements of Commercial Banks National Credit Institutions and Development Banks (*Reglas para los requerimientos de capitalización de las instituciones de banca múltiple y las sociedades nacionales de crédito, instituciones de banca de desarrollo*) published in the Federal Official Gazette on November 23, 2007, and as of May 1, 2010, the provisions regulating the capitalization of banks included in the General Rules Applicable to Mexican Banks issued by the CNBV, as such regulations may be amended or superseded.

- "*Mexican Capitalization Requirements*" refers to the capitalization requirements for commercial banks set forth under the Mexican Banking Law, Rules for Capitalization and the General Rules Applicable to Mexican Banks, as such regulations may be amended or superseded.

Other Definitions

The following additional definitions are used in this offering memorandum:

- "Mexican Stock Exchange" means the Bolsa Mexicana de Valores, S.A.B. de C.V.

- "*Repurchase Agreement*" means a Mexican law governed repurchase and resale agreement (*reporto*) pursuant to which a party agrees to a temporary purchase or sale of securities in exchange for (1) a specified premium to be paid or received, and (2) the obligation to resell or repurchase the underlying security. Repurchase agreements may or may not be secured.

- "*Sofom*" means multi-purpose financial entities, or *sociedades financieras de objeto múltiple*.

Rounding Adjustments

Certain amounts and percentages included in this offering memorandum have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetical aggregation of the figures preceding them.

Market Share and Ranking Information

Unless otherwise indicated, the market share and ranking information included in this offering memorandum is derived from statistics of the CNBV or the Mexican Banking Association (*Asociación de Bancos de México, A.C.*), each as of June 30, 2014.

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OFFERING MEMORANDUM SUMMARY

The following summary is qualified in its entirety by the detailed information appearing elsewhere in this offering memorandum. For a more complete understanding of us and the offering made herein, you should read the entire offering memorandum, including the risk factors and the Financial Statements appearing elsewhere in this offering memorandum.

The Bank

We are a leading multi-purpose bank with limited liability organized under Mexican law. We provide a wide range of banking, securities and financial services to approximately 60,000 companies and government entities, and to over 19.0 million retail customers throughout Mexico. As of June 30, 2014, we had total assets of Ps. 1,473,044 million, total deposits (including bank bonds) of Ps. 760,281 million, and our stockholders' equity was Ps. 134,879 million. In 2013, our net income was Ps. 30,825 million and for the first six months of 2014, our net income was Ps. 13,641 million. As of June 30, 2014, based on total assets, loans and deposits, we were the largest bank in Mexico.

We are the principal subsidiary of Grupo Financiero BBVA Bancomer S.A. de C.V., a Mexican financial services holding company ("GFBB"). GFBB is controlled and substantially all of its capital stock is beneficially owned by Banco Bilbao Vizcaya Argentaria, S.A., a leading Spanish bank ("BBVA"). As of June 30, 2014, we accounted for approximately 92% of GFBB's total assets and approximately 83% of GFBB's net income.

We are focused on distributing our banking products and services efficiently. As of June 30, 2014, we distributed our products and services in Mexico for all of our banking units through a nationwide network of 1,802 branches, 8,327 automatic wholly-owned teller machines (ATMs) and 109,074 operating point of sale terminals (POS), as well as through mobile phone and internet banking. As of June 30, 2014, approximately 88% of our banking transactions were completed electronically, primarily through ATMs and mobile phone and internet banking. We are present in all 31 Mexican states and in Mexico City (Federal District).

Over the last three years, our commercial activity has grown at a higher average rate than Mexico's gross domestic product (GDP). From 2011 to 2013, compounded annual growth for our total performing loan portfolio and for our total deposits (including demand and time deposits) was 6.9% and 5.0%, respectively. During the same period, despite volatility and the deterioration of the global macroeconomic environment, our loan portfolio has grown while maintaining asset quality. Our performing loan portfolio grew in the first six months of 2014 8.0%, 8.8% in 2013, 5.2% in 2012 and 7.9% in 2011, each as compared to the previous year. Total non-performing loans as a percentage of total loans was 3.1% in the first six months of 2014, 3.1% in 2013, 3.3% in 2012 and 3.1% in 2011.

As of June 30, 2014, our performing commercial loan portfolio, which includes loans to corporations, enterprises and financial and governmental entities, represented 52% of our total performing loan portfolio, while our consumer and credit card loan portfolio represented 26% of our total performing loan portfolio and our mortgage loan portfolio represented the remaining 22%.

Our net income decreased 28.9% in the first six months of 2014, increased 32.9% in 2013 as compared to 2012, decreased 1.2% in 2012 as compared to 2011 and increased 4.1% in 2011 as compared to 2010. It is important to mention that in 2013, BBVA sold all Pension Funds Businesses of Latin America, including Mexico's Pension Fund Company, Afore Bancomer, S.A. de C.V. The income obtained from this sale in 2013 and the results of Afore Bancomer, S.A. de C.V. in 2012 and 2011 were registered under "discontinued operations" in the P&L. Excluding these profits, on a comparative basis, BBVA Bancomer's net income was 22,739 mp in 2013 with an annual growth rate of 3.8%, while in the first six months of 2014 net income was 23.0% higher compared to the corresponding period from the previous year.

We operate through the following main units:

- Retail banking: this unit focuses on providing banking services and originating credit and debit cards, automobile loans, residential mortgage loans, consumer loans, payroll loans and loans to small businesses through our network of retail branches and ATMs, as well as alternative distribution channels.

- Middle-market and government banking: this unit focuses on providing banking services to companies, offering bridge loans for construction purposes to housing developers, granting credit for the distribution and purchasing of vehicles and providing banking services to Mexican federal agencies, states and municipalities.

- Corporate and investment banking: this unit focuses on providing products and services to Mexico's major corporate and institutional customers in lending, mergers and acquisitions, capital markets transactions (equity and fixed income), cash management and e-banking and money-market instruments.

The Mexican financial market is highly competitive. As of June 30, 2014, the banking market in Mexico was integrated by 45 banks. Considering this market, we hold the leading position in the following business lines:

	As of June 30, 2014(1)	
	Market Share	**Rank**
Total assets	21.5%	1
Total deposits	23.1%	1
Total loans	23.9%	1
Number of branches	14.2%	2

(1) Source: CNBV.

Organizational Structure

We are the principal subsidiary of GFBB, a Mexican financial services holding company.

In addition to our own products and services, we distribute and earn fee income and commissions from a wide range of financial and related products and services in Mexico for GFBB and other affiliates, including:

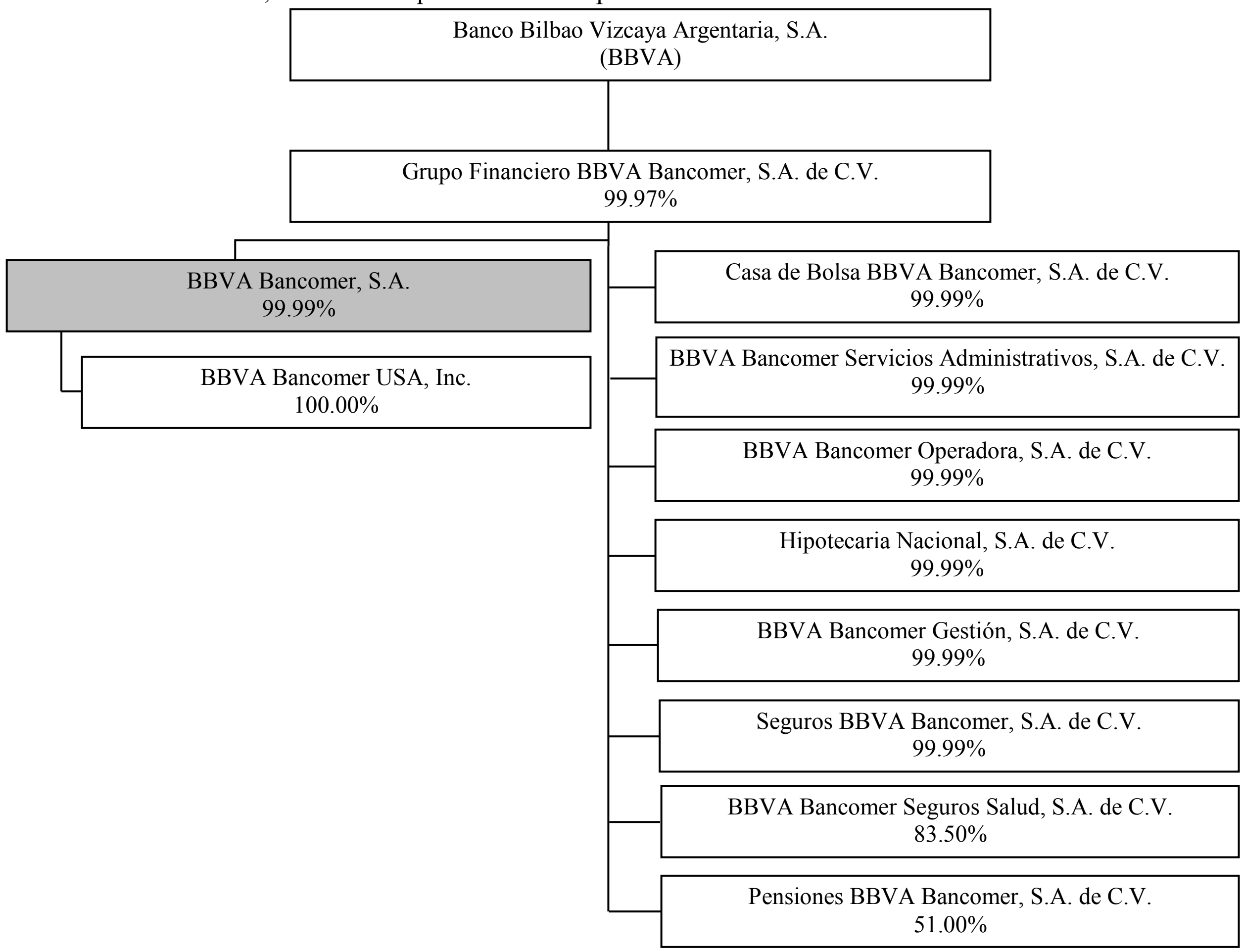
- bank assurance products on behalf of Seguros BBVA Bancomer, S.A. de C.V.;

- mutual funds on behalf of BBVA Bancomer Gestión, S.A. de C.V.;

- brokerage services on behalf of Casa de Bolsa BBVA Bancomer, S.A. de C.V.; and

- pension fund management on behalf of Pensiones BBVA Bancomer, S.A. de C.V.

The following chart presents our current holding organizational structure and that of GFBB, including principal subsidiaries and affiliates, as well as respective ownership interests:



Our headquarters are located at Avenida Universidad No. 1200, Colonia Xoco, Mexico City, Mexico 03339. Our telephone number is (52 55) 5621-3434. See "The Bank—Properties."

Our History

General

Our origins can be traced back to *Banco de Comercio, S.A.*, which was founded in 1932 in Mexico City. In 1977, various institutions comprising the Banco de Comercio Group were consolidated into a multi-purpose bank under the name of "Bancomer." The merger enabled us to maintain our strong ties with local communities throughout Mexico and begin offering the services of a national banking network.

Bancomer was nationalized by the Mexican Government in 1982 along with nearly all other commercial banks in Mexico. As part of the subsequent privatization process, in 1991, a core group of Mexican investors led by Eugenio Garza Lagüera incorporated Grupo Financiero Bancomer ("GFB"), to acquire 56% of Bancomer's outstanding capital stock directly from the Mexican Government.

GFB subsequently increased its ownership of Bancomer through acquisitions and, in 1993, the Mexican Government exchanged its remaining stake in Bancomer for shares of GFB's capital stock, which gave GFB control of nearly 100% of Bancomer's outstanding capital.

BBVA's Investment in GFB

In 2000, BBVA acquired operating control of Grupo Financiero Bancomer, S.A. de C.V., which was renamed Grupo Financiero BBVA Bancomer, S.A. de C.V. As a result of a merger of Grupo Financiero BBV-Probursa, S.A. de C.V. ("BBV-Probursa"), an indirect subsidiary of BBVA and the parent of Banco Bilbao Vizcaya Mexico, S.A. ("BBV-Mexico"), into GFB in July 2000, BBVA obtained an approximately 30% interest in the outstanding capital of GFB. As a result of a series of transactions effected between January 2002 and March 2004, BBVA acquired approximately 99.9% of the capital stock of GFBB.

Following BBVA's initial investment in GFB in 2000, we grew as a result of our September 2000 merger with Banco Promex, S.A. ("Promex"), an insolvent bank that had been acquired by the Mexican Government, and, to a lesser extent, the transfer of a substantial portion of the traditional banking business of BBV-Mexico to us in 2001. As part of that transfer, certain of our assets and activities, including our ATM network, were transferred to BBV-Mexico. Subsequently, we were renamed BBVA Bancomer, S.A., Institución de Banca Múltiple and BBV-Mexico was renamed BBVA Bancomer Servicios, S.A., Institución de Banca Múltiple, or BBVA Bancomer Servicios.

We are a Mexican company authorized to exist and operate as a foreign-owned subsidiary bank. Our capital is 100% owned by GFBB, a foreign-owned subsidiary holding company, whose capital is, in turn, 99.97% owned by BBVA.

On August 1, 2009, we entered into a merger agreement through which BBVA Bancomer Servicios was merged into BBVA Bancomer, resulting in one financial institution. As a result of this merger, all former business activities of BBVA Bancomer Servicios, including trust and ATM services, are now wholly-owned and carried out directly by us.

On January 9, 2013, BBVA Bancomer finished the sale of Afore Bancomer, S.A de C.V. to Afore XXI Banorte. The total amount of this transaction was for U.S. $1,734 million.

Strategy

Our central strategy is to continuously increase the profitability of our business through permanent and long-term growth that will enable us to continue being the leading bank in the Mexican financial market. Future growth will be supported by our customer-driven business model that provides specialized attention to each type of customer. To achieve this goal, we are focused on the following objectives:

Continue to Focus on Our Strategic Plan

In 2010, we launched a new strategic plan focusing on the market opportunities that Mexico offers to continuing growth and to diversify our financial services. This strategic plan continued to be the primary focus with the following fundamentals:

- *Customers*: They are the center of our business, and it is our principal objective to offer them the best service with specialized attention for each type of customer.

- *Distribution*: We seek to create an integrated multi-channel distribution model and enhance our current distribution network with user-friendly channels based on current and new technologies.

- *Simplicity and efficiency*: We seek to improve our operations by making them more efficient, transparent and accessible to customers.

The strategic plan includes several initiatives, involving substantially all of our business divisions and administrative units, and is intended to improve our business model, services, commercial efficiency, risk management and profitability.

In 2013, we announced an important investment plan of U.S. $3.5 billion focused on:

a) Branch network: refurbishment of the entire network. As of June 30, 2014, we refurbished 381 branches into the new layout and we also installed a new attention model, to improve our service to customers and to increase commercial productivity.

b) Technology: to create a better multichannel distribution of products through ATMs, mobile banking and on-line banking. To increase efficiency in customer's clarification processes, to reduce branch traffic and to enhance our risk, our operating and our commercial platforms.

c) Buildings: the investment plan also considers the ending of the construction of two office buildings in Mexico City and the construction of the Data Processing Center that would be located in the State of Mexico.

Customers

The principal focus of our strategic plan is a corporate-wide understanding that our customers are the core of our business. Initiatives that have been implemented to advance into this objective include increasing cross-selling to customers, offering diverse products from our business divisions and creating higher value through customized products and solutions.

Our business model is based on customer segmentation, which entails offering specialized products and services to customers within each segment. We have divided our customer base into different segments according to their profiles; on one hand we cater to enterprises dividing them into the following segments: Corporate, Medium-sized businesses, Government entities, Small businesses and Micro-businesses; on the other hand for individuals we cater to high net-worth customers or *Privada*, upper affluent customers or *Patrimonial*, affluent customers or *Personal*, upper mass customers or *Bancario*, and lower mass customers or *Express*. As part of our strategic plan, we have also merged our residential mortgage business unit into our retail banking unit and transferred our commercial housing mortgage business unit to our middle-market and government banking unit.

We seek to further expand our customer base by increasing cross-sell and boosting the value of our customers. Nevertheless, we are committed to delivering banking products and services to unbanked and underserved segments of the Mexican population and to help them increase their financial acumen. As of June 30, 2014, we had over 19 million customers, including large corporations, small and medium-sized enterprises, small businesses, government customers and individuals from all customer segments.

We view customer service as a top priority and we consider our approach to customer service to be one of the features that distinguish us from our competitors and enable us to maintain a market advantage in the highly competitive Mexican financial services industry. We view customer service as a top priority and we consider our approach to customer service to be one of the features that distinguish us from our competitors and enable us to maintain a market advantage in the highly competitive Mexican financial services industry. We use the Net Promoter Score ("NPS") methodology, a metric that we believe is capable of predicting growth based on customer satisfaction and willingness to recommend our services. NPS is a strict measure that detects opportunities through an effective mechanism that allows us to identify the causes of satisfaction and dissatisfaction among our customers and prioritize critical areas requiring improvement. We have an internal program to measure quality inside the branches, this program primarily seeks to increase the quality of our service and thus improve customer satisfaction by classifying our retail branches into categories, based on the quality of service provided as measured by the results of customer surveys.

Distribution

We seek to create an integrated multi-channel distribution model and enhance our existing distribution network with user-friendly channels based on current and new technologies.

As of June 30, 2014, we had one of the largest branch networks, consisting of 1,765 branches strategically located among all Mexican states including 1656 full-service branches, 21 supermarket branches and 88 specialized branches, consisting of 57 branches located in office buildings and 31 branches in customs offices near the U.S.-Mexican border to facilitate payment of customs duties. Each of our branches reports to one of seven divisions located throughout Mexico. We also have a branch located in Houston, Texas.

Our customers continue to take advantage of our online banking services offered through our internet portal. As of June 30, 2014, we had 1.9 million internet portal clients who executed approximately 458 million transactions during the first six months of 2014. In 2013, our internet portal clients executed approximately 1,056 million transactions, an increase as compared to the 871 million transactions executed in 2012 and 751 million in 2011.

During the first six months of 2014, the number of transactions executed through electronic channels reached 108 million on-line banking transactions, 251 million mobile phone banking and ATM transactions and 590 million credit and debit card transactions. In 2013, electronic channels transactions were 198 million on-line banking transactions, 486 million mobile phone banking and ATM transactions and 1,075 million credit and debit card transactions.

We have also expanded our points of sale to more than 24,684 stores and establishments which include retail stores, pharmacies, terminals, gas stations and supermarkets, such as OXXO, Farmacias Benavides, Chedraui and Wal-Mart, among others.

We operate a call center and telephone banking service, that we refer to as "*Línea Bancomer*," which provides our customers access to a toll-free telephone service to conduct certain basic banking transactions, including obtaining account balances and transferring funds. Our call center also allows us to perform telemarketing activities to offer credit cards and bank assurance products (provided by Seguros Bancomer, S.A. de C.V., a subsidiary of GFBB) to our customers, as well as services such as the payment of bills and automatic debits to checking accounts.

We have developed new products and services to address the needs of our customers and expand our distribution network. In 2009, we launched a new generation of ATMs called *Practicajas*, that allow our customers to carry out (i) deposits, (ii) transfers to third parties, (iii) credit card and service payments, and (iv) borrowings at lower transaction costs. In 2011, we launched *Bancomer Móvil,* a mobile banking system that provides customers with access to free consultations, purchases and basic banking transactions via their mobile phones. In addition, we launched *Cuenta Express*, the first bank account in Mexico that uses a customer's mobile phone number as the account number, thereby providing customers with simple and low-cost access to basic banking services. We are also creating new products designed to make financial services more accessible, such as pre-approved credit lines for payroll customers to be disbursed through our ATMs.

Simplicity and Efficiency

We seek to improve our operations through the use of new technologies, product development, customer service quality metrics and methodologies, which allow us to simplify our customers' banking experience. We believe that our new distribution model and customer segmentation will also allow us to increase productivity in each of our banking units.

We maintain one of the most competitive efficiency ratios as compared to our peers in the Mexican financial system according to the Mexican banking authority, CNBV, and we seek to improve efficiencies through specialized training of our personnel and increased use of automated data and related systems as well as external suppliers when it is more cost-effective to do so. As of June 30, 2014, our efficiency ratio was 43.8%, which represented an improvement of 1.0 percentage points as compared to 44.6% as of December 31, 2013, and a deterioration of 1.7 percentage points as compared to 45.3% in 2012, and an improvement of 0.1 percentage points despite our investments related to infrastructure, innovation and technology.

We have made considerable efforts to reduce branch traffic through the installation of electronic payment systems at our branches and by offering mobile phone and internet banking to our customers. As of June 30, 2014, we reduced to 12.0% the weight of total banking transactions made through branch tellers compared to 13.8% as of December 31, 2013, 15.6% as of December 31, 2012 and 17.7% as of December 31, 2011.

Increase Our Core Earnings

We seek to increase our core earnings by reducing our funding costs through selective market and bank offerings, maintaining a low-cost deposit base and concentrating our efforts on products and services with high profit margins, without diminishing the quality of our portfolio.

Sound Risk Management

Our risk management strategy has contributed to our profit growth and controlled risk. We consider risk management to be a central part of our strategy, acting as a key differentiator from our competitors and as a tool for future growth and profitability.

Over the last three and a half years, we have fully consolidated our internal credit risk model and we have developed advanced risk modeling tools that accurately measure credit risk. For example, our internal model for provisioning for losses on our credit card portfolio has been certified by Banco de España, Spain's central bank, and the CNBV. Our risk indicators, such as the "risk premium" which is equal to the provisions for loan losses divided by average loan portfolio, have also been very stable. The risk premium was 3.4% in the first six months of 2014, 3.5% in 2013, 3.4% in 2012, and 3.4% in 2011.

We seek to control credit risk, asset quality and costs in all stages of the credit cycle (origination, follow-up and recovery) through the implementation of advanced tools and methodologies. We have been able to generate segmented and specialized credit behavior scorings that enable us to offer specialized products and prices. We expect to continue to improve our risk platform and modeling tools, which are central components of our strategic plan for risk management that will be in place for the foreseeable future.

We have a clear objective to effectively manage operational risk with structures based on tracking and reliable management of processes. In addition, we have introduced extensive internal risk management and control systems that involve all personnel and areas of the institution. Such programs focus on measuring, tracking and preventing potential risks and preventing money laundering and financing of terrorist activities.

Maintain and Strengthen Our Leadership Position

As of June 30, 2014, a total of 45 banks operated in the highly competitive Mexican financial services industry, in which we hold a leadership position in the following areas: total assets, total deposits, total loans and numbers of branches.

In order to increase our profitability and commercial activity, we seek to maintain and strengthen our leadership position. We expect to maintain our market share through (i) the development of strategies and programs designed to increase long-term productivity; (ii) the maintenance and improvement of our processes; and (iii) the development of new business models. In addition, as mentioned above, we will continue to renew our distribution network through sustained investments in capital expenditures.

Focus on Corporate Reputation and Responsibility

We seek to act in accordance with our corporate principles and policies, including our commitment to social responsibility. We have a firm commitment to add value not only to the welfare of our customers, shareholders and employees, but also to the welfare of society.

The following items represent the main corporate principles of BBVA Group:

- ***Customer Value***: The customer as the focus of our business.
- ***Creation of Value***: The creation of value for our shareholders through our business.
- ***Team***: A team-oriented approach as the mechanism for value creation.
- ***Management Style***: A management style that generates enthusiasm.
- ***Ethical***: Ethical conduct and personal and professional integrity as a way of understanding and developing our business.
- ***Innovation***: Innovation as a key to progress.

- ***Social Responsibility***: Corporate social responsibility (including a commitment to environmental management and mitigation of climate change) as a commitment to development.

We are also fully committed to supporting the development of Mexico's educational system, especially through *Fundación Bancomer*. This foundation primarily supports education in Mexico through various projects. We assign 1.0% of our annual net income to Fundación Bancomer's budget. The foundation's most significant project includes a scholarship program called *Por los que se quedan*, which grants scholarships to children from families that have been dispersed as a result of immigration. As of June 30, 2014, this program has reached 20 states and 159 municipalities in Mexico. Since its inception in 2006, *Por los que se quedan* has granted a total of 49,400 scholarships and the mentorship of 790 volunteers from our branches every year, totaling Ps. 1,122,000,000.

We are also focused on increasing financial education in Mexico through our program Educación Financiera: "*Adelante con tu futuro*," which provides participants with guidance on banking products and services. We hold various workshops that educate participants on savings, credit cards and mortgage loans. We have been able to hold these workshops in our retail branches, or through mobile classrooms and electronic channels such as our website. Since we launched this project in 2008, we have provided more than 2,650,000 financial education courses to participants.

Recent Developments

Third Quarter 2014 Financial Information

Our financial closing procedures for the quarter ended September 30, 2014 are not yet complete. Our auditors, Deloitte Touche Tohmatsu Limited, have not completed their review of our results for our quarter ended September 30, 2014 and have not audited or compiled the preliminary financial data in this subsection. Set forth below are certain preliminary estimates of the results of operations for our quarter ended September 30, 2014, prepared by our management. Since these results are based on our management's estimates, our actual results may differ from these estimates due to the completion of our financial closing procedures and other final adjustments. We expect to complete our closing procedures for the quarter ended September 30, 2014 in November 2014.

	For the nine months ended September 30,		
	2013	2014	2014 (1)
	(millions of Ps.)		(millions of U.S. $)
Income Statement Data:			
Interest income	76,955	82,289	6,126
Interest expense	- 21,793	- 20,362	- 1,516
Net interest income	55,162	61,928	4,610
Provision for loan losses	- 18,045	- 19,023	- 1,416
Net interest income after provision for loan losses	37,117	42,905	3,194
Commissions and fees	14,363	15,441	1,149
Trading income	1,571	3,033	226
Other operating income (expense)	346	281	21
Non-interest expense	- 32,274	- 35,675	- 2,656
Operating income	21,123	25,985	1,934
Income before income taxes	21,271	26,102	1,943
Current income tax	- 6,632	- 7,174	- 534
Deferred income tax	1,625	932	69

Income before discontinued operations	16,264	19,860	1,478
Discontinued operations	8,085	-	-
Income before controlling interest	24,349	19,860	1,478
Non-controlling interest	- 2	- 2	- 0
Net income	24,347	19,859	1,478

(1) Translated at the rate of Ps. 13.4330 per U.S. $1.00, the fixed exchange rate published by *Banco de México* in the Official Gazette of the Federation on September 30, 2014.

Net Income. Net income was Ps. 19,859 million for the nine months ended September 30, 2014, compared to Ps. 24,347 million for the nine months ended September 30, 2013, a decrease of Ps. 4,488 million, or 18.4%. It is important to mention that in 2013, BBVA sold all Pension Funds Businesses of Latin America, including Mexico's Pension Fund Company, Afore Bancomer, S.A. de C.V. The income from this sale in 2013 and the results of Afore Bancomer, S.A. de C.V. in 2012 and 2011 were accounted for under "discontinued operations" in the Profit and Loss Statement (P&L). Excluding this income, on a comparative basis, BBVA Bancomer's net income was 22.1% higher in the first nine months of 2014 as compared to the same period of the previous year due to the factors outlined below. For additional information on our net income results, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Six Months ended June 30, 2014 Compared to Six Months ended June 30, 2013" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Year ended December 31, 2013 compared to year ended December 31, 2012."

Interest income. Interest income was Ps. 82,289 million for the nine months ended September 30, 2014, compared to Ps. 76,955 million for the nine months ended September 30, 2013, an increase of Ps. 5,344 million, or 6.9%. This increase was primarily the result of an increase of our loan portfolio of 11.0% in the first nine months of 2014 as compared to the same period of 2013. This increase was driven mainly by commercial loans and consumer loans, which increased 15.9% and 8.1%, respectively. For additional information on our interest income results, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Six Months ended June 30, 2014 Compared to Six Months ended June 30, 2013," "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Year ended December 31, 2013 compared to year ended December 31, 2012" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Year ended December 31, 2012 compared to year ended December 31, 2011."

Interest expense. Interest expense was Ps. 20,362 million (24.7% of net interest income) for the nine months ended September 30, 2014, compared to Ps. 21,793 million (28.3% of net interest income) for the nine months ended September 30, 2013, a decrease of Ps. 1,431 million, or 6.6%. This decrease was primarily attributable to a decrease of interest expenses on time deposits, reflecting the reduction of high cost term deposits as part as our funding strategy. For additional information on our interest expense results, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Six Months ended June 30, 2014 Compared to Six Months ended June 30, 2013," "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Year ended December 31, 2013 compared to year ended December 31, 2012" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Year ended December 31, 2012 compared to year ended December 31, 2011."

Net interest income. Net interest income for the nine months ended September 30, 2014 totaled Ps. 61,928 million, an increase of 12.3% as compared to Ps. 55,162 million for the nine months ended September 30, 2013. This was mainly as a result of higher income from interest and fees on loans, and lower interest expense on funding. Our financial margin for the quarter ended September 30, 2014 was Ps. 20,767 million, a 10.0% or Ps. 1,893 million increase from Ps. 18,874 million for the same period in 2013, and a 0.8% or Ps. 159 million increase from the quarter ended June 30, 2014. For additional information on our net interest income results, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Six Months ended June 30, 2014 Compared to Six Months ended June 30, 2013," "Management's Discussion and Analysis of

Financial Condition and Results of Operations—Results of Operations—Year ended December 31, 2013 compared to year ended December 31, 2012" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Year ended December 31, 2012 compared to year ended December 31, 2011."

Provision for loan losses. Provisions for loan losses charged against earnings were Ps. 19,023 million for the nine months ended September 30, 2014, compared to Ps. 18,045 million for the nine months ended September 30, 2013, an increase of Ps. 978 million, or 5.4%. Similarly, provisions for loan losses were Ps. 26,739 million for the third quarter of 2014, compared to Ps. 28,587 million for the third quarter of 2013, a decrease of Ps. 1,848 million, or 6.5%. This decrease is due to a better performance of our portfolio and changes in the methodology of releasing reserves for commercial loans. As of the date hereof, we believe our aggregate allowance for loan losses is adequate to cover all known or knowable risks in our portfolios. For additional information on our provisions for loan losses, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Six Months ended June 30, 2014 Compared to Six Months ended June 30, 2013," "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Year ended December 31, 2013 compared to year ended December 31, 2012" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Year ended December 31, 2012 compared to year ended December 31, 2011."

Net interest income after provision for loan losses. Our net interest income after provisions for loan losses for the quarter ended September 30, 2014 was Ps. 14,080 million, an increase of 11.1% and 0.6% compared to Ps. 12,674 million for the quarter ended September 30, 2013 and Ps. 13,997 million for the quarter ended June 30, 2014, respectively. For the nine months ended September 30, 2014, our financial margin after provisions for loan losses was Ps. 42,905 million, a 15.6% or Ps. 5,788 million increase from Ps. 37,117 million for the nine months ended September 30, 2013.

Net commission and fee income. Our net commission and fee income for the quarter ended September 30, 2014 was Ps. 5,295 million, a 4.7% or Ps. 240 million increase from the same period in 2013 and an increase from Ps. 5,191 million for the quarter ended June 30, 2014. These changes were mainly due to a higher level of transactions with credit and debit cards. For the nine months ended September 30, 2014, our net commission and fee income was Ps. 15,441 million, a 7.5% or Ps. 1,078 million increase from Ps. 14,363 for the nine months ended September 30, 2013.

Non-interest income. Non-interest income, including trading income and other operating income, was Ps. 18,755 million for the nine months ended September 30, 2014 compared to Ps. 16,280 million for the nine months ended September 30, 2013, an increase of Ps. 2,475 million, or 15.2%. This increase was due in part to lower interest rates. For additional information on historic non-interest income, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Six Months ended June 30, 2014 Compared to Six Months ended June 30, 2013," "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Year ended December 31, 2013 compared to year ended December 31, 2012" and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Year ended December 31, 2012 compared to year ended December 31, 2011."

Administrative and promotional expenses. Our administrative and promotional expenses for the quarter ended September 30, 2014 were Ps. 12,352 million, a 11.9% or Ps. 1,313 million increase compared to Ps. 11,039 million for the quarter ended September 30, 2013, and a 4.7% or Ps. 559 million increase compared to Ps. 11,793 million for the quarter ended June 30, 2014. Administrative and promotional expenses increased by Ps. 3,401 million, or 10.5%, from Ps. 32,274 million for the nine months ended September 30, 2013 to Ps. 35,675 million for the nine months ended September 30, 2014. This increase was due primarily to non-recurring expenses related to the construction of our new headquarters.

Operating income. Total operating income for the nine months ended September 30, 2014 was Ps. 8,172 million, a 19.2% or Ps. 1,314 million increase compared to Ps. 6,858 million for the quarter ended September 30, 2013, and a 2.5% or Ps. 205 million decrease compared to the quarter ended June 30, 2014. Total operating income for the nine months ended September 30, 2014 was Ps. 25,985 million, a 23.0% or Ps. 4,862 million increase from Ps. 21,123 million for the nine months ended September 30, 2013. This increase was due to the cumulative effect of the components discussed above, particularly the positive performance of our loan portfolio.

	As of the periods ended		
	December 31, 2013	September 30, 2014	September 30, 2014
	(millions of Ps., except for percentages)		(millions of U.S. $)
Balance Sheet Data:			
Total assets	1,371,883	1,513,525	112,672
Total liabilities	1,246,102	1,379,205	102,673
Total stockholders' equity	125,780	134,320	9,999
Capitalization:			
Stockholders' equity as a percentage of total assets	9.2%	8.9%	
Tier 1 Capital as a percentage of risk- weighted assets	11.9%	11.8%	
Total capital as a percentage of risk- weighted assets	15.9%	15.3%	
Credit Quality Data:			
Total performing loans	698,899	739,015	55,015
Total non-performing loans	22,675	22,677	1,688
Allowance for loan losses	- 27,336	- 26,739	- 1,991

(1) Translated at the rate of Ps. 13.4330 per U.S. $1.00, the fixed exchange rate published by *Banco de México* in the Official Gazette of the Federation on September 30, 2014.

Total assets. As of September 30, 2014, we had total assets of Ps. 1,513,525 million, compared to Ps. 1,371,883 million as of December 31, 2013, representing an increase of 10.3%. This increase was attributable to a 5.7% increase in total performing loans, driven by higher commercial and consumer loans, as well as a 19.1% increase in securities held for trading and a 33.5% increase in securities available for sale during the first nine months of 2014. For additional information on total assets, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Position—Assets."

Total liabilities. As of September 30, 2014, we had total liabilities of Ps. 1,379,205 million, compared to Ps. 1,246,102 million as of December 31, 2013, an increase of 10.7%. This increase was mainly attributable to an increase of 7.5% in deposits. Specifically, demand deposits increased by Ps. 27,709, or 5.3%, and time deposits increased by Ps. 14,193, or 10.9%. For additional information on total liabilities, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Position—Liabilities."

Total stockholder equity. As of September 30, 2014, our stockholders' equity was Ps. 134,320 million, which is a decrease of Ps. 559 million from the period ended June 30, 2014, when stockholders' equity was Ps. 134,879 million. For additional information on our total stockholders' equity, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Position—Assets—Stockholders' equity."

Total performing loans. As of September 30, 2014, we had total performing loans of Ps. 739,015 million, compared to Ps. 698,899 million as of December 31, 2013, an increase of 5.7%. This increase was attributable mainly to an increase in the volume of our consumer loan portfolio of Ps. 9,104 million or 5.0%, and an increase in the volume of our commercial loan portfolio of Ps. 27,119 million or 7.4%. As of September 30, 2014, performing commercial loans represented 53.0% of total performing loans, performing consumer loans represented 25.7% of total performing loans, and performing residential mortgage loans represented 21.4% of total performing loans. For additional information on our total performing loans, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Position—Assets—Total performing loans."

Total non-performing loans. As of September 30, 2014, we had total non-performing loans of Ps. 22,677 million compared to Ps. 22,675 million as of December 31, 2013, a negligible increase. As of September 30, 2014, non-performing consumer loans represented 1.0% of our total loans, non-performing mortgage loans represented 1.3% of our total loans and non-performing commercial loans represented 0.7% of our total loans. For additional information on our total non-performing loans, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Financial Position—Assets—Total non-performing loans."

Our Total Capital Ratio as of September 30, 2014 was 15.3%, compared with 15.7% as of September 30, 2013 and 15.7% as of June 30, 2014. The Total Capital Ratio as of September 30, 2014 reflects payment of dividends in the amount of Ps. 5,197 million. For additional information on our Capital Ratios, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Risk-Based Capital."

	As of the periods ended		
	September 30, 2013	**June 30, 2014**	**September 30, 2014**
Capital Fundamental	10.4%	11.0%	10.8%
Tier 1 Capital	11.7%	12.1%	11.8%
Total Net Capital	15.7%	15.7%	15.3%

THE OFFERING

The following is a brief summary of certain terms of this offering. For a more complete description of the terms of the Notes, see "Description of the Notes."

Issuer	BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, acting through its Texas Agency
Notes	5.350% Tier II **Subordinated Preferred Capital notes due November 12, 2029**, which we refer to as the "Notes."
Principal Amount	U.S. $200,000,000
Interest and Principal	Subject to deferral during any Suspension Period (as defined below), an earlier redemption date and to one or more Write-Downs, the Notes will bear interest on the then Current Principal Amount (as defined below) from time to time outstanding from (and including) November 12, 2014, or the "Issue Date," to (but excluding) November 12, 2024, or the "Optional Call Date," at a fixed rate per annum equal to 5.350%, payable semi-annually in arrears on May 12 and November 12 of each year (each an "Interest Payment Date"), commencing on May 12, 2015. Subject to deferral during any Suspension Period, an earlier redemption date and to one or more Write-Downs, the Notes will bear interest on the then Current Principal Amount from time to time outstanding from (and including) the Optional Call Date to (but excluding) November 12, 2029, or the "Maturity Date," at a fixed rate per annum equal to the sum of (a) the then-prevailing Treasury Yield (as defined below) and (b) 300 basis points payable semi-annually in arrears on each Interest Payment Date, commencing on May 12, 2025. Upon the occurrence of a Write-Down, any holder of Notes will be deemed to have irrevocably waived its right to claim or receive the Written-Down Principal (as defined below) of the Notes or any interest with respect thereto (or Additional Amounts), including any and all accrued and unpaid interest. If any Interest Payment Date would otherwise fall on a date that is not a Business Day (as defined below), the required payment of interest shall be made on the next succeeding Business Day, with the same force and effect as if made on such Interest Payment Date, and no further interest shall accrue as a result of the delay. For purposes hereof, "Business Day" shall mean any day other than a Saturday or a Sunday, or a day on which banking institutions in The City of New York, New York or Mexico City, Mexico are authorized or required by law or executive order to remain closed.
Issue Price	99.786% of the principal amount, plus accrued and unpaid interest, if any, from and including November 12, 2014.
Issue Date	November 12, 2014.
Maturity Date	November 12, 2029.

Payment Upon Maturity	Subject to the occurrence of one or more Write-Downs, unless the Notes have been redeemed prior thereto or a Suspension Period (as described below) is in effect on the Maturity Date, the Notes will be repaid on the Maturity Date at their then Current Principal Amount outstanding, together with any accrued and unpaid interest thereon to (but excluding) the Maturity Date and any other amounts, including Additional Amounts (as defined below), due thereunder, in each case as provided in this offering memorandum. **WE HAVE THE RIGHT TO AND WILL DEFER BUT NOT CANCEL (EXCEPT PURSUANT TO ONE OR MORE WRITE-DOWNS) THE PAYMENT OF INTEREST DUE ON THE NOTES AND DEFER BUT NOT CANCEL (EXCEPT PURSUANT TO ONE OR MORE WRITE-DOWNS) THE PAYMENT OF PRINCIPAL THEREOF FOR THE DURATION OF ANY SUSPENSION PERIOD, AS DESCRIBED BELOW. IN THE EVENT OF A DEFERRAL OF PAYMENT OF INTEREST ON THE NOTES, OR A DEFERRAL PAYMENT OF PRINCIPAL THEREOF, SUBJECT TO THE OCCURRENCE OF ONE OR MORE WRITE-DOWNS, SUCH INTEREST WILL BE PAYABLE (WITHOUT ANY INTEREST ON SUCH PREVIOUSLY ACCRUED INTEREST) ON THE DATE THAT IS TWELVE BUSINESS DAYS AFTER THE DATE ON WHICH SUCH SUSPENSION PERIOD ENDS. IF A SUSPENSION PERIOD EXISTS ON THE MATURITY DATE, PAYMENT OF PRINCIPAL WILL BE DEFERRED WITH INTEREST UNTIL THE DATE THAT IS TWELVE BUSINESS DAYS AFTER THE DATE ON WHICH SUCH SUSPENSION PERIOD ENDS. IF A WRITE-DOWN OCCURS, THE WRITTEN-DOWN PRINCIPAL, AND ANY INTEREST ACCRUED AND NOT YET PAID WITH RESPECT THERETO DURING ANY SUSPENSION PERIOD, WILL BE CANCELLED.**
Current Principal Amount	"Current Principal Amount" means in respect of each Note, at any time, the outstanding principal amount of such Note, being the Original Principal Amount of such Note as such amount may be reduced, on one or more occasions, as a result of a Write-Down or a redemption of the Notes, as the case may be.
Original Principal Amount	"Original Principal Amount" means, in respect of each Note, the amount of the denomination of such Note on the Issue Date.
Indenture	The Notes will be issued under the Base Indenture, dated as of November 12, 2014 among us, the Trustee and the Irish Paying Agent, and countersigned by the CNBV.
Unsecured; Not Guaranteed	**THE NOTES WILL NOT BE SECURED, AND WILL NOT BE GUARANTEED, BY ANY AFFILIATE OF THE ISSUER OR BY THE IPAB OR ANY OTHER MEXICAN GOVERNMENTAL AGENCY, OR ANY OF OUR SUBSIDIARIES OR AFFILIATES INCLUDING OUR PARENT, AND THE NOTES ARE**

	NOT CONVERTIBLE, BY THEIR TERMS, INTO ANY OF OUR DEBT SECURITIES, SHARES OR ANY OF OUR EQUITY CAPITAL OR ANY DEBT SECURITIES, SHARES OR EQUITY CAPITAL OF ANY OF OUR SUBSIDIARIES OR AFFILIATES.
Trigger Event...	**A "TRIGGER EVENT" WILL BE DEEMED TO HAVE OCCURRED IF: (I) THE CNBV PUBLISHES A DETERMINATION, IN ITS OFFICIAL PUBLICATION OF CAPITALIZATION LEVELS FOR MEXICAN BANKS, THAT THE BANK'S CAPITAL FUNDAMENTAL, AS CALCULATED PURSUANT TO THE APPLICABLE MEXICAN CAPITALIZATION REQUIREMENTS, IS EQUAL TO OR BELOW 4.5% (FOUR POINT FIVE PERCENT); (II) BOTH (A) THE CNBV NOTIFIES THE BANK THAT IT HAS MADE A DETERMINATION, PURSUANT TO ARTICLE 29 BIS OF THE MEXICAN BANKING LAW, THAT A CAUSE FOR REVOCATION OF THE BANK'S LICENSE HAS OCCURRED RESULTING FROM (Y) THE BANK'S NON-COMPLIANCE WITH CORRECTIVE MEASURES IMPOSED BY THE CNBV PURSUANT TO THE MEXICAN BANKING LAW, OR (Z) THE BANK'S NON-COMPLIANCE WITH THE CAPITALIZATION REQUIREMENTS SET FORTH IN THE MEXICAN CAPITALIZATION REQUIREMENTS AND (B) THE BANK HAS NOT CURED SUCH CAUSE FOR REVOCATION, BY (A) COMPLYING WITH SUCH CORRECTIVE MEASURES, OR (B)(1) SUBMITTING A CAPITAL RESTORATION PLAN TO, AND RECEIVING APPROVAL OF SUCH PLAN BY, THE CNBV, (2) NOT BEING CLASSIFIED IN CLASS III, IV, OR V, AND (3) TRANSFERRING AT LEAST 75% OF ITS SHARES TO AN IRREVOCABLE TRUST OR (C) REMEDYING ANY CAPITAL DEFICIENCY, IN THE CASE OF (A), AND (B), ON OR BEFORE THE THIRD OR SEVENTH BUSINESS DAY IN MEXICO, AS THE CASE MAY BE, FOLLOWING THE DATE ON WHICH THE CNBV NOTIFIES THE BANK OF SUCH DETERMINATION; OR (III) THE BANKING STABILITY COMMITTEE, WHICH IS A COMMITTEE FORMED BY THE CNBV, THE MINISTRY OF FINANCE AND PUBLIC CREDIT, *BANCO DE MÉXICO* AND THE *INSTITUTO PARA LA PROTECCIÓN AL AHORRO BANCARIO* OF MEXICO, DETERMINES PURSUANT TO ARTICLE 29 BIS 6 OF THE MEXICAN BANKING LAW THAT FINANCIAL ASSISTANCE IS REQUIRED BY THE BANK TO AVOID REVOCATION OF THE BANK'S LICENSE FOR ITS FAILURE TO COMPLY WITH CORRECTIVE MEASURES, COMPLY WITH CAPITALIZATION REQUIREMENTS OR TO SATISFY CERTAIN LIABILITIES WHEN DUE, AS A MEANS TO MAINTAIN THE SOLVENCY OF THE MEXICAN FINANCIAL SYSTEM OR TO AVOID RISKS AFFECTING THE MEXICAN PAYMENTS SYSTEM**

	AND SUCH DETERMINATION IS EITHER MADE PUBLIC OR NOTIFIED TO THE BANK.
Write-Down..	**IF A TRIGGER EVENT OCCURS, THE FOLLOWING WRITE-DOWNS SHALL BE DEEMED TO HAVE OCCURRED ON THE WRITE-DOWN DATE (AS DEFINED BELOW), AUTOMATICALLY AND WITHOUT ANY ADDITIONAL ACTION BY US, THE TRUSTEE OR THE HOLDERS OF THE NOTES:** **(I) THE CURRENT PRINCIPAL AMOUNT OF THE NOTES WILL AUTOMATICALLY BE REDUCED BY THE APPLICABLE WRITE-DOWN AMOUNT (AS DEFINED BELOW) AND SUCH WRITE-DOWN SHALL NOT CONSTITUTE AN EVENT OF DEFAULT; AND** **(II) ANY HOLDER OF NOTES WILL AUTOMATICALLY BE DEEMED TO HAVE IRREVOCABLY WAIVED ITS RIGHT TO CLAIM OR RECEIVE, AND WILL NOT HAVE ANY RIGHTS AGAINST US OR THE TRUSTEE WITH RESPECT TO, REPAYMENT OF, THE WRITTEN-DOWN PRINCIPAL OF THE NOTES OR ANY INTEREST WITH RESPECT THERETO (OR ADDITIONAL AMOUNTS PAYABLE IN CONNECTION THEREWITH), INCLUDING ANY AND ALL ACCRUED AND UNPAID INTEREST WITH RESPECT TO SUCH WRITTEN-DOWN PRINCIPAL AS OF THE WRITE-DOWN DATE, IRRESPECTIVE OF WHETHER SUCH AMOUNTS HAVE BECOME DUE AND PAYABLE PRIOR TO THE DATE ON WHICH THE TRIGGER EVENT SHALL HAVE OCCURRED.** **WE SHALL PROVIDE NOTICE TO HOLDERS VIA THE APPLICABLE CLEARING SYSTEM AS WELL AS WRITTEN NOTICE TO THE TRUSTEE (A “WRITE-DOWN NOTICE”) THAT A TRIGGER EVENT HAS OCCURRED ON THE NEXT BUSINESS DAY SUCCEEDING SUCH TRIGGER EVENT.** **ANY WRITE-DOWN NOTICE TO THE TRUSTEE MUST BE IN WRITING AND ACCOMPANIED BY A CERTIFICATE SIGNED BY TWO OFFICERS OF THE ISSUER STATING THAT A TRIGGER EVENT HAS OCCURRED AND SETTING OUT THE METHOD OF CALCULATION OF THE RELEVANT WRITE-DOWN AMOUNT.** **“WRITE-DOWN AMOUNT” MEANS AN (I) AMOUNT THAT WOULD BE SUFFICIENT, TOGETHER WITH ANY CONCURRENT PRO RATA WRITE DOWN OF ANY OTHER LOSS-ABSORBING INSTRUMENTS ISSUED BY US AND THEN OUTSTANDING, TO RETURN OUR CAPITAL FUNDAMENTAL TO THE LEVELS OF CAPITAL FUNDAMENTAL REQUIRED UNDER SECTION IX, B), 2 OF ANNEX 1-S OF THE GENERAL RULES APPLICABLE TO MEXICAN BANKS (CURRENTLY**

	7% (SEVEN PERCENT)), OR (II) IF ANY WRITE-DOWN OF THE CURRENT PRINCIPAL AMOUNT, TOGETHER WITH ANY CONCURRENT PRO RATA WRITE DOWN OF ANY OTHER LOSS-ABSORBING INSTRUMENTS ISSUED BY US AND THEN OUTSTANDING, WOULD BE INSUFFICIENT TO RETURN OUR CAPITAL FUNDAMENTAL TO THE LEVELS OF CAPITAL FUNDAMENTAL REQUIRED UNDER SECTION IX, B), 2 OF ANNEX 1-S OF THE GENERAL RULES APPLICABLE TO MEXICAN BANKS (CURRENTLY 7% (SEVEN PERCENT)), THE AMOUNT NECESSARY TO REDUCE THE CURRENT PRINCIPAL AMOUNT OF EACH OUTSTANDING NOTE TO ZERO. **"WRITE-DOWN DATE" MEANS THE DATE ON WHICH A WRITE- DOWN WILL BE DEEMED TO TAKE EFFECT, WHICH SHALL BE THE BUSINESS DAY NEXT SUCCEEDING THE DATE OF THE TRIGGER EVENT.** **"WRITTEN-DOWN PRINCIPAL" MEANS THE AMOUNT BY WHICH THE PRINCIPAL OF ANY NOTE HAS BEEN WRITTEN DOWN BY ANY ONE OR MORE WRITE-DOWNS.** **AS REQUIRED UNDER THE MEXICAN CAPITALIZATION REQUIREMENTS AND IN ACCORDANCE TO THE CNBV REQUEST, A FULL WRITE-DOWN (WHEREBY THE PRINCIPAL AMOUNT OF THE NOTES HAS BEEN WRITTEN DOWN TO ZERO) SHALL BE COMPLETED BEFORE ANY PUBLIC FUNDS ARE CONTRIBUTED OR ANY PUBLIC ASSISTANCE IS PROVIDED TO THE ISSUER AMONG OTHERS IN THE FORM OF (I) SUBSCRIPTION OF SHARES, (II) GRANTING OF LOANS, (III) PAYMENT OF LIABILITIES OF THE BANK, (IV) GRANTING OF GUARANTIES AND (V) THE TRANSFER OF ASSETS AND LIABILITIES.**
Subordination	The Notes constitute Subordinated Preferred Indebtedness, and (i) will be subordinate and junior in right of payment and in liquidation to all of our present and future Senior Indebtedness, (ii) will rank *pari passu* without preference among themselves and with all of our present and future other unsecured subordinated preferred indebtedness and (iii) will be senior to subordinated non-preferred indebtedness and all classes of our equity or capital stock.
Redemption	**WE MAY NOT REDEEM THE NOTES, IN WHOLE OR IN PART, OTHER THAN AS DESCRIBED BELOW UNDER "OPTIONAL REDEMPTION," "WITHHOLDING TAX REDEMPTION" AND "SPECIAL EVENT REDEMPTION."**
Optional Redemption	**WE HAVE THE OPTION, BUT NO OBLIGATION, UNDER THE INDENTURE TO REDEEM THE NOTES ON THE OPTIONAL CALL DATE ONLY, IN WHOLE (UP TO THE THEN CURRENT**

	PRINCIPAL AMOUNT) OR IN PART, AT PAR PLUS ACCRUED AND UNPAID INTEREST DUE ON, OR WITH RESPECT TO, THE NOTES, PLUS ADDITIONAL AMOUNTS, IF ANY, UP TO THE DATE OF REDEMPTION. **WE MAY REDEEM THE NOTES ONLY IF (I) WE ARE THEN IN COMPLIANCE WITH THE APPLICABLE MEXICAN CAPITALIZATION REQUIREMENTS IN EFFECT ON THE APPLICABLE REDEMPTION DATE, (II) AFTER GIVING EFFECT TO THE REDEMPTION, WE MAINTAIN CAPITAL RATIOS EQUAL TO, OR EXCEEDING, THE THEN-APPLICABLE MINIMUM CAPITAL RATIOS REQUIRED BY THE CNBV IN ACCORDANCE WITH MEXICAN CAPITALIZATION REQUIREMENTS, WHICH AS OF THE DATE OF THIS OFFERING MEMORANDUM ARE (X) 10.5% IN THE CASE OF TOTAL NET CAPITAL (*CAPITAL NETO*), (Y) 7.0% IN THE CASE OF CAPITAL FUNDAMENTAL OR (Z) 8.5% IN THE CASE OF TIER 1 CAPITAL, OR WE ISSUE SECURITIES THAT REPLACE THE NOTES SUCH THAT WE REMAIN IN COMPLIANCE WITH THE MEXICAN CAPITALIZATION REQUIREMENTS, AND (III) WE HAVE OBTAINED THE AUTHORIZATION FROM *BANCO DE MÉXICO* TO REDEEM THE NOTES PRIOR TO OR ON THE APPLICABLE REDEMPTION DATE; *PROVIDED, HOWEVER,* THAT IF AT ANY TIME A TRIGGER EVENT SHALL HAVE OCCURRED, OR A SUSPENSION PERIOD SHALL HAVE COMMENCED AND NOT TERMINATED, THEN WE SHALL HAVE NO OBLIGATION TO REDEEM ANY NOTES CALLED FOR REDEMPTION.**
Withholding Tax Redemption	**WE HAVE THE OPTION UNDER THE INDENTURE TO REDEEM THE NOTES AT ANY TIME PRIOR TO THE MATURITY DATE, IN WHOLE (UP TO THE THEN CURRENT PRINCIPAL AMOUNT) BUT NOT IN PART, AT PAR PLUS ACCRUED AND UNPAID INTEREST DUE ON, OR WITH RESPECT TO, THE NOTES, PLUS ANY ADDITIONAL AMOUNTS, UP TO, BUT EXCLUDING, THE DATE OF REDEMPTION, UPON THE OCCURRENCE OF A WITHHOLDING TAX EVENT AFFECTING THE NOTES. A "WITHHOLDING TAX EVENT" IS THE OCCURRENCE OF CERTAIN CHANGES IN TAX LAW AND THE SATISFACTION OF CERTAIN CONDITIONS AFFECTING THE INTEREST PAYMENTS UNDER THE NOTES.** **IN THE EVENT OF SUCH A WITHHOLDING TAX EVENT, WE MAY REDEEM THE NOTES ONLY IF (I) WE ARE THEN IN COMPLIANCE WITH THE APPLICABLE MEXICAN CAPITALIZATION REQUIREMENTS IN EFFECT ON THE APPLICABLE REDEMPTION DATE, (II) AFTER**

	GIVING EFFECT TO THE REDEMPTION, WE MAINTAIN CAPITAL RATIOS EQUAL TO, OR EXCEEDING, THE THEN-APPLICABLE MINIMUM CAPITAL RATIOS REQUIRED BY THE CNBV IN ACCORDANCE WITH MEXICAN CAPITALIZATION REQUIREMENTS, WHICH AS OF THE DATE OF THIS OFFERING MEMORANDUM ARE (X) 10.5% IN THE CASE OF TOTAL NET CAPITAL (*CAPITAL NETO*), (Y) 7.0% IN THE CASE OF CAPITAL FUNDAMENTAL OR (Z) 8.5% IN THE CASE OF TIER 1 CAPITAL, OR WE ISSUE SECURITIES THAT REPLACE THE NOTES SUCH THAT WE REMAIN IN COMPLIANCE WITH THE MEXICAN CAPITALIZATION REQUIREMENTS, AND (III) WE HAVE OBTAINED THE AUTHORIZATION FROM *BANCO DE MÉXICO* TO REDEEM THE NOTES PRIOR TO OR ON THE APPLICABLE REDEMPTION DATE; *PROVIDED, HOWEVER,* THAT IF AT ANY TIME A TRIGGER EVENT SHALL HAVE OCCURRED, OR A SUSPENSION PERIOD SHALL HAVE COMMENCED AND NOT TERMINATED, THEN WE SHALL HAVE NO OBLIGATION TO REDEEM ANY NOTES CALLED FOR REDEMPTION.
Special Event Redemption	**WE HAVE THE OPTION UNDER THE INDENTURE TO REDEEM THE NOTES AT ANY TIME PRIOR TO THE MATURITY DATE, IN WHOLE (UP TO THE THEN CURRENT PRINCIPAL AMOUNT) BUT NOT IN PART, AT PAR PLUS ACCRUED AND UNPAID INTEREST DUE ON, OR WITH RESPECT TO, THE NOTES, PLUS ADDITIONAL AMOUNTS, UP TO THE DATE OF REDEMPTION, UPON THE OCCURRENCE OF A SPECIAL EVENT AFFECTING THE NOTES. A "SPECIAL EVENT" SHALL MEAN THE OCCURRENCE OF CERTAIN CHANGES IN CAPITAL TREATMENT OR TAX DEDUCTIBILITY OF PAYMENTS UNDER THE NOTES AND THE SATISFACTION OF CERTAIN CONDITIONS.** **IN THE EVENT OF SUCH A SPECIAL EVENT, WE MAY REDEEM THE NOTES ONLY IF (I) WE ARE THEN IN COMPLIANCE WITH THE APPLICABLE MEXICAN CAPITALIZATION REQUIREMENTS IN EFFECT ON THE APPLICABLE REDEMPTION DATE, (II) AFTER GIVING EFFECT TO THE REDEMPTION, WE MAINTAIN CAPITAL RATIOS EQUAL TO, OR EXCEEDING, THE THEN-APPLICABLE MINIMUM CAPITAL RATIOS REQUIRED BY THE CNBV IN ACCORDANCE WITH MEXICAN CAPITALIZATION REQUIREMENTS, WHICH AS OF THE DATE OF THIS OFFERING MEMORANDUM ARE (X) 10.5% IN THE CASE OF TOTAL NET CAPITAL (*CAPITAL NETO*), (Y) 7.0% IN THE CASE OF CAPITAL FUNDAMENTAL OR (Z) 8.5% IN THE CASE OF TIER 1 CAPITAL, OR WE ISSUE SECURITIES**

	THAT REPLACE THE NOTES SUCH THAT WE REMAIN IN COMPLIANCE WITH THE MEXICAN CAPITALIZATION REQUIREMENTS, AND (III) WE HAVE OBTAINED THE AUTHORIZATION *BANCO DE MÉXICO* TO REDEEM THE NOTES PRIOR TO OR ON THE APPLICABLE REDEMPTION DATE; *PROVIDED, HOWEVER,* THAT IF AT ANY TIME A TRIGGER EVENT SHALL HAVE OCCURRED, OR A SUSPENSION PERIOD SHALL HAVE COMMENCED AND NOT TERMINATED, THEN WE SHALL HAVE NO OBLIGATION TO REDEEM ANY NOTES CALLED FOR REDEMPTION.
Suspension Period..	**(1) A SUSPENSION PERIOD WILL COMMENCE AND WE WILL HAVE THE RIGHT TO AND WE WILL DEFER BUT NOT CANCEL (EXCEPT PURSUANT TO ONE OR MORE WRITE-DOWNS) PAYMENT OF INTEREST OTHERWISE DUE ON THE NOTES AND DEFER THE PAYMENT OF PRINCIPAL THEREOF, NEITHER OF WHICH DEFERRALS SHALL CONSTITUTE AN EVENT OF DEFAULT, IF (I) ANY OF OUR CAPITAL RATIOS DECLINES BELOW THE MINIMUM PERCENTAGE REQUIRED, FROM TIME TO TIME, BY THE MEXICAN CAPITALIZATION REQUIREMENTS (A "CAPITAL RATIOS EVENT") OR (II) THE CNBV INSTITUTES ANY PREVENTIVE OR CORRECTIVE MEASURE AGAINST US PURSUANT TO EITHER ARTICLE 121 OR ARTICLE 122 OF THE MEXICAN BANKING LAW OR ANY SUCCESSOR PROVISIONS (INCLUDING THE CORRESPONDING RULES SET FORTH UNDER THE GENERAL RULES APPLICABLE TO MEXICAN BANKS) THAT REQUIRES DEFERRING OR CANCELING PAYMENTS OF INTEREST AND PRINCIPAL OTHERWISE DUE ON THE NOTES IF WE ARE CLASSIFIED AS CLASS III (OR EQUIVALENT CLASSIFICATION UNDER ANY SUCCESSOR PROVISIONS) OR BELOW UNDER THE MEXICAN CAPITALIZATION REQUIREMENTS (EACH, A "MEXICAN REGULATORY EVENT").** **(2) NEITHER THE OCCURRENCE NOR THE CONTINUANCE OF A SUSPENSION PERIOD SHALL GIVE RISE TO AN EVENT OF DEFAULT UNDER THE INDENTURE OR THE NOTES.** **(3) SUBJECT TO THE OCCURRENCE OF ONE OR MORE WRITE- DOWNS, A SUSPENSION PERIOD SHALL TERMINATE AND THE PAYMENT OF INTEREST DUE ON THE NOTES AND PAYMENT OF PRINCIPAL THEREOF WILL RESUME WHEN THE RELATED MEXICAN REGULATORY EVENT HAS TERMINATED, TO THE EXTENT DESCRIBED IN THIS OFFERING MEMORANDUM IN THE SECTION "DESCRIPTION OF THE NOTES—SUSPENSION PERIOD."** **(4) UNLESS ALL PAYABLE ACCRUED INTEREST**

	AND ANY ADDITIONAL AMOUNTS ON THE NOTES HAVE BEEN PAID OR BEEN CANCELLED PURSUANT TO ONE OR MORE WRITE-DOWNS, FOLLOWING TERMINATION OF SUCH SUSPENSION PERIOD, WE SHALL NOT (I) DECLARE OR PAY ANY DIVIDENDS OR DISTRIBUTIONS ON, OR REDEEM, PURCHASE, ACQUIRE OR MAKE A LIQUIDATION PAYMENT WITH RESPECT TO, ANY OF OUR CAPITAL STOCK (WHICH INCLUDES COMMON AND PREFERRED STOCK); (II) MAKE ANY PAYMENT OF PREMIUM, IF ANY, OR INTEREST ON OR REPAY, REPURCHASE OR REDEEM ANY OF OUR DEBT SECURITIES THAT RANK *PARI PASSU* WITH OR JUNIOR IN RIGHT OF PAYMENT AND IN LIQUIDATION TO THE NOTES; OR (III) TO THE EXTENT ANY SUCH GUARANTY IS PERMITTED UNDER APPLICABLE LAW, MAKE ANY GUARANTY PAYMENTS WITH RESPECT TO ANY GUARANTY BY US OF THE DEBT SECURITIES OF ANY OF OUR SUBSIDIARIES IF SUCH GUARANTY RANKS *PARI PASSU* WITH OR JUNIOR IN RIGHT OF PAYMENT AND IN LIQUIDATION TO THE NOTES; *PROVIDED, HOWEVER*, THAT THE FOREGOING SHALL NOT APPLY TO THE EXTENT THAT WE OBTAIN PRIOR REGULATORY CONSENT FOR ANY ACTION THAT WOULD OTHERWISE BE PROHIBITED.
Deferral of Interest and Deferral of Principal Payments During a Suspension Period..	**WE HAVE THE RIGHT TO AND WILL DEFER BUT NOT CANCEL (EXCEPT PURSUANT TO ONE OR MORE WRITE-DOWNS) THE PAYMENT OF INTEREST DUE ON THE NOTES AND DEFER BUT NOT CANCEL (EXCEPT PURSUANT TO ONE OR MORE WRITE-DOWNS) THE PAYMENT OF PRINCIPAL THEREOF FOR THE DURATION OF ANY SUSPENSION PERIOD. IN THE EVENT OF A DEFERRAL OF PAYMENT OF INTEREST ON THE NOTES OR DEFERRAL OF PAYMENT OF PRINCIPAL THEREOF, WE WILL NOTIFY THE HOLDERS OF THE NOTES AND THE TRUSTEE IN ACCORDANCE WITH THE PROCEDURES DESCRIBED IN THE INDENTURE. PAYMENTS OF INTEREST DUE ON THE NOTES WILL BE CUMULATIVE, SO THAT IN THE EVENT THAT PAYMENTS OF INTEREST ARE DEFERRED DURING A SUSPENSION PERIOD AND SUBJECT TO THE OCCURRENCE OF ONE OR MORE WRITE-DOWNS, HOLDERS OF THE NOTES WILL HAVE THE RIGHT TO RECEIVE FOLLOWING THE TERMINATION OF THE SUSPENSION PERIOD ALL INTEREST ACCRUED PRIOR TO AND DURING A SUSPENSION PERIOD, BUT NOT PAID AS A RESULT OF SUCH SUSPENSION PERIOD IN EFFECT ON THE RELEVANT INTEREST PAYMENT DATE(S) ON WHICH SUCH**

	PAYMENTS WOULD HAVE BEEN PAYABLE, AND THESE INTEREST PAYMENTS WILL BE PAYABLE (WITHOUT ANY INTEREST ON SUCH PREVIOUSLY ACCRUED INTEREST) ON THE DATE THAT IS 12 BUSINESS DAYS AFTER THE DATE ON WHICH SUCH SUSPENSION PERIOD ENDS, EXCEPT TO THE EXTENT SUCH PRINCIPAL IS CANCELLED PURSUANT TO ONE OR MORE WRITE-DOWNS. IF A SUSPENSION PERIOD EXISTS ON THE MATURITY DATE, PAYMENT OF PRINCIPAL WILL BE DEFERRED WITH INTEREST UNTIL THE DATE THAT IS 12 BUSINESS DAYS AFTER THE DATE ON WHICH SUCH SUSPENSION PERIOD ENDS. WHEN A SUSPENSION PERIOD IS NO LONGER IN EFFECT, WE WILL NOTIFY THE HOLDERS OF THE NOTES IN ACCORDANCE WITH THE PROCEDURES DESCRIBED IN THE INDENTURE. IF A WRITE-DOWN OCCURS, THE WRITTEN-DOWN PRINCIPAL, AND ANY INTEREST ACCRUED WITH RESPECT THERETO DURING ANY SUSPENSION PERIOD, WILL BE CANCELLED.
Events of Default; No Acceleration Except in Case of Certain Events Involving, Liquidation or Dissolution	An “Event of Default” is defined in the Indenture as (i) a default in the payment of interest or Additional Amounts, if applicable, due and payable in respect of any of the Notes, unless such payment of interest or Additional Amounts is deferred as a result of a Suspension Period, and such default continues for a period of 30 calendar days; (ii) a default in the timely payment of the principal of the Notes, when the same shall become due and payable, other than during a Suspension Period; (iii) a payment by us, during a Suspension Period, of dividends or other distributions in respect of our capital stock; or (iv) certain events involving our liquidation (including *liquidación or resolución*), or dissolution. **FOR THE AVOIDANCE OF DOUBT, THE OCCURRENCE OF ONE OR MORE WRITE-DOWNS SHALL NOT CONSTITUTE AN EVENT OF DEFAULT.** Upon the occurrence of an Event of Default, holders of the Notes may have limited enforcement remedies, as described in this offering memorandum. The payment of the principal, interest and other amounts due on or with respect to the Notes may be accelerated only upon the occurrence of an Event of Default described in (iv) above (a “Liquidation Event of Default”). There is no right of acceleration of the payment of principal of the Notes upon the occurrence of any of the other Events of Default noted above, including a default in the payment of principal or interest. In addition, holders of the Notes may have no enforcement remedies for an Event of Default upon the occurrence of a Trigger Event and related Write-Down.
Voting Rights	None
Use of Proceeds	We intend to use the net proceeds of the issuance of the

	Notes to strengthen our capital and for general corporate purposes
Payment of Additional Amounts	All payments made by or on our behalf in respect of the Notes will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, levies, imposts, assessments or governmental charges of whatever nature, imposed or levied by or on behalf of Mexico, the United States, or any other jurisdiction through which payments are made (each a "Relevant Jurisdiction") or any authority or agency therein or thereof having power to tax (collectively, "Relevant Tax") unless the withholding or deduction of such Relevant Tax is required by law. In that event, subject to certain exceptions and limitations as described in "Description of the Notes—Payment of Additional Amounts," we will pay as further distributions of interest and principal such additional amounts ("Additional Amounts") as may be necessary so that the net amounts received by the holders or beneficial owners of the Notes or their nominees (collectively, holders) after such withholding or deduction will equal the amount which would have been received in respect of the Notes in the absence of such withholding or deduction, to the extent described in this offering memorandum in "Description of the Notes—Payment of Additional Amounts." We will also pay any stamp, administrative, court, documentary, excise or similar taxes arising in a Relevant Jurisdiction in connection with the Notes and will indemnify the holders for any such taxes paid by the holders.
Listing	Application will be made to have the Notes listed on the Official List of the Irish Stock Exchange and admitted to trading on the Global Exchange Market of the Irish Stock Exchange.
Governing Law	**THE INDENTURE AND THE NOTES WILL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK. WHETHER A TRIGGER EVENT (LEADING TO A WRITE-DOWN) OR A MEXICAN REGULATORY EVENT (LEADING TO A SUSPENSION PERIOD) HAS OCCURRED IS BASED UPON A DETERMINATION BY THE APPLICABLE MEXICAN REGULATOR, AS SET FORTH IN THIS OFFERING MEMORANDUM, IN ACCORDANCE WITH MEXICAN LAW (AS AMENDED FROM TIME TO TIME). WHETHER A WITHHOLDING TAX EVENT OR A TAX EVENT HAS OCCURRED IS BASED UPON A DETERMINATION IN ACCORDANCE WITH MEXICAN LAW (OR OTHER APPLICABLE LAW IN THE CASE OF A WITHHOLDING TAX EVENT INVOLVING A JURISDICTION OTHER THAN MEXICO), AS AMENDED FROM TIME TO TIME, EVIDENCED BY AN OPINION OF A NATIONALLY RECOGNIZED LAW FIRM AND, IF REQUIRED, A CERTIFICATION BY US. WHETHER A CAPITAL**

	EVENT HAS OCCURRED IS DETERMINED BY US, AS SET FORTH IN THIS OFFERING MEMORANDUM, IN ACCORDANCE WITH MEXICAN LAW (AS AMENDED FROM TIME TO TIME). THE RANKING AND SUBORDINATION OF THE NOTES, WILL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, MEXICAN LAW (AS AMENDED FROM TIME TO TIME). WE WILL WAIVE ANY RIGHTS WE MAY HAVE UNDER THE LAW OF THE STATE OF NEW YORK NOT TO GIVE EFFECT TO ANY SUCH DETERMINATION TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW. ANY PROCEEDINGS IN RESPECT OF OUR L*IQUIDACIÓN OR RESOLUCIÓN* WILL BE CONDUCTED IN ACCORDANCE WITH THE MEXICAN BANKING LAW, AND ANY MERGER OR CONSOLIDATION SHALL BE SUBJECT TO APPLICABLE APPROVALS UNDER THE MEXICAN BANKING LAW AND ANY OTHER APPLICABLE MEXICAN LAWS, AS AMENDED FROM TIME TO TIME.
Form and Denomination	The Notes have been issued in minimum denominations of U.S. $200,000 and integral multiples of U.S. $1,000 in excess thereof and the Notes will initially be represented by global notes.
Securities Identification Numbers	144A ISIN: US05533U AE82 144A CUSIP: 05533UAE8 Reg S ISIN: USP16259AL02 Reg S CUSIP: P16259 AL0

RISK FACTORS

Prospective purchasers of the Notes should carefully read this entire offering memorandum. Purchasers should consider, among other things, risk factors with respect to Mexican banks and other corporations not normally associated with investments in other countries and other issuers, including those set forth below.

Risks Relating to our Business

We have been, and may continue to be, adversely affected by U.S. and international financial market and economic conditions.

In recent years, the global economy underwent a period of slowdown and unprecedented volatility and was adversely affected by a significant lack of liquidity, loss of confidence in the financial sector, disruptions in the credit markets, reduced business activity, rising unemployment, decline in interest rates and erosion of consumer confidence. Some uncertainty remains concerning the future global economic environment. The global economic slowdown and the U.S. economic slowdown in particular have negatively impacted the Mexican economy and have adversely affected our business. The current situation of the global financial markets, especially as a result of the slow recovery of the United States economy, the ability of certain member states of the European Union to pay or refinance their debt, may have a negative impact on the global and local economy, and consequently our business, financial condition and results of operations. We cannot predict if the actions taken in the United States, Europe and elsewhere in the world to address this situation will be successful in reducing the severity or duration of the economic instability. There is no assurance when such conditions will ameliorate. In addition, recent downgrades of certain banking institutions in these regions, including BBVA, have caused volatility in the capital markets. Further adverse changes affecting the European economy, and the Spanish economy more specifically, could adversely affect the BBVA Group. Such events could affect the perception of our brand among clients, which could, in turn, have an impact on our results of operations.

In particular, we may face, among others, the following risks related to the economic downturn:

- We potentially face increased regulation of our industry. Compliance with such regulation may increase our costs and limit our ability to pursue business opportunities.
- The process we use to estimate losses inherent in our credit exposure requires complex judgments, including forecasts of economic conditions and how these economic conditions might impair the ability of our borrowers to repay their loans. The degree of uncertainty concerning economic conditions may adversely affect the accuracy of our estimates, which may, in turn, impact the reliability of the process.
- The value of the portfolio of investment securities that we hold may be adversely affected.
- A worsening of the foregoing conditions may delay the recovery of the financial industry and impact our financial condition.

If all or some of the foregoing risks were to materialize, this could have an adverse effect on us.

Intensified competition may adversely affect us, including our operational margin.

The Mexican financial sector is highly competitive. Our main competitors are Banco Nacional de Mexico, S.A., or Banamex, a subsidiary of Citigroup, Inc., Banco Santander (México) S.A., a subsidiary of Banco Santander Central Hispano, S.A., HSBC Mexico, S.A., a subsidiary of HSBC, Banco Mercantil del Norte, S.A., or Banorte, and Scotiabank Inverlat, S.A., or Scotiabank, a subsidiary of The Bank of Nova Scotia.

Pursuant to the requirements of the North American Free Trade Agreement, or NAFTA, and the Free Trade Agreement between Mexico and the European Union (*Tratado de Libre Comercio entre los Estados Unidos Mexicanos y la Comunidad Europea y sus Estados Miembros*), and the Free Trade Agreement between Mexico and Japan (*Acuerdo para el fortalecimiento de la Asociación Económica entre los Estados Unidos Mexicanos y el*

Japón), non-Mexican financial institutions incorporated in the United States, Canada, member states of the European Union, Japan and other countries that have entered into a free trade agreement with Mexico are now permitted to establish subsidiary financial groups, banks, broker-dealers and other financial entities in Mexico. According to the CNBV, as of June 30, 2014, Mexico's ten largest domestic banks, measured in terms of assets, held 87% of the total assets in the Mexican banking system. Six of these ten banks are foreign-owned.

We expect consolidation to continue in the Mexican financial services industry and a stronger competition which may come through mergers and acquisitions or the entry of new players. The Ministry of Finance (SHCP) has granted a number of banking licenses for the establishment and operation of several new banking institutions and is likely to continue granting banking licenses to new participants.

In addition, legal and regulatory reforms in the Mexican banking industry have also increased competition among banks and among other financial institutions. We believe that the Mexican Government's policies of adopting market-oriented reforms in the financial industry have brought greater competition. As financial sector reform continues, foreign financial institutions, some with greater resources than us, have entered and may continue to enter the Mexican market either by themselves or in partnership with existing Mexican financial institutions and compete with us. There can be no assurance that we will be able to compete successfully with such domestic or foreign financial institutions or that increased competition will not have a substantial adverse effect on our competitive edge.

Mexican Government regulations may adversely affect us, including the value of our assets which may be impaired due to regulatory initiatives and procedures.

As a financial institution, we are subject to extensive regulation, including regulation by *Banco de México*, the CNBV and the SHCP, which materially affects our businesses. Statutes, regulations and policies to which we are subject, in particular those relating to the banking sector and financial institutions, may be changed at any time, and the interpretation and the application of those laws and regulations by regulators is also subject to change. On January 10, 2014, the amendments to several laws that regulate the Mexican financial system were published in the Federal Official Gazette, in particular the Mexican Banking Institutions Law (*Ley de Instituciones de Crédito*), which governs our business and operations. Pursuant to the amendments to the Mexican Banking Institutions Law, the CNBV will issue new regulations and guidelines which could adversely affect our business or the results of our operations. See "The Mexican Financial Industry" for a discussion of the governmental authorities that regulate us.

Any legislative or regulatory actions and any required changes to our business operations resulting from such legislation and regulations could result in significant loss of revenue, limit our ability to pursue certain business opportunities, affect the value of assets that we hold, require us to increase our prices and, therefore, reduce demand for our products, impose additional costs on us or otherwise adversely affect our businesses. Accordingly, there can be no assurance that future changes in regulations or in their interpretation or application will not adversely affect us.

Changes in regulations may also cause us to face increased compliance costs and limitations on our ability to pursue certain business opportunities and provide certain products and services. Since certain of the banking laws and regulations, including the regulations implementing Basel III, have only recently been adopted in Mexico, the application of those laws and related regulations to the operations of financial institutions is still evolving. No assurance can be given generally that laws or regulations will be adopted, enforced or interpreted in a manner that will not have a material adverse effect on our business and results of operations.

We are subject to capital adequacy requirements adopted by the CNBV which provide for a minimum ratio of total capital to risk-weighted loans, assets and operations of 8%, although 10% is the minimum to avoid any precautionary measures being adopted by the CNBV. Any failure by us to maintain this ratio will result in administrative actions or sanctions which may affect our ability to fulfill our obligations, including losing our banking license.

In December 2010, the Basel Committee on Banking Supervision, or the Basel Committee, reached agreement on comprehensive changes to the capital adequacy framework, known as Basel III. A revised version of Basel III was published in June 2011. Basel III is intended to raise the resilience of the banking sector by increasing both the quality and quantity of the regulatory capital base and enhancing the risk coverage of the capital framework. Among other things, Basel III introduces new eligibility criteria for common equity Tier 1, additional Tier 1 and Tier 2 capital instruments that are intended to raise the quality of regulatory capital, and increases the amount of regulatory capital that institutions are required to hold. Basel III also requires institutions to maintain a capital conservation buffer above the minimum capital ratios in order to avoid certain capital distribution constraints. The capital conservation buffer, to be comprised of common equity Tier 1 capital, would result in an effective common equity Tier 1 capital requirement of 7 percent of risk-weighted assets. In addition, Basel III directs national regulators to require certain institutions to maintain a counter-cyclical capital buffer during periods of excessive credit growth. Basel III introduces a leverage ratio for institutions as a backstop measure, to be applied alongside current risk-based regulatory capital requirements. The changes in Basel III are intended to be phased in gradually between January 2013 and January 2022.

The CNBV issued amendments to the capitalization requirements, which became effective on January 1, 2013 and implemented Basel III in all material respects.

Effective management of our capital position is important to our ability to operate our business, to continue to grow organically and to pursue our business strategy. However, as these changes to the regulatory capital framework and other changes are implemented or future changes are considered or adopted that limit our ability to manage our balance sheet and capital resources effectively or to access funding on commercially acceptable terms, we may experience a material adverse effect on our financial condition and regulatory capital position.

In addition to the changes to the capital adequacy framework published in December 2010 described above, the Basel Committee also published its global quantitative liquidity framework, comprising the Liquidity Coverage Ratio, or LCR, and Net Stable Funding Ratio, or NSFR, metrics, with objectives to (1) promote the short-term resilience of banks' liquidity risk profiles by ensuring they have sufficient high-quality liquid assets to survive a significant stress scenario; and (2) promote resilience over a longer term by creating incentives for banks to fund their activities with more stable sources of funding on an ongoing basis. The LCR was subsequently revised by the Basel Committee in January 2013, which included an amended definition of high-quality liquid assets and a revised timetable for the phase-in of the standard from 2015 to 2019, as well as some technical changes to some of the stress scenario assumptions. The final framework to be established in Mexico could differ from Basel III in certain respects. The implementation date of the LCR is expected in 2015.

The implementation and maintenance of enhanced liquidity risk management systems may result in significant costs, and more stringent requirements to hold liquid assets may materially affect our lending business as more funds may be required to acquire or maintain a liquidity buffer, thereby reducing future profitability.

Current Loan loss reserves requirements in Mexico differ from those in the United States and other countries.

Except for loans to the Mexican Government, *Banco de México*, IPAB and certain international organizations, we are required to classify each loan or type of loan according to an assessment of risk based on criteria set forth by Mexican banking regulations and to establish corresponding reserves. The criteria to establish reserves include both qualitative and quantitative factors. Mexican banking regulations relating to loan classification and determination of loan loss reserves are generally different and may be less stringent than those applicable to banks in the United States and certain other countries. In 2009, the CNBV approved new rules for provisions for loan losses of the credit card loan portfolio according to expected loss methodology. These rules allow banks to use additional objective and subjective factors in determining loan loss reserves. If the rules applicable in the United States were applicable in Mexico today, the level of our loan loss reserves may be required to be higher than the reserves currently recorded.

We may be required or deem it necessary to increase our loan loss reserves in the future. Increasing loan loss reserves could adversely affect our results of operations and financial position and our ability to pay amounts due on the Notes.

Liquidity risks may materially and adversely affect us.

Many Mexican banks have suffered severe liquidity problems from time to time since December 1994, particularly in connection with refinancing short-term U.S. dollar liabilities in the international capital markets.

We anticipate that our customers will continue, in the near future, to make short-term deposits (particularly demand deposits and short-term time deposits), and we intend to maintain our emphasis on the use of banking deposits as a source of funds. The short-term nature of this funding source could cause liquidity problems for us in the future if deposits are not made in the amounts we expect or are not renewed.

We cannot assure you that liquidity problems will not affect the Mexican banking system in the future or that liquidity constraints will not affect us in the future. While we expect to be able to pay or refinance our projected liabilities, we cannot assure you that we will be able to repay our liabilities or refinance our liabilities on favorable terms.

Currency and interest rate risks may materially and adversely affect us.

We are exposed to currency risk any time that we hold an open position in a currency other than pesos and to interest rate risk to the extent we have an interest rate repricing gap or carry interest-earning securities having fixed real or nominal interest rates. Such currency and interest rate risks include, among others, the risk that our trading income may not be as strong as in prior periods and thus causes a decrease in our net income. Because of the volatility in peso exchange rates and interest rates in Mexico, the risks associated with such positions may be greater than in certain other countries. Our foreign currency liabilities are subject to regulation by *Banco de México* when determining limits to our regulatory capital. Although we follow various risk management procedures in connection with our trading and treasury activities, we cannot assure that we will not experience losses with respect to these positions in the future, any of which could have an adverse effect on us.

Failure to successfully implement and continue to improve our credit risk management system could have a material adverse effect on us.

As a commercial bank, one of the main types of risks inherent in our business is credit risk. We may not be able to improve our credit risk management system so that it can function effectively. For example, an important feature of our credit risk management system is to employ an internal credit rating system to assess the particular risk profile of a customer. As this process involves a detailed analysis of the customer or credit risk, taking into account both quantitative and qualitative factors, it is subject to human error. In exercising their judgment, our employees may not always be able to assign an accurate credit rating to a customer or credit risk, which may result in our exposure to higher credit risks than indicated by our risk rating system. In addition, we have been trying to refine our credit policies and guidelines to address potential risks associated with particular industries or types of customers, such as affiliated entities and group customers. However, we may not be able to timely detect these risks before they occur, or due to limited resources or tools available to us, our employees may not be able to effectively implement them, which may increase our credit risk. As a result, failure to effectively implement, consistently follow or continuously refine our credit risk management system may result in a higher risk exposure for us, which could materially and adversely affect us.

If we are unable to effectively control the level of non-performing or poor credit quality loans in our current loan portfolio and in new loans we extend in the future, or if our loan loss reserves are insufficient to cover actual loan losses, this may have a material adverse effect on us.

Non-performing or low credit quality loans can negatively impact our results of operations. We cannot assure you that we will be able to effectively control and reduce the number of impaired non-performing loans in our loan portfolio. In particular, the amount of our reported non-performing loans may increase in the future as a result of growth in our loan portfolio or factors beyond our control, such as the impact of macroeconomic trends and political events affecting Mexico or events affecting certain industries. In addition, while we believe our current loan loss reserve is adequate to cover all loan losses in our loan portfolio, our current loan loss reserves may prove to be inadequate to cover an increase in the amount of non-performing loans or any future deterioration in the overall credit quality of our loan portfolio. As a result, if our credit quality deteriorates we may be required to increase our loan loss reserves, which may adversely affect us. Moreover, there is no precise method for predicting loan and credit losses, and we cannot assure you that our loan loss reserves are or will be sufficient to cover actual losses. If we are unable to control or reduce the level of our non-performing or poor credit quality loans, we could be materially and adversely affected.

Our loan and investment portfolios are subject to risk of prepayment, which could have a material and adverse effect on us.

Our loan and investment portfolios are subject to the risk of prepayment as result of the ability of a borrower or issuer to pay a debt obligation prior to maturity. Typically, in a declining interest rate environment, prepayment activity increases, which reduces the weighted average lives of our earning assets and could have a material and adverse effect on us. We would also be required to amortize net premiums into income over a shorter period of time, which would lower the corresponding asset yield and net interest income.

We are exposed to risks faced by other financial institutions, and in particular, financial institutions in the Eurozone.

We routinely transact with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual funds, hedge funds and other institutional clients. Defaults by, and even rumors or questions about the solvency of, certain financial institutions and the financial services industry generally have led to market-wide liquidity problems and could lead to losses or defaults by other financial institutions. Many of the routine transactions we enter into expose us to significant credit risk in the event of default by one of our significant counterparties. For example, the financial health of a number of European governments was shaken by the European sovereign debt crisis in 2011, contributing to volatility of the capital and credit markets, and the risk of contagion throughout and beyond the Eurozone remains, as a significant number of financial institutions throughout Europe have substantial exposures to sovereign debt issued by nations which are under considerable financial pressure. These liquidity concerns have had, and may continue to have, an adverse effect on interbank financial transactions in general. Should any of these nations default on their debt, or experience a significant widening of credit spreads, major financial institutions and banking systems throughout Europe could be destabilized. A default by a significant financial counterparty, or liquidity problems in the financial services industry generally, could have a material and adverse effect on us.

We may be required to make significant contributions to IPAB.

IPAB manages the bank savings protection system and the financial support granted to banks in Mexico. Under Mexican law, banks are required to make monthly contributions to IPAB to support its operations that are equal to 1/12 of 0.4% (the annual rate) multiplied by the average of certain liabilities minus the average of certain assets. Mexican authorities impose regular assessments on banking institutions covered by IPAB for funding. We contributed to IPAB Ps. 242 million in 2011, Ps. 2,858 million in 2012, Ps. 3,003 million in 2013, and Ps. 1,633 million in the first six months of 2014. In the event that IPAB's reserves are insufficient to manage the Mexican bank savings protection system and provide the necessary financial support required by troubled banking institutions, IPAB maintains the right to require extraordinary contributions of participants in the system that we may be required to make. Such extraordinary contributions would increase our expenses and could have a material adverse effect on us.

We may need additional capital in the future, and may not be able to obtain such capital on acceptable terms, or at all.

In order for us to grow, remain competitive, enter into new businesses, or meet regulatory capital adequacy requirements, we may require new capital in the future. Moreover, we may need to raise additional capital in the event of large losses in connection with any of our activities that result in a reduction of our stockholders' equity. Our ability to obtain additional capital in the future is subject to a variety of uncertainties, including:

- our future financial position, results of operations and cash flows;
- any necessary government regulatory approvals;
- general market conditions for capital-raising activities by commercial banks and other financial institutions; and
- economic, political and other conditions in Mexico and elsewhere.

We may not be able to obtain additional capital in a timely manner or on acceptable terms or at all.

Reductions in our credit ratings or those of any of our subsidiaries could increase our cost of borrowing funds and make our ability to raise new funds, attract deposits or renew maturing debt more difficult.

Our credit ratings are an important component of our liquidity profile. Among other factors, our credit ratings are based on the financial strength, credit quality and concentrations in our loan portfolio, the level and volatility of our earnings, our capital adequacy, the quality of management, the liquidity of our balance sheet, the availability of a significant base of core retail and commercial deposits, and our ability to access a broad array of wholesale funding sources. Our lenders and counterparties in derivatives transactions are sensitive to the risk of a ratings downgrade. A downgrade in our credit ratings or those of our subsidiaries could increase the cost of refinancing our existing obligations, raising funds in the capital markets or of borrowing funds from private lenders.

We are subject to market, operational and other related risks associated with our derivative transactions that could have a material adverse effect on us.

We enter into derivative transactions for trading and hedging purposes. We are subject to market and operational risks associated with these transactions, including basis risk (the risk of loss associated with variations in the spread between the asset yield and the funding and/or hedge cost) and credit or default risk (the risk of insolvency or other inability of the counterparty to a particular transaction to perform its obligations thereunder, including providing sufficient collateral).

In addition, in connection with Mexican domestic derivative transactions, Mexican courts have had limited experience in dealing with issues related to derivative transactions, as most disputes have typically been resolved through negotiations among Mexican financial institutions. As a result, the outcome of disputes regarding derivatives reaching the Mexican judicial system are not fully predictable.

Our ability to adequately monitor, analyze and report derivative transactions continues to depend, to a great extent, on our information technology systems, which further increases the risks associated with these transactions and could have a material adverse effect on us.

The retail banking market is exposed to macroeconomic shocks that could negatively impact household income and consumer demand, and a downturn in the economy could result in increased loan losses.

One of our main strategies is to focus on the retail banking sector and to grow our retail loan portfolio rapidly. Demand for the loan products we offer depends on economic conditions, including GDP growth rates, inflation, unemployment, the cost of energy and other necessities, the ability of consumer credit, interest rates, consumer confidence, retail trends and foreign currency exchange rates. These economic conditions are beyond our control. If economic conditions worsen, demand for our consumer goods will likely decline. A decline in demand for consumer goods would also reduce demand for our durable goods loans. A decline in demand for consumer goods would also likely reduce demand for our payroll loans, to the extent those loans are used to finance consumer purchases. As a result, our loan portfolio may become increasingly vulnerable to macroeconomic shocks that could negatively impact the household income of our retail customers and, result in increased loan losses. Furthermore, because the penetration of bank lending products in the Mexican retail sector historically has been low, there is little basis on which to evaluate how the retail sector will perform in the event of an economic crisis, such as a recession or a significant currency devaluation. Consequently, our historical loan loss experience may not be indicative of the performance of our loan portfolio in the future. By the end of 2009, we saw our consumer performing loan portfolio decrease significantly by 20.5%, in nominal annual terms. Also, our mortgage performing portfolio decreased from a nominal annual growth of 7.6% in December 2008 to 1.4% by December 2009. Such declines were closely related to an increase in unemployment and what we perceive to be a negative macroeconomic environment. During 2010, Mexico's GDP grew by 5.1% and our total performing loan portfolio increased 12.0%, evidencing the strong correlation between the macroeconomic environment and our banking activities. In 2011, the relationship between the macroeconomic environment and our loan portfolio continued as Mexico's GDP grew 4.0% and our total performing loan portfolio grew 7.9. By the end of 2012, Mexico's GDP grew by 3.9% and our total performing loan portfolio increased by 5.2%. In 2013, we saw our consumer performing loan portfolio increase by 8.2% in nominal terms as compared to December 2012 and our mortgage performing portfolio increase by 3.3%. The portfolio's growth in 2013 was lower than in 2012 (13.9% and 4.2% as compared to December 2011 for the consumer and mortgage portfolio, respectively) because of a lower employment and a lower economic activity growth. By June 2014, such relationship continued as Mexico's GDP grew 1.7% and our performing loan portfolio grew 8.3%.

Our increasing focus on individuals and small and medium-sized businesses could lead to higher levels of non-performing loans and subsequent charge-offs.

As part of our business strategy, we are seeking to increase lending and other services to individuals and to small and medium-sized companies. By the end of June 2014, small- and medium-size companies represented 28.2% of the total loan portfolio to firms. This share was higher than the 26.3% registered in June 2013. Individuals and small and medium-sized companies are, however, more likely than large corporations and high-income individuals who have greater resources to be adversely affected by downturns in the Mexican economy. Consequently, in the future we may experience higher levels of non-performing loans, which could result in higher provisions for loan losses. There can be no assurance that the levels of non-performing loans and subsequent charge-offs will not be materially higher in the future.

Our businesses rely heavily on data collection, processing and storage systems, the failure of which could effect of our risk management and internal control systems the result of which will have a material adverse effect on us.

All of our main businesses are highly dependent on the ability to timely collect and process a large amount of financial and other information across numerous and diverse markets and products at our various branches, at a time when transaction processes have become increasingly complex, with increasing volume. The proper functioning of financial control, accounting or other data collection and processing systems is critical to our businesses and to our ability to compete effectively. A partial or complete failure of any of these primary systems could materially and adversely affect our decision-making process and our risk management and internal control systems, as well as our timely response to changing market conditions. If we cannot maintain an effective data collection and management system, our business operations, financial position and results of operations could be materially and adversely affected.

Furthermore, we are dependent on information systems in order to process transactions, respond to customer inquiries on a timely basis and maintain cost-efficient operations. We may experience operational problems with our information systems as a result of system failures, viruses, computer "hackers" or other causes. Any material disruption or slowdown of our systems could cause information, including data related to customer requests, to be lost or to be delivered to our customers with delays or errors, which could reduce demand for our services and products and could materially and adversely affect our financial position and results of operations. Our operational risk division is in charge of measuring, managing and mitigating the risks related to negligence, fraud or human error.

Any failure to effectively improve or upgrade our information technology infrastructure and management information systems in a timely manner could have a material adverse effect on us.

Our ability to remain competitive will depend in part on our ability to upgrade our information technology on a timely and cost-effective basis. We must continually make significant investments and improvements in our information technology infrastructure in order to remain competitive. In addition, we may experience difficulties in upgrading, developing and expanding our information technology systems quickly enough to accommodate our growing customer base. Any failure to effectively improve or upgrade our information technology infrastructure and management information systems in a timely manner could materially and adversely affect our competitiveness, financial position and results of operations.

The Financial Statements included in this offering memorandum have been prepared and are presented in accordance with Mexican Banking GAAP, which is significantly different from U.S. GAAP.

The Financial Statements included in this offering memorandum have been prepared and are presented in accordance with Mexican Banking GAAP. Significant differences exist between Mexican Banking GAAP and U.S. GAAP, which are material to the Financial Statements and other financial information included in this offering memorandum. We have made no attempt to identify or quantify the impact of those differences in this offering memorandum. In making an investment decision, you must rely upon your own examination of us, the terms of this offering and the financial information included in this offering memorandum. You should consult your own professional advisors for an understanding of the differences between Mexican Banking GAAP and U.S. GAAP, and how those differences might affect the financial information included in this offering memorandum. See "Annex A—Significant Differences Between Mexican Banking GAAP and U.S. GAAP."

We may not be able to detect money laundering and other illegal or improper activities fully or on a timely basis, which could expose us to additional liability and have a material adverse effect on us.

We are required to comply with applicable anti-money laundering, anti-terrorism laws and other regulations in Mexico. These laws and regulations require us, among other things, to adopt and enforce "know your customer" policies and procedures and to report suspicious and large transactions to the applicable regulatory authorities. See "Supervision and Regulation—Money Laundering Regulations." While we have adopted policies and procedures aimed at detecting and preventing the use of our banking network for money laundering activities and by terrorists and terrorist-related organizations and individuals generally, such policies and procedures have in some cases only been recently adopted and may not completely eliminate instances in which we may be used by other parties to engage in money laundering or other illegal or improper activities. To the extent we may fail to fully comply with applicable laws and regulations, the relevant government agencies to which we report have the power and authority to impose fines and other penalties on us. In addition, our business and reputation could suffer if customers use us for money laundering or illegal or improper purposes.

Risks Relating to Mexico and Other Markets

Economic and political developments in Mexico could affect Mexican economic policy and our business, financial condition and results of operations.

We are a Mexican bank and most of our operations and assets are located in Mexico. As a result, our business, financial condition and results of operations may be affected by the general condition of the Mexican economy, the devaluation of the peso as compared to the U.S. dollar, price instability, inflation, changes in oil prices, interest rates, regulation, taxation, social instability and other political, social and economic developments in or affecting Mexico over which we have no control.

The Mexican Government has exercised, and continues to exercise, significant influence over the Mexican economy and occasionally makes significant changes in policies, laws and regulations. The Mexican Government's actions to control inflation and other policies and regulations historically have involved, among other measures, increases in interest rates, changes in tax policies, price controls, currency fluctuations, capital controls and limits on imports. Mexican Government actions concerning the economy and regulation of certain industries, including the banking sector, could have a significant effect on Mexican private sector entities in general, and us in particular, and on market conditions, prices and returns on Mexican securities, including our securities.

Presidential and federal congressional elections in Mexico were held in July 2012. The candidate from the Partido Revolucionario Institucional ("PRI") Enrique Peña Nieto won the presidential election and took office on December 1, 2012. The change in administration has resulted in changes in governmental and economic policies and further changes may be expected through Mr. Peña Nieto's term, which could adversely affect economic conditions in Mexico or the sector in which we operate and therefore could have an adverse effect on us.

Adverse economic conditions in Mexico may have a material adverse effect on us.

Most of our operations are dependent upon the performance of the Mexican economy, mainly on matters such as peso-dollar parity, price volatility and inflation, interest rates, regulation, taxation, social instability and other political, social and economic developments in or affecting Mexico, over which we have no control. In the past, Mexico has experienced both prolonged periods of weak economic conditions and deterioration in economic conditions that have had a negative impact on us. We cannot assume that such conditions will not return or that such conditions will not have a material and adverse effect on us.

In 2008, Mexico's GDP grew 1.4% and inflation was 5.1% on average. Mexico entered into a recession in the fourth quarter of 2008. During 2009 GDP fell by 4.7% and inflation reached 5.3% on average. In 2010, GDP grew 5.1% and inflation was 4.2% on average. In 2011, GDP grew by 4.0% and inflation was 3.4% on average.

During 2012 GDP grew 3.9% and inflation reached 4.1% on average. In 2013, GDP grew 1.1% and inflation was 3.8% on average. In the first half of 2014, GDP grew 1.7% and inflation was 3.9% on average.

Mexico also has, and is expected to continue to have, high real and nominal interest rates. The annualized interest rates on 28-day *Certificados de la Tesorería de la Federación* ("*Cetes*"), averaged approximately 7.7%, 4.5%, 4.4%, 4.2%, 4.2%, 3.8% and 3.2% for 2008, 2009, 2010, 2011, 2012, 2013 and the first six months of 2014, respectively. Relative to the U.S. dollar, considering year average, the peso depreciated by 1.9% in 2008, depreciated by 21.3% in 2009, appreciated by 6.5% and by 1.6% in 2010 and in 2011, respectively, depreciated by 5.9% in 2012, appreciated by 3.7% in 2013, each in nominal terms. During the first six months of 2014, the peso depreciated 0.8% with respect to December 2013. Accordingly, to the extent that we incur peso-denominated debt in the future, it could be at high interest rates.

Decreases in the growth rate of the Mexican economy, periods of negative growth and/or increases in inflation or interest rates may result in lower demand for our services and products, lower real pricing for our services and products or a shift to lower margin services and products. Because a large percentage of our costs and expenses are fixed, we may not be able to reduce costs and expenses upon the occurrence of any of these events, and our profit margins may suffer as a result.

Depreciation or fluctuation of the peso relative to the U.S. dollar and other currencies can adversely affect us.

Severe devaluation or depreciation of the Mexican peso may limit our ability to transfer pesos or to convert pesos into U.S. dollars and other currencies and may have an adverse effect on our financial condition, results of operations and cash flows in future periods by, for example, increasing, in peso terms, the amount of our foreign currency-denominated liabilities and the rate of default among our borrowers.

In 2009, as a result of the negative economic conditions in the United States and other parts of the world, local and international markets experienced high volatility, which contributed to the devaluation of the peso. Considering year-end exchange rates, in 2010, the peso appreciated by 5.4% as compared to the U.S. dollar. In 2011, the peso depreciated by 13.1% as compared to the U.S. dollar. In 2012, the peso appreciated by 6.9% as compared to the U.S. dollar. In 2013, the peso depreciated 0.5% as compared to the U.S. dollar. During the first six months of 2014, on average, the peso has depreciated 0.8% relative to the U.S. dollar. In the past, the Mexican Government has implemented a series of measures to limit the volatility of the peso. However, we cannot assure you that such measures will be applied in the future or will be effective if applied or how such measures will impact the Mexican economy.

Severe devaluation or depreciation of the peso may also result in government intervention, as has occurred in other countries, or disruption of international foreign exchange markets. While the Mexican Government does not currently restrict the right or ability of Mexican or foreign persons or entities to convert pesos into U.S. dollars or to transfer other currencies outside of Mexico, the Mexican Government could enact restrictive exchange control policies in the future. There are no current restrictions to convert pesos into U.S. dollars. The exchange rate is determined only by supply and demand as a result of a floating regime. Devaluation or depreciation of the peso against the U.S. dollar may also materially and adversely affect us.

Developments in other countries may adversely affect us and the prices of our debt securities.

Economic and market conditions in other countries may, to varying degrees, affect the market value of securities of Mexican companies. Although economic conditions in other countries may differ significantly from economic conditions in Mexico, investors reactions to developments in other countries may have an adverse effect on the market value of securities of Mexican companies. For example, during 2007 and 2008, prices of both Mexican debt and equity securities decreased substantially as a result of the global financial crisis. The Dow Jones Industrial Average index fell by 36% from its average level in July 2007 to its January 2009 average level, while Mexico's stock exchange index (IPC) fell by 35% in the same period.

In addition, in recent years economic conditions in Mexico have become increasingly correlated to economic conditions in the United States as a result of the NAFTA and increased economic activity between the two countries, which was highlighted during the economic crisis affecting the United States. The Mexican economy continues to be heavily influenced by the U.S. economy and, therefore, the termination of NAFTA and/or deterioration of economic conditions in the U.S. may hinder Mexico's economic prospects. We cannot assure you that the events in other emerging market countries, in the United States or elsewhere will not adversely affect our business, financial position and results of operations.

Our corporate disclosures may be different or less substantial than those of issuers in other countries.

Issuers of securities in Mexico are required to make public disclosures that are different and that may be less substantial than disclosures required in countries with highly developed capital markets. In addition, accounting and other reporting principles and standards for credit and other financial institutions in Mexico and the financial results reported using such principles and standards may differ substantially from those results that would have been obtained using other principles and standards, such as U.S. GAAP. See "Annex A—Significant Differences Between Mexican Banking GAAP and U.S. GAAP."

Risks Relating to the Notes

The Notes will be unsecured and subordinated and rank junior in right of payment and in liquidation to all of our present or future senior indebtedness.

The Notes constitute our subordinated preferred indebtedness (*obligaciones subordinadas preferentes*), will be subordinated and junior in right of payment and in liquidation to all of our senior indebtedness, and will rank pari passu without preference among themselves with all our other subordinated preferred indebtedness. No payment of principal (including redemption payments), premium, if any, or interest on the Notes may be made at any time when (i) any senior indebtedness is not paid when due and any applicable grace period with respect to such default has ended and such default has not been cured or waived or ceased to exist, or (ii) the maturity of any senior indebtedness has been accelerated because of a default.

By reason of the subordination of the Notes, in the case of certain events involving bankruptcy, liquidation or dissolution, although the Notes would become immediately due and payable at their principal amount together with accrued interest thereon, our assets would be available to pay such amounts only after all of our senior indebtedness have been paid in full. As of June 30, 2014, we had, on a consolidated basis, an aggregate of approximately Ps. 3,240 million of senior long-term indebtedness outstanding. The Indenture will not limit our ability to incur additional senior indebtedness and subordinated preferred indebtedness from time to time. See "Description of the Notes—Subordination."

Interest and principal payments to be made by us under the Notes will be deferred if any of our Capital Ratios has declined below the Capital Ratios required under the Mexican Capitalization Requirements, or if a Mexican Regulatory Event has occurred and is continuing.

Under the Rules for Capitalization, capital securities issued by us will be taken into account when assessing our risk-weighted capital adequacy. In order for the subordinated debentures represented by the Notes to qualify as our capital, the "Description of the Notes" section provides that interest and principal payments will be deferred, on the correspondent payment dates, if any of our Capital Ratios declines below the minimum percentage required from time to time by the Mexican Capitalization Requirements (as of the date of this offering memorandum, the minimum percentage required in order for the CNBV not to require the deferral of interest of subordinated debt such as the Notes is 8%) or if any Mexican Regulatory Event has occurred and is continuing. See "Description of the Notes—Treatment of Interest and Principal During a Suspension Period."

Payments of interest due on the Notes will be cumulative, so that in the event that payments of interest cease during a Suspension Period, holders of the Notes will have the right to receive any amount of unpaid interest at the end of such Suspension Period. See "Description of the Notes—Treatment of Interest and Principal During a Suspension Period." Notwithstanding the foregoing, there can be no guarantee that holders of the Notes will receive payments of interest in respect of the Notes that are deferred in connection with a Suspension Period. Any suspension of payments due to our failure to maintain Capital Ratios equal to or greater than the minimum percentage required under the Mexican Capitalization Requirements would have a material adverse effect on our ability to make scheduled payments under the Notes.

The U.S. federal income tax consequences of an investment in the Notes are uncertain. Holders are urged to read the more detailed discussion of the U.S. federal income tax treatment of the Notes under "Taxation—Certain United States Federal Income Tax Considerations."

No statutory, judicial or administrative authority directly addresses the characterization for U.S. federal income tax purposes of the Notes or instruments with a similar Write-Down feature. As a result, significant aspects of the U.S. federal income tax consequences of an investment in the Notes are not certain. However, the Notes are more likely than not to be treated as our equity (rather than debt) for U.S. federal income tax purposes, and we intend, absent a change in law, to so treat the Notes. Treatment of the Notes as debt for U.S. federal income tax purposes would significantly change the tax treatment of the Notes in ways that are potentially adverse to holders. See "*Taxation—Certain United States Federal Income Tax Considerations—Possible Alternative Treatment of the Notes*" below. Holders are urged to consult their tax advisors concerning the U.S. federal income tax consequences of an investment in the Notes.

The Notes may be written down to zero, causing holders of the Notes to irrevocably waive their rights to claim or receive repayment of the principal amount of the Notes.

If a Trigger Event occurs (including as a result of our Capitalization Ratio falling below 4.5%), interest on the Notes will cease to accrue and the outstanding principal amount of the Notes will be written down in an aggregate amount as described in this offering memorandum without the possibility of any future write-up or reinstatement of principal and holders of the Notes will automatically be deemed to have irrevocably waived their right to claim or receive repayment of the written-down principal amount of the Notes then outstanding, and any unpaid interest and any additional amounts with respect thereto. Any such Write-Down will be irrevocable and holders would not receive any of our shares or the shares of our affiliates or be entitled to any subsequent write-up or any other form of compensation in the event of a Write-Down. As a result, holders would lose all or a portion, as the case may be, of their investment in the Notes and will have no right to repayment by us of the written-down amount. See "Description of the Notes—Write Down."

The circumstances surrounding or triggering a Write-Down are unpredictable and may be caused by factors not fully within the Bank's control.

The occurrence of a Trigger Event and a resulting Write-Down, is inherently unpredictable and may depend on a number of factors, any of which may be outside of our control. The determination as to whether a Trigger Event has occurred will partially depend on the calculation of our Capitalization Ratio and whether such ratio has fallen below 4.5%. Fluctuations in our Capitalization Ratio may be caused by changes to Mexican Capitalization Requirements and applicable accounting rules, among other external factors.

Due to the uncertainty regarding whether a Trigger Event will occur in the future, it will be difficult to predict when, if at all, a Write-Down may occur. In addition, any disclosure that our Capitalization Ratio is moving towards the level which would cause the occurrence of a Trigger Event may have an adverse effect on the market price and liquidity of the Notes.

If we do not satisfy our obligations under the Notes, whether due to a Write-Down or otherwise, your remedies will be limited.

Payment of principal on the Notes may be accelerated only in specified instances involving our liquidation or dissolution. There is no right of acceleration in the case of a default in the performance of any of our covenants, including a default in the payment of principal or interest. See "Description of the Notes—Treatment of Interest and Principal During a Suspension Period" and "Description of the Notes—Events of Default, Notice and Waiver."

Even if the payment of principal on the Notes is accelerated due to our liquidation or dissolution, our assets will be available to pay those amounts only after:

- all of our senior obligations have been paid in full as described in "Description of the Notes—Subordination"; and
- we are actually declared bankrupt or are dissolved or put into liquidation for purposes of Mexican law.

As a result, recoveries on the Notes may be substantially limited.

The Notes are subject to redemption in the event of specified changes affecting the treatment of Notes under the Rules for Capitalization or changes affecting the tax treatment of the Notes.

Upon the occurrence and continuation of certain specified changes affecting the tax treatment of the Notes or treatment of the Notes as capital securities under the Rules for Capitalization, as described under "Description of the Notes—Redemption—Withholding Tax Redemption" and "Description of the Notes—Redemption—Special Event Redemption," we will have the option under the Indenture for the Notes to redeem the Notes, at any time prior to the Maturity Date, in whole (but not in part) subject to any regulatory requirements.

The interest rate of the Notes will reset on the Optional Call Date, which can be expected to affect the interest payment on the Notes and the market value on the Notes.

Subject to deferral during any Suspension Period and to one or more Write-Downs, the Notes will bear interest on the Current Principal Amount from time to time outstanding from, and including, the Issue Date to, but excluding the Optional Call Date, at a fixed rate set forth on the cover of this offering memorandum. However, from, and including, the Optional Call Date, to, but excluding, the Maturity Date, the interest rate will reset to a rate, which will equal the sum of the then-prevailing Treasury Yield and the fixed spread determined at the pricing of this offering. This reset rate could be less than the initial interest rate and could affect the market value of the Notes.

The rating of the Notes may be lowered or withdrawn depending on various factors, including the rating agencies' assessments of our financial strength and Mexican sovereign risk.

The rating of the Notes addresses the likelihood of payment of principal at their maturity. The rating also addresses the timely payment of interest on each payment date. The rating of the Notes is not a recommendation to purchase, hold or sell the Notes, and the rating does not comment on market price or suitability for a particular investor. We cannot assure you that the rating of the Notes will remain for any given period of time or that the rating will not be lowered or withdrawn. An assigned rating may be raised or lowered depending, among other things, on the respective rating agency's assessment of our financial strength, as well as its assessment of Mexican sovereign risk generally. On February 24, 2012 as part of a review of 15 Mexican and Brazilian banking groups. Moody's placed our stand-alone, deposit and debt ratings on review for downgrade. On March 4, 2014, following the improvement of market conditions in the Euro Zone, Moody's upgraded the long-term and stand-alone ratings of BBVA to Baa2, with a positive outlook, and C-, with a stable outlook, respectively. On February 12, 2014, Moody's upgraded our long-term foreign currency rating to A3 with a stable outlook and confirmed the stand-alone rating in C- with an upgrade of the outlook to positive.

The non-payment of funds by any of our subsidiaries could have a material and adverse effect on our business, financial condition, results of operations and ability to pay amounts due in respect of our debt, including the Notes.

Our cash flow and our ability to service debt depend in part on the cash flow and earnings of our subsidiaries and the payment of funds by those subsidiaries to us in the form of loans, interest, dividends or otherwise. The subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due under the terms of the Notes or to make any funds available for such purpose. Furthermore, claims of creditors of such subsidiaries, including trade creditors of such subsidiaries, will have priority over our creditors, including the holders of the Notes, with respect to the assets and cash flow of such subsidiaries. Any right we may have to receive assets of any of our subsidiaries upon their liquidation or reorganization (and the consequent right of the holders of Notes to participate in those assets) will be effectively subordinated to the claims of that subsidiary's creditors.

Our Capital Ratios are affected by business decisions made by us and our shareholders and, in making such decisions, these interests may not be aligned with those of the holders of Notes offered hereby.

The Notes being offered hereby have terms that are affected by the extent to which we are in compliance with Mexican Capitalization Requirements. See "Description of Notes". Our Capital Ratios could be affected by a number of factors, including business decisions taken by us in coordination with our controlling shareholder, Grupo

Financiero BBVA Bancomer. In this regard, our business strategy and operations may depend on the decisions of Grupo Financiero BBVA Bancomer or its parent BBVA (the "BBVA Group") relating to its overall business, including its Mexican operations carried on by us, as well as the overall management of our and the BBVA Group's consolidated capital position. We have no obligation to consider the interests of the holders of the Notes offered hereby (or any other series of our indebtedness that may be outstanding) in connection with overall strategic decisions of the BBVA Group, including in respect of capital management, regardless of whether they result in the occurrence of a Trigger Event or Suspension Period. In addition, holders will not have any claim against us or our shareholders relating to decisions that affect the business and operations of the BBVA Group, including its capital position, regardless of whether they result in the occurrence of any event that causes a suspension or cancellation of amounts due in respect of the Notes offered hereby. In addition, notwithstanding the applicability of any one or more of the conditions set out above that would result in amounts due in respect of the Notes not being paid or being paid only in part, there will be no restriction on our paying dividends on our ordinary shares or making pecuniary or other distributions to the holders of our ordinary shares, including our controlling shareholder, Grupo Financiero BBVA Bancomer, assuming that we are in compliance with Mexican Capitalization Requirements. Such decisions could cause holders of the Notes offered hereby to lose all or part of the value of their investment in the Notes.

There is no existing market for the Notes and one may not develop in the future; thus it may be difficult to resell your Notes.

Application has been made to have the Notes listed on the Official List of the Irish Stock Exchange and to have the Notes admitted for trading on the Global Exchange Market of the Irish Stock Exchange, although no assurance can be given that such listing will be accomplished. The Notes constitutes a separate and new issue of securities with no established trading market. In addition, in the event there are changes in the listing requirements, we may conclude that continued listing on the Irish Stock Exchange is unduly burdensome. See "General Information." No assurance can be given as to (1) the liquidity of any markets that may develop for the Notes, (2) whether an active public market for the Notes will develop, (3) your ability to sell your Notes (or beneficial interests therein) or (4) the price at which you will be able to sell your Notes, as the case may be. In addition, the Notes have not been registered under the Securities Act and will be subject to transfer restrictions. See "Transfer Restrictions."

We have not and will not register the Notes with the Mexican National Securities Registry maintained by the CNBV and therefore we may not publicly offer the Notes or sell the Notes, nor can they be the subject of brokerage activities in Mexico, except that we may offer the Notes in Mexico to institutional and qualified investors pursuant to the private placement exemption set forth in Article 8 of the Mexican Securities Market Law. Future trading prices of the Notes will depend on many factors including, among other things, prevailing interest rates, our operating results, and the market for similar securities. The initial purchasers have informed us that they may make a market in the Notes. However, the initial purchasers are not obligated to do so and any such market-making activity may be terminated at any time without notice to you. In addition, such market-making activity will be subject to the limits of the Securities Act. If an active public trading market for the Notes does not develop, the market price and liquidity of the Notes may be adversely affected. See "Plan of Distribution." In addition, trading or resale of the Notes (or beneficial interests therein) may be negatively affected by other factors described in this offering memorandum arising from this transaction or the market for securities of Mexican issuers generally.

Holders of Notes may find it difficult to enforce civil liabilities against us or our directors, officers and controlling persons.

We are organized under the laws of Mexico. Most of our directors, officers and controlling persons reside outside of the United States. In addition, all or a substantial portion of our assets and their assets are located outside of the United States. As a result, it may be difficult for holders of Notes to effect service of process within the United States on such persons or to enforce judgments against them, including in any action based on civil liabilities under the U.S. federal securities laws. Based on the opinion of our Mexican internal counsel, there is doubt as to the enforceability against such persons in Mexico, whether in original actions or in actions to enforce judgments of U.S. courts, of liabilities based solely on the U.S. federal securities laws.

Mexican law does not require us to pay our foreign-currency judgments in a currency other than pesos.

Although our obligations to pay U.S. dollars outside Mexico are valid, under Article 8 of the Mexican Monetary Law (*Ley Monetaria de los Estados Unidos Mexicanos*), if proceedings are brought in Mexico seeking to enforce in Mexico our obligations under the Notes, we would not be required to discharge such obligations in Mexico in a currency other than Mexican currency. Pursuant to such Article 8, an obligation that is payable in Mexico in a currency other than Mexican currency may be satisfied in Mexican currency at the rate of exchange in effect on the date and in the place payment occurs. Such rate currently is determined by *Banco de México* every business banking day in Mexico and published the following business banking day in the Federal Official Gazette. It is unclear, however, whether the applicable rate of exchange applied by the Mexican court to determine the Mexican Judgment Currency is the rate prevailing at the time when the judgment is rendered or when the judgment is paid. Provisions that purport to limit our liability to discharge our obligations as described above, or to give any party an additional course of action seeking indemnity or compensation for possible deficiencies arising or resulting from variations in rates of exchange, may not be enforceable in Mexico.

Under the Mexican Banking Law, in the event of the revocation of our license to operate as a bank and consequent liquidation, foreign currency-denominated liabilities would be converted into pesos at the prevailing rate of exchange on the date our license to operate as a bank is revoked.

If we were declared insolvent by the CNBV, we would be liquidated in a court procedure and the holders of the Notes may find it difficult to collect payment on the Notes.

Under the Mexican Banking Institutions Law, if the CNBV declares us insolvent, our authorization to organize and operate as a bank institution will be revoked and a liquidation procedure before a Federal Mexican court will commence, in which by statute the IPAB will be appointed as the receiver (*liquidador judicial*). The Bank would be in liquidation as of the date following the notification by CNBV of the revocation of the authorization to operate and organize as a bank institution and our payment obligations denominated in foreign currency, including the Notes (i) would be converted to Pesos at the exchange rate prevailing at the time such revocation is deemed effective, other than secured debt, (ii) would cease accruing interest to the extent such debt is not secured, (iii) would be paid at the time claims of creditors are satisfied, (iv) would not be adjusted to consider any depreciation of the peso against the U.S. dollar occurring after the liquidation procedure begins. In addition, in the event of our liquidation, Mexican law provides preferential treatment for certain claims, such as those relating to labor, taxes and secured creditors.

USE OF PROCEEDS

Our net proceeds from the issuance of the Notes are estimated to be approximately U.S. $199,000,000. We intend to use the net proceeds of the issuance of the Notes to strengthen our capital and for general corporate purposes.

EXCHANGE RATES AND CURRENCY

Mexico has had a free market for foreign exchange since 1994 and the Mexican Government allows the peso to float against the U.S. dollar. There can be no assurance that the government will maintain its current policies with regard to the peso or that the peso will not depreciate or appreciate significantly in the future.

The following table sets forth, for the periods indicated, the high, low, average and period-end exchange rates published by *Banco de México* in the Federal Official Gazette, expressed in pesos per U.S. dollar. The exchange rates shown below are in nominal pesos that have not been restated in constant currency units.

Period(1)	Low	High	Average(2)	Period-end
	(nominal Ps. per U.S. dollar)			
2009	12.60	15.37	13.51	13.04
2010	12.16	13.18	12.64	12.38
2011	11.50	14.24	12.43	13.98
2012	12.63	14.39	13.17	13.01
2013	11.98	13.44	12.77	13.08
2014				
January	12.99	13.49	13.21	13.37
February	13.19	13.39	13.29	13.23
March	13.08	13.32	13.20	13.05
April	12.96	13.14	13.07	13.09
May	12.85	13.09	12.94	12.86
June	12.86	13.10	12.99	12.97
July	12.93	13.14	12.98	13.22
August	13.05	13.27	13.15	13.07
September	13.08	13.13	13.09	13.43
October (through October 10, 2014)	13.40	13.45	13.43	13.43

(1) Source: *Banco de México*.

(2) Average of daily exchange rates for 2009, 2010, 2011, 2012, 2013, and January through October 10, 2014.

The exchange rate to purchase U.S. $1.00 published by *Banco de México* on June 30, 2014 was Ps. 12.9712 to U.S. $1.00.

The Mexican economy has suffered balance of payment deficits and shortages in foreign exchange reserves in the past. While the Mexican Government, for more than ten years, has not restricted the ability of both Mexican and foreign individuals or entities to convert pesos to U.S. dollars, we cannot assure you that the Mexican Government will not institute restrictive exchange control policies in the future. To the extent that the Mexican Government institutes restrictive exchange control policies in the future, our ability to transfer or convert pesos into U.S. dollars and other currencies for the purpose of making timely payments of interest and principal of indebtedness, including the Notes, would be adversely affected.

DIVIDENDS

We paid dividends of Ps. 20,085 million in 2013, Ps. 21,111 million in 2012 and Ps. 15,564 million in 2011, in each case from our retained earnings.

At the shareholders' meeting held on February 27, 2014, our shareholders approved the distribution of dividends up to an aggregate amount of Ps. 16,450 million and authorized each of the Chairman, Vice-president and the Secretary of our Board of Directors to, individually, take the following actions: (i) decide on the payment of dividends to shareholders on a *pro rata* basis; (ii) determine the amount of each dividend payment, which shall not exceed the total amount of distributable dividends authorized by our shareholders' meeting; (iii) announce the dividend payment dates, and (iv) determine the proportion or ratio of dividend payment for each of our outstanding shares.

The declaration, amount and payment of dividends is determined, subject to the limitations set forth below, by the affirmative vote of a majority of the holders of our common voting shares, substantially all of which are owned by GFBB, which, in turn is controlled by BBVA. We may not declare or pay dividends to GFBB unless we meet the capital ratio requirements under the Mexican Capitalization Requirements. See "Supervision and Regulation." At the shareholders' meeting held on February 27, 2014, we had reached this capitalization requirement, and were entitled to declare and pay dividends. Although no assurance can be given, we expect to continue to be in compliance with these capital ratio requirements during 2014.

Under Mexican law, we are required to allocate 10% of our net income (on an unconsolidated basis and after employee profit sharing and other deductions required by Mexican law) to a legal reserve fund, which is not thereafter available for distribution except as a stock dividend, until the amount of the legal reserve equals our paid-in capital stock. We may pay dividends only out of earnings (including retained earnings after all losses have been absorbed or paid up) and only after such allocation to the legal reserve fund. The reserve fund is required to be funded on a stand-alone basis for each company, rather than on a consolidated basis. The level of earnings available for the payment of dividends is determined under Mexican Banking GAAP. On June 30, 2014, we were in compliance with the regulations pertaining to our legal reserve. Our subsidiaries are required to allocate earnings to their respective legal reserve funds before paying dividends to us, and on February 27, 2014, they were in compliance with this requirement. As of June 30, 2014, we had set aside Ps. 4,963 million in legal reserves compared to paid-in capital stock of Ps. 6,881 million.

CAPITALIZATION

The following table sets forth, as of June 30, 2014, our actual capitalization and our capitalization as adjusted to give effect to the issuance on November 12, 2014 of the Notes, this offering and the use of proceeds therefrom.

The following table should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Use of Proceeds" and our Financial Statements and the notes thereto included elsewhere in this offering memorandum.

	As of June 30, 2014		
	Actual	As Adjusted	
	(millions of Ps.)	(millions of Ps.)	(millions of U.S. $)
Long-term indebtedness			
Bank bonds	65,402	65,402	5,042
Subordinated preferred indebtedness	35,671	35,671	2,750
Subordinated non-preferred indebtedness	28,443	31,027	2,392
Total long-term indebtedness	129,516	132,100	10,184
Stockholders' equity			
Subscribed capital[1]	39,864	39,864	3,073
Earned capital	94,980	94,980	7,322
Subtotal	134,844	134,844	10,395
Non-controlling interest	35	35	3
Total stockholders' equity	134,879	134,879	10,398
Total capitalization[2]	264,395	266,979	20,582

(1) As of June 30, 2014, our authorized capital stock consisted of 9,107,142,859 Series "F" shares and 8,749,999,999 Series "B" shares. Of these shares, 7,728,216,167 Series "F" shares and 7,425,148,865 Series "B" shares were issued and outstanding.

(2) Except as disclosed in this offering memorandum, there has been no material change in our capitalization since June 30, 2014.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The selected consolidated financial information presented below should be read in conjunction with "Presentation of Certain Financial and Other Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations," our Financial Statements and other financial information included elsewhere in this offering memorandum.

Our Financial Statements have been prepared in accordance with Mexican Banking GAAP, which differs in certain important respects from Mexican GAAP and U.S. GAAP. See "Annex A—Significant Differences Between Mexican Banking GAAP and U.S. GAAP."

Unless otherwise specified, in accordance with Mexican Banking GAAP, our Financial Statements and the other financial information presented below are presented in consolidated form. In accordance with Mexican Banking GAAP, we consolidate entities (including special-purpose entities, such as securitized transaction trusts) over which we exercise control. See note 13 to our Audited Financial Statements included elsewhere in this offering memorandum.

Audited Financial Information

The selected annual financial information presented below has been derived from and should be read in conjunction with our Financial Statements included elsewhere in this offering memorandum. Such annual financial information, unless otherwise specified, is presented in nominal pesos.

	For the years ended December 31,					
	2009[1]	2010[1]	2011	2012	2013	2013[2]
	(millions of Ps.)					(millions of U.S. $)
Income Statement Data:						
Interest income	Ps. 99,802	Ps. 88,612	Ps. 94,360	Ps. 102,506	Ps. 103,813	U.S. $7,934
Interest expense	(45,632)	(28,550)	(30,990)	(32,950)	(29,469)	(2,252)
Net interest income	54,170	60,062	63,370	69,556	74,344	5,682
Provision for loan losses	(27,255)	(19,626)	(20,011)	(22,260)	(23,699)	(1,811)
Net interest income after provision for loan losses	26,915	40,436	43,359	47,296	50,645	3,871
Commissions and fees	16,381	17,833	17,586	17,803	19,429	1,484
Trading income	11,352	4,871	4,367	3,626	3,016	231
Other operating income (expense)	102	655	1,313	1,331	(62)	(5)
Operating revenue	54,750	63,795	66,625	70,056	73,028	5,581
Non-interest expense	(32,009)	(35,545)	(37,912)	(41,806)	(43,136)	(3,297)
Operating income	22,741	28,250	28,713	28,250	29,892	2,284
Share in net income (loss) of unconsolidated subsidiaries and affiliates	129	121	187	165	169	13
Income before income taxes	22,870	28,371	28,900	28,415	30,061	2,297
Current income taxes and employee profit sharing	(6,761)	(9,088)	(4,478)	(6,088)	(5,265)	(402)
Deferred income taxes and employee profit sharing	1,644	2,315	(1,958)	(421)	(2,057)	(157)
Income before non-controlling interest	17,753	21,598	22,464	21,906	22,739	1,738
Discontinued operations	694	944	1,012	1,291	8,085	618
Non-controlling interest in consolidated subsidiaries	(1)	(1)	(9)	(4)	1	-
Net income	Ps. 18,446	Ps. 22,541	Ps. 23,467	Ps. 23,193	Ps. 30,825	U.S. $2,356

	As of or for the Years ended December 31,					
	2009[1]	2010[1]	2011	2012	2013	2013[2]
	(millions of Ps. except for percentages)					(millions of U.S. $)
Balance Sheet Data:						
Total assets	Ps. 1,092,966	Ps. 1,096,967	Ps. 1,221,650	Ps. 1,263,699	Ps. 1,371,883	U.S. $ 104,849
Cash and due from Banks	141,656	118,842	115,399	121,568	128,296	9,805
Margin Accounts	5,872	3,478	3,546	3,748	5,671	433
Securities	331,788	293,160	330,657	347,058	383,388	29,301
Total loans	524,392	579,725	629,897	663,854	721,574	55,148
Allowance for loan losses	(26,991)	(25,128)	(24,873)	(27,934)	(27,336)	(2,089)
Deferred taxes, net	6,802	8,731	6,432	6,699	5,478	419
Other assets	109,447	118,159	160,592	148,706	154,812	11,832
Total funding	640,175	719,162	728,292	764,998	809,091	61,837
Deposits (excluding bank bonds)	543,966	572,831	591,988	615,088	655,341	50,086
Bank bonds	45,024	44,619	53,548	56,537	57,244	4,375
Subordinated debt	37,175	41,287	62,450	68,565	64,607	4,938
Interbank loans and loans from other entities	14,010	60,425	20,306	24,808	31,899	2,438
Other liabilities	354,882	269,206	377,895	381,432	437,011	33,399
Total liabilities	995,057	988,368	1,106,187	1,146,430	1,246,102	95,236
Total stockholders' equity	Ps. 97,909	Ps. 108,599	Ps. 115,463	Ps. 117,269	Ps. 125,781	U.S. $ 9,613
Profitability and Efficiency:						
Return on average total assets[3]	1.70%	2.20%	2.21%	2.06%	2.68%	-
Return on average stockholders' equity[3]	19.92%	20.82%	20.24%	19.15%	23.85%	-
Net interest margin[4]	4.86%	5.49%	5.47%	5.60%	5.64%	-
Efficiency ratio[5]	39.08%	42.95%	44.43%	45.95%	44.57%	-
Capitalization:						
Stockholders' equity as a percentage of total assets	9.02%	9.96%	9.52%	9.28%	9.17%	-
Tier 1 Capital as a percentage of risk- weighted assets	11.93%	12.14%	11.34%	11.04%	11.92%	-
Total capital as a percentage of risk- weighted assets	14.92%	15.10%	15.84%	15.84%	15.90%	-
Credit Quality Data:						
Total performing loans	504,555	565,302	610,216	642,168	698,899	53,415
Total non-performing loans	19,838	14,423	19,681	21,686	22,675	1,733
Total loans	524,393	579,725	629,897	663,854	721,574	55,148
Loans graded "C1", "C2", "D" and "E"[6]	51,304	49,627	61,516	73,375	64,343	4,918
Allowance for loan losses	(26,991)	(25,128)	(24,873)	(27,934)	(27,336)	(2,089)
Loan Recovery and Write-offs:						
Non-performing loans—average balance	18,129	17,131	17,052	20,684	22,181	1,695
Non-performing loans written-off	19,675	14,604	22,003	18,588	23,991	1,834
Recoveries in respect of non-performing loans	(355)	(488)	(488)	(606)	(597)	(46)
Recovered amounts as a percentage of average non-performing loans	1.96%	2.85%	2.86%	2.93%	2.69%	-

(1) The financial statements do not consolidate the financial information of Afore Bancomer for comparison purposes.

(2) Translated at the rate of Ps. 13.0843 per U.S. $1.00, the fixed exchange rate published by *Banco de México* in the Federal Official Gazette on December 31, 2013.

(3) See "Selected Statistical Information-Return on Average total assets and average stockholders' equity."

(4) Represents net interest income divided by average total assets. Average total assets are determined on annualized basis, based on the beginning and end of the period.

(5) Efficiency ratio is equal to total non-interest expense as a percentage of the aggregate of net interest income and non-interest income (commission and fees, *plus* trading income *plus* other operating income). For this purpose, net interest income and non-interest income are calculated before provision for loan losses.

(6) See "Selected Statistical Information—Grading of Loan Portfolio."

Unaudited Financial Information

The selected unaudited interim financial information for the six months ended June 30, 2013 and 2014 presented below has been derived from and should be read in conjunction with our Unaudited Financial Statements included elsewhere in this offering memorandum. Such interim financial information, unless otherwise specified, is presented in nominal pesos.

	For the six months ended June 30,		
	2013	2014	2014 (1)
	(millions of Ps.)		(millions of U.S. $)
Income Statement Data:			
Interest income	Ps. 51,002	Ps. 54,823	U.S. $ 4, 226
Interest expense	(14,714)	(13,662)	(1,053)
Net interest income	36,288	41,161	3,173
Provision for loan losses	(11,845)	(12,336)	(951)
Net interest income after provision for loan losses	24,443	28,825	2,222
Commissions and fees	9,308	10,146	782
Trading income	1,538	1,904	147
Other operating income (expense)	(21,235)	(23,323)	(1,798)
Operating revenue	14,054	17,552	1,353
Non-interest expense	211	261	20
Operating income	14,265	17,813	1,373
Earnings before income taxes and employee profit sharing	14,385	17,890	1,379
Share in net income (loss) of unconsolidated subsidiaries and affiliates	120	77	6
Income before income taxes	14,385	17,890	1,379
Current income taxes and employee profit sharing	(3,412)	(5,436)	(419)
Deferred income taxes and employee profit sharing	117	1,187	92
Income before non-controlling interest	19,175	13,641	1,052
Discontinued Operations	8,085	-	-
Non-controlling interest in consolidated subsidiaries	(2)	-	-
Net income	Ps. 19,173	Ps. 13,641	U.S. $ 1,052

	As of the six months ended		
	December 31, 2013	June 30, 2014	June 30, 2014
	(millions of Ps., except for percentages)		(millions of U.S. $)
Balance Sheet Data:			
Total assets	Ps. 1,371,883	Ps. 1,473,044	U.S. $ 113,562
Cash and due from Banks	128,296	111,148	8,569
Margin Accounts	5,671	7,895	609
Securities	383,388	442,962	34,150
Total loans	721,574	734,902	56,656
Allowance for loan losses	(27,336)	(26,948)	(2,078)
Deferred taxes, net	5,478	6,061	467
Other assets	154,812	197,024	15,189
Total funding	809,091	880,806	67,905
Deposits (excluding bank bonds)	655,341	694,879	53,571
Bank bonds	57,244	65,402	5,042
Subordinated debt	64,607	64,114	4,943
Interbank loans and loans from other entities	31,899	56,411	4,349
Other liabilities	437,011	457,359	35,259
Total liabilities	1,246,102	1,338,165	103,164
Total stockholders' equity	Ps. 125,781	Ps. 134,879	U.S. $ 10,398
Profitability and Efficiency:			
Return on average total assets(2)	2.3%	2.0%	2.0%
Return on average stockholders' equity(2)	25.4%	21.0%	21.0%

	As of the six months ended		
	December 31, 2013	June 30, 2014	June 30, 2014
	(millions of Ps., except for percentages)		(millions of U.S. $)
Net interest margin[3]	5.6%	6.0%	6.0%
Efficiency ratio[4]	44.6%	43.8%	43.8%
Capitalization:			
Stockholders' equity as a percentage of total assets	9.2%	9.2%	9.2%
Tier 1 Capital as a percentage of risk- weighted assets	11.9%	12.1%	12.1%
Total capital as a percentage of risk- weighted assets	15.9%	15.7%	15.7%
Credit Quality Data:			
Total performing loans	698,899	712,478	54,928
Total non-performing loans	22,675	22,425	1,729
Total loans	721,574	734,903	56,657
Loans graded "C," "D" and "E"	64,343	66,141	5,099
Allowance for loan losses	(27,336)	(26,948)	(2,078)
Loan Recovery and Write-offs:			
Non-performing loans— average balance	22,181	22,897	1,765
Non-performing loans written-off	23,991	-	-
Recoveries in respect of non-performing loans	597	-	-
Recovered amounts as a percentage of average non-performing loans	2.7%	0.0%	0.0%

(1) Translated at the rate of Ps. 12.9712 per U.S. $1.00, the fixed exchange rate published by *Banco de México* in the official Gazette of the Federation on June 30, 2014.

(2) Determined on an annualized basis, based on beginning- and end-of-period balances.

(3) Represents net interest income divided by average total assets. Average total assets are determined on an annualized basis, based on beginning- and end-of-period balances.

(4) Efficiency ratio is equal to total non-interest expense as a percentage of the aggregate of net interest income and non-interest income (commission and fees, plus trading income plus other operating income). For this purpose, net interest income and non-interest income are calculated before provision for loan losses.

Other Financial Data and Ratios

The selected financial data and ratios presented below have been derived from and should be read in conjunction with our Financial Statements, together with the notes thereto, and the other financial information included elsewhere in this offering memorandum.

	As of or for the Years ended December 31,				
	2009[1]	2010[1]	2011	2012	2013
Credit Quality Ratios:					
Allowance for loan losses as a percentage of total loans	5.15%	4.33%	3.95%	4.21%	3.79%
Allowance for loan losses as a percentage of total non-performing loans[1]	136.06%	174.22%	126.38%	128.81%	120.56%
Allowance for loan losses as a percentage of loans graded "C1", "C2", "D" and "E"[1]	52.61%	50.63%	40.43%	38.07 %	42.49%
Total non-performing loans as a percentage of total loans	3.78%	2.49%	3.12%	3.27%	3.14%
Net non-performing loans[3] (total non-performing loans less allowance for loan losses) as a percentage of net total loans (net performing loans plus net non-performing loans)	1.38%	1.88%	0.83%	0.95 %	0.65%
Net non-performing loans[3] (total non-performing loans less allowance for loan losses) as a percentage of stockholders' equity	7.31%	9.86%	4.50%	5.33%	3.71%
Provision for loan losses as a percentage of average total loans	5.04%	4.72%	4.13%	4.08%	3.99%
Charge-offs (net of recoveries) as a percentage of average total loans	3.02%	3.03%	2.95%	3.05%	2.99%
Loans graded "C1", "C2", "D" and "E" as a percentage of total loans[2]	9.78%	8.56%	9.77%	11.05%	8.92%

(1) The financial statements do not consolidate the financial information of Afore Bancomer for comparison purposes. See "Business through subsidiaries and affiliates—AFORE BBVA Bancomer."

(2) See "Selected Statistical Information—Grading of Loan Portfolio."

(3) Non U.S. GAAP measure

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The financial information presented in this section should be read in conjunction with our Financial Statements included elsewhere in this offering memorandum. Our Financial Statements have been prepared in accordance with Mexican Banking GAAP, which differs in significant respects from Mexican GAAP and U.S. GAAP. For a discussion of significant differences between Mexican Banking GAAP and U.S. GAAP, see "Annex A—Significant Differences Between Mexican Banking GAAP and U.S. GAAP." No reconciliation of any of our Financial Statements to U.S. GAAP has been prepared for this offering memorandum. Any such reconciliation could result in material quantitative differences. See "Presentation of Certain Financial and Other Information."

Economic Environment

In 2011, the Mexican economy maintained its cyclical expansion reaching 4.0% for GDP growth. This positive outcome was mainly due to supportive external environment and domestic stability: (i) anchored inflation at minimum levels (3.4% on average); (ii) macro policies oriented to avoid current account or fiscal imbalances and, a confidence factor for financial markets and, (iii) free exchange rate policy, that acts as a buffer to balance external shocks.

In 2012, the Mexican economy continued its cyclical recovery and as a result Mexico's GDP increased by 3.9% in real terms. The positive outcome was mainly driven by a supportive external demand (the US economy grew 2.8% in real terms, driving exports 5.6% in real terms) and a favorable performance of private domestic demand, with private consumption and investment expanding 4.4% and 7.9% in real annual seasonally-adjusted terms, respectively. The inflation rate in Mexico in 2012 was 4.1% on average, 0.7 percentage points higher than in 2011.

In 2013, the Mexican economy grew 1.1%, the lowest expansion since 2009. Following the economic contraction in the first six months of 2013, the economy recovered in the second half of the year, but slowed down in the last quarter, expanding just 0.2% on a quarterly seasonally-adjusted basis. A weakening external demand due to a slower pace of US growth during the year (1.8% in 2013 vs. 2.8% in 2012), delays in the execution of public expenditures, and unusually strong flooding in the country contributed to the decreased rate of growth in 2013. The inflation rate in Mexico in 2013 was 3.8% on average, 0.3 percentage points lower than during 2012.

In the first six months of 2014, the Mexican economy grew only 1.7% on an annualized basis, mainly as a result of the slow-down of the U.S. economy during the first quarter of 2014, as well as an increase in taxes as a result of the recently passed fiscal reform in Mexico and a decline in oil production. Primarily as a result of this tax increase, inflation increased to 4.5% in January 2014 and averaged 3.9% in the first six months of 2014.

Effect of Tax Legislation

On November 1, 2013, the Mexican Congress approved several tax reforms that became effective as of January 1, 2014. These reforms included changes to the Income Tax Law (*Ley del Impuesto sobre la Renta*), Value Added Tax (*Ley del Impuesto al Valor Agregado*) and the Mexican Federal Tax Code (*Código Fiscal de la Federación*), and the repeal of the Single Rate Corporate Tax law (*Ley del Impuesto Empresarial a Tasa Única*) and the Tax Law on Cash Deposits (*Ley del Impuesto a los Depósitos en Efectivo*).

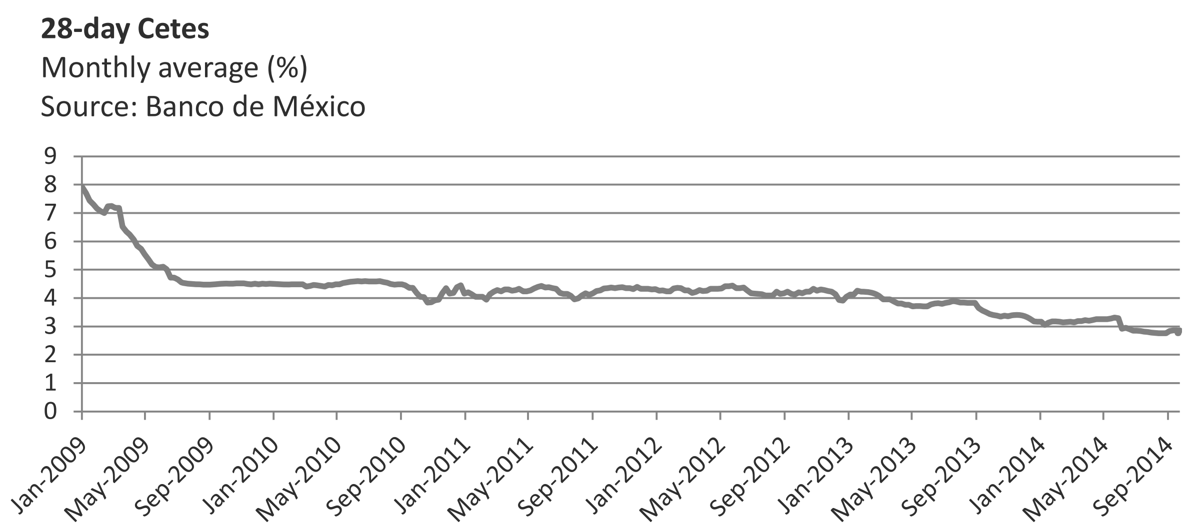
During 2012 and 2013 the Income Tax Law rate applicable to the Bank was 30% and, pursuant to the new Income Tax Law, it will remain the same for the foreseeable future.

Based on financial projections and according to INIF 8 (*Interpretación a las Normas de Investigación Financiera* 8, issued by the *Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera*, or the CINIF) in the section "Effects of the new flat rate business tax," the Bank determined that it will be subject to regular income tax and therefore only recognizes deferred regular income tax.

Effects of Changes in Interest Rates

Interest rate fluctuations in Mexico have a significant effect on our interest income, interest expense and trading income. Changes in market interest rates may lead to temporary repricing gaps between our interest-earning assets and our interest-bearing liabilities. Most of our interest-earning assets and interest-bearing liabilities carry floating interest rates or are subject to frequent repricing. Upward or downward adjustments of the interest rates on our assets and liabilities generally occur approximately every 28 days. The repricing generally limits the effects of net exposures that regularly occur upon movements in interest rates. See "Selected Statistical Information—Interest Rate Sensitivity of Assets and Liabilities." In addition, sustained high interest rate environments have historically discouraged customers from borrowing and have resulted in increased delinquencies in outstanding loans and in a deterioration of asset quality.

During the periods discussed below, the benchmark market interest rate in Mexico was the annual interest rate paid in connection with primary offerings of Cetes, which are Mexican Government peso-denominated treasury bills, with 28-day maturities.



- During 2011, low inflation expectations and positive growth in Mexico without demand pressures on prices, as well as increased liquidity supply contributed to maintain domestic short term interest rates at minimum levels. Interest rates on 28-day *Cetes* averaged 4.2% and interest rates on 91-day *Cetes* averaged 4.4%, as compared with average rates on 28-day and 91-day *Cetes* of 4.4% and 4.6%, respectively, during 2010. Economic fundamentals did not insulate the Mexican economy from the increased volatility in the global financial markets resulting from the fiscal uncertainties in the United States and the ongoing Euro zone crisis.

- During 2012, inflation increased somewhat on average as a result of a transitory change in relative prices in the third quarter (due to an agricultural supply shock), but ended the year at a lower level than in 2011 (3.6% vs. 3.8%) due to lower core inflation which stood at 2.9% by year-end. The continued absence of demand-side inflation pressures largely due to the economic slack along with economic growth deceleration experienced in the middle of 2012, allowed *Banco de México* to maintain its policy interest rate at 4.5%. Interest rates on 28-day *Cetes* averaged 4.2% and interest rates on 91-day *Cetes* averaged 4.4%, the same levels as those observed during 2011.

- During 2013, structural advances in regards to the suppression of inflation expectations gave *Banco de México* the ability to implement a counter-cyclical monetary policy without compromising the convergence process of inflation to the target (3.0% +/- 1pp). In March 2013, the central bank cut the reference rate 50 basis points to 4.0% while "recognizing the achievements in the medium-term inflation abatement." Later in 2013, as the economic downturn deepened, *Banco de México* cut rates 25 basis points in two consecutive meetings, taking the reference rate down to 3.5% in October 2013. Interest rates on 28-day *Cetes* averaged 3.75% and interest rates on 91-day *Cetes* averaged 3.81%, as compared with average rates on 28-day and 91-day *Cetes* of 4.2% and 4.4%, respectively, during 2012.

- During the first six months of 2014, the weakness of the Mexican economy prompted *Banco de México* to cut the reference rate by 50 basis points to 3.0% on June 6, 2014. Interest rates on 28-day *Cetes* averaged 3.2% in the first six months of 2014.

Effects of Restructured Credits

Restructured loans remain classified as non-performing until at least three payments on such loans have been made. Loans restructured under Mexican Government support programs are classified as performing loans. See "Allowance for loan losses—Early termination of debtor support programs."

When we restructure credits, we reclassify current accrued interest, past-due principal and past-due interest as current principal. If the restructuring results in a sufficient improvement in the quality of a credit, we may also maintain a smaller allowance for loan loss with respect to such credit and use any excess allowance to reduce the amount of additional provisions on other credits.

The devaluation of the peso in late 1994 and the subsequent economic crisis in Mexico led to the introduction by the Mexican Government of debtor support programs that had significant effects on us. Substantially all of the outstanding debtor support programs were merged at the beginning of 1999 into a single industry-wide program known as *Punto Final*, which was adopted by the Mexican Government and the Mexican Banking Association in December 1998 and became effective on January 1, 1999.

On July 15, 2010, the Mexican Government and certain credit institutions (with the participation of the Mexican Banking Association) entered into an agreement for the early termination of certain debtor support programs (*"Convenio para extinguir anticipadamente los programas de apoyo para deudores,"* or the "Termination Agreement").

As a result of the international crisis in 2008-2010, the average income of Mexican households decreased by 12.3%. The National Household Income and Expenditure Survey (ENIGH) reported that the quarterly average household income fell from 39,823 pesos (about $ 3,400 dollars) in 2008 to 34,936 pesos (just over of $ 2,900 dollars) in 2010.

In addition, we and many others financial institutions in Mexico, created programs to support our respective retail portfolios, especially the mortgage portfolio, offering alternative payment arrangements to those customers with temporary liquidity problems. These programs, at that time, helped reduce such distressed borrowers' monthly payments by up to 50% for a period of time ranging from six months to four years.

With respect to revolving loans, in 2006 we began offering fixed payment plans and amortizing debt maturities that correspond to the repayment capacity of customers. Consumer credit, on the other hand, will have the balance rescheduled for up to 60 months.

Critical Accounting Policies

The following is a description of certain key accounting policies on which our financial condition and results of operations are dependent. These key accounting policies generally involve complex quantitative analyses or are based on subjective judgments or decisions. In the opinion of our management, the most critical accounting policies under Mexican Banking GAAP are those related to the establishment of allowances for loan losses, valuation of securities and derivatives, valuation of deferred income tax assets and employee retirement obligations. For a full description of our accounting policies, see note 4 to our Financial Statements included elsewhere in this offering memorandum.

Allowances for loan losses

Our allowance for loan losses is maintained in accordance with the rules for the classification and rating of loan portfolios of Mexican banks and the creation of related reserves, or the Loan Classification and Rating Rules, set forth under the General Rules Applicable to Mexican Banks, which require that the commercial, consumer and mortgage loan portfolios must be rated every month.

The allowance for loan losses for our commercial loan portfolio is calculated primarily based on the classification of the loans into prescribed categories. To calculate our commercial loan loss reserve, the Loan Classification and Rating Rules require that we follow a methodology that incorporates an evaluation of the borrower's ability to repay its loan and of the related collateral and guarantees in the loan's rating analysis to estimate a probable loss and define the percentage of necessary reserves. The Loan Classification and Rating Rules allow us to use our own methodology following certain parameters to assign a risk rating to each borrower. The CNBV initially approved our methodology in June 2001, and reapproved it in December 2004, December 2006, December 2008 and December 2010. Although there is an internal methodology, as from June 30, 2013 we are based on the CNBV methodology in which we are required to classify 100% of the aggregate balance of our commercial loans, including all loans with an outstanding balance equal to or greater than 14,000,000 UDIs, as of the classification date. Commercial loans should, at the same time, be classified by sector as Financial Entities, States and Municipalities and Investment Projects or by Sales Volume by Small, Medium or Large Corporations. Once these commercial loans are classified in accordance with the foregoing, we are expected to calculate the expected loss as a result of probability of default, loss severity and exposure at default, based on the parameters established by the CNBV in the applicable annexes of the Unique Bank Agreement. If our analysis of the classification of a commercial loan changes from period to period, then the calculation of the amount of our loan loss reserve will adjust accordingly.

For individual loans, including mortgage and other consumer loans, the loan loss reserve is determined in accordance with a classification based solely on the non-performing status for such loans and prescribed loan loss rates for such classifications. The ratings for these types of loans are performed on a monthly basis.

The determination of the allowance for loan losses, particularly for commercial loans, requires management's judgment. The loan loss reserve calculation that results from using the estimated and prescribed loss percentages may not be indicative of future losses. See "Selected Statistical Information—Grading of Loan Portfolio" and "Selected Statistical Information—Allowance for Loan Losses." Differences between the estimate of the loan loss reserve and the actual loss will be reflected in our financial statements at the time of charge-off.

Because of the changing conditions of our borrowers and the markets in which we operate, it is possible that significant adjustments to the loan loss reserve for changes in estimates of the collectability of loans will be made in the short term.

Securities and derivatives

The balance sheet reflects certain assets and liabilities related to our securities and derivatives portfolio at their estimated fair value. Such amounts are based on either listed market prices or estimated values derived by utilizing dealer quotes or internally generated modeling techniques. As market conditions change, such price vendors generally make adjustments to the fair value of securities and derivatives to reflect those conditions. Future sales of these securities will reflect the market conditions at the time and may differ significantly from the estimated fair market value reflected on the balance sheet, considering that these sales may be realized at a different date.

Deferred income tax assets

The bank has recognized deferred tax assets resulting from the temporal differences between the book value and tax value of assets and liabilities, thus applying the correspondent expected income tax rate applicable at the time of the recovery.

Based on management's projection's, the balance of deferred taxes coming from the allowance for loan losses reserve will be recovered in the short-medium term.

Employee retirement obligations

Our employee retirement obligations include employee pension plans, seniority premium benefits, life insurance payments and severance indemnities. The determination of our obligations and expenses is dependent on our selection of certain assumptions used by actuaries in calculating such amounts. We evaluate our assumptions at least annually. Our assumptions depend on Mexico's economic circumstances.

Following the execution of the employer substitution contract, as of January 1, 2007 all the employees of Bancomer (except the General Director) were transferred to the payroll of BBVA Bancomer Operadora, S.A. de C.V. (formerly GFB Servicios, S.A. de C.V.), ("Operadora"), a GFBB subsidiary. Notwithstanding, these employees will retain all acquired benefits and seniority, and only those not formerly receiving these benefits will be incorporated into a variable compensation program.

In accordance with Mexican Banking GAAP, actual results that differ from our assumptions (actuarial gains or losses) are accumulated and amortized over future periods recognized immediately in the period when they arose, and, therefore, generally affect our recognized expenses and recorded obligations in these future periods. While we believe that our assumptions are appropriate, significant differences in our actual experience or significant changes in our assumptions may materially affect our employees' retirement obligations and our future expenses.

Results of Operations

Six Months ended June 30, 2014 Compared to Six Months ended June 30, 2013

The interim financial information presented in this section for the six months ended June 30, 2013 and 2014 has been derived from and should be read in conjunction with our Unaudited Financial Statements and the notes thereto included elsewhere in this offering memorandum. Such interim financial information, unless otherwise specified, is presented in nominal pesos.

Net interest income

The following table sets forth the components of our net interest income:

	For the Six Months Ended June 30	
	2014	2013
	(millions of Ps.)	
Interest Income		
Interest and fees on loans[(1)]	42,315	39,662
Interest on securities	2,322	1,934
Interest on cash and due from banks	1,633	1,515
Interest on repurchase agreements	7,688	7,039
Interest on margin accounts	72	57
Other	793	796
Total Interest Income	**54,823**	**51,002**
Interest Expense		
Interest on demand deposits	1,980	1,960
Interest on time deposits	1,955	2,427
Bank bonds	1,229	1,295
Interest on interbank loans and loans from other entities	439	346
Interest on subordinated debentures	1,563	2,079
Interest on repurchase agreements[(2)]	6,156	6,297
Other	340	310
Total interest expense	**13,662**	**14,714**
Net interest income	**41,161**	**36,288**

(1) Interest income includes origination fees on loans of Ps. 508 million for the six months ended June 30, 2012 and Ps. 559 million for the six months ended June 30, 2014.

(2) Interest income on repurchase agreements primarily represents interest income on derivatives and securities purchased under agreements to resell in accordance with Mexican Banking GAAP. Interest expense on repurchase agreements represents interest expense on funds received in connection with securities sold under agreements to repurchase in accordance with Mexican Banking GAAP. See "Annex A—Significant Differences Between Mexican Banking GAAP and U.S. GAAP."

Net interest income for the six months ended June 30, 2014 totaled Ps.41,161 million, an increase of 13.4% as compared to the same period of 2013, mainly as a result of higher income from interest and fees on loans, which increased by Ps. 2,653 million, or 6.7% of revenues, due to an increase in the volume of loans during the first six months of 2014 as compared to the same period of 2013.

Interest income

Interest income was Ps. 54,823 million for the six months ended June 30, 2014 compared to Ps. 51,002 million for the six months ended June 30, 2013, an increase of Ps. 3,821 million, or 7.5%. This increase was primarily the result of a year to year increase of our loan portfolio of 11.2% in the first six months of 2014.

Interest and fees on loans were Ps. 42,315 million (77.2% of interest income) for the six months ended June 30, 2014 compared to Ps. 39,662 million (77.8% of interest income) for the six months ended June 30, 2013, an increase of Ps. 2,653 million, or 6.7%, despite lower economic growth in the first six months of 2014. This increase was primarily attributable to an increase in consumer loans, especially in payroll loans which grew 32.6% in annual terms and SME´s, which grew 24.2%.

Interest on securities was Ps. 2,322 million (4.2% of interest income) for the six months ended June 30, 2014 compared to Ps. 1,934 million (3.8% of interest income) for the six months ended June 30, 2013, an increase of Ps. 388 million, or 20.1%. This increase was primarily attributable to an increase of our position in securities, which increased 10.5%.

Interest on repurchase agreements was Ps. 7,688 million (14.0% of interest income) for the six months ended June 30, 2014 compared to Ps. 7,039 million (13.8% of interest income) for the six months ended June 30, 2013, an increase of Ps. 649 million, or 9.2%. This increase was primarily attributable to an increase in the volume of securities.

Interest expense

Interest expense was Ps. 13,662 million (33.2% of net interest income) for the six months ended June 30, 2014, compared to Ps. 14,714 million (40.5% of net interest income) for the six months ended June 30, 2013, a decrease of Ps. 1,052 million, or 7.1%. This decrease was primarily attributable to a decrease of Ps. 516 million, or 17.2%, in interest expense on subordinated debentures due to the reduction of the interest rate between the two periods, while interest expenses on time deposits decreased Ps. 472 million or 19.5% in annual terms, reflecting our the reduction of high cost term deposits as part as our funding strategy.

Interest on time deposits was Ps. 1,955 million (14.3% of interest expense) for the six months ended June 30, 2014 compared to Ps. 2,427 million (16.5% of interest expense) for the six months ended June 30, 2012, a decrease of Ps.472 million, or 19.5%. This decrease was primarily attributable to our funding strategy. In year-end balances, the contribution on time deposits in this mix decreased from 21.3% in June 2013 to 20.4% in June 2014, while the contribution of demand deposits grew from 78.7% in June 2013 to 79.6% in June 2014.

Interest on repurchase agreements was Ps. 6,156 million (45.1% of interest expense) for the six months ended June 30, 2014 compared to Ps. 6,297 million (42.8% of interest expense) for the six months ended June 30, 2013, a decrease of Ps. 141 million, or 2.2%. This decrease reflected the reduction of the interest rates during the previous year.

Provisions

Provisions for loan losses charged against earnings were Ps. 12,336 million for the six months ended June 30, 2014, compared to Ps. 11,845 million for the six months ended June 30, 2013, an increase of Ps.491 million, or 4.1%. This increase in loan loss provisions was primarily attributable to higher volumes in our commercial and consumer loan portfolios. As of the date hereof, we believe our aggregate allowance for loan losses is adequate to cover all known or knowable risks in our portfolios.

Non-interest income

The following table sets forth the components of our non-interest income:

	For the Six Months Ended June 30	
	2014	2013
	(millions of Ps.)	
Commissions and Fees:		
Account management	1,377	1,455
Cash management and fund transfers	1,456	1,540
Credit card	4,360	3,795
ATMs	332	353
Pension fund management	0	1
Trust	124	122
Mutual fund management [(1)]	1,244	1,370
Insurance [(1)]	741	661
Other	512	11
Total Commissions and fees	**10,146**	**9,308**
Trading Income:		
Valuation Result:		
Derivatives	445	(679)
Foreign Currency	(1,354)	(196)
Securities investments	(714)	(1,077)
Total valuation result	**(1,623)**	**(1,952)**
Purchase-sale result:		
Derivatives	(2,821)	2,748
Foreign Currency	856	966
Securities investments	5,492	(224)
Total purchase-sale result	**3,527**	**3,490**
Total trading income (loss), net	**1,904**	**1,538**
Other operating income (expense)	**261**	**211**
Total non-interest income	**12,311**	**11,057**

(1) These are services provided through GFBB affiliates.

Non-interest income, including trading income and other operating income, was Ps. 12,311 million for the six months ended June 30, 2014compared to Ps. 11.057 million for the six months ended June 30, 2013, an increase of Ps. 1,254 million, or 11.3%. This increase was primarily attributable to an increase in fees and commissions in 2014 and a positive result on trading income during the year.

Total commissions and fees were Ps. 10,146 million for the six months ended June 30, 2014 (82.4 % of non-interest income) compared to Ps. 9,308 million for the six months ended June 30, 2013 (84.2% of non-interest income), an increase of Ps. 838 million, or 9.0%. This increase was primarily attributable to an increase of Ps. 565 million, or 14.9%, in our credit card portfolio and an increase of Ps. 501 million in other commissions 2014, given a higher number of correspondence and higher fees on net cash transactions.

Account management fees were Ps. 1,377 million for the six months ended June 30, 2014 (13.6% of total commissions and fees) compared to Ps. 1,455 million for the six months ended June 30, 2013 (15.6% of total commissions and fees), a decrease of Ps. 78 million, or 5.3%. This decrease was attributable to lower fees and commissions charged to our customers.

Cash management and fund transfers fees were Ps. 1,456 million for the six months ended June 30, 2014 (14.4% of total commissions and fees) compared to Ps. 1,540 million for the six months ended June 30, 2013 (16.5% of total commissions and fees), a decrease of 84 million, or 5.5%. This decrease was mainly attributable to an increase in the fees paid, principally because of the interbank payments and higher remittances.

Credit card fees, which include merchant voucher fees, were Ps.4,360 million for the six months ended June 30, 2014 (43.0% of total commissions and fees) compared to Ps. 3,795 million for the six months ended June 30, 2013 (40.8% of total commissions and fees), an increase of Ps. 565 million, or 14.9%. This increase was primarily attributable to a higher number of transactions.

Total trading income was Ps. 1,904 million for the six months ended June 30, 2014 compared to Ps. 1,538 million for the six months ended June 30, 2013, an increase of Ps. 366 million, or 23.8%. This increase was mainly attributable to the drop in historical lows in interest rates of government instruments (*Cetes*, *MBonos*) that help to increase the gains, principally in the fix rate instruments of BBVA Bancomer.

Non-interest expense

The following table sets forth the components of our non-interest expense:

	For the Six Months Ended June 30	
	2014	**2013**
	(millions of Ps.)	
Salaries and employee benefits	78	119
Administrative and operational expense	16,366	14,896
Rent, depreciation and amortization	3,616	3,249
Taxes other than income taxes	1,630	1,511
Contribution to IPAB	1,633	1,459
Total non-interest expense	**23,323**	**21,235**

Non-interest expense was Ps. 23,323 million for the six months ended June 30, 2014 compared to Ps. 21,235 million for the six months ended June 30, 2013, an increase of Ps. 2,089 million, or 9.8%. This increase was primarily the result of higher administrative and operational expenses which increased Ps. 1,470 million or 9.9% on an annual basis.

Salaries and employee benefits expenses were Ps. 78 million (0.3% of non-interest expense) for the six months ended June 30, 2014 compared to Ps. 119 million (0.6% of non-interest expense) for the six months ended June 30, 2013, a decrease of Ps. 41 million, or 34.7%. This decrease was mainly attributable to a reduction in expenses from salaries and benefits in our subsidiaries.

Administrative and operational expenses were Ps. 16,366 million (70.2% of non-interest expense) for the six months ended June 30, 2014 compared to Ps. 14,896 million (70.1% of non-interest expense) for the six months ended June 30, 2013, an increase of Ps. 1,470 million, or 9.9%. This increase was primarily the result of the implementation of our strategic growth plan, which required a greater investment in technology and infrastructure, including modernization of our ATMs and the refurbishment of our branch network.

Rent, depreciation and amortization expenses were Ps. 3,616 million (14.2% of non-interest expense) for the six months ended June 30, 2013 compared to Ps. 3,249 million (15.5% of non-interest expense) for the six months ended June 30, 2014, an increase of Ps. 367 million, or 11.3%. This increase was primarily the result of an increase in rental rates denominated in U.S. dollars in many of our corporate and branch buildings in Mexico.

Taxes other than income taxes were Ps. 1,630 million for the six months ended June 30, 2014 compared to Ps. 1,511 million for the six months ended June 30, 2013, an increase of Ps. 119 million, or 7.9%, primarily attributable to increases in value-added taxes.

Expenses related to contributions to IPAB were Ps. 1,633 million for the six months ended June 30, 2014, compared to Ps. 1,459 million for the six months ended June 30, 2013, an increase of Ps. 174 million, or 11.9%. This increase was attributable to an annual increase of 9.6% in the volume of deposits in the first six months of 2014 as compared to the same period of 2013.

Current and deferred income tax

Current and deferred income tax was Ps.4,249 million for the six months ended June 30, 2014, an increase of Ps. 954 million, or 29.0% as compared to the same period in the previous year. This increase was primarily attributable to an increase in income before taxes and a decrease of deductions due to inflation net of assets and liabilities.

Net income

Net income was Ps. 13,641 million for the six months ended June 30, 2014 compared to Ps. 19,173 million for the six months ended June 30, 2013, a decrease of Ps. 5,532 million, or 28.9%. It is important to mention that in 2013, BBVA sold all Pension Funds Businesses of Latin America, including Mexico's Pension Fund Company, Afore Bancomer, S.A. de C.V. The income from this sale in 2013 and the results of Afore Bancomer, S.A. de C.V. in 2012 and 2011 were accounted for under "discontinued operations" in the P&L. Excluding this income, in a comparative basis, BBVA Bancomer's net income was 23.0% in the first six months of 2014 as compared to the same period of the previous year.

Year ended December 31, 2013 compared to year ended December 31, 2012

The annual financial information presented in this section for the years ended December 31, 2012 and 2013 has been derived from and should be read in conjunction with our Financial Statements and the notes thereto included elsewhere in this offering memorandum. Such annual financial information, unless stated differently, is presented in nominal pesos.

Net interest income

The following table sets forth the components of our net interest income:

	For the Years Ended December 31,			
	2013		2012	
	(millions of Ps.)			
Interest Income:				
Interest and fees on loans(1)	Ps.	80,625	Ps.	76,834
Interest on securities		4,557		3,541
Interest on cash and due from banks		2,865		3,265
Interest on repurchase agreements(2)		14,073		16,570
Interest on margin accounts		123		143
Other		1,570		2,153
Total interest income	Ps.	103,813	Ps.	102,506
Interest Expense:				
Interest on demand deposits	Ps.	3,856	Ps.	4,026
Interest on time deposits		4,494		5,613
Bank bonds		2,606		2,818
Interest on interbank loans and loans from other entities		736		1,042
Interest on subordinated debentures		4,158		3,798
Interest on repurchase agreements(2)		12,852		14,947
Other…		766		708
Total interest expense		29,469		32,950
Net interest income	Ps.	74,344	Ps.	69,556

(1) Interest income includes origination fees on loans of Ps. 1,070 million for 2013 and Ps. 979 million for 2012.

(2) Interest income on repurchase agreements primarily represents interest income on derivatives and securities purchased under agreements to resell in accordance with Mexican Banking GAAP. Interest expense on repurchase agreements represents interest expense on funds received in connection with securities sold under agreements to repurchase in accordance with Mexican Banking GAAP. See "Annex A—Significant Differences Between Mexican Banking GAAP and U.S. GAAP."

Net interest income was Ps. 74,344 million for 2013 compared to Ps. 69,556 million in 2012, an increase of Ps. 4,788 million, or 6.9%, as compared to 2012. This increase was primarily attributable to higher volumes of credit and deposits and adequate pricing management in assets and liabilities.

Interest income

Interest income was Ps. 103,813 million for 2013 compared to Ps. 102,506 million for 2012, an increase of Ps. 1,307 million, or 1.3%. This increase was primarily the result of an increase in interest and fees on loans of Ps. 3,791 million or 4.9%.

Interest and fees on loans was Ps. 80,625 million (77.7% of interest income) for 2013 compared to Ps. 76,834 million (75.0% of interest income) for 2012, an increase of Ps. 3,791 million, or 4.9%. This increase was primarily attributable to an increase in the average volume of loans during 2013, especially in our commercial and consumer loan portfolios.

Interest on securities was Ps. 4,557 million (4.4% of interest income) for 2013 compared to Ps. 3,541 million (3.5% of interest income) for 2012, an increase of Ps. 1,016 million, or 28.7%, due to higher gains in our investment portfolio in a lower interest rate environment.

Interest on repurchase agreements was Ps. 14,073 million (47.8% of interest income) for 2013 compared to Ps. 16,570 million (50.3% of interest income) for 2012, a decrease of Ps. 2,497 million, or 15.1%. This decrease was primarily attributable to a decrease in the average balances of debtors from repurchase agreements and a reduction of 100 basis points in the interest rates during the year.

Interest expense

Interest expense was Ps. 29,469 million for 2013, compared to Ps. 32,950 million for 2012, a decrease of Ps. 3,481 million, or 10.6%. This decrease was primarily the result of an annual decrease of Ps. 2,095 million, or 14.0%, interest on repurchase agreements during the year, as well as a decrease on interest expenses in demand and time deposits.

Interest on time deposits was Ps. 4,494 million for 2013, compared to Ps. 5,613 million for 2012, a decrease of Ps. 1,119 million, or 19.9%. In year-end balances, time deposits as a percentage of total deposits decreased from 21.2% in 2012 to 19.3% in 2013, while demand deposits increased from 70.3% in 2012 to 78.2% in 2013. This change in the funding mix was primarily attributable to our liability cost optimization strategy.

Interest on repurchase agreements was Ps. 12,852 million (43.6% of interest expense) for 2013 compared to Ps. 14,947 million (45.4% of interest expense) for 2012 a decrease of Ps. 2,095 million, or 14.0%. This decrease was primarily attributable to a decrease in the average balances of creditors from repurchase agreements and a reduction of 100 basis points in the interest rates during the year.

Provisions

Provisions for loan losses charged against earnings were Ps. 23,699 million for 2013 compared to Ps. 22,260 million for 2012, an increase of Ps. 1,439 million, or 6.5%. This increase in loan loss provisions was primarily attributable to the expansion of our lending portfolio during 2013. Since June 2013, the CNBV put in place the provisioning under expected loss methodology for the commercial loans. For this reason, the entire portfolio is now provisioned under this methodology. We believe our current provisions are adequate to cover all known losses or potential losses in our portfolio as of December 31, 2013 and as of the date hereof.

Non-interest income

The following table sets forth the components of our non-interest income:

	For the Years Ended December 31, 2013		2012	
	(millions of Ps.)			
Commissions and Fees:				
Account management	Ps.	2,972	Ps.	2,553
Cash management and fund transfers		3,084		3,250
Credit card		8,351		7,023
ATMs		686		711
Pension fund management		1		2
Trust		256		234
Mutual fund management(1)		2,655		2,733
Insurance(1)		1,315		1,241
Other		109		56
Total commissions and fees		19,429		17,803
Trading Income:				
Valuation Result:				
Derivatives		580		9,401
Foreign currency		(1,640)		(4,177)
Securities investments		2,007		1,903
Total valuation result		947		7,127
Purchase-sale result:				
Derivatives		1,592		(4,900)
Foreign currency		1,811		1,695
Securities investments		(1,334)		(296)
Total purchase-sale result		2,069		(3,501)
Total trading income (loss), net		3,016		3,626
Other operating income (expense)		(62)		1,331
Total non-interest income	Ps.	22,383	Ps.	22,760

(1) These are services provided through GFBB affiliates.

Non-interest income, including fees and commissions, trading income and other operating income, was Ps. 22,383 million for 2013 compared to Ps. 22,760 million for 2012, a decrease of Ps. 377 million or 1.7%.

Total commissions and fees were Ps. 19,429 million for 2013 (86.8% of non-interest income) compared to Ps. 17,803 million for 2012 (78.2% of non-interest income), an increase of Ps. 1,626 million, or 9.1%. This increase was primarily attributable to growing credit card transaction volume and due to an increase in fees and commissions received from account management.

Account management fees were Ps. 2,972 million (15.3% of total commissions and fees) for 2013, compared to Ps. 2,553 million (14.3% of total commissions and fees) for 2012, an increase of Ps. 419 million, or 16.4%. This increase was attributable to an increase in the number of checking accounts in 2013 as compared to 2012.

Cash management and funds transfer fees totaled Ps. 3,084 million (15.9% of total commissions and fees) for 2013, compared to Ps. 3,250 million (18.3% of total commissions and fees) for 2012, a decrease of Ps. 166 million, or 5.1%. This decrease was driven by a decrease in funds transfer fees, which resulted from a decline in the number of cash transfers from Mexican workers in the United States back to Mexico.

Credit card fees were Ps. 8,351 million (43.0% of total commissions and fees) for 2013, compared to Ps. 7,023 million (39.4% of total commissions and fees) for 2012, an increase of Ps. 1,328 million, or 18.9%. This increase was primarily attributable to an inflation adjustment in the annual fee and growing credit card transactions volume.

Total trading income was Ps. 3,016 million for 2013 compared to Ps. 3,626 million for 2012, a decrease of Ps. 610 million, or 16.8%. This decrease was mainly attributable to lower gains in valuation results which totaled Ps. 947 million in 2013 compared to Ps. 7,127 million in 2012. The main decrease was on foreign currency derivatives; which was partially offset by lower losses on foreign currency derivatives and gains in securities investments.

We had a gain in purchase and sale operations on derivatives, foreign currency and securities of Ps. 2,069 million compared to a loss of Ps. 3,501 million in 2012, an increase of Ps. 5,570 million or 159%, which was mainly due to a gain of Ps. 1,592 million from the purchase and sale of derivatives compared to a loss of Ps. 4,900 million in 2012. Foreign exchange revenues resulting from gains realized from spot foreign exchange transactions and foreign exchange derivatives increased by 6.8%. Security investments resulted in a loss of Ps. 1,038 million due to increased losses in fixed income positions.

Non-interest expense

The following table sets forth the components of our non-interest expense:

	For the Years Ended December 31,			
	2013		2012	
	(millions of Ps.)			
Salaries and employee benefits	Ps.	239	Ps.	486
Administrative and operational expenses		30,405		29,345
Rent, depreciation and amortization		6,521		6,099
Taxes other than income taxes		2,968		3,018
Contribution to IPAB		3,003		2,858
Total non-interest expense	Ps.	43,136	Ps.	41,806

Non-interest expense was Ps. 43,136 million for 2013 as compared to Ps. 41,806 million for 2012, an increase of Ps. 1,330 million, or 3.2%. This increase was primarily attributable to higher administrative and operational expenses as a result of the implementation of our investment plan during 2013, which will last until 2016. See "The Bank—Strategy."

Administrative and operational expenses were Ps. 30,405 million (70.5% of non-interest expense) for 2013, compared to Ps. 29,345 million (70.2% of non-interest expense) for 2012, an increase of Ps. 1,060 million, or 3.6%. This increase was primarily a result of infrastructure and technology expenses.

Rent, depreciation and amortization expenses were Ps. 6,521 million (15.1% of non-interest expense) for 2013 compared to Ps. 6,099 million (14.6% of non-interest expense) for 2012, an increase of Ps. 422 million, or 6.9%. This increase was primarily the result of an increase in rental rates denominated in U.S. dollars. Many of our corporate and branch locations in Mexico have rental contracts denominated in U.S. dollars.

Taxes other than income taxes were Ps. 2,968 million for 2013 compared to Ps. 3,018 million for 2012, a decrease of Ps. 50 million, or 1.7%, primarily attributable to a decrease in the use of services that are subject to value-added tax.

Expenses related to contributions to IPAB were Ps. 3,003 million for 2013 compared to Ps. 2,858 million for 2012, an increase of Ps. 145 million, or 5.1%. This increase was attributable to an increase of 6.1% in the volume of deposits in 2013 as compared to 2012.

Current and deferred income tax

Current and deferred income tax was Ps. 7,322 million for 2013, an increase of Ps. 813 million, or 12.5% from Ps. 6,509 million for 2012. This increase was primarily as a result of an increase in income before taxes and a decrease in the cancellation of provisions for previous financial years.

Net income

Net income was Ps. 30,825 million for 2013 compared to Ps. 23,193 million for 2012, an increase of Ps. 7,632 million or 32.9%, attributable to the positive impact from the sale of Afore Bancomer, the profits and results of which are registered in "discontinued operations."

Year ended December 31, 2012 compared to year ended December 31, 2011

The annual financial information presented in this section for the years ended December 31, 2011 and 2012 has been derived from and should be read in conjunction with our Financial Statements and the notes thereto included elsewhere in this offering memorandum. Such annual financial information, unless stated differently, is presented in nominal pesos.

Net interest income

The following table sets forth the components of our net interest income:

	For the Years Ended December 31,			
	2012		2011	
	(millions of Ps.)			
Interest Income:				
Interest and fees on loans[1]	Ps.	76,834	Ps.	71,284
Interest on securities		3,541		4,518
Interest on cash and due from banks		3,265		3,428
Interest on repurchase agreements[2]		16,570		13,963
Interest on margin accounts		143		100
Other		2,153		2,369
Total interest income	Ps.	102,506	Ps.	94,360
Interest Expense:				
Interest on demand deposits		4,026		3,794
Interest on time deposits		5,613		6,860
Bank bonds		2,818		2,650
Interest on interbank loans and loans from other entities		1,042		814
Interest on subordinated debentures		3,798		3,260
Interest on repurchase agreements[2]		14,947		12,970
Other		708		643
Total interest expense		32,950		30,990
Net interest income	Ps.	69,556	Ps.	63,370

(1) Interest income includes origination fees on loans of Ps. 979 million for 2012 and Ps. 1,066 million for 2011

(2) Interest income on repurchase agreements primarily represents interest income on derivatives and securities purchased under agreements to resell in accordance with Mexican Banking GAAP. Interest expense on repurchase agreements represents interest expense on funds received in connection with securities sold under agreements to repurchase in accordance with Mexican Banking GAAP. See "Annex A—Significant Differences Between Mexican Banking GAAP and U.S. GAAP."

Net interest income in 2012 increased 9.8% as compared to 2011, mainly as an increase in total interest income by Ps. 8,146 million, or 8.6% year-over-year.

Interest income

Interest income was Ps. 102,506 million for 2012 compared to Ps. 94,360 million for 2011, an increase of Ps. 8,146 million, or 8.6%. This increase was primarily the result of an increase in the average volume of loans.

Interest and fees on loans was Ps. 76,834 million (75.0% of interest income) for 2012 compared to Ps. 71,284 million (75.5% of interest income) for 2011, an increase of Ps. 5,550 million, or 7.8%. This increase was primarily attributable to an increase in the average volume of loans during 2012, especially in our consumer and credit card loan portfolios, resulting from a combination of a greater number of pre-approved loans disbursed and the execution of agreements with auto distributors for the origination of auto loans.

Interest on securities was Ps. 3,541 million (3.5% of interest income) for 2012 compared to Ps. 4,518 million (4.8% of interest income) for 2011, a decrease of Ps. 978 million, or 21.6%. This decrease is primarily attributable to a higher volatility in the markets and lower valuations given the historically low interest rates in Mexico.

Interest on repurchase agreements was Ps. 16,570 million (16.2% of interest income) for 2012 compared to Ps. 13,963 million (14.8% of interest income) for 2011, an increase of Ps. 2,607 million, or 18.7%. This increase was primarily attributable to an increase in the number of securities purchased under repurchase agreements.

Interest expense

Interest expense was Ps. 32,950 million for 2012, compared to Ps. 30,990 million for 2011, an increase of Ps. 1,960 million, or 6.3%. This increase was primarily attributable to a year-over-year increase of Ps. 1,977 million, or 15.2%, in interest on repurchase agreements due to an increase in the number of securities purchased under repurchase agreements.

Interest on time deposits was Ps. 5,613 million for 2012, compared to Ps. 6,860 million for 2011, a decrease of Ps. 1,247 million, or 18.2%. In year-end balances, time deposits as a percentage of total deposits decreased from 23.0% in 2011 to 21.2% in 2012, while demand deposits increased from 65.2% in 2011 to 70.3% in 2013. This decrease in time deposits and increase in demand deposits was primarily attributable to a lower volume of time deposits due to our funding strategy of reducing the volume of time deposits and increasing demand deposits.

Interest on repurchase agreements was Ps. 14,947 million (45.4% of interest expense) for 2012 compared to Ps. 12,970 million (41.9% of interest expense) for 2011, an increase of Ps. 1,977 million, or 15.2%. This increase was primarily attributable to higher premiums paid due to an increase in the amount of securities sold under repurchase agreements.

Provisions

Provisions for loan losses charged against earnings were Ps. 22,260 million for 2012 compared to Ps. 20,011 million for 2011, an increase of Ps. 2,249 million, or 11.2%. This increase in loan loss provisions was primarily attributable to the expansion of our commercial and consumer loan portfolios.

Non-interest income

The following table sets forth the components of our non-interest income:

	For the Years Ended December 31,			
	2012		2011	
	(millions of Ps.)			
Commissions and Fees:				
Account management	Ps.	2,553	Ps.	2,728
Cash management and fund transfers		3,250		3,114
Credit card		7,023		6,888
ATMs		711		785
Pension fund management		2		1
Trust		234		251
Mutual fund management[1]		2,733		2,617
Insurance[1]		1,241		1,166
Other		56		36
Total commissions and fees		17,803		17,586
Trading Income:				
Valuation Result:				
Derivatives		9,401		(1,670)
Foreign currency		(4,177)		(496)
Securities investments		1,903		595
Total valuation result		7,127		(2,761)
Purchase-sale result:				
Derivatives		(4,900)		2,804
Foreign currency		1,695		1,642
Securities investments		(296)		2,682
Total purchase-sale result		(3,501)		7,128
Total trading income (loss), net		3,626		4,367
Other operating income (expense)		1,331		1,313
Total non-interest income	Ps.	22,760	Ps.	23,266

(1) These services are provided through GFBB affiliates.

Non-interest income, including trading income and other operating income, was Ps. 22,760 million for 2012 compared to Ps. 23,266 million for 2011, a decrease of Ps. 506 million or 2.2%.

Total commissions and fees were Ps. 17,803 million for 2012 (78.2% of non-interest income) compared to Ps. 17,586 million for 2011 (75.6% of non-interest income), an increase of Ps. 217 million, or 1.2%. This increase was primarily attributable to an increase in fees and commissions received from credit cards and cash management.

Account management fees were Ps. 2,553 million (14.3% of total commissions and fees) for 2012, compared to Ps. 2,728 million (15.5% of total commissions and fees) for 2011, a decrease of Ps. 175 million, or 6.4%. This decrease in account management fees was attributable to regulatory changes that limited fees and commissions charged by banks.

Cash management and funds transfer fees were Ps. 3,250 million (18.3% of total commissions and fees) for 2012, compared to Ps. 3,114 million (17.7% of total commissions and fees) for 2011, an increase of Ps. 136 million, or 4.4%. This increase was mainly attributable to higher volumes of cash transfers from Mexican workers in the United States to Mexico.

Credit card fees were Ps. 7,023 million (39.4% of total commissions and fees) for 2012, compared to Ps. 6,888 million (39.2% of total commissions and fees) for 2011, an increase of Ps. 135 million, or 2.0%. This increase in credit card fees collected during 2012 was primarily attributable to a higher number of transactions and higher volumes resulting from the origination of new credit cards.

Total trading income was Ps. 3,626 million for 2012 compared to Ps. 4,367 million for 2011, a decrease of Ps. 741 million, or 17.0%. This decrease was mainly attributable to a loss in total purchase sale results of Ps. 3,501 million in 2012, compared to a gain of Ps. 7,128 million in 2011. This decrease was mainly attributable to higher losses on purchase-sale results in securities and derivatives, as well as a higher than normal gains in trading income for December 2012 compared to the same period of 2011. Such higher losses on purchase-sale results in securities and derivatives were primarily attributable to losses on our position on currency swaps.

Non-interest expense

The following table sets forth the components of our non-interest expense:

	For the Years Ended December 31,			
	2012		2011	
	(millions of Ps.)			
Salaries and employee benefits	Ps.	486	Ps.	405
Administrative and operational expenses		29,345		27,018
Rent, depreciation and amortization		6,099		5,171
Taxes other than income taxes		3,018		2,565
Contribution to IPAB		2,858		2,753
Total non-interest expense	Ps.	41,806	Ps.	37,912

Non-interest expense was Ps. 41,806 million for 2012 compared to Ps. 37,912 million for 2011, an increase of Ps. 3,894 million, or 10.3%. Such increase in non-interest expense was primarily the result of more administrative and operational expenses.

Salaries and employee benefits expenses were Ps. 486 million (1.2% of non-interest expense) for 2012 compared to Ps. 405 million (1.1% of non-interest expense) for 2011, an increase of Ps. 81 million, or 20.0%. This increase was mainly attributable to an increase in the number of employees from 28,091 in 2011 to 28,398 in 2012.

Administrative and operational expenses were Ps. 29,345 million (70.2% of non-interest expense) for 2012 compared to Ps. 27,018 million (71.3% of non-interest expense) for 2011, an increase of Ps. 2,327 million, or 8.6%. This increase was primarily the result of the implementation of our strategic growth plan, which required a greater investment in technology and infrastructure, including the modernization of our ATMs and update of our information technology systems.

Rent, depreciation and amortization expenses were Ps. 6,099 million (14.6% of non-interest expense) for 2012 compared to Ps. 5,171 million (13.6% of non-interest expense) for 2011, an increase of Ps. 928 million, or 17.9%. This increase was primarily the result of an increase in rental rates denominated in U.S. dollars in many of our office buildings and branch locations in Mexico.

Taxes other than income taxes were Ps. 3,018 million for 2012 compared to Ps. 2,565 million for 2011, an increase of Ps. 453 million, or 17.7%, primarily explained by an increase in value-added tax mainly attributable to higher rent expenses, which are subject to value-added tax.

Expenses related to contributions to IPAB were Ps. 2,858 million for 2012 compared to Ps. 2,753 million for 2011, an increase of Ps. 105 million, or 3.8%. This increase was attributable to an increase of 4.0% in the volume of deposits in 2012 as compared to 2011.

Current and deferred income tax

Current income taxes were Ps. 6,509 million for 2012 compared to Ps. 6,436 million for 2011, an increase of Ps. 73 million. The increase is largely explained by a decrease in the deductible tax rate due to lower inflation during 2012.

Net income

Net income was Ps. 23,193 million for 2012 compared to Ps. 23,467 million for 2011, a decrease of Ps. 274 million or 1.2%, as a result of an increase in net interest expenses and a decrease in trading income.

Financial Position

The following discussion compares our consolidated financial position as of December 31, 2011, 2012 and 2013, and as of June 30, 2014. Unless otherwise specified, the information is presented in nominal pesos.

Assets

As of June 30, 2014, we had total assets of Ps. 1,473,044 million, compared to Ps. 1,371,883 million as of December 31, 2013, representing an increase of 7.4%. This increase was attributable to a 1.9% increase in total performing loans, driven by higher commercial and consumer loans, and in securities held by us.

As of December 31, 2013, we had total assets of Ps. 1,371,883 million, compared to Ps. 1,263,699 million as of December 31, 2012, representing an increase of 8.6%. This increase was primarily attributable to an increase in total performing loans of 8.8%.

As of December 31, 2012, we had total assets of Ps. 1,263,699 million, compared to Ps. 1,221,650 million as of December 31, 2011, representing an increase of 3.4%. This increase was attributable to a 5.2% increase in total performing loans, in particular consumer loans, and in securities held by us.

Total performing loans

As of June 30, 2014, we had total performing loans of Ps. 712,478 million compared to Ps. 698,899 million as of December 31, 2013, an increase of 1.9%. This increase was attributable mainly to an increase in the volume of our consumer loan portfolio of Ps.4,655 million or 2.6%, and an increase in the volume of our commercial loan portfolio of Ps. 6,210 million or 1.7%. As of June 30, 2014, performing commercial loans represented 52.0% of total performing loans, performing consumer loans represented 26.0% of total performing loans, and performing residential mortgage loans represented 22.0% of total performing loans.

As of December 31, 2013, we had total performing loans of Ps. 698,899 million compared to Ps. 642,168 million as of December 31, 2012, an increase of 8.8%. This increase was mainly attributable to an annual increase of Ps. 39,073 million or12.0% in commercial lending and an increase of 8.7% in the volume of our consumer loans. As of December 31, 2013, commercial loans represented 52.1% of total performing loans, consumer loans represented 25.9% of total performing loans and residential mortgages represented 22.0% of total performing loans.

As of December 31, 2012, we had total performing loans of Ps. 642,168 million compared to Ps. 610,216 million as of December 31, 2011, an increase of 5.2%. This increase was mainly attributable to an increase in the consumer lending of Ps. 19,346 million or 13.2%. As of December 31, 2012, commercial loans represented 52.1% of total performing loans, consumer loans represented 24.0% of total performing loans and residential mortgages represented 23.9% of total performing loans.

Total non-performing loans

As of June 30, 2014, we had total non-performing loans of Ps. 22,424 million compared to Ps. 19,675 million as of December 31, 2013, a decrease of Ps. 251 million, or 1.1%. This decrease was attributable primarily to a decrease in the number of non-performing loans in our commercial credit portfolio.. As of June 30, 2014, non-performing consumer loans represented 1.0% of our total loans, non-performing mortgage loans represented 1.3% of our total loans and non-performing commercial loans represented 0.7% of our total loans.

As of December 31, 2013, we had total non-performing loans of Ps. 22,675 million compared to Ps. 21,686 million as of December 31, 2012, an increase of Ps. 989 million, or 4.6%. This increase was primarily attributable to our mortgage portfolio with non-performing loans increasing at a rate of 27.0%; while our commercial portfolio showed a decrease of 12.8% and consumer lending decreased 2.7% compared to December 31, 2012.

As of December 31, 2012, we had total non-performing loans of Ps. 21,686 million compared to Ps. 19,681 million as of December 31, 2011, an increase of Ps. 2,005 million, or 10.2%. This increase was attributable to our consumer and mortgage portfolio that increased Ps. 1,900 million or 33.0%; and Ps. 1,138 million pesos or 17.9%.

Deferred taxes, net

As of June 30, 2014 our net deferred taxes were Ps. 6,061 million compared to Ps. 5,478 million as of December 31, 2013, an increase of 10.6%. This increase was primarily explained by deferred taxes in connection with allowance for loan losses.

As of December 31, 2013 our net deferred taxes were Ps. 5,478 million compared to Ps. 6,699 million for 2012, a decrease of 18.2%. This decrease was primarily explained by an amortization during 2013 of deferred taxes originated in previous years from allowances for loan losses.

As of December 31, 2012 our net deferred taxes were Ps. 6,509 million compared to Ps. 6,436 million for 2011, an increase of 1.1%. This increase was primarily explained by a decrease in the deductible tax rate due to lower inflation during 2012.

Liabilities

As of June 30, 2014, we had total liabilities of Ps. 1,338,165 million compared to Ps. 1,246,102 million as of December 31, 2013, an increase of 7.4%. This increase was mainly attributable to an increase of 76.8% in interbank loans and loans from other entities, and an increase of 45.5% in other payables.

As of December 31, 2013, we had total liabilities of Ps. 1,246,102 million compared to Ps. 1,146,430 million as of December 31, 2012, an increase of Ps. 99,672 million, or 8.7%. This increase was mainly attributable to a higher deposit base as well as an increase in interbank loans and loans from other entities, each case as compared to the previous year.

As of December 31, 2012, we had total liabilities of Ps. 1,146,430 million compared to Ps. 1,106,187 million as of December 31, 2011, an increase of Ps. 40,243 million, or 3.6%. This increase was mainly attributable to an annual increase in demand deposits.

Deposits (including bank bonds)

As of June 30, 2014, we had total deposits (including bank bonds) of Ps. 760,281 million compared to Ps. 712,585 million as of December 31, 2013, an increase of 6.7%. This increase was mainly attributable to an increase in demand deposits of Ps. 27,709 million, or 5.3%, driven by our ongoing strategy to maintain a profitable funding mix. Time deposits increased Ps. 11,828 million, or 9.1%; this is the first such increase in the last 12 quarters.

As of December 31, 2013, we had total deposits (including bank bonds) of Ps. 712,585 million compared to Ps. 671,625 million as of December 31, 2012, an increase of Ps. 40,960 million, or 6.1%. Such increase in deposits is a result of an increase in demand deposits of Ps. 53,119 million, or 11.2%, derived from our ongoing strategy to maintain a profitable funding mix. Time deposits decreased Ps. 12,865 or 9.0%, as a result of the optimization to reduce funding costs. As of December 31, 2013, we had Ps. 57,243 million in total bank bonds compared to Ps. 56,537 million as of December 31, 2012, an increase of Ps. 706 million, or 1.2%.

As of December 31, 2012, we had total deposits (including bank bonds) of Ps. 671,625 million compared to Ps. 645,536 million as of December 31, 2011, an increase of Ps. 26,089 million, or 4.0%. Such increase in deposits is a result of an increase in demand deposits of Ps. 34,814 million and a decreased in time deposits of Ps. 11,714 million. This evolution reflects the continuous strategy to maintain a profitable funding mix. As of December 31, 2012, we had Ps. 56,537 million in total bank bonds compared to Ps. 53,548 million as of December 31, 2011, an increase of Ps. 2,989 million, or 5.6%.

Interbank loans and loans from other entities

As of June 30, 2014, we had interbank loans and loans from other entities of Ps. 56,411 million compared to Ps. 31,899 million as of December 31, 2013, an increase of 76.8% or 24,512 million pesos..

As of December 31, 2013, we had interbank loans and loans from other entities in Ps. 31,899 million compared to Ps. 24,808 million as of December 31, 2012, an increase of Ps. 7,091 million. This increase was the result of an increase in payable on demand of Ps. 3,256 million and in short-term of Ps. 4,158 million. As of December 31, 2013, interbank loans and loans from other entities represented 2.6% of our total liabilities.

As of December 31, 2012, we had interbank loans and loans from other entities in the amount of Ps. 24,808 million compared to Ps. 20,306 million as of December 31, 2011, an increase of Ps. 4,502 million. This increase was the result of higher payable on demand loans of Ps. 9,997 million. As of December 31, 2012, interbank loans and loans from other entities represented 2.2% of our total liabilities.

Subordinated debt

On September 28, 2012, we issued in the international markets U.S. $ 500 million Fixed Rate Cumulative Subordinated Preferred Notes due 2022. At June 30, 2012, we had approximately Ps. 66,910 million of outstanding subordinated debt, which represented 5.3% of our total liabilities.

On July 19, 2012, we issued in the international markets U.S. $ 1,000 million Fixed Rate Cumulative Subordinated Preferred Notes due 2022. At July 30, 2012, we had approximately Ps. 62,102 million of outstanding subordinated debt, which represented 5.4% of our total liabilities.

On March 10, 2011, we issued in the international markets U.S. $ 1,250 million Fixed Rate Subordinated Preferred Notes due 2021. At March 31, 2012, we had approximately Ps. 62,450 million of outstanding subordinated debt, which represented 5.6% of our total liabilities.

On April 22, 2010, we issued in the international markets U.S. $ 1,000 million Non-Cumulative Fixed Rate Subordinated Non-Preferred Notes due 2020. At December 31, 2010, we had approximately Ps.41,287 million of outstanding subordinated debt, which represented 4.2% of our total liabilities.

On June 19, 2009, we issued the 2019 Subordinated Debentures at TIIE plus 130 basis points payable every 28 days and maturing on June 7, 2019. At December 31, 2009, we had approximately Ps. 37,175 million of outstanding subordinated debt, which represented 3.7% of our total liabilities.

On December 10, 2008, we issued the 2020 Subordinated Debentures at TIIE plus 100 basis points payable every 28 days and maturing on November 26, 2020. On October 6, 2008, we issued Subordinated Debentures at TIIE plus 65 basis points payable every 28 days and maturing on September 24, 2018. On July 28, 2008, we issued the 2018 Subordinated Debentures at TIIE plus 60 basis points payable every 28 days and maturing on July 16, 2018. On May 17, 2007, we issued the 2022 Subordinated Debentures at 6.008%, maturing on May 17, 2022, together with the 2017 Subordinated Debentures at 4.799%, maturing on May 17, 2017. On September 28, 2006, we issued the 2014 Subordinated Debentures at TIIE plus 30 basis points payable every 28 days and maturing on September 18, 2014. At December 31, 2008, we had approximately Ps. 35,620 million of outstanding subordinated debt, which represented 3.4% of our total liabilities.

Stockholders' equity

As of June 30, 2014, our stockholders' equity was Ps. 134,879 million compared to Ps. 125,780 million as of December 31, 2013, an increase of 7.2%. This increase was mainly attributable to an increase of prior year earnings. Stockholders' equity represented 9.2% of our total assets as of June 30, 2014.

As of December 31, 2013, our stockholders' equity was Ps. 125,781 million compared to Ps. 117,238 million as of December 31, 2012, an increase of Ps. 8,514, or 7.3%. This increase was mainly the result of an increase of 32.9% in net income. Stockholders' equity represented 9.2% of our total assets as of December 31, 2013.

As of December 31, 2012, our stockholders' equity was Ps. 117,238 million compared to Ps. 115,435 million as of December 31, 2011, an increase of Ps. 1,803, or 1.6%. This increase was mainly the result of an increase of 5.7% in results of prior years. Stockholders' equity represented 9.3% of our total assets as of December 31, 2012.

Liquidity and Funding

The purpose of liquidity management is to ensure that we have funds available to meet our present and future financial obligations and to respond to business opportunities as they arise. Liquidity needs arise from withdrawals of deposits, repayments on maturity of borrowed funds, extensions of loans or other forms of credit and working capital needs.

We have several funding sources including (i) customer deposits, which are in the form of either checking accounts, both interest bearing and non-interest bearing, and *pagarés bancarios*, which are short-term promissory notes; (ii) repurchase agreements (see "Annex A—Significant differences between Mexican Banking GAAP and U.S. GAAP—Repurchase Agreements"); and (iii) senior and subordinated notes issuances, both in the local and international markets. Our policy is to price our assets based upon our highest cost source of funds both to ensure that loan pricing reflects our current liquidity conditions and to maximize net interest income.

Customer deposits, which totaled Ps. 644,824 million as of December 31, 2013, are our most important funding source and are also our least expensive one. Our funding strategy focuses on increasing the sources of low-cost funding through marketing campaigns and improved customer service to grow the volume of deposits from our existing customers and expand our customer base. Pagarés bancarios can be issued in the domestic capital markets to manage our short-term funding structure.

We have an active asset and liability management strategy that allows us to manage our various funding sources in order to obtain a sound and balanced structure and minimize our costs. Non-matured deposits, which come from our large base of clients, are highly stable and strengthen our low cost and core deposits.

In order to carry out our asset and liability management strategy we have established a transfer pricing process for our funding sources, which incorporates the liquidity and risk associated with the funding source into its price. This allows us to accurately measure the prices of loans and deposits, and provides flexibility to respond to any climate, while also preserving our margins.

We complement our medium and long-term peso funding by issuing securities in the Mexican market. Senior notes are issued through our "*Certificados Bursátiles*" program, which provides for the issuance of peso or UDI denominated notes with tenors of up to 35 years. In January 2011, we updated our "*Certificados Bursátiles*" program and registered it with the CNBV for a five-year period to issue in the Mexican market approximately Ps. 60,000 million of "*certificados bursátiles*," "*certificados de depósito*" and "*pagarés con rendimiento liquidable al vencimiento*," denominated in both UDIs and Pesos. As of December 31, 2013, we had approximately Ps. 32,435 million of notes outstanding under the program, of which approximately Ps. 15,578 million were denominated in pesos and approximately Ps. 16,857 million were denominated in UDIs. In order to maintain a healthy funding structure we hold liquid assets that can be used in the short term should we experience a stress scenario.

Foreign Currency Position

Our foreign-currency denominated assets, substantially all of which are dollar denominated, are funded from a number of sources. These sources include deposits of the same currency obtained from various sources, primarily through deposits of private banking customers, medium and large Mexican companies, primarily in the export sector, the placement of certificates of deposit in the Eurodollar market, interbank deposits, fixed-rate notes and subordinated debentures and asset securitizations. In the case of foreign trade transactions, we use trade financing facilities from Mexican development banks and foreign export-import banks. Foreign currency funding rates are generally based on the London Interbank Offered Rate, or LIBOR.

Banco de México regulations require that a bank maintain open positions in foreign currencies no higher than a specified level with respect to its total Tier 1 Capital. As of December 31, 2013, our foreign currency-denominated assets, including derivative transactions, totaled U.S. $11.6 billion (Ps. 151,570 million), representing 11% of our total assets. At that date, our foreign currency-denominated liabilities, including derivative transactions, totaled to U.S. $11.9 billion (Ps. 155,657 million), representing 12.5% of our total liabilities. As part of our asset liability management strategy, we monitor closely our exposure to foreign currencies to minimize the effect of exchange rate movements on our income.

As of December 31, 2013, we were also in compliance with the limit established for us by *Banco de México* for maturity-adjusted net foreign currency-denominated liabilities, which was U.S. $1.5billion (Ps. 19,485 million). As of such date, our maturity-adjusted net foreign currency-denominated liabilities were U.S. $0.3 billion (Ps. 3,405 million). For a discussion of the components of Tier 1 and Tier 2 Capital, see "Supervision and Regulation.

For the years ended December 31, 2011, 2012 and 2013, we were in compliance with all regulatory requirements relating to the ratio of dollar-denominated liabilities to total liabilities.

Capital Expenditures

Capital expenditures have primarily consisted of expenditures for technology and systems. The purpose of our capital expenditures plan is to increase the development of new strategies and programs, enhance long-term productivity, significantly change our processes and develop new business models.

In 2013, we made investments in capital expenditures in the aggregate amount of U.S. $726 million, which primarily consisted of technology and infrastructure and Branch network. These expenditures were funded with cash generated from our operations and other sources of liquidity. We expect to have capital expenditures of approximately U.S. $464.9 million for 2014 (including value-added taxes). We intend to fund such capital expenditures from internal resources. In addition, we expect to invest approximately U.S. $628.7 million in connection with the development of our new corporate and operative buildings. We expect to complete the construction of our new corporate and operating buildings by the end of 2014.

Risk-Based Capital

Pursuant to the Mexican Capitalization Requirements, we are required to maintain specified levels of net capital on an unconsolidated basis as a percentage of risk-weighted assets and credit risk. The Rules for Capitalization and the Mexican Capitalization Requirements set forth the methodology to determine the net capital required relative to market risk and risk-weighted assets. See "Supervision and Regulation—Capitalization." Those regulations provide that (1) our investment in subsidiaries that are related to us in accordance with Article 73 of the Mexican Banking Law, (2) our investment in subsidiaries that do not operate in the financial sector, and (3) revaluation surpluses related to the investments referred to in (1) and (2) above, must be subtracted from the calculation of Tier 1 Capital. Article 122 of the Mexican Banking Law provides that if a bank does not comply with the minimum Capital Ratios required pursuant to the Mexican Capitalization Requirements, (i) 10.5% in the case of the Total Net Capital (capital neto), (ii) 7.0% in the case of Capital Fundamental or (iii) 8.5% in the case of Tier 1 Capital, the bank must implement the corrective measures ordered by the CNBV. As of June 30, 2014 and December 31, 2013, our Capital Ratios were (i) 15.69% in the case of Total Net Capital, (ii) 11.04% in the case of Capital Fundamental and (iii) 12.13% in the case if Tier 1 Capital, and (i) 15.92% in the case of Total Net Capital, (ii) 10.63% in the case of Capital Fundamental and (iii) 11.92% in the case of Tier 1 Capital, respectively. The table below presents our risk-weighted assets and Capital Ratios as of December 31, 2012, December 31, 2013 and June 30, 2014, determined, as required by regulations, on an unconsolidated basis.

	As of December 31,				As of June 30,	
	2012		2013		2014	
	(millions of Ps., except for percentages)					
Tier 1	Ps.	119,628	Ps.	130,504		137,781
Tier 2		52,109		43,785		40,368
Total capital	Ps.	171,737	Ps.	174,289	Ps.	178,150
Risk-weighted assets:						
Credit risk		633,462		702,364		717,226
Market risk		319,548		253,272		275,341
Operational risk		130,971		139,445		142,846
Total risk weighted assets		1,083,980		1,095,080		1,135,413
Capital ratios (credit, market and operational risk)[(1)]:						
Tier 1 Capital to risk-weighted assets		11.04%		11.92%		12.14%
Tier 2 Capital to risk-weighted assets		4.80%		4.00%		3.55%

	As of December 31,		As of June 30,
	2012	2013	2014
	(millions of Ps., except for percentages)		
Total capital to risk-weighted assets	15.84%	15.92%	15.69%

(1) The difference between the capital ratios presented in this table and the capital ratios presented in note 27 to our Financial Statements included elsewhere in this offering memorandum is attributable to the fact that the capital ratios presented in this table are based on numbers furnished to the CNBV after the issuance of such financial statements.

Off-Balance Sheet Arrangements

In the normal course of business, we are a party to a number of off-balance sheet activities that contain credit, market and operational risk that are not reflected in our Financial Statements. These activities include commitments to extend credit not otherwise accounted for as contingent loans, such as overdrafts and credit card lines of credit, and long-term contractual obligations under operating leases or service contracts. We record our off-balance sheet arrangements as memorandum accounts, which are described more fully in note 3 to our Financial Statements included elsewhere in this offering memorandum.

We provide customers with off-balance sheet credit support through loan commitments. Such commitments are agreements to lend to a customer at a future date, subject to compliance with the contractual terms. Since substantial portions of these commitments are expected to expire without our having to make any loans, total commitment amounts do not necessarily represent our actual future cash requirements. These loan commitments totaled Ps. 335,184 million as of June 30, 2014, Ps. 313,705 million as of December 31, 2013, Ps. 254,838 million as of December 31, 2012 and Ps. 229,597 million as of December 31, 2011.

The credit risk of both on- and off-balance sheet financial instruments varies based on many factors, including the value of collateral held and other security arrangements. To mitigate credit risk, we generally determine the need for specific covenant, guaranty and collateral requirements on a case-by-case basis, depending on the nature of the financial instrument and the customer's creditworthiness. We may also require comfort letters and oral assurances. The amount and type of collateral held to reduce credit risk varies, but may include real estate, machinery, equipment, inventory and accounts receivable, as well as cash on deposit, stocks, bonds and other marketable securities that are generally held in our possession or at another appropriate custodian or depository. This collateral is valued and inspected on a regular basis to ensure both its existence and adequacy. Additional collateral is required when we deem it necessary.

SELECTED STATISTICAL INFORMATION

The following information should be read in conjunction with "Presentation of Certain Financial and Other Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our Financial Statements, together with the notes thereto, included elsewhere in this offering memorandum.

Unless otherwise specified, in accordance with Mexican Banking GAAP, our Financial Statements and the other financial information with respect to us contained in this offering memorandum are presented in consolidated form. We consolidate entities (including special-purpose entities, such as securitized transaction trusts) over which we exercise control. Our investments in affiliates are accounted for under the equity method. See note 13 to our Financial Statements included elsewhere in this offering memorandum.

Assets and liabilities have been classified by currency of denomination (pesos or foreign currencies), rather than by domicile of customer, because substantially all of our transactions are effected in Mexico or on behalf of Mexican residents in pesos or foreign currencies. The U.S. dollar is the principal foreign currency used in our transactions. However, Japanese yen, Swiss francs and euros are also used. For purposes of this section, all foreign currency assets and liabilities have been converted into U.S. dollars and then expressed in pesos.

Unless otherwise indicated, annual financial information for 2011, 2012 and 2013 is presented in nominal pesos.

Because Mexican tax law does not currently provide income tax exemptions for any investment securities, we do not hold any income tax-exempt investment securities and no tax-equivalence adjustments are considered necessary.

The loan portfolio information provided in this "Selected Statistical Information" was determined in accordance with the manner in which we have presented the components of our loan portfolio elsewhere in this offering memorandum, except that the loan portfolio data presented under this "Selected Statistical Information" does not include amounts attributable to accrued interest, which as of December 31, 2013 represented less than 0.4% of our total loan portfolio. Presentation of the financial and statistical information included in this "Selected Statistical Information" may differ from the manner of presentation required by Mexican Banking GAAP standards for the presentation of our financial statements. See "Annex A—Significant Differences Between Mexican Banking GAAP and U.S. GAAP."

Average Balance Sheet and Interest Rate Data

Peso-denominated average balances and interest income

Average balances for our peso-denominated assets and liabilities have been calculated in the following manner. For each month, an average of the daily peso balances was determined. The average balance for each year presented below is the average of the 12 monthly balances so determined. Interest income (expense) for each year is the total of the income (expense) for the 12 months.

For our consolidated subsidiaries, average balances have been calculated on the basis of the average of month-end balances.

Foreign currency-denominated and UDI-denominated average balances and interest income

Average balances and interest income (expense) for our foreign currency-denominated and UDI-denominated assets and liabilities have been translated into pesos and calculated in the following manner. For each month, an average of the daily foreign currency or UDI balances and of the interest income (expense) was determined. Such daily average balances and interest income (expense) are converted into pesos using the closing exchange rate for the applicable month as published by *Banco de México* in the Federal Official Gazette. The average balance for each year presented below is the average of the 12 monthly balances so determined. Interest income (expense) for each year is the total of the income (expense) for the 12 months so determined.

For our consolidated subsidiaries, average balances have been calculated on the basis of the average of month-end balances.

Average interest rate

The average annual rates earned on interest-earning assets and the average annual rate paid on interest-bearing liabilities are nominal rates.

Average assets and interest rates

The table below presents the average balance of assets, interest income and average annual interest rate for the periods specified.

	For the Years Ended December 31,								
	2011			2012			2013		
	Average Balance	Interest Income	Average Interest Rate	Average Balance	Interest Income	Average Interest Rate	Average Balance	Interest Income	Average Interest Rate
	(millions of Ps., except percentages)								
Deposits in banks:									
Pesos	Ps. 71,157	Ps. 3,220	4.53%	Ps. 69,376	Ps. 3,142	4.53%	Ps. 68,854	Ps. 2,774	4.03%
Foreign currency	15,535	96	0.62%	23,139	117	0.51%	26,884	123	0.46%
Subtotal	86,692	3,316	3.83%	92,515	3,259	3.52%	95,738	2,897	3.03%
Government securities:									
Pesos	223,088	11,909	5.34%	241,827	12,798	5.29%	221,057	10,423	4.72%
UDIs	3,612	236	6.53%	7,797	394	5.05%	8,370	421	5.03%
Foreign currency	14,173	381	2.69%	19,083	691	3.62%	21,411	910	4.25%
Subtotal	240,873	12,526	5.20%	268,707	13,883	5.17%	250,838	11,754	4.69%
Investment in other fixed income securities:									
Pesos	12,503	840	6.72%	16,579	987	5.95%	17,714	1,194	6.74%
UDIs	1,287	54	4.20%	1,836	79	4.30%	5,552	229	4.12%
Foreign currency	7,980	43	0.54%	8,938	90	1.01%	4,280	66	1.54%
Subtotal	21,770	937	4.30%	27,353	1,156	4.23%	27,546	1,489	5.41%
Loans:(1)									
Pesos	504,122	71,104	14.10%	552,016	75,446	13.67%	590,710	76,865	13.01%
UDIs	19,656	1,306	6.64%	16,209	1,049	6.47%	13,857	913	6.59%
Foreign currency	73,484	2,925	3.98%	79,512	3,720	4.68%	81,294	4,103	5.05%
Subtotal	597,262	75,335	12.61%	647,737	80,215	12.38%	685,861	81,881	11.94%
Debtors from repurchase agreements:									
Pesos	31,993	1,480	4.63%	24,337	1,123	4.61%	28,853	1,184	4.10%
Subtotal	31,993	1,480	4.63%	24,337	1,123	4.61%	28,853	1,184	4.10%
Other interest-earning assets:									
Pesos	7,076	467	6.60%	7,327	481	6.56%	7,693	505	6.56%
Foreign currency	4	–	0.00%	3	–	0.00%	3	-	0.00%
Subtotal	7,080	467	6.60%	7,330	481	6.56%	7,696	505	6.56%
Total interest-earning assets:									
Pesos	849,939	89,020	10.47%	911,462	93,977	10.31%	934,881	92,945	9.94%
UDIs	24,555	1,596	6.50%	25,842	1,522	5.89%	27,779	1,563	5.63%
Foreign currency	111,176	3,445	3.10%	130,675	4,618	3.53%	133,872	5,202	3.89%
Subtotal	985,670	94,061	9.54%	1,067,979	100,117	9.37%	1,096,532	99,710	9.09%

(1) Interest income includes fees on loans of Ps. 3,718 million in 2011, Ps. 2,805 million in 2012 and Ps. 1,525 million in 2013, which have been included in interest income for the corresponding fiscal year. Fees on loans include origination fees and credit card annual fees.

	For the Years Ended December 31,								
	2011			2012			2013		
	Average Balance	Interest Income	Average Interest Rate	Average Balance	Interest Income	Average Interest Rate	Average Balance	Interest Income	Average Interest Rate
	(millions of Ps., except percentages)								
Equity investment:									
Pesos	11,960	–	–	10,278	–	–	6,722	–	–
Foreign currency	1,847	–	–	2,388	–	–	2,000	–	–
Subtotal	13,807	–	–	12,666	–	–	8,722	–	–
Cash due from banks:									
Pesos	24,011	–	–	24,887	–	–	28,197	–	–
Foreign currency	4,734	–	–	3,915	–	–	4,367	–	–
Subtotal	28,745	–	–	28,802	–	–	32,564	–	–
Allowance for loan losses:									
Pesos (includes UDIs)	(22,907)	–	–	(25,120)	–	–	(26,900)	–	–
Foreign currency	(1,531)	–	–	(1,603)	–	–	(1,473)	–	–
Subtotal	(24,438)	–	–	(26,723)	–	–	(28,373)	–	–
Premises and equipment:									
Pesos	16,655	–	–	17,635	–	–	19,633	–	–
Foreign currency	19	–	–	19	–	–	4	–	–
Subtotal	16,674	–	–	17,654	–	–	19,637	–	–
Other non-interest—earning assets:									
Pesos	33,501	–	–	65,521	–	–	66,463	–	–
UDIs	3,328	–	–	1,043	–	–	155	–	–
Foreign currency	3,022	–	–	22,407	–	–	18,674	–	–
Subtotal	39,851	–	–	88,971	–	–	85,292	–	–
Total assets:									
Pesos	913,159	89,020	9.74%	1,004,663	93,977	9.34%	1,028,996	92,945	9.02%
UDIs	27,883	1,596	5.99%	26,885	1,522	6.02%	27,934	1,563	5.96%
Foreign currency	119,267	3,445	2.89%	157,801	4,618	2.93%	157,444	5,202	3.30%
Total	Ps. 1,060,309	Ps. 94,061	8.87%	Ps. 1,189,349	Ps. 100,117	8.42%	Ps. 1,214,374	Ps. 99,710	8.21%

Average liabilities, stockholders' equity and interest rates

The table below presents the average balance of liabilities and stockholders' equity, interest expense and average annual interest rate for the periods specified.

	For the Years Ended December 31,								
	2011			2012			2013		
	Average Balance	Interest Income	Average Interest Rate	Average Balance	Interest Income	Average Interest Rate	Average Balance	Interest Income	Average Interest Rate
	(millions of Ps., except percentages)								
Demand deposits (checking accounts):									
Pesos	Ps. 143,526	Ps. 2,988	2.08%	Ps. 159,897	Ps. 3,066	1.92%	Ps. 188,927	Ps. 3,170	1.68%
Foreign currency	36,843	36	0.10%	38,781	54	0.14%	46,567	82	0.18%
Subtotal	180,369	3,024	1.68%	198,678	3,120	1.57%	235,494	3,252	1.38%
Saving deposits:									
Pesos	103,557	735	0.71%	117,960	826	0.70%	133,134	458	0.34%
Foreign currency	687	-	0.00%	807		0.00%	987	-	0.00%
Subtotal	104,244	735	0.71%	118,767	826	0.70%	134,121	458	0.34%
Time deposits:									
Pesos	197,713	7,928	4.01%	174,647	6,821	3.91%	164,542	5,541	3.37%
UDIs	15,308	639	4.17%	15,941	668	4.19%	16,542	691	4.18%
Foreign currency	5,255	7	0.13%	6,423	42	0.65%	4,222	11	0.26%
Subtotal	218,276	8,574	3.93%	197,011	7,531	3.82%	185,306	6,243	3.37%
Short-term borrowings:									
Pesos	8,572	401	4.68%	12,799	618	4.83%	9,103	354	3.89%
Foreign currency	8,212	45	0.55%	8,199	31	0.38%	4,917	5	0.10%
Subtotal	16,784	446	2.66%	20,998	649	3.09%	14,020	359	2.56%
Long-term debt:									
Pesos	7,704	443	5.75%	8,487	444	5.23%	8,566	418	4.88%
Foreign currency	766	14	1.83%	1,002	18	1.80%	888	10	1.13%
Subtotal	8,470	457	5.40%	9,489	462	4.87%	9,454	428	4.53%
Subordinated Notes:									
Pesos	12,288	1,206	9.81%	12,288	886	7.21%	11,314	1,120	9.90%
Foreign currency	49,480	2,515	5.08%	57,452	3,360	5.85%	64,330	3,440	5.35%
Subtotal	61,768	3,721	6.02%	69,740	4,246	6.09%	75,644	4,560	6.03%
Creditors from repurchase agreements:									
Pesos	218,443	9,972	4.57%	265,063	11,713	4.42%	244,919	9,401	3.84%
Subtotal	218,443	9,972	4.57%	265,063	11,713	4.42%	244,919	9,401	3.84%
Total interest-bearing liabilities:									
Pesos	691,803	23,673	3.42%	751,141	24,374	3.24%	760,505	20,462	2.69%
UDIs	15,308	639	4.17%	15,941	668	4.19%	16,542	691	4.18%
Foreign currency	101,243	2,617	2.58%	112,664	3,505	3.11%	121,911	3,548	2.91%
Subtotal	808,354	26,929	3.33%	879,746	28,547	3.24%	898,958	24,701	2.75%
Non-interest-bearing liabilities:									
Pesos	90,910			130,708			142,184		
UDIs	195			9,338			9,693		
Foreign currency	44,912			44,437			34,294		
Subtotal	136,017			184,483			186,171		
Stockholders' equity:									
Pesos	115,242			124,122			128,336		
Foreign currency	696			998			909		
Subtotal	115,938			125,120			129,245		
Total liabilities and stockholders' equity									
Pesos	897,955	23,673	2.64%	1,005,971	24,374	2.42%	1,031,025	20,462	1.98%
UDIs	15,503	639	4.12%	25,279	668	2.64%	26,235	691	2.63%
Foreign currency	146,851	2,617	1.78%	158,099	3,505	2.22%	157,114	3,548	2.26%
Total	Ps. 1,060,309	Ps. 26,929	2.54%	Ps. 1,189,349	Ps. 28,547	2.40%	Ps. 1,214,374	Ps. 24,701	2.03%

Changes in Net Interest Income and Expense

The following tables allocate, by currency of denomination, changes in our net interest income between changes in volume and changes in rates for 2013 compared to 2012 and 2012 compared to 2011. Volume and rate variances have been calculated based on movements in average balances over the period and changes in interest rates on average balances of interest-earning assets and average balances of interest-bearing liabilities. The variances caused by changes in both volume and rate have been allocated to volume.

Interest-earning assets

	2012/2011			2013/2012		
	Increase (decrease) due to changes in:			Increase (decrease) due to changes in:		
	Volume	Interest Rate	Net Change	Volume	Interest Rate	Net Change
	(millions of Ps.)					
Deposits in banks:						
Pesos	Ps. (81)	Ps. 3	Ps. (78)	Ps. (21)	Ps. (347)	Ps. (368)
Foreign currency	38	(17)	21	17	(11)	6
Subtotal	(43)	(14)	(57)	(4)	(358)	(362)
Government securities:						
Pesos	992	(103)	889	(979)	(1,396)	(2,375)
UDIs	211	(53)	158	29	(2)	27
Foreign currency	178	132	310	99	120	219
Subtotal	1,381	(24)	1,357	(851)	(1,278)	(2,129)
Fixed income securities:						
Pesos	243	(96)	147	77	130	207
UDIs	24	1	25	153	(3)	150
Foreign currency	10	37	47	(72)	48	(24)
Subtotal	277	(58)	219	158	175	333
Loans:(1)						
Pesos	6,546	(2,204)	4,342	5,035	(3,616)	1,419
UDIs	(223)	(34)	(257)	(155)	19	(136)
Foreign currency	282	513	795	90	293	383
Subtotal	6,605	(1,725)	4,880	4,970	(3,304)	1,666
Debtors from repurchase agreements:						
Pesos	(353)	(4)	(357)	185	(124)	61
Subtotal	(353)	(4)	(357)	185	(124)	61
Other interest—earning assets:						
Pesos	16	(2)	14	24	-	24
Subtotal	16	(2)	14	24	-	24
Total interest-earning assets:						
Pesos	7,363	(2,406)	4,957	4,321	(5,353)	(1,032)
UDIs	12	(86)	(74)	27	14	41
Foreign currency	508	665	1,173	134	450	584
Total	Ps. 7,883	Ps. (1,827)	Ps. 6,056	Ps. 4,482	Ps. (4,889)	Ps. (407)

(1) Interest income includes fees on loans of Ps. 3,718 million in 2011, Ps. 2,805 million in 2012 and Ps. 1,525 million in 2013, which have been included in interest income for the corresponding fiscal year. Fees on loans include origination fees and credit card annual fees.

Interest-bearing liabilities

	2012/2011			2013/2012		
	Increase (decrease) due to changes in:			Increase (decrease) due to changes in:		
	Volume	Interest Rate	Net Change	Volume	Interest Rate	Net Change
	(millions of Ps.)					
Demand deposits (checking accounts):						
Pesos	Ps. 314	Ps. (236)	Ps. 78	Ps. 487	Ps. (383)	Ps. 104
Foreign currency	3	15	18	14	14	28
Subtotal	317	(221)	96	501	(369)	132
Saving deposits:						
Pesos	101	(10)	91	52	(420)	(368)
Foreign currency						
Subtotal	101	(10)	91	52	(420)	(368)
Time deposits:						
Pesos	(901)	(206)	(1,107)	(340)	(940)	(1,280)
UDIs	27	2	29	25	(2)	23
Foreign currency	8	27	35	(6)	(25)	(31)
Subtotal	(866)	(177)	(1,043)	(321)	(967)	(1,288)
Short-term borrowings:						
Pesos	204	13	217	(144)	(120)	(264)
Foreign currency		(14)	(14)	(3)	(23)	(26)
Subtotal	204	(1)	203	(147)	(143)	(290)
Long-term debt:						
Pesos	41	(40)	1	4	(30)	(26)
Foreign currency	4		4	(1)	(7)	(8)
Subtotal	45	(40)	5	3	(37)	(34)
Subordinated Notes:						
Pesos		(320)	(320)	(96)	330	234
Foreign currency	466	379	845	368	(288)	80
Subtotal	466	59	525	272	42	314
Creditors from repurchase agreements:						
Pesos	2,060	(319)	1,741	(773)	(1,539)	(2,312)
Subtotal	2,060	(319)	1,741	(773)	(1,539)	(2,312)
Total interest-bearing liabilities:						
Pesos	1,819	(1,118)	701	(810)	(3,102)	(3,912)
UDIs	27	2	29	25	(2)	23
Foreign currency	481	407	888	372	(329)	43
Total	2,327	(709)	1,618	(413)	(3,433)	(3,846)
Total net change:						
Pesos	5,544	(1,288)	4,256	5,131	(2,251)	2,880
UDIs	(15)	(88)	(103)	2	16	18
Foreign currency	27	258	285	(238)	779	541
Total	Ps. 5,556	Ps. (1,118)	Ps. 4,438	Ps. 4,895	Ps. (1,456)	Ps. 3,439

Interest earning assets—yield and yield spread

The following table sets forth, by currency of denomination, the levels of our average interest-earning assets and net interest income, and gross and net yield and yield spread obtained, for each of the periods indicated. In addition, because loan fees are a component of pricing, a table including loan fees (which include loan origination fees and credit card fees) in net interest income has been included. For purposes of this presentation, as required under Mexican Banking GAAP, loan fees are recognized as interest income at the time the related loan is made.

	For the Years Ended December 31,		
	2011	2012	2013
	(millions of Ps., except percentages)		
Total average earning assets:			
Pesos	Ps. 849,939	Ps. 911,462	Ps. 934,881
UDIs	24,555	25,842	27,779
Foreign Currency	111,176	130,675	133,872
Total	985,670	1,067,979	1,096,532
Historical not including loan fees:			
Net interest income:			
Pesos	61,636	66,806	70,966
UDIs	957	854	872
Foreign Currency	821	1,105	1,646
Total	63,414	68,765	73,484
Gross yield:(1)			
Pesos	10.04%	10.00%	9.78%
UDIs	6.50%	5.89%	5.63%
Foreign Currency	3.09%	3.53%	3.88%
Weighted-average rate	9.17%	9.11%	8.95%
Net yield:(2)			
Pesos	7.25%	7.33%	7.59%
UDIs	3.90%	3.30%	3.14%
Foreign Currency	0.74%	0.85%	1.23%
Weighted-average rate	6.43%	6.44%	6.70%
Yield spread:(3)			
Pesos	6.62%	6.76%	7.09%
UDIs	2.33%	1.70%	1.45%
Foreign Currency	0.51%	0.42%	0.97%
Weighted-average rate	6.21%	5.87%	6.21%
Historical including loan fees:			
Net interest income:			
Pesos	Ps. 65,347	Ps. 69,603	Ps. 72,483
UDIs	957	854	872
Foreign Currency	828	1,113	1,654
Total	67,132	71,570	75,009
Gross yield:(1)			
Pesos	10.47%	10.31%	9.94%
UDIs	6.50%	5.89%	5.63%
Foreign Currency	3.10%	3.53%	3.89%
Weighted-average rate	9.54%	9.37%	9.09%
Net yield:(2)			
Pesos	7.69%	7.64%	7.75%
UDIs	3.90%	3.30%	3.14%
Foreign Currency	0.74%	0.85%	1.24%
Weighted-average rate	6.81%	6.70%	6.84%
Yield spread:(3)			
Pesos	7.05%	7.07%	7.25%
UDIs	2.33%	1.70%	1.45%
Foreign Currency	0.51%	0.42%	0.98%
Weighted-average rate	6.21%	6.13%	6.35%

(1) Gross yield is interest income divided by average earning assets.
(2) Net yield represents the total of net interest income divided by average earning assets.
(3) Yield spread represents the difference between gross yield on average interest-earning assets and cost of average interest-bearing liabilities.

Return on average total assets and average stockholders' equity

The following table presents certain of our selected financial data and ratios for the periods indicated.

	For the Years Ended December 31,		
	2011	2012	2013
	(millions of Ps., except percentages)		
Net income	Ps. 23,467	Ps. 23,193	Ps. 30,825
Average total assets	1,060,309	1,189,349	1,214,374
Average stockholders' equity	115,938	125,120	129,245
Return on average assets	2.21%	1.95%	2.54%
Return on average equity	20.24%	18.54%	23.85%
Average stockholders' equity as a percentage of average total assets	10.93%	10.52%	10.64%

Interest Rate Sensitivity of Assets and Liabilities

Interest rates

Banco de México's regulations mandate that Mexican banks base their interest rates on loans with an amount of 5 million UDIs or less on a fixed rate or a single reference rate published regularly by official sources and that the agreements for such loans specify the factor used to determine the interest rate and, if applicable, the minimum and maximum spread over the reference rate. Currently, we base the interest rates on most of our peso-denominated loans on the TIIE.

In accordance with *Banco de México*'s regulations, our policy with respect to foreign currency-denominated loans, which are principally in U.S. dollars, is generally to price such loans on the basis of LIBOR with repricing intervals of one, three or six months. Spreads over LIBOR are determined in accordance with the marginal cost of funding in currencies other than pesos. Interest on loans to Mexican borrowers paid to our Houston branch is subject to the withholding tax. The established rate is 4.9% for 2013 and future periods. The cost of this withholding tax is reflected in the determination of the overall cost of the loan to the customer. No withholding tax is applicable on loans to Mexican borrowers obtained from approved export credit agencies. Under *Banco de México*'s regulations, an amount equivalent to a portion of our foreign currency-liabilities must be invested in low-risk, highly liquid instruments and deposits. See "Supervision and Regulation—Liquidity Requirements for Foreign Currency—Denominated Liabilities." The cost associated with funding this reserve is also included in determining the cost to customers of foreign currency-denominated loans.

Interest rate sensitivity

A key component of our asset and liability policy is the management of interest rate sensitivity. Interest rate sensitivity is the relationship between market interest rates and net interest income due to the repricing characteristics of assets and liabilities. For any given period, the pricing structure is matched when an equal amount of assets and liabilities reprice. Any excess of assets or liabilities over these matched items results in a repricing gap or net exposure. A positive repricing gap normally means that an increase in interest rates would result in an increase in net interest income, while a decrease in interest rates would result in a decrease in net interest income.

Our interest rate sensitivity strategy takes into account, among other things, the rates of return and the underlying degree of risk, liquidity requirements, including minimum regulatory cash reserves, mandatory liquidity ratios (inapplicable to peso lending), withdrawal and maturity deposits, capital cost and additional demands for funds. We monitor our rate and maturity mismatches and positions, which are managed within established limits.

The following table reflects our interest-earning assets and interest-bearing liabilities as of December 31, 2013. Fixed-rate instruments were classified in this table according to their final maturity and other instruments based on their interval of repricing.

	As of December 31, 2013					
	0-30 days	31-90 days	91-180 days	181-365 days	Non-rate sensitive or over one year	Total
	(millions of Ps., except percentages)					
Assets:						
Variable-rate commercial loans	Ps. 195,443	Ps. 28,936	Ps. 3,319	Ps. 347	Ps. 243	Ps. 228,288
Consumer loans, mortgage loans and lease receivables	93,042	12,090	16,426	28,015	202,031	351,604
Fixed-rate commercial loans	52,031	13,997	6,952	8,149	60,553	141,682
Total loans	340,516	55,023	26,697	36,511	262,827	721,574
Securities and derivatives	109,065	29,004	23,613	31,346	183,164	376,192
Creditors from repurchase agreements	(259,347)	3,094	-	-	–	(256,253)
Debtors from repurchase agreements	49	–	–	–	–	49
Total interest-earning assets	190,283	87,121	50,310	67,857	445,991	841,562
Equity securities	–	–	–	–	1,373	1,373
Cash, property and other non-interest earning assets	–	–	–	–	189,603	189,603
Less: Allowance for loan losses	–	–	–	–	(27,336)	(27,336)
Total assets	Ps. 190,283	Ps. 87,121	Ps. 50,310	Ps. 67,857	Ps. 609,631	Ps 1,005,202
Liabilities and stockholders' equity:						
Notes sold through intermediaries	Ps. 5,964	Ps. 2,600	Ps. -	Ps. 41	Ps. 1,913	Ps. 10,518
Notes sold through branches	106,789	10,935	1,016	60	519	119,319
Demand deposits	261,985	-	-	20,730	242,790	525,505
Total deposits	374,738	13,535	1,016	20,831	245,222	655,342
Short-term debt	27,098	14	-	12	155	27,279
Long-term debt	23,223	5,337	160	300	32,843	61,863
Subordinated debentures	8,106	–	-	–	56,501	64,607
Other liabilities	–	–	–	–	70,330	70,330
Stockholders' equity	–	–	–	–	125,781	125,781
Total liabilities and stockholders' equity	Ps. 433,165	Ps. 18,886	Ps. 1,176	Ps. 21,143	Ps. 530,832	Ps. 1,005,202
Interest rate sensitivity gap	(242,882)	68,235	49,134	46,714	78,799	-
Cumulative interest rate sensitivity gap	(242,882)	(174,647)	(125,513)	(78,799)	-	-
Cumulative gap as percentage of total interest-earning assets	(28.86)%	(20.75)%	(14.91)%	(9.36)%	0.00%	0.00%

As of December 31, 2013, interest-earning assets totaled Ps. 841,562 million. Of these assets, 22.61% repriced every thirty days or less and were comprised of the following: 66.9% of commercial loans, 26.5% of residential mortgage loans and 29.0% of investment securities and derivatives (excluding equity investments) and 0.0% of credits from repurchase agreements. The interest rates for 6.3% of interest-earning assets, comprising mostly commercial loans, are reset periodically every 31 to 180 days.

Non-interest rate sensitive assets and assets that are not repriced within a period of 365 days include, among others, cash, real and personal property and equity investments. Investments in the foregoing assets amounted to Ps. 609,631 million as of December 31, 2013, which represented 60.6% of total assets.

Of our total liabilities as of December 31, 2013, 74.5% consisted of deposits, totaling Ps. 655,342 million, of which 57.2% reprice every 30 days or less, and 2.2% every 31 to 180 days. The remaining 25.5% of our liabilities totaled Ps. 224,080 million as of December 31, 2013 and consisted of Ps. 27,279 million of short-term borrowings, Ps. 126,471 million of long-term debt, subordinated debt, funding from the *Fondo de Operación y Fomento Bancario de la Vivenda*, or FOVI (the Mexican Government's fund for low-income housing assistance) and Ps. 70,330 million of other liabilities. Of our total liabilities, 26.1% reprice every 30 days or less, 2.5% every 31 to 180 days, 0.1% every 181-365 days, and the remaining 71.3% reprice at periods exceeding a year.

Interest-Bearing Deposits with Other Banks

Banco de México's regulations require us to maintain a minimum liquidity coefficient of certain foreign currency liabilities. See "Supervision and Regulation—Liquidity Requirements for Foreign Currency—Denominated Liabilities." Accordingly, a substantial majority of our short-term deposits with international banks are denominated in U.S. dollars.

Banco de México requires that we hold open positions in foreign currency (short or long) no greater than a specified level with respect to our total Tier 1 Capital. As of December 31, 2011, the limit established for foreign currency-denominated liabilities was U.S. $1,489 million. On the same date, our position in foreign currency-denominated liabilities was U.S. $270.6 million, below the limit imposed by *Banco de México*.

Additionally, *Banco de México* requires us to maintain liquid assets to cover our foreign currency-denominated liabilities. As of December 31, 2013, we were required to have liquid assets for U.S. $24.3 million, and had U.S. $518.4 million, which represents an excess liquidity of U.S. $494.0 million.

Our foreign exchange risk management involves a very close monitoring of exposure to foreign currencies, to neutralize the effect of the currency exchange in our income, as well as perform daily estimates and projections for liquidity in foreign currency, to ensure regulatory compliance, and monitor the Bank's internal guidelines on liquidity.

Securities

As of December 31, 2013, we held securities in the amount of Ps. 384,235 million, representing 28.01% of our total assets as of that date. The following table presents our portfolio of securities at the dates indicated, including securities under repurchase and resale agreements.

	As of December 31,		
	2011	2012	2013
		(millions of Ps.)	
Peso-denominated:			
Mexican Government securities:			
Cetes (federal treasury securities)	Ps. 7,560	Ps. 4,865	Ps. 30,963
Special *Cetes* (federal treasury securities)	14,629	15,265	15,850
Bondes (federal government development bonds)	92,539	98,108	38,089
Bonos IPAB (bonds issued by IPAB)	50,040	78,559	67,639
Bono Tasa Fija (fixed-rate bond)	93,717	77,111	134,278
Total Mexican Government securities	258,485	273,908	286,819
Non-government securities:			
Local bank bonds and certificates	9,723	17,923	30,018
Commercial paper	656	1,684	1,653
Total non-government securities	10,379	19,607	31,671
Equity securities:			
Listed	9,804	6,319	6,559
Investment in subsidiaries	43	42	90
Investment in affiliated companies	631	621	1,232
Total equity securities	10,478	6,982	7,881
Total peso-denominated	279,342	300,497	326,371
UDI-denominated:			
Mexican Government securities:			
Udibonos (Federal government development bonds)	5,575	1,796	13,639
CBIC (Interchangeable stock market certificates)	4,211	8,885	8,081
Total Mexican Government securities	9,786	10,681	21,720
Non-government securities:			
Local bank bonds and certificates	2,576	2,672	3,603
Total non-government securities	2,576	2,672	3,603
Total UDI-denominated	12,362	13,353	25,323
Foreign currency-denominated:			
Mexican Government securities issued abroad	8,909	12,200	16,985
U.S. Treasury securities	8,634	7,848	7,937
Commercial paper	14,186	12,706	4,871
Other fixed-income securities	–		177
Equity securities:			
Listed	7,877	1,590	2,520
Investment in affiliated companies	5	6	6
Investment in subsidiaries	48	44	45
Total foreign currency-denominated	39,659	34,394	32,541
Total investment securities	Ps. 331,363	Ps. 348,244	Ps. 384,235

Securities – maturities and average yields

The following table analyzes by currency, as of December 31, 2013, remaining maturities and weighted-average yields of securities held by us that have a specific date of maturity without the mark-to-market effect on securities.

	From 1 to 89 days		From 90 to 179 days		From 6 to 12 months		From 1 to 2 years		From 2 to 3 years		From 3 to 4 years		From 4 to 5 years		More than 5 years		
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Total
	(millions of Ps., except percentages)																
Peso-denominated:																	
Mexican Government securities:																	
Cetes (federal treasury securities)	Ps. 3,874	3.50%	Ps. 2,482	2.54%	Ps. 24,458	3.52%	Ps. –	0.00%	Ps. –	0.00%	Ps. –	0.00%	Ps. –	0.00%	Ps. –	0.00%	Ps. 30,814
Special *Cetes* (federal treasury securities)	–	0.00%	–	0.00%	–	0.00%	-	0.00%	1,671	2.95%	1,737	3.37%	--	0.00%	12,443	3.39%	15,851
Bondes (federal government development bonds)	826	3.41%	4	3.42%	894	3.51%	21,152	3.52%	7,342	3.52%	4,764	3.48%	2,943	3.38%	--	0.00%	37,925
BPAs (floating rate bonus bond issued by IPAB)	2,041	3.56%	181	3.70%	3,826	3.56%	2,611	3.62%	8,505	3.50%	7,261	3.55%	24,176	3.53%	17,893	3.54%	66,494
Bono Tasa Fija (fixed-rate bond)	–	0.00%	2,898	3.52%	19,001	7.28%	8,175	4.08%	30,244	4.08%	11,492	3.59%	24,447	4.18%	35,205	4.32%	131,462
Total Mexican Government securities	6,741	3.51%	5,565	3.09%	48,179	5.01%	31,938	3.67%	47,762	3.85%	25,254	3.54%	51,566	3.83%	65,541	3.93%	282,546
Non-government securities																	
Local bank bonds and certificates	2,188	3.45%	2,358	3.63%	852	4.21%	5,370	3.88%	3,124	6.55%	2,943	4.36%	3,682	5.65%	6,022	7.35%	26,539
Commercial paper	1,397	3.55%	108	3.72%	148	3.50%	–	0.00%	–	0.00%	–	0.00%	–	0.00%	–	0.00%	1,653
Total peso-denominated	10,326	3.50%	8,031	3.26%	49,179	4.99%	37,308	3.70%	50,886	4.02%	28,197	3.63%	55,248	3.95%	71,563	4.22%	310,738
UDI-denominated:																	
Udibonos (federal government development bonds)	–	0.00%	15	1.56%	4,772	3.15%	30	1.02%	5,638	3.42%	99	1.50%	28	1.91%	3,080	3.60%	13,662
CBICs	–	0.00%	–	0.00%	–	0.00%	–	0.00%	–	0.00%	–	0.00%	–	0.00%	8,110	3.17%	8,110
Local bank bonds and certificates	–	0.00%	–	0.00%	–	0.00%	–	0.00%	232	5.83%	–	0.00%	–	0.00%	5,946	4.18%	6,178
Total UDI-denominated	–	0.00%	15	1.56%	4,772	3.15%	30	1.02%	5,870	3.52%	99	1.50%	28	1.91%	17,136	3.60%	27,950
Foreign currency-denominated:																	
Mexican Government securities issued abroad	8	5.88%	–	0.00%	–	0.00%	838	4.44%	155	11.38%	3,858	4.32%	129	8.31%	12,065	5.54%	17,053
U.S. Treasury bills	7,837	0.05%	--	0.00%	–	0.00%	--	0.00%	–	0.00%	–	0.00%	–	0.00%	65	1.63%	7,902
Commercial paper	--	0.00%	–	0.00%	–	0.00%	–	0.00%	104	6.38%	102	5.50%	631	5.79%	4,273	5.85%	5,110-
Other fixed-income securities	600	4.55%	–	0.00%	–	0.00%	39	0.25%	–	0.00%	–	0.00%	–	0.00%	–	0.00%	639
Total foreign currency-denominated	8,445	0.38%	--	0.00%	–	0.00%	877	4.25%	259	9.37%	3,960	4.35%	760	6.22%	16,403	5.61%	30,704
Total securities (excluding equity securities)	Ps. 18,771	2.09%	Ps. 8,046	3.25%	Ps. 53,951	4.83%	Ps. 38,215	3.71%	Ps. 57,015	3.99%	Ps. 32,256	3.71%	Ps. 56,036	3.98%	Ps. 105,102	4.33%	Ps. 369,392

Loan Portfolio

Total loan amounts set forth in this section include the total principal amount of total performing and total non-performing loans outstanding at the date presented, which include rediscounted loans and loans in the UDI Trusts. The terms "total loans" and "total loan portfolio" include total performing loans plus total non-performing loans. The terms "net total loans" and "net total loan portfolio" refer to net total performing loans plus net non-performing loans.

As of December 31, 2013, our loan portfolio amounted to Ps. 718,789 million, an increase of 8.3% as compared to December 31, 2012. This increase was a result of an 11.4% increase in commercial and corporate loans, which was due to increased activity in small and medium sized enterprises and, micro-businesses, a 2.1% increase in mortgage loans and a 8.7% increase in credit cards and other consumer loans.

Loans by type and by borrower

The following table illustrates our loan portfolio by loan type. Total loans reflect the sum of the total performing loan portfolio and the total non-performing loan portfolio. For a breakdown of non-performing loans by loan type, see "—Non-Performing Loan Portfolio" below. See note 10 to our Financial Statements included elsewhere in this offering memorandum.

	As of December 31,				
	2009	2010	2011	2012	2013
	(millions of Ps.)				
Performing loans:					
Commercial and corporate loans:[1]					
Secured or guaranteed by:					
Real estate[2]	Ps. 24,075	Ps. 22,910	Ps. 14,985	Ps. 9,892	Ps. 6,353
Fixed assets	3,723	3,366	3,328	2,939	2,599
Inventories	2,152	2,020	1,848	1,789	1,900
Other[3]	1,493	1,823	5,283	3,535	2,528
Subtotal	31,443	30,119	25,444	18,155	13,380
Unsecured:					
Term loans	21,490	18,884	26,140	24,233	28,406
Revolving credits	203,941	236,950	263,907	267,596	300,766
Original issue discounts	10,256	14,188	8,764	13,096	17,274
Subtotal	235,687	270,022	298,811	304,925	346,446
Total commercial and corporate loans	267,130	300,141	324,255	323,080	359,826
Consumer loans:					
Residential mortgage	134,737	145,116	145,323	150,413	153,569
Credit card	64,430	70,420	80,972	92,172	96,655
Other consumer credits	38,808	47,658	64,947	73,084	83,048
Total consumer loans	237,975	263,194	291,242	315,669	333,272
Leasing	5,378	4,389	4,091	3,751	3,670
Total performing loans	510,483	567,724	619,588	642,500	696,768
Total non-performing loans[4]	19,242	14,032	19,112	21,046	22,021
Total Loans	Ps. 529,725	Ps. 581,756	Ps. 638,700	Ps. 663,546	Ps. 718,789

(1) Includes loans to government entities and financial entities.
(2) Includes loans secured in whole or in part by cash, securities or property (including plant, inventory and equipment) and loans guaranteed by third parties.
(3) Includes various types of loans secured in whole or in part by cash, securities or other property (including plant or equipment otherwise not included above) and loans guaranteed by third parties.
(4) Does not include past-due interest.

Loans by currency

Foreign currency-denominated loans increased as a percentage of the total loan portfolio from 11.51% as of December 31, 2012 to 13.08% as of December 31, 2013. Foreign currency-denominated loans totaled Ps. 94,020 million as of December 31, 2013, an increase of 23.1% from Ps. 76,380 million as of December 31, 2012, each as measured in constant pesos as of such date.

The following table presents the peso- and foreign currency-denominated loan portfolio at the dates indicated. Foreign currency-denominated loans that were not denominated in U.S. dollars were converted into U.S. dollars and then expressed in pesos in accordance with the methodology described in the introduction to the table under "—Average Balance Sheet and Interest Rate Data" above.

	As of December 31,									
	2009		2010		2011		2012		2013	
	Loan Portfolio	%	Loan Portfolio	%	Loan Portfolio	%	Loan Portfolio	%	Loan Portfolio	%
	(millions of Ps. except percentages)									
Peso-denominated loans	Ps. 88,236	92.17%	Ps. 513,535	88.27%	Ps. 553,368	86.64%	Ps. 587,166	88.49%	Ps. 624,769	86.92%
Foreign currency-denominated loans	41,489	7.83%	68,221	11.73%	85,332	13.36%	76,380	11.51%	94,020	13.08%
Total loans	529,725	100.00%	581,756	100.00%	638,700	100.00%	663,546	100.00%	718,789	100.00%

The loan amounts set out in the above table do not include accrued interest.

Loans to the public and private sectors

As of December 31, 2013, our loans to the public sector totaled Ps. 89,521 million, accounting for 12.45% of our total loan portfolio. As of December 31, 2012, our loans to the public sector amounted to Ps. 89,642 million, accounting for 13.5% of our total loan portfolio.

Loans to individuals are comprised of loans to sole business owners, residential mortgage loans, credit card loans and other consumer loans. As of December 31, 2013, loans to individuals totaled Ps. 350,887 million, representing 48.8% of our total loan portfolio and a 6.0% increase from our total of 2012. This increase in loans to individuals in 2013 over 2012 was primarily the result of greater loan origination. In addition, during 2013 we issued 1.4 million credit cards compared to 1.9 million in 2012.

The following table sets forth an analysis of the composition of our total loan portfolio at the dates indicated with respect to loans to both the public and private sectors.

	As of December 31,									
	2009		2010		2011		2012		2013	
	Loan Portfolio	%	Loan Portfolio	%	Loan Portfolio	%	Loan Portfolio	%	Loan Portfolio	%
	(millions of Ps., except percentages)									
Public sector[(1)]	Ps. 59,142	11.16%	Ps. 85,688	14.73%	Ps. 103,654	16.23%	Ps. 89,642	13.50%	Ps. 89,521	12.45%
Private sector:										
Businesses	216,538	40.88%	221,425	38.06%	231,064	36.18%	241,586	36.41%	277,824	38.65%
Individuals[(2)]	252,581	47.68%	272,052	46.76%	301,299	47.17%	330,879	49.87%	350,887	48.82%
Other private sector[(3)]	1,464	0.28%	2,591	0.45%	2,683	0.42%	1,439	0.22%	557	0.08%
Total private sector loans	470,583	88.84%	496,068	85.27%	535,046	83.77%	573,904	86.50%	629,268	87.55%
Total loans	529,725	100.00%	581,756	100.00%	638,700	100.00%	663,546	100.00%	718,789	100.00%

(1) Includes loans supported by the full faith and credit of the Mexican Government.
(2) Includes loans to individuals for business activities, as well as mortgage, credit card and other consumer loans and credit exposures connected to leasing.
(3) Includes loans to foreign banks, foreign companies, non-profit entities and certain other entities.

Performing commercial loans

As of December 31, 2013, performing commercial and corporate loans totaled Ps. 359,826 million, reflecting an increase of 11.4% from December 31, 2012. This increase was attributable primarily to a 12.4% increase in unsecured revolving lines of credit issued during 2013 as compared to 2012.

As of December 31, 2013, the aggregate outstanding principal amount of our 25 largest loans (including loan exposures to a single corporate group or to an agency of the federal government of Mexico) represented 15.6% of our total loans outstanding. The largest single loan exposure as of December 31, 2013 accounted for 65.3% of our paid-in capital. As of December 31, 2013, of our twenty-five largest outstanding loans, fifteen loans were rated "A1", six loans were rated "A2", two loans were rated "B1", one loan was rated "B2" and one was classified as an "exempt loan." As of December 31, 2013, of our ten largest outstanding loans, representing 9.7% of our total outstanding loans, seven were rated "A1", one was were rated "B1", one was rated "B2" and one was rated as an "exempt loan" as described under "—Loan Portfolio—Loans to the public and private sectors—Performing commercial loans."

As of December 31, 2013, approximately 96.3% of our performing commercial loan portfolio was unsecured with collateral, including mortgages. Unsecured commercial loans, consisting primarily of short-term working capital loans (with terms of 30 to 90 days), are common in Mexico. The credit analysis process and administration of these loans are the same as for secured loans. If we establish an unsecured line of credit it is because we believe the borrower is a creditworthy customer, and the fact that it is an unsecured loan is taken into consideration during the approval process. The additional risk from originating unsecured commercial loans is generally accounted for through larger spreads to cover possible losses. The fact that a loan is unsecured is among several factors considered when we grade the portfolio and, depending on the results of this grading, an appropriate allowance for loan losses is created.

Performing consumer and residential mortgage loans

As of December 31, 2013, performing consumer loans (including residential mortgage loans) totaled Ps. 333,272 million, an increase of 5.6% from December 31, 2012. As of December 31, 2012, performing consumer totaled Ps. 315,669 million, an increase of 8.4% from December 31, 2011. The preferred lending products for this market segment have been first residential mortgage loans and credit card loans.

Our performing residential mortgage loan portfolio totaled Ps. 153,569 million as of December 31, 2013, an increase of 2.1% from December 31, 2012. This increase in the amount of performing mortgage loans was primarily attributable to the early termination of the support program "Punto Final". This program was designed to help those mortgage loan debtors affected by the economic crisis of 1994 and the effect on the balances was to reduced mortgage loans with an impact on provisions by the amount corresponding to the Bancomer write-off and charged to a receivable account from the Mexican Government. In our income statement this effect was reflected in the interest margin associated to this portfolio. On the other hand, excluding the old residential mortgages (the portfolio derived from the crisis), the increase of the residential mortgage portfolio was 7.2% in 2011 as compared to 2010. This increase was primarily attributable to higher activity resulting from a recovery in Mexican families' income. Our performing residential mortgage loan portfolio totaled Ps. 150,413 million as of December 31, 2012, an increase of 3.5% from December 31, 2011.

Substantially all mortgage loans that we originate are recorded on our books, excluding certain mortgage loans granted under government programs for low-income housing.

As of December 31, 2013, our performing credit card portfolio totaled Ps. 96,655 million, an increase of 4.9% from December 31, 2012. As of December 31, 2012, our performing credit card portfolio totaled Ps. 92,172 million, an increase of 13.8% from December 31, 2011. The increase in our performing credit card portfolio for each of these years is attributable to increased credit card issuances. We, like other Mexican banks, reflect, in our interest rates for credit cards, the greater risk associated with such loans. Other types of loans are generally less risky because borrowers are not able to increase their borrowings without prior approval and must generally provide some form of collateral, such as cash, securities or property (including plants, inventories and equipment), and third party guarantees.

Loans by economic activity

During the last few years, we have focused our lending activities towards those sectors of the economy that we believe, within the context of our overall risk management policies, have the greatest potential for growth. In addition, we have attempted to reduce our risk by diversifying our loans among a greater number of customers and within a larger geographic area in Mexico.

As of December 31, 2013 our mortgage loans totaled Ps. 162,850 million, our credit card loans totaled Ps. 100,442 million and our commercial loans totaled Ps. 79,075 million. In 2013, we granted approximately 20,745 mortgages directly to individuals and approximately 5,521 mortgages to housing developers, a decrease of 7.6% and 14.4% respectively, each as compared to 2012.

During 2013, our loans to the commercial sector increased by 45.2% as compared to 2012. Our credit card loans increased by 3.9%, as compared to 2012, reflecting an increase in the use of credit lines. Our loans to major economic sectors (social and community services and manufacturing) increased by 35.5% and loans to the services sector increased by 3.3%, each as compared to 2012. The following table sets forth an analysis of our loan portfolio's composition at the dates indicated according to the borrower's principal economic activity.

	As of December 31,									
	2009		2010		2011		2012		2013	
	Loan Portfolio	%	Loan Portfolio	%	Loan Portfolio	%	Loan Portfolio	%	Loan Portfolio	%
	(millions of constant Ps., except percentages)									
Economic Activity:										
Residential mortgages	Ps. 141,245	26.66%	Ps. 150,227	25.82%	Ps. 151,486	23.72%	Ps. 157,724	23.77%	Ps. 162,850	22.66%
Social and community services(1)	74,100	13.99	60,771	10.45	71,159	11.14	75,425	11.37	106,694	14.84
Manufacturing	21,117	3.99	26,496	4.55	40,052	6.27	36,296	5.47	44,684	6.22
Construction and real estate development	57,580	10.87	58,838	10.11	40,666	6.37	37,773	5.69	28,192	3.92
Commercial(2)	45,209	8.53	40,366	6.94	44,654	6.99	54,442	8.21	79,075	11.00
Credit card	71,242	13.45	74,022	12.72	84,782	13.27	96,682	14.57	100,442	13.97
Services(3)	24,513	4.63	26,297	4.52	13,784	2.16	15,351	2.31	15,857	2.21
Energy and utilities	27,652	5.22	36,232	6.23	35,813	5.61	30,702	4.63	32,768	4.56
Other	67,067	12.66	108,507	18.66	156,304	24.47	159,151	23.98	148,227	20.62
Total loans	Ps. 529,725	100.00%	Ps. 581,756	100.00%	Ps. 638,700	100.00%	Ps. 663,546	100.00%	Ps. 718,789	100.00%

(1) Includes loans to the public sector.
(2) Includes loans for commercial activities not directly related to manufacturing, as well as loans related to tourism.
(3) Includes credit extended to financial institutions.

Our loan portfolio is characterized by seasonal variations in loan demand and in outstanding loans. For example, heavy demand for agricultural financing drives increases in outstanding loans in March through May of each year. Also, the Mexican economy has historically seen large increases in economic activity during the second half of the year, resulting in significant demand for working capital and inventory financing during the period from September through November and for consumer loans during November and December.

Maturity composition of the commercial and leasing loan portfolio

The following table sets forth an analysis with reference to the time remaining to maturity of our performing commercial and leasing loan portfolio as of the dates indicated.

	As of December 31,									
	2009		2010		2011		2012		2013	
	Loan Portfolio	%	Loan Portfolio	%	Loan Portfolio	%	Loan Portfolio	%	Loan Portfolio	%
	(millions of Ps., except percentages)									
Due within 1 year	Ps. 101,356	37.20%	Ps. 105,862	34.76%	Ps. 115,859	35.29%	111,954	34.25%	132,889	36.56%
Between 1 and 5 year	87,974	32.28	104,774	34.41	119,590	36.42	108,470	33.19	113,912	31.34%
Over 5 years	83,178	30.52	93,894	30.83	92,897	28.29	106,407	32.56	116,695	32.10%
Total	Ps. 272,508	100.00%	Ps. 304,530	100.00%	Ps. 328,346	100.00%	Ps. 326,831	100.00%	Ps .363,496	100.00%

At December 31, 2013, the total amount of our performing commercial and leasing loan portfolio was Ps. 363,496 million. Of these loans, 36.56% were scheduled to mature within one year and were generally intended to cover the borrower's working capital requirements, the purchase of inventory or the financing of foreign commercial transactions.

Loans maturing after more than one year were generally intended for the renovation of manufacturing plants and purchase of equipment, as well as the construction of factories.

Interest rate sensitivity of outstanding loans

The majority of our peso-denominated loans have rates that are reset not less frequently than every 28 days. All rates are determined either by reference to a marginal variable rate or the higher of several reference rates. We began using the TIIE as a reference rate following its establishment in 1995.

The following table sets forth our fixed-rate and variable rate performing loan portfolio.

	As of December 31,				
	2009	2010	2011	2012	2013
			(millions of Ps.)		
Fixed-rate	Ps. 100,890	Ps. 103,572	Ps. 105,674	Ps. 116,425	Ps. 141,683
Variable rate(1)	175,908	204,934	230,116	216,840	227,438
Total	276,798	308,506	335,790	333,265	369,121
Total non-performing commercial loans	4,290	3,976	7,444	6,434	5,625
Allowances for loan losses	(4,882)	(5,635)	(5,755)	(6,205)	(6,784)

(1) Includes loans that mature or reprice in 30 days or less, which we consider to be effectively variable rate loans.

Non-Performing Loan Portfolio

In assessing the performance of our loan portfolio, we review both the outstanding balance of our non-performing loan portfolio as well as the Loan Classification and Rating Rules.

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

- When there is evidence that the customer has been declared bankrupt.

- When payments have not been fully settled according to contractual terms, considering that:

    - Loans with a single payment of principal and interest at maturity are considered past due 30 calendar days after the date of maturity.

    - In the case of loans with a single repayment of principal at maturity, but with periodic interest payments, the total of the principal and interest to the 3 months of expiration.

    - The loans whose payment of principal and interest had been agreed to in scheduled payments are considered past due 3 months after the first installment is past due.

    - In the case of revolving credit granted, loans are considered past due when payment has not been received for two normal billing periods or, when the billing period is not monthly, 60 or more calendar days following maturity.

    - Customer bank accounts showing overdrafts are reported as non-performing loans at the time the overdraft occurs.

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

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

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

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

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

a. Settled the total amount of the accrued interest, and

b. Settled the principal of the original loan, which should have been settled as of the date of renewal or restructuring, as the case may be.

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

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

Accrued interest recorded as non-performing interest and included in income becomes part of our total classifiable credit portfolio and is subject to the loan loss reserve requirements of the credit portfolio grading system described under "—Grading of Loan Portfolio" below. The amount of the loan loss allowance for possible credit risks is based upon the grade assigned to the underlying loan.

The non-performing loan portfolio may include credits that our management views as involving different levels of risk and that are accordingly graded for regulatory purposes in any of categories "A 1" to "E." See "—Grading of Loan Portfolio."

As of December 31, 2013, our total non-performing loans totaled Ps. 22,675 million, or 3.2% of total loans. Of this amount, Ps. 654 million, or 2.9% of total non-performing amounts, represented past-due accrued interest. Total non-performing loans increased by Ps. 989 million, or 4.6%, in 2013 as compared to 2012, as non-performing consumer credit card loans decreased by 16.0%, or Ps. 723 million, mainly due to a change in the write-off policy imposed by new regulations.

As of December 31, 2012, our total non-performing loans totaled Ps. 21,686 million, or 3.3% of total loans. Of this amount, Ps. 640 million, or 3.0% of total non-performing loans, represented non-performing accrued interest. Total non-performing loans increased by Ps. 2,005 million or 10.2% during 2012 as compared to 2011.

As of December 31, 2011, total non-performing loans totaled Ps. 19,681 million, or 3.1% of total loans. Of this amount, Ps. 569 million, or 2.9% of total non-performing loans, represented non-performing accrued interest. Total non-performing loans increased by Ps. 5,258 million or 36.5% during 2011 as compared to 2010.

The following table sets forth an analysis of non-performing loans by type of loan at the dates indicated.

	As of December 31,				
	2009	2010	2011	2012	2013
			(millions of Ps.)		
Non-performing loans:					
Commercial and corporate loans:					
Unsecured	Ps. 4,000	Ps. 3,442	Ps. 6,665	Ps. 5,512	Ps. 4,662
Secured	226	507	756	882	906
Consumer loans:					
Residential mortgage	6,508	5,111	6,163	7,311	9,281
Credit card	6,812	3,602	3,810	4,510	3,787
Other consumer credits	1,632	1,343	1,695	2,791	3,328
Leasing receivables	64	27	23	40	57
Past-due interest	596	391	569	640	654
Total non-performing loans	19,838	14,423	19,681	21,686	22,675
Allowance for loans losses	(26,991)	(25,128)	(24,873)	(27,934)	(27,336)
Total non-performing portfolio net of allowance for loan losses	Ps. (7,153)	Ps. (10,705)	Ps. (5,192)	Ps. (6,248)	Ps. (4,661)

Grading of Loan Portfolio

Commercial loan portfolio

On June 24, 2013, the CNBV issued a ruling published in the Federal Official Gazette, modifying the methodology applicable to the classification of commercial credit portfolios, with the aim of changing the current model for creating the allowance for loan users based on a model of incurred loss, to a model of expected loss, in which the credit losses of the following 12 months are estimated using the best credit information available at the time.

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

We decided to adopt the methodology issued by the CNBV and complied with these deadlines early, by recognizing an additional allowance for loan losses of Ps. 1,551 in the commercial portfolio, applied against "Results from previous years" with a charge, net of deferred taxes, of Ps. 1,086.

As of June 30, 2013, the Bank, when classifying the commercial credit portfolio, considers the Probability of Default, Severity of the Loss and Exposure to Default, and also classifies the aforementioned commercial credit portfolio into different groups and establishes different variables for the estimation of the probability of default.

This change in methodology was adopted by the Bank on June 30, 2013, in which the amount of the allowance for loan losses on each credit will be the result of applying the following expression:

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

Where:

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

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

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

For purposes of the above:

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

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

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

Unsecured loans-

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

a. 45%, for Preferred Positions.
b. 75%, for Subordinated Positions, in the case of syndicated loans, those which for purposes of their priority of payment are contractually subordinated in relation to other creditors.
c. 100%, for credits which report 18 months or more in arrears for the amount due and payable under the terms originally agreed.

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

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

EI i = Si

II. For other credit lines:

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

Where:

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

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

That Bank 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 credits, with the aim of decreasing the reserves derived from the portfolio classification. In any case, it may elect not to recognize the sureties if larger reserves are generated as a result. For such purpose, the provisions established by the CNBV are applied.

Until May 31, 2013 and during the year 2012, based on the provisions relating to the methodology for the classification of the credit portfolio up to those dates, the Bank individually classified the commercial credit portfolio for credits or groups of credits owed by the same debtor whose balance is equal to or greater than an amount equivalent to 4 million UDIS at the classification date. The rest were classified in parametric form based on the number of months elapsed after the first default. The portfolio payable by the federal government of Mexico (the "Federal Government") or expressly guaranteed by the Federal Government was considered exempt.

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

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

CRB determines a client's creditworthiness through the weighted result of the grades 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 broader economic state of the industry, each of 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 identifies loans based on levels of acceptable risk, loans under observation and loans of unacceptable risk or in default. The risk categories 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 the "Regulatory Risk Classification" (as established by the CNBV) was based upon an analysis of equivalency of default probabilities between the CRB and the "Debtor's Risk Classification" (as established by the CNBV), and is as follows:

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

The allowances for losses from our commercial loan portfolio as a result of the classification of each loan are classified in accordance with the following default probability 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	Greater than	to	45.00%

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

Portfolio of States and their Municipalities:

When classifying the credit portfolio of States and Municipalities, the Bank considers the Probability of Default, Severity of the Loss and Exposure to Default, while also classifying each of the States and Municipalities into different groups and establishing different variables for the estimation of the probability of default.

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

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

Where:

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

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

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

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

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

Where:

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

Unsecured loans-

The Severity of the Loss (SPi) of the credits granted to the States or Municipalities which are not covered by security interests in real property, or personal or credit-derived collateral will be:

a. 45%, for Preferred Positions.
b. 100%, for Subordinated Positions or when the credit reports 18 months or more of arrears for the amount due and payable under the terms originally agreed.

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

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

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

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

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

On October 5, 2011, a ruling by the CNBV was published in the Federal Official Gazette that modifies the provisions related to the classification methodology of commercial loan portfolio granted to States and their Municipalities, as well as the accounting treatment for these loans. The Bank applied this methodology until May 31, 2013. The most important differences between the previous methodology and the current methodology are the following:

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

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

3) Real and personal collateral as well as loan derivatives are now considered to determine the severity of the loss and the exposure to default, whereas previously they were not considered.

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

Mortgage portfolio

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

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

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

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

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

Consumer loan portfolio that does not include credit card operations

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

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

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

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

Allowances for loan losses in the consumer portfolio that does not include credit card operations established by the Bank as a result of the classification of the credits, 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%

Consumer credit card loan portfolio

The CNBV approved the Bank's request to apply an internal credit card rating model per official notice 111-1/69930/2009 on June 22, 2009, and this methodology has been applied since August 2009.

In official notices 111-2/53217/2012 dated November 20, 2012 and 111-2/23006/2011 dated January 25, 2011, the CNBV authorized new parameters for the classification of revolving consumer credit portfolio used in its "Expected Loss Internal Methodology," which were applied for the years 2012 and 2013, respectively.

This 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 – Calculated based on variables like portfolio type, balance aging and noncompliance period.

– Exposure – Determined according to the credit limit and current balance.

The allowance for credit card losses created by the Bank following this credit rating process is classified according to the following risk levels 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	Greater than		75.01%

As of December 31, 2013 and 2012, the classification and creation of the allowance for loan losses of the consumer credit portfolio is performed with figures as of the last day of each month and is presented to the CNBV 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 credits that are considered as past-due portfolio.

Additional reserves

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

Analysis of graded loans

The following table analyzes the grading of our loan portfolio as of the dates indicated. In accordance with the CNBV's rules, graded loans reported at the end of a quarter, which we refer to as the reporting quarter, are based on loans outstanding at the end of the preceding quarter after giving effect to charge-offs made during the reporting quarter. Information in this table excludes loans to the federal government of Mexico and to *Banco de México*, but includes accrued interest, past-due interest and off-balance sheet commitments (such as guarantees and letters of credit).

	As December 31,									
	2009		2010		2011		2012		2013	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(millions of Ps., except percentages)									
Total graded loans:										
A1	Ps. 319,435	60.91%	Ps.389,347	67.04%	Ps. 350,204	56.31%	Ps. 362,654	54.63%	Ps. 409,873	56.74%
A2	99,259	18.93%	88,161	15.18%	119,698	19.25%	131,572	19.82%	134,178	18.58%
B1	32,537	6.20%	11,594	2.00%	25,953	4.17%	34,102	5.14%	58,007	8.03%
B2	10,281	1.96%	8,751	1.51%	22,982	3.69%	29,769	4.49%	31,708	4.39%
B3	11,614	2.22%	33,287	5.73%	41,546	6.68%	32,317	4.87%	24,241	3.36%
C1	10,594	2.02%	9,185	1.58%	21,708	3.49%	28,222	4.25%	16,057	2.22%
C2	13,126	2.50%	10,834	1.86%	13,660	2.20%	17,215	2.59%	17,212	2.38%
D	14,938	2.85%	17,638	3.04%	17,887	2.88%	17,785	2.68%	20,673	2.86%
E	12,646	2.41%	11,970	2.06%	8,261	1.33%	10,152	1.53%	10,401	1.44%
Total	Ps. 524,430	100.00%	Ps.580,767	100.00%	Ps. 621,899	100.00%	Ps. 663,788	100.00%	Ps. 722,350	100.00%
Allowances grading of our loans	23,530		20,395		21,408		23,842		24,846	
Past-due interest	507		339		417		562		665	
Excess over minimum regulatory requirements	2,903		4,329		2,935		3,391		1,690	
BBVA Bancomer allowance	26,940		25,063		24,760		27,795		27,201	
Mercury Bank allowance	–		–		–		–		–	
Financiera Ayudemos Allowance	8		6		26		40		58	
Securitization allowances	43		59		87		99		77	
Bancomer Financial Holding allowance	–		–		–		–		–	
Total allowance for loan losses	26,991		25,128		24,873		27,934		27,336	
Allowance as percentage of:										
Graded loans		5.15%		4.33%		4.00%		4.21%		3.78%
Total loans plus interest[1]		5.15%		4.33%		3.95%		4.21%		3.79%
Total non-performing amount		136.06%		174.22%		126.38%		128.81%		120.56%
Total non-performing as a percentage of total loans plus interest[1]		3.78%		2.49%		3.12%		3.27%		3.14%
Total non-performing loans (non-performing amounts less allowances) as a percentage of total loans plus interest[1]		(1.44)%		(1.93)%		(0.86)%		(0.98)%		(0.67)%

(1) Interest includes past-due and outstanding interest.

As of December 31, 2013, the aggregate outstanding principal amount of our 25 largest loans (excluding loan exposures to a single corporate group or to an agency of the Federal Government) represented 24.19% of our total loans. As of December 31, 2013, of the 25 largest loans, eighteen loans were rated "A1", six loans were rated "A2", and one loan was rated "B1." As of December 31, 2013, of our 10 largest loans, representing 14.52% of our total loans, eight were rated "A1", and two were rated "A2."

Allowance for loan losses

General

We provide for possible loan losses in accordance with the regulations of the CNBV and are in compliance with regulatory loan loss allowance requirements. The grading of loans determines the amount of the allowance for loan losses required to be set aside, see section above – Grading of Loan Portfolio. The amount reserved for loan losses is carried in a separate account on our balance sheet and all charge-offs for uncollectible loans are made against this reserve. Mexican banks are required to obtain authorization from their boards of directors in order to charge off loans. In addition, Mexican banks are required to inform the CNBV after such charge-offs have been recorded. For a discussion of our charge-off policy, see "Annex A— Significant Differences Between Mexican Banking GAAP and U.S. GAAP."

As of December 31, 2013, we recorded loan loss provisions charged against earnings totaling Ps. 23,699 million. Our allowance for loan losses amounted to 120.56% of total non-performing loans as of December 31, 2013, as compared to 128.81% as of December 31, 2012 and 126.38% as of December 31, 2011. We believe that our current loan loss allowance is adequate for all known or knowable losses on our assets.

As of June 30, 2014, we recorded loan loss provisions charged against earnings totaling Ps. 26,948 million. Our allowance for loan losses amounted to 120.2% of total non-performing loans as of June 30, 2014, as compared to 120.6% as of December 31, 2013 and 128.8% as of December 31, 2012. We believe that our current loan loss allowance is adequate for all known or knowable losses on our assets.

Analysis of allowance for loan losses

The following table analyzes our loan loss allowances and movements in loan charge-offs and recoveries for the periods indicated, as well as changes to income and period-end allowances for loan losses.

	For the Years Ended December 31				
	2009	2010	2011	2012	2013
			(millions of Ps.)		
Balance at beginning of period	Ps. 25,560	Ps. 26,991	Ps. 25,128	Ps. 24,873	Ps. 27,934
Increase:					
Provision charged against earnings	27,255	19,626	20,011	22,260	23,699
Recoveries[1]	–	–	(2,722)	-	
Provisions charged against equity	1,323	–	201	-	1,551
Exchange rate revaluation	–	–	370	202	181
Inflation revaluation of the UDI program[2]	614	239	74	68	62
Subtotal	29,192	19,865	17,934	22,530	25,493
Decrease:					
Exchange rate revaluation	100	122	190	339	190
Punto Final program for mortgage loans[2]	737	709	3,092	21	-
Other charge-offs	26,896	20,897	14,907	19,109	25,901
Amount of loans sold	28	–	–	-	-
Subtotal	27,761	21,728	18,189	19,469	26,091
Balance at the end of period	Ps. 26,991	Ps. 25,128	Ps. 24,873	Ps. 27,934	Ps. 27,336

(1) We may continue our recovery efforts with respect to certain non-performing loans after the date on which such loans are formally written-off. We do not generally maintain a threshold time limit in respect of non-performing loans, following the expiration of which such loans are automatically charged off.
(2) See "— Early Termination of Debtor Support Programs."

Allocation of allowance for loan losses by category

	As of December 31,									
	2009		2010		2011		2012		2013	
	Allowance	%	Allowance	%	Allowance	%	Allowance	%	Allowance	%
	(millions of Ps., except percentages)									
Commercial, financial and agricultural	Ps. 4,845	17.95%	Ps. 5,622	22.37%	Ps. 5,730	23.04%	Ps. 6,156	22.04%	Ps. 6,745	24.68%
Residential mortgages	8,557	31.70	7,137	28.40	3,437	13.82	3,692	13.22	4,197	15.35
Credit card	8,459	31.34	6,200	24.68	7,804	31.37	8,597	30.78	8,425	30.82
Other consumer loans	1,683	6.23	1,488	5.92	4,525	18.19	5,487	19.64	5,575	20.40
Leases	37	0.14	13	0.05	25	0.10	49	0.17	39	0.14
Excess over minimum regulatory requirements	2,903	10.76	4,329	17.23	2,935	11.80	3,391	12.14	1,690	6.18
Past-due interest	507	1.88	339	1.35	417	1.68	562	2.01	665	2.43
Total	Ps. 26,991	100.00%	Ps. 25,128	100.00%	Ps. 24,873	100.00%	Ps.27,934	100.00%	Ps. 27,336	100.00%

Foreclosed real estate and other assets

As of December 31, 2013, the book value of our foreclosed real estate and non-real estate assets, net of allowances, totaled Ps. 7,630 million and Ps. 0 million, respectively. As of December 31, 2012, the book value of our foreclosed real estate and non-real estate assets, net of allowance, totaled Ps. 6,138 million and Ps. 3.0 million, respectively. This increase was mainly due to the adjudication of real estate properties from our housing developers' loan portfolio for a value of Ps. 1,591 million, which was caused by a decrease in demand for new houses beginning in 2012.

Under CNBV regulations, Mexican banks that are awarded title to foreclosed property in a judicial auction are required to account for such property at the amount set at the auction. Real estate assets received by the bank in a negotiated settlement with the borrower must be recorded at the lower of the appraised value of the property and the amount of the loan recorded in such settlement. In addition, although time limits to sell foreclosed real estate assets or real estate assets received by the bank in negotiated settlements have not been eliminated from the regulations, as a general practice such time limits have been waived by the CNBV in order to allow banks to sell such assets, subject to market conditions and liquidity requirements.

We operate a specialized unit that administers foreclosed real estate and manages all activities related to the administration, marketing and sale of such properties.

The following table sets forth, by type of property, the book value of foreclosed real estate and non-real estate assets at December 31, 2011, 2012 and 2013.

	As of December 31,		
	2011	2012	2013
		(millions of Ps.)	
Real estate:			
Rural land	Ps. 46	Ps. 244	Ps. 834
Urban land	1,202	1,803	2,339
Family houses	2,843	4,046	4,872
Condominiums	444	622	610
Industrial plants	43	78	69
Commercial building	47	71	64
Other	165	231	270
Subtotal real estate	4,790	7,095	9,058
Allowance for real estate	(691)	(957)	(1,428)
Total real estate, net	4,099	6,138	7,630
Non-real estate	20	21	20
Allowance for non-real estate	(17)	(18)	(20)
Total non-real estate	3	3	-
Property type	4,810	7,116	9,078
Allowance	(708)	(975)	(1,448)
Total	Ps. 4,102	Ps. 6,141	Ps. 7,630

Early termination of debtor support programs

As a consequence of the 1995 Mexican crisis, the banks operating in Mexico had to create debtor support programs to help clients with their outstanding debts. These programs were in place for almost 10 years, until they were terminated ahead of schedule in July 2010. On July 15, 2010, an agreement was signed between the Federal Government, through the Treasury Department ("SHPC"), and some credit institutions, with the participation of the Mexican Bankers' Association, to early terminate certain debtor support programs (the "Agreement"). See note 10 to our Financial Statements included elsewhere in this offering memorandum.

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

– Housing Loan Debtor Support Program

– Housing Loan Debtor Benefits Agreement

The amount of the obligations as of December 31, 2010 payable to us by the Federal Government under the Agreement is composed as follows:

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

General conditions of payment obligations of Federal Government:

The payment obligations of the Federal Government will be fulfilled through installments of $ 827 per 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 payment, for a period of five years, in accordance with the following:

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

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

As a result of an agreement between the Bank and the CNBV, the first annual charge was not paid on the date agreed; it was paid by arrangement between the CNBV and SHCP on November 1, 2012.

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

As of December 31, 2013 , 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	$ 1,512	13/07/2017	2,109,235	$ 56	13/07/2017
422-9	128,738,261	10,522	07/07/2022	-	-	
423-9	10,656,993	871	01/07/2027	468,306	12	01/07/2027
424-6	383,470	31	20/07/2017	96,876	2	20/07/2017
431-2	964,363	78	04/08/2022	1,800	-	04/08/2022
Total		$ 13,014			$ 70	

Other Restructuring Programs

Workout and credit recovery

We operate a central workout unit in Mexico City, as well as four smaller credit recovery units operating throughout Mexico. These units handle debt recovery for borrowers with loans in excess of Ps. 2.0 million in current and past-due principal. Recovery prospects are measured by reference to a scale of 1 through 8, with a loan ranked 1 deemed to have the best recovery prospect and a loan ranked 8 deemed to have the worst recovery prospect. The credit recovery units are automatically engaged in the recovery of non-performing loans ranked 6 or higher.

In the event that a credit recovery unit is unable to reach an agreement with a borrower in respect of non-performing loan amounts and the borrower fails to propose terms for an alternative satisfactory restructuring agreement, the unit submits the loan to our litigation department for the initiation of an action to recover the loan. Foreclosure procedures on collateral in Mexico can take a long period of time. These procedures require the filing of a written petition with a Mexican court requesting the court's authorization to complete the foreclosure. This petition and its approval process are generally subject to significant delays. Accordingly, the value of the collateral may be impaired during the foreclosure process as a result of delays or other factors. As a result, there can be no assurance that the rate of non-performing loan recoveries will not decrease in the future. Loans with respect to which recovery has been unsuccessful despite the implementation of workout procedures and litigation, are charged-off.

Short-Term Borrowing and Loans from to Repurchase Agreements

The following table sets forth our short-term borrowings and securities sold under agreements to repurchase for the periods indicated.

	As of December 31,					
	2011		2012		2013	
	Amount	Rate	Amount	Rate	Amount	Rate
	(millions of Ps., except percentages)					
Short-term borrowings:						
At end of period	Ps. 11,274	3.96%	Ps. 15,402	4.21%	Ps. 22,158	1.62%
Daily average indebtedness during period	16,784	2.66%	20,998	3.09%	14,020	2.56%
Maximum month-end balance	41,747		32,943		26,673	
Securities sold under agreements to repurchase:						
At end of period	210,884	4.72%	219,124	5.35%	256,253	3.67%
Daily average indebtedness during period	218,443	4.56%	265,063	4.42%	244,919	3.84%
Maximum month-end balance	218,628		260,329		256,253	
Total:						
At end of period	222,158	4.68%	234,526	5.27%	278,411	3.51%
Daily average indebtedness during period	235,227	4.42%	286,061	4.32%	258,939	3.77%
Maximum month-end balance	Ps. 260,375		Ps. 293,272		Ps. 282,926	

Deposits

The following table presents the components of our deposit base for the periods indicated.

	As of December 31,		
	2011	2012	2013
		(millions of Ps.)	
Interest-bearing demand deposits:			
Peso-denominated	Ps. 302,256	Ps. 330,555	Ps. 390,320
Foreign currency-denominated	37,283	42,887	52,022
Subtotal	339,539	373,442	442,342
Non-interest-bearing demand deposits:			
Peso-denominated	84,035	82,665	62,858
Foreign currency-denominated	13,744	16,071	20,179
Subtotal	97,779	98,736	83,037
Saving deposits:			
Peso-denominated	66	66	-
Foreign currency-denominated	8	7	-
Subtotal	74	73	-
Time deposits:			-
Peso-denominated	173,323	168,530	149,811
Foreign currency-denominated	33,579	29,733	36,308
Subtotal	206,902	198,263	186,119
Total	Ps. 644,294	Ps. 670,514	Ps. 711,498

THE TEXAS AGENCY

General

On June 2, 2003, the Texas Agency was issued a license by the commissioner of the Texas Department of Banking under the Texas Finance Code (the "Commissioner"). Through the Texas Agency, we are a foreign bank licensed to transact business in the State of Texas under the Texas Finance Code. The Texas Agency's registered office is located at 5075 Westheimer Road, Suite 1260W, Houston, Texas, United States of America; the Agency's telephone number is 713-341-8200; and the Agency's charter number is 5030-03.

A licensed foreign bank agency in the State of Texas has the powers outlined in the Texas Finance Code, including, but not limited to, the power to (i) borrow and lend money with or without property as security and (ii) buy or acquire and sell or dispose of a bill of exchange, draft, note, acceptance or other obligation for the payment of money. The Texas Agency may not accept deposits from citizens or residents of the United States, other than credit balances that are incidental to or arise out of the exercise of other lawful banking powers, but may accept deposits from persons who are neither citizens nor residents of the United States.

Activities

The Texas Agency is not an entity separate and distinct from BBVA Bancomer S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer. The Texas Agency is required to keep the assets of our business in the State of Texas, including the assets of the Texas Agency, separate and apart from the assets of our business outside of the State of Texas. Our depositors and creditors arising out of transactions with, and recorded on the books of, the Texas Agency are entitled to absolute preference and priority over the depositors and creditors of our offices located outside of the State of Texas with respect to our assets located in the State of Texas. The majority of transactions of the Texas Agency are performed under our direction and involve issuing debt on our behalf, booking loans originated at our home office and accepting deposits from non-United States corporations, government agencies, or persons who reside, are domiciled, and maintain their principal place of business in a foreign country.

Regulation of the Texas Agency

Under Mexican law, the Texas Agency's obligations are our obligations. The Texas Agency is subject to regulations issued by the CNBV and *Banco de México*, including liquidity requirements as well as applicable regulations issued by the Texas Department of Banking and the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"). See "Supervision and Regulation—Liquidity Requirements for Foreign Currency-Denominated Liabilities."

The Texas Agency is examined by the Texas Department of Banking and is generally subject to all of the laws of the State of Texas that are applicable to a Texas state bank. The Texas Agency is required to keep on deposit with unaffiliated banks in the State of Texas certain money and securities pledged to the Commissioner, and such required amount is subject to the conditions and limitations the Commissioner considers necessary or desirable for the maintenance of a sound financial condition, the protection of the creditors and depositors of the Texas Agency's business in the State of Texas, the public interest in the State of Texas, and the support of public confidence in the business of the Texas Agency. At this time, the Commissioner has not imposed upon the Texas Agency any requirement to maintain a specific ratio of assets to liabilities appearing on the books, accounts and records of the Texas Agency or liquidity requirements. However, the Commissioner has the discretion to impose such requirements as may be necessary or desirable to reflect differences among Texas agencies because of (i) the financial condition of the Texas agency offices of the foreign bank, (ii) the financial condition of the branch or agency offices of the foreign bank located in other states, (iii) the general economic conditions prevalent in the home country of the foreign bank, or (iv) the financial condition of the foreign bank itself, including the financial condition of branches or agencies in other countries, the financial condition of its affiliated bank and non-bank subsidiaries in the United States and the financial condition of the foreign bank on a worldwide consolidated basis or in its home country.

The Texas Agency is required to disclose that deposits and credit balances in the Texas Agency's offices are not insured by the Federal Deposit Insurance Corporation.

The Texas Finance Code authorizes the Commissioner to take enforcement actions to revoke the license of a foreign bank agency or to seize the assets that are located in Texas of a non-United States bank for a variety of offenses, including but not limited to, if the Commissioner by examination or other credible evidence finds that the foreign bank (i) has refused to permit the Commissioner to examine its books, papers, accounts, records or affairs, (ii) has failed to make a report required or made a material false or misleading statement in the report, (iii) has misrepresented or concealed a material fact in the original application for license, or (iv) conducts business in an unsafe and unsound manner. If the Commissioner finds that certain conditions have been met, including consideration of the foregoing factors and others established by statute, and that it is necessary for the protection of the interests of creditors of the foreign bank's business in the State of Texas or for the protection of the public interest, the Commissioner may initiate a variety of enforcement measures, including, without limitation, the following: (i) the Commissioner may issue, without notice and hearing, an order suspending or revoking the license of the foreign bank for a period of up to ninety (90) days, pending investigation or hearing, and (ii) the Commissioner, after issuing a final order revoking the license of a foreign bank, may (a) take possession of the property and business of the foreign bank in the state of Texas, or (b) liquidate the property and business of the foreign bank in the State of Texas, under circumstances and using procedures similar to those used to liquidate a Texas state bank, except that the depositors and creditors of a Texas agency, arising out of transactions with and recorded on the books of a Texas agency, would have an absolute preference and priority over the creditors of the foreign bank located outside of the State of Texas. Upon issuing a final order revoking the license of a foreign bank, such foreign bank must immediately cease all activity in the State of Texas requiring a license. After the Commissioner (or other receiver) completes the liquidation of the property and business of the foreign bank in the State of Texas, the Commissioner would transfer any remaining assets to the foreign bank or to the liquidators of the foreign bank's offices in other states in the event that such proceedings were pending in other states.

In addition to being subject to Texas banking laws and regulations, the Texas Agency is also subject to federal regulation primarily but not limited to the International Banking Act of 1978, as amended (the "IBA"), and the amendments to the IBA made pursuant to the Foreign Bank Supervision Enhancement Act of 1991 ("FBSEA"), and to examination by the Board of Governors of the Federal Reserve Board. Under the IBA, as amended by FBSEA, all United States branches and agencies of foreign banks, such as the Texas Agency, are subject to reporting and examination requirements similar to those imposed on domestic banks that are owned or controlled by United States bank holding companies.

Among other things, FBSEA provides that a state-licensed branch or agency of a foreign bank may not engage in any type of activity that is not permissible for a federally licensed branch or agency of a foreign bank unless the Federal Reserve Board has determined that such activity is consistent with sound banking practice. A state branch or agency must also comply with the same single borrower lending limits applicable to national banks. These limits are based on the capital of the entire foreign bank. In addition, FBSEA authorizes the Federal Reserve Board to halt the activities of a United States branch or agency of a foreign bank if it finds that the foreign bank is not subject to comprehensive supervision on a consolidated basis in its home country or there is reasonable cause to believe that such foreign bank, or an affiliate, has violated the law or engaged in unsafe banking practice in the United States, and as a result, continued operation of the branch or agency would be inconsistent with the public interest and purposes of the banking laws.

THE BANK

The Bank

We are a leading multi-purpose bank with limited liability organized under Mexican law. We provide a wide range of banking, securities and financial services to approximately 60,000 companies and government entities, and to over 19.0 million retail customers throughout Mexico. As of June 30, 2014, we had total assets of Ps. 1,473,044 million, total deposits (including bank bonds) of Ps. 760,281 million, and our stockholders' equity was Ps. 134,879 million. In 2013, our net income was Ps. 30,825 million and for the first six months of 2014, our net income was Ps. 13,641 million. As of June 30, 2014, based on total assets, loans and deposits, we were the largest bank in Mexico.

We are the principal subsidiary of Grupo Financiero BBVA Bancomer S.A. de C.V., a Mexican financial services holding company ("GFBB"). GFBB is controlled and substantially all of its capital stock is beneficially owned by Banco Bilbao Vizcaya Argentaria, S.A., a leading Spanish bank ("BBVA"). As of June 30, 2014, we accounted for approximately 92% of GFBB's total assets and approximately 83% of GFBB's net income.

We are focused on distributing our banking products and services efficiently. As of June 30, 2014, we distributed our products and services in Mexico for all of our banking units through a nationwide network of 1,802 branches, 8,327 automatic wholly-owned teller machines (ATMs) and 109,074 operating point of sale terminals (POS), as well as through mobile phone and internet banking. As of June 30, 2014, approximately 88% of our banking transactions were completed electronically, primarily through ATMs and mobile phone and internet banking. We are present in all 31 Mexican states and in Mexico City (Federal District).

Over the last three years, our commercial activity has grown at a higher average rate than Mexico's gross domestic product (GDP). From 2011 to 2013, compounded annual growth for our total performing loan portfolio and for our total deposits (including demand and time deposits) was 6.9% and 5.0%, respectively. During the same period, despite volatility and the deterioration of the global macroeconomic environment, our loan portfolio has grown while maintaining asset quality. Our performing loan portfolio grew in the first six months of 2014 8.0%, 8.8% in 2013, 5.2% in 2012 and 7.9% in 2011, each as compared to the previous year. Total non-performing loans as a percentage of total loans was 3.1% in the first six months of 2014, 3.1% in 2013, 3.3% in 2012 and 3.1% in 2011.

As of June 30, 2014, our performing commercial loan portfolio, which includes loans to corporations, enterprises and financial and governmental entities, represented 52% of our total performing loan portfolio, while our consumer and credit card loan portfolio represented 26% of our total performing loan portfolio and our mortgage loan portfolio represented the remaining 22%.

Our net income decreased 28.9% in the first six months of 2014, increased 32.9% in 2013 as compared to 2012, decreased 1.2% in 2012 as compared to 2011 and increased 4.1% in 2011 as compared to 2010. It is important to mention that in 2013, BBVA sold all Pension Funds Businesses of Latin America, including Mexico's Pension Fund Company, Afore Bancomer, S.A. de C.V. The income obtained from this sale in 2013 and the results of Afore Bancomer, S.A. de C.V. in 2012 and 2011 were registered under "discontinued operations" in the P&L. Excluding these profits, on a comparative basis, BBVA Bancomer's net income was 22,739 mp in 2013 with an annual growth rate of 3.8%, while in the first six months of 2014 net income was 23.0% higher compared to the corresponding period from the previous year.

We operate through the following main units:

- Retail banking: this unit focuses on providing banking services and originating credit and debit cards, automobile loans, residential mortgage loans, consumer loans, payroll loans and loans to small businesses through our network of retail branches and ATMs, as well as alternative distribution channels.

- Middle-market and government banking: this unit focuses on providing banking services to companies, offering bridge loans for construction purposes to housing developers, granting credit for the distribution and purchasing of vehicles and providing banking services to Mexican federal agencies, states and municipalities.

- Corporate and investment banking: this unit focuses on providing products and services to Mexico's major corporate and institutional customers in lending, mergers and acquisitions, capital markets transactions (equity and fixed income), cash management and e-banking and money-market instruments.

The Mexican financial market is highly competitive. As of June 30, 2014, the banking market in Mexico was integrated by 45 banks. Considering this market, we hold the leading position in the following business lines:

	As of June 30, 2014[1]	
	Market Share	**Rank**
Total assets	21.5%	1
Total deposits	23.1%	1
Total loans	23.9%	1
Number of branches	14.2%	2

(1) Source: CNBV.

Organizational Structure

We are the principal subsidiary of GFBB, a Mexican financial services holding company.

In addition to our own products and services, we distribute and earn fee income and commissions from a wide range of financial and related products and services in Mexico for GFBB and other affiliates, including:

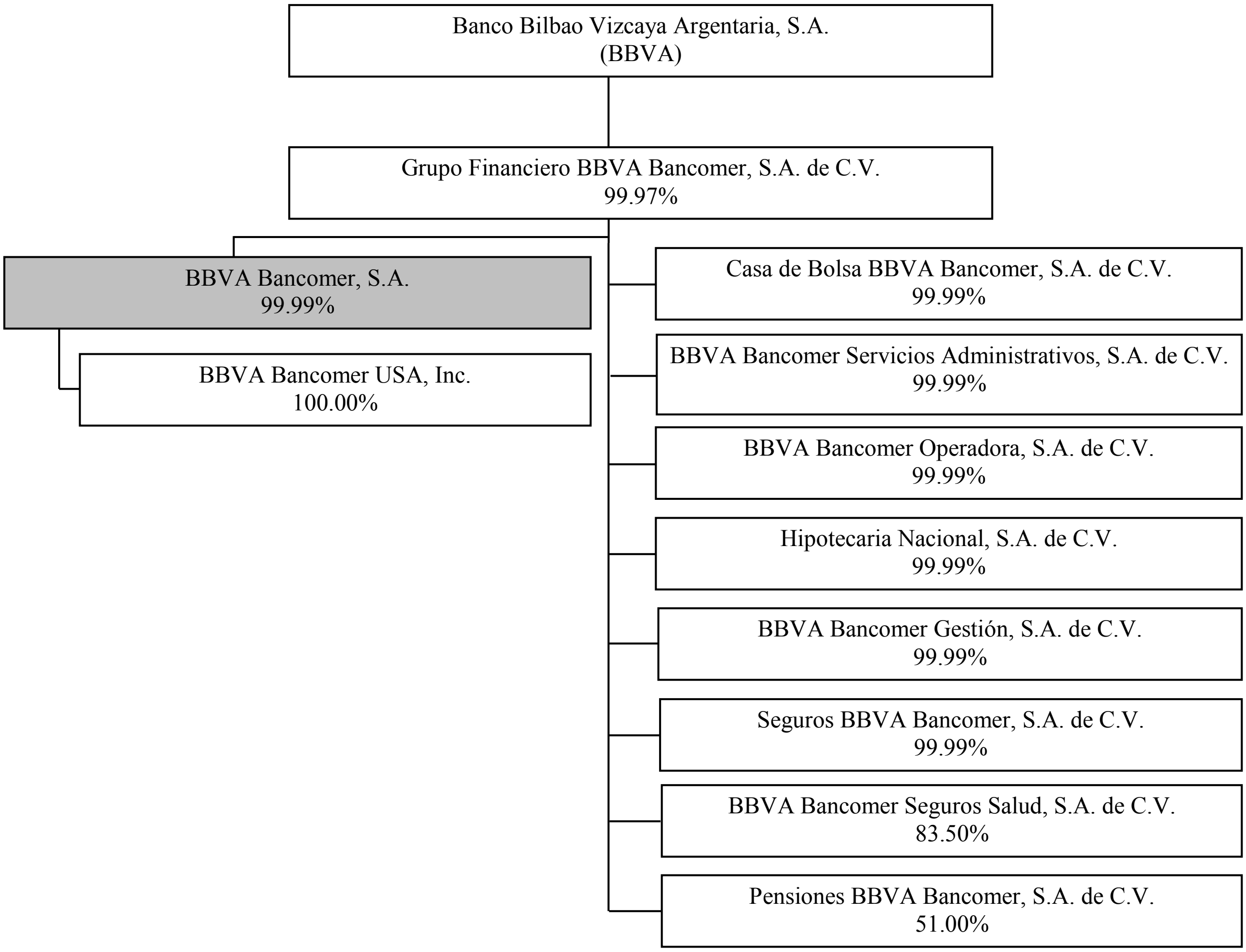
- bank assurance products on behalf of Seguros BBVA Bancomer, S.A. de C.V.;

- mutual funds on behalf of BBVA Bancomer Gestión, S.A. de C.V.;

- brokerage services on behalf of Casa de Bolsa BBVA Bancomer, S.A. de C.V.; and

- pension fund management on behalf of Pensiones BBVA Bancomer, S.A. de C.V.

The following chart presents our current holding organizational structure and that of GFBB, including principal subsidiaries and affiliates, as well as respective ownership interests:



Our headquarters are located at Avenida Universidad No. 1200, Colonia Xoco, Mexico City, Mexico 03339. Our telephone number is (52 55) 5621-3434. See "The Bank—Properties."

Our History

General

Our origins can be traced back to *Banco de Comercio, S.A.*, which was founded in 1932 in Mexico City. In 1977, various institutions comprising the Banco de Comercio Group were consolidated into a multi-purpose bank under the name of "Bancomer." The merger enabled us to maintain our strong ties with local communities throughout Mexico and begin offering the services of a national banking network.

Bancomer was nationalized by the Mexican Government in 1982 along with nearly all other commercial banks in Mexico. As part of the subsequent privatization process, in 1991, a core group of Mexican investors led by Eugenio Garza Lagüera incorporated Grupo Financiero Bancomer ("GFB"), to acquire 56% of Bancomer's outstanding capital stock directly from the Mexican Government.

GFB subsequently increased its ownership of Bancomer through acquisitions and, in 1993, the Mexican Government exchanged its remaining stake in Bancomer for shares of GFB's capital stock, which gave GFB control of nearly 100% of Bancomer's outstanding capital.

BBVA's Investment in GFB

In 2000, BBVA acquired operating control of Grupo Financiero Bancomer, S.A. de C.V., which was renamed Grupo Financiero BBVA Bancomer, S.A. de C.V. As a result of a merger of Grupo Financiero BBV-Probursa, S.A. de C.V. ("BBV-Probursa"), an indirect subsidiary of BBVA and the parent of Banco Bilbao Vizcaya Mexico, S.A. ("BBV-Mexico"), into GFB in July 2000, BBVA obtained an approximately 30% interest in the outstanding capital of GFB. As a result of a series of transactions effected between January 2002 and March 2004, BBVA acquired approximately 99.9% of the capital stock of GFBB.

Following BBVA's initial investment in GFB in 2000, we grew as a result of our September 2000 merger with Banco Promex, S.A. ("Promex"), an insolvent bank that had been acquired by the Mexican Government, and, to a lesser extent, the transfer of a substantial portion of the traditional banking business of BBV-Mexico to us in 2001. As part of that transfer, certain of our assets and activities, including our ATM network, were transferred to BBV-Mexico. Subsequently, we were renamed BBVA Bancomer, S.A., Institución de Banca Múltiple and BBV-Mexico was renamed BBVA Bancomer Servicios, S.A., Institución de Banca Múltiple, or BBVA Bancomer Servicios.

We are a Mexican company authorized to exist and operate as a foreign-owned subsidiary bank. Our capital is 100% owned by GFBB, a foreign-owned subsidiary holding company, whose capital is, in turn, 99.97% owned by BBVA.

On August 1, 2009, we entered into a merger agreement through which BBVA Bancomer Servicios was merged into BBVA Bancomer, resulting in one financial institution. As a result of this merger, all former business activities of BBVA Bancomer Servicios, including trust and ATM services, are now wholly-owned and carried out directly by us.

On January 9, 2013, BBVA Bancomer finished the sale of Afore Bancomer, S.A de C.V. to Afore XXI Banorte. The total amount of this transaction was for U.S. $1,734 million.

Strategy

Our central strategy is to continuously increase the profitability of our business through permanent and long-term growth that will enable us to continue being the leading bank in the Mexican financial market. Future growth will be supported by our customer-driven business model that provides specialized attention to each type of customer. To achieve this goal, we are focused on the following objectives:

Continue to Focus on Our Strategic Plan

In 2010, we launched a new strategic plan focusing on the market opportunities that Mexico offers to continuing growth and to diversify our financial services. This strategic plan continued to be the primary focus with the following fundamentals:

- *Customers*: They are the center of our business, and it is our principal objective to offer them the best service with specialized attention for each type of customer.

- *Distribution*: We seek to create an integrated multi-channel distribution model and enhance our current distribution network with user-friendly channels based on current and new technologies.

- *Simplicity and efficiency*: We seek to improve our operations by making them more efficient, transparent and accessible to customers.

The strategic plan includes several initiatives, involving substantially all of our business divisions and administrative units, and is intended to improve our business model, services, commercial efficiency, risk management and profitability.

In 2013, we announced an important investment plan of U.S. $3.5 billion focused on:

d) Branch network: refurbishment of the entire network. As of June 30, 2014, we refurbished 381 branches into the new layout and we also installed a new attention model, to improve our service to customers and to increase commercial productivity.

e) Technology: to create a better multichannel distribution of products through ATMs, mobile banking and on-line banking. To increase efficiency in customer's clarification processes, to reduce branch traffic and to enhance our risk, our operating and our commercial platforms.

f) Buildings: the investment plan also considers the ending of the construction of two office buildings in Mexico City and the construction of the Data Processing Center that would be located in the State of Mexico.

Customers

The principal focus of our strategic plan is a corporate-wide understanding that our customers are the core of our business. Initiatives that have been implemented to advance into this objective include increasing cross-selling to customers, offering diverse products from our business divisions and creating higher value through customized products and solutions.

Our business model is based on customer segmentation, which entails offering specialized products and services to customers within each segment. We have divided our customer base into different segments according to their profiles; on one hand we cater to enterprises dividing them into the following segments: Corporate, Medium-sized businesses, Government entities, Small businesses and Micro-businesses; on the other hand for individuals we cater to high net-worth customers or *Privada*, upper affluent customers or *Patrimonial*, affluent customers or *Personal*, upper mass customers or *Bancario*, and lower mass customers or *Express*. As part of our strategic plan, we have also merged our residential mortgage business unit into our retail banking unit and transferred our commercial housing mortgage business unit to our middle-market and government banking unit.

We seek to further expand our customer base by increasing cross-sell and boosting the value of our customers. Nevertheless, we are committed to delivering banking products and services to unbanked and underserved segments of the Mexican population and to help them increase their financial acumen. As of June 30, 2014, we had over 19 million customers, including large corporations, small and medium-sized enterprises, small businesses, government customers and individuals from all customer segments.

We view customer service as a top priority and we consider our approach to customer service to be one of the features that distinguish us from our competitors and enable us to maintain a market advantage in the highly competitive Mexican financial services industry. We view customer service as a top priority and we consider our approach to customer service to be one of the features that distinguish us from our competitors and enable us to maintain a market advantage in the highly competitive Mexican financial services industry. We use the Net Promoter Score ("NPS") methodology, a metric that we believe is capable of predicting growth based on customer satisfaction and willingness to recommend our services. NPS is a strict measure that detects opportunities through an effective mechanism that allows us to identify the causes of satisfaction and dissatisfaction among our customers and prioritize critical areas requiring improvement. We have an internal program to measure quality inside the branches, this program primarily seeks to increase the quality of our service and thus improve customer satisfaction by classifying our retail branches into categories, based on the quality of service provided as measured by the results of customer surveys.

Distribution

We seek to create an integrated multi-channel distribution model and enhance our existing distribution network with user-friendly channels based on current and new technologies.

As of June 30, 2014, we had one of the largest branch networks, consisting of 1,765 branches strategically located among all Mexican states including 1656 full-service branches, 21 supermarket branches and 88 specialized branches, consisting of 57 branches located in office buildings and 31 branches in customs offices near the U.S. Mexican border to facilitate payment of customs duties. Each of our branches reports to one of seven divisions located throughout Mexico. We also have a branch located in Houston, Texas.

Our customers continue to take advantage of our online banking services offered through our internet portal. As of June 30, 2014, we had 1.9 million internet portal clients who executed approximately 458 million transactions during the first six months of 2014. In 2013, our internet portal clients executed approximately 1,056 million transactions, an increase as compared to the 871 million transactions executed in 2012 and 751 million in 2011.

During the first six months of 2014, the number of transactions executed through electronic channels reached 108 million on-line banking transactions, 251 million mobile phone banking and ATM transactions and 590 million credit and debit card transactions. In 2013, electronic channels transactions were 198 million on-line banking transactions, 486 million mobile phone banking and ATM transactions and 1,075 million credit and debit card transactions.

We have also expanded our points of sale to more than 24,684 stores and establishments which include retail stores, pharmacies, terminals, gas stations and supermarkets, such as OXXO, Farmacias Benavides, Chedraui and Wal-Mart, among others.

We operate a call center and telephone banking service, that we refer to as "*Línea Bancomer*," which provides our customers access to a toll-free telephone service to conduct certain basic banking transactions, including obtaining account balances and transferring funds. Our call center also allows us to perform telemarketing activities to offer credit cards and bank assurance products (provided by Seguros Bancomer, S.A. de C.V., a subsidiary of GFBB) to our customers, as well as services such as the payment of bills and automatic debits to checking accounts.

We have developed new products and services to address the needs of our customers and expand our distribution network. In 2009, we launched a new generation of ATMs called *Practicajas*, that allow our customers to carry out (i) deposits, (ii) transfers to third parties, (iii) credit card and service payments, and (iv) borrowings at lower transaction costs. In 2011, we launched *Bancomer Móvil,* a mobile banking system that provides customers with access to free consultations, purchases and basic banking transactions via their mobile phones. In addition, we launched *Cuenta Express*, the first bank account in Mexico that uses a customer's mobile phone number as the account number, thereby providing customers with simple and low-cost access to basic banking services. We are also creating new products designed to make financial services more accessible, such as pre-approved credit lines for payroll customers to be disbursed through our ATMs.

Simplicity and Efficiency

We seek to improve our operations through the use of new technologies, product development, customer service quality metrics and methodologies, which allow us to simplify our customers' banking experience. We believe that our new distribution model and customer segmentation will also allow us to increase productivity in each of our banking units.

We maintain one of the most competitive efficiency ratios as compared to our peers in the Mexican financial system according to the CNBV, and we seek to improve efficiencies through specialized training of our personnel and increased use of automated data and related systems as well as external suppliers when it is more cost-effective to do so. As of June 30, 2014, our efficiency ratio was 43.6%, which represented an improvement of 1.0 percentage points as compared to 44.6% as of December 31, 2013, and a deterioration of 1.7 percentage points as compared to 45.3% as of December 31, 2012 and an improvement of 0.1 percentage points as compared to 43.7% in 2011, despite our investments related to infrastructure, innovation and technology.

We have made considerable efforts to reduce branch traffic through the installation of electronic payment systems at our branches and by offering mobile phone and internet banking to our customers. As of June 30, 2014, we reduced to 12.0% the weight of total banking transactions made through branch tellers compared to 13.8% as of December 31, 2013, 15.6% as of December 31, 2012 and 17.7% as of December 31, 2011.

Increase Our Core Earnings

We seek to increase our core earnings by reducing our funding costs through selective market and bank offerings, maintaining a low-cost deposit base and concentrating our efforts on products and services with high profit margins, without diminishing the quality of our portfolio.

Sound Risk Management

Our risk management strategy has contributed to our profit growth and controlled risk. We consider risk management to be a central part of our strategy, acting as a key differentiator from our competitors and as a tool for future growth and profitability.

Over the last three and a half years, we have fully consolidated our internal credit risk model and we have developed advanced risk modeling tools that accurately measure credit risk. For example, our internal model for provisioning for losses on our credit card portfolio has been certified by Banco de España, Spain's central bank, and the CNBV. Our risk indicators, such as the "risk premium" which is equal to the provisions for loan losses divided by average loan portfolio, have also been very stable. The risk premium was 3.4% in the first six months of 2014, 3.5% in 2013, 3.4% in 2012, and 3.4% in 2011.

We seek to control credit risk, asset quality and costs in all stages of the credit cycle (origination, follow-up and recovery) through the implementation of advanced tools and methodologies. We have been able to generate segmented and specialized credit behavior scorings that enable us to offer specialized products and prices. We expect to continue to improve our risk platform and modeling tools, which are central components of our strategic plan for risk management that will be in place for the foreseeable future.

We have a clear objective to effectively manage operational risk with structures based on tracking and reliable management of processes. In addition, we have introduced extensive internal risk management and control systems that involve all personnel and areas of the institution. Such programs focus on measuring, tracking and preventing potential risks and preventing money laundering and financing of terrorist activities.

Maintain and Strengthen Our Leadership Position

As of June 30, 2014, a total of 45 banks operated in the highly competitive Mexican financial services industry, in which we hold a leadership position in the following areas: total assets, total deposits, total loans and numbers of branches.

In order to increase our profitability and commercial activity, we seek to maintain and strengthen our leadership position. We expect to maintain our market share through (i) the development of strategies and programs designed to increase long-term productivity; (ii) the maintenance and improvement of our processes; and (iii) the development of new business models. In addition, as mentioned above, we will continue to renew our distribution network through sustained investments in capital expenditures.

Focus on Corporate Reputation and Responsibility

We seek to act in accordance with our corporate principles and policies, including our commitment to social responsibility. We have a firm commitment to add value not only to the welfare of our customers, shareholders and employees, but also to the welfare of society.

The following items represent the main corporate principles of BBVA Group:

- ***Customer Value***: The customer as the focus of our business.
- ***Creation of Value***: The creation of value for our shareholders through our business.
- ***Team***: A team-oriented approach as the mechanism for value creation.
- ***Management Style***: A management style that generates enthusiasm.
- ***Ethical***: Ethical conduct and personal and professional integrity as a way of understanding and developing our business.
- ***Innovation***: Innovation as a key to progress.
- ***Social Responsibility***: Corporate social responsibility (including a commitment to environmental management and mitigation of climate change) as a commitment to development.

We are also fully committed to supporting the development of Mexico's educational system, especially through *Fundación Bancomer*. This foundation primarily supports education in Mexico through various projects. We assign 1.0% of our annual net income to Fundación Bancomer's budget. The foundation's most significant project includes a scholarship program called *Por los que se quedan*, which grants scholarships to children from families that have been dispersed as a result of immigration. As of June 30, 2014, this program has reached 20 states and 159 municipalities in Mexico. Since its inception in 2006, *Por los que se quedan* has granted a total of 49,400 scholarships and the mentorship of 790 volunteers from our branches every year, totaling Ps. 1,122,000,000.

We are also focused on increasing financial education in Mexico through our program Educación Financiera: "*Adelante con tu futuro*," which provides participants with guidance on banking products and services. We hold various workshops that educate participants on savings, credit cards and mortgage loans. We have been able to hold these workshops in our retail branches, or through mobile classrooms and electronic channels such as our website. Since we launched this project in 2008, we have provided more than 2,650,000 financial education courses to participants.

Banking units

Our business model is based on customer segmentation. We have the following banking units, which provide banking products and services to customers in the different segments:

- *Retail Banking Unit*: serves individuals in the high net-worth, upper affluent, affluent, upper mass and lower mass banking segments, as well as micro and small enterprises;
- *Middle-Market and Government Banking Unit*: serves medium-sized enterprises and government entities; and
- *Corporate and Investment Banking Unit*: serves major corporate and institutional customers.

Retail Banking Unit

General

Our Retail Banking unit is our major operating business unit and focuses on providing banking services and originating credit and debit cards, residential mortgage loans, consumer loans, payroll loans and loans to small businesses through our network of retail branches and ATMs, as well as alternative distribution channels. As of June 30, 2014, we had 1,802 retail branches and 8,327 ATMs throughout Mexico, as well as distribution channels outside of these networks, including 109,074 POS terminals and our internet portal. As of June 30, 2014, our Retail

Banking unit accounted for approximately 50.4% of our total loan portfolio, 54.7% of our demand and time deposits, 70.0% of our net interest income and 82.1% of our fee income. We have divided the customer base served by our Retail Banking unit into the following segments: for individuals based on deposit size we have the high net-worth, upper affluent, affluent, upper mass and lower mass and for small businesses we have the micro and small enterprises segment.

Our Retail Banking unit is focused on increase the value of the customer base and increase cross-selling. We believe that payroll accounts (similar to direct deposits in the United States) is a key segment in which entrance remains modest and considerable potential for deposits and cross-selling exist. For the first six months of 2014, we have originated 321,865 payroll accounts. As of June 30, 2014, we had over 5,630,000 payroll accounts. We intend to continue increasing the origination of payroll loans by offering our payroll accounts clients more benefits. We are also focused on delivering banking products and services to unbanked and underserved segments of the Mexican population.

In addition, our Retail Banking unit emphasizes increased productivity by reducing branch traffic through the installation of electronic payment systems at our branches and by offering mobile phone and internet banking to our customers.

Deposits

We believe that our diversified and stable deposit base provides us with a low-cost source of funding. Our deposit base has traditionally been one of our strengths and represents an area of prime strategic importance. Our strategy is aimed at increasing our deposit base and maintaining competitive funding costs and we support this strategy through marketing campaigns seeking to increase both the balance of existing savings accounts as well as the number of new savings accounts opened.

Promotional campaigns are typically held twice a year for a two-week period, offering awards such as electronics or other household goods to account holders who open new savings accounts or increase savings account balances by at least Ps. 7,000. In addition, these customers are entered into raffles for more expensive awards such as automobiles.

Our flagship product *El Libretón*, a savings account that includes a debit card with access to ATMs and establishments both domestically and internationally, allows the customer to have immediate access to their resources, and if the customer maintains a minimum balance of Ps. 2,000, the account pays an annual interest rate of 0.30%. An additional advantage of *El Libretón* is that for every multiple of Ps. 3,000 maintained as a monthly average balance in an account, a customer will obtain a ticket to participate in the various prize drawings that we hold.

As of June 30, 2014, the balance of demand deposits originated at our Retail Banking unit was approximately Ps. 290,118 million, which represented 52.7% of our total demand deposits. This level of demand deposits contributed to a reduction of our funding costs, which, in turn, resulted in an increase in our net income for the year. As of June 30, 2014, balances in time deposits and mutual funds originated at our Retail Banking unit were Ps. 83,809 million and Ps. 268,586 million, respectively, which represented 76.7% of our total time deposits and mutual fund balances.

Through our Retail Banking unit, we issue debit cards by means of a variety of different account products. For the first six months of 2014, we had debit card billing Ps. 410,153. In 2013, debit card billing totaled Ps. 837,258 million, representing a 2.7% annual increase as compared to 2012. In addition, we offer time deposits and mutual funds and we are continuously designing specialized products for customers in each segment.

Credit cards

We are a bank issuer of Visa and MasterCard private label credit cards in Mexico. Revenues from credit card operations are derived primarily from annual fees charged per account, variable interest rates charged on monthly account balances and merchant fees. We originated 2.3 million new credit cards in 2011, 1.9 million in

2012, 1.4 million in 2013 and 500 thousand for the first half of 2014. As of June 30, 2014, total credit card loans outstanding were Ps. 92,908 million, while aggregate credit card billing for the first six months of 2014, totaled Ps. 104,983 million. In November 2013 we decided to terminate our credit cards (co-branded) agreement with Wal-Mart Mexico. As of June 30, 2014 this portfolio represented 1.8% of total credit card portfolio with an annual decrease of -23.0%. As a result of this change, we have been migrating the best clients to a new BBVA Bancomer's credit card called "Vive".

We offer a wide array of different credit cards depending on the customer's monthly income, in order to reach all types of customers. Our credit card offerings include "*Bancomer Azul*", "*Bancomer Oro*", and "*Bancomer Platinum*", which are accepted by all merchants in Mexico and abroad. We also offer "*Vida Bancomer*", the first customer loyalty program utilizing a credit card with an embedded intelligent microchip running proprietary software developed to offer real-time rewards to customers and marketing and merchandising flexibility to merchants. As of June 30, 2014, approximately 37% of our credit cards were private label credit cards and represented Ps. 12,869 million in outstanding loans.

Our strong risk screening platform allows us to monitor and differentiate the behavior of each customer to better identify customers with debt problems early on, and offer them a support plan through preferential rates. This support program helps strengthen our credit card portfolio by offering better interest rates to credit card customers with higher credit scores, improving the quality of our service and the loyalty of our clients.

Consumer loans

Our consumer loan portfolio consists largely of unsecured personal loans, primarily for the purchase of consumer goods. Consumer lending, excluding credit card loans, reached Ps. 93,782 million as of June 30, 2014, representing a 21.5% increase from Ps. 77,169 million as of June 30, 2013.

"*Creditón Nómina*" is a credit program collected through payroll deductions which offers customers the ability to borrow up to four months of salary and repay that balance over the course of three years. During the first six months of 2014 we originated more than 321,000 payroll loans and 79,082 personal loans. While for the twelve months of 2013, we granted more than 713,000 payroll loans and more than 162,000 personal loans. Our platform for monitoring customer credit behavior and expanded multi-channel distribution network allowed us to offer pre-approved loans. For the first six months of 2014, we originated over 256,700 pre-approved payroll and personal loans originated over 624,200 credits.

Residential mortgages

In 2013, we integrated our Mortgage Residential Banking Unit into our Retail Banking Unit through which we continue to offer mortgage loans to individuals inside the retail branches with the new attention model.

As of June 30, 2014, we maintained our leadership position in the residential mortgage market, holding a 30.0% market share in number of new loans, with 12,829 loans granted for an amount totaling approximately Ps. 12,937 million. During 2013, we granted 25,890 loans for a total amount of Ps. 25,383 million. As of June 30, 2014, our residential mortgage portfolio totaled Ps. 162,757 million. During 2013, our residential portfolio totaled Ps. 160,689 million. The loan to value of our mortgage loans ranges from 65% to 90% depending on the type of product.

We believe that there are significant opportunities to continue expanding our residential mortgage business going forward. We also believe that our residential mortgage business will grow in correlation with demand for housing in Mexico, which is expected to expand as a result of population growth and the Mexican Government's continued support of the housing sector.

Customer segments

High net-worth

To these customers we provide customized financial and investment services with our relationship officers who are familiar with the customer's individual needs, and who can recommend and provide access to specialized products and services.

As of June 30, 2014, we had 81 relationship officers in 30 offices located throughout Mexico that attend approximately 8,000 customers. We seek to provide customers in this segment with tailored solutions for their financial needs. Products offered to this segment are, mutual funds, brokerage services, and a wide range of wealth management products.

Upper affluent

We cater to this segment through our relationship officers that provide specialized products and tailored solutions for their financial needs rather than offering them generic products and services. As of June 30, 2014, 296 relationship officers in 64 offices attended approximately 48,000 customers of this segment.

Affluent

In 2011, we created a new customer segment to offer them specialized attention and tailor-made products. As of June 30, 2014, we had 1,395 "personal bankers" or specialized sales representatives to cater these customers.

We offer products to three types of customers within the affluent segment: (i) new and mono-product customers, to whom we offer attractive packages to increase cross-selling of product and service opportunities; (ii) bi-product customers, to whom we offer linked products with high benefits; and (iii) multi-product customers, to whom we offer additional benefits. This will allows us to increase cross-selling in the affluent segment, which was previously not serviced by dedicated sales representatives and no special benefits were offered.

In order to serve our customers in this segment, we are moving from a broad product and communications strategy to a more individualized one. Our objective is to create greater value for our customers in this segment, which, in turn, creates value for us. We believe that our strong risk platform allows us to calculate prices adjusted to risk and offer competitive products to customers in this segment.

Upper mass

The upper mass segment is our largest retail segment based on number of customers, with more than 9.8 million customers as of June 30, 2014. We provide products and services to individuals in the upper mass segment through 2,406 commercial executives and our retail distribution network throughout Mexico.

We are focused on providing customers in this segment with a wide range of products and services in a short period of time and under the highest credit quality standards. In particular, we have a strong focus on analyzing the credit behavior of our credit cards customers in order to offer them credit card upgrades.

Lower mass

We developed this new segment dedicated to servicing the low-income population without adequate access to financial services. We offer low-cost transactional accounts that allow customers to use our banking services.

We have launched the first mobile account in Mexico, *Cuenta Express,* which is linked to mobile phones and has an account number that is the same as the mobile phone number of the customer. Users of *Cuenta Express* do not need to maintain a minimum average balance. We also have the largest network of banking correspondent agreements in the country to serve this segment. The CNBV approved our partnership with small merchants, supermarkets and pharmacies to install terminals (ATMs) that allow customers to manage deposits and payments. As of June 30, 2014, these partnerships have allowed us to expand our network to more than 24,684 points of sale.

Micro and small businesses

This segment provides services and originates loans for micro and small businesses. The maximum amount extended is usually limited to approximately Ps. 15 million, all of which is generally secured. As of June 30, 2014, we had approximately 470,000 customers in this segment.

Innovation has been and continues to be the key to our success in this segment. In 2003, we developed the first unsecured revolving credit lines for our small business customers. We refer to these credit lines as "*Tarjeta Negocios*"; such credit lines are limited to Ps. 9.1 million, and are primarily used by our small business customers to finance their working capital needs. *Tarjeta Negocios* can also be used as a special purpose credit card, which allows a large number of our small business customers to access term financing for the first time. Small business owners can use their line of credit electronically and issue checks using their line of credit. *Tarjeta Negocios* has the support of a Ps. 1,594 million guaranty fund established by the Ministry of Economy (*Secretaría de Economía*) as part of a credit expansion program.

In 2013, we were recognized by the Ministry of Economy as the financial intermediary that supported the largest number of micro and small enterprises. This is the fifth time that we have received this recognition of our contribution to the growth of micro and small enterprises through our innovative products and loans, as well as of our participation in programs supported by the Ministry of Economy for this segment. We have also increased the number of specialized executives and branches in this segment to cater all customers along the Mexican Republic. During the first six months of 2014, we granted 25,264 new loans to small and medium businesses. In 2013, we granted more than 46,550 new loans to this segment.

In 2011, to help facilitate management of micro and small businesses, we launched an innovative electronic online banking solution called "*Movimiento PyME"* through which we provide customers in this segment with a platform to, for example, register their sales and charges to their customers, payment to suppliers, and expenses.

In November 2009 we launched "*Tarjeta Micronegocios*", a special credit card to address the needs of micro-businesses which have historically obtained financing through suppliers, family and friends. The main benefits of this product are that (1) it provides micro-businesses with the opportunity to separate personal from business finances, thereby improving the administration of the business and (2) it frees up personal accounts. In 2013, we issued more than 18,000 *Tarjetas Micronegocios* for a total amount of Ps. 2,100 million. During the first six months of 2014, we have issued 9,658 *Tarjeta Micronegocios* for a total amount of Ps. 956 million pesos.

Middle-Market and Government Banking Unit

Our middle market and government banking unit is composed of the following three divisions:

Middle-Market

In our middle-market segment we have a network of 88 offices, 24 of which also attend the government entity customers and 378 specialized representatives to serve customers in this segment. As of June 30, 2014, we had 46,988 customers in our middle-market segment, each with a variety of financial needs.

The middle-market loan portfolio reached Ps. 122,835 million as of June 30, 2014 and represents approximately 36% of our total commercial loan portfolio. The quality of this portfolio has not been negatively impacted by its growth; as of June 30, 2014, the non-performing loan ratio was 1.81%.

Customers in our middle-market segment are also an important source of deposits, as they mostly utilize cash management and saving products. Our middle-market division has constantly increased the array of products designed to meet its customers' needs in terms of cash management and collection solutions. Some of its more popular products are: (1) *Tesorería Integral Bancomer*, which provides easier and faster operation of our customers' financial transactions by the installation of high-technology software through our website; and (2) *Multipagos*, which is a software that has optimized the collection process.

Productivity growth in our middle-market division has been one of the key drivers for its ongoing positive results. As of December 31, 2013, productivity, measured as growth in both loans and deposits by each executive per month, increased at a month rate of 38% compared to 8% as of December 31, 2012.

We believe that significant opportunities exist to continue expanding our offering of loans, cash management and collection solutions within this segment as entrance into this segment remains very low. In addition, we have significantly increased cross selling within this segment. As of June 30, 2014, more than 70% of our customers had more than five classes of products with us.

Housing developers

This segment includes our business with housing developers to whom we offer bridge loans for construction purposes. We have a specialized network of 34 executives across Mexico, which provides services to 1,697 customers in this segment. As of June 30, 2014, our portfolio of loans to housing developers totaled Ps. 9,602 million. During the first six months of 2014, financed for the construction of 11,800 housing projects for a total of Ps. 4,696 million. In 2013, we committed financing for the construction of 26,588 housing projects, for Ps. 8,116 million.

Consumer Finance

In 2013, the Consumer Finance Business Unit was created to offer financial services including credit for the distribution and purchasing of vehicles. This specialized business unit, inside the Middle-Market Banking Unit, allows for the first time, to fully satisfy all sorts of requirements and financial needs from the automobile dealers (agencies) to the final customers.

As of June 30, 2014, automobile loans reached Ps. 27,813 million, an annual decrease of 1.4%. As of December 31, 2013, automobile loans reached Ps. 29,338 million. During the first six months of 2014, we originated 36,074 automobile loans. During 2013 we originated 99,770 loans.

Government Entities

Our government banking segment services Mexican Federal agencies, states and municipalities. We have enhanced our relationships with our government entity customers, which has resulted in our becoming a market leader in this segment. We offer tailored products through a network of 35 offices, 9 of which also attend the middle-market segment and 95 specialized representatives that serve 8,591 customers in this segment.

The increase in representatives' productivity brought Ps. 9,200 million in new credits during 2013 and an increase in profitability per representative of 10% (in annual terms).

We offer several products to customers in this segment, such as payroll for government employees, checking accounts, and tax collection solutions for states and municipalities. "*MultiRecaudador*" and "*CIE en línea,*" for tax collections.

As of June 30, 2014, customers in our government banking segment accounted for 8.8% of our total performing loan portfolio and approximately 16.3% of our total demand and time deposits. As of December 31, 2013, customers in our government banking segment accounted for 70% of our total performing loan portfolio and approximately 15% of our total demand and time deposits.

Corporate and Investment Banking Unit

Corporate & Investment Banking unit strives to help clients reach their objectives through sophisticated products and services in Lending, Corporate Finance, Global Markets, and Transaction Banking. Our unit provides, among other things, products and services in lending, mergers and acquisitions, capital markets transactions (equity and fixed income), cash management, e-banking and money-markets.

Our Corporate and Investment Banking unit also provides specialized services to Mexico's major corporate and institutional customers through originating, distributing and managing lending, money-market and investment products and tailored financial solutions. In addition, this unit provides financial advice and structuring and assures, originates and syndicates complex financing structures including project finance, trade finance and syndications. Our cash management division collects and disburses funds on behalf of companies and their suppliers, distributors, customers and employees to facilitate cash flow, reduce operating costs and improve information management. Our transactional product division is constantly working to create projects that stimulate the development of new services in the market. Through our electronic payment service, our corporate customers can make payments to employees, including direct deposits of salaries and wages. In addition, companies that subscribe to this service are able to make payments to other companies that maintain accounts with us or with other third-party banks.

As of June 30, 2014, our Corporate and Investment Banking unit provided services to approximately 462 customers consisting of multi-national companies located in Mexico as well as institutional clients. As of June 30, 2014, our Corporate and Investment Banking unit accounted for approximately 18.3% of our total performing loan portfolio, and 12.7% of our total demand and time deposits.

This unit constantly strives to better serve our customers through the development of new products tailored to their needs. Some of our new products include: (i) *Bancomer Net Cash*, a global electronic banking solution that allows corporations, enterprises and government organizations to efficiently and securely execute all their banking transactions though one platform accessible remotely and at any time; (ii) *Bancomer Web Trader*, a simple system that allows investors to trade online and in real time and also offers them market information, analysis, news and applications that can be customized to support our clients' decision-making.

In 2013 and 2014, our Corporate and Investment Banking unit has been awarded several prizes, including: Best Investment Bank in Mexico by Euromoney, Best Investment Bank in Mexico, by Latin Finance and House of the year Latin America by Structured Products, among others.

Business through subsidiaries and affiliates

AFORE BBVA Bancomer

Sale of Afore Bancomer

On January 9, 2013, BBVA Bancomer finished the sale of Afore Bancomer, S.A. de C.V. to Afore XXI Banorte. The total amount of this transaction was for U.S. $1,734 million.

BBVA Bancomer USA, Inc.

BBVA Bancomer USA, Inc. (formerly known as BBVA Bancomer Financial Holdings, Inc.) is a holding company through which we hold our operations in the United States, including, (i) Bancomer Transfer Services ("BTS"), a money remittance services company based in the United States; (ii) Bancomer Financial Services ("BFS"), an agent for BTS in the state of California for money transfers and bill payments; and (iii) BBVA Bancomer Foreign Exchange ("BFX"), a currency exchange company and agent of BTS in Texas.

Bancomer Transfer Services, Inc.

BTS offers money remittance services principally from the United States to Mexico and also services Latin America, Asia, Africa, and Eastern Europe. Customers may transfer funds to Mexico through any other money remitter with which BTS has signed agreements, including the U.S. Postal Service.

Bancomer Financial Services, Inc.

BFS offers money remittance services, including bill payments, as an agent of BTS through its two branches in Southern California.

BBVA Bancomer Foreign Exchange, Inc.

BFX offers currency exchange and trading as an agent under BTS' currency trading license for BTS, other money transmitters, and other financial entities and corporations.

Competition

General

The Mexican financial sector is highly competitive. We face strong domestic competition in all aspects of our businesses from other Mexican financial groups, commercial banks, insurance companies and securities-brokerage houses, as well as from non-Mexican banks and international financial intermediaries. In commercial banking, we compete with other large Mexican banks and non-Mexican banks, many of which, like us, have been incorporated into a financial group and seek to offer a broad array of products and services to their customers. We also compete with certain non-Mexican banks, primarily United States based, for the business of the largest Mexican industrial groups, government entities and high net worth individuals, as well as in providing financings in U.S. dollars. Additionally, we compete with certain retailers that have recently obtained banking licenses, such as Ahorro Famsa, Wal-Mart, Soriana, and others. In investment banking, we face competition principally from other major Mexican securities-brokerage houses, as well as from international investment banks.

On January 19, 1999, the Mexican Congress removed the remaining restrictions on aggregate foreign ownership, but not individual limits on ownership, of Mexican banks and enacted legislation to change the composition of their boards of directors to further encourage investment by non-Mexican entities in Mexican financial institutions. In addition, NAFTA, the Free Trade Agreement between Mexico and the European Union, the Free Trade Agreement between Mexico and Japan, other treaties, and relevant Mexican laws and regulations allow foreign financial entities incorporated in the United States, Canada, member states of the European Union, Japan and all countries that are party to other free trade agreements with Mexico to establish subsidiary financial groups, banks, broker-dealers and other financial entities in Mexico.

The Mexican banking industry has experienced increased competition in recent years, which has led to, among other things, consolidation of the industry. In recent years we have seen consolidation in the industry, and further consolidation may occur. In 2011, competition in the Mexican banking industry further increased as a consequence of inorganic growth through mergers and acquisitions, including the merger of Banorte and Ixe and the acquisition of General Electric Capital Corporation by Santander. Continuing its expansion, in 2013, Banorte acquired Afore Bancomer, S.A. de C.V. and total acquisition of its insurance partner, Generalli. In November 2013, Santander also purchased a mortgage portfolio of ING, increasing its mortgage loans balance in Ps. 12,000 millions, becoming the second largest competitor in the market.

Commercial banks in Mexico compete in the retail market with limited-purpose financial institutions, or *Sofoles*, which offered mortgage, consumer and commercial loans mainly for low- and middle-income individuals. Since the Mexican economic crisis in 2009, most *Sofoles* were affected by liquidity problems as a result of difficulties experienced in obtaining funding and many have either disappeared or are in financial restructuring. Due to these restructurings, on July 19, 2013, the local regulator, CNBV, declared invalid the previous authorizations for *Sofoles*. The purpose was encouraging the entities migrating to another scheme, such as *Sofomes*.

As of June 30, 2014, the Mexican banking system was comprised of 45 private-sector banks, of which 27 are principally Mexican-owned, 18 are foreign-owned and six are government-owned. BBVA Bancomer's largest competitors in the private-sector banks are Banamex, Santander, Banorte-Ixe, HSBC and Scotiabank, which together with BBVA Bancomer accounted for 76.1% of all assets of Mexican private sector banks as of June 30, 2014.

As a major commercial bank offering a full range of services to all types of businesses and individual customers, we face a variety of competitors in different aspects of our business, including from seven large privately-owned commercial banks, eleven investment banks and 27 "niche" banks.

We believe that we have several advantages over many foreign banks and smaller Mexican banks that allow us to compete more effectively. We continuously seek to improve our products and services in order to address greater competition in recent years. The following table sets forth certain statistics relating to the Mexican commercial banking system as of June 30, 2014, except as otherwise indicated:

	Asset		Loan		Deposits		Stockholders' Equity	
	Amount	Market Share	Amount	Market Share	Amount	Market Share	Amount	Market Share
	(in millions, except percentages, as of June 30, 2014)							
Domestic private-sector banks	1,944,415	23.3%	1,017,772	26.7%	1,017,940	26.3%	225,162	26.2%
Foreign-owned banks	4,903,852	58.7%	2,052,862	53.9%	2,215,788	57.2%	491,940	57.1%
Private-sector total	6,848,268	81.9%	3,070,634	80.6%	3,233,728	83.5%	717,101	83.3%
Public-sector banks	1,268,057	15.2%	574,708	15.1%	553,431	14.3%	100,703	11.7%
Total banking system	8,116,325	97.1%	3,645,341	95.7%	3,787,159	97.8%	817,804	95.0%
Non-banking institutions*	242,473	2.9%	163,053	4.3%	86,402	2.2%	43,114	5.0%
Financial system total	**8,358,797**	**100.0%**	**3,808,394**	**100.0%**	**3,873,561**	**100.0%**	**860,918**	**100.0%**

Source: CNBV (with subsidiaries). Deposits includes: demand deposits, time deposits and bank bonds.

*Includes SOFOMs, SOCAPs. SOFIPOs, General Bonded Warehouses, Currency Exchange Centers, Financial Leasing and Factoring Companies and Credit Unions as of June 30, 2014.

Deposits

As of June 30, 2014, we had deposits in an aggregate amount of Ps. 760,281 million. Our 23.5% market share for deposits, including borrowings from domestic financial institutions, ranks first among commercial banks in Mexico according to the CNBV.

The following table sets forth the market shares in terms of deposits for the six Mexican commercial banks with the largest market shares as of June 30 of each of the last three years:

	Bank Deposits As of June 30,		
	2012	2013	2014
BBVA Bancomer	23.8%	23.3%	23.5%
Banamex	17.8%	16.5%	16.1%
Banorte-Ixe	12.1%	14.2%	14.0%
HSBC	10.5%	8.5%	8.3%
Santander	12.6%	13.6%	13.9%
Scotiabank Inverlat	4.8%	4.8%	5.2%
Six main banks	**81.6%**	**81.0%**	**80.9%**

Source: CNBV (Quarterly Banking Report, annual consolidated financial statements).

Market share includes commercial banks regulated by CNBV.

Loans

As of June 30, 2014, we had the largest total loan portfolio among commercial banks in Mexico, with a total of Ps. 734, 902 million. Our total loan portfolio represented 23.9% of the commercial banks market for loans. Despite the adverse macroeconomic environment and improved performance from our major competitors, our total loan portfolio experienced an annual growth rate of 7.6%. The following table sets forth the market shares in terms of loans for the six private-sector banks with the largest market shares as of June 30 of each of the last three years.

	Bank Loans As of June 30,		
	2012	**2013**	**2014**
BBVA Bancomer	24.9%	23.7%	23.9%
Banamex	16.1%	16.0%	15.3%
Banorte	13.0%	14.4%	14.4%
HSBC	7.6%	6.7%	6.7%
Santander	13.1%	12.7%	14.4%
Scotiabank	4.4%	4.8%	5.4%
Six main banks	**79.0%**	**78.3%**	**80.0%**

Source: CNBV (Quarterly Banking Report, annual consolidated financial statements).

Market share includes commercial banks regulated by CNBV.

Stockholders' Equity

As of June 30, 2014, we ranked second among commercial banks in Mexico in terms of stockholders' equity. We maintain a strong solvency position, despite dividend payout, increasing equity through recurrent income and organic capital generation.

The following table sets forth the level of stockholders' equity for the six largest commercial banks in Mexico (measured by stockholders' equity) as of June 30 of each of the last three years.

	Bank Stockholders' Equity As of June 30,		
	2012	**2013**	**2014**
Bancomer	115,970	124,780	134,879
Banamex	129,877	137,477	139,809
Banorte	54,639	72,768	87,555
HSBC	40,285	46,491	49,723
Santander	96,538	101,487	100,115
Scotiabank	28,335	30,513	28,122
Six main banks	**465,645**	**513,515**	**540,203**

Source: CNBV (Quarterly Banking Report, annual consolidated financial statements).

Market share includes commercial banks and the rest of the financial institutions regulated by CNBV.

Properties

We are domiciled in Mexico and our headquarters are located at Avenida Universidad No. 1200, Colonia Xoco, Mexico City, Mexico 03339. As of January 31, 2014, we owned 522 of the properties on which 1,842 of our full-service branches are located. We lease the remainder of our branches from unaffiliated third parties. We believe that our facilities are adequate for their intended purposes. In 2008, we carried out the sale of our main properties, including our headquarters. During the same period, we purchased two plots of land intended for our new corporate headquarters. The corporate building will be located in the financial center of Mexico City, in *Paseo de la Reforma*, and the operative building will be nearby in *Parques Polanco*. We will fund the total investment of approximately U.S. $900 million for these two buildings. This investment will be disbursed over the next three years and we expect to complete the construction of these buildings by early 2015.

We also own a building measuring approximately 5,800 square meters in Monterrey, Mexico, which houses our back-up computer facilities. The facility provides computer services to our branches and operational centers in more than 500 regions in Mexico. Our communication network is the largest in Mexico and Latin America.

Employees

The following table shows the breakdown of our full-time, permanent employees at the dates indicated:

	As of December 31,			As of June 30,
	2011	**2012**	**2013**	**2014**
BBVA Bancomer	28,060	28,367	29,115	29,233
Overseas branches and representative offices	31	31	31	24
Subsidiaries	0	0	0	0
Total	28,091	28,398	29,146	29,257

As of June 30, 2014, we had 29,257 employees of which approximately 37% were unionized. All management positions are held by non-unionized employees. We are party to a single collective bargaining agreement. The collective bargaining agreement was signed on February 2, 2014 and expires on January 31, 2015. We consider relations with our employees to be satisfactory.

We have a comprehensive personnel training and development program that includes internal courses on operational, technical and commercial subjects, as well as participation in external seminars.

As required by Mexican law, we must make severance payments to employees whose employment is terminated under certain circumstances, as well as seniority premiums in cases of employees who have worked with us for at least 15 years and decided to terminate their employment with BBVA Bancomer. In addition, we offer pension funds to retired employees based on seniority, including life and disability insurance for all those who qualify for this benefit. All of our employees have the right to receive a productivity bonus. The benefits that we grant our employees include benefits and incentive programs in addition to those established by Mexican labor laws.

Under the terms of our employment agreements, we are required to make certain post-retirement payments to our employees and their dependents. In accordance with Mexican Banking GAAP, we are required to include the net between the present value of the actuarial liabilities and the assets for financing these liabilities, these payments as an additional liability that must be reflected on our balance sheet. We are permitted to record the additional liability stemming from these payments as a one-time charge to our income statement, or we may amortize the effect of these payments on a straight-line basis over the expected remaining period that our employees will be under employment. We record these differences (gain/losses)) liabilities annually as a one-time charge to our income statement. The application of this Mexican Banking GAAP criterion did not have an adverse effect on our financial condition or results of operations for the ended June 30, 2014.

On December 6, 2006, we entered into an employer substitution agreement (*contrato de sustitución patronal*) with Operadora pursuant to which, as of January 1, 2007, all of our employees (except for our Chief Executive Officer) were transferred to Operadora's payroll. The transfer was made in order to give GFBB the flexibility to deploy personnel into its various business units without requiring a change of employers. All employees' salaries and benefits are paid by Operadora. We pay an amount equal to all employees' salaries and benefits plus a commission to Operadora as a service fee. All of our former employees continue to enjoy their former benefits and seniority. As a result of this transfer, all of our former employees are now part of a performance-based compensation program.

Legal Proceedings

Deposit account cases

We have faced a number of lawsuits from depositors who held deposit accounts with one of our predecessor entities from 1979 through 1992, the period during which these entities were owned by the Mexican Government. The plaintiff in each lawsuit has claimed that under the terms of the deposit agreement then in effect, we are required to pay the rate of interest (generally in excess of 95%) specified in such deposit agreement indefinitely, regardless of subsequent decreases in market interest rates.

In March of 2010, the Mexican Supreme Court issued rulings in three areas which will be applicable to the lawsuits described in the preceding paragraph. First, high interest rates agreed during a period of high inflation are only applicable to the period originally agreed by the parties. *Banco de México* will fix the applicable interest rate for any extension. Second, interests may only be capitalized if there is an express agreement between the parties. Third, unclaimed interests will prescribe ten years after they accrue. Based on the application of the foregoing, the amount of these contingencies has been substantially reduced and we consider them to be immaterial.

Other litigation

There are no relevant ongoing legal, administrative or arbitral proceedings other than those that are part of the normal course of our business, including those related to liquidation or bankruptcy proceedings, in which we, our subsidiaries or shareholders, directors and senior officials, are or could be involved, which could have or has had a significant impact on the outcome of our operations.

There are no legal, administrative or arbitral proceedings with contingencies amounting to more than 10% of the total assets of the Bank. For further information about other types of lawsuits and proceedings brought against us, see note 37 to our Financial Statements.

RISK MANAGEMENT

General

Our risk exposures consist of credit, liquidity, operational (including legal) and market risks. Credit risk is defined as the potential loss caused by the partial or total failure of a counterparty or issuer to perform on an obligation to us. Credit risk can affect the performance of both the loan portfolio and the investment portfolio. Liquidity risk encompasses funding liquidity risk, which refers to the inability to renew liabilities or acquire new ones at normal or stressed market conditions, and market liquidity risk, which refers to the inability to unwind or offset positions due to a lack of market depth, thereby affecting the value of an asset. Operational risk is the potential loss caused by failures or deficiencies in information systems, internal controls or errors while processing transactions. Market risk is the potential loss due to adverse changes in market prices of financial instruments as a result of movements in interest rates, foreign exchange rates and equity prices, and the adverse effect on our traditional banking activities of interest rate and foreign exchange rate fluctuations. We consider risk management an essential activity that requires improvement and adjustment according to our operations.

Mexican financial authorities have formulated rigorous risk management regulations for the banking sector. The CNBV has issued a set of requirements regarding risk management practices for all banking institutions in Mexico. The regulations require that banks have adequate policies and procedures in place to manage credit, liquidity, technological, market, operational and legal risk. This management process must include sound measurement and monitoring methods, as well as the establishment of risk limits. The regulations also require the establishment of a risk committee and a risk management unit. We have implemented and continue to update our program that fully complies with the CNBV requirements and goes beyond them with respect to many issues.

Risk Management Organizational Structure

Our risk management activities have traditionally been delegated to a risk committee and a risk management unit. Our risk committee, composed of senior officers, currently (1) decides on the strategies and policies related to mitigating financial risks, including the setting of risk limits; (2) evaluates the risk-return ratio; (3) analyzes catastrophic events scenarios and stress testing (4) defines and monitors the general strategy for the asset and liability ratio; (5) defines our general pricing processes and monitors its effects; and (6) analyzes the impact of new products on the asset and liability ratio. Our board of directors ratifies the strategies and limits set by our risk committee. Our risk committee meets on a weekly basis or more frequently, if needed. The risk management unit identifies and measures the quantifiable risk of all our operations.

Credit Risk

Credit policies and procedures

Credit risk management is an essential activity for banks. Our credit policies and procedures are designed to centralize credit decisions so as to increase uniform application of credit criteria and minimize the risks associated with individual decision-making. Our credit policies and procedures include quantitative criteria to ensure and surpass certain credit quality standards.

Our board of directors determines the general credit policies for each of our different business areas. Various credit committees that have been specifically set up to centralize and implement our credit approval policies carry out these policies. Credit committees are responsible for credit approval decisions and define the appropriate approval level depending on the risk level.

Credit risk quantification

We have an integrated bank-wide risk assessment system that provides us with sophisticated risk measurement tools and risk management practices. We use the following two measures for this purpose:

- Expected loss is calculated over the total outstanding credit portfolio. The credit scores are calculated using qualitative and quantitative information obtained from Financial Statements, and self-regulatory organizations (i.e. BC-Credit Bureau and AMB-Asociación Mexicana de Bancos). This score is determined to reflect the expected default frequency of a borrower and the expected loss given a default on any particular operation. We record this measure as a cost by creating a reserve for expected losses relating to a particular portfolio. As of June 30, 2014, the total allowance for expected loan losses equaled Ps. 26,948 million, corresponding to U.S. $349,548 million.

- Unexpected loss represents the uncertainty that actual losses will, in fact, differ from expected loss as it measures the impact of external events that may affect the likelihood of a customer's payment and helps us to determine how much economic capital we need in order to maintain an investment grade that is satisfactory to our shareholders.

Credit analysis and pricing

Account officers are trained and responsible for assigning risk ratings based on a set of quantitative, and qualitative variables as well as on information from credit rating agencies under homogeneous criteria. Different rating systems have been developed for different segments of clients. An account officer's analysis of a loan application is accompanied by a summary of the major sources of risk. With respect to the issuance of commercial credit, there are up to seven pre-authorizations required depending on the amount of the credit requested, as shown in the table below.

Middle-Market Division's Credit Authorizations by Credit Amount

Committee	Maximum amount (millions of U.S. $)
Division Manager	9
Operations Technical Committee ("CTO")	100
Credit and Market Risk Committee ("CCRM")	Greater than 100

The pricing of the loan is tied to our risk and operating costs. The pricing formula is based on the following factors: cost of funds (as priced by our finance division) based on general local market conditions, our yield model and market competition; commissions; operating costs; expected losses; required margins; adjustment for risk rating; and capitalization requirements.

Retail lending analysis

We perform credit analyses of all our retail borrowers. In the case of individual borrowers, the credit approval process is based primarily on an evaluation of the borrower's repayment capacity. A credit officer evaluates the information presented by the prospective borrower taking into consideration the following factors: (i) the results generated by an automated scoring program, which takes into consideration the potential borrower's income, expenses and personal assets; (ii) the potential borrower's credit history; and (iii) our previous experience, if any, with the potential borrower. We have improved our systems for tracking the repayment of loans and credit card balances. Decisions on the granting of loans are taken at various levels and with varying degrees of involvement by directors and officers, depending on the size of the loan under consideration and the aggregate amount of credit outstanding to the borrower.

Our credit evaluation procedures with respect to credit cards and consumer credits are based on a computerized credit scoring system. The credit scoring process centralizes the decision making process in regard to both the issuance of credit cards and increases in credit lines, increasing the level of control exercised in making such decisions. We have taken additional steps to improve the quality of our credit card assets, including raising the minimum gross monthly income requirement for credit card applicants and verifying the information contained in credit card applications more rigorously. We have access to on-line information about the credit history of each of our credit card customers that we use in our decision-making process regarding increases or decreases in the credit line provided to a particular customer. We currently use the services of a Mexican credit bureau created jointly by us, other Mexican banks and a Mexican affiliate of TransUnion, a leading U.S. credit bureau, to manage our credit card portfolio. We have also been working on the development of additional decision-making systems aimed at verifying the reliability of the information obtained from our admission process.

Our mortgage loan origination process is centralized and based on a computerized credit scoring system. The credit process begins at the pre-qualification phase, which serves as a filter to the loan approval process, and provides all required applicant information including information about the applicant's credit history obtained through a credit bureau, which is reviewed to determine whether an applicant meets the pre-qualification standards. Appraisal of the property is undertaken through a centralized independent unit. The applicable credit committee reviews the applicant's file and the collateral file (including the appraisal) to determine the applicant's debt capacity and the authorized loan amount. Once a final decision is made, the credit contract is signed before a notary public, the deed is registered at the Public Registry, and the funds are disbursed to the applicant's checking account. Loan-to-value ratios are set according to the size of the loan with a maximum of 90%, which requires a minimum down payment of 10%. With exception of high-quality risk strategic portfolios. We only accept first mortgages on property.

Corporate and middle-market lending analysis

A potential corporate borrower's evaluation focuses primarily on the credit history and reputation of its owners and management, its production processes and facilities, its current and projected cash flows and the security offered for the loans. With respect to loans intended to finance a particular project, the evaluation focuses primarily on the experience of the borrower the existence of a technological alliance, market conditions and the projected financial condition of the borrower. We assign a credit risk rating based on this analysis that helps to identify the customer's risk profile.

Account officers are responsible for preparing proposals regarding corporate loan applications. Each loan application is then classified according to its industry sector and is then reviewed by the credit manager responsible for that particular sector to determine whether it merits further consideration. The credit manager, in turn, presents the proposal to the corresponding credit committee for approval.

Loan applications above U.S. $100 million (or its peso equivalent) must be presented by the responsible credit manager to our Risk Management Committee that is comprised of the Executive Vice President of Risk Management, the Director of Credit Risk and the credit managers of all sectors.

In addition to our internal limits on lending, we are subject to certain legal lending limits. For a discussion of these regulatory requirements, see "Supervision and Regulation—Lending Limits."

In middle-market lending, the credit business is divided into divisional sub-groups representing broad geographical sectors. The divisions are made up of regional offices. Each regional office has clusters of account officers. The regional directors and credit directors report to the divisional heads who, in turn, report to the business division director. Credit decisions are made in conjunction with credit consultants belonging to the credit administration group. Corporate lending is organized in four broad sectors: industrial and commercial, communications and services, finance and manufacturing. The corporate lending group has regional offices in Mexico City and Monterrey.

Monitoring

We operate a compliance center to monitor our borrowers' compliance with the term of loans. The compliance center monitors the dates and payments of loans, the conditions and covenants of loans and any authorized exceptions to standard procedures. The monitoring process also includes the verification of the use of proceeds and satisfaction contractual conditions, financial analysis of the borrower and guarantors, on-site visits to the borrower's place of business, confirmation of credit bureau information and analysis of the economic environment, among other procedures. Finally, the compliance center also operates an early warning default system.

Pursuant to the rules governing lending activities under the General Rules Applicable to Mexican Banks, Mexican banks must implement certain measures relating to lending controls, including processes relating to loan promotion, evaluation, approval, documentation, management control and collection. We have implemented these measures with the approval of the CNBV.

Derivative financial instruments

Credit exposure from derivative financial instruments arises from the risk that customers or counterparties will default on their obligations to us. To reduce this risk, each customer or counterparty engaged in these transactions must have either a trading line of credit, which takes into account the trading risk for each customer or counterparty, or a collateral deposit. The amount of risk implied in derivative financial instrument transactions, measured as the potential credit exposure, is added to the total risk authorized for a specific customer and must be authorized by a credit committee. To quantify the amount of line of credit utilized by a specific customer or counterparty in a derivative financial instrument transaction, our risk management unit calculates, by the use of statistics and volatility levels, the maximum expected credit exposure within a pre-defined confidence level. This amount is the potential credit exposure and corresponds to an amount that must be blocked out of the customers' or counterparties' line of credit. Lines of credit are monitored during the day by a support area of our risk management unit and by our risk management unit at the end of each day.

Liquidity Risk

Liquidity risk is related to the inability to meet efficiently both expected and unexpected current and future cash flows without affecting either our daily operations or our financial condition. The purpose of managing liquidity risk is to minimize the cost of funds through adequate coverage of liquidity needs that arise in either the ordinary course of business or from unforeseen events.

Our treasury unit is responsible for maintaining adequate short-term liquidity levels in pesos and U.S. dollars. Our Asset and Liability Committee, or ALCO, is responsible for maintaining adequate long-term liquidity levels in pesos and U.S. dollars. Our principal sources of peso funding are customer deposits, which are highly concentrated in checking accounts (non-interest and interest-bearing) and short-term notes with interest due at maturity. Our main sources of U.S. dollar funding are checking accounts (non-interest and interest-bearing), time deposits and foreign exchange derivatives.

Liquidity risk is analyzed by a time horizon (short- and long-term), by concentration of funding and by uses and sources of funding under normal and extreme conditions. Liquidity risk is monitored through a limit scheme for quantitative and qualitative indicators where, if necessary, a contingency plan is implemented for immediate corrective actions.

Operational Risk

Operational risk is risk that cannot be classified as credit risk, market risk or technical or biometric risk. We measure and endeavor to control operational risk through our operational risk management unit.

Our operational risk management unit reports to a risk executive officer who is responsible for establishing and implementing methodologies and procedures to identify, measure, valuate and mitigate operational risk throughout the Bank. Because operational risk mitigation is a part of every process, the responsibility of its management is assigned to each process owner or manager in the Bank who has designated a member of his staff as operational risk manager, each of whom works as a delegate of the operational risk management unit.

Up until the end of 2012 we mainly used tools such as EvRO, TransVaR, and SIRO to manage operational risk, each of which was developed in-house and is a proprietary trademark. EvRO is a qualitative management tool that identifies and evaluates operational risk factors and helps us establish and prioritize mitigating measures. TransVaR is a collection of a key risk indicators that are customized for each process and that provide information about the level and type of operational risk exposure in the respective process. SIRO is a database of historic losses suffered by us as a consequence of operational risk events that are classified by risk class and loss type, business unit and account, among other criteria.

During 2012, the information contained in EvRO and TransVaR was migrated to a new platform in order to improve the methodology used to identify and evaluate operational risks. The new platform, which is the System for Operational Risk Management "STORM," simplifies information for effective mitigation and prevention of operational risk. As a result, from 2013 and onwards we have managed operational risk through the use of this tool.

Operational risk for regulatory capital is currently being calculated under a Basel II basic approach for our branches that are subject to regulatory requirements. Operational risk for economic capital is calculated under a Basel II advanced approach with a diversified allocation of economic capital for each business unit. Calculations under the Basel II Advanced Measurement Approaches (AMA) have been estimated using data as of the end of July 2012 and June 2013, and will be recalculated each year using data as of the end of June.

Market Risk

Our exposure to market risk arises from trading and investment in financial instruments, where interest rates, foreign exchange rates (mainly the peso/U.S. dollar exchange rate) and stock prices are the most important sources of market risks, and from traditional banking services such as deposit taking and lending, where the balance sheet is exposed to interest-rate risk and foreign-exchange risk.

Treasury and trading positions are evaluated on a daily basis for market risk using Value at Risk Methodology. In addition, information regarding risk versus limits, scenario analysis and stress tests is produced on a daily basis.

Our risk management unit uses a historical simulation model to calculate value at risk. Equally weighted historical simulation is used as the central measure, against which limits are compared. In addition, historical simulation with Exponentially Weighted Moving Average, or EWMA, is used as a complement because it is more sensitive to risk and, therefore, responds more quickly to changes in volatility and correlation levels. Finally, the effect of portfolio diversification is measured within each model.

Historical data of market parameters such as interest rate curves, foreign exchange prices, volatilities and stock indexes for the last two years are available for value at risk calculations. "Unwind Period Value at Risk" looks to reflect market liquidity risk by calculating the number of days it will take to unwind a position without affecting the market. In making these calculations, market outstanding amounts and trade volume information is compared against current exposures, with the information being updated periodically for internal use.

The following table sets forth the average, maximum and minimum values of the daily Value at Risk during the first two months of 2014, as well as the daily limits in effect as of June 30, 2014. Daily Value at Risk is calculated with a 99% confidence level. Value at Risk is calculated to represent the maximum loss at this confidence level due to changes in market values of trading positions. The information below does not include securities that are no longer traded, recorded as for sale, or as held to maturity, or that are highly illiquid or in workout. During the second three months of 2014, daily Value at Risk did not exceed Ps. 165.63 million (approximately U.S. $12.74 million). The daily consolidated Value at Risk limit was Ps. 239.30 million. Limits are reviewed periodically.

	Three Months ended June 30, 2014			Actual limit as of June 30, 2014
	Average	**Maximum**	**Minimum**	
Equities	13.41	24.53	8.50	74.85
Interest rate	139.07	156.67	122.66	227.51
Foreign exchange	21.12	40.79	6.30	65.00
Vega EQ	28.93	54.35	16.36	107.35
Vega FX	5.89	13.07	2.90	21.00
Vega IR	26.05	32.92	13.78	58.11
Total	148.37	165.63	124.15	239.30

Stress testing is used to complement the value at risk methodology. Stress testing involves the creation of scenarios based on infrequent or catastrophic events to evaluate contingencies, and is of particular importance in periods of highly volatile or illiquid markets. The sensitivity analysis we conduct shows the effect on positions caused by predetermined changes in market variables (a 1% increase in interest rates).

In addition, we have a stop-loss process that issues a warning if losses reach a certain level preset by our board of directors. If a stop-loss warning is issued, the ALCO is convened to establish an action plan.

ALCO monitors our Basis Point Value ("BPV"), Net Interest Income ("NII"), exposures and positions. We seek to manage our assets and liabilities to reduce any potential adverse impact on our results of operation and economic value that might result from changes in interest rates. Risk control of interest rates is conducted through systematic monitoring of limit exposure. Particularly, we have established sensitivity limits for BPV and expected NII for the following 12 months, as well as for economic capital, which is the maximum expected loss in net economic value with a 99% confidence level over a three-month period. In addition, we established a limit for Earnings at Risk, considering the maximum expected loss in NII with a 90% confidence level for the following 12 months.

The primary methods used to estimate the interest rate risk of the balance sheet portfolio are as follows:

- parallel and non-parallel scenario analysis (including theoretical and historical stress scenarios); and

- interest rate simulation.

Non-maturity products are characterized according to their economic durations and to their market rate sensitivity and using a stability model.

Our non-peso lending activities are generally priced based on LIBOR, with re-pricing intervals of one, three or six months depending on our funding opportunities. Spreads over the LIBOR reference rate are managed in accordance with our marginal cost of funding in currencies other than pesos.

MANAGEMENT

Board of Directors

Pursuant to Mexican Banking Law, the board of directors of the largest Mexican banks must be composed of a minimum of five and a maximum of 15 directors, of whom, at least 25% must be independent. There must also be an alternate director appointed for each director. Independent directors shall also have independent alternates. No more than a third of the board members may be employees of the relevant bank.

On February 27, 2014 our shareholders voted to elect the members of our board of directors. Our board of directors meets at least every three months and is chaired by Luis Robles Miaja, who is also the Chairman of the board of directors of GFBB.

The following table sets forth our current directors and their alternates:

Name and position	Principal activity	Years on our board of directors	Age
Chairman			
Luis Robles Miaja	Chairman of GFBB	2	53
Vice Chairman			
Vicente María Rodero Rodero	General Director of BBVA Bancomer	2	56
Secretary			
José Fernando Pío Díaz Castañares	Legal Officer of BBVA Bancomer	7	51
Alternate Secretary			
Alfredo Aguirre Cárdenas	Legal Officer of BBVA Bancomer	2	50
Directors			
Fernando Gerardo Chico Pardo *	Chairman and General Director of Promecap, S.C. and Aeropuestos del Sureste, S.A.	5	62
José Francisco Gil Díaz	Executive Chairman of Telefónica Data México, S.A.	4	70
Alberto Bailleres González	Executive Chairman of Industrias Peñoles, S.A. of C.V.	22	82
Enrique Medina Fernández *	Legal and Financial Advice	1	71
Pablo Escandón Cusi *	Chairman and General Director of Nadro, S.A. of C.V.	8	70
José Antonio Fernández Carbajal	Chairman and General Director of Fomento Económico Mexicano, S.A. of C.V.	23	60
Angel Cano Fernández	CEO of Banco Bilbao Vizcaya Argentaria, S.A.	5	52
Francisco González Rodríguez	Chairman of BBVA	13	69
Ricardo Guajardo Touché *	Chairman of Audit Committee of GFBB	23	65
Alejandro Ramírez Magaña *	General Director of Cinépolis of México, S.A. de C.V.	1	43
Alternates			
Bárbara Garza Lagüera Gonda *	Board Member and Shareholder of Coca-Cola Femsa, S.A.of C.V. and Board Member of Bancomer Cultural Foundation	23	59
Ignacio Deschamps González	General Director of Banca Retail Banco Bilbao Vizcaya Argentaria, S.A.	7	51
Arturo Manuel Fernández Pérez	The Dean of the Instituto Tecnológico Autónomo de México (ITAM)	13	60
José Fernando de Almansa y Moreno Barreda *	Board Member of Telefónica, S.A.	11	65
Andrés Alejandro Aymes Blanchet *	Aymes and Associated	9	73
Carlos Salazar Lomelín	Executive Chairman and General Director of Coca-Cola FEMSA, S.A. of C.V.	9	62
Manuel Castro Aladreo	Global Director Risk Management	5	46
Fernando Gutiérrez Junquera	Deputy Director at the Chairman of BBVA	1	57
Jaime Serra Puché *	Founder Associate and General Director of SAI Consultores, S.C.	7	63

* Independent directors

Examiners

The examiners of the Bank must be residents of Mexico. The duties of the examiners include monitoring and supervising our operations, books and records. The examiners must comply with obligations imposed by law and internal statute and must meet the following requirements:

- technical capacity;
- knowledge and experience in accounting, financial, legal or administrative matters;
- quality of credit history;
- moral character; and
- absence of any legal impediment to the performance of their duties (such as conflict of interest).

Because of the relationship between the examiners and the Bank, the examiners are bound by confidentiality obligations. They may attend the board of directors' and shareholders' meetings but may not vote.

Although some of the functions of the examiner and the external auditor are similar, their responsibilities differ. To avoid conflicts of interest, examiners cannot sign the audit opinion on our annual financial statements. However, examiners and auditors may work for the same firm.

Board activities

The main functions of our board of directors are to:

- manage and represent the company and fulfill its corporate purposes;
- appoint and dismiss chief executives, including the CEO, officers, agents, employees and external auditors of the Executive Officers Committee;
- create committees and commissions as it deems necessary, delineating their structure, organization and authority and granting them the necessary powers to carry out the business as the board may determine; and
- summon the ordinary and extraordinary shareholders' meetings.

Credit and market risk committee

Our credit and market risk committee is responsible for:

- approving credit operations that involve more than U.S. $30 million, or its equivalent in national and other currencies;
- approving credit and market risk management policies (excluding policies that must be approved by our board of directors);
- overseeing the development of our loan portfolio;
- To perform the functions inherent to the Compensation Committee related to the "General Provisions applicable to Credit Institutions" issued by the CNBV, and
- addressing certain special issues referred to it by our board of directors.

The current members of our credit and market risk committee are Luis Robles Miaja (Chairman), Vicente María Rodero Rodero and Andrés Alejandro Aymes Blanchet.

Audit committee

Our audit committee performs the following functions:

- *Internal Controls*. Our audit committee reviews and submits internal control procedures and policies to our board of directors for approval, analyzes and approves operations manuals and evaluates our internal control system, reporting its findings and recommendations to our board of directors.

- *Code of Ethics*. Our audit committee analyzes amendments to our code of ethics and submits its recommendations to our board of directors for its approval.

- *Financial Information*. Our audit committee makes recommendations to our board of directors concerning the preparation of our financial information to ensure it is useful, adequate and reliable. The committee also reviews our financial statements, on a quarterly and annual basis, before they are presented to our board of directors and reviews the relevant changes in accounting principles to ensure our financial statements comply with them.

- *Compliance*. Our audit committee reviews and approves the annual program of our compliance unit before it is presented to our board of directors, and the committee verifies our compliance with the program.

- *Anti-Money Laundering and Anti-Funding to Terrorism*. Our audit committee examines and approves annually the working plan about these matters. Each semester the committee evaluates the fulfillment of this plan and its outcomes.

- *Internal Auditing*. Our audit committee evaluates and makes recommendations to our board of directors concerning the appointment of the head of our internal audit unit; reviews and approves our annual auditing plan; supervises and evaluates the independence, quality and effectiveness of our internal auditing department; facilitates communication between our board of directors and our auditors, oversees training of internal auditors; and oversees the implementation of corrective measures taken based on recommendations from the audit committee.

- *External Auditing*. Our audit committee submits external auditing candidates to our board of directors for its approval, verifies that we rotate external auditors every five years, evaluates the independence of the external auditor, ensures that the external auditing program is based on contractual agreements and reviews the external auditor's reports before they are presented to our board of directors.

- *External Supervision*. Our audit committee reviews the results of any inspections by external supervisory bodies and oversees our compliance with their recommendations.

- *Systems*. The audit committee is informed about the incidents that occur in systems and services provided to users through electronic media (i.e., e-mail and websites), to ensure that measures are taken to prevent or avoid any incidents in the future.

- *Outsourcing Operations*. The audit committee is informed of the performance of contracted services to third parties, as well as of compliance with applicable regulations relating to such services, to ensure that appropriate mechanisms are followed to manage, control and protect information created, received, transmitted, processed or stored in the technological infrastructure, telecommunications or information processing services that are performed by such third parties.

- *Credit Risk*. The audit committee is provided with quarterly reports on any deviations detected with respect to objectives, guidelines, policies, procedures, strategy and current regulations concerning credit.

- *Derivative Operations*. Each year the audit committee is informed and informs the board of directors of the results of the annual evaluation regarding our compliance with the requirements imposed by *Banco de México* on our derivative operations, including approval by our board of directors of our procedures, products and risk limits, qualification of our personnel and sufficiency of our infrastructure and internal controls related to our derivative operations.

- *Remuneration System*. Each year the audit committee must update the board of directors regarding the compliance, procedures and success of the remuneration system.

The current members of our audit committee are Ricardo Guajardo Touché (Chairman), Pablo Escandón Cusi and Andrés Alejandro Aymes Blanchet, and the alternate indistinct member is Manuel Castro Aladro. In addition, Fernando Pío Díaz Castañares and Alfredo Aguirre Cárdenas are Secretary and Alternate Secretary of the Committee, respectively, and do not have voting powers.

Executive Committee

Our executive committee is responsible for:

- working on special and urgent matters of competence of the board of directors that cannot be considered by the entire board of directors given time limitations or other limiting factors. The resolutions of the executive committee must be ratified by the board of directors;

- being knowledgeable about any matter that the Chairman or the Chief Financial Officer submits to the committee;

- convening special meetings of the board of directors; and

- resolving any matter expressly delegated to it by the board of directors.

The current members of the executive committee are Luis Robles Miaja (Chairman), Vicente María Rodero Rodero, Alberto Bailleres González, José Antonio Fernández Carbajal and Ricardo Guajardo Touché.

Executive Officers

All of our executive officers are appointed by our Chief Executive Officer and their appointments are ratified by our board of directors. Since January 1, 2007, our executive officers, other than our Chief Executive Officer, are employed by Operadora. See "The Bank—Employees."

The following table sets forth our executive officers, whose appointments were approved in July 2014:

Name	Position	Years working for our group	Age
Luis Robles Miaja	Chairman of the Board and General Director—Communication and Institutional Relations	21	54
Vicente María Rodero Rodero	General Director	33	57
Ramón Arroyo Ramos	General Director—Human Resources	35	55
Javier de Todos los Santos Malagón Navas	General Director—Finance and Controlling	18	49
Pablo Alfonso Pastor Muñoz	General Director—Credit Risk and recovery	15	49
José Fernando Pío Díaz Castañares	General Director—Legal Counsel	21	52
Gerardo Flores Hinojosa	General Director—Business Development and Payment	23	50
Eduardo Osuna Osuna	General Director— Business Banking and Government	19	44

Name	Position	Years working for our group	Age
Héctor Paniagua Patiño	General Director—Transformation, Quality and Corporate Development	16	46
Oscar Enrique Coppel Tirado	General Director —Commercial Banking	27	52
Francisco Javier Leyva Rubio	General Director—Systems and Operations	11	46
Agustín Eugenio Mendoza López	General Director—Transformation and Innovation	23	55
Fernando del Carre González del Rey	General Director—Audit	24	53
Adrián Otero Rosiles	General Director—Global Customers and Investment Banking	11	38
Carlos Serrano Herrera	General Director—Chief of Economist	1	43
Álvaro Vaqueiro Ussel	General Director—Global Markets	9	45
Hugo Daniel Najera Alva	General Director—Digital Banking	21	49
Juan Pablo Avila Palafox	General Director—Insurance Services	29	50

RELATED PARTY TRANSACTIONS

Loans to Related Parties

Pursuant to the Mexican Banking Law, no loans may be made to any bank officers or employees, except in connection with certain employment benefits. As permitted by the Mexican Banking Law, we currently provide loans to our employees at favorable rates.

Article 73 of the Mexican Banking Law regulates and limits our loans and other transactions (including securities and derivatives transactions) to related parties pursuant to which such parties may become creditors of a bank, including loans to (1) holders of 2% or more of GFBB's or its subsidiaries' shares, (2) principal and alternate board members of GFBB, any of its subsidiaries or us, (3) relatives of a board member or of a 2% or more shareholder of GFBB or us, (4) any person not an officer or employee of GFBB or us who, nevertheless, is empowered to contractually bind GFBB or us, (5) any corporation which has a director or officer in common with GFBB or us or (6) a corporation in which GFBB's external auditors, our employees, holders of 2% or more of GFBB's shares, 2% or more of or our shares, or we or any director or officer of GFBB or of us holds 10% or more of the outstanding capital stock. The majority of our board of directors must approve such loans. Before approval, however, the loan must undergo our customary review procedures for loans, which will vary depending on the nature and amount of the loan, except that such loans must always be reviewed and recommended by the highest loan review committee at the management level, and must be recommended by a special committee of directors responsible for reviewing our largest loans and all loans falling within the scope of Article 73 of the Mexican Banking Law. In addition, certain filings must be made with the CNBV with respect to such loans. Loans to individuals in amounts less than the greater of (i) two million UDIs or (ii) 1% of a bank's Tier 1 net capital (approximately Ps. 137,781, as of June 30, 2014, in our case), are exempt from such provisions. Loans to related parties may not exceed 35% of a bank's Tier 1 Capital. The CNBV may, upon request, grant exemptions from these provisions.

SHCP has adopted rules which exclude from the category of loans to related parties loans granted to the Mexican Government, loans to companies that provide ancillary services to us, provided that in each of these cases such entities do not make a loan to a related party, and loans to our directors or directors of GFBB if they fall within the minimum thresholds set forth above. These loans are not considered for purposes of determining the 35% of Tier 1 Capital limit of our loan portfolio that may consist of loans to related parties, and do not require the prior approval of our board of directors.

As of June 30, 2014, our loans to related parties under Article 73 of the Mexican Banking Law totaled approximately Ps. 31,723 million, which comprised 4.26% of our total loan portfolio at such date. Of the Ps. 31,723 million, approximately Ps. 23,991 million were loans made to GFBB and its subsidiaries and approximately Ps. 7,732 million were loans made to borrowers affiliated with members of our board of directors. Our loans to related parties are made on terms and conditions comparable to other loans of like quality and risk. Of all the related party loans outstanding on June 30, 2014, approximately 89.80% were graded "A," 9.30% "B" and 0.90% "C" under the regulations of the CNBV. The majority of such credits are loans for either commercial or industrial activities.

Affiliate Transactions

From time to time we enter into agreements, including service agreements, with our affiliates. We have entered into service agreements with our affiliates, including with (1) Servicios Corporativos Bancomer, S.A. de C.V. for the sale of certain banking products, (2) Seguros BBVA Bancomer, S.A. de C.V. for the sale of insurance policies, (3) Casa de Bolsa BBVA Bancomer, S.A. de C.V. for brokerage services and (4) Hipotecaria Nacional for the servicing of mortgage loans.

Based on these service agreements, we receive fees on a cost basis from Seguros BBVA Bancomer, S.A. de C.V., and pay fees on a cost basis to Servicios Corporativos Bancomer, S.A. de C.V., Casa de Bolsa BBVA Bancomer, S.A. de C.V. and Hipotecaria Nacional. No assurance can be given that transactions between us, on the one hand, and GFBB and our affiliates (including BBVA), on the other hand, have been or will in the future be conducted on a basis as favorable to us as could be obtained by us from unaffiliated parties. Future conflicts of interest between us, on the one hand, and GFBB and our affiliates (including BBVA), on the other hand, are likely to develop, which conflicts are not required to be and may not be resolved in our favor.

All of our transactions among our subsidiaries are carried out according to market conditions.

THE MEXICAN FINANCIAL INDUSTRY

General

Mexico's financial industry is currently comprised of commercial banks, national development banks, brokerage firms, development trust funds and other non-bank institutions, such as insurance and reinsurance companies, bonding companies, credit unions, savings and loans companies, foreign exchange houses, factoring companies, bonded warehouses, financial leasing companies, mutual fund companies, pension fund management companies and limited purpose financial institutions. In 1990, Mexico adopted the Financial Groups Law (*Ley para Regular las Agrupaciones Financieras*) aimed at achieving the benefits of universal banking, which permits a number of financial services companies to operate as a single financial services holding company, which was amended and restated on January 10, 2014. Most major Mexican financial institutions are members of financial groups.

The principal financial authorities that regulate financial institutions are the Ministry of Finance and Public Credit, *Banco de México*, the CNBV, the National Commission for Retirement Savings (*Comisión Nacional del Sistema de Ahorro para el Retiro*), or CONSAR, the National Insurance and Bonding Commission (*Comisión Nacional de Seguros y Fianzas*), or the CNSF, the IPAB, and the National Commission for the Defense of Financial Service Users (*Comisión Nacional para la Protección y Defensa de los Usuarios de Servicios Financieros*), or CONDUSEF.

Trend toward multi-purpose banking institutions

Prior to 1978, the Mexican banking system was comprised primarily of specialized institutions, which were authorized to conduct specified financial activities pursuant to concessions granted by the Mexican Government. Institutions other than multi-purpose banking institutions were not permitted to engage in more than two of the specified activities. During the period from 1978 to the nationalization of commercial banks in 1982, the structure of the Mexican banking system evolved towards the creation of multi-purpose banking institutions, which were allowed to engage in the full range of banking activities.

Nationalization and subsequent privatization

In September 1982, Mexico's president decreed the nationalization of private Mexican commercial banks. Effective November 18, 1982, a constitutional amendment was adopted to implement the nationalization, which granted the Mexican Government a monopoly on banking and credit service. The number of banking institutions was reduced from 68 to 29 in the first two years of nationalized banking. By 1988, the number had been further reduced to 18, of which six had national coverage, five were regional banks and seven were multi-regional banks. Only two banks, Banco Obrero, S.A. and Citibank N.A., were excluded from the nationalization and continued limited operations as privately-owned commercial banks.

Effective June 28, 1990, the Mexican Constitution was amended to permit Mexican individuals and financial services holding companies to own controlling interests in the then-existing 18 Mexican commercial banks owned by the Mexican Government. Subsequently, a new Banking Law was enacted to regulate the ownership and operation of Mexican commercial banks, national development banks and foreign financial institutions. Pursuant to the Banking Law, Mexico began the process of privatizing commercial banks. By the third quarter of 1992, the Mexican Government had privatized all 18 state-owned commercial banks. Since that time, new commercial banks, have been chartered and regulations regarding investment in the banking sector by foreign investors have been relaxed.

Financial groups

The enactment of the Financial Groups Law in 1990 permitted the development of the universal banking model in Mexico. By July 1992, most major Mexican financial institutions had become part of financial groups controlled by a financial services holding company, such as ourselves, and made up of a number of financial operating entities. The operations of financial services holding companies are generally restricted to holding shares representing the capital stock of financial operating subsidiaries. Such subsidiaries may include Mexican banks, brokerage firms, insurance companies, bonding companies, mutual fund operators, bond-warehousing companies, Sofomes, foreign exchange service providers , retirement fund administrators and financing companies that provide credit to low income borrowers (*sociedades financieras de crédito popular*). As a general rule, a financial services holding company must maintain a majority participation and effective control of at least two financial subsidiaries, provided that a the holding of two Sofomes only will not constitute a financial services holding company.

The Mexican Financial Groups Law allows entities controlled by the same financial services holding company:

- to act jointly before the public, offer services that are supplemental to the services provided by the other and hold themselves out as part of the same group;
- use similar corporate names; and
- conduct their activities in the offices and branches of other entities as part of the same group.
    - In addition, the Mexican Financial Groups Law requires that each financial services holding company enter into an agreement with each of its financial services subsidiaries pursuant to which the holding company agrees to be responsible secondarily and without limitation for the satisfaction of the obligations undertaken by its subsidiaries as a result of the activities that each such subsidiary is authorized to conduct under the applicable laws and regulations, and is fully responsible for the losses of its subsidiaries, up to the total amount of the holding company's assets. In the event that the assets of the financial services holding company are insufficient to meet the losses of its subsidiaries if occurred simultaneously, the financial services holding company must first meet the liabilities of the financial institutions that are part of the group and subsequently, the liabilities of any other entities that form the group will be prorated. For such purposes, a subsidiary is deemed to have losses if its assets are insufficient to meet its payment obligations. The subsidiaries will never be held liable for the losses of their financial services holding company or for the losses of the other subsidiaries of the group.

Authorities of the Mexican Financial System

The principal financial authorities that regulate financial institutions are the SHCP, the CNBV, the CONSAR, the CNSF, the IPAB, and CONDUSEF. These authorities are subject to a number of organic laws and other administrative regulations that govern their regulatory, supervisory and other powers. Also, these entities continually enact administrative regulations within the scope of their respective authority for the regulation of the corresponding financial entities, as further mentioned below. We, as a financial services holding company, are subject to the supervision and regulation of the CNBV. In addition, we and other financial subsidiaries are subject to the supervision and regulation of the corresponding financial authority, and are in constant interaction with such authorities during their normal course of business.

Banco de México

Banco de México is the Mexican central bank, which is an autonomous entity that is not subordinate to any other body of the federal government. *Banco de México's* primary purpose is to issue the Mexican currency, as well as maintaining the acquisition power of such currency, the establishment of reference interest rates and ensuring that the banking and payments systems perform under safe and sound principles.

SHCP

The SHCP is the regulator in charge of proposing, conducting and controlling the economic policy of the federal government in matters of economics, tax, finance, public budget, public debt and income. Together with the CNBV and *Banco de México*, it is the primary regulator of commercial banks and national development banks. The

SHCP participates in the process of incorporation, revocation, operation, merger, control and stock purchase of financial institutions.

CNBV

The CNBV is a governmental body subordinate to the SHCP and has independent technical and executive powers. The CNBV is in charge of the supervision and regulation of financial entities, with the purpose of ensuring their stability and sound performance, as well as the maintenance of a safe and sound financial system. The scope of the CNBV's authority includes inspection, supervision, prevention and correction powers. The primary financial entities regulated by the CNBV are commercial banks, national development banks, regulated multiple purpose financial institutions, brokerage firms, as well as publicly traded companies and other entities that have issued debt securities to the public. The CNBV is also in charge of granting and revoking banking and securities brokerage licenses in Mexico.

CONSAR

The CONSAR is a governmental body under the SHCP and has independent technical and executive powers. The CONSAR was created in 1997 as part of a comprehensive reform of the retirement savings and pensions system and is in charge of protecting the retirement savings of employees through the regulation and supervision of *Afores* and *Siefores*. The CONSAR evaluates risks borne by the participants in the retirement savings system and makes sure these participants are solvent and maintain adequate liquidity levels.

CNSF

The CNSF is a governmental body under the SHCP and has independent technical and executive powers. The CNSF is in charge of the supervision and regulation of insurance and bonding companies, promoting the safe and sound development of the insurance and guaranty bond financial sectors.

IPAB

After the 1994 financial crisis, the federal government created the IPAB, an independent, decentralized governmental institution with its own legal standing and assets. The IPAB's primary purpose is the protection and insurance of bank deposits, having also powers to provide solvency to banking institutions, contributing to the safe and sound development of the banking sector and the national payments system. The IPAB is also entitled to acquire assets from distressed banking institutions.

CONDUSEF

The CONDUSEF is a governmental body under the SHCP. The CONDUSEF is in charge of protecting and defending the rights of users of financial services and serves as an arbitrator between financial institutions and their customers. Among other powers, CONDUSEF has the authority to order the amendment of standardized agreements used by financial entities when it considers that such agreements contain abusive clauses, it may issue general recommendations to financial institutions, and suspend the distribution of information regarding financial services and products that it considers confusing.

The Banking Sector

Banking activities in Mexico have been and continue to be affected by prevailing conditions in the Mexican economy, and the demand for and supply of banking services have been vulnerable to economic downturns and changes in government policies. Prior to the early 1990s, lending by Mexican banks to the private sector had fallen to very low levels. It is estimated, however, that by the end of 1994 average total indebtedness of the private sector to Mexican commercial banks had grown to represent approximately 40.7% of Mexican GDP, with mortgage loans and credit card indebtedness generally growing faster than commercial loans. The devaluation of the Mexican peso in December 1994 initiated a crisis, and the resulting high interest rates and contraction of the Mexican economy in 1995 severely impacted most borrowers' ability to both repay loans when due and meet debt service requirements. These effects, among others, caused an increase in the non-performing loan portfolio of Mexican financial institutions, particularly during 1995, which adversely affected the capitalization level of financial institutions. Also, increased domestic interest rates and the deteriorating value of the peso made it more difficult for financial institutions to renew dollar-denominated certificates of deposit and credit lines.

From 1995 through the end of 1997, the CNBV had assumed, or intervened in, the operations of 13 banks and had adopted several measures designed to protect, stabilize and strengthen the Mexican banking sector. These measures included:

- creating a temporary capitalization program to assist banks;
- establishing a foreign exchange credit facility with *Banco de México* to help banks with dollar liquidity problems;
- increasing the level of required loan loss reserves;
- establishing a temporary program for the reduction of interest rates on certain loans;
- establishing various programs to absorb a portion of debt service cost for mortgage loan debtors (including debt restructuring and conversion support programs); and
- broadening the ability of foreign and Mexican investors to participate in Mexican financial institutions.

Reforms to Mexican Banking Law

On January 10, 2014, several amendments to the Mexican Banking Law were published in the Federal Official Gazette, and are currently in effect, with the following purposes:

Update capital requirements according to Basel III. The amendments to the Mexican Banking Law update the capital requirements for banking institutions by incorporating the requirements of the Basel III accords, currently included in the General Rules Applicable to Mexican Banks. The amendments specify that net capital will be comprised of capital contributions, retained profits and capital reserves. The CNBV is authorized to allow or prevent the inclusion of other items to calculate a bank's net capital, subject to the terms and conditions of the general rules to be issued by CNBV to further regulate the capital requirements for bank institutions.

Strengthen measures to maintain the liquidity requirements of banks. The amendments to the Mexican Banking Law grant authority to the CNBV to order adjustments to a bank's accounting registries. If a bank fails to meet the liquidity requirements imposed by CNBV and *Banco de México*, the CNBV may order the bank to adopt actions toward restoring the corresponding liquidity requirements, including suspending or partially limiting certain lending, borrowing or service operations of the bank, and requiring the bank to present a liquidity restoration plan.

Create a special liquidation mechanism for banks. The amendments to the Mexican Banking Law establish that the revocation of a bank's authorization to organize and operate as a banking institution, will immediately lead to the liquidation of the bank under the provision of the Mexican Banking Law excluding banks from the *concurso mercantil* procedure under the Mexican Bankruptcy Law. Except when the shareholders specifically request the revocation of the authorization to organize and operate as a bank, the IPAB will act as receiver (*liquidador judicial*) of the bank in liquidation.

Allow foreign government to hold shares in Mexican banks under certain conditions. The amendments to the Mexican Banking Law expressly set fort an exception to the rule prohibiting the participation of foreign governments in the capital stock of banking institutions, when such governments hold equity in the banking institution (i) pursuant to preventive temporary measures, such as financial support or rescue programs, (ii) when control over such institution is held through official entities (such as funds or support governmental entities) and there is evidence that such entities do not exercise any authority functions and their decision making bodies operate separately from the relevant foreign government, and (iii) when the participation is indirect and does not imply the control by the relevant foreign government over the banking institution in terms of the Mexican Banking Law.

Strengthen the authority of CNBV. The amendments to the Mexican Banking Law reinforce the oversight powers of CNBV by giving it authority to order the suspension or limitation of transactions with related parties if such transactions are not within market terms. The CNBV may also order measures to stimulate banks into channeling more funds to the productive sector of the Mexican economy.

Initiatives to improve creditors' rights and remedies

Mexico has enacted legislation to improve creditors' rights and remedies. These laws include collateral pledge mechanisms and a bankruptcy law.

Collateral mechanisms

Laws regarding the perfection and enforcement of security interests include mechanism for pledging without transferring possession, as well as a common security device known in Mexico as the security trust. All personal property being used in a debtor's main business activity may be pledged, by making only a generic description of such property. The provisions regulating the security trust are similar to those governing pledges of personal property, except they provide that title to the collateral must be held by the trustee.

Also, for security pledges, there are provisions allowing the transfer of title to pledgee of the pledged assets, if agreed by the parties. Under the latest amendments to the Mexican Securities Market Law, if the transfer of property over the pledged securities is agreed upon by the parties, the pledgee may apply the market value of the pledged securities to the payment of the corresponding obligation in the event of default, without requiring the enforcement of such pledge before a court.

Deregulation of lending entities and activities

In July 2006, the Mexican Congress enacted reforms to the General Law of Auxiliary Credit Organizations and Credit Activities (*Ley General de Organizaciones y Actividades Auxiliares del Crédito*), the Mexican Banking Law and the Foreign Investment Law (*Ley de Inversión Extranjera*), with the purpose of creating a new type of financial entity called multi-purpose financial entities, or "Sofom". In January 10, 2014 further amendments to the General Law of Auxiliary Credit Organizations and Credit Activities were published in the Federal Official Gazette to strengthen the oversight authority of the CNBV and the CONDUSEF in respect to Sofomes.

Sofomes are Mexican companies (*sociedades anónimas*) the main corporate purpose of which is to engage in lending and/or financial leasing and/or factoring services. Pursuant to the creation of Sofomes, the Ministry of Finance and Public Credit ceased to authorize the creation of *Sofoles* (limited purpose financing companies), and all existing Sofol authorizations were automatically terminated on July 19, 2013.

Sofomes can either be regulated entities on non-regulated entities. Sofomes that are regulated entities are subject to the supervision of the CNBV, and are required to include in their denomination the words "*Entidad Regulada*" (regulated entity) or the abbreviation thereof "E.R." All other entities whose main purpose is engaging in lending, financial leasing and factoring activities are non-regulated Sofomes and must indicate so in their corporate denomination by including the words "*Entidad No Regulada*" (non-regulated entity) or the abbreviation thereof, "E.N.R." Non-regulated Sofomes are not subject to the supervision of the CNBV.

Regulated Sofomes are companies that are affiliates of Mexican banks, of financial entities, financing companies that provide credit to low income borrowers (*sociedades financieras populares*), community financing companies (*sociedades financieras comunitarias*), savings and lending companies (*sociedades financieras de ahorro y préstamo*), or that offer debt securities registered in the RNV, or non-regulated Sofomes authorized by CNBV to be considered as a regulated entity.

In addition, for an entity to be considered a Sofom (regulated or non-regulated), the company must be registered with the CONDUSEF, and will be subject to its supervisions, as is the case with any other financial entity.

SUPERVISION AND REGULATION

General

Our operations are primarily regulated by the Mexican Banking Law, and the rules issued thereunder by the Ministry of Finance and Public Credit and the CNBV, as well as rules issued by *Banco de México* and IPAB. The authorities that supervise our operations are the Ministry of Finance and Public Credit, *Banco de México* and the CNBV.

The Ministry of Finance and Public Credit, either directly or through the CNBV, the role of which has been expanded, possesses broad regulatory powers over the banking system. Banks are required to report regularly to the financial regulatory authorities, principally the CNBV and *Banco de México*. Reports to bank regulators are often supplemented by periodic meetings between senior management of the banks and senior officials of the CNBV. Banks must submit their unaudited monthly and quarterly and audited annual financial statements to the CNBV for review, and must publish on their website and in a national newspaper their unaudited quarterly balance sheets and audited annual balance sheets. The CNBV may order a bank to modify and republish such balance sheets.

Additionally, banks must publish on their website, among other things:

- the bank's basic consolidated and audited annual financial statements, together with a report containing the management's discussion and analysis of the financial statements and the bank's financial position, including any important changes thereto and a description of the bank's internal control systems;
- a description of the bank's board of directors, identifying independent and non-independent directors and including their resume;
- a description and the total amount of compensation and benefits paid to the members of the board of directors and senior officers during the past year;
- unaudited quarterly financial statements for the periods ending March, June and September of each year, together with any comments thereon;
- any information requested by the CNBV to approve the accounting criteria and special registries;
- a detailed explanation regarding the main differences in the accounting used to prepare the financial statements;
- the credit rating of their portfolio;
- the capitalization level of the bank, its classification (as determined by the CNBV) and any modifications thereto;
- financial ratios;
- a brief summary of the resolutions adopted by any shareholders' meeting, debenture holders' meeting, or by holders of other securities or instruments; and
- the bank's by-laws in effect at any time and from time to time.

The CNBV has the authority to grant and revoke authorizations to bank institutions and to impose fines for failing to comply with the provisions of the Mexican Banking Law, or regulations promulgated thereunder. In addition, *Banco de México* has authority to impose certain fines and administrative sanctions for failure to comply with the provisions of the Law of *Banco de México* (*Ley del Banco de México*) and regulations that it promulgates and the Law for the Transparency and Regulation of Financial Services (*Ley para la Transparencia y Ordenamiento de los Servicios Financieros*), including violations relating to the regulation of interest rates and fees and the terms of disclosure of fees charged by banks to customers. Violations of specified provisions of the Mexican Banking Law are subject to administrative sanctions and criminal penalties.

Licensing of Banks

An authorization of the Mexican Government is required to conduct banking activities. The CNBV, subject to the prior favorable opinion of *Banco de México*, has the power to authorize the establishment of new banks, subject to minimum capital standards, among other things. Approval of the CNBV is also required prior to opening, closing or relocating offices, including branches outside of Mexico or transfer of assets or liabilities between branches.

Intervention

The CNBV may declare managerial intervention (*intervención*) of a banking institution pursuant to Articles 129 through 141 of the Mexican Banking Law and in such case the Governing Board of IPAB will appoint a "peremptory manager" (*administrador cautelar)* (the "CNBV Intervention").

A CNBV Intervention pursuant to Articles 129 through 141 of the Mexican Banking Law will only occur when (i) during a calendar month, any of the the Capital Ratios of a bank is reduced from a level equal to or above the minimum Capital Ratios required under the Mexican Capitalization Requirements, to 50% or less than such minimum Capital Ratios; (ii) the banking institution does not comply with the minimum Capital Ratios required under the Mexican Banking Law and it does not submit itself to the conditional operation regime under Article 29 Bis 2 of the Mexican Banking Law, or (iii) the banking institution defaults with respect to any of the following payment obligations: (a) in the case of obligations in an amount greater than 20,000,000 UDIs or its equivalent: (1) loans granted by other banking institutions, foreign financial institutions or *Banco de México*, or (2) payments of principal or interest on securities issued, that have been deposited with a clearing system, and (b) in the case of obligations in an amount greater than 2,000,000 UDIs or its equivalent, if during two business days or more, (1) it does not pay its obligations with one or more participants in clearing systems or central counterparts, or (2) it does not pay in two or more of its branches, banking deposits claimed by 100 or more of its customers and the Banking Stability Committee finds that any of the events described in the section "Financial Support — Determination by the Banking Stability Committee", could occur. In addition, a CNBV Intervention may occur when the CNBV, in its sole discretion, determines the existence of irregularities that affect the stability or solvency of the bank or the public interest or the bank's creditors.

The peremptory manager appointed by IPAB will assume the authority of the board of directors. The peremptory manager will have the authority to represent and manage us with the broadest powers under Mexican law and will not be subject to our board of directors or our shareholders. The appointment of the peremptory manager will be published in the Federal Official Gazette and in two National newspapers, and must be registered in the Public Registry of Commerce of the corresponding domicile.

IPAB

The Banking Deposit Insurance Law, or the "IPAB Law" (*Ley de Protección al Ahorro Bancario*), which became effective January 20, 1999, provides for the creation, organization and functions of the IPAB, the bank savings protection agency. IPAB is a decentralized public entity that regulates the financial support granted to banks for the protection of bank deposits.

Only in exceptional cases may IPAB grant financial support to banking institutions. For a detailed description of the financial support that may be granted by IPAB, see "—Resolution and Payment of Guaranteed Obligations."

According to the IPAB Law, banks must provide the information required by IPAB for the assessment of their financial situation and notify IPAB about any event that could affect their financial stability. The IPAB Law expressly excludes the release of such data from bank secrecy provisions contained in the Mexican Banking Law and expressly provides that IPAB and the CNBV can share information and databases of banks.

IPAB is authorized to manage and sell the loans, rights, shares and any other assets that it acquires to perform its activity according to the IPAB Law, to maximize their recovery value. IPAB must ensure that the sale of such assets is made through open and public procedures. The Mexican President is required to present annually a report to Congress prepared by IPAB with a detailed account of the transactions conducted by IPAB in the prior year.

IPAB has a governing board of seven members: (i) the Minister of Finance and Public Credit, (ii) the Governor of *Banco de México*, (iii) the President of the CNBV, and (iv) four other members appointed by the President of Mexico, with the approval of two-thirds of the Senate.

The deposit insurance to be provided by IPAB to a bank's depositors will be paid upon determination of liquidation of a bank. IPAB will act as liquidator or receiver, or both, in the liquidation of banks, according to the Mexican Banking Law. IPAB will guaranty obligations of banks to certain depositors and creditors (excluding, among others, financial institutions) only up to the amount of 400,000 UDIs per person per bank. IPAB will not guarantee (i) deposits and loans constituting negotiable instruments and bearer promissory notes; (ii) liabilities for financial institutions or subsidiaries of the bank, (iii) liabilities not incurred in the ordinary course of business and related party transactions, or (iv) liabilities assumed in bad faith or in connection with money laundering or other illegal activities.

Banks have the obligation to pay IPAB ordinary and extraordinary contributions as determined from time to time by the Governing Board of IPAB. Under the IPAB Law, banks are required to make monthly ordinary contributions to IPAB, equal to 1/12 of 0.4% multiplied by the average of the daily outstanding liabilities of the respective bank in a specific month, less (i) holdings of term bonds issued by other commercial banks; (ii) financing granted to other commercial banks; (iii) financing granted by IPAB; (iv) subordinated debentures that are mandatorily convertible in shares representing the capital stock of the banking institution; and (v) certain forward-operations.

IPAB's Governing Board also has the authority to impose extraordinary contributions in the case that, given the conditions of the Mexican financial system, IPAB does not have available sufficient funds to comply with its obligations. The determination of the extraordinary contributions is subject to the following limitations: (i) such extraordinary contributions may not exceed, on an annual basis, the amount equivalent to 0.3% multiplied by the total amount of the liabilities outstanding of the banking institutions that are subject to IPAB contributions; and (ii) the aggregate amount of the ordinary and extraordinary contributions may not exceed, in any event, on an annual basis, an amount equivalent to 0.8% multiplied by the total amount of the liabilities outstanding of the applicable banking institution.

The Mexican Congress allocates funds to IPAB on a yearly basis to manage and service the IPAB's liabilities. In emergency situations, IPAB is authorized to incur additional financing every three years in an amount not to exceed 6% of the total liabilities of Mexican banks.

Amendments to Banking Laws/Support Commercial Banking Institutions

In January 2014, certain amendments to the Mexican Banking Law were enacted by Mexican Congress to reinforce the legal framework to adopt and grant financial support to commercial banking institutions undergoing financial difficulties.

Resolution and Payment of Guaranteed Obligations

Revocation of banking license

In case that the CNBV revokes a license to organize and operate as a banking institution, the bank will immediately be in liquidation by the IPAB, according to the procedure set forth in the Mexican Banking Law. In such a case, IPAB's Governing Board may determine to undertake the liquidation through any or a combination of the following transactions: (i) transfer the liabilities and assets of the banking institution in liquidation to another banking institution; (ii) constitute, organize and manage a new banking institution owned and operated directly by IPAB, with the exclusive purpose of transferring the liabilities and assets of the banking institution in liquidation; or (iii) any other alternative that may be determined within the limits and conditions provided by the Mexican Banking Law that IPAB considers as the best and less expensive option to protect the interest of bank depositors.

Causes to revoke a banking license

The above mentioned amendments significantly expand the events upon which the CNBV may revoke a banking license. The following are among the most relevant events:

- if the banking institution is dissolved or initiates liquidation according to the procedure in the Mexican Banking Law;

- if the banking institution (a) does not comply with any minimum corrective measures ordered by the CNBV pursuant to Article 122 of the Mexican Banking Law; (b) does not comply with any special corrective measure ordered by the CNBV pursuant to such Article 122; or (c) consistently does not comply with an additional special corrective measure ordered by the CNBV;

- if the banking institution does not comply with the minimum Capital Ratios required under the Mexican Banking Law and the Mexican Capital Requirements;

- if the banking institution defaults with respect to any of the following payment obligations (a) in the case of obligations in an amount greater than 20,000,000 UDIs or its equivalent: (1) loans granted by other banking institutions, foreign financial institutions or *Banco de México*, or (2) payments of principal or interest on securities issued, that have been deposited with a clearing system, and (b) in the case of obligations in an amount greater than 2,000,000 UDIs or its equivalent, if during two business days or more, (1) it does not pay its obligations with one or more participants in clearing systems or central counterparts, or (2) it does not pay in two or more of its branches, banking deposits claimed by 100 or more of its customers.

- if the assets of the banking institution are insufficient to meet its liabilities.

Upon publication of the resolution of the CNBV revoking a banking license in the Federal Official Gazette and two newspapers of wide distribution in Mexico and registration of such resolution with the corresponding Public Registry of Commerce, the relevant banking institution will be dissolved and liquidation will be initiated. Upon liquidation of a banking institution, IPAB shall proceed to make payment of all "guaranteed obligations" of the relevant banking institution, in compliance with the terms and conditions set forth by the Mexican Banking Law, other than those "guaranteed obligations" that have been actually transferred pursuant to article 186 of the Mexican Banking Law.

Obligations of a banking institution in liquidation that are not considered "guaranteed obligations" pursuant to the IPAB Law, and that are not effectively transferred out of the insolvent banking institution, will be treated as follows:

- term obligations will become due (including interest accrued);

- unpaid principal amounts, interest and other amounts due in respect of unsecured obligations denominated in pesos or UDIs will cease to accrue interest;

- unpaid principal amounts, interest and other amounts due in respect of unsecured obligations denominated in foreign currencies, regardless of their place of payment, will cease to accrue interest and will be converted into pesos at the prevailing exchange rate determined by *Banco de México*;

- secured liabilities, regardless of their place of payment will continue to be denominated in the agreed currency, and will continue to accrue ordinary interest, up to an amount of principal and interest equal to the value of the assets securing such obligations;

- obligations subject to a condition precedent, shall be deemed unconditional;

- obligations subject to a condition subsequent, shall be deemed as if the condition had occurred, and the relevant parties will have no obligation to return the benefits received during the period in which the obligation subsisted; and

- derivatives, repos and securities loans will be early terminated and netted after two business days following the publication of the resolution of the CNBV revoking a banking license in the Federal Official Gazette and in two newspapers of wide distribution in Mexico.

Liabilities owed by the banking institution in liquidation will be paid in the following order of preference: (i) liquid and enforceable labor liabilities, (ii) secured liabilities, (iii) tax liabilities, (iv) liabilities to IPAB, as a result of the partial payment of obligations of the banking institution supported by IPAB in accordance with the Mexican Banking Law; (v) bank deposits, loans and other liabilities as provided by Article 46, Sections I and II of the Mexican Banking Law, to the extent not transferred to another banking institution, as well as any other liabilities in favor of IPAB different from those referred to clause (iv) above, (vi) any other liabilities other than those referred to in the following clauses, (vii) preferred subordinated debentures, (viii) non-preferred subordinated debentures (such as the Notes), and (ix) the remaining amounts, if any, shall be distributed to stockholders.

Financial Support

Determination by the Banking Stability Committee

The Banking Stability Committee (the "BSC", formerly called the "Financial Stability Committee"), includes representatives of the Ministry of Finance and Public Credit, *Banco de México*, the CNBV and IPAB. In the case that the BSC determines that if a bank were to default on its payment obligations and such default may (i) generate, directly or indirectly, severe negative effects in one or more commercial banks or other financial entities, endangering their financial stability or solvency, and such circumstance may affect the stability or solvency of the financial system, or (ii) put the operation of the payments systems, necessary for development of economic activity, at risk, then the BSC may determine that a general percentage of all of the outstanding obligations of the troubled bank that are not considered "guaranteed obligations" under the IPAB Law and guaranteed obligations in amounts equal to or higher than the amount set forth under Article 11 of the IPAB Law (400,000 UDIs per person per entity), be paid as a means to avoid the occurrence of any of such circumstances. Notwithstanding the foregoing, under no circumstance may the transactions referred to in Sections II, IV and V of Article 10 of the IPAB Law (which include transactions such as liabilities or deposits in favor of shareholders, members of the board of directors and certain top level officers, and certain illegal transactions) or the liabilities derived from the issuance of subordinated debentures be covered or paid by IPAB or any other Mexican governmental agency.

Types of financial support

In case that the BSC makes the determination referred to in the prior paragraph, then IPAB's Governing Board will determine the manner according to which the troubled bank will receive financial support, which may be through either of the following options:

- If the BSC determines that the full amount of all of the outstanding liabilities of the relevant troubled bank institution (guaranteed and non-guaranteed) must be paid, then the financial support may be implemented through (i) capital contributions granted by IPAB in accordance with Articles 151 through 155 of the Mexican Banking Law, or (ii) credit support granted by IPAB in accordance with Articles 156 through 164 of the Mexican Banking Law, and in either case the CNBV shall refrain from revoking the banking license granted to such commercial bank.

- If the BSC determines that less than the full amount of all the outstanding liabilities of the troubled commercial bank (guaranteed and non-guaranteed) must be paid, then the support will consist of the payment of the general percentage of outstanding obligations of the relevant troubled banking institution in determined by the BSC, in terms of article 198 of the Mexican Banking Law, or transferring the assets and liabilities of such banking institution to a third party, as set forth in Articles 194 or 197 of the Mexican Banking Law.

Conditional management regime

As an alternative to revoking the banking license, the relevant bank may request, with the prior approval of its shareholders, the application of a conditional management regime. The conditional management regime may be requested when any of the the Capital Ratios of the relevant bank is below the minimum required pursuant to the Mexican Capitalization Requirements. In order to qualify for such regime, the relevant commercial bank should (i) deliver to the CNBV a plan for the reconstitution of its capital, and (ii) transfer at least 75% of its shares to an irrevocable trust.

Banking institutions that fail to meet the minimum core capital required by the Mexican Capitalization Requirements may not adopt the conditional management regime.

Bank Liquidation Process

According to the latest amendments to the Mexican Banking Law, enacted on January 10, 2014, upon publication of the resolution of the CNBV revoking a banking license, in the Federal Official Gazette and two newspapers of wide distribution in Mexico and registration of such resolution with the corresponding Public Registry of Commerce, the relevant banking institution will be dissolved and liquidation will be initiated, in terms of the procedure set forth in the Mexican Banking Law. The IPAB will be appointed liquidator of the banking institution.

In the event that the banking license is revoked because the assets of the relevant bank are insufficient to meet its liabilities, the IPAB shall undertake the liquidation procedure before a competent Federal court, according to the terms and conditions provided for a court liquidation (*liquidación judicial*) procedure under the Mexican Banking Law, in substitution of the *concurso mercantil* under the Mexican Bankruptcy Law. Moreover, the IPAB will be appointed as receiver (*liquidador judicial*) for purposes of the court liquidation procedure.

The IPAB will carry out the creditors' identification process. The IPAB must also comply with the following preference for the payment of the banking institution´s debts: first, secured creditors; second, labor obligations; third, debts with a special privilege provided by statute; fourth, the unpaid balance in respect to the of the deposits insured by the IPAB and thereafter, payments shall be made in the preference provided in article 241 of the Credit Institutions Law, noting that the last debts to be paid are subordinated preferred and non-preferred obligations.

Capitalization

The minimum subscribed and paid-in capital for banks is set in accordance with three different components: credit risk, market risk and operational risk. Pursuant to the Mexican Banking Law and the General Rules Applicable to Mexican Banks, banks may participate in any of the activities and render the services as provided under Article 46 of the Mexican Banking Law, as well as those permitted under other laws.

In accordance with the capitalization rules in effect as of January 1, 2013, the minimum equity capital required for banks that engage in all banking activities under the Mexican Banking Law is 90,000,000 UDIs.

The capitalization requirements in the General Rules Applicable to Mexican Banks set forth the methodology to determine the net capital (*capital neto*) relative to market risk, risk-weighted assets and operations risk. Under the relevant rules, the CNBV may impose additional capital requirements. The capitalization requirements provide capitalization standards for Mexican banks similar to international capitalization standards, particularly with respect to the recommendations of the Basel Committee on Banking Regulations and Supervisory Practices, or the Basel Committee, which includes the supervisory authorities of twelve major industrial countries.

The General Rules Applicable to Mexican Banks, classify Mexican banks in several categories based on their Capital Ratios. The corrective measures referred to below are determined based on the following classifications:

Class	**Capital ratio and components**
Class I	Equal to or greater than 10.5%, equal to or greater than 0.875 regarding Tier 1 Capital 1 and equal to or greater than 1.0625 regarding Tier 1 capital jointly
Class II	Equal to or greater than 8.5% and less than 10.5%, equal to or greater than 0.5625 (as a general rule) and less than 0.875 regarding Tier 1 capital 1 and equal to or greater than 0.75 (as a general rule) and less than 1.0625 regarding Tier 1 capital jointly
Class III	Equal to or greater than 7% and less than 8.5%, equal to or greater than 0.5625 and less than 0.875 regarding Tier 1 Capital 1 and equal to or greater than 0.75 and less than 1.0625 regarding Tier 1 capital jointly
Class IV	Equal to or greater than 4.5% and less than 7%, equal to or greater than 0.5625 and less than 0.875 regarding Tier 1 Capital 1 and less than 0.75 regarding Tier I capital jointly
Class V	Less than 4.5% and less than 0.5625 regarding Tier I capital 1

The General Rules Applicable to Mexican Banks require Mexican banks to maintain Capital Ratios equal to or exceeding: (i) 10.5% in the case of the Total Net Capital (capital neto), (ii) 7.0% in the case of Capital Fundamental or (iii) 8.5% in the case of Tier 1 Capital.

Aggregate net capital consists of Tier 1 capital (which, in turn, consists of Tier 1 Capital 1 and Tier 1 Capital 1I) and Tier 2 capital. The capitalization requirements include among the Tier 1 capital 1, mainly, paid-in capital, which represents the most subordinated right to collect in case of liquidation of a credit institution, which are not due and do not grant reimbursement rights, profits (mainly including retained profits), and capital reserves, and subtract from such Tier 1 Capital 1I, among other things, certain subordinated debt instruments, issued by financial and non-financial entities, securities representing residual parts of portfolio securitization, investments in the equity of venture-capital funds and investments in or credits to related companies, reserves pending creation, loans and other transactions that contravene applicable law, and intangibles (including goodwill). Tier 1 Capital 1I is comprised of preferential shares, regarding which the issuer has the right to cancel the dividend payments, and subordinated debt instruments, which are not subject to a due date or forced conversion, regarding which it is possible to cancel the interest payments and which may become shares of a credit institution or a controlling entity or are subject to cancellation (when capitalization problems arise).

The supplementary part of basic capital (Tier 2) comprises capitalization instruments, as long as such capitalization instruments are registered with the RNV, are subordinated to deposits and any other debt of the credit institution, do not have any specific guarantee, have a term of at least five years and are convertible into shares at their maturity date, and the general preventive reserves up to an amount that does not exceed 1.25% of weighted assets by credit risk. These instruments shall be included as capital based on their maturity date: 100% if the due date exceeds five years, 80% if the due date exceeds four years but is less than five years, 60% if the due date exceeds three years but is less than four years, 40% if the due date exceeds two years but is less than three years, 20% if the due date exceeds one year but is less than two years, and 0% if the due date is less than one year.

Every Mexican bank must create certain legal reserves (*fondo de reserva de capital*), that are considered to be part of Tier 1 capital. Banks must separate and allocate 10.0% of their net income to such reserve each year until the legal reserve equals 100.0% of their paid-in capital (without adjustment for inflation). The remainder of net income, to the extent not distributed to shareholders as dividends, is added to the retained profits account. Under Mexican law, dividends may not be paid out against the legal reserve. As of June 30, 2014, we had set aside Ps. 6,881 million in legal reserves compared to paid-in capital of Ps. 24,138 million (without adjustment for inflation).

Corrective Measures

Pursuant to the Mexican Capitalization Requirements, the CNBV classifies Mexican banks in several categories based on their Capital Ratios and orders corrective measures to prevent and correct problems that may affect the stability or solvency of banks if a bank fails to meet any of the minimum required Capital Ratios.

Reserve and Compulsory Deposit Requirements

The compulsory reserve requirement is one of the monetary policy instruments used as a mechanism to control the liquidity of the Mexican economy to reduce inflation. The objective of *Banco de México*'s monetary policy is to maintain the stability of the purchasing power of the Mexican peso and in this context, to maintain a low inflation level. Given the historic inflation levels in Mexico, the efforts of *Banco de México* have been directed towards a restrictive monetary policy. Under this policy, *Banco de México* has elected to maintain a short-term financial creditor stance with respect to the Mexican financial money markets, where *Banco de México* compensates liquidity deficits through daily operations in the money market providing adequate liquidity and stability to these markets.

In order to manage its maturity exposures to the Mexican financial markets, *Banco de México* has been extending the maturities of its liabilities for longer terms to avoid the need for continuing refinancing of its liabilities. Those liabilities have been restructured into voluntary and compulsory deposits (*Depósitos de Regulación Monetaria*), and into investment securities such as longer-term government bonds (*Bondes*) and compulsory monetary regulatory bonds (Brems). At the same time, *Banco de México* has elected to hold short-term assets, thus allowing it the ability readily to refinance its positions of assets and reduce its maturity exposure to the financial markets.

Banco de México may impose on Mexican commercial banks reserve and compulsory deposits from time to time. The amount of the deposit that each bank has to make is determined based on each bank's pro rata share of total Mexican financial institution time deposits allocated and registered as of certain date. Such compulsory deposits have an indefinite term. During the time these reserves are maintained on deposit with *Banco de México*, each banking institution receives interest on such deposits every 28 days. *Banco de México* provides advance notice of the date and the procedure to withdraw the balance of these compulsory deposits at such time, if any, that the compulsory deposit reserves are suspended or terminated.

Classification of Loans and Allowance for Loan Losses

The Loan Classification and Rating Rules set forth under the General Rules Applicable to Mexican Banks, provide a methodology to classify (i) consumer loans (i.e., each of credit card exposure and loans to individuals, divided as separate groups) considering as principal factors (a) for credit card exposure, the probability of non-payment and potential losses (taking into account collateral received), and (b) for loans to individuals, the probability of non-payment, potential losses (taking into account collateral received), and credit exposure (net of reserves created), (ii) mortgage loans (i.e., residential, including loans for construction, remodeling or improvements), considering as principal factors delinquency periods, possibility of non-payment and potential losses (taking into account collateral and guarantees received), and (iii) commercial loans, based principally on an evaluation of the borrower's ability to repay its loan (including country risk, financial risk, industry risk and payment history) and an evaluation of the related collateral and guarantees. Based on this methodology, the percentage of required reserves is determined. The Loan Classification and Rating Rules also permit banks, subject to prior approval by the CNBV, to develop and adopt specific internal procedures within certain parameters to grade the loans in their loan portfolio. See “Selected Statistical Information”.

The Loan Classification and Rating Rules require that Mexican banks grade 100.0% of their commercial loan portfolio (except loans made to or guaranteed by the Mexican Government) as of the end of each month. The classification of mortgage and consumer loans is required to be made monthly and reported to the CNBV.

The allowance for loan losses for our commercial loan portfolio is calculated primarily based on the classification of the loans into prescribed categories. To calculate our commercial loan loss reserve, the Loan Classification and Rating Rules require that we follow a methodology that incorporates an evaluation of the borrower’s ability to repay its loan and of the related collateral and guarantees in the loan’s rating analysis to estimate a probable loss and define the percentage of necessary reserves. The Loan Classification and Rating Rules allow us to use our own methodology following certain parameters to assign a risk rating to each borrower. The CNBV initially approved our methodology in June 2001, and reapproved it in December 2004, December 2006, December 2008 and December 2010. Although there is an internal methodology, as of June 30, 2014 we used the CNBV methodology in which we are required to classify 100% of the aggregate balance of our commercial loans, including all loans with an outstanding balance equal to or greater than 14,000,000 UDIs, as of the classification date. The commercial loans should, at the same time, be classified by sector as Financial Entities, States and Municipalities and Investment Projects or by Sales Volume by Small, Medium or Large Corporations. Once we have this classification, we are expected to calculate the expected loss as a result of probability of default, loss severity and exposure at default, based on the parameters established by the CNBV in the particular annexes (21, 22, 23 and 24) of the Unique Bank Agreement. If our analysis of the classification of a commercial loan changes from period to period, then the calculation of the amount of our loan loss reserve will adjust accordingly.

The Loan Classification and Rating Rules establish the following categories corresponding to levels of risk and set forth procedures for the grading of commercial loans: Grade “A” loans, representing minimal risk of non-payment; Grade “B” loans, represent low risk loans; Grade “C” loans, representing loans with moderate risk; Grade “D” loans, represent high risk loans; and Grade “E” loans, representing non-collectible loans.

We classify each loan in our commercial loan portfolio based on the following default probability percentages:

Probability of Default	**Risk Level**
0.000% to 0.90%	A1
0.901% to 1.5%	A2
1.501% to 2.0%	B1
2.001% to 2.50%	B2
2.501% to 5.0%	B3
5.001% to 10.0%	C1
10.001% to 15.5%	C2
15.501% to 45.0%	D
Greater than 45%	E

We record loan loss allowances for individual loans on a monthly basis, and apply the results of the classification monthly to the balance of the loan recorded on the final day of each month.

In June 2011, the CNBV modified the methodology to grade commercial loans granted to states and municipalities, as well as the accounting treatment of such loans.

The new methodology establishes that allowances will be made based on the expected loss, considering the likelihood of default, the severity of the loss and the exposure to default. The likelihood of default shall be determined based on quantitative (Payment experience, Risk Rating Agencies, Financial Risk) and qualitative (Socioeconomic and Financial Strength) scores considering several risk factors and will range from 0.5%, for loans guaranteed by programs under Mexican federal law included in the federal expense budget, to 100%, when the loan is past due. Real and personal collateral as well as loan derivatives will be considered to determine the severity of the loss and the exposure to default.

Consumer revolving loans (including credit cards)

Our internal advanced model for the classification of consumer revolving loans (including credit cards) was certified by the CNBV on January 25, 2011.

We determine the allowance for loan losses based on the following criteria:

- *Probability of default*: Based on variables, such as 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.
- *Severity of loss*: Calculated based on variables like portfolio type, balance aging and noncompliance period.
- *Exposure*: Determined according to the credit limit and current balance.

The allowance made according to the following percentages:

Probability of Default	Risk Level
0.00% to 3.0%	A1
3.01% to 5.0%	A2
5.01% to 6.5%	B1
6.51% to 8.0%	B2
8.01% to 10.0%	B3
10.01% to 15.0%	C1
15.01% to 35.0%	C2
35.01% to 75.0%	D
Greater than 75.01%	E

Consumer non-revolving loans (excluding credit card loans)

We determine the allowance for loan losses for our consumer loan portfolio by applying specific percentages to the number of billing periods with payments in default as of the classification date. These billing periods may be weekly, bi-weekly or monthly. We determine our loan loss allowances for our consumer and mortgage loan portfolio based on the following percentages in accordance with the Loan Classification and Rating Rules:

Probability of Default	Risk Level
0.00% to 2.0%	A1
2.01% to 3.0%	A2
3.01% to 4.0%	B1
4.01% to 5.0%	B2
5.01% to 6.0%	B3
6.01% to 8.0%	C1
8.01% to 15.0%	C2
15.01% to 35.0%	D
Greater than 35.01%	E

Residential mortgage loans

We determine loan loss allowances for our mortgage portfolio by applying specific percentages to a borrower's unpaid balances, net of supports. Our mortgage loan portfolio is classified into levels based on the number of monthly installments that a loan is in default as of the classification date

- *Probability of default*: an allowance percentage range of 100% is assigned to loans in default for four months or more. For loans in default for less than four months, the variables that are considered to estimate the allowance percentage are listed as follows: Amount of non-performing periods and average of the last seven billing periods (CNBV methodology).

- *Severity of loss*: an allowance percentage of 100% is applied to loans in default of 48 months or more. For loans that are in default for less than 48 months, the variables that are considered to estimate the allowance percentage are listed as follows: Credit Recuperation Rate, Long to Value, Outstanding Balance, an index (it considers if the credits are associated to trusts, judicial agreements and the geographical region), Monthly Payments covered by an Unemployment Insurance, and INFONAVIT and FOVISSSTE (social security agencies) outstanding balances that may serve as collaterals (CNBV methodology).

In addition to the allowance requirements under the Loan Classification and Rating Rules for mortgage loans, we contribute a supplementary allowance that reflects the application of our internal model for the classification of mortgage loans, which consists of applying specific percentages (expected loss) to a debtor's unpaid balance. The sum of both methodologies (CNBV and the internal model) is the allowance considered as official, and the one registered in the Financial Statements.

The loan loss reserves are held in a separate account on our balance sheet and all write-offs of uncollectible loans are charged against this reserve. Mexican banks are required to obtain authorization from their boards of directors to write-off loans. In addition, Mexican banks are required to inform the CNBV after such write-offs have been recorded.

The determination of the allowance for loan losses, particularly for commercial loans, requires management's judgment. The loan loss reserve calculation that results from using the estimated and prescribed loss percentages may not be indicative of future losses. Differences between the estimate of the loan loss reserve and the actual loss will be reflected in our financial statements at the time of charge-off.

Because of the changing conditions of our borrowers and the markets in which we operate, it is possible that significant adjustments to the loan loss reserve for changes in estimates of the collectability of loans will be made in the short term.

Liquidity Requirements for Foreign Currency-Denominated Liabilities

Pursuant to the regulations of *Banco de México*, the liabilities of Mexican banks denominated in foreign currencies (including dollars) are subject to a liquidity coefficient equal to the amount obtained by multiplying all foreign currency-denominated indebtedness which will become due within 60 days or less by a percentage factor dependent on the remaining maturity of the liability (netted against liquid foreign currency-denominated assets also weighted depending on their maturity), which resulting amount must be invested in low-risk and highly liquid instruments and deposits, including, among others:

- U.S. dollar-denominated cash or cash denominated in any other currency freely convertible, and with no transfer restrictions, to U.S. dollars;

- deposits with *Banco de México*;

- treasury bills, treasury bonds and treasury notes issued by the United States government;

- one-day deposits or one to seven-day deposits in foreign financial institutions rated at least P-2 by Moody's or A-2 by S&P;

- investments in mutual funds or companies identified by *Banco de México* upon the banks' request;

- unused lines of credit granted by foreign financial institutions rated at least P-2 by Moody's or A-2 by S&P, subject to certain requirements; and

- foreign currency-denominated deposits made with foreign financial institutions rated P-2 by Moody's or A-2 by S&P that may be drawn against on demand or on two-day notice.

Such liquid assets may not be granted as collateral, lent or subject to repurchase transactions or any other similar transactions that may limit their transferability. In addition, the total amount of maturity-adjusted average net liabilities denominated or indexed in foreign currencies that Mexican banks, their subsidiaries or foreign agencies may have (calculated daily) are limited to 1.8 times the amount of their Tier 1 Capital. We are in compliance with the applicable reserve requirement and liquidity coefficients in all material aspects.

Lending Limits

In accordance with the General Rules Applicable to Mexican Banks, restrictions relating to the diversification of a bank's financing transactions are determined in accordance with the bank's compliance with Mexican Capitalization Requirements. For a bank with:

- Capitalization ratio greater than 8% and up to 9.0%, the maximum financing exposure to a person or a group of persons representing common risk to the bank is limited to 12.0% of the bank's Tier 1 Capital;

- Capitalization ratio greater than 9% and up to 10.0%, the maximum financing exposure to a person or a group of persons representing common risk to the bank is limited to 15.0% of the bank's Tier 1 Capital;

- Capitalization ratio greater than 10% and up to 12.0%, the maximum financing exposure to a person or a group of persons representing common risk to the bank is limited to 25.0% of the bank's Tier 1 Capital;

- Capitalization ratio greater than 12.0% and up to 15.0%, the maximum financing exposure to a person or a group of persons representing common risk to the bank is limited to 30.0% of the bank's Tier 1 Capital; and

- Capitalization ratio greater than 15.0%, the maximum financing exposure to a person or a group of persons representing common risk to the bank is limited to 40.0% of the bank's Tier 1 Capital.

The limits mentioned in the prior paragraphs are required to be measured on a quarterly basis. The CNBV has discretion to reduce the aforementioned limits, if internal control or the risk management of the bank is inadequate.

Financings guaranteed by unconditional and irrevocable security interests or guarantees, that may be enforced immediately and without judicial action, granted by Mexican credit institutions or foreign financial institutions with investment grade ratings and domiciled in a country member of the European Union or the Organization for Economic Cooperation and Development (which guarantees must be accompanied with a legal opinion as to their enforceability), securities issued by the Mexican Government, and cash (transferred to the bank lender under a deposit that may be freely disposed of by the lender) are exempted from the aforementioned guidelines, but such financings may not exceed 100.0% of a bank's Tier 1 Capital.

Likewise, financings granted to Sofomes for which the bank owns at least 99% of its capital stock, are exempted from the aforementioned guidelines, but such financings may not exceed 100% of a bank's Tier 1 capital. Notwithstanding, if the Sofomes maintain or grant financing (regardless of the origin of the resources) to a person or a group of persons representing common risk, such financing shall comply with the aforementioned limits.

In addition, the aggregate amount of financings granted to the three largest borrowers of a bank, may not exceed 100.0% of the bank's Tier 1 Capital. Banks are not obligated to comply with the aforementioned limits with respect to financings made to the Mexican Government, local governments (subject to such financings being guaranteed by the right to receive certain Federal taxes), *Banco de México*, the IPAB and development banks guaranteed by the Mexican Government. The aforementioned guidelines do not apply to financings made to Mexican banks. The aggregate financings to Mexican banks and to government-controlled companies and decentralized agencies may not exceed 100.0% of such bank's Tier 1 Capital.

Banks are required to disclose, in the notes to their financial statements, (i) the number and amount of financings that exceed 100% of Tier 1 Capital, and (ii) the aggregate amount of financings made to their three largest borrowers.

Funding Limits

In accordance with the General Rules Applicable to Mexican Banks, Mexican banks are required to diversify their funding risks. In particular, a Mexican bank is required to notify the CNBV on the business day following its receipt of funds from a person or a group of persons acting in concert that represent in one or more funding transactions, more than 100% of a bank's Tier 1 Capital. As of June 30, 2014, none of our liabilities to a person or group of persons exceeded the 100% threshold.

Related Party Loans

Pursuant to the Mexican Banking Law, the total amount of the transactions with related parties may not exceed 35% of the bank's Tier 1 capital. For the case of loans and revocable credits, only the disposed amount will be counted. See "Related Party Transactions—Loans to Related Parties."

Foreign Currency Transactions

Banco de México regulations govern transactions by banks, denominated in foreign currencies. Mexican banks may, without any specific additional approval, engage in spot, foreign exchange transactions (i.e. transactions having a maturity not exceeding four business days). Other foreign currency transactions are deemed derivative transactions and require approvals as discussed below. At the end of each trading day, banks are generally obligated to maintain a balanced foreign currency position (both in the aggregate and by currency). However, short and long positions are permitted in the aggregate, so long as such positions do not exceed 15% of a bank's Tier 1 Capital. In addition, Mexican banks must maintain certain minimum liquidity, prescribed by regulations issued by *Banco de México*, in connection with maturities of obligations denominated in foreign currencies (as discussed under "Liquidity Requirements for Foreign Currency—Denominated Liabilities" above).

Derivative Transactions

Certain *Banco de México* rules apply to derivative transactions entered into by Mexican banks. Mexican banks are permitted to enter into swaps, credit derivatives, futures forwards and options with respect to the following underlying assets:

- specific shares, groups of shares or securities referenced to shares, that are listed in a securities exchange,
- stock exchange indexes,
- Mexican currency, foreign currencies and UDIs,

- inflation indexes,

- nominal and real interest rates, including those referring to debt instruments an index referring to such rates,

- loans and other advances,

- yellow corn (maize), wheat, soybeans, sugar, rice, sorghum, cotton, oats, coffee, orange juice, cacao, barley, bovine and porcine livestock, milk, canola, soy oil and soy paste, lean value hog carcasses, natural gas, heating oil, gasoline, gas oil, crude oil, aluminum, copper, nickel, platinum, lead and zinc,

- gold or silver, and

- futures, forwards, options and swaps with respect to the underlying assets referred to above.

Mexican banks require an express general approval, issued in writing by *Banco de México* to enter into, as so-called intermediaries, into derivative transactions, with respect to each class or type of derivative. Mexican banks that have not received the relevant general approval, would require a specific approval from *Banco de México* to enter into such derivative transactions (or even if in possession of such general approval, to enter into derivative transactions with underlying assets different from the assets specified above). Mexican banks may, however, enter into derivatives without the authorization of *Banco de México*, if the exclusive purpose of such derivatives is to hedge the relevant bank's existing risks. Authorizations may be revoked if, among other things, the applicable Mexican bank fails to comply with Mexican Capitalization Requirements, does not timely comply with reporting requirements, or enters into transactions that contravene applicable law or sound market practices.

Banks that execute derivative transactions with related parties or with respect to underlying assets of which the issuer is a related party, are subject to lending limits and other requirements generally specified in connection with related party transactions, set forth in Mexican Banking Law.

Institutions may collateralize derivative transactions through cash deposits, receivables and/or securities of its portfolio. In the case of derivative transactions that take place in OTC markets, collateral may be granted only when the counterparties are credit institutions, brokerage firms, foreign financial institutions, mutual funds, mutual funds manager of pension funds and any other counterpart authorized by *Banco de México*. Mexican banks are required to periodically inform their board of directors with respect to the derivatives entered into, and whether or not the Mexican bank is in compliance with limits imposed by the board of directors and any applicable committee. Mexican banks must also inform *Banco de México* periodically of derivative transactions entered into and whether any such transaction was entered into with a related party. The counterparties in respect of derivatives transactions entered into by Mexican banks, must be other Mexican banks, Mexican financial entities authorized to enter into such derivatives by *Banco de México* or foreign financial institutions. Derivatives must be entered into pursuant to master agreements that must include international terms and guidelines, such as ISDA master agreements. As an exception to applicable rules, Mexican banks may pledge cash, receivables and securities to secure obligations resulting from their derivative transactions.

We carry out swaps, futures forwards and options related to pesos and foreign currencies in the underlying assets described above, except gold or silver, as well as of credit derivatives related to interest rate according to the Circular 4/2012 published by *Banco de México* on March 2, 2012.

Repurchase Operations and Securities Lending

Under a circular issued by *Banco de México*, Mexican banks may enter into repurchase operations with Mexican and foreign counterparts. Repurchase operations may be entered into in respect of bank securities, Mexican Government securities, debt securities registered with the CNBV and certain foreign securities. Repurchase operations must be entered into under master agreements, such as the master agreements of the

International Securities Market Association and the Public Securities Association. Collateral may be provided in connection with repurchase operations.

Banco de México has also authorized Mexican banks to participate in securities lending activities on terms similar to those applicable to repurchase operations.

Limitations on Investments in Other Entities

Under the Financial Groups Law, subsidiaries of a financial services holding company may not directly or indirectly own capital stock of their own financial services holding company, unless they hold such stock as institutional investors under the Financial Groups Law. Institutional investors under the Financial Groups Law are insurance and bond companies that invest their technical reserves, investment funds and pension funds. In addition, members of a financial group may not extend credit in connection with the acquisition of their capital stock, the capital stock of their financial services holding company or the capital stock of other subsidiaries of their financial services holding company. Without the prior approval of the Ministry of Finance and Public Credit (which shall take into consideration the opinions of *Banco de México* and the primary Mexican regulatory commission supervising the financial entity), members of a financial group may not accept as collateral shares of stock of Mexican financial institutions. Mexican banks may not acquire or receive as collateral, certain securities issued by other Mexican banks in authorization from the Ministry of Finance and Public Credit is required prior to acquisition of shares of capital stock of non-Mexican financial entities.

In addition, Mexican Banking Law imposes certain restrictions on investments by Mexican banks in equity securities of companies engaged in non-financial activities. Mexican banks may own equity capital in such companies in accordance with the following guidelines: (i) up to 5.0% of the capital of such companies at any time; (ii) more than 5.0% and up to 15.0% of the capital of such companies for a period not to exceed three years, upon prior authorization of a majority of the members of each class of the bank's board of directors; and (iii) for higher percentages and for longer periods, or in companies engaged in new long-term projects or carrying out development related activities, with prior authorization of the CNBV. The total of all such investments made by a bank may not exceed 30.0% of such Tier 1 Capital.

Restrictions on Liens and Guarantees

Under the Mexican Banking Law, banks are specifically prohibited from (i) pledging their properties as collateral (except when pledging collection rights or securities in transactions with *Banco de México*, development banks, public federal trust and IPAP or if the CNBV so authorizes or as described above with respect to derivative transactions, securities lending and repurchase transactions) and (ii) guaranteeing the obligations of third parties, except, generally, in connection with letters of credit and bankers' acceptances.

Bank Secrecy Provisions; Credit Bureaus

Pursuant to the Mexican Banking Law, a Mexican bank may not provide any information relating to the identity of its customers or specific deposits, services or any other banking transactions (including loans) to any third parties (including any purchaser, underwriter, or broker or holder of any of the bank's securities) other than (i) the depositor, debtor, accountholder or beneficiary and their legal representatives or attorneys-in-fact, (ii) judicial authorities in trial proceedings in which the accountholder is a party or defendant; (iii) the Mexican federal tax authorities for tax purposes; (iv) the SHCP for purposes of the implementation of measures and procedures to prevent terrorism and money laundering; (v) the Federal Auditor (*Auditoría Superior de la Federación*), to exercise its supervisory authority; (vi) the supervisory unit of the Federal Electoral Agency, and (vii) the federal attorney general's office (*Procuraduría General de la República*) for purposes of criminal proceedings, among others. In most cases, the information needs to be requested through the CNBV.

The Mexican Banking Law authorizes the CNBV to furnish foreign financial authorities with certain protected information under the Mexican bank secrecy laws; provided, however, that an agreement must be in place between the CNBV and such authority for the reciprocal exchange of information. The CNBV must abstain from furnishing information to foreign financial authorities if, in its sole discretion, such information may be used for purposes other than financial supervision, or by reason of public order, national security or any other cause set forth in the relevant agreement.

Banks and other financial entities are allowed to provide credit related information to duly authorized Mexican credit bureaus. We currently use the services of Buró de Crédito, S.A. de C.V., a Mexican credit bureau created jointly by us, other Mexican banks and a Mexican affiliate of TransUnion, a leading U.S. credit bureau.

Money Laundering Regulations

Mexico has in effect rules relating to money laundering; the most recent set of rules have been in effect since April 21, 2009 (the "Money Laundering Rules") and were last amended in September 2014.

Under the Money Laundering Rules, we are required to satisfy various requirements, including:

- the establishment and implementation of procedures and policies, including client identification and know-your-customer policies, to prevent and detect actions, omissions or transactions that might favor, assist or cooperate in any manner with terrorism or money laundering activities (as defined in the Mexican Federal Criminal Code (*Código Penal Federal*));
- implementing procedures for detecting relevant, unusual and suspicious transactions (as defined in the Money Laundering Rules);
- reporting of relevant, unusual and suspicious transactions to the SHCP, through the CNBV; and
- the establishment of a communication and control committee (which, in turn, must appoint a compliance officer) in charge of, among other matters, supervising compliance with anti-money laundering provisions.

We are also required to organize and maintain a file before opening an account or entering into any kind of transaction, for the identification of each client (each, an "Identification File").

An individual's Identification File shall include, among other information, a copy of the following documentation or data (which must be maintained updated): (i) full name, (ii) date of birth, (iii) nationality and country of birth, (iv) tax identification number and the certificate evidencing the tax identification number issued by the SHCP or the population registry identification number and evidence thereof issued by the Ministry of Interior, as the case may be, (v) occupation, profession, main activity or line of business, (vi) complete domicile (including telephone number), (vii) e-mail address, if any, and (viii) advanced electronic signature series number, when applicable.

An entity's Identification File shall include, among other information, a copy of the following documentation or data (which must be maintained updated): (i) corporate name, (ii) domicile, (iii) nationality, (iv) name of the sole administrator, the members of the board of directors, the general manager or any relevant attorney-in-fact, (v) main activity or line of business, (vi) tax identification number and the certificate evidencing the tax identification number issued by the SHCP, (vii) advanced electronic signature series number, when applicable, and (viii) copy of the public deed containing its constitutive documents.

Identification Files shall be maintained for the complete duration of the corresponding agreement entered into with such client, and for a minimum term of ten years from the date such agreement is terminated.

Under the Money Laundering Rules, we must provide to the SHCP, through the CNBV, (i) quarterly reports (within ten business days from the end of each quarter) with respect to transactions equal to, or exceeding, U.S. $10,000, (ii) monthly reports (within 15 business days from the end of the month) with respect to international funds transfers, received or sent by a client, with respect to transactions equal to, or exceeding, U.S. $10,000, (iii) reports of unusual transactions, within 60 calendar days counted from the date an unusual transaction is detected by our systems, and (iv) periodic reports of suspicious transactions, within 60 calendar days counted from the date the suspicious transaction is detected.

In June 2010 new regulations were issued by the SHCP, as amended in September and December 2010, which restrict cash transactions denominated in U.S. dollars that may be entered into by Mexican banks. Pursuant to such regulations, Mexican banks are not permitted to receive physical cash amounts, in U.S. dollars, from individuals in excess of U.S. $4,000 per month for deposits. Mexican banks are also not permitted to receive physical cash amounts, in U.S. dollars, from their corporate clients, except in very limited circumstances.

Also, Mexican banks are not permitted to receive physical cash amounts, in U.S. dollars, from individuals, in excess of U.S. $300 per day for individual foreign exchange transactions. In each case, the monthly amount per individual for such transactions cannot exceed U.S. $1,500.

In addition, the newly enacted regulations set forth certain reporting obligations for Mexican banks regarding their U.S. dollar cash transactions, to the SHCP (through the CNBV).

Rules on Interest Rates

Banco de México regulations limit the number of reference rates that may be used by Mexican banks as a basis for determining interest rates on loans. For peso-denominated loans, banks may choose either: a fixed rate, TIIE, *Cetes*, MEXIBOR (Mexican Bank Overnight Rate), CCP (*costo de captación promedio a plazo*), the rate determined by *Banco de México* as applied to loans funded by or discounted with NAFIN or the rate agreed to with development banks in loans funded or discounted with them. For UDI-denominated loans, the reference rate is the UDIBONOS. For foreign currency-denominated loans, banks may choose either a fixed rate, EURIBOR, LIBOR or the rate agreed with international or national development banks or funds, for loans funded by or discounted with such banks or funds. For dollar-denominated loans, banks may choose either a fixed rate, CCP-Dollars, LIBOR or the rate agreed with international or national development banks or funds, for loans funded by or discounted with such banks or funds.

The rules also provide that only one reference rate can be used for each transaction and that no alternative reference rate is permitted, unless the selected reference rate is discontinued, in which event a substitute reference rate may be established. Similarly, a bank's spread has also been restricted to a single formula of either a fixed percentage or a number of basis points to be added to the selected reference rate.

On July 11, 2008, *Banco de México* issued rules regulating a bank's yield on credit card debt and provided that certain information regarding interest charges be included on the credit card statements sent to card users.

Fees

Under *Banco de México* regulations, Mexican banks, Sofoles and Sofomes may not, in respect of loans, deposits or other forms of funding and services with their respective clients, (i) charge fees that are not included in their respective, publicly disclosed, aggregate annual cost (*costo anual total*), (ii) charge alternative fees, except if the fee charged is the lower fee, and (iii) charge fees for the cancellation of credit cards issued. In addition, among other things, Mexican banks may not (i) charge simultaneous fees, in respect of demand deposits, for account management and relating to not maintaining minimum amounts, (ii) charge fees for returned checks received for deposit in a deposit account or as payment for loans granted, (iii) charge fees for cancellation of deposit accounts, debit or teller cards, or the use of electronic banking services, or (iv) charge different fees depending upon the amount subject of a money transfer. Under the regulations, fees arising from the use of ATMs must be disclosed to users.

Mexican banks, Sofoles and Sofomes permitting customers the use of, or operating, ATMs must choose between two options for charging fees to clients withdrawing cash or requesting balances: (i) specifying a fee for the relevant transactions, in which case, Mexican banks, Sofoles and Sofomes issuing credit or debit cards ("Issuers") may not charge cardholders any additional fee (Issuers are entitled to charge operators the respective fee), or (ii) permit Issuers to charge a fee to clients, in which case, banks, Sofoles and Sofomes may not charge additional fees to clients.

Banco de México, on its own initiative or as per request from the CONDUSEF (*Comisión Nacional para la Defensa de los Usuarios de las Instituciones Financieras*), banks, Sofoles or Sofomes, may assess whether reasonable competitive conditions exist in connection with fees charged by Banks, Sofoles or Sofomes in performing financial operations. *Banco de México* must obtain the opinion of the Federal Competition Commission (*Comisión Federal de Competencia*) in carrying out this assessment. *Banco de México* may take measures to address the issues.

Law for the Protection and Defense of Financial Service Users

A Law for the Protection and Defense of Financial Service Users (*Ley de Protección y Defensa al Usuario de Servicios Financieros*) is in effect in Mexico. The purpose of this law is to protect and defend the rights and interests of users of financial services. To this end, the law provides for the creation of CONDUSEF, an autonomous entity that protects the interests of users of financial services and that has very wide authority to protect users of financial services (including imposing fines). CONDUSEF acts as arbitrator in disputes submitted to its jurisdiction and seeks to promote better relationships among users of financial institutions and the financial institutions. As a banking institution, we must submit to CONDUSEF's jurisdiction in all conciliation proceedings (initial steps of a dispute) and may choose to submit to CONDUSEF's jurisdiction in all arbitration proceedings that may be brought before it. The law requires banks to maintain an internal unit designated to resolve any and all controversies submitted by clients. We maintain such a unit.

CONDUSEF maintains a Registry of Financial Service Providers (*Registro de Prestadores de Servicios Financieros*), in which all financial services providers must be registered, that assists CONDUSEF in the performance of its activities. CONDUSEF is required to publicly disclose the products and services offered by financial service providers, including interest rates. To satisfy this duty, CONDUSEF has wide authority to request any and all necessary information from financial institutions. Furthermore, CONDUSEF may scrutinize banking services provided by using standard accession agreements.

We may be required to provide reserves against contingencies which could arise from proceedings pending before CONDUSEF. We may also be subject to recommendations by CONDUSEF regarding our standard agreements or information used to provide our services. We may be subject to coercive measures or sanctions imposed by CONDUSEF. We are not the subject of any material proceedings before CONDUSEF.

Law for the Transparency and Regulation of Financial Services

The law for the Transparency and Regulation of Financial Services (*Ley para la Transparencia y Ordenamiento de los Servicios Financieros*), published in the Federal Official Gazette in June 2007 and recently amended on January 10, 2014, aims to regulate (i) the fees charged to customers of financial institutions for the use and/or acceptance of means of payment, as with debit cards, credit cards, checks and orders for the transfer of funds; (ii) the fees that financial institutions charge to each other for the use of any payment system; (iii) interest rates that may be charged to customers, and (iv) other aspects related to financial services, in an effort to make financial services more transparent and protect the interests of the users of such services. This law grants *Banco de México* the authority to regulate interest rates and fees and establish general guidelines and requirements relating to payment devices and credit card account statements. *Banco de México* has the authority to specify the basis upon which each bank must calculate its aggregate annual cost (*costo anual total*), which comprises interest rates and fees, on an aggregate basis, charged in respect of loans and other services. The aggregate annual cost must be publicly disclosed by each bank. The law also regulates the terms that banks must include in standard accession agreements and the terms of any publicity and of information provided in account statements. We must inform *Banco de México* of any changes in fees at least 30 calendar days before they become effective.

Law on Transparency and Development of Competition for Secured Credit

On December 30, 2002, the Mexican Congress enacted the Law on Transparency and Development of Competition for Secured Credit (*Ley de Transparencia y de Fomento a la Competencia en el Crédito Garantizado*, or the "Secured Credit Law"), as amended on June 15, 2007. The Secured Credit Law provides a legal framework for financial activities and certain other services performed by private credit institutions (as opposed to governmental entities) in connection with secured loans relating to real property in general and housing in particular (*i.e.*, purchase, construction, restoration or refinancing). In particular, the Secured Credit Law established specific rules requiring the following: (i) the disclosure of certain information by credit institutions to their clients prior to the execution of the relevant loan agreement, including the disclosure of certain terms relating to interest rates, aggregate costs and expenses payable; (ii) the compliance by credit institutions and borrowers with certain requirements in the application process; (iii) that offers made by credit institutions granting secured loans shall have binding legal effect; (iv) the inclusion of mandatory provisions in loan agreements; and (v) the assumption of certain obligations by public officers (or notaries) before whom secured loans are granted.

In addition, the Secured Credit Law seeks to foster competition among credit institutions by permitting security interests underlying a secured loan to survive any refinancing thereof, even if such loans were granted by different credit institutions. This provision of the Secured Credit Law is designed to reduce expenditures made by borrowers in connection with refinancings.

Financial Groups Statutory Responsibility

The Financial Groups Law requires that each financial services holding company, enter into an agreement with each of its financial services subsidiaries, which includes us. Pursuant to such agreement, the financial services holding company is responsible secondarily and without limitation for the satisfaction of the obligations undertaken by its subsidiaries as a result of the activities that each such subsidiary is authorized to conduct under the applicable laws and regulations, and is fully responsible for the losses of its subsidiaries, up to the total amount of the holding company's assets. For such purposes, a subsidiary is deemed to have losses its assets are insufficient to meet its payment obligations.

In the event of a financial services holding company's statutory responsibility with respect to a bank, IPAB must determine the amount of the preliminary losses of such bank. The financial services holding company is required to create a capital reserve for the amount of such losses. The financial services holding company is also required to collateralize the payment of the bank's losses that are paid by IPAB pursuant to the Mexican Banking Law. Such collateral may be created over the financial services holding company's assets or over such company's shares or those of its subsidiaries.

A financial services holding company is not allowed to pay any dividends or transfer any monetary benefit to its shareholders as of the date on which IPAB determines the bank's losses, up to the date on which the financial services holding company has paid for the bank's losses.

No subsidiary is responsible for the losses of the financial services holding company or of the Financial Services holding company's subsidiaries. GFBB has entered into such an agreement with us and its other financial services subsidiaries.

Ownership Restrictions; Foreign Financial Affiliates

Ownership of a financial services holding company's capital stock is no longer limited to specified persons and entities under the Financial Groups Law and the group's corporate charter. Series F shares may be purchased, directly or indirectly, by foreign financial institutions who are residents of a country that has entered into a free trade agreement with Mexico and must represent at all times at least 51% of the paid-in capital.

Notwithstanding the above, under the Financial Groups Law, foreign governments cannot purchase a financial services holding company's capital stock, directly or indirectly, except (i) pursuant to preventive temporary measures, such as financial support or rescue programs, (ii) when control over such institution is held through official entities (such as funds or support governmental entities) and there is evidence that such entities do not exercise any authority functions and their decision making bodies operate separately from the relevant foreign government, and (iii) when the participation is indirect and does not imply the control by the relevant foreign government over the financial services holding company. Mexican financial entities, including those that form part of a financial group, cannot purchase a financial services holding company's capital stock, unless such entities are qualified investors as defined in the Financial Groups Law.

In accordance with applicable law (1) the capital of banks may be composed of voting Series O shares, which may be owned both by Mexican and non-Mexican investors, by Series F shares, which may be owned only by foreign financial institutions or Series B shares, which represent a minority interest in a bank controlled by a foreign financial institution and may be owned by Mexican or foreign investors and, (2) any transfer of shares representing more than 2% of the outstanding capital stock of a Mexican bank is required to be reported to the CNBV, (3) the CNBV has been granted broader discretion to authorize the acquisition of more than 5% of the outstanding shares of a Mexican bank and (4) the composition of the boards of directors of Mexican banks has been limited to a total of 15 members and their alternates (as opposed to the former rule of 11 members or multiples thereof), 25% or more of whom must qualify as independent. Minority shareholders own our Series B shares.

The change in foreign ownership rules continued the liberalization of the Mexican banking system commenced under NAFTA. Pursuant to NAFTA, the Free Trade Agreement between Mexico and the European Union, the Free Trade Agreement between Mexico and Japan, the Free Trade Agreement between Mexico and European Free Trade Zone and applicable Mexican laws and regulations, foreign financial entities incorporated in the United States, Canada, member states of the European Union, Japan and other countries with which Mexico has executed relevant international trade agreements, or financial services holding companies formed in Mexico by such foreign financial entities, will be treated identically to Mexican investors when investing in affiliate banks and other financial entities.

A holder that acquires shares in violation of the foregoing restrictions, or in violation of the percentage ownership restrictions, will have their corporate and economic rights under such shares suspended, and may not be enforced until the necessary authorizations have been obtained or the necessary requirements have been met, as required under the Financial Groups Law.

Pension Fund Management

The Mexican Social Security Law (*Ley del Seguro Social*) established the AFORE pension system. Among other economic benefits and other services to be provided to participants in the social security system, the Social Security Law provides that each worker may establish an independent retirement account, which is to be managed by an approved AFORE. Pursuant to the AFORE Law (*Ley de los Sistemas de Ahorro para el Retiro*), the main functions of an AFORE include, among others, (1) administering pension funds in accordance with the Social Security Law, (2) creating and administering individual pension accounts for each worker, (3) creating, administering and operating specialized pension funds (*Sociedades de Inversion Especializadas en Fondos para el Retiro*), or SIEFOREs, (4) distributing and purchasing SIEFOREs' shares, (5) contracting pension insurance and (6) distributing, in certain cases, the individual funds directly to the pensioned worker.

The AFOREs and SIEFOREs are subject to the supervision of CONSAR, which is charged with the coordination, regulation and supervision of the pension system. Under the Social Security Law, no AFORE may have more than 20% of the total market, which as of June 30, 2014, according to the CONSAR, consisted of approximately 51.4 million accounts of workers.

Related Party Transactions

The Banking Law requires that the board of directors of a bank approves any transaction in which a related party becomes a debtor of a bank. Such transactions include deposits, loans, credits, discounts and the net position of derivatives transactions. The total amount of related party transactions may not exceed 35% of Tier 1. Related parties include, among others, persons that own directly or indirectly 2% or more of the shares of the relevant bank or of its holding or other members of the financial group, directors and officers of the bank or of any entity in which the bank or its holding company have more than 10% of the shares or any corporation in which the officers and directors are part of the management.

The approval process for related party transactions is similar to any other loan, except that any loans to a related party above 1.0% of Tier 1 Capital or 2 million UDIs, which is determined based on the National Consumer's Price Index, an inflation index determined by *Banco de México*, must be approved by our board of directors with the favorable opinion of our credit committee.

Texas Banking Supervision and Regulation

See above under "The Texas Agency."

DESCRIPTION OF THE NOTES

We will issue the Notes through our Texas Agency (the "Agency"). The Notes will be issued under an indenture, dated as of November 12, 2014, among us, The Bank of New York Mellon as trustee, paying agent, registrar and transfer agent (the "Trustee"), and The Bank of New York Mellon SA/NV, Dublin Branch, as Irish Paying Agent, which may be amended or supplemented from time to time (the "Indenture"). This summary describes the general terms and provisions of the Notes. The description of certain provisions of the Notes does not purport to be complete and is subject to, and is qualified in its entirety by reference to, all of the provisions of the Indenture and the Notes, including the definitions of certain terms included therein. We urge you to read each of the Indenture and the forms of the Notes because they, and not this description, define your rights as a holder of Notes. In case of any conflict regarding the rights and obligations of the holders of the Notes under the Indenture, the Notes and this offering memorandum, the terms of the Indenture will prevail. In case of any conflict regarding the translation of the provisions of the applicable Mexican law, the official text in Spanish of the Mexican law will prevail. Capitalized terms not otherwise defined in this "Description of the Notes" have the meanings ascribed to them in the Indenture. You may obtain a copy of the Indenture and the forms of the Notes by contacting the Trustee at the address indicated in this offering memorandum.

General

The Notes will be issued in the aggregate principal amount of U.S. $200,000,000 in registered form, in minimum denominations of U.S. $200,000 and integral multiples of U.S. $1,000 in excess thereof. We will issue the Notes through the Agency, but the Notes will represent our general, unsecured and subordinated, preferred obligations. The Notes constitute Subordinated Preferred Indebtedness and will rank (i) subordinate and junior in right of payment and in liquidation to all of our present and future Senior Indebtedness (ii) *pari passu* without preference among themselves and with all our present and future other unsecured Subordinated Preferred Indebtedness and (iii) senior only to our Non-Preferred Subordinated Indebtedness and all classes of our equity or capital stock, as described in this offering memorandum. See "—Subordination." We may incur additional Senior Indebtedness, Subordinated Preferred Indebtedness and Subordinated Non-Preferred Indebtedness from time to time, and the provisions of the Indenture does not prohibit or limit the incurrence of additional indebtedness, including additional Senior Indebtedness, Subordinated Preferred Indebtedness and Subordinated Non-Preferred Indebtedness.

THE NOTES WILL BE UNSECURED AND NOT GUARANTEED, OR OTHERWISE ELIGIBLE FOR REIMBURSEMENT, BY THE IPAB OR ANY OTHER MEXICAN GOVERNMENTAL AGENCY OR BY GRUPO FINANCIERO BBVA BANCOMER OR BY ANY OF ITS SUBSIDIARIES, INCLUDING ANY PAYMENT OBLIGATION UNDER THE *CONVENIO UNICO DE RESPONSABILIDADES* ENTERED AMONG GF BBVA BANCOMER AND ITS FINANCIAL SUBSIDIARIES. THE NOTES ARE NOT CONVERTIBLE, BY THEIR TERMS, INTO OUR SHARES OR EQUITY CAPITAL.

Subject to the occurrence of one or more Write-Downs (as defined below), unless the Notes have been redeemed as described below or a Suspension Period (as defined below) is in effect on the Maturity Date, the Notes will mature and be payable in full on November 12, 2029 (the "Maturity Date"). We may redeem the Notes under the circumstances described below under "— Redemption— Optional Redemption", "— Redemption—Withholding Tax Redemption" and "—Redemption—Special Event Redemption." Other than in accordance with an Optional Redemption, a Withholding Tax Redemption or a Special Event Redemption, the Notes will not be redeemable prior to the Maturity Date.

Unless other arrangements are made, payments of principal and interest on the Notes will be made as described below under "—Book-Entry System."

We will maintain an office or agency in the Borough of Manhattan, The City of New York, where the Notes may be presented for exchange or transfer. Such office or agency initially will be located at The Bank of New York Mellon, 101 Barclay Street, 7E, New York, New York, 10286, Attention: Global Finance Americas. The holders of the Notes will not have to pay a service charge to register the transfer or exchange of any Notes, but we may require that holders pay any applicable tax or other governmental charge.

The Indenture and the Notes do not contain any provision that would protect the holders of the Notes against a sudden and dramatic decline in our credit quality resulting from a takeover, recapitalization or other restructuring or other event involving us that may adversely affect our credit quality.

Principal and Interest

Interest periods

Subject to deferral during any Suspension Period (as defined below), an earlier redemption date and to one or more Write-Downs, the Notes will bear interest on the then Current Principal Amount (as defined below) from time to time outstanding from (and including) November 12, 2014 (the "Issue Date"), up to (but excluding) November 12, 2024, or the "Optional Call Date," at a fixed rate per annum equal to 5.350%, payable semi-annually in arrears on May 12 and November 12 of each year (each an "Interest Payment Date"), commencing on May 12, 2015.

Subject to deferral during any Suspension Period, an earlier redemption date and to one or more Write-Downs, the Notes will bear interest on the then Current Principal Amount (as defined below) from time to time outstanding from (and including) the Optional Call Date to (but excluding) November 12, 2029, or the "Maturity Date," at a fixed rate per annum equal to the sum of (a) the Treasury Yield (as defined below) and (b) 300 basis points payable semi-annually in arrears on each Interest Payment Date, commencing on May 12, 2025.

"*Treasury Yield*" is defined in the Indenture to mean, as of any date of determination, an interest rate (expressed as a decimal and, in the case of United States Treasury bills, converted to a bond equivalent yield) determined to be the per annum rate equal to the semiannual yield to maturity for United States Treasury securities maturing on the Maturity Date, and trading in the public securities markets either as determined by interpolation between the most recent weekly average yield to maturity for two series of United States Treasury securities trading in the public securities market, (A) one maturing as close as possible to, but earlier than, the Maturity Date, and (B) the other maturity as close as possible to, but later than the Maturity Date, in each case as published in the most recent H.15 (519) or, if a weekly average yield to maturity for United States Treasury securities maturing on the Maturity Date is published in the most recent H.15 (519), such weekly average yield to maturity as published in such H.15 (519); and

"*H.15 (519)*" is defined in the Indenture to mean the weekly statistical release designated as such, or any successor publication, published by the Board of Governors of the Federal Reserve System and most recent H.15 (519) means the H.15 (519) published prior to the close of business on the third Business Day prior to the applicable payment date.

Upon the occurrence of a Write-Down, any holder of Notes will be deemed to have irrevocably waived its right to claim or receive the Written-Down Principal (as defined below) of the Notes or any interest with respect thereto (or Additional Amounts), including any and all accrued and unpaid interest.

The period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date to (but excluding) the Optional Call Date, the Maturity Date or an earlier redemption date, as the case may be, is called an "Interest Period." If any Interest Payment Date would otherwise fall on a date that is not a Business Day (as defined below), the required payment of interest shall be made on the next succeeding Business Day, with the same force and effect as if made on such Interest Payment Date, and no further interest shall accrue as a result of the delay. Interest on the Notes in respect of an Interest Period will be calculated on the basis of a 360-day year of twelve 30-day months. Interest on the Notes will be paid on the dates specified above to the person in whose name a Note is registered at the close of business on the fifteenth day preceding the respective Interest Payment Date (such date, a "Record Date," whether or not a Business Day).

For purposes hereof, the term Business Day is defined in the Indenture for the Notes as any day other than a Saturday or a Sunday, or a day on which banking institutions in The City of New York, New York or Mexico City, Mexico are authorized or required by law or executive order to remain closed.

"Current Principal Amount" means in respect of each Note, at any time, the outstanding principal amount of such Note, being the Original Principal Amount of such Note as such amount may be reduced, on one or more occasions, as a result of a Write-Down or a redemption of the Notes, as the case may be.

"Original Principal Amount" means, in respect of each Note, the amount of the denomination of such Note on the Issue Date.

Payment upon Maturity

Subject to the occurrence of one or more Write-Downs, unless the Notes have been redeemed prior thereto or a Suspension Period (as described below) is in effect on the Maturity Date, the Notes will be repaid on the Maturity Date at their then Current Principal Amount outstanding, together with any accrued and unpaid interest thereon to (but excluding) the Maturity Date and any other amounts, including Additional Amounts (as defined below), due thereunder, in each case as provided in this offering memorandum.

For deferral of interest and principal payments during a Suspension Period, see below in "– Deferral of Interest and Principal Payments".

For possible reduction or suspension of interest and principal payments due to a Write-Down, see below in "– Trigger Event and Write-Down".

Unclaimed Money, Prescription

If money deposited with the trustee or any agent for the payment of principal of, premium, if any, or interest or Additional Amounts (as defined below), if any, on the Notes remains unclaimed for two years, the trustee or such paying agent shall return the money to the Bank subject to applicable unclaimed property law. After that, holders of the Notes entitled to the money must look to the Bank for payment unless applicable unclaimed property law designates another person. Other than as set forth in this paragraph, the Indenture does not provide for any prescription periods for the payment of principal of, premium, if any, or interest or Additional Amounts, if any, on the Notes.

No Further Issuances

No additional notes may or will be issued under the Indenture.

Payment of Additional Amounts

All payments made by or on our behalf in respect of the Notes will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, levies, imposts, assessments or governmental charges of whatever nature, imposed or levied by or on behalf of Mexico, the United States, or any other jurisdiction through which payments are made (each a "Relevant Jurisdiction") or any authority or agency therein or thereof having power to tax (collectively, "Relevant Tax") unless the withholding or deduction of such Relevant Tax is required by law. In that event, we will pay additional amounts ("Additional Amounts") as may be necessary so that the net amounts received by the holders or beneficial owners of the Notes or their nominees (collectively, holders) after such withholding or deduction will equal the amount which would have been received in respect of the Notes in the absence of such withholding or deduction, except that no Additional Amounts will be payable to a holder (or beneficial owner) to the extent that such Relevant Tax:

(1) is imposed only by virtue of such holder (or beneficial owner) having some connection with the Relevant Jurisdiction, other than being a holder (or beneficial owner) of the Notes or, receiving payments, of any nature, on the Notes or enforcing rights under the Notes; or

(2) is imposed only by virtue of such holder or any other person having failed to comply with any certification, identification or other reporting requirement concerning the nationality, residence, identity or other lack of connection with the Relevant Jurisdiction or any similar claim for exemption or reduction in the rate of withholding, if satisfying such requirement or making such claim is a precondition to exemption from, or reduction in the rate of, the imposition, withholding or deduction of any Relevant Tax, provided that (x) we have or our agent has provided the trustee with at least 60 days' prior written notice of an opportunity to satisfy such a requirement or make such a claim (such notice to be provided by the trustee to the registered holder of the Notes), and (y) in no event, shall such holder's obligation to satisfy such a requirement or to make such a claim require such holder to provide any materially more onerous information, documents or other evidence than would be required to be provided had such holder been required to file IRS Forms W-8BEN, W-8BEN-E, W-8ECI, W-8EXP and/or W-8IMY; or

(3) is imposed only by virtue of such holder (or beneficial owner) not having presented the Notes (where presentation is required) for payment within 30 days after the date on which such payment becomes due and payable or the date on which such payment thereof is duly provided for, whichever occurs earlier, except to the extent such holder would be entitled to Additional Amounts had the Notes been surrendered during such 30-day period; or

(4) is imposed only by virtue of such holder or beneficial owner (or any financial institution through which the holder or beneficial owner holds any Notes through which payment on such Note are made) having failed to comply with any certification, information, identification, documentation or other reporting requirement (including entering into and complying with an agreement with the Internal Revenue Service) imposed pursuant to Sections 1471 through 1474 of the Internal Revenue Code as in effect on the date of issuance of the Notes or any successor or amended version of these provisions that is substantially comparable and materially more onerous to comply with; or

(5) is imposed pursuant to any European Council Directive regarding taxation of savings income (including European Council Directive 2003/48/EC on the taxation of savings income as amended from time to time, the "Savings Directive" or any other directive implementing the conclusions of the European Council of Economic and Finance Ministers, or ECOFIN, meeting of 26-27 November 2000) or pursuant to any law implementing or complying with, or introduced in order to conform to, such Directive; or

(6) is imposed on a Note presented for payment (where presentation is required) by a holder (or beneficial owner) that could have avoided such Relevant Tax by presenting such Note to another paying agent in a member state of the European Union; or

(7) in the event the holder is a fiduciary, a partnership or any person other than the sole beneficial owner of such payment, would not have been imposed had the beneficiary or settlor with respect to such fiduciary, member of such partnership or beneficial owner of such payment been the actual holder of the Note; or

(8) is an estate, inheritance, gift, sale, transfer, personal property or similar tax or assessment; or

(9) is imposed as a result of any combination of (1) through (8) above.

We will also (1) make such withholding or deduction and (2) remit the full amount withheld or deducted to the relevant taxing authority in the Relevant Jurisdiction in accordance with applicable law.

We will furnish to the trustee, within thirty Business Days after the date of payment of any such taxes or the receipt of any credit or refund in respect to such taxes, an officer's certificate and other documentation acceptable to the trustee, including certified copies of returns, evidencing such payment (or credit or refund received) by us. Upon written request made by the holders to the trustee, copies of such officer's certificate or other documentation, as the case may be, will be made available to the holders.

To give effect to the foregoing, we will, upon the written request of any holder, indemnify and hold harmless and reimburse the holder for the amount of any Relevant Taxes (other than any Relevant Taxes for which the holder would not have been entitled to receive Additional Amounts pursuant to any of the conditions described in the first paragraph of this section titled "Payment of Additional Amounts") so imposed on, and paid by, such holder as a result of any payment of principal or interest on the Notes, so that the net amount received by such holder after such reimbursement will not be less than the net amount the holder would have received if such Relevant Tax had not been imposed or levied and so paid. Holders will be obligated to provide reasonable documentation in connection with the foregoing.

We will also pay any stamp, administrative, court, documentary, excise or similar taxes arising in a Relevant Jurisdiction in connection with the Notes and will indemnify the holders for any such taxes paid by holders.

All references to principal or interest payable on the Notes shall be deemed to include any Additional Amounts payable by us under the Notes or the Indenture. The foregoing obligations shall survive any termination, defeasance or discharge of the Notes and the Indenture.

If we shall at any time be required to pay Additional Amounts to holders pursuant to the terms of the Notes and the Indenture, we will use our reasonable efforts to obtain an exemption from the payment of the Relevant Tax that has resulted in the requirement that we pay such Additional Amounts.

We undertake to comply with the Savings Directive or any other directive implementing the conclusions of the European Council of Economic and Finance Ministers, or ECOFIN, meeting of 26-27 November 2000, or any law implementing or complying with, or introduced in order to conform to such Directive and to maintain a paying agent for the Notes in a European Union Member State that will not be obliged to withhold or deduct tax pursuant to such Directive or law.

In the event that Additional Amounts actually paid with respect to the Notes pursuant to the preceding paragraphs are based on rates of deduction or withholding of withholding taxes in excess of the appropriate rate applicable to the holder of the Notes, and as a result thereof such holder is entitled to make a claim for a refund or credit of such excess from the authority imposing such withholding tax, such holder shall, by accepting the Notes, be deemed to have assigned and transferred all right, title and interest to any such claim for a refund or credit of such excess to us. However, by making such assignment, the holder makes no representation or warranty that we will be entitled to receive such claim for a refund or credit and incurs no other obligation with respect thereto. We will inform the trustee of the refund or credit within 30 Business Days of our determination that we are entitled to receive such refund or credit.

Treatment of Interest and Principal During a Suspension Period

Deferral of Interest and Principal Payments

WE HAVE THE RIGHT TO AND WILL DEFER BUT NOT CANCEL (EXCEPT PURSUANT TO ONE OR MORE WRITE-DOWNS), THE PAYMENT OF INTEREST DUE ON THE NOTES AND DEFER BUT NOT CANCEL (EXCEPT PURSUANT TO ONE OR MORE WRITE-DOWNS), THE PAYMENT OF PRINCIPAL THEREOF FOR THE DURATION OF ANY SUSPENSION PERIOD (SEE "—SUSPENSION PERIODS"). IN THE EVENT OF A DEFERRAL OF THE PAYMENT OF INTEREST ON THE NOTES OR DEFERRAL OF PAYMENT OF PRINCIPAL THEREOF, WE WILL NOTIFY THE HOLDERS OF THE NOTES AND THE TRUSTEE IN ACCORDANCE WITH THE PROCEDURES DESCRIBED IN THE INDENTURE. PAYMENTS OF INTEREST DUE ON THE NOTES WILL BE CUMULATIVE, SO THAT IN THE EVENT THAT PAYMENTS OF INTEREST ARE DEFERRED DURING A SUSPENSION PERIOD AND SUBJECT TO THE OCCURRENCE OF ONE OR MORE WRITE-DOWNS, HOLDERS OF THE NOTES WILL HAVE THE RIGHT TO RECEIVE FOLLOWING THE TERMINATION OF THE SUSPENSION PERIOD ALL INTEREST ACCRUED PRIOR TO AND DURING THE SUSPENSION PERIOD, BUT NOT PAID AS A RESULT OF SUCH SUSPENSION PERIOD, AND SUCH INTEREST WILL BE PAYABLE (WITHOUT ANY INTEREST ON SUCH PREVIOUSLY ACCRUED INTEREST)

ON THE NEXT SUCCEEDING INTEREST PAYMENT DATE ON WHICH A SUSPENSION PERIOD IS NO LONGER IN EFFECT, UNLESS SUCH INTEREST PAYMENT DATE OCCURS ON A DATE THAT IS LESS THAN TWELVE BUSINESS DAYS AFTER SUCH SUSPENSION PERIOD ENDS, IN WHICH CASE ANY AND ALL INTEREST THEN PAYABLE SHALL BE PAID ON THE DATE THAT IS TWELVE BUSINESS DAYS AFTER THE DATE ON WHICH SUCH SUSPENSION PERIOD ENDS, EXCEPT TO THE EXTENT SUCH INTEREST IS CANCELLED PURSUANT TO ONE OR MORE WRITE- DOWNS. IF A SUSPENSION PERIOD IS IN EFFECT ON THE MATURITY DATE OR THE MATURITY DATE IS ON A DATE THAT IS LESS THAN TWELVE BUSINESS DAYS AFTER A SUSPENSION PERIOD ENDS, PAYMENT OF PRINCIPAL WILL BE DEFERRED WITH INTEREST UNTIL THE DATE THAT IS TWELVE BUSINESS DAYS AFTER THE DATE ON WHICH SUCH SUSPENSION PERIOD ENDS, EXCEPT TO THE EXTENT SUCH PRINCIPAL IS CANCELLED PURSUANT TO ONE OR MORE WRITE-DOWNS. WHEN A SUSPENSION PERIOD IS NO LONGER IN EFFECT, WE WILL NOTIFY THE HOLDERS OF THE NOTES IN ACCORDANCE WITH THE PROCEDURES DESCRIBED IN THE INDENTURE. IF A WRITE-DOWN OCCURS, THE WRITTEN-DOWN PRINCIPAL, AND ANY INTEREST ACCRUED WITH RESPECT THERETO DURING ANY SUSPENSION PERIOD, WILL BE CANCELLED.

Suspension Periods

FOR PURPOSES HEREOF, A SUSPENSION PERIOD WILL COMMENCE AND WE WILL DEFER BUT NOT CANCEL (EXCEPT PURSUANT TO ONE OR MORE WRITE-DOWNS) THE PAYMENT OF INTEREST AND PRINCIPAL DUE THEREON UPON THE OCCURRENCE OF ONE OF THE FOLLOWING:

(1) ANY OF OUR CAPITAL RATIOS DECLINES BELOW THE MINIMUM PERCENTAGE REQUIRED, FROM TIME TO TIME, BY THE MEXICAN CAPITALIZATION REQUIREMENTS (A "CAPITAL RATIOS EVENT"); OR

(2) THE CNBV INSTITUTES A PREVENTIVE OR CORRECTIVE MEASURE AGAINST US PURSUANT TO ARTICLES 121 AND 122 OF THE MEXICAN BANKING LAW OR ANY SUCCESSOR PROVISIONS (INCLUDING THE CORRESPONDING RULES SET FORTH UNDER THE GENERAL RULES APPLICABLE TO MEXICAN BANKS), WHICH REQUIRES DEFERRING OR CANCELING PAYMENTS OF INTEREST AND PRINCIPAL OTHERWISE DUE ON THE NOTES IF WE ARE CLASSIFIED AS CLASS III OR EQUIVALENT CLASSIFICATION UNDER SUCCESSOR PROVISIONS (EACH A "MEXICAN REGULATORY EVENT.")

General Rules Applicable to Mexican Banks and their Application to Us

Article 121 of the Mexican Banking Law provides that in the exercise of its supervisory duties the CNBV, through general regulations approved by its Board of Governance, will classify banking institutions based on their compliance with the provisions of the Rules for Capitalization, which may take into account Capital Ratios that reflect the degree of stability and solvency of a bank.

Article 122 of the Mexican Banking Law provides that if a bank does not comply with the minimum Capital Ratios required pursuant to the Mexican Capitalization Requirements, the bank must implement the corrective measures ordered by the CNBV, including:

(1) informing the bank's board of directors of its classification, based on the Capital Ratios thereof, and submit a detailed report containing an evaluation of the bank's overall financial status and its level of compliance with applicable regulations; the bank shall provide written notice to the general director and the chairman of the board of directors of the bank's regulated holding company with respect to such events and the status thereof;

(2) within a period not to exceed fifteen (15) Business Days, filing with the CNBV, for its approval, a capital recovery plan to increase the bank's Capital Ratios; the bank's capital recovery plan shall be approved by such bank's board of directors before it is submitted to the CNBV;

(3) suspending any payment of dividends to its shareholders, as well as any mechanism or act for the making of any distributions or the granting of any economic benefits to shareholders;

(4) suspending any share repurchase programs;

(5) deferring or canceling payment of interest and deferring or canceling the payment of principal on outstanding subordinated debt, as the case may be, or, if applicable, exchanging outstanding convertible subordinated debt into shares of the bank in the amount necessary to cover the capital deficiency if ordered by the CNBV; these corrective measures shall be applicable to subordinated debt considered part of the bank's Tier 1 Capital or Tier 2 Capital; in the event that the bank issues subordinated debt, the bank is obligated to include in the documentation evidencing such debt, in the applicable Indenture and in the applicable offering document, that such deferral of payment of principal or deferral and cancellation of payments of interest, as the case may be, shall apply upon the occurrence of certain events as provided in the General Rules Applicable to Mexican Banks and that the implementation of such measures shall not be considered a default under the documents evidencing such debt;

(6) suspending payment of any extraordinary benefits and bonuses that are not a component of the ordinary salary of the general director or any officer within the next two levels of seniority, and suspending the granting of new benefits to the general director and the officers mentioned above until the bank complies with the minimum Capital Ratios set forth under the Mexican Capitalization Requirements;

(7) abstaining from increasing outstanding amounts of any loans granted to any individual who is a related party of the bank; and

(8) any other corrective measures that, in each case, are provided by the General Rules Applicable to Mexican Banks.

Article 122 of the Mexican Banking Law further provides that:

(1) If a bank complies with the minimum Capital Ratios required pursuant to the Mexican Capitalization Requirements but any of its Capital Ratios is not equal to or greater than the minimum Capital Ratios for a bank not to be subject to any corrective measures, the bank must implement certain corrective measures ordered by the CNBV, including, among others, (A) informing the bank's board of directors of its classification, based on the Capital Ratios thereof and submitting a detailed report containing an evaluation of the bank's overall financial status and its level of compliance with applicable regulations including the principal regulatory ratios, that reflect the Bank's degree of stability and solvency (together with any determinations or indications made by any of the CNBV or *Banco de México*) and providing written notice to the general director and the chairman of the board of directors of the bank's holding company with respect to such events and the status thereof; (B) abstaining from entering into any transaction that may decrease the bank's Capital Ratios below the Mexican Capitalization Requirements; and (C) any other corrective measures ordered by the CNBV.

(2) Regardless of the capitalization level, the CNBV may order the implementation of additional special corrective measures, including, among others: (1) requiring compliance with additional corrective measures that the bank will be required to carry out to avoid a decrease of its Capital Ratios; (2) special audits to be performed by special auditors in connection with specific matters; (3) abstaining from increasing the salaries and benefits of all officers and employees of the bank, except for any change in salary previously agreed on and subject to the officers' and employees' labor rights; (4) removing officers, directors, statutory auditors or external auditors or appointing any persons to such positions; or (5) any other measures ordered by CNBV, based on its inspection and supervision authorities.

(3) Corrective measures will not be applicable to Mexican banks with a Capital Ratio equal to or greater than the minimum Capital Ratios required by the Mexican Capitalization Requirements.

Article 122 of the Mexican Banking Law provides that if a bank does not comply with the minimum Capital Ratios required pursuant to the Mexican Capitalization Requirements, (i) 10.5% in the case of the Total Net Capital (capital neto), (ii) 7.0% in the case of Capital Fundamental or (iii) 8.5% in the case of Tier 1 Capital, the bank must implement the corrective measures ordered by the CNBV. As of June 30, 2014 and December 31, 2013, our Capital Ratios were (i) 15.69% in the case of Total Net Capital, (ii) 11.04% in the case of Capital Fundamental and (iii) 12.13% in the case if Tier 1 Capital, and (i) 15.92% in the case of Total Net Capital, (ii) 10.63% in the case of Capital Fundamental and (iii) 11.92% in the case of Tier 1 Capital, respectively.

The General Rules Applicable to Mexican Banks, classify Mexican banks in several categories based on their Capital Ratios. The relevant corrective measures are determined based on the following classifications:

Class	**Capital Ratio**
Class I	Equal to or greater than 10.5%
Class II...	Equal to or greater than 8.5% and less than 10.5%
Class III	Equal to or greater than 7% and less than 8.5%
Class IV	Equal to or greater than 4.5% and less than 7%
Class V	Less than 4.5%

The General Rules Applicable to Mexican Banks, further provide that corrective measures applicable to banks classified in Class III, IV and V include, among others, requiring a bank to suspend payment of interest and, if ordered by the CNBV, defer payment of any principal on outstanding subordinated debt or exchange outstanding convertible subordinated debt into shares of the bank in the amount necessary to cover the capital deficiency; in the event that the bank issues subordinated debt, a bank must include in the relevant debt documentation, in the applicable Indenture and in the applicable offering memorandum, that such suspension of payment of interest and deferral of payment of principal shall apply to subordinated debt in the event that a bank is classified in Class III, IV or V and that the implementation of such measures shall not be considered a default under the relevant debt documentation.

We are currently classified as Class I and our Total Net Capital was 15.69% as of June 30, 2014.

Conclusion of a Suspension Period

Subject to the occurrence of one or more Write- Downs, a Suspension Period shall terminate and the payment of interest or principal due on the Notes thereof will resume:

(1) if the Suspension Period was triggered by a Capital Ratios Event, when any of our Capital Ratios is no longer below the minimum percentage required, from time to time, by the Mexican Capitalization Requirements; or

(2) if such Suspension Period was triggered by a Mexican Regulatory Event, when the related Mexican Regulatory Event has terminated.

Further Provisions for Suspension Periods

Notwithstanding anything in this offering memorandum to the contrary, the occurrence or continuance of a Suspension Period shall not give rise to any Event of Default under the Indenture or the Notes.

We must give the trustee notice of any Suspension Period affecting the Notes at least five Business Days prior to the earlier of (1) the date the interest due on the Notes would have been payable except for such Suspension Period and (2) the date the trustee is required to give notice to any securities exchange or to holders of the Notes of the record date or the date such interest is payable but in any event not less than five Business Days prior to such record date. We must also give the trustee notice of the termination of any Suspension Period not more than three Business Days after the Suspension Period is no longer in effect.

Unless all payable accrued interest and any Additional Amounts on the Notes have been paid or been cancelled pursuant to one or more Write-Downs, following termination of such Suspension Period we shall not:

(1) declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, any of our capital stock (which includes common and preferred stock);

(2) make any payment of premium, if any, or interest on or repay, repurchase or redeem any of our debt securities that rank *pari passu* with or junior in right of payment and in liquidation to the Notes;

(3) to the extent any such guaranty is permitted under applicable law, make any guaranty payments with respect to any guaranty by us of the debt securities of any of our subsidiaries if such guaranty ranks *pari passu* with or junior in right of payment and in liquidation to the Notes; or

(4) take any other action in violation of any other order by CNBV, *Banco de México*, Ministry of Finance and Public Credit or any other relevant Mexican authority;

provided, however, that the foregoing shall not apply to the extent that we obtain prior regulatory approval for any action that would otherwise be prohibited.

Trigger Event and Write-Down

Trigger Event

A "TRIGGER EVENT" WILL BE DEEMED TO HAVE OCCURRED IF:

(I) THE CNBV PUBLISHES A DETERMINATION, IN ITS OFFICIAL PUBLICATION OF CAPITALIZATION LEVELS FOR MEXICAN BANKS, THAT THE BANK'S CAPITAL FUNDAMENTAL, AS CALCULATED PURSUANT TO THE APPLICABLE MEXICAN CAPITALIZATION REQUIREMENTS, IS EQUAL TO OR BELOW 4.5% (FOUR POINT FIVE PERCENT);

(II) BOTH (A) THE CNBV NOTIFIES THE BANK THAT IT HAS MADE A DETERMINATION, PURSUANT TO ARTICLE 29 BIS OF THE MEXICAN BANKING LAW, THAT A CAUSE FOR REVOCATION OF THE BANK'S LICENSE HAS OCCURRED RESULTING FROM (Y) THE BANK'S NON-COMPLIANCE WITH CORRECTIVE MEASURES IMPOSED BY THE CNBV PURSUANT TO THE MEXICAN BANKING LAW, OR (Z) THE BANK'S NON-COMPLIANCE WITH THE CAPITALIZATION REQUIREMENTS SET FORTH IN THE MEXICAN CAPITALIZATION REQUIREMENTS AND (B) THE BANK HAS NOT CURED SUCH CAUSE FOR REVOCATION, BY (A) COMPLYING WITH SUCH CORRECTIVE MEASURES, OR (B)(1) SUBMITTING A CAPITAL RESTORATION PLAN TO, AND RECEIVING APPROVAL OF SUCH PLAN BY, THE CNBV, (2) NOT BEING CLASSIFIED IN CLASS III, IV, OR V, AND (3) TRANSFERRING AT LEAST 75% OF ITS SHARES TO AN IRREVOCABLE TRUST OR (C) REMEDYING ANY CAPITAL DEFICIENCY, IN THE CASE OF (A), AND (B), ON OR BEFORE THE THIRD OR SEVENTH BUSINESS DAY IN MEXICO, AS THE CASE MAY BE, FOLLOWING THE DATE ON WHICH THE CNBV NOTIFIES THE BANK OF SUCH DETERMINATION; OR

(III) THE BANKING STABILITY COMMITTEE, WHICH IS A COMMITTEE FORMED BY THE CNBV, THE MINISTRY OF FINANCE AND PUBLIC CREDIT, BANCO DE MÉXICO AND THE *INSTITUTO PARA LA PROTECCIÓN AL AHORRO BANCARIO* OF

MEXICO, DETERMINES PURSUANT TO ARTICLE 29 BIS 6 OF THE MEXICAN BANKING LAW THAT FINANCIAL ASSISTANCE IS REQUIRED BY THE BANK TO AVOID REVOCATION OF THE BANK'S LICENSE FOR ITS FAILURE TO COMPLY WITH CORRECTIVE MEASURES, COMPLY WITH CAPITALIZATION REQUIREMENTS OR TO SATISFY CERTAIN LIABILITIES WHEN DUE, AS A MEANS TO MAINTAIN THE SOLVENCY OF THE MEXICAN FINANCIAL SYSTEM OR TO AVOID RISKS AFFECTING THE MEXICAN PAYMENTS SYSTEM AND SUCH DETERMINATION IS EITHER MADE PUBLIC OR NOTIFIED TO THE BANK.

Write-Down

IF A TRIGGER EVENT OCCURS, THE FOLLOWING WRITE-DOWNS SHALL BE DEEMED TO HAVE OCCURRED ON THE WRITE-DOWN DATE (AS DEFINED BELOW), AUTOMATICALLY AND WITHOUT ANY ADDITIONAL ACTION BY US, THE TRUSTEE OR THE HOLDERS OF THE NOTES:

(I) THE CURRENT PRINCIPAL AMOUNT OF THE NOTES WILL AUTOMATICALLY BE REDUCED BY THE APPLICABLE WRITE-DOWN AMOUNT (AS DEFINED BELOW) AND SUCH WRITE-DOWN SHALL NOT CONSTITUTE AN EVENT OF DEFAULT; AND

(II) ANY HOLDER OF NOTES WILL AUTOMATICALLY BE DEEMED TO HAVE IRREVOCABLY WAIVED ITS RIGHT TO CLAIM OR RECEIVE, AND WILL NOT HAVE ANY RIGHTS AGAINST US OR THE TRUSTEE WITH RESPECT TO, REPAYMENT OF, THE WRITTEN-DOWN PRINCIPAL OF THE NOTES OR ANY INTEREST WITH RESPECT THERETO (OR ADDITIONAL AMOUNTS PAYABLE IN CONNECTION THEREWITH), INCLUDING ANY AND ALL ACCRUED AND UNPAID INTEREST WITH RESPECT TO SUCH WRITTEN-DOWN PRINCIPAL AS OF THE WRITE-DOWN DATE, IRRESPECTIVE OF WHETHER SUCH AMOUNTS HAVE BECOME DUE AND PAYABLE PRIOR TO THE DATE ON WHICH THE TRIGGER EVENT SHALL HAVE OCCURRED.

WE SHALL PROVIDE NOTICE TO HOLDERS VIA THE APPLICABLE CLEARING SYSTEM AS WELL AS WRITTEN NOTICE TO THE TRUSTEE (A "WRITE-DOWN NOTICE") THAT A TRIGGER EVENT HAS OCCURRED ON THE NEXT BUSINESS DAY SUCCEEDING SUCH TRIGGER EVENT. ANY WRITE-DOWN NOTICE TO THE TRUSTEE MUST BE IN WRITING AND ACCOMPANIED BY A CERTIFICATE SIGNED BY TWO OFFICERS OF THE ISSUER STATING THAT A TRIGGER EVENT HAS OCCURRED AND SETTING OUT THE METHOD OF CALCULATION OF THE RELEVANT WRITE-DOWN AMOUNT.

"WRITE-DOWN AMOUNT" MEANS AN (I) AMOUNT THAT WOULD BE SUFFICIENT, TOGETHER WITH ANY CONCURRENT PRO RATA WRITE DOWN OF ANY OTHER LOSS-ABSORBING INSTRUMENTS ISSUED BY US AND THEN OUTSTANDING, TO RETURN OUR CAPITAL FUNDAMENTAL TO THE LEVELS OF CAPITAL FUNDAMENTAL REQUIRED UNDER SECTION IX, B), 2 OF ANNEX 1-S OF THE GENERAL RULES APPLICABLE TO MEXICAN BANKS (CURRENTLY 7% (SEVEN PERCENT)), OR (II) IF ANY WRITE- DOWN OF THE CURRENT PRINCIPAL AMOUNT, TOGETHER WITH ANY CONCURRENT PRO RATA WRITE DOWN OF ANY OTHER LOSS-ABSORBING INSTRUMENTS ISSUED BY US AND THEN OUTSTANDING, WOULD BE INSUFFICIENT TO RETURN OUR CAPITAL FUNDAMENTAL TO THE LEVELS OF CAPITAL FUNDAMENTAL REQUIRED UNDER SECTION IX, B), 2 OF ANNEX 1-S OF THE GENERAL RULES APPLICABLE TO MEXICAN BANKS (CURRENTLY 7% (SEVEN PERCENT)), THE AMOUNT NECESSARY TO REDUCE THE CURRENT PRINCIPAL AMOUNT OF EACH OUTSTANDING NOTE TO ZERO.

"WRITE-DOWN DATE" MEANS THE DATE ON WHICH A WRITE- DOWN WILL BE DEEMED TO TAKE EFFECT, WHICH SHALL BE THE NEXT BUSINESS DAY SUCCEEDING THE DATE OF THE TRIGGER EVENT.

"WRITTEN-DOWN PRINCIPAL" MEANS THE AMOUNT BY WHICH THE PRINCIPAL OF ANY NOTE HAS BEEN WRITTEN DOWN BY ANY ONE OR MORE WRITE-DOWNS.

AS REQUIRED UNDER THE MEXICAN CAPITALIZATION REQUIREMENTS AND IN ACCORDANCE TO THE CNBV REQUEST, A FULL WRITE-DOWN (WHEREBY THE PRINCIPAL AMOUNT OF THE NOTES HAS BEEN WRITTEN DOWN TO ZERO) SHALL BE COMPLETED BEFORE ANY PUBLIC FUNDS ARE CONTRIBUTED OR ANY PUBLIC ASSISTANCE IS PROVIDED TO THE ISSUER AMONG OTHERS IN THE FORM OF (I) SUBSCRIPTION OF SHARES, (II) GRANTING OF LOANS, (III) PAYMENT OF LIABILITIES OF THE BANK, (IV) GRANTING OF GUARANTIES AND (V) THE TRANSFER OF ASSETS AND LIABILITIES.

Subordination

The Indenture for the Notes provides that the Notes constitute Subordinated Preferred Indebtedness (*obligaciones subordinadas preferentes*), (i) will rank junior to all of our present and future Senior Indebtedness, (ii) will rank *pari passu* with all other present or future Subordinated Preferred Indebtedness and (iii) will be senior to unsecured Subordinated Non- Preferred Indebtedness (*obligaciones subordinadas no preferentes*) and all classes of our capital stock. No payment of premium, if any, or interest on the Notes may be made at any time when (1) any Senior Indebtedness is not paid when due and any applicable grace period with respect to such default has ended and such default has not been cured or waived or ceased to exist, or (2) the maturity of any Senior Indebtedness has been accelerated because of a default.

In the event of the acceleration of the maturity of the Notes due to our insolvency or liquidation and upon any distribution of assets to creditors upon any liquidation, dissolution, winding up, reorganization, assignment for the benefit of creditors, marshaling of assets or any bankruptcy, insolvency, *liquidación or resolución* or similar proceedings in connection with our insolvency or bankruptcy, (1) all principal, premium, if any, and interest due or to become due on all Senior Indebtedness must be paid in full before the holders of Subordinated Preferred Indebtedness (including the Notes) are entitled to receive or retain any payment in respect thereof, and (2) the holders of unsecured Subordinated Preferred Indebtedness (including the Notes) will be entitled to receive *pari passu* among themselves any payment in respect thereof. The Notes and all other Subordinated Preferred Indebtedness will be senior to our Subordinated Non-Preferred Indebtedness and all classes of our capital stock.

Definitions

For the purposes of the Notes:

(1) The term Senior Indebtedness is defined in the Indenture to mean all Indebtedness for Money Borrowed, whether outstanding on the date of execution of the Indenture or thereafter created, assumed or incurred, unless the terms thereof specifically provide that it is not superior in right of payment and in liquidation to the Subordinated Preferred Indebtedness or Subordinated Non-Preferred Indebtedness (including the Notes), and any deferrals, renewals or extensions of such Senior Indebtedness;

(2) The term Subordinated Preferred Indebtedness (including the Notes) is defined in the Indenture to mean all Indebtedness for Money Borrowed, whether outstanding on the date of execution of the Indenture or thereafter created, assumed or incurred, which terms specifically provide that it is junior in right of payment and in liquidation to Senior Indebtedness, but is senior in right of payment and in liquidation to Subordinated Non-Preferred Indebtedness and all classes of our capital stock, and any deferrals, renewals or extensions of such Subordinated Preferred Indebtedness;

(3) The term Subordinated Non-Preferred Indebtedness is defined in the Indenture to mean all Indebtedness for Money Borrowed, whether outstanding on the date of execution of the Indenture or thereafter created, assumed or incurred, which terms specifically provide that it is junior in right of payment and in liquidation to Senior Indebtedness and Subordinated Preferred Indebtedness, but is senior in right of payment and in liquidation to all classes of our capital stock, and any deferrals, renewals or extensions of such Subordinated Non-Preferred Indebtedness;

(4) The term Indebtedness for Money Borrowed is defined in the Indenture to mean any obligation of, or any obligation guaranteed by us (to the extent permitted under applicable law) for the repayment of borrowed money, whether or not evidenced by notes, debentures or other written instruments, but shall not include (a) any trade accounts payable in the ordinary course of business, (b) any such indebtedness that by its terms ranks junior in right of payment and in liquidation to Subordinated Non-Preferred Indebtedness, (c) indebtedness to any of our employees, (d) our indebtedness which, when incurred, was without recourse to us, and (e) any other indebtedness that would otherwise qualify as Indebtedness for Money Borrowed to the extent that such indebtedness, by its terms, ranks *pari passu* with or junior in right of payment and in liquidation to any of the indebtedness described in clause (a) or (b) above;

Redemption

Optional Redemption

WE HAVE THE OPTION, BUT NO OBLIGATION, UNDER THE INDENTURE TO REDEEM THE NOTES ON THE OPTIONAL CALL DATE ONLY, IN WHOLE (UP TO THE THEN CURRENT PRINCIPAL AMOUNT) OR IN PART, AT PAR PLUS ACCRUED AND UNPAID INTEREST DUE ON, OR WITH RESPECT TO, THE NOTES, PLUS ADDITIONAL AMOUNTS, IF ANY, UP TO THE DATE OF REDEMPTION.

WE MAY REDEEM THE NOTES ONLY IF (I) WE ARE THEN IN COMPLIANCE WITH THE APPLICABLE MEXICAN CAPITALIZATION REQUIREMENTS IN EFFECT ON THE APPLICABLE REDEMPTION DATE, (II) AFTER GIVING EFFECT TO THE REDEMPTION, WE MAINTAIN EACH OF OUR CAPITAL RATIOS EQUAL TO, OR EXCEEDING, THE THEN-APPLICABLE MINIMUM CAPITAL RATIOS REQUIRED BY THE CNBV IN ACCORDANCE WITH MEXICAN CAPITALIZATION REQUIREMENTS, WHICH AS OF THE DATE OF THIS OFFERING MEMORANDUM ARE (X) 10.5% IN THE CASE OF TOTAL NET CAPITAL (*CAPITAL NETO*), (Y) 7.0% IN THE CASE OF CAPITAL FUNDAMENTAL OR (Z) 8.5% IN THE CASE OF TIER 1 CAPITAL, OR WE ISSUE SECURITIES THAT REPLACE THE NOTES SUCH THAT WE REMAIN IN COMPLIANCE WITH THE MEXICAN CAPITALIZATION REQUIREMENTS, AND (III) WE HAVE OBTAINED THE AUTHORIZATION FROM *BANCO DE MÉXICO* TO REDEEM THE NOTES PRIOR TO OR ON THE APPLICABLE REDEMPTION DATE; PROVIDED, HOWEVER, THAT IF AT ANY TIME A TRIGGER EVENT SHALL HAVE OCCURRED, OR A SUSPENSION PERIOD SHALL HAVE COMMENCED AND NOT TERMINATED, THEN WE SHALL HAVE NO OBLIGATION TO REDEEM ANY NOTES CALLED FOR REDEMPTION.

Withholding Tax Redemption

WE HAVE THE OPTION UNDER THE INDENTURE TO REDEEM THE NOTES AT ANY TIME PRIOR TO THE MATURITY DATE, IN WHOLE (UP TO THE THEN CURRENT PRINCIPAL AMOUNT) BUT NOT IN PART, AT PAR PLUS ACCRUED AND UNPAID INTEREST DUE ON, OR WITH RESPECT TO, THE NOTES, PLUS ANY ADDITIONAL AMOUNTS, UP TO, BUT EXCLUDING, THE DATE OF REDEMPTION, UPON THE OCCURRENCE OF A WITHHOLDING TAX EVENT (AS DEFINED BELOW) AFFECTING THE NOTES (A "WITHHOLDING TAX REDEMPTION"); PROVIDED, HOWEVER, IN THE EVENT OF SUCH A WITHHOLDING TAX REDEMPTION, (I) WE SHALL BE IN COMPLIANCE WITH THE APPLICABLE MEXICAN CAPITALIZATION REQUIREMENTS IN EFFECT ON THE APPLICABLE REDEMPTION DATE, (II) AFTER GIVING EFFECT TO THE REDEMPTION, WE MAINTAIN EACH OF OUR CAPITAL RATIOS EQUAL TO, OR EXCEEDING, THE THEN-APPLICABLE MINIMUM CAPITAL RATIOS REQUIRED BY THE CNBV IN ACCORDANCE WITH MEXICAN CAPITALIZATION REQUIREMENTS, WHICH AS OF THE DATE OF THIS OFFERING MEMORANDUM ARE (X) 10.5% IN THE CASE OF TOTAL NET CAPITAL (*CAPITAL NETO*), (Y) 7.0% IN THE CASE OF CAPITAL FUNDAMENTAL OR (Z) 8.5% IN THE CASE OF TIER 1 CAPITAL, OR WE ISSUE SECURITIES THAT REPLACE THE NOTES SUCH THAT WE REMAIN IN COMPLIANCE WITH THE MEXICAN CAPITALIZATION REQUIREMENTS, AND (III) WE HAVE OBTAINED THE AUTHORIZATION FROM *BANCO DE MÉXICO* TO REDEEM

THE NOTES PRIOR TO OR ON THE APPLICABLE REDEMPTION DATE; PROVIDED, HOWEVER, THAT IF AT ANY TIME A TRIGGER EVENT SHALL HAVE OCCURRED, OR A SUSPENSION PERIOD SHALL HAVE COMMENCED AND NOT TERMINATED, THEN WE SHALL HAVE NO OBLIGATION TO REDEEM ANY NOTES CALLED FOR REDEMPTION.

IN THE EVENT OF SUCH A WITHHOLDING TAX REDEMPTION, WE ARE REQUIRED BY *BANCO DE MÉXICO* TO OBTAIN ITS AUTHORIZATION TO REDEEM THE NOTES PRIOR TO THE APPLICABLE REDEMPTION DATE. OUR OBLIGATION TO OBTAIN *BANCO DE MÉXICO'S* AUTHORIZATION TO REDEEM THE NOTES IS FOR INFORMATION PURPOSES ONLY AND SHALL NOT GRANT ANY RIGHTS TO THE TRUSTEE OR THE HOLDERS OF THE NOTES.

FOR THE PURPOSES OF THE FOREGOING, THE TERM WITHHOLDING TAX EVENT IS DEFINED IN THE INDENTURE TO MEAN (I) THE RECEIPT BY US AND THE DELIVERY TO THE TRUSTEE OF AN OPINION OF A NATIONALLY RECOGNIZED LAW FIRM EXPERIENCED IN SUCH MATTERS TO THE EFFECT THAT, AS A RESULT OF (A) ANY AMENDMENT TO OR CHANGE (INCLUDING ANY ANNOUNCED PROSPECTIVE CHANGE) IN THE LAWS OR TREATIES (OR ANY REGULATIONS THEREUNDER) OF ANY RELEVANT JURISDICTION AFFECTING TAXATION, (B) ANY JUDICIAL DECISION, OFFICIAL ADMINISTRATIVE PRONOUNCEMENT OR REGULATORY PROCEDURE, OF ANY RELEVANT JURISDICTION, (EACH AN "ADMINISTRATIVE ACTION"), OR (C) ANY AMENDMENT TO OR CHANGE IN THE OFFICIAL POSITION OR THE OFFICIAL INTERPRETATION OF SUCH ADMINISTRATIVE ACTION THAT PROVIDES FOR A POSITION WITH RESPECT TO SUCH ADMINISTRATIVE ACTION THAT DIFFERS FROM THE THERETOFORE GENERALLY ACCEPTED POSITION, IN EACH CASE, BY ANY LEGISLATIVE BODY, COURT, GOVERNMENTAL AUTHORITY OR REGULATORY BODY HAVING APPROPRIATE JURISDICTION, IRRESPECTIVE OF THE MANNER IN WHICH SUCH AMENDMENT OR CHANGE IS MADE KNOWN, WHICH AMENDMENT OR CHANGE IS EFFECTIVE OR SUCH PRONOUNCEMENT OR DECISION IS ANNOUNCED ON OR AFTER THE DATE OF ISSUANCE OF THE NOTES, (COLLECTIVELY, A "CHANGE IN TAX LAW"), THERE IS MORE THAN AN INSUBSTANTIAL RISK THAT WE ARE OR WILL BE LIABLE FOR MORE THAN A *DE MINIMUS* PAYMENT OF ADDITIONAL AMOUNTS IN RESPECT OF THE NOTES IN EXCESS OF THE GROSS AMOUNT OF ADDITIONAL AMOUNTS PAYABLE IN RESPECT OF THE NOTES PRIOR TO SUCH CHANGE IN TAX LAW AND (II) THE DELIVERY TO THE TRUSTEE OF AN OFFICER'S CERTIFICATE STATING THAT THE REQUIREMENT TO MAKE SUCH WITHHOLDING OR DEDUCTION CANNOT BE AVOIDED BY TAKING REASONABLE MEASURES AVAILABLE TO US (SUCH MEASURES NOT INVOLVING ANY MATERIAL COST TO US OR THE INCURRING BY US OF ANY OTHER TAX OR PENALTY).

Special Event Redemption

WE ALSO HAVE THE OPTION UNDER THE INDENTURE TO REDEEM THE NOTES AT ANY TIME PRIOR TO THE MATURITY DATE, IN WHOLE (UP TO THE THEN CURRENT PRINCIPAL AMOUNT) BUT NOT IN PART, AT PAR PLUS ACCRUED AND UNPAID INTEREST DUE ON, OR WITH RESPECT TO, THE NOTES, PLUS ADDITIONAL AMOUNTS, UP TO THE REDEMPTION DATE, UPON THE OCCURRENCE OF A SPECIAL EVENT (AS DEFINED BELOW) AFFECTING THE NOTES; PROVIDED, HOWEVER, IN THE EVENT OF SUCH A SPECIAL EVENT REDEMPTION WITH RESPECT TO THE NOTES, (I) WE SHALL BE IN COMPLIANCE WITH APPLICABLE MEXICAN CAPITALIZATION REQUIREMENTS IN EFFECT ON THE APPLICABLE REDEMPTION DATE, (II) AFTER GIVING EFFECT TO THE REDEMPTION, WE MAINTAIN EACH OF OUR CAPITAL RATIOS EQUAL TO, OR EXCEEDING, THE THEN-APPLICABLE MINIMUM CAPITAL RATIOS REQUIRED BY THE CNBV IN ACCORDANCE WITH MEXICAN CAPITALIZATION REQUIREMENTS, WHICH AS OF THE DATE OF THIS OFFERING MEMORANDUM ARE (X) 10.5% IN THE CASE OF TOTAL NET CAPITAL (*CAPITAL NETO*), (Y) 7.0% IN THE CASE OF CAPITAL FUNDAMENTAL OR (Z) 8.5% IN THE CASE OF TIER 1 CAPITAL, OR WE ISSUE SECURITIES THAT REPLACE THE NOTES SUCH THAT WE REMAIN IN COMPLIANCE WITH THE MEXICAN CAPITALIZATION REQUIREMENTS, AND (III) WE HAVE OBTAINED THE AUTHORIZATION FROM *BANCO DE MÉXICO* TO REDEEM THE NOTES PRIOR TO OR ON THE

APPLICABLE REDEMPTION DATE; PROVIDED, HOWEVER, THAT IF AT ANY TIME A TRIGGER EVENT SHALL HAVE OCCURRED, OR A SUSPENSION PERIOD SHALL HAVE COMMENCED AND NOT TERMINATED, THEN WE SHALL HAVE NO OBLIGATION TO REDEEM ANY NOTES CALLED FOR REDEMPTION.

IN THE EVENT OF SUCH A SPECIAL EVENT REDEMPTION OF THE NOTES, WE ARE REQUIRED BY *BANCO DE MÉXICO* TO OBTAIN *BANCO DE MÉXICO'S* AUTHORIZATION PRIOR TO THE REDEMPTION DATE TO REDEEM THE NOTES. OUR OBLIGATION TO OBTAIN *BANCO DE MÉXICO'S* AUTHORIZATION TO REDEEM THE NOTES IS FOR INFORMATION PURPOSES ONLY AND SHALL NOT GRANT ANY RIGHTS TO THE TRUSTEE OR THE HOLDERS OF SUCH NOTES.

FOR THE PURPOSES OF THE FOREGOING:

(1) THE TERM SPECIAL EVENT IN RESPECT OF THE NOTES IS DEFINED IN THE INDENTURE TO MEAN A CAPITAL EVENT OR A TAX EVENT (BOTH AS DEFINED BELOW);

(2) THE TERM CAPITAL EVENT IN RESPECT OF THE NOTES IS DEFINED IN THE INDENTURE TO MEAN THE REASONABLE DETERMINATION BY US THAT, AS A RESULT OF (A) THE OCCURRENCE OF ANY AMENDMENT TO OR CHANGE IN, THE LAWS OR ANY REGULATIONS THEREUNDER OF MEXICO OR (B) ANY OFFICIAL ADMINISTRATIVE PRONOUNCEMENT OR JUDICIAL DECISION INTERPRETING OR APPLYING THESE LAWS OR REGULATIONS, WHICH AMENDMENT OR CHANGE IS EFFECTIVE OR WHICH PRONOUNCEMENT OR DECISION IS ANNOUNCED ON OR AFTER THE DATE OF ISSUANCE OF THE NOTES, THERE IS MORE THAN AN INSUBSTANTIAL RISK THAT WE WILL NOT BE ENTITLED TO TREAT THE NOTES AS TIER 2 CAPITAL, OR THE THEN EQUIVALENT OF TIER 2 CAPITAL FOR PURPOSES OF THE RULES FOR CAPITALIZATION AND MEXICAN CAPITALIZATION REQUIREMENTS, AS THEN IN EFFECT AND APPLICABLE TO US;

(3) THE TERM TAX EVENT IS DEFINED IN THE INDENTURE TO MEAN THE RECEIPT BY US OF AN OPINION OF A NATIONALLY RECOGNIZED LAW FIRM EXPERIENCED IN SUCH MATTERS TO THE EFFECT THAT, AS A RESULT OF A CHANGE IN TAX LAW, THERE IS MORE THAN AN INSUBSTANTIAL RISK THAT INTEREST PAYABLE BY US ON THE NOTES IS NOT OR WILL NOT BE DEDUCTIBLE BY US IN WHOLE OR IN PART FOR MEXICAN INCOME TAX PURPOSES.

Redemption Procedures

IF WE GIVE A NOTICE OF A WITHHOLDING TAX REDEMPTION OR SPECIAL EVENT REDEMPTION IN RESPECT OF THE NOTES, IN ACCORDANCE WITH THE INDENTURE BY 12:00 P.M., NEW YORK CITY TIME, ON THE APPLICABLE REDEMPTION DATE, TO THE EXTENT FUNDS ARE LEGALLY AVAILABLE, WITH RESPECT TO THE NOTES BEING REDEEMED AND HELD BY THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS NOMINEE, THE TRUSTEE OR THE PAYING AGENT WILL PAY THE APPLICABLE REDEMPTION PRICE TO DTC. SUCH NOTICE WILL ALSO BE MADE IN ACCORDANCE WITH THE PROCEDURE SET FORTH IN "—NOTICES." WITH RESPECT TO THE NOTES BEING REDEEMED AND HELD IN CERTIFICATED FORM, THE TRUSTEE, TO THE EXTENT FUNDS ARE LEGALLY AVAILABLE, WILL PAY THE APPLICABLE REDEMPTION PRICE TO THE HOLDERS THEREOF UPON SURRENDER OF THEIR CERTIFICATES EVIDENCING THE NOTES. INTEREST PAYABLE ON OR PRIOR TO THE REDEMPTION DATE SHALL BE PAYABLE TO THE HOLDERS OF THE NOTES ON THE RELEVANT RECORD DATES. IF NOTICE OF REDEMPTION SHALL HAVE BEEN GIVEN AND FUNDS DEPOSITED WITH THE TRUSTEE TO PAY THE APPLICABLE REDEMPTION PRICE FOR THE NOTES BEING REDEEMED, THEN UPON THE DATE OF SUCH DEPOSIT, ALL RIGHTS OF

THE HOLDERS OF THE NOTES WILL CEASE, EXCEPT THE RIGHT OF THE HOLDERS OF THE NOTES TO RECEIVE THE APPLICABLE REDEMPTION PRICE, BUT WITHOUT INTEREST ON SUCH REDEMPTION PRICE, AND THE NOTES WILL CEASE TO BE OUTSTANDING. IN THE EVENT THAT ANY REDEMPTION DATE IN RESPECT OF THE NOTES, IS NOT A BUSINESS DAY THEN THE APPLICABLE REDEMPTION PRICE PAYABLE ON SUCH DATE WILL BE PAID ON THE NEXT SUCCEEDING DAY THAT IS A BUSINESS DAY (WITHOUT ANY INTEREST OR OTHER PAYMENT IN RESPECT OF ANY SUCH DELAY) WITH THE SAME FORCE AND EFFECT AS IF MADE ON SUCH DATE. IN THE EVENT THAT PAYMENT OF THE APPLICABLE REDEMPTION PRICE IS IMPROPERLY WITHHELD OR REFUSED AND NOT PAID BY US (1) INTEREST DUE ON THE NOTES BEING REDEEMED WILL CONTINUE TO ACCRUE AT THE THEN APPLICABLE RATE, FROM THE REDEMPTION DATE ORIGINALLY ESTABLISHED BY US TO THE DATE SUCH APPLICABLE REDEMPTION PRICE IS ACTUALLY PAID, AND (2) THE ACTUAL PAYMENT DATE WILL BE THE REDEMPTION DATE FOR PURPOSES OF CALCULATING THE APPLICABLE REDEMPTION PRICE.

IN THE EVENT OF A PARTIAL OPTIONAL PREPAYMENT OF THE NOTES, THE NOTES SHALL BE REDEEMED FROM EACH HOLDER THEREOF PRO RATA ACCORDING TO THE AGGREGATE PRINCIPAL AMOUNT OF THE NOTES HELD BY THE RELEVANT HOLDER IN RELATION TO THE AGGREGATE PRINCIPAL AMOUNT OF ALL NOTES. IN RESPECT OF THE NOTES HELD BY DTC OR ITS NOMINEE, THE DISTRIBUTION OF THE PROCEEDS FROM SUCH REDEMPTION WILL BE MADE TO DTC OR ITS NOMINEE AND DISBURSED BY DTC OR ITS NOMINEE IN ACCORDANCE WITH THE PROCEDURES APPLIED BY DTC OR ITS NOMINEE. IN DETERMINING THE PRORATION OF THE NOTES TO BE REDEEMED, WE MAY MAKE SUCH ADJUSTMENTS AS MAY BE APPROPRIATE IN ORDER THAT ONLY THE NOTES IN AUTHORIZED DENOMINATIONS SHALL BE REDEEMED, SUBJECT TO THE MINIMUM DENOMINATIONS SET FORTH IN THIS OFFERING MEMORANDUM.

WE SHALL DELIVER NOTICE OF ANY REDEMPTION TO THE TRUSTEE AT LEAST 40 DAYS PRIOR TO THE APPLICABLE REDEMPTION DATE. THE TRUSTEE SHALL, UPON OUR REQUEST, IN TURN GIVE NOTICE OF ANY SUCH REDEMPTION AT LEAST 30 DAYS BUT NOT MORE THAN 60 DAYS PRIOR TO THE REDEMPTION DATE TO EACH HOLDER OF THE NOTES IN ACCORDANCE WITH THE PROCEDURES DESCRIBED IN THE INDENTURE. UNLESS WE DEFAULT IN PAYMENT OF THE APPLICABLE AMOUNTS DUE ON, OR IN THE REPAYMENT OF, THE NOTES, ON AND AFTER THE APPLICABLE REDEMPTION DATE, INTEREST DUE WILL CEASE TO ACCRUE ON THE NOTES CALLED FOR REDEMPTION.

Rule 144A Information

For so long as any of the Notes remain outstanding and are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Issuer shall furnish, upon the request of any holder, such information as is specified in Rule 144A(d)(4) under the Securities Act: (i) to such holder, (ii) to a prospective purchaser of such Note (or beneficial interests therein) who is a qualified institutional buyer ("QIB") designated by such holder and (iii) to the Trustee for delivery to any applicable holders or such prospective purchaser so designated, in each case in order to permit compliance by such holder with Rule 144A in connection with the resale of such Note (or beneficial interest therein) in reliance upon Rule 144A. All such information shall be in the English language.

Periodic Reports

So long as the Notes are outstanding, we will furnish to the Trustee, who will in turn furnish to the holders of such Notes:

(a) Within 120 days following the end of each of our fiscal years, (i) our consolidated audited income statements, balance sheets and cash flow statements and the related notes thereto for the two most recent fiscal years in accordance with Mexican Banking GAAP (''GAAP''), which need not, however, contain any reconciliation to U.S. GAAP or otherwise comply with Regulation S-X as promulgated by the U.S. Securities and Exchange Commission, together with an audit report thereon by our independent auditors, (ii) the English version of our annual financial statements and (iii) our annual financial information included in the English version of our annual report as provided to our shareholders; and

(b) Within 60 days following the end of the first three fiscal quarters in each of our fiscal years, (i) quarterly reports containing unaudited balance sheets, statements of income, statements of shareholders equity and statements of cash flows and the related notes thereto for us and our consolidated subsidiaries on a consolidated basis, in each case for the quarterly period then ended and the corresponding quarterly period in the prior fiscal year and prepared in accordance with GAAP, which need not, however, contain any reconciliation to U.S. GAAP or otherwise comply with Regulation S-X as promulgated by the U.S. Securities and Exchange Commission and (ii) our quarterly financial information included in the English version of our quarterly report as provided to our shareholders.

None of the information provided pursuant to the preceding paragraph shall be required to comply with Regulation S-K as promulgated by the U.S. Securities and Exchange Commission. In addition, we shall furnish to the holders of the Notes, upon the requests of such holders, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act so long as such Notes are not freely transferable under the Securities Act by Persons who are not ''affiliates'' under the Securities Act.

In addition, if and so long as the Notes are listed on the Official List of the Irish Stock Exchange and admitted to trading on the Global Exchange Market of the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, copies of such reports and information furnished to the Trustee will also be made available at the specified office of the paying agent in Dublin.

Events of Default, Notice and Waiver

An Event of Default is defined in the Indenture as:

- a default in the payment of interest or Additional Amounts, if applicable, due and payable in respect of any of the Notes, unless such payment of interest or Additional Amounts is deferred as a result of a Suspension Period, and such default continues for a period of 30 calendar days;
- a default in the timely payment of the principal due and payable of the Notes, as applicable under the Indenture, other than during a Suspension Period;
- a payment by us, during a Suspension Period, of dividends or other distributions in respect of our capital stock; or
- certain events involving our liquidation (including *liquidación or resolución*) or dissolution.

For the avoidance of doubt, the occurrence of one or more Write-Downs shall not constitute an Event of Default.

The payment of the principal of the Notes or interest accrued and unpaid thereon may be accelerated only upon the occurrence of an event of default described in the last bullet point above, referred to as a "Liquidation Event of Default". There is no right of acceleration of the payment of principal or accrued and unpaid interest of the Notes upon the occurrence of any of the other Events of Default noted above, including a default in the payment of principal or interest. If payment of the principal of the Notes or accrued and unpaid interest is accelerated, we shall promptly notify holders of our Senior Indebtedness of the acceleration. If an Event of Default occurs under the Indenture and is continuing, the Trustee may pursue any available remedy (excluding acceleration, except as provided above) under the Indenture to collect the payment of due and unpaid principal of and interest on the Notes, or to enforce the performance of any provision of the Notes or the Indenture.

If a Liquidation Event of Default occurs and is continuing, the Notes will become immediately due and payable without any declaration or other act on the part of the Trustee or any holder of the Notes. The Notes will become immediately due and payable at their principal amount together with accrued interest up to (but excluding) the date of payment without further action by any person. For the avoidance of doubt, no Mexican Regulatory Event will constitute our liquidation (including *liquidación or resolución*) or dissolution, nor during a Suspension

Period in respect of the Notes, will a deferral in the payment of interest or principal on the Notes, as applicable, entitle the holders of the Notes to accelerate the payment of principal of the Notes. In the event of a *liquidación or resolución*, holders of the Notes may not be able to collect the full amount payable under the Notes and other bankruptcy rules may affect the timing or amount paid to holders of the Notes. In addition, holders of the Notes may have no enforcement remedies for an Event of Default upon the occurrence of a Trigger Event and resulting Write-Down. See "Risk Factors—If we do not satisfy our obligations under the Notes, your remedies will be limited."

Holders may not enforce the Indenture or the Notes except as provided in the Indenture. The holder of any Note, however, will have the right to receive payment of the principal of and interest on that Note on or after the due dates, Redemption Dates or Maturity Date expressed in the Indenture or such Note and, subject to the cancellation and deferral provisions set forth in the Note and the Indenture and certain other limitations and conditions, to institute a lawsuit for the enforcement of any such payment on or after such respective dates. The Trustee may refuse to enforce any of the provisions of the Indenture or the Notes unless it receives indemnity or security satisfactory to it. Subject to certain limitations, holders of a majority in principal amount of the outstanding Notes may direct the Trustee under the Indenture in its exercise of any trust or power in respect thereof. The Trustee may withhold from holders notice of any continuing Event of Default (except a default in payment of principal or interest) if the Trustee in good faith determines that withholding notice is in their interest.

Under the Indenture, we must furnish the Trustee annually with a statement regarding any default in the performance of our obligations thereunder.

Modification of Indenture; Waiver of Covenants

Subject to authorization by *Banco de México* and the approval by the Board of Directors of the Bank as provided by the Mexican Banking Law, we and the Trustee may, without the consent of any holders of Notes, amend, waive or supplement each of the Indenture or the Notes in certain circumstances, including, among other things, to cure any ambiguity, omission, defect or inconsistency, to conform the text of the Indenture or the Notes to any provision in this "Description of the Notes" and to make any change that does not adversely affect the rights of any relevant holder in any material respect. In addition, subject to authorization by *Banco de México*, we and the Trustee may amend, waive or supplement the Indenture or the Notes with the written consent of the holders of at least a majority in aggregate principal amount of the outstanding Notes. However, without the consent of the holder of each Note, we may not, among other things:

- change the maturity date of the principal of or any interest payment date (or periods on any Note);
- reduce the principal amount of or interest on any Note (except in the case of a Write-Down);
- change the currency of payment of principal or interest on any Note;
- modify any other payment provision of any Note;
- impair the right to sue for the enforcement of any payment on or with respect to any Note;
- reduce the percentage in principal amount of outstanding Notes that is required for the consent of the holders in order to modify or amend the Indenture or to waive compliance with some provisions of the Indenture or to waive some defaults; or
- modify the subordination provisions relating to the Notes in any manner adverse to the holders of the Notes.

The holders of a majority in aggregate principal amount of the outstanding Notes may waive any past default or Event of Default under the Indenture, except a default under a provision that cannot be modified without the consent of each holder of a Note that would be affected.

Consolidation, Merger, Sale or Transfer of Assets

We may not, without the consent of holders of at least 66 2/3% in aggregate principal amount of the outstanding (as defined in the Indenture) Notes, consolidate with or merge into, or convey or transfer, in one transaction or a series of transactions, all or substantially all of our properties and assets to any person, unless:

(1) the resulting entity, if other than us, is organized and existing under the law of Mexico and, by execution of a supplemental indenture delivered to the Trustee, assumes all of our obligations to:

(x) pay the principal of, and interest on, the Notes; and

(y) perform and observe all of our other obligations under the Indenture; and

(2) we are, or any successor entity is, as the case may be, not, immediately after any such transaction, in default under the Indenture.

Restrictions Applicable to Mexican Financial Institutions

Unless otherwise permitted by applicable law, the Indenture will provide that the Notes (i) may not constitute collateral granted in favor of Mexican credit institutions (*instituciones de crédito*) including us and (ii) may not be directly or indirectly acquired by us for our own account by any person controlled by the Bank, or by any of the following entities:

(a) Mexican financial entities (*entidades financieras*) of any kind that acquire the Notes for their own accounts except for (1) investment companies that invest in debt and common instruments (*sociedades de inversión en instrumentos de deuda y comunes*), (2) securities brokers (*casas de bolsa*) that acquire the Notes for placement with investors, and (3) insurance companies (*instituciones y sociedades mutualistas de seguros*) and bonding companies (*instituciones de fianzas*) to the extent they acquire the Notes to invest their technical reserves; provided, however, that the exceptions referred to in (1), (2) and (3) of this paragraph shall not apply to (x) investment companies in which we or any other entity that forms part of our financial group holds, directly or indirectly, the majority of its fixed capital and (y) financial entities that form part of our financial group;

(b) Mexican or non-Mexican entities with respect to which we (1) own voting stock representing at least 51 percent of their outstanding paid-in capital, (2) have control of the shareholders' meetings of such entity, as such term is defined in the Mexican Securities Market Law or (3) are in a position to appoint the majority of the members of such entity's board of directors;

(c) Mexican pension or retirement funds if managed by us or another entity that forms part of our financial group; and

(d) We or another entity that forms part of our financial group acting in its capacity of trustee, representative, agent or attorney-in-fact if, by acting in such capacity, it has discretionary investment authority; provided, however, that any Mexican financial entity or Mexican pension or retirement fund that is not otherwise prevented from investing in the Notes may acquire, together with any other such entity that is an affiliate or that forms part of the same financial group on a collective basis, up to 10% of the aggregate principal amount of the outstanding Notes.

Notices

Notice to holders of the Notes if they are global Notes will be given in accordance with the procedures of the applicable clearing system; if they are certificated Notes notice to holders will be given by mail to the addresses of such holders as they appear in the security register.

Book-Entry System

The Notes will be initially represented by one or more Global Notes.

The Global Notes representing the Notes will be issued in the form of one or more registered notes in global form, without interest coupons and will be deposited with a custodian for DTC and registered in the name of Cede & Co., as nominee of DTC.

The Notes are being offered and sold in this initial offering in the United States solely to qualified institutional buyers under Rule 144A under the Securities Act and in offshore transactions to persons other than U.S. persons, as defined in Regulation S under the Securities Act, in reliance on Regulation S. Following this offering, the Notes may be sold:

- to qualified institutional buyers under Rule 144A;
- to non-U.S. persons outside the United States in reliance on Regulation S; and
- under other exemptions from, or in transactions not subject to, the registration requirements of the Securities Act, as described under "Transfer Restrictions."

Rule 144A Global Notes

Notes offered and sold to qualified institutional buyers under Rule 144A are referred to collectively as the "Rule 144A Global Notes." Interests in the Rule 144A Global Notes will be available for purchase only by qualified institutional buyers.

Regulation S Global Notes

Notes offered and sold in offshore transactions in reliance on Regulation S under the U.S. Securities Act of 1933 to persons which are non-U.S. persons are referred to collectively as the "Regulation S Global Notes" and, together with the Rule 144A Global Notes, the "Global Notes."

On or prior to the 40th day after the date of issuance of the Notes sold pursuant to Regulation S, any resale or transfer of beneficial interests in the Regulation S Global Notes to U.S. persons shall not be permitted unless such resale or transfer is made pursuant to Rule 144A or Regulation S.

Investors may hold their interest in a Global Note representing the Notes through organizations that are participants in DTC (including, Euroclear or Clearstream, Luxembourg).

Exchanges among the Global Notes

Transfers by an owner of a beneficial interest in a Regulation S Global Note representing the Notes to a transferee who takes delivery of that interest through a Rule 144A Global Note representing the Notes will be made only in accordance with applicable procedures and upon receipt by the Trustee of a written certification from the transferor of the beneficial interest in the form provided in the Indenture to the effect that the transfer is being made to a qualified institutional buyer within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A.

Transfers by an owner of a beneficial interest in a Rule 144A Global Note representing the Notes to a transferee who takes delivery of the interest through a Regulation S Global Note representing the Notes will be made only upon receipt by the Trustee of a certification from the transferor of the beneficial interest in the form provided in the Indenture that the transfer is being made outside the United States to a non-U.S. person in accordance with Regulation S or, if available, Rule 144A under the Securities Act.

Any beneficial interest in one of the Global Notes representing the Notes that is transferred to a person who takes delivery in the form of an interest in another Global Note representing the Notes will, upon transfer, cease to be an interest in that Global Note and become an interest in the other Global Note and, accordingly, will then be subject to any transfer restrictions and other procedures applicable to beneficial interests in the other Global Note.

Book-entry procedures for the Global Notes

Ownership of beneficial interests in a Global Note representing the Notes will be limited to DTC and to persons that may hold interests through institutions that have accounts with DTC. Beneficial interests in a Global

Note will be shown on, and transfers of those ownership interests will be effected only through, records maintained by DTC, and its respective participants for that Global Note. The conveyance of notices and other communications by DTC to its participants and by its participants to owners of beneficial interests in the Notes will be governed by arrangements among them, subject to any statutory or regulatory requirements in effect.

DTC holds the securities of its respective participants and facilitates the clearance and settlement of securities transactions among its respective participants through electronic book-entry changes in accounts.

Principal and interest payments on the Notes represented by a Global Note will be made to DTC, as the sole registered owner and the sole holder of the Notes represented by the Global Note for all purposes under the Indenture. Accordingly, we, the Trustee, any paying agents, transfer agents or registrars will have no responsibility or liability for:

- any aspect of DTC's records relating to, or payments made on account of, beneficial ownership interests in a Note represented by a Global Note;
- any other aspect of the relationship between DTC and its participants or the relationship between those participants and the owners of beneficial interests in a Global Note held through those participants; or
- the maintenance, supervision or review of any of DTC's records relating to those beneficial ownership interests.

DTC

DTC has advised us that upon receipt of any payment of principal of or interest on a Global Note representing the Notes, DTC will immediately credit, on its book-entry registration and transfer system, the accounts of participants with payments in amounts proportionate to their respective beneficial interests in the principal amount of that Global Note as shown on DTC's records. The initial purchasers of the Notes will initially designate the accounts to be credited. Payments by participants to owners of beneficial interests in a Global Note will be governed by standing instructions and customary practices, as is the case with securities held for customer accounts registered in "street names," and will be the sole responsibility of those participants.

The Notes represented by a Global Note can be exchanged for definitive Notes of the same series in registered form only if:

- DTC notifies us that it is unwilling or unable to continue as depositary for that Global Note or at any time DTC ceases to be a clearing agency registered under the Exchange Act, and a successor depositary is not appointed by us within 90 calendar days; we, in our sole discretion, determine that such Global Note will be exchangeable for definitive Notes in registered form and notify the Trustee of our decision; or an Event of Default with respect to the Notes represented by that Global Note has occurred and is continuing.
- A Global Note representing the Notes that can be exchanged under the preceding sentence will be exchanged for definitive Notes that are issued in authorized denominations in registered form for the same aggregate amount. Those definitive Notes will be registered in the names of the owners of the beneficial interests in the relevant Global Note as directed by DTC and may bear the legend as set forth under "Transfer Restrictions."

Registrar, Transfer Agent and Paying Agents

The Trustee will act as registrar for the Notes. The Trustee will also act as transfer agent and paying agent for the Notes. We have the right at any time to vary or terminate the appointment of any paying agents and to appoint additional or successor paying agents in respect of the Notes. Registration of transfers of the Notes will be effected without charge, but upon payment (with the giving of such indemnity as we may require) in respect of any tax or other governmental charges that may be imposed in relation to it. We will not be required to register or cause to be registered the transfer of the Notes after the Notes have been called for redemption.

For so long as the notes are listed on the Official List of the Irish Stock Exchange and admitted to trading on the Global Exchange Market of the Irish Stock Exchange, we will maintain a paying agent in Ireland. We have initially appointed The Bank of New York Mellon (Ireland) Limited as Irish paying agent and listing agent. To the extent that the Irish paying agent is obliged to withhold or deduct tax on payments of interest or similar income, we will, to the extent permitted by law, ensure that it maintains an additional paying agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to the Savings Directive or any other directive on the taxation of savings implementing the conclusions of the ECOFIN meeting of November 26-27, 2000 or any law implementing or complying with, or introduced in order to conform to, such directive.

Listing

Application will be made to have the Notes listed on the Official List of the Irish Stock Exchange and admitted to trading on the Global Exchange Market of the Irish Stock Exchange. The Global Exchange Market is not a regulated market for the purposes of Directive 2004/39/EC.

The Trustee

The Bank of New York Mellon will act as Trustee under the Indenture. Notices to the Trustee should be directed to the Trustee at its Corporate Trust Office, located at 101 Barclay Street, 7 East, New York, NY 10286, Attention: Global Finance Americas - BBVA Bancomer S.A.. The Trustee also will initially act as registrar, paying agent and agent for service of demands and notices in connection with the Notes and the Indenture. The Trustee may resign or be removed under circumstances described in the Indenture and we may appoint a successor Trustee to act in connection with the Indenture. Any action described in this offering memorandum to be taken by the Trustee may then be taken by the successor trustee.

The Trustee in its individual or any other capacity may become the owner or pledgee of Notes and may otherwise deal with us or our affiliates with the same rights it would have if it were not trustee. Any paying agent, registrar or co-registrar may do the same with like rights.

The Indenture contains some limitations on the right of the Trustee should it become a creditor of ours, to obtain payment of claims in some cases or to realize on some property received regarding any such claim, as security or otherwise. The Trustee will be permitted to engage in transactions with us. The occurrence of a default under the Indenture could create a conflicting interest for the Trustee. In this case, if the default has not been cured or waived within 90 days after the Trustee has or acquires a conflicting interest, the Trustee generally is required to eliminate the conflicting interest or resign as trustee for the Notes. In the event of the Trustee's resignation, we will promptly appoint a successor trustee for the Notes.

The Trustee may be removed by the holders of a majority of the outstanding aggregate principal amount of the Notes if an Event of Default under the Indenture has occurred and is continuing. No resignation or removal of the Trustee and no appointment of a successor trustee shall be effective until the acceptance of appointment by the successor trustee in accordance with the provisions of the Indenture.

Governing Law; Consent to Jurisdiction

THE INDENTURE AND THE NOTES WILL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK. WHETHER A TRIGGER EVENT (LEADING TO A WRITE-DOWN) OR A MEXICAN REGULATORY EVENT (LEADING TO A SUSPENSION PERIOD) HAS OCCURRED IS BASED UPON A DETERMINATION BY THE APPLICABLE MEXICAN REGULATOR, AS SET FORTH IN THIS OFFERING MEMORANDUM, IN ACCORDANCE WITH MEXICAN LAW (AS AMENDED FROM TIME TO TIME). WHETHER A WITHHOLDING TAX EVENT OR A TAX EVENT HAS OCCURRED IS BASED UPON A DETERMINATION IN ACCORDANCE WITH MEXICAN LAW (OR OTHER APPLICABLE LAW IN THE CASE OF A WITHHOLDING TAX EVENT INVOLVING A JURISDICTION OTHER THAN MEXICO), AS AMENDED FROM TIME TO TIME, EVIDENCED BY AN OPINION OF A NATIONALLY RECOGNIZED LAW FIRM AND, IF REQUIRED, A CERTIFICATION BY US. WHETHER A CAPITAL EVENT HAS OCCURRED IS DETERMINED BY US, AS SET FORTH IN THIS OFFERING MEMORANDUM, IN ACCORDANCE WITH MEXICAN LAW (AS AMENDED FROM TIME TO TIME). THE RANKING AND SUBORDINATION OF THE NOTES, WILL BE GOVERNED

BY, AND CONSTRUED IN ACCORDANCE WITH, MEXICAN LAW (AS AMENDED FROM TIME TO TIME). WE WILL WAIVE ANY RIGHTS WE MAY HAVE UNDER THE LAW OF THE STATE OF NEW YORK NOT TO GIVE EFFECT TO ANY SUCH DETERMINATION TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW. ANY PROCEEDINGS IN RESPECT OF OUR L*IQUIDACIÓN OR RESOLUCIÓN* WILL BE CONDUCTED IN ACCORDANCE WITH THE MEXICAN BANKING LAW, AND ANY MERGER OR CONSOLIDATION SHALL BE SUBJECT TO APPLICABLE APPROVALS UNDER THE MEXICAN BANKING LAW AND ANY OTHER APPLICABLE MEXICAN LAWS, AS AMENDED FROM TIME TO TIME.

WE WILL CONSENT TO THE JURISDICTION OF THE SUPREME COURT OF THE STATE OF NEW YORK, BOROUGH OF MANHATTAN, COUNTY OF NEW YORK, OR THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK AND WILL AGREE THAT ALL DISPUTES UNDER THE INDENTURE AND THE NOTES MAY BE SUBMITTED TO THE JURISDICTION OF SUCH COURTS. WE WILL IRREVOCABLY CONSENT TO AND WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY OBJECTION THAT WE MAY HAVE TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR PROCEEDING AGAINST US OR OUR PROPERTIES, ASSETS AND REVENUES WITH RESPECT TO THE INDENTURE AND THE NOTES OR ANY SUCH SUIT, ACTION OR PROCEEDING IN ANY SUCH COURT AND ANY RIGHT TO WHICH WE MAY BE ENTITLED ON ACCOUNT OF PLACE OF RESIDENCE OR DOMICILE.

TO THE EXTENT THAT WE OR ANY OF OUR REVENUES, ASSETS OR PROPERTIES SHALL BE ENTITLED TO ANY IMMUNITY FROM SUIT, FROM THE JURISDICTION OF ANY SUCH COURT, FROM ATTACHMENT PRIOR TO JUDGMENT, FROM ATTACHMENT IN AID OF EXECUTION OF JUDGMENT, FROM EXECUTION OF A JUDGMENT OR FROM ANY OTHER LEGAL OR JUDICIAL PROCESS REMEDY, WE WILL IRREVOCABLY AGREE NOT TO CLAIM AND WILL IRREVOCABLY WAIVE SUCH IMMUNITY TO THE FULLEST EXTENT PERMITTED BY THE LAWS OF SUCH JURISDICTION.

WE WILL AGREE THAT SERVICE OF ALL WRITS, CLAIMS, PROCESS AND SUMMONS IN ANY SUIT, ACTION OR PROCEEDING AGAINST US OR OUR PROPERTIES, ASSETS OR REVENUES WITH RESPECT TO THE INDENTURE AND THE NOTES OR ANY SUIT, ACTION OR PROCEEDING TO ENFORCE OR EXECUTE ANY JUDGMENT BROUGHT AGAINST US IN THE STATE OF NEW YORK MAY BE MADE UPON CT CORPORATION SYSTEM, 111 EIGHTH AVENUE, NEW YORK, NEW YORK 10011, AND WE WILL IRREVOCABLY APPOINT CT CORPORATION SYSTEM AS OUR AGENT TO ACCEPT SUCH SERVICE OF ANY AND ALL SUCH WRITS, CLAIMS, PROCESS AND SUMMONSES.

Currency Rate Indemnity

We have agreed that, if a judgment or order made by any court for the payment of any amount in respect of the Indenture or any Notes is expressed in a currency other than U.S. dollars, we will indemnify the relevant recipient against any deficiency arising from any variation in rates of exchange between the date as of which the denomination currency is notionally converted into the judgment currency for the purposes of the judgment or order and the date of actual payment. This indemnity will constitute a separate and independent obligation from our other obligations under the Indenture, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted from time to time and will continue in full force and effect notwithstanding any judgment or order for a liquidated sum or sums in respect of amounts due under the Indenture or the Notes.

Replacement of Notes

In case of mutilated, defaced, destroyed, lost or stolen Notes, application for replacement thereof may be made to the Trustee or us. Any such Note shall be replaced by the trustee in compliance with such procedures, on such terms as to evidence and indemnification as the trustee and we may require and subject to any applicable law or regulation. All such costs as may be incurred in connection with the replacement of any Notes shall be borne by the applicant. Mutilated Notes must be surrendered before new ones will be issued.

TRANSFER RESTRICTIONS

The Notes are subject to restrictions on transfer as summarized below. By purchasing Notes you will be deemed to have made the following acknowledgements, representations to and agreements with the initial purchasers and us:

1. You acknowledge that:

- The offering is being made in accordance with Rule 144A and Regulation S under the Securities Act;
- the Notes have not been registered under the Securities Act or any other securities laws and are being offered for resale in transactions that do not require registration under the Securities Act or any other securities laws; and
- unless so registered, the Notes may not be offered, sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth in paragraph (4) below.

2. You represent that you are not an affiliate (as defined in Rule 144 under the Securities Act) of ours, that you are not acting on our behalf and that either:

- you are a qualified institutional buyer (as defined in Rule 144A under the Securities Act) and are purchasing Notes for your own account or for the account of another qualified institutional buyer, and you are aware that the initial purchasers are selling the Notes to you in reliance on Rule 144A; or
- you are not a U.S. person (as defined in Regulation S under the Securities Act) or purchasing for the account or benefit of a U.S. person, other than a distributor, and you are purchasing Notes in an offshore transaction in accordance with Regulation S.

3. You acknowledge that neither we nor the initial purchasers nor any person representing us or the initial purchasers has made any representation to you with respect to us or the offering of the Notes, other than the information contained in this offering memorandum. You represent that you are relying only on this offering memorandum in making your investment decision with respect to the Notes. You agree that you have had access to such financial and other information concerning us and the Notes as you have deemed necessary in connection with your decision to purchase Notes, including an opportunity to ask questions of and request information from us.

4. You represent that you are purchasing Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case not with a view to, or for offer or sale in connection with, any distribution of the Notes in violation of the Securities Act, subject to any requirement of law that the disposition of your property or the property of that investor account or accounts be at all times within your or their control and subject to your or their ability to resell the Notes pursuant to Rule 144A or any other available exemption from registration under the Securities Act. You agree on your own behalf and on behalf of any investor account for which you are purchasing Notes, and each subsequent holder of the Notes by its acceptance of the Notes will agree, that until the end of the Resale Restriction Period (as defined below), the Notes may be offered, sold or otherwise transferred only:

(a) under a registration statement that has been declared effective under the Securities Act;

(b) for so long as the Notes are eligible for resale under Rule 144A, to a person the seller reasonably believes is a qualified institutional buyer that is purchasing for its own account or for the account of another qualified institutional buyer and to whom notice is given that the transfer is being made in reliance on Rule 144A;

(c) through offers and sales that occur outside the United States to non-U.S. purchasers within the meaning of Regulation S under the Securities Act; or

(d) under any other available exemption from the registration requirements of the Securities Act,

subject in each of the above cases to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be at all times within the seller's or account's control.

You also acknowledge that:

- the above restrictions on resale will apply from the closing date until the date that is one year (in the case of Rule 144A Notes) or 40 days (in the case of Regulation S Notes) after the later of the closing date and the last date that we or any of our affiliates was the owner of the Notes or any predecessor of the Notes (the "Resale Restriction Period"), and will not apply after the applicable Resale Restriction Period ends;

- we and the trustee reserve the right to require in connection with any offer, sale or other transfer of Notes under clauses (d) and (e) above the delivery of an opinion of counsel, certifications and/or other information satisfactory to us and the trustee; and

- each Note will contain a legend substantially to the following effect:

THIS IS A GLOBAL NOTE WITHIN THE MEANING OF THE INDENTURE REFERRED TO HEREINAFTER.

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), NEW YORK, NEW YORK TO THE BANK OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF HAS AN INTEREST HEREIN.

TRANSFERS OF THIS GLOBAL NOTE SHALL BE LIMITED TO TRANSFERS IN WHOLE, BUT NOT IN PART, TO NOMINEES OF DTC OR TO A SUCCESSOR THEREOF OR SUCH SUCCESSOR'S NOMINEE AND TRANSFERS OF PORTIONS OF THIS GLOBAL SECURITY SHALL BE LIMITED TO TRANSFERS MADE IN ACCORDANCE WITH THE RESTRICTIONS SET FORTH IN THE INDENTURE REFERRED TO ON THE REVERSE HEREOF.

UNTIL [IN THE CASE OF THE 144A NOTES: ONE YEAR] [IN THE CASE OF THE REGULATION S NOTES: 40 DAYS] AFTER THE COMMENCEMENT OF THE OFFERING, AN OFFER OR SALE OF SECURITIES WITHIN THE UNITED STATES BY A DEALER (AS DEFINED IN THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT")) MAY VIOLATE THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IF SUCH OFFER OR SALE IS MADE OTHERWISE THAN IN ACCORDANCE WITH RULE 144A THEREUNDER.

THE NOTE REPRESENTED HEREBY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT, OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE

WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND ONLY (1) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (2) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON THE HOLDER'S BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A AND WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (3) PURSUANT TO OFFERS AND SALES THAT OCCUR OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULES 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT, (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), (5) PURSUANT TO ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS UNDER THE SECURITIES ACT, ACCOMPANIED BY AN OPINION OF COUNSEL REGARDING THE AVAILABILITY OF SUCH EXEMPTION OR (6) TO THE ISSUER OR AN AFFILIATE OF THE ISSUER AND THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN THIS LEGEND.

5. You represent that either (i) you are not, and for so long as you hold the Notes or any interest therein will not be, and you are not purchasing the Notes with the assets of, or for or on behalf of, (1) an employee benefit plan (as defined in Section 3(3) of ERISA), (2) any other plan or arrangement that is subject to ERISA or Section 4975 of the Code (each of (1) and (2), a "Plan"), or (3) any governmental, church or non-U.S. plan or other arrangement (a "Non-ERISA Arrangement"), that is subject to any applicable federal, state, local, non U-S or other regulation, rule or law that is substantially similar to ERISA or Section 4975 of the Code ("Similar Laws"), or any entity whose underlying assets are deemed to be the assets of a Plan pursuant to 29 C.F.R. Section 2510.3-101 (as modified by Section 3 (42) of ERISA) or otherwise or (ii) your purchase, holding and disposition of the Notes is exempt from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code (or, in the case of a Non-ERISA Arrangement from any Similar Laws) pursuant to the exemption provided by U.S. Department of Labor Prohibited Transaction Class Exemption 96-23, 95-60, 91-38, 90-1 or 84-14, Section 408(b)(17) of ERISA or Section 4975(d)(20) of the Code, or another applicable statutory or administrative exemption or, in the case of a Non-ERISA Arrangement, a substantially similar exemption under Similar Law.

6. You acknowledge that we, the initial purchasers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of Notes is no longer accurate, you will promptly notify us and the initial purchasers. If you are purchasing any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.

Each purchaser that is acquiring Notes pursuant to Regulation S under the Securities Act represents that it is not acquiring the Notes with a view to the resale, distribution or other disposition thereof to a U.S. person or in the United States.

TAXATION

Certain United States Federal Income Tax Considerations

The following is a summary of certain U.S. federal income tax considerations that may be relevant to a beneficial owner of the Notes that is a citizen or resident of the United States, a domestic corporation or is otherwise subject to U.S. federal income tax on a net income basis in respect of the Notes (a "United States holder"), as well as certain considerations (described in "—*Information Reporting and Backup Withholding*" and "—*FATCA*" below) relevant to a holder of a Note that is not a United States holder. This summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase the Notes. In particular, the summary deals only with holders that will acquire Notes as part of the initial offering and will hold them as capital assets. It does not address the tax treatment of holders that may be subject to special tax rules, such as banks, insurance companies, dealers in securities or currencies, tax-exempt entities, financial institutions, traders in securities that elect to use the mark-to-market method of accounting for their securities, partnerships that hold the Notes or partners therein, non-U.S. persons who are individuals present in the United States for 183 days or more within a taxable year, or persons that hedge their exposure in our securities or will hold the Notes as a position in a "straddle" or "conversion" transaction or as part of a "synthetic security" or other integrated financial transaction. Moreover, this discussion does not address any tax consequences relating to the alternative minimum tax or the Medicare tax on investment income or any tax consequences other than U.S. federal income tax consequences (such as the estate or gift tax).

This summary is based on the Code, administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, in each case as of the date hereof, changes to any of which subsequent to the date of this prospectus supplement may affect the tax consequences described herein, possibly with retroactive effect. Each holder should consult its own tax advisors about the tax consequences of the purchase, ownership and disposition of the Notes in light of such holder's particular circumstances, including the tax consequences under state, local, foreign and other tax laws and the possible effects of any changes in applicable tax laws.

Characterization of the Notes

No statutory, judicial or administrative authority directly addresses the characterization of the Notes or instruments similar to the Notes for U.S. federal income tax purposes (specifically, debt instruments with a write-down feature). As a result, significant aspects of the U.S. federal income tax consequences of an investment in the Notes are uncertain. However, the Notes are more likely than not to be treated as our equity for U.S. federal income tax purposes (and not as debt), and we intend, absent a change in law, to so treat the Notes. In general, under the Code, the characterization of an instrument for U.S. federal income tax purposes as debt or equity of a corporation by its issuer as of the time of issuance is binding on an owner of the instrument unless the owner discloses on its tax return that it is taking an inconsistent position. The issuer's characterization, however, is not binding on the Internal Revenue Service ("IRS").

Except as stated below under "—*Possible Alternative Treatment of the Notes*," the following discussion assumes that the Notes will be treated as our equity for U.S. federal income tax purposes. Treatment of the Notes as debt for U.S. federal income tax purposes would significantly change the tax treatment of the Notes in ways that are potentially adverse to holders.

Tax Treatment of Payments on the Notes

Subject to the discussion below under "—*PFIC Rules*," payments of stated interest on the Notes will be treated as distributions on our stock and as dividends to the extent paid out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Because we do not expect to maintain calculations of our earnings and profits under U.S. federal income tax principles, it is expected that distributions paid to a United States holder generally will be reported as dividends.

Subject to the discussion below under "—*PFIC Rules*," dividends received by an individual generally will be subject to taxation at the maximum rate applicable to long-term capital gains if the dividends are "qualified dividends." We expect that dividends received or accrued on the Notes will be of the type of dividend that is eligible to be a qualified dividend, although there is some uncertainty as to the application of the qualified dividend rules to instruments that are treated as equity for U.S. federal income tax purposes but have the legal form of debt. United States holders should consult their own tax advisors regarding the availability of this reduced dividend tax rate for interest payments on the Notes.

Sale, Exchange, Redemption or Write-Down of the Notes

Subject to the discussion below under "—*PFIC Rules*," a United States holder will recognize capital gain or loss upon the sale, exchange, redemption or other taxable disposition of Notes or a Write Down of Notes in an amount equal to the difference between the amount realized on such disposition (or zero in the case of a Write Down) and the holder's adjusted tax basis in the Notes. A holder's tax basis in a Note generally will be the price you paid for the Note. Any capital gain or loss will be long-term if the Notes have been held for more than one year at the time of such sale, exchange, redemption or other taxable disposition or Write-Down. Certain non-corporate United States holders (including individuals) may be eligible for preferential rates of taxation on long-term capital gains. The deductibility of capital losses is subject to limitations.

PFIC Rules

Special U.S. federal income tax rules would apply to us if we were classified as a passive foreign investment company ("PFIC"). We will be classified as a PFIC in any taxable year in which, after taking into account our income and gross assets (and the income and assets of our subsidiaries pursuant to applicable "look-through rules") either (i) 75% or more of our gross income consists of certain types of "passive income" or (ii) 50% or more of the average quarterly value of our assets is attributable to "passive assets" (assets that produce or are held for the production of passive income). Based on our audited consolidated financial statements for 2012 and 2013, our unaudited interim financial statements for the first half of 2014 and certain administrative pronouncements by the IRS and proposed Treasury regulations which are not yet in effect, we believe that we were not a PFIC for U.S. federal income tax purposes in 2013 and do not expect to be a PFIC in 2014.

If we were to become a PFIC, a United States holder, that does not make a "mark-to-market" election may incur significantly increased U.S. federal income tax on gain recognized on the sale or other disposition of the Notes and on the receipt of payments on the Notes to the extent such payments are treated as "excess distributions" under the U.S. federal income tax rules. In addition, payments on the Notes would not be eligible for treatment as qualified dividend income, a United States holder of our Notes would be subject to additional U.S. tax form filing requirements, and the statute of limitations for collections may be suspended for a United States holder that does not file the appropriate form.

Possible Alternative Treatment of the Notes

As discussed above, significant aspects of the U.S. federal income tax consequences of an investment in the Notes are uncertain. The IRS could assert that the Notes should be characterized as debt for U.S. federal income tax purposes. If the Notes were so treated, interest on the Notes would be ordinary income and would not be eligible for the lower rate for "qualified dividends" discussed above in "—*Tax Treatment of Payments on the Notes*." Moreover, in that event, the Notes may be treated as contingent payment debt instruments, with the consequences, among others, that (i) United States holders would be required to accrue interest on the Notes even if such holders otherwise use the cash method of accounting for U.S. federal income tax purposes, (ii) the amount of interest that must be accrued in any period may differ from the amount of stated interest accruing in that period, and (iii) gain from the sale, exchange or redemption of the Notes would be ordinary income.

Prospective investors should consult their tax advisors as to the tax consequences to them if the Notes were characterized as debt for U.S. federal income tax purposes.

Information Reporting and Backup Withholding

The Paying Agent will be required to file information returns with the IRS with respect to payments made to certain holders of Notes. In addition, certain United States holders may be subject to backup withholding tax in respect of such payments if they do not provide their taxpayer identification numbers to the Paying Agent. Persons holding Notes who are not United States holders may be required to comply with applicable certification procedures to establish that they are not United States holders in order to avoid the application of such information reporting requirements and backup withholding tax. Any amounts withheld under the backup withholding rules will be allowed as a credit against a United States holder's United States federal income tax liability, if any, or as a refund, provided the required information is timely furnished to the IRS.

FATCA

We and other non-U.S. financial institutions through which payments are made (including the Paying Agent) may be required pursuant to FATCA to collect and provide to the U.S. tax authorities substantial information regarding the investors in the Notes. As such, holders may be required to provide information and tax documentation regarding their tax identities as well as that of their direct and indirect owners.

Additionally, starting at the earliest on January 1, 2017, we and other non-U.S. financial institutions through which payments are made (including the Paying Agent) may be required pursuant to FATCA (or any law or intergovernmental agreement implementing FATCA) to withhold U.S. tax on payments on the Notes made to an investor who fails to provide sufficient identifying information, or to an investor who is (or holds the Notes directly or indirectly through) a non-U.S. financial institution that is not in compliance with FATCA to the extent such payments are considered "passthru payments" under the FATCA rules. It is currently unclear if and to what extent payments on securities such as the Notes will be passthru payments subject to FATCA withholding. If an amount of, or in respect of, such withholding taxes were to be deducted or withheld from any payments in respect of the Notes as a result of an investor or intermediary's failure to comply with these rules, no additional amounts will be paid on the Notes held by such investor as a result of the deduction or withholding of such tax. Holders should consult their own tax advisors on how the FATCA rules may apply to payments they receive in respect of the Notes.

Certain Mexican Income Tax Consequences

The following summary contains a description of the principal Mexican Federal tax consequences of the purchase, ownership and disposition of Notes by a Non-Mexican Holder (as defined below). It does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase the Notes. In addition, it does not describe any tax consequences: (1) arising under the laws of any taxing jurisdiction other than Mexico, (2) arising under the laws of any state or municipality within Mexico, or (3) that are applicable to a resident of Mexico for tax purposes.

A "Non-Mexican Holder" is a holder who is not a resident of Mexico for tax purposes, as defined by the Mexican Federal Fiscal Code (*Código Fiscal de la Federación*), or that does not conduct a trade or business in Mexico through a permanent establishment for tax purposes in Mexico. Under Mexico's tax laws, a natural person is a resident of Mexico for tax purposes if the individual has established his or her home in Mexico. In the event the individual also has a home in another country, the individual will be deemed a resident of Mexico for tax purposes when his or her "center of vital interests" is in Mexico. A "center of vital interests" is deemed to be in Mexico if, among other considerations: (1) more than 50% of an individual's total income in any calendar year qualifies as Mexican source income, or (2) when an individual's center of professional activities is located in Mexico. Mexican nationals who file a change of tax residence to a country or jurisdiction that does not have a comprehensive exchange of information agreement with Mexico, in which his or her income is subject to a preferred tax regime pursuant to the provisions of the Mexican Income Tax Law, will be considered Mexican residents for tax purposes during the year of filing of the notice of such residence change and during the following three years. Mexican nationals are deemed Mexican residents for tax purposes, unless such nationals can demonstrate otherwise. A legal entity is a resident of Mexico if the main administration of its business or its place of effective management is established in Mexico.

This summary is based upon Mexican Income Tax Law and Mexican Federal Fiscal Code in effect as of the date of this offering memorandum, which are subject to change. Prospective purchasers of the Notes should consult their own tax advisors as to the Mexican or other tax consequences of the purchase, ownership and disposition of Notes, including, in particular, the effect of any foreign state or municipal or local tax laws. The acquisition of the Notes by an investor who is a resident of Mexico will be made under its own responsibility. Residents of Mexico who become holders of Notes are urged to notify us upon their acquisition of the Notes.

Mexico has entered into, and is negotiating several, tax treaties with various countries, that may affect the Mexican withholding tax liability of Non-Mexican Holders. Prospective purchasers of the Notes should consult their own tax advisors as to the tax consequences, if any, of such treaties.

Under the Mexican Income Tax Law, and the regulations thereunder, principal and interest on the Notes (which includes any amounts paid in excess of the issue price for the Notes, which under Mexican law is deemed to be interest) paid by us, through our Texas Agency, to a Non-Mexican Holder will not be subject to Mexican withholding or other similar taxes.

Capital gains realized from the sale or other disposition of the Notes by a Non-Mexican Holder will not be subject to any Mexican income or other taxes.

A Non-Mexican Holder will not be liable for Mexican estate, gift, inheritance or similar taxes with respect to the acquisition, ownership, or disposition of the Notes, nor will it be liable for any Mexican stamp, issue, registration or similar taxes.

European Union Savings Directive

Under the Savings Directive, each member state of the European Union (a "Member State") is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or secured by such a person for, an individual beneficial owner resident in, or certain limited types of entity established in, that other Member State. However, for a transitional period, Austria and Luxembourg will (unless during such period they elect otherwise) instead operate a withholding system in relation to such payments. Under such a withholding system, the beneficial owner of the interest payment must be allowed to elect that certain provision of information procedures should be applied instead of withholding. The rate of withholding is 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-European Union countries to exchange of information procedures relating to interest and other similar income. The Luxembourg government has announced that Luxembourg will elect out of the withholding system in favor of automatic exchange of information with effect from January 1, 2015.

A number of non-European Union countries and certain dependent or associated territories of certain Member States have adopted similar measures to the Savings Directive.

On March 24, 2014 the Council of the European Union adopted a Directive amending the Savings Directive which, when implemented, is expected to broaden the scope of the rules described above. It is expected that the Member States will have until January 1, 2016 to adopt national legislation necessary to comply with the amending Directive. Investors who are in any doubt as to their position should consult their professional advisors.

If an amount of, or in respect of, tax were to be withheld from a payment under a Note pursuant to the Savings Directive or any law implementing or complying with, or introduced in order to conform to such Directive, neither the Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts under the terms of such Note as a result of the imposition of such withholding tax. The Issuer is, however, required to maintain a paying agent for the Notes in a Member State that will not be obliged to withhold or deduct tax pursuant to the Savings Directive.

CERTAIN ERISA CONSIDERATIONS

A fiduciary of a pension, profit-sharing or other employee benefit plan (as defined in Section 3(3) of ERISA) (a "Plan"), should consider the fiduciary standards of ERISA in the context of the Plan's particular circumstances before authorizing an investment in the Notes. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the Plan, and whether the investment would involve a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

Section 406 of ERISA and Section 4975 of the Code prohibit Plans, as well as any plan or arrangement subject to Section 4975 of the Code, including, without limitation, individual retirement accounts and Keogh plans (also "Plans") and any entity whose underlying assets are deemed to be the assets of a Plan pursuant to 29 C.F.R. Section 2510.3-101 (as modified by Section 3(42) of ERISA) or otherwise, from engaging in certain transactions involving "plan assets" with any persons who are "parties in interest" under ERISA or "disqualified persons" under the Code ("Parties in Interest") with respect to such Plan. The Parties in Interest include, without limitation, the Bank, the initial purchasers, the Trustee, the registrar and each of their respective affiliates and agents. A violation of these prohibited transaction rules may result in civil penalties or other liabilities under ERISA and/or an excise tax under Section 4975 of the Code for those Parties in Interest, unless exemptive relief is available under an applicable statutory, regulatory or administrative exemption. Governmental plans (as defined in section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA), non-U.S. plans (as described in Section 4(b)(4) of ERISA) or other arrangements ("Non-ERISA Arrangements") are not subject to the requirements of ERISA or Section 4975 of the Code but may be subject to substantially similar provisions under applicable federal, state, local, non-U.S. or other regulations, rules or laws ("Similar Laws").

The acquisition, holding and/or disposition of the Notes by a Plan or any entity whose underlying assets are deemed to be the assets of a Plan with respect to which we or certain of our affiliates is or becomes a Party in Interest may constitute or result in a prohibited transaction under ERISA or Section 4975 of the Code, unless those Notes are acquired, held or disposed of pursuant to and in accordance with an applicable exemption. The U.S. Department of Labor has issued five prohibited transaction class exemptions, or "PTCEs," that may provide exemptive relief if required for direct or indirect prohibited transactions that may arise from the purchase or holding of the Notes. These exemptions are:

- PTCE 84-14, an exemption for certain transactions determined or effected by independent qualified professional asset managers;

- PTCE 90-1, an exemption for certain transactions involving insurance company pooled separate accounts;

- PTCE 91-38, an exemption for certain transactions involving bank collective investment funds;

- PTCE 95-60, an exemption for transactions involving certain insurance company general accounts; and

- PTCE 96-23, an exemption for plan asset transactions managed by in-house asset managers.

In addition, ERISA Section 408(b)(17) and Section 4975(d)(20) of the Code provide an exemption for the purchase and sale of securities and related lending transactions, provided that neither the issuer of the securities nor any of its affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any Plan involved in the transaction, and provided further that the Plan pays no more than "adequate consideration" in connection with the transaction (the "service provider exemption").

Any purchaser or holder of a Note or any interest therein, including any transferee of such Note or interest, will be deemed to have represented and warranted by its purchase and holding of the Notes that it either (I) is not , and for so long as it holds the Notes or any interest therein, will not be a Plan, a Non-ERISA Arrangement and is not purchasing those Notes on behalf of or with the assets of any Plan or Non-ERISA Arrangement or any entity whose underlying assets are deemed to be the assets of a Plan pursuant to 29 C.F.R. Section 2510.3-101 (as modified by Section 3(42) of ERISA) or otherwise or (2) the purchase, holding and disposition of the Notes is exempt from the prohibited transaction provisions of Section 406 of ERISA and Section 4975 of the Code (or, in the case of a Non-ERISA Arrangement, from any Similar Laws) pursuant to the PTCE 96-23, 95-60, 91-38, 90-1 or 84-14, the service provider exemption or another applicable statutory or administrative exemption (or, in the case of a Non-ERISA Arrangement, a substantially similar exemption under Similar Law).

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is important that fiduciaries or other persons considering purchasing Notes on behalf of or with the assets of any Plan or Non-ERISA Arrangement consult with their counsel regarding the availability of exemptive relief under any of the PTCEs listed above, the service provider exemption or any other applicable exemption, or the potential consequences of any purchase, holding or disposition of the Notes under Similar Law, as applicable.

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions contained in a purchase agreement dated November 6, 2014 we have agreed to sell to the initial purchasers and the initial purchasers have severally agreed to purchase, the principal amount of Notes opposite their name on the table herein. For purposes of the Purchase Agreement due to certain timing matters relating to the offering of the Notes in various jurisdictions, the sale of the Notes occurred on November 6, 2014.

Initial Purchasers of the Notes	**Principal Amount of the Notes**
BBVA Securities Inc..	U.S. $100,000,000
Goldman, Sachs & Co.	U.S. $100,00,000
Total	U.S. $200,000,000

The purchase agreement provides that the initial purchasers are obligated to purchase all of the Notes, if any are purchased. The purchase agreement also provides that if an initial purchaser defaults, the purchase commitments of non-defaulting initial purchasers may be increased or the offering may be terminated.

The initial purchasers propose to offer the Notes initially at the offering price on the cover page of this offering memorandum and may also offer the Notes to selling group members at the offering price less a selling concession. After the initial offering, the offering price may be changed. The offering of the Notes by the initial purchasers is subject to receipt and acceptance and subject to the initial purchasers' right to reject any order in whole or in part.

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except to qualified institutional buyers in reliance on Rule 144A under the Securities Act and to persons in offshore transactions in reliance on Regulation S under the Securities Act. Each of the initial purchasers has agreed that, except as permitted by the purchase agreement, it will not offer, sell or deliver the Notes (1) as part of its distribution at any time, or (2) otherwise until 40 days after the later of the commencement of this offering and the closing date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each broker/dealer to which it sells the Notes in reliance on Regulation S during such 40-day period, a confirmation or other notice detailing the restrictions on offers and sales of such Notes within the United States, or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act. Resales of the Notes are restricted as described under "Transfer Restrictions."

In addition, until 40 days after the commencement of this offering, an offer or sale of the Notes within the United States by a broker/dealer (whether or not it is participating in the offering), may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A.

United Kingdom

Each of the Initial Purchasers has represented and agreed that:

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each Initial Purchaser has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), it has not made and will not make an offer of any Notes which are the subject of the offering contemplated by this offering memorandum may not be made in that Relevant Member State other than:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the initial purchasers; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes shall result in a requirement by us or any representative to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe to the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (and the amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State in question) and includes any relevant implementing measure in that Relevant Member State, and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Hong Kong

The Notes may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the notes are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the notes under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

Japan

The securities have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (the Financial Instruments and Exchange Law) may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Mexico

The Notes have not been and will not be registered with the National Securities Registry (*Registro Nacional de Valores*) maintained by the CNBV, and may not be offered or sold publicly, or otherwise be subject of brokerage activities in Mexico, except pursuant to a private placement exemption set forth under Article 8 of the Mexican Securities Market Law. As required under the Mexican Securities Market Law, we will notify the CNBV of the offering of the Notes outside of Mexico. Such notice will be delivered to the CNBV to comply with a legal requirement and for information purposes and the delivery and the acceptance by the CNBV of such notice, does not imply any certification as to the investment quality of the Notes or our solvency, liquidity or credit quality.

Chile

Pursuant to Law No. 18,045 of Chile (the securities market law of Chile) and Rule (*Norma de Carácter General*) No. 336, dated June 27, 2012, issued by the Superintendency of Securities and Insurance of Chile (*Superintendencia de Valores y Seguros de Chile* or "SVS"), the Notes may be privately offered in Chile to certain "qualified investors" identified as such by Rule 336 (which in turn are further described in rule No. 216, dated June 12, 2008, of the SVS).

Rule 336 requires the following information to be provided to prospective investors in Chiles;

1. Date of commencement of the offer: November 6, 2014. The offer of the Notes is subject to Rule (*Norma de Carácter General*) No. 336, dated June 27, 2012, issued by the SVS;

2. The Notes and the offering memorandum are not registered with the Securities Registry (*Registro de Valores)* of the SVS, nor with the foreign securities registry (*Registro de Valores Extranjeros)* of the SVS and as such as not subject to the oversight of the SVS;

3. Since the Notes are not registered in Chile there is no obligation by the issuer to make publicly available information about the Notes in Chile; and

4. The Notes may not be subject to public offering in Chile unless and until they are registered with the relevant Securities Registry of the SVS.

Los Valores se ofrecen privadamente en Chile de conformidad con las disposiciones de la Ley N° 18.045 de Mercado de Valores, y la Norma de Carácter General N° 336 de 27 de Junio de 2012 ("NCG 336") emitida por la Superintendencia de Valores y Seguros de Chile.

En cumplimiento de la NCG 336, la siguiente información se proporciona a los potenciales inversionistas residentes en Chile.

1. *La oferta de estos Valores en Chile comienza el día 6 de Noviembre de 2014.*

2. *La oferta se encuentra acogida a la NCG 336.*

3. *La oferta versa sobre valores que no se encuentran inscritos en el Registro de Valores ni en el Registro de Valores Extranjeros que lleva la Superintendencia de Valores y Seguros, por lo que:*

    a. *Los Valores no están sujetos a la fiscalización de esa Superintendencia; y*

    b. *El emisor de los Valores no está sujeto a la obligación de entregar información pública sobre los valores ofrecidos.*

4. *Los Valores no podrán ser objeto de oferta pública en Chile mientras no sean inscritos en el Registro de Valores correspondiente.*

Colombia

The Notes have not been and will not be registered on the Colombian National Registry of Securities and Issuers or in the Colombian Stock Exchange. Therefore, the Notes may not be publicly offered in Colombia. This material is for your sole and exclusive use as a determined entity, including any of your shareholders, administrators or employees, as applicable. You acknowledge the Colombian laws and regulations (specifically foreign exchange and tax regulations) applicable to any transaction or investment consummated pursuant hereto and represent that you are the sole liable party for full compliance with any such laws and regulations.

Peru

Neither the Notes nor this offering memorandum have been and will be registered with or approved by the Peruvian Superintendency of the Securities Markets (*Superintendencia del Mercado de Valores* or "SMV") or the Lima Stock Exchange (*Bolsa de Valores de Lima* or "BVL"). Accordingly, the Notes cannot be offered or sold in Peru except in compliance with the applicable Peruvian securities regulations.

Application has been made with all the Peruvian private pension funds currently existing, in order for them to analyze and qualify the Notes as eligible investment according to the applicable regulations.

General

Purchasers of Notes sold outside the United States may be required to pay stamp taxes and other charges in compliance with the laws and practices of the country of purchase in addition to the price to investors on the cover page of this offering memorandum.

The initial purchasers and their respective affiliates are full-service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities and other financial and non-financial activities and services. The initial purchasers or their affiliates have in the past engaged, and may in the future engage, in transactions with and perform services, including commercial banking, financial advisory and investment banking services, for us and our affiliates in the ordinary course of business for which they received or will receive customary fees and expenses. BBVA Securities Inc., one of the initial purchasers, is our affiliate.

In the ordinary course of their various business activities, the initial purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investment and securities activities may involve assets, securities and/or instruments of the issuer directly, as collateral securing other obligations or otherwise and/or persons and entities with relationships with the issuer. The Initial Purchasers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

We have agreed to indemnify the several initial purchasers against liabilities or to contribute to payments which they may be required to make in that respect.

Application has been made to have the Notes listed on the Official List of the Irish Stock Exchange and admitted to trading on the Global Exchange Market of the Irish Stock Exchange. The initial purchasers have advised us that they intend to make a market in the Notes as permitted by applicable law. They are not obligated, however, to make a market in the Notes and any market-making may be discontinued at any time at their sole discretion. Accordingly, no assurance can be given as to the development or liquidity of any market for the Notes.

The initial purchasers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids.

- Over-allotment involves sales in excess of the offering size, which creates a short position for the initial purchasers.
- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.
- Covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions.
- Penalty bids permit the initial purchasers to reclaim a selling concession from a broker/dealer when the Notes originally sold by such broker/dealer are purchased in a stabilizing or covering transaction to cover short positions.

These stabilizing transactions, covering transactions and penalty bids may cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. These transactions, if commenced, may be discontinued at any time.

GENERAL INFORMATION

Clearing Systems

We have applied to have the Notes accepted for clearance through Euroclear and Clearstream. In addition, application will be made to have the Notes accepted for trading in book-entry form by DTC. For the Rule 144A Global Note, the ISIN number is US05533UAE82 and the CUSIP number is 05533U AE8, and for the Regulation S Global Note, the ISIN number is USP16259AL02 and the CUSIP number is P16259 AL0.

Listing

Application has been made to have the Notes listed on the Official List of the Irish Stock Exchange and admitted to trading on the Global Exchange Market of the Irish Stock Exchange. Copies of our bylaws, the Indenture, as may be amended or supplemented from time to time, our published annual audited consolidated financial statements and any published quarterly unaudited consolidated financial statements will be available for inspection at our principal executive offices, as well as at the corporate trust office of the Trustee, paying agent, transfer agent and registrar , and at the offices of the Irish Paying Agent, as such addresses are listed on the inside back cover page of this offering memorandum. We believe the auditor's reports included herein have been accurately reproduced. We will maintain a paying agent in Ireland for so long as any of the Notes are listed on the Irish Stock Exchange.

Authorization

We have obtained all necessary consents, approvals and authorizations in connection with the issuance and performance of the Notes.

LEGAL MATTERS

The validity of the Notes will be passed upon for us by our General Counsel, Lic. José Fernando Pío Díaz Castañares, Cleary Gottlieb Steen & Hamilton LLP, New York, New York and Mayer Brown LLP, Houston, Texas. Certain legal matters will be passed upon for the initial purchasers by Shearman & Sterling LLP, New York, New York, and Ritch, Mueller, Heather y Nicolau, S.C., Mexico City, Mexico. Cleary Gottlieb Steen & Hamilton LLP and Shearman & Sterling LLP will rely upon our General Counsel, Lic. José Fernando Pío Díaz Castañares, and Ritch, Mueller, Heather y Nicolau, S.C. with respect to matters governed by Mexican law and upon Mayer Brown LLP, with respect to matters governed by Texas law.

INDEPENDENT AUDITORS

Our Audited Financial Statements included in this offering memorandum have been audited by Galaz, Yamazaki, Ruiz, Urquiza, S.C., a member of Deloitte Touche Tohmatsu, independent accountants, as stated in their report. Galaz, Yamazaki, Ruiz, Urquiza, S.C., a member of Deloitte Touche Tohmatsu, independent auditors, is a member of the Association of Public Accountants of Mexico (*Colegio de Contadores Públicos de México, A.C.*).

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Independent auditors' report and unaudited interim consolidated condensed financial statements for the three and six-month periods ended June 30, 2014 and 2013

Report of the independent auditors on review of interim financial information to the Board of Directors and Stockholders of BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer

Introduction

We have reviewed the unaudited interim consolidated condensed balance sheet of BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer and subsidiaries (the "Institution") as of June 30, 2014, and the related unaudited interim consolidated condensed statements of income for the three and six-month periods ended June 30, 2014 and 2013, and of changes in stockholders' equity and cash flows for the six-month periods ended June 30, 2014 and 2013. Management is responsible for the preparation and reasonable presentation of such interim consolidated financial statements in conformity with the accounting criteria established by National Banking and Securities Commission of Mexico (the "Commission") included in the current "*General Provisions applicable to Credit institutions* (the "Provisions"). Our responsibility is to express a conclusion on this interim consolidated condensed financial information based on our review. The consolidated condensed financial information on the consolidated balance sheet as of December 31, 2013 is presented only for purposes of comparison.

Scope of the review

Our review was performed in conformity with the International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of interim consolidated financial information consists of making inquiries, principally with the personnel responsible for financial and accounting issues, and applying analytical procedures and other review procedures. A review is substantially less in scope than an audit conducted in conformity with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated condensed financial information does not present fairly, in all material respects, the consolidated financial position of BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer and subsidiaries as of June 30, 2014, and the results of their operations for the three-and six-month periods ended June 30, 2014 and 2013, and changes in their stockholders' equity and their cash flows for the six-month periods ended June 30, 2014 and 2013, in conformity with the accounting criteria established by the Commission.

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

C.P.C. Ernesto Pineda Fresán

September 26, 2014

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

Unaudited interim consolidated condensed balance sheets

As of June 30, 2014 and December 31, 2013
(In millions of pesos)

Assets	2014 June (unaudited)	2013 December (audited)
Cash and cash equivalents	$ 111,148	$ 128,296
Margin accounts	7,895	5,671
Investments in securities:		
Securities for trading purposes	288,111	242,582
Securities available for sale	138,706	124,916
Securities held to maturity	16,145	15,890
	442,962	383,388
Debtors from repurchase agreements	119	49
Derivatives:		
For trading purposes	72,461	60,443
For hedging purposes	2,634	2,915
	75,095	63,358
Valuation adjustments for hedging of financial assets	2,503	1,299
Current loan portfolio:		
Commercial loans-		
Business or commercial activity	270,310	263,580
Financial institutions	10,966	11,154
Government agencies	89,213	89,545
	370,489	364,279
Consumer credits	185,229	180,574
Housing loans	156,759	154,046
Total current credit portfolio	712,477	698,899
Overdue loan portfolio:		
Commercial loans-		
Business or commercial activity	4,993	5,689
Financial institutions	42	-
Government agencies	2	2
	5,037	5,691
Consumer credits	7,655	7,451
Housing loans	9,733	9,533
Total overdue credit portfolio	22,425	22,675
Total credit portfolio	734,902	721,574
Allowance for loan losses	(26,948)	(27,336)
Credit portfolio, net	707,954	694,238
Profits to be received in securitization operations	1,172	1,175
Other receivables, net	76,449	49,138
Foreclosed assets, net	7,577	7,630
Property, plant and equipment, net	24,133	22,391
Permanent investments in shares	1,370	1,373
Deferred taxes on income, net	6,061	5,478
Other assets:		
Deferred charges, prepaid expenses and intangibles	7,811	7,642
Other short and long-term assets	795	757
	8,606	8,399
Total assets	$ 1,473,044	$ 1,371,883

Liabilities and stockholders' equity	2014 June (unaudited)	2013 December (audited)
Deposits:		
Deposits payable upon demand	$ 553,214	$ 525,505
Term deposits-		
From the general public	134,290	119,319
Money market	7,375	10,518
	141,665	129,837
Credit instruments issued	65,402	57,243
	760,281	712,585
Borrowings from banks and other agencies:		
Payable upon demand	46,627	17,432
Short-term	5,150	9,847
Long-term	4,634	4,620
	56,411	31,899
Creditors from repurchase agreements	224,375	256,253
Securities loans	1	1
Collateral sold or pledged:		
Repurchase agreements	10	-
Securities loans	45,027	37,775
Derivatives	6,561	6,432
	51,598	44,207
Derivatives:		
For trading purposes	76,017	61,387
For hedging purposes	4,886	4,833
	80,903	66,220
Valuation adjustments for hedging of financial assets	1,535	304
Other accounts payable:		
Employee profit-sharing payable	1	1
Creditors from settlement of transactions	60,728	34,749
Creditors for collateral received in cash	4,954	5,867
Sundry creditors and other payables	25,910	22,322
	91,593	62,939
Debentures outstanding	64,114	64,607
Deferred credits and advance collections	7,354	7,087
Total liabilities	1,338,165	1,246,102
Stockholders' equity		
Contributed capital:		
Common stock	24,138	24,138
Share sale premium	15,726	15,726
Earned capital:		
Capital reserves	6,881	6,881
Result from previous years	71,034	45,764
Result from valuation of securities available for sale	2,253	1,102
Result from valuation of cash flow hedge instruments	1,043	1,182
Cumulative effect from conversion	128	134
Net result	13,641	30,825
	134,844	125,752
Non-controlling interest	35	29
Total stockholders' equity	134,879	125,781
Total liabilities and stockholders' equity	$ 1,473,044	$ 1,371,883

Memoranda accounts		2014 June (unaudited)		2013 December (audited)
Contingent assets and liabilities	$	1	$	36
Credit commitments		335,428		313,705
Goods held in trust or mandate:				
Trusts		360,679		328,676
Mandates		560,227		689,055
		920,906		1,017,731
Goods held in custody or under administration		292,819		281,803
Collateral received by the entity		64,501		61,124
Collateral received and sold or pledged by the entity		64,011		59,717
Investment banking operations on account of third parties, net		60,148		44,904
Uncollected earned interest derived from overdue credit portfolio		13,402		10,819
Other recording accounts		1,729,906		1,497,679
Historical common stock	$	4,243	$	4,243

See the accompanying notes to these unaudited interim consolidated condensed financial statements.

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

Unaudited interim consolidated condensed statements of income

For the six and three-month periods ended June 30, 2014 and 2013
(In millions of pesos)

	2014 June (unaudited)	2014 From April 1 to June 30 (unaudited)	2013 June (unaudited)	2013 From April 1 to June 30 (unaudited)
Interest income	$ 54,823	$ 27,518	$ 51,002	$ 25,183
Interest expense	(13,662)	(6,910)	(14,714)	(6,802)
Financial margin	41,161	20,608	36,288	18,381
Allowance for loan losses	(12,336)	(6,611)	(11,845)	(6,442)
Financial margin adjusted for credit risks	28,825	13,997	24,443	11,939
Commissions and fees collected	14,466	7,346	13,723	7,181
Commissions and fees paid	(4,320)	(2,155)	(4,415)	(2,286)
Result from intermediation	1,904	856	1,538	711
Other operating (expense) income	261	126	211	59
Administrative and promotion expenses	(23,323)	(11,793)	(21,235)	(10,702)
Result from operations	17,813	8,377	14,265	6,902
Equity in results of unconsolidated subsidiaries and associated companies	77	39	120	82
Result before taxes on income	17,890	8,416	14,385	6,984
Current taxes on income	(5,436)	(2,713)	(3,412)	(1,506)
Deferred taxes on income, net	1,187	759	117	(7)
Result before discontinued operations	13,641	6,462	11,090	5,471

Discontinued operations	-	-	8,085	-
Result before noncontrolling interest	13,641	6,462	19,175	5,471
Non-controlling interest	-	-	(2)	(2)
Net result	$ 13,641	$ 6,462	$ 19,173	$ 5,469

See accompanying notes to these unaudited interim consolidated condensed financial statements.

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

Unaudited interim consolidated condensed statements of changes in stockholders' equity

For the six month periods ended June 30, 2014 and 2013
(In millions of pesos)

	Contributed Capital		Earned Capital							
	Common Stock	Share Sale Premium	Capital Reserves	Result From previous Years	Result from Valuation of Securities available For sale	Result from Valuation of Cash flow Hedging Instruments	Cumulative effect from Conversion	Net Result	Noncontrolling Interest	Total stockholders' equity
Balances, December 31, 2012	$24,138	$15,726	$6,881	$43,740	$1,863	$1,566	$131	$23,193	$31	$117,269
Movements inherent to the decisions of stockholders-										
Transfer of the net result to the result from previous years	-	-	-	23,193	-	-	-	(23,193)	-	-
Payment of cash dividends	-	-	-	(10,241)	-	-	-	-	-	(10,241)
Total	-	-	-	12,952	-	-	-	(23,193)	-	(10,241)
Movements inherent to the recognition of comprehensive income-										
Net result	-	-	-	-	-	-	-	19,173	2	19,175
Result from valuation of securities available for sale	-	-	-	-	(188)	-	-	-	-	(188)
Result from valuation of cash flow hedging instruments	-	-	-	-	-	(135)	-	-	-	(135)
Recognition in the allowance for loan losses of the commercial portfolio due to a change in classification methodology	-	-	-	(1,101)	-	-	-	-	-	(1,101)
Total	-	-	-	(1,101)	(188)	(135)	-	19,173	2	17,751
Balances, June 30, 2013 (unaudited)	24,138	15,726	6,881	55,591	1,675	1,431	131	19,173	33	124,779
Balances, December 31, 2013	24,138	15,726	6,881	45,764	1,102	1,182	134	30,825	29	125,781
Changes arising from decisions of stockholders-										
Transfer of the net result to the result from previous years	-	-	-	30,825	-	-	-	(30,825)	-	-
Payment of cash dividends	-	-	-	(5,555)	-	-	-	-	-	(5,555)

	Contributed Capital		Earned Capital							
	Common Stock	Share Sale Premium	Capital Reserves	Result From previous Years	Result from Valuation of Securities available For sale	Result from Valuation of Cash flow Hedging Instruments	Cumulative effect from Conversion	Net Result	Noncontrolling Interest	Total stockholders' equity
Total	-	-	-	25,270	-	-	-	(30,825)	-	(5,555)
Changes arising from comprehensive income-										
Net result	-	-	-	-	-	-	-	13,641	-	13,641
Result from valuation of securities available for sale	-	-	-	-	1,151	-	-	-	-	1,151
Result from valuation of cash flow hedging instruments	-	-	-	-	-	(139)	-	-	-	(139)
Valuation adjustment of investments in subsidiaries	-	-	-	-	-	-	-	-	6	6
Cumulative effect from conversion	-	-	-	-	-	-	(6)	-	-	(6)
Total	-	-	-	-	1,151	(139)	(6)	13,641	6	14,653
Balances, June 30, 2014 (unaudited)	$24,138	$15,726	$6,881	$71,034	$2,253	$1,043	$128	$13,641	$35	$134,879

See accompanying notes to these unaudited interim consolidated condensed financial statements.

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

Unaudited interim consolidated condensed statements of cash flow

For the six-month periods ended June 30, 2014 and 2013
(In millions of pesos)

	2014 June (unaudited)	2013 June (unaudited)
Net result:	$ 13,641	$ 19,173
Adjustments for items not requiring cash flow:		
Income or loss from valuation associated with investing and financing activities	6	2
Depreciation of property, plant and equipment	891	732
Amortization of intangible assets	730	680
Provisions	1,146	2,171
Current and deferred taxes on income	4,249	3,295
Equity in the result of unconsolidated subsidiaries and associated companies	(77)	(120)
Noncontrolling interest	-	2
	20,586	25,935
Operating activities:		
Change in margin accounts	(2,231)	(572)
Change in investments in securities	(58,215)	22,347
Change in debtors from repurchase agreements	(70)	(218)
Change in derivatives (assets)	(12,018)	915
Change in credit portfolio (net)	(14,521)	(19,248)
Change in profits to be received in securitization operations	4	-
Change in foreclosed assets (net)	53	(1,020)
Change in other operational assets (net)	(28,064)	(34,166)
Change in deposits	48,489	21,503
Change in borrowings from banks and other agencies	24,520	(12,553)
Change in creditors from repurchase agreements	(31,878)	(49,115)
Change in securities loans (liability)	1	-
Change in collateral sold or pledged	7,447	10,791
Change in derivatives (liability)	14,630	3,337
Change in debentures with debt characteristics	(5)	(264)
Change in other operational liabilities	27,835	15,469
Change in hedging instruments (of hedged items related to operating activities)	405	71
Payments of taxes on income	(5,450)	(5,331)
Cash flows from operating activities	(29,068)	(48,054)
Investing activities:		
Proceeds from disposal of property, plant and equipment	4	19
Payments from acquisition of property, plant and equipment	(2,638)	(2,191)
Payments for acquisition of subsidiaries and associated companies	(58)	-
Proceeds from cash dividends received	132	208
Proceeds from disposal of long-lived assets available-for-sale	-	8,085
Payments for acquisition of intangible assets	(291)	(298)
Net cash flows from investing activities	(2,851)	5,823

	2014 June (unaudited)	2013 June (unaudited)
Financing activities:		
Payments of cash dividends	(5,555)	(10,241)
Net cash flows from financing activities	(5,555)	(10,241)
Net decrease in cash and cash equivalents	(16,888)	(26,537)
Effects from changes in the value of cash and cash equivalents	(260)	100
Cash and cash equivalents at the beginning of the period	128,296	121,568
Cash and cash equivalents at the end of the period	$ 111,148	$ 95,131

See accompanying notes to these unaudited intermediate consolidated condensed financial statements.

Notes to the unaudited interim consolidated condensed financial statements

For the six-month periods ended June 30, 2014 and 2013
(In millions of pesos)

1. Explanation added for translation into English

The accounting criteria used to prepare the accompanying financial statements used by BBVA Bancomer, S. A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer and Subsidiaries (the "Institution") conform with the financial reporting requirements prescribed by the Mexican National Banking and Securities Commission (the "Commission") but do not conform with Mexican Financial Reporting Standards ("MFRS"), and may differ in certain significant respects from the financial reporting standards accepted in the country of use.

2. Operations and regulatory environment

The Institution is a subsidiary of Grupo Financiero BBVA Bancomer, S.A. de C.V. (the "Financial Group") and is regulated, among others, by the Credit Institutions Law and the general provisions issued by the Commission and Banco de México. Its corporate purpose is the provision of full banking services under the terms of such Law, performing operations which mainly include the reception of deposits, acceptance of loans, granting of credits, trading of securities and derivatives and the execution of trust contracts.

The powers of the Commission in its capacity as the regulator of credit institutions include that of reviewing the financial information of the Institution and requesting amendments thereto.

The principal regulatory issues require full-service banks to maintain a minimum capitalization ratio with regard to market, credit and operational risks, comply with certain limits on acceptance of deposits, obligations and other types of funding which may be denominated in foreign currency, while also establishing minimum limits for paid-in capital and capital reserves, with which requirements the Institution has complied satisfactorily.

The Institution has no employees, except the Managing Director, and its administrative functions are performed mainly by BBVA Bancomer Operadora, S.A. de C.V. and BBVA Bancomer Servicios Administrativos, S.A. de C.V. (related parties), which provide advice and personnel for its administration, under the contract executed between the parties.

3. Basis for presentation

These unaudited interim consolidated condensed financial statements were prepared and presented based on the accounting criteria established by the Commission and should be read in conjunction with the consolidated financial statements of the Institution as of December 31, 2013, previously issued on February 14, 2014.

Monetary unit of the unaudited interim consolidated condensed financial statements-The unaudited interim consolidated condensed financial statements and their notes as of June 30, 2014 and 203, and for the three- and six-month periods then ended, include balances and transactions in pesos of different purchasing power.

Comprehensive income- Is comprised of the net result for the year plus other items that represent a gain or loss from the same period, which, in conformity 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 valuation of cash flow hedging instruments, recognition in the allowance for loan losses of commercial portfolio due to a change in classification methodology, and the cumulative effect from conversion.

Consolidation of the unaudited interim condensed consolidated financial statements- The accompanying unaudited interim consolidated condensed financial statements include the financial statements of the

Institution, those of its subsidiaries over which it exerts control, and of the trusts for securitization operations. Permanent investments in shares are valued by the equity method. All material intercompany balances and transactions have been eliminated.

The subsidiaries which are consolidated with the Institution as of June 30, 2014 and 2013 are detailed below:

Company	Equity	Location	Activity
BBVA Bancomer USA, Inc.	100.00%	USA	Holding company of companies engaged in the sale of purchase orders denominated in dollars and other currencies, as well as banking 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	Provision of data transmission computer services.
Fideicomiso No. 29764-8 Socio Liquidador de Operaciones Financieras	100.00%	Mexico	Offsetting and settlement exclusively of futures contracts on account of third parties and its own account.
Fideicomiso No. 29763-0 Socio Liquidador de Operaciones Financieras	100.00%	Mexico	Offsetting and settlement exclusively of futures contract on its own account (Up to December 31, 2013).
Adquira México, S.A de C.V.	50.00%	Mexico	Construct, administer, market and operate a purchasing club and markets based on electronic media.
Visacom, S.A. de C.V.	99.99%	Mexico	Holding company of companies engaged in commercialization and data communication activities between companies.
Financiera Ayudamos, S.A. de C.V., SOFOM, ER	99.99%	Mexico	Providing loans under the terms of article 87-B of the General Law on Ancillary Credit Organizations.
Unidad de Avalúos México, S.A. de C.V.	99.99%	Mexico	Appraisal service.
Fideicomiso Irrevocable para la emisión de Certificados Bursátiles Número 881	100.00%	Mexico	Issuance of certificates placed through the BMV backed by mortgage loans.
Fideicomiso Irrevocable para la emisión de Certificados Bursátiles Número 989	100.00%	Mexico	Issuance of certificates placed through the BMV backed by mortgage loans.

Conversion of financial statements of subsidiaries in foreign currency- To consolidate the financial statements of the foreign subsidiary, they are modified in the recording currency for presentation in conformity with the Accounting Criteria. The financial statements are converted to Mexican pesos using the following methodology:

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

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

Entity	Recording and functional currency	Exchange-rate to convert from functional and recording currency to Mexican pesos Assets and liabilities	Exchange-rate to convert from functional and recording currency to Mexican pesos Results
BBVA Bancomer USA, Inc.	US dollar	$ 12.9712 pesos	$ 13.1159 pesos

The functional currency of the Institution is the Mexican peso. Given that the Institution holds an investment in the foreign subsidiary, whose functional currency is not the Mexican peso, it is exposed to a foreign currency conversion risk. Furthermore, monetary assets and liabilities denominated in different currencies have been contracted, mainly the US dollar and the euro, and there is exposure to exchange risk, attributable to commercial operations and the supply of inputs, during the regular course of business.

4. Significant accounting policies

The accounting policies applied by the Institution are in conformity with the accounting criteria established by the Commission in the “General Provisions Applicable to Credit Institutions” (the “Provisions”) and are considered a financial reporting framework for general purposes, which require management to make certain estimates and use certain assumptions to determine the valuation of some of the items included in the financial statements and make the disclosures required therein. Even though their final effect may differ, management believes that the estimates and assumptions used were adequate under the circumstances.

5. Margin accounts

As of June 30, 2014 and December 31, 2013, margin accounts are comprised as follows:

	2014 June (unaudited)	2013 December (audited)
Margin Derivatives Organized Markets	$ 7,895	$ 5,671

6. Investments in shares

As of June 30, 2014 and December 31, 2013, investments in securities are comprised as follows:

a. ***Securities for trading purposes-***

Instrument	2014 June (unaudited) Acquisition Cost	Accrued Interest	Increase (Decrease) from valuation	Book Value	2013 December (audited) Book Value
Securitization certificates	$ 7,822	$ 75	$ (40)	$ 7,857	$ 7,684
Sovereign debt Eurobonds	5,716	62	97	5,875	6,077
Net equity instruments	8,241	-	89	8,330	5,644
ADR´s	759	-	(6)	753	2,363
Commercial paper companies	563	-	-	565	1,209
Promissory notes with returns realizable at maturity	25	-	-	25	988
Udibonos	1,009	10	17	1,036	957
Corporate Eurobonds	1,760	29	25	1,814	780
Fixed rate loans	30,263	123	27	30,413	689
BPA´s (Savings Protection Bonds)	-	-	-	-	431
Bank securitization certificates	1,966	19	3	1,988	295
Fungible securitization certificates (CBIC´s)	201	3	-	204	169
CETES	-	-	-	-	95
Treasury bills	64	-	(3)	61	60
CEDES	5	-	-	5	2
Total	$ 58,394	$ 321	$ 211	$ 58,926	$ 27,443

During 2014 and 2013, the Institution recognized gains and losses from changes in valuation for a net amount of $360 and $(760), respectively.

As of June 30, 2014 and December 31, 2013, the Institution paid commissions for purchase and sale of securities in the amount of $69 and $141, respectively.

The collateral provided as of June 30, 2014 and December 31, 2013, is comprised as follows:

	2014 June (unaudited)				2013 December (audited)
Instrument	**Acquisition Cost**	**Accrued Interest**	**Increase (Decrease) From valuation**	**Book Value**	**Book Value**
Fixed-rate bonds	$ -	$ -	$ -	$ -	$ 505
Net equity instruments	-	-	-	-	64
Bonds collateral to be received for securities loans	-	-	-	-	569
BPA's (Savings Protection Bonds)	35,378	23	83	35,484	61,959
Fixed rate bonds	77,732	20	1,001	78,753	58,566
CETES	12,985	-	-	12,985	27,478
Bondes	24,587	1	104	24,691	11,027
Udibonos	18,517	-	(1)	18,516	11,805
Securitization certificates	651	-	-	651	4,388
PRLV´S	-	-	-	-	2,000
CEDES	-	-	-	-	2,000
Fungible securitization certificates (CBIC's)	7,292	-	1	7,293	7,915
Commercial paper	-	-	-	-	444
Certificates of deposits	2,000	-	-	2,000	-
Bank loans	300	-	-	300	-
Bonds collateral to be received for repurchase agreements	179,442	43	1,188	180,673	187,582
Fixed-rate bonds	35,019	(360)	194	34,853	11,908
T BILLS as collateral to be received for derivatives	6,875	1	2	6,878	7,068
BPA's (Savings Protection Bonds)	1,290	1	9	1,300	5,053
Bondes	109	-	-	09	274
UDIBONOS	11,014	1	135	11,150	-
CETES	342	1	-	343	40
Other collateral	54,649	(356)	340	54,633	24,343
Total restricted securities	234,091	(313)	1,528	235,306	212,494
Value date purchases	13,446	22	(2)	13,466	8,966
Value date sales	(19,595)	(38)	46	(19,587)	(6,321)
Total securities for trading	$ 286,336	$ (8)	$ 1,783	$ 288,111	$ 242,582

b. ***Securities available for sale-***

	2014 June (unaudited)				2013 December (audited)
Instrument	**Acquisition Cost**	**Accrued Interest**	**Increase (Decrease) From valuation**	**Book Value**	**Book Value**
Sovereign debt Eurobonds	$ 14,387	$ 254	$ 343	$ 14,984	$ 13,943
Securitized certificates	9,269	40	96	9,405	12,566
Corporate Eurobonds	2,843	62	47	2,952	3,030
Fixed-rate bonds	41,714	73	957	42,744	2,000
Net equity instruments	807	-	(72)	735	800
ADR's	9	-	208	217	248
CEDES Udis	69	36	8	113	107
(BREM's)	13,210	12	-	13,222	-
Bondes	11,481	18	29	11,528	-
Udibonos	320	-	(1)	319	-
Total	$ 94,109	$ 495	$ 1,615	$ 96,219	$ 32,694

The collateral provided (restricted securities) as of June 30, 2014 and December 31, 2013 is comprised as follows:

Instrument	2014 June (unaudited) Acquisition Cost	Accrued Interest	Increase (Decrease) From valuation	Book Value	2013 December (audited) Book Value
Fixed-rate bonds	$ 20,942	$ (235)	$ 474	$ 21,181	$ 36,205
Bondes	15,319	9	38	15,366	27,285
CETES	-	-	-	-	3,285
Securitization certificates	4,673	(22)	523	5,174	2,159
UDIBONOS	-	-	-	-	302
Total collateral to be received for repurchase agreements	40,934	(248)	1,035	41,721	69,236
Fixed rate loans	-	-	-	-	22,214
T BILLS as collateral	766	-	-	766	772
Total other collateral	766	-	-	766	22,986
Total restricted securities	41,700	(248)	1,035	42,487	92,222
Total securities available for sale	$ 135,809	$ 247	$ 2,650	$ 138,706	$ 124,916

c. ***Securities held to maturity-***

Medium and long-term debt instruments:

Instrument	2014 June (unaudited) Acquisition Cost	Accrued Interest	Book Value	2013 December (audited) Book Value
Government bonds-Housing Debtors Support Program	$ 14,408	$ -	$ 14,408	$ 14,179
Government bonds-Support Program to States and Municipalities	1,698	-	1,698	1,672
Securities issued by the US treasury	39	-	39	39
Total	$ 16,145	$ -	$ 16,145	$ 15,890

The returns associated with the totality of the Institution's portfolio at maturity recognized in results of the six-month periods ended June 30, 2014 and 2013 were $256 and $593 in 2014 and 2013, respectively.

7. Repurchase agreements and securities loans

As of June 30, 2014 and December 31, 2013, repurchase agreements are comprised as follows:

a. ***Debtors from repurchase agreements-***

Purchasing party:

	2014 June (unaudited)			2013 December (audited)		
	Asset Portion	Liability Portion		Asset Portion	Liability Portion	
Instrument	Debtors from Repurchase Agreements	Collateral Sold or Pledged	Debit Difference	Debtors From Repurchase Agreements	Collateral sold Or Pledged	Debit Difference
Bondes	$ 119	$ -	$ 119	$ -	$ -	$ -
BPA's (Savings Protection Bonds)	10,012	10,012	-	15,533	15,484	49
Total	$ 10,131	$ 10,012	$ 119	$ 15,533	$ 15,484	$ 49

b. ***Creditors from repurchase agreements-***

Selling party:

	2014 June (unaudited)	2013 December (audited)
	Liability portion	Liability portion
Instrument	Creditors From repurchase Agreements	Creditors From repurchase Agreements
Fixed-rate bonds	$ 98,409	$ 92,939
BPA's (Savings Protection Bonds)	34,914	60,863
Bondes	39,961	38,199
CETES	12,985	30,610
Udibonos	18,517	12,126
Securitization certificates	10,297	11,573
CBIC's	7,292	7,943
CEDES	2,000	2,000
Total	$ 224,375	$ 256,253

c. ***Creditors in securities loan and derivatives transactions-***

Instrument	2014 June (unaudited) Memoranda Accounts Collateral Received in Securities Loans	Collateral Received in Loan and Sold or Pledged	Liability part Creditors for Collateral Sold or Pledged	2013 December (audited) Memoranda accounts Collateral Received in Securities Loans	Collateral Received in Loans and Sold or Pledged	Liability part Creditors for Collateral Sold or Pledged
Borrower:						
Government securities-						
Fixed-rate bonds	$ 36,030	$ 36,030	$ 36,030	$ 27,775	$ 27,775	$ 27,775
Net equity instruments	-	-	-	1	1	1
Udibonos	1,530	1,530	1,530	9,567	9,567	9,567
CETES	67	67	67	403	403	403
CBIC´s	7,400	7,400	7,400	29	29	29
	45,027	45,027	45,027	37,775	37,775	37,775
Derivatives:						
Treasury Notes	7,050	6,561	6,561	6,715	6,432	6,432
Repurchase agreement:						
BPA´s	-	-	3	-	-	-
BREM´s	-	-	7	-	-	-
	-	-	10	-	-	-
Total	$ 52,077	$ 51,588	$ 51,598	$ 44,490	$ 44,207	$ 44,207

At the Treasury Notes received as of June 30, 2014 were sold directly.

The premiums payable recognized in results in the six-month periods ended June 30, 2014 and 2013 were $40 and $78, respectively.

The premiums payable recognized in results in the three-month periods ended 2014 and 2013 were $25 and $21, respectively.

As of June 30, 2014, the Institution has contracted current repurchase agreements with an average term of 20 days, whereas current securities loans transactions have an average term of 15 days.

8. Derivatives

As of June 30, 2014 and December 31, 2013, transactions with securities and derivatives are comprised as follows:

a. ***Derivatives***- As of June 30, 2014 and December 31, 2013, the Institution has transactions with financial derivatives as described below.

For trading purposes:

Transaction	2014 June (unaudited) Nominal amount Asset	Liability	Balance Debit	Credit
Futures -long position	$ 114,084	$ 114,084	$ -	$ -
Futures-short position	15,810	15,810	-	-
Forwards contracts-long position	306,781	307,680	2,751	3,650
Forwards contracts-short position	408,694	404,477	5,598	1,381
Options acquired	3,150	-	3,150	-
Options sold	-	8,769	-	8,769
Swaps	794,805	796,060	60,962	62,217
	$ 1,643,324	$ 1,646,880	$ 72,461	$ 76,017

Transaction	2013 December (audited) Nominal amount Asset	Liability	Balance Debit	Credit
Futures-long position	$ 117,947	$ 117,947	$ -	$ -
Futures-short position	12,394	12,394	-	-
Forwards contracts-long position	277,374	277,193	3,306	3,125
Forwards contracts-short position	274,394	273,195	3,647	2,448
Options acquired	1,898	-	1,898	-
Options sold	-	4,757	-	4,757
Swaps	746,288	745,753	51,592	51,057
	$ 1,430,295	$ 1,431,239	$ 60,443	$ 61,387

For hedging purposes:

Transaction	2014 June (unaudited) Nominal amount Asset	Liability	Balance Debit	Credit
Forwards contracts-long position	$ 2,151	$ 2,129	$	$
Forwards contracts-short position	564	565	22	1
Swaps	$ 72,972	$ 75,245	$ 2,612	$ 4,885
	$ 75,687	$ 77,939	$ 2,634	$ 4,886

Transaction	2013 December (audited) Nominal amount Asset	Liability	Balance Debit	Credit
Swaps	$ 73,925	$ 75,843	$ 2,915	$ 4,833

9. Credit portfolio

The credit portfolio by type of loan as of June 30, 2014 and December 31, 2013 is shown below:

	Current Portfolio		Overdue Portfolio		Total	
	2014 June (unaudited)	2013 December (audited)	2014 June (unaudited)	2013 December (audited)	2014 June (unaudited)	2013 December (audited)
Commercial loans-						
Denominated in pesos-						
Commercial	$ 177,834	$ 174,260	$ 4,523	$ 5,283	$ 182,357	$ 179,543
Rediscounted portfolio	7,676	6,482	187	178	7,863	6,660
Lease portfolio	1,028	1,034	50	50	1,078	1,084
Denominated in USD (Mexican peso equivalent)-						
Commercial	82,936	80,906	190	134	83,126	81,040
Rediscounted portfolio	701	775	36	37	737	812
Lease portfolio	135	123	7	7	142	130
Business or commercial activity	270,310	263,580	4,993	5,689	275,303	269,269
Financial entities	10,966	11,154	42	-	11,008	11,154
Loans to government agencies	89,213	89,545	2	2	89,215	89,547
Total commercial loans	370,489	364,279	5,037	5,691	375,526	369,970

	Current Portfolio		Overdue Portfolio		Total	
	2014	2013	2014	2013	2014	2013
	June	December	June	December	June	December
	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)
Consumer credits-						
Credit card	92,908	96,656	4,607	4,081	97,515	100,737
Other consumer credits	92,321	83,918	3,048	3,370	95,369	87,288
Total consumer credits	185,229	180,574	7,655	7,451	192,884	188,025
Housing loans	156,759	154,046	9,733	9,533	166,492	163,579
Total credit portfolio	$ 712,477	$ 698,899	$ 22,425	$ 22,675	$ 734,902	$ 721,574

As of June 30, 2014 and December 31, 2013, the housing loan portfolio includes current securitized restricted portfolio of $3,712 and $7,892, respectively, and overdue portfolio of $19 and $105, respectively.

Below is a detail of the commercial loans, differentiating between distressed and nondistressed portfolio, and current and overdue portfolio, as of June 30, 2014 and December 31, 2013. This portfolio does not include guarantees and interest collected in advance, which are shown as part of the commercial portfolio on the balance sheet:

2014
June
(unaudited)

	Distressed		Nondistressed		
Portfolio	Current	Overdue	Current	Overdue	Total
Business or commercial activity	$ 527	$ 1,873	$ 251,970	$ 2,822	$ 257,192
Credits to financial institutions	30	1	8,326	-	8,357
Credits to government agencies	1	1	87,740	-	87,742
TDC Business	484	1,362	21,873	53	23,772
TDC Companies	1	2	88	7	98
Total	$ 1,043	$ 3,239	$ 369,997	$ 2,882	$ 377,161

2013
December
(audited)

	Distressed		Nondistressed		
Portfolio	Current	Overdue	Current	Overdue	Total
Business or commercial activity	$ 929	$ 4,223	$ 242,833	$ 1,201	$ 249,186
Credits to financial institutions	-	-	11,406	-	11,406
Credits to government agencies	-	-	89,147	2	89,149
TDC Business	490	951	20,258	-	21,699
TDC Companies	5	6	72	-	83
Total	$ 1,424	$ 5,180	$ 363,716	$ 1,203	$ 371,523

The restructured and renewed portfolio as of June 30, 2014 and December 31, 2013 is as follows:

Restructured portfolio	Current	2014 June (unaudited) Overdue	Total
Business or commercial activity	$ 46,629	$ 1,549	$ 48,178
Consumer credits	599	954	1,553
Housing loans	20,205	5,619	25,824
Total	$ 67,433	$ 8,122	$ 75,555

As of June 30, 2014, the Institution holds collateral in real estate properties for $28,193 and collateral in securities for $22,995, in relation to the restructured commercial loans.

Restructured portfolio	Current	2013 December (audited) Overdue	Total
Business or commercial activity	$ 38,262	$ 1,330	$ 39,592
Consumer credits	716	867	1,583
Housing loans	21,884	6,245	28,129
Total	$ 60,862	$ 8,442	$ 69,304

As of December 31, 2013, the Institution holds collateral in real estate property for $43,201 and collateral in securities for $22,324, relative to the restructured commercial loans.

As of June 30, 2014 and December 31, 2013, the overdue portfolio is aged as follows:

	2014 June (unaudited)				
	Period				
Portfolio	From 1 to 180 days	From 181 To 365 days	From 365 days to 2 years	Guarantees	Total
Business or commercial activity	$ 2,327	$ 757	$ 3,039	$ (1,086)	$ 5,037
Consumer credits	7,302	353	-	-	7,655
Housing loans	1,668	2,415	5,650	-	9,733
Total	$ 11,297	$ 3,525	$ 8,689	$ (1,086)	$ 22,425

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

Portfolio	2014 June (unaudited) Period From 1 to 180 days	From 181 To 365 days	From 365 days to 2 years	Guarantees	Total
Business or commercial activity	$ 2,327	$ 756	$ 3,039	$ (1,086)	$ 5,036
Consumer credits	7,302	335			7,637
Housing loans	1,668	2,414	5,550		9,632
Total	$ 11,297	$ 3,505	$ 8,589	$ (1,086)	$ 22,305

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

As of June 30, 2014 and December 31, 2013 the unearned commissions for the initial granting by type of credit and by average repayment period are composed as follows:

	2014 June (unaudited) By repayment period 1 to five years	15 years	More than 15 years	Total
Business or commercial activity	$ 452	$ 306	$ 120	$ 878
Housing loans	1	30	293	324
Total	$ 453	$ 336	$ 413	$ 1,202

	2013 December (audited) By repayment period 1 to five years	15 years	More than 15 years	Total
Business or commercial activity	$ 455	$ 238	$ 125	$ 818
Housing loans	1	32	323	356
Total	$ 456	$ 270	$ 448	$ 1,174

As of June 30, 2014 and December 31, 2013 the balances of overdue portfolio fully reserved and eliminated from the consolidated balance sheet are composed as follows:

	Description	2014 June (unaudited)	2013 December (audited)
1.	Credit card	$ 5,907	$ 5,930
2.	Commercial	2,867	2,490
3.	Consumer	2,369	2,707
4.	Mortgage	1,730	567
5.			
	Total	$ 12,873	$ 11,694

As of June 30, 2014 and December 31, 2013, the amounts of overdue portfolio, without including securitization operations, are composed as follows:

	Description	2014 June (unaudited)	2013 December (audited)
6.	Business or commercial activity	$ -	$ 569
7.	Credit card and consumer	-	10,884
8.	Mortgage	-	493
9.			
	10. Total	$ -	$ 11,946

As of June 30, 2014 and December 31, 2013, undisclosed credit lines and letters of credit recorded in memoranda accounts amount to $335,428 and $313,705, respectively.

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

	2014 Six-month period ended June 30 (unaudited)			2013 Six-month period ended June 30 (unaudited)
Type of credit	Interest	Commissions	Total	Total
Commercial loans-				
Denominated in pesos-				
Commercial	$ 6,733	$ 410	$ 7,143	$ 7,139
Rediscounted portfolio	246	-	246	240
Lease portfolio	38	-	38	38
Denominated in USD-				
Commercial	1,452	1	1,453	1,026
Rediscounted portfolio	22	-	22	22
Lease portfolio	3	-	3	2
Business or commercial activity	8,494	411	8,905	8,467
Credits to financial institutions	(321)	-	(321)	268
Credits to government agencies	2,465	-	2,465	2,515
Total commercial loans	10,638	411	11,049	11,250
Consumer credits-				
Credit card	12,710	-	12,710	11,888
Other consumer credits	10,011	121	10,132	8,206
Total consumer credits	22,721	121	22,842	20,094
Housing loans	8,357	36	8,393	8,224
Total	$ 41,716	$ 568	$ 42,284	$ 39,568

For the six-month periods ended June 30, 2014 and 2013, the amount of credit portfolio recoveries already written off or eliminated amount to $306 and $260, respectively, which were recognized under the heading "Other (expenses) revenues from the operation".

Type of credit	2014 Three-month period ended June 30 (unaudited) Interest	Commissions	Total	2013 Three-month period ended June 30 (unaudited) Total
Commercial loans-				
Denominated in pesos-				
Commercial	$ 3,426	$ 205	$ 3,631	$ 3,557
Rediscounted portfolio	124	-	124	115
Lease portfolio	19	-	19	19
Denominated in USD-				
Commercial	733	-	733	515
Rediscounted portfolio	11	-	11	13
Lease portfolio	1	-	1	1
Business or commercial activity	4,314	205	4,519	4,220

Type of credit	2014 Three-month period ended June 30 (unaudited) Interest	Commissions	Total	2013 Three-month period ended June 30 (unaudited) Total
Credits to financial institutions	(421)	-	(421)	136
Credits to government agencies	1,240	-	1,240	1,234
Total commercial loans	5,133	205	5,338	5,590
Consumer credits-				
Credit card	6,493	-	6,493	6,091
Other consumer credits	5,235	61	5,296	4,124
Total consumer credits	11,728	61	11,789	10,215
Housing loans	4,177	18	4,195	4,133
Total	$ 21,038	$ 284	$ 21,322	$ 19,938

For the three-month periods ended June 30, 2014 and 2013, credit portfolio recoveries already written off or eliminated amount to $155 and $141, respectively, which were recognized under the heading "Other (expenses) revenues from the operation".

Loans originated, grouped by economic sectors as of June 30, 2014 and December 31, 2013, are shown below:

	2014 June (unaudited) Amount	Percentage of concentration	2013 December (audited) Amount	Percentage of concentration
External (foreign financial institutions)	$ 1,246	0.03%	$ 182	0.03%
Private (companies and private parties)	275,340	37.32%	269,264	37.32%
Financial	9,720	1.52%	10,973	1.52%
Credit card and consumer	192,884	26.06%	188,025	26.06%
Housing	166,492	22.67%	163,579	22.67%
Credits to government agencies	89,215	12.40%	89,547	12.40%
Other overdue debts	4	0.00%	4	0.00%
Total	$ 734,902	100.00%	$ 721,574	100.00%

Credits to related parties- As of June 30, 2014 and December 31, 2013, loans granted to related parties as established in Article 73 of the Credit Institutions Law, amount to $31,722 and $31,883, respectively. The related party loans as of June 30, 2014 and December 31, 2013 includes $8,736 and $9,364 in letters of credit, respectively, which are recorded in memoranda accounts.

10. Allowance for loan losses

The ratings of the Institution's portfolio, which forms the basis for recording the allowance for loan losses, is shown below:

Risk Category	2014 June (unaudited) Total Portfolio	Reserve	2013 December (audited) Total Portfolio	Reserve
A1	$ 452,431	$ 1,776	$ 409,873	$ 2,152
A2	108,093	1,728	134,178	1,985
B1	51,350	1,472	58,007	1,602
B2	34,075	1,426	31,708	1,475
B3	32,376	1,502	24,241	1,299
C1	18,700	1,398	16,057	1,275
C2	16,128	2,798	17,212	2,979
D	19,689	5,497	20,673	5,991
E	11,624	7,142	10,401	6,459
Subtotal	744,466	24,739	722,350	25,217
Exempt portfolio	19,603		20,624	-
Additional	-	2,209	-	2,119
Total	$ 764,069	$ 26,948	$ 742,974	$ 27,336

The balance of the total portfolio used as the classification basis includes amounts for opening of irrevocable credits and letters of credit, which are recorded in memoranda accounts.

The balance of the allowance as of June 30, 2014 and December 31, 2013, is determined based on the balances of the portfolio as of those dates.

The global allowances for loan losses include reserves which cover 100% of the overdue interest as of June 30, 2014 and December 31, 2013.

The amount of the allowance for loan losses as of June 30, 2014 and December 31, 2013 includes the classification of the loans made in foreign currency valued at the exchange rate in effect as of those dates.

As of June 30, 2014, the Institution has created additional mortgage portfolio reserves for $1,713, which represents the complement required by the internal classification expected loss model; credit card reserves for $2 and commercial loan reserves for $466.

As of June 30, 2014 and December 31, 2013, the allowance for loan losses represents 120.37% and 120.55%, respectively, of overdue portfolio.

As of June 30, 2014 and December 31, 2013, the allowance for loan losses by type of portfolio is comprised as follows:

Description	**2014 June (unaudited)**	**2013 December (audited)**
Commercial loans:		
Business or commercial activity	$ 5,300	$ 5,619
Financial institutions	143	167
Government agencies	667	659
	6,110	6,445
Consumer credits	14,620	14,682
Housing loans	6,218	6,209
Total credit reserves	$ 26,948	$ 27,336

Movements of the allowance for loan losses – The roll forward analysis of the allowances for loan losses is as follows:

		2014 June (unaudited)	**2013 June (unaudited)**
11.	Balance at the beginning of the year	$ 27,336	$ 27,934
12.	Allowances charged to results of the year	12,335	11,710
13.	Allowances charged to result from previous years	-	1,551
14.	Applications and write-offs for the year	(12,738)	(12,420)
15.	Exchange effect	15	30
16.			
17.	Balance at the end of the year	$ 26,948	$ 28,805

11. Permanent investments in shares

Investments in associated companies were valued by the equity method and other permanent investments are recorded at acquisition cost, of which the most important are detailed below:

Entity	**Equity**	**2014 June (unaudited)**	**2013 December (audited)**
Fideicomiso No.1729 INVEX - Enajenación de Cartera	32.25%	$ 758	$ 700
I+D México, S.A. de C.V.	50.00%	254	323
Servicios Electrónicos Globales, S.A. de C.V.	46.14%	92	93
Compañía Mexicana de Procesamiento, S.A. de C.V.	50.00%	115	107
Seguridad y Protección Bancarias, S.A. de C.V.	22.32%	14	12
Other	Sundry	137	138
Total		$ 1,370	$ 1,373

The investment in shares of associated companies as of June 30, 2014 and December 31, 2013, was determined in some cases based on unaudited financial information, which is adjusted in the event of differences, once such information is available.

As of June 30, 2014 and December 31, 2013, the dividends received from associated companies and other permanent investments were $68 and $197, respectively.

As of June 30, 2014 and December 31, 2013, the equity in results of associated companies is $77 and $169, respectively.

On October 24, 2013, the Institution, in conjunction with other banks, established the Irrevocable Trust Number 1729 for portfolio sale with contributions of credit portfolio (factoring) and cash contributions, with Banco Invex, S.A. Institución de Banca Múltiple, Invex Grupo Financiero acting as Trustee, with contributions of credit portfolio (factoring) and cash contributions. As of June 30, 2014 and December 31, 2013, the total value of the Trust is $3,855 and $3,557 of which the contributions of the Institution are $758 and $700, respectively.

12. Deposits

Liquidity coefficient-The provisions of the "Regimes for admission of liabilities and investment for transactions in foreign currency" issued by Banco de México for credit institutions, establish the mechanism to determine the liquidity coefficient for liabilities denominated in foreign currency.

Under the aforementioned regime, during 2014 and 2013, the Institution generated a liquidity requirement of US$39 million and $888 million, respectively, and held an investment in liquid assets of US$1,477 and $1,812 million, with a surplus of US$1,437 and US $924 in that currency, respectively.

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

	2014 June (unaudited)	2013 December (audited)
Deposits payable upon demand-		
Sight deposits	$ 553,214	$ 525,505
Term deposits-		
Promissory notes with returns realizable at maturity	129,265	112,568
Term deposits	12,400	17,269
Credit instruments issued	65,402	57,243
Total	$ 760,281	$ 712,585

13. Borrowings from banks and other agencies

The loans received as of June 30, 2014 and December 31, 2013 are as follows:

Description	Mexican Pesos		US Dollars Valued		Total	
	2014 June (unaudited)	2013 December (audited)	2014 June (unaudited)	2013 December (audited)	2014 June (unaudited)	2013 December (audited)
Banks	$ -	$ 1,551	$ 127	$ 2,998	$ 127	$ 4,549
Borrowings from banks - call money	46,627	13,506	-	3,926	46,627	17,432
Loans from other agencies	8,798	8,981	859	937	9,657	9,918
Total	$ 55,425	$ 24,038	$ 986	$ 7,861	$ 56,411	$ 31,899

Borrowings from banks and other agencies in foreign currency contracted by the Institution are at terms of between one day and seven years, with rates in US dollars, which range between 0.15% and 6.32% annually in 2014 and 0.30% and 6.32% annually in 2013. Such loans are contracted with 10 foreign financial institutions.

The Institution has liquidity available in Banco de México up to the amount of the Monetary Regulation Deposit (DRM), whose balance is $51,702 as of June 30, 2014, and was $64,911 as of December 31, 2013 (not including interest on both dates); the disposed amount of this line as of June 30, 2014 was $51,702 and, as of December 31, 2013, was $1,443. Therefore, the available amount as of June 30, 2014 is $0 and as of December 31, 2013 was $63,468.

14. Debentures outstanding

Description		2014 June (unaudited)		2013 December (audited)
Debentures Bancomer 06 at 0.30% above the TIIE rate, payable every 28 days, and maturing September 18, 2014; the number of instruments outstanding is 25 million, at par value of $100 pesos each.	$	2,500	$	2,500
Debentures Bancomer 09 at 1.30% above the TIIE rate, payable every 28 days, and maturing June 7, 2019; the number of instruments outstanding is 27,292,325, at par value of $100 pesos each.		2,729		2,729
Debentures Bancomer 08-3 at 1.00% above the TIIE rate, payable every 28 days, and maturing November 26, 2020; the numbers of instruments outstanding is 28,591,672, at par value of $100 pesos each.		2,859		2,859
Nonpreferred capitalization notes for US $500,000,000, issued in May 2007, at an interest rate of 6.0080% up to May 17, 2017 payable semiannually, at 1.81% above the LIBOR rate as of May 18, 2017, payable quarterly, and maturing May 17, 2022; the number of instruments outstanding is 500,000, at par value of US $1000 each.		6,486		6,542
Nonpreferred capitalization notes for US $US1,000 million, issued in April 2010, at an interest rate of 7.25% payable semiannually, beginning as of October 22, 2010, and maturing April 22, 2020; the number of instruments outstanding is one million, at par value of US $1,000 each.		12,971		13,084
Preferred capitalization notes for US $1,250 million, issued in March 2011, at an interest rate of 6.50% payable semiannually, beginning as of September 10, 2011, and maturing March 10, 2021; the number of instruments outstanding is 1,250,000, at par value of US $1,000 each.		16,214		16,355
Preferred capitalization notes for US $1000 million, issued in July 2013, at an interest rate of 6.75%, and with an expanded issue of US $500 million in September 2013, at an interest rate of 5.45% payable semiannually, beginning as of March 30, 2014, and maturing September 3, 2022; the number of instruments outstanding is $1,500,000, at par value of US $1,000 each.		19,457		19,627
Unpaid earned interest		898		911
Total	$	64,114	$	64,607

The expenses related to these issues are amortized by the straight line method until the end of the issue.

On August 2, 2013, the Institution exercised the early redemption option for the “Debentures BANCOMER 08” in the amount of $1,200, which were issued July 28, 2008, and mature July 16, 2018.

On October 21, 2013, the Institution exercised the early redemption offer for the “Debentures BANCOMER 08-02” in the amount of $3,000, which were issued October 6, 2008 and mature on September 24, 2018.

On May 17, 2012, the Institution exercised the early redemption option for the “Preferred subordinated notes”, which were issued in May 2010 for a 10 year term, in the amount of €600 million.

15. Related parties

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

	2014 June (unaudited)	2013 December (audited)
Banco Bilbao Vizcaya Argentaria, S.A		
Financial derivatives	$ 441	$ 3,148

	2014 June (unaudited)	2013 December (audited)
BBVA Bancomer Operadora, S.A. de C.V.		
Accounts payable	$ 1,932	$ 1,826

	2014 June (unaudited)	2013 June (unaudited)
BBVA Bancomer Operadora, S.A. de C.V		
Fees paid for administrative services	$ 5,843	$ 5,966

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	From April 1 to June 30, 2014 (unaudited)	From April 1 to June 30, 2013 (unaudited)
BBVA Bancomer Operadora, S.A. de C.V		
Fees paid for administrative services	$ 2,992	$ 3,053

	2014 June (unaudited)	2013 December (audited)
BBVA Bancomer Servicios Administrativos, S.A. de C.V.		
Accounts payable	$ 917	$ 861

	2014 June (unaudited)	2013 June (unaudited)
BBVA Bancomer Servicios Administrativos, S.A. de C.V		
Fees paid for administrative services	$ 3,031	$ 2,285

	From April 1 to June 30, 2014 (unaudited)	From April 1 to June 30, 2013 (unaudited)
BBVA Bancomer Servicios Administrativos, S.A. de C.V		
Fees paid for administrative services	$ 1,452	$ 1,147

	2014 June (unaudited)	From April 1 to June 30, 2013 (unaudited)
Seguros BBVA Bancomer, S.A. de C.V.		
Commissions collected	$ 738	$ 655
Insurance premiums paid	$ 354	$ 249

	From April 1 to June 30, 2013 (unaudited)	2013 June (unaudited)
Seguros BBVA Bancomer, S.A. de C.V.		
Commissions collected	$ 348	$ 335
Insurance premiums paid	$ 189	$ 109

	2014 June (unaudited)	2013 June (unaudited)
BBVA Bancomer Gestión, S.A. de C.V		
Commissions collected	$ 1,230	$ 1,350

	From April 1 to June 30, 2014 (unaudited)	From April 1 to June 30, 2013 (unaudited)
BBVA Bancomer Gestión, S.A. de C.V.		
Commissions collected	$ 616	$ 669

16. Stockholders' equity

Common stock- The common stock of the Institution as of June 30, 2014 and December 31, 2013 is comprised as follows:

	Number of shares at par value of $0.28 pesos					
		2014 June (unaudited)			2013 December (audited)	
	Common Stock	Shares issued (unsubscribed)	Capital Paid in	Common Stock	Shares Issued (unsubscribed)	Capital 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 amounts					
	2014 June (unaudited)			2013 December (audited)		
	Common Stock	Shares issued (unsubscribed)	Capital Paid in	Common Stock	Shares Issued (unsubscribed)	Capital 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
Rearrangement of capital restatements			10,971			10,971
Restatement to pesos of December 2007			8,924			8,924
Total			$ 24,138			$ 24,138

At a Stockholders' Ordinary General Meeting held on February 27, 2014, the Institution authorized the distribution of a cash dividend up to the amount of $16,450 from the account "Result from previous years", which was distributed in proportion to the equity held at the ratio of $1.325448173233 pesos per share, and were paid to the stockholders during 2014, as follows: March 26, 2014 for $2,057 and June 25, 2014 for $3,498.

Restrictions on profits- Stockholders' equity, except restated common stock paid-in and tax-retained earnings, will incur tax on dividends payable by the Institution at the rate in effect at the time of distribution. Any tax paid on such distribution may be credited against income tax for the year in which the dividend tax is paid, and in the immediately two years, against tax for the year and the related estimated payments.

The net result of the Institution is subject to the legal provision whereby 10% of the profit from each year must be transferred to the legal reserve, until it is equal to the amount of capital paid-in. This reserve cannot be distributed to the stockholders during the life of the Institution, except in the form of a stock dividend.

17. Contingencies

As of June 30, 2014, legal proceedings are underway against the Institution for ordinary civil and commercial lawsuits, as well as payment requests issued by the tax authorities. However, in the opinion of its attorneys, the claims filed are without merit and, in the event of adverse rulings, would not significantly affect its financial position. Accordingly, the Institution has weighed up the effects of each one and has recorded a reserve of $357 for such disputes.

As of June 30, 2014, there are labor lawsuits underway against the Institution. However, in the opinion of its attorneys, the claims filed are groundless and, in the event of adverse rulings, would not significantly impact its financial position. Accordingly, the Institution has weighed up the effects of each one and has recorded a reserve of $167 for such labor issues.

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

We have audited the accompanying consolidated financial statements of BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer and subsidiaries (the “Institution”) which comprise the consolidated balance sheets as of December 31, 2013 and 2012 and the consolidated statements of income, changes in stockholders’ equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the Consolidated Financial Statements

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

Independent Auditor´s Responsibility

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

An audit involves performing procedures to obtain evidence supporting the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Institution’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Institution’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the consolidated financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer and subsidiaries as of December 31, 2013 and 2012, and their financial performance and their cash flows for the years then ended in accordance with the accounting criteria of the Commission as issued in the Regulations.

Emphasis of Matters

Without implying qualifications in our opinion, we call your attention to the following Notes:

a. As explained in Note 2 to the accompanying consolidated financial statements, on November 27, 2012, the Institution, with the consent of its parent company Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA") reached an agreement with Afore XXI Banorte, S.A. de C.V. regarding plans to sell the shares which comprise the Institution's 75% direct and indirect ownership interest in Administradora de Fondos para el Retiro Bancomer, S.A. de C.V. (the "Afore"). On January 9, 2013, after obtaining the respective authorizations from the National Retirement Savings System Commission ("CONSAR") and the Federal Antitrust Board ("COFECO"), the Institution completed the sale of 100% of its holding in Afore thereby ceding management and control of Afore on that date. The total adjusted sales price was $22,117 million Mexican pesos. Afore's net income before taxes of $8,085 million Mexican pesos for the month of January 2013 is recorded in the Institution's statement of consolidated income or loss under the heading of "Discontinued operations".

b. As explained in Note 4 to the accompanying consolidated financial statements, on June 24, 2013, the Commission issued a ruling that amends the Regulations modifying the methodology for the classification of commercial loan portfolio, for the purpose of changing the current model for determining the allowance for loan losses from an incurred loss model to an expected loss model, in which the credit losses expected over the following 12 months are estimated using the credit information available as of the reporting date. The Commission stipulated that the cumulative effect of the change shall be reported in stockholders' equity as of December 31, 2013 under the heading of "Results from previous years". The Commission established two deadlines for the implementation of this change in methodology: December 31, 2013, to recognize the cumulative effect of the change as it relates to commercial loan portfolio, and June 30, 2014 to recognize the cumulative effect of the change as it relates to loans to financial institutions. The cumulative effect derived from the application of the change in the classification methodology for the commercial credit portfolio resulted in the creation of credit reserves in the consolidated balance sheet under the heading "Allowance for loan losses" in the amount of $1,551 million Mexican pesos, with a corresponding charge to stockholders' equity under the heading of "Results from previous years", net of deferred taxes in the amount of $1,086 million Mexican pesos.

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 14, 2014

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

Consolidated Balance Sheets

At December 31, 2013 and 2012
(In millions of Mexican pesos)

Assets	**2013**	**2012**
Cash and cash equivalents	$ 128,296	$ 121,568
Margin call accounts	5,671	3,748
Securities:		
Trading	242,582	229,174
Available for sale	124,916	102,580
Held to maturity	15,890	15,304
	383,388	347,058
Debtors from repurchase agreements	49	153
Derivatives:		
Trading	60,443	64,429
Hedging	2,915	3,677
	63,358	68,106
Valuation adjustments derived from hedges of financial assets	1,299	3,056
Performing loans:		
Commercial loans-		
Business or commercial activity	263,580	229,675
Financial entities	11,154	8,411
Government entities	89,545	87,120
	364,279	325,206
Consumer	180,574	166,080
Mortgage	154,046	150,882
Total performing loans	698,899	642,168
Non-performing loans:		
Commercial loans-		
Business or commercial activity	5,689	6,278
Financial entities	-	49
Government entities	2	196
	5,691	6,523
Consumer	7,451	7,656
Mortgage	9,533	7,507
Total non-performing loans	22,675	21,686
Total loans	721,574	663,854
Allowance for loan losses	(27,336)	(27,934)
Total loans, net	694,238	635,920
Benefits receivable from securitization transactions	1,175	1,175
Receivables, sundry debtors and prepayments, net	49,138	40,080
Long-lived assets available for sale	-	4,758
Repossessed assets, net	7,630	6,141
Property, furniture and equipment, net	22,391	18,668
Equity investments	1,373	713
Deferred taxes, net	5,478	6,699
Other assets:		
Deferred charges, prepaid expenses and intangibles	7,642	5,856
Other short and long-term assets	757	-
	8,399	5,856
Total assets	$ 1,371,883	$ 1,263,699

Liabilities	2013	2012
Deposits:		
Demand deposits	$ 525,505	$ 472,386
Time deposits-		
From general public	119,319	125,197
Money market	10,518	17,505
	129,837	142,702
Bank bonds	57,243	56,537
	712,585	671,625
Interbank loans and loans from other entities:		
Payable on demand	17,432	14,176
Short-term	9,847	5,689
Long-term	4,620	4,943
	31,899	24,808
Creditors from repurchase agreements	256,253	219,124
Security loans	1	2
Collateral sold or delivered in guarantee:		
Security loans	37,775	34,212
Derivatives	6,432	-
	44,207	34,212
Derivatives:		
Trading	61,387	65,957
Hedging	4,833	3,070
	66,220	69,027
Valuation adjustments derived from hedges of financial liabilities	304	3,798
Other payables:		
Employee profit sharing (PTU) payable	1	2
Transaction settlement creditors	34,749	16,301
Creditors for collateral received in cash	5,867	11,242
Accrued liabilities and other	22,322	20,809
	62,939	48,354
Subordinated debt	64,607	68,565
Deferred credits and advanced collections	7,087	6,915
Total liabilities	1,246,102	1,146,430

Stockholders' equity

Subscribed capital:		
Paid-in capital	24,138	24,138
Share premium	15,726	15,726
Earned capital:		
Capital reserves	6,881	6,881
Results from prior years	45,764	43,742
Unrealized gains on available-for-sale securities	1,102	1,863
Result from valuation of cash flow hedges	1,182	1,566
Result from conversion of foreign subsidiaries	134	129
Net income	30,825	23,193
	125,752	117,238
Non-controlling interest in consolidated subsidiaries	29	31
Total stockholders' equity	125,781	117,269
Total liabilities and stockholders' equity	$ 1,371,883	$ 1,263,699

Memorandum accounts (See note 4)	2013	2012
Contingent assets and liabilities	$ 36	$ 36
Credit commitments	313,705	254,838
Assets in trust or under mandate:		
Trusts	328,676	309,532
Mandates	689,055	667,259
	1,017,731	976,791
Assets in custody or under administration	281,803	274,688
Collateral received by the Institution	61,124	81,647
Collateral received and sold or pledged as guarantee by the Institution	59,717	80,469
Investment banking transactions on behalf of third parties, net	44,904	36,231
Uncollected earned interest derived from non-performing loans	10,819	6,801
Other record accounts	1,497,679	1,375,837
Historical paid-in capital	$ 4,243	$ 4,243

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

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

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

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

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

Consolidated Statements of Income

For the years ended December 31, 2013 and 2012
(In millions of Mexican pesos)

	2013	2012
Interest income	$ 103,813	$ 102,506
Interest expense	(29,469)	(32,950)
Net interest income	74,344	69,556
Allowance for loan losses	(23,699)	(22,260)
Net interest income after allowance for loan losses	50,645	47,296
Commission and fee income	28,451	26,918
Commission and fee expense	(9,022)	(9,115)
Trading income	3,016	3,626
Other operating (expense) income	(62)	1,331
Administrative and promotional expenses	(43,136)	(41,806)
Net operating income	29,892	28,250
Share in net income of unconsolidated subsidiaries and affiliates	169	165
Income before income taxes	30,061	28,415
Current income tax	(5,265)	(6,088)
Deferred income tax	(2,057)	(421)
Income before discontinued operations	22,739	21,906

	2013	2012
Discontinued operations	8,085	1,291
Income before non-controlling interest	30,824	23,197
Non-controlling interest	1	(4)
Net income	$ 30,825	$ 23,193

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

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

Vicente Rodero Rodero
Chief Executive Officer

Javier Malagón Navas
Chief Financial Officer

Fernando del Carre González del Rey
General Director, Internal Audit

José Homero Cal y Mayor García
Director, Corporate Accounting

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BBVA Bancomer, S.A.,
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Av. Universidad 1200, Col. Xoco, México, D.F., C.P. 03339

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2013 and 2012
(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	Paid-in Capital
Balances at December 31, 2011	$ 24,138	$ 15,726	$ 6,881	$ 41,385	$ 2,412	$ 1,255	$ 171	$ 23,467	$ 27	$ 115,462
Changes due to stockholders' decisions-										
Transfer of net income to results from prior years	-	-	-	23,467	-	-	-	(23,467)	-	-
Cash dividends paid	-	-	-	(21,110)	-	-	-	-	-	(21,110)
Total	-	-	-	2,357	-	-	-	(23,467)	-	(21,110)
Comprehensive income-										
Net income	-	-	-	-	-	-	-	23,193	4	23,197
Result from valuation of securities available for sale	-	-	-	-	(549	-	-	-	-	(549)
Result from valuation of cash flow hedges	-	-	-	-	-	311	-	-	-	311
Result from conversion	-	-	-	-	-	-	(42	-	-	(42)
Total	-	-	-	-	(549	311	(42	23,193	4	22,917
Balances at December 31, 2012	24,138	15,726	6,881	43,742	1,863	1,566	129	23,193	31	117,269
Changes due to stockholders' decisions-										
Transfer of net income to results from prior years	-	-	-	23,193	-	-	-	(23,193)	-	-
Cash dividends paid	-	-	-	(20,085)	-	-	-	-	-	(20,085)
Total	-	-	-	3,108	-	-	-	(23,193)	-	(20,085)
Comprehensive income-										
Net income	-	-	-	-	-	-	-	30,825	(2	30,823
Result from valuation of securities available for sale	-	-	-	-	(761	-	-	-	-	(761)
Result from valuation of cash flow hedges	-	-	-	-	-	(384	-	-	-	(384)
Cumulative effect of change in rating methodology for determining allowance for loan losses on commercial loans	-	-	-	(1,086)	-	-	-	-	-	(1,086)
Result from conversion	-	-	-	-	-	-	5	-	-	5
Total	-	-	-	(1,086)	(761	(384	5	30,825	(2	28,597
Balances at December 31, 2013	$ 24,138	$ 15,726	$ 6,881	$ 45,764	$ 1,102	$ 1,182	$ 134	$ 30,825	$ 29	$ 125,781

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

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

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

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companying notes are an integral part of these consolidated financial statements.

BBVA Bancomer, S.A.,
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Av. Universidad 1200, Col. Xoco, México, D.F., C.P. 03339

Consolidated Statements of Cash Flows

For the years ended December 31, 2013 and 2012
(In millions of Mexican pesos)

	2013	2012
Net income	$ 30,825	$ 23,193
Adjustments derived from items not involving cash flows:		
Profit or loss derived from the valuation of investment and financing activities	6	(33)
Depreciation of property, furniture and equipment	1,516	1,400
Amortization of intangible assets	1,375	1,217
Provisions	951	2,067
Current and deferred income taxes	7,322	6,509
Share in net income of unconsolidated subsidiaries and affiliates	(169)	(165)
Discontinued operations	-	(1,291)
Non-controlling interest	(1)	4
	41,825	32,901
Operating activities:		
Change in margin call accounts	(1,915)	(286)
Change in investments in securities	(37,117)	(19,815)
Change in debtors from repurchase agreement	104	4,387
Change in derivatives (assets)	4,091	(796)
Change in loan portfolio (net)	(58,721)	(36,556)
Change in repossessed assets (net)	(1,489)	(2,040)
Change in other operating assets (net)	(11,701)	3,122
Change in deposits	40,297	30,942
Change in interbank loans and other loans from other entities	7,021	5,301
Change in creditors from repurchase agreements	37,130	8,239
Change in security loans (liabilities)	(1)	1
Change in collaterals sold or delivered in guarantee	9,995	9,488
Change in derivatives (liabilities)	(4,570)	(6,164)
Change in subordinated debt	(4,470)	9,644
Change in other operating liabilities	13,732	(10,232)
Change in hedging instruments (of hedged items related to operation activities)	423	5,730
Income taxes paid	(8,768)	(2,939)
Net cash used in operating activities	(15,959)	(1,974)
Investing activities:		
Proceeds from disposals of property, furniture and equipment	963	27
Payments for the acquisition of property, furniture and equipment	(6,202)	(3,048)
Payments for the acquisition of equity investments	(702)	(16)
Collection of cash dividends	207	1,230
Proceeds from disposal of long-lived assets available for sale	8,085	-
Payments for the acquisition of intangible assets	(1,579)	(1,501)
Net cash provided by (used in) investing activities	772	(3,308)

	2013	2012
Financing activities:		
Cash dividends paid	(20,085)	(21,110)
Net cash used in financing activities	(20,085)	(21,110)
Net increase in cash and cash equivalents	6,553	6,509
Cash flow adjustments from exchange rate fluctuations	175	(340)
Cash and cash equivalents at the beginning of the period	121,568	115,399
Cash and cash equivalents at the end of the period	$ 128,296	$ 121,568

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

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

Vicente Rodero Rodero
Chief Executive Officer

Javier Malagón Navas
Chief Financial Officer

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General Director, Auditing

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Director, Corporate Accounting

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

18. Explanation added for translation into English

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

19. Incorporation and corporate purpose

The "Institution" is a subsidiary of Grupo Financiero BBVA Bancomer, S.A. de C.V. (the "Financial Group") and is regulated, among others, by the Mexican Credit Institutions Law and general purpose regulations issued by the Commission and by the Central Bank of Mexico. 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.

Significant events 2013-

Tax reforms- On November 1, 2013 the National Congress approved different tax reforms that will enter into effect as of 2014. These reforms included the repeal of the Income Tax Law (LISR), published in the Federal Official Gazette on January 1, 2002 and the issuance of a new LISR effective January 1, 2014; furthermore, changes were made to the Value-Added Tax Law and the Federal Tax Code. These tax reforms also repealed the Business Flat Tax Law and the Cash Deposits Tax Law. The Institution's management has evaluated the effects that these tax reforms will have on its accounting records, which are detailed in Note 26.

Sale of Administradora de Fondos para el Retiro Bancomer, S.A. de C.V.- On November 27, 2012, the Institution, with the consent of its parent company Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA") reached an agreement with Afore XXI Banorte, S.A. de C.V. regarding the plans to sell the shares, which comprise the Institution's 75% direct and indirect ownership interest in Administradora de Fondos para el Retiro Bancomer, S.A. de C.V. (the "Afore"). On January 9, 2013, after obtaining the respective authorizations from the National Retirement Savings System Commission ("CONSAR") and the Federal Antitrust Board ("COFECO"), the Institution completed the sale of 100% of its holding in the Afore thereby ceding management and control of Afore on that same date. The total adjusted sales price was $22,117. Afore's net income of $8,085 is recorded in the statement of consolidated income or loss under the heading of "Discontinued operations".

20. Basis of preparation of the financial statements

Monetary unit of the financial statements- The consolidated financial statements and Notes as of December 31, 2013 and 2012 and for the years then ended include balances and transactions in pesos of different purchasing power.

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

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

As of December 31, 2013 and 2012, 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 de Operaciones Financieras	100.00%	Mexico	Offset and settle exclusively futures contracts on behalf of third parties.
Fideicomiso No. 29763-0 Socio Liquidador de Operaciones Financieras	100.00%	Mexico	Offset and settle exclusively own futures contracts (Until December 31, 2012).
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.

Entity	Ownership percentage	Location	Activity
Visacom, S.A. de C.V.	99.99%	Mexico	Holding company of companies engaged in marketing and data communication activities among companies.
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.

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

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

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

Entity	Recording and functional currency	Exchange rate to convert from functional and recording currency to Mexican pesos Assets and liabilities	Exchange rate to convert from functional and recording currency to Mexican pesos Results
BBVA Bancomer USA, Inc.	U.S. Dollars	13.0843	12.76504167

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.

21. 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.

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

Changes in Mexican Financial Reporting Standards ("NIF") issued by the Mexican Financial Reporting Standards Board ("CINIF") applicable to the Institution-

As of January 1, 2013, the Institution adopted the following new NIF:

NIF B-8, *Consolidated or combined financial statements*
NIF C-7, *Investments in associated companies, joint businesses and other permanent investments*
INIF 20, *Accounting effects of the 2014 Tax Reform*
Improvements to Financial Reporting Standards 2013

Some of the principal changes established in these provisions are:

NIF B-8, *Consolidated or combined financial statements*- Modifies the definition of control. The existence of control of one entity in another is the basis to require the consolidation of financial information. With this new definition, it may become necessary to consolidate certain entities in which previously it was not considered that control existed while, on the hand, those entities over which control does not exists might cease to be consolidated. This NIF establishes that one entity controls another when it has power over the latter to direct its relevant activities, it is exposed or has the right to variable returns derived from such participation, and it has the capacity to affect such returns. The concept of protective rights is introduced and defined as those which protect the equity held by the non-controlling investor but do not grant it power. The NIF also incorporates the concept of principal versus agent, wherein the investor with the right to take decisions is the principal and the agent is the party that makes decisions on behalf of the principal, for which reason the latter cannot be the party that exercises control. The term special-purpose entity ("EPE") is eliminated in favor of the term structured entity, which is defined as an entity that is designed in such a way that the voting or similar rights are not the determining factor in the evaluation of control.

NIF C-7, *Investments in associated companies, joint businesses and other permanent investments*- Establishes that investments in joint businesses should be recognized by applying the equity method and that all the income or loss effects derived from permanent investments in associated companies, joint businesses and others should be recognized in results under the heading of Equity in results of other entities. The NIF requires further disclosures intended to provide greater financial information on the associated companies and joint businesses and eliminates the term special-purpose entity ("EPE").

INIF 20, *Accounting effects of the 2014 Tax Reform*- Deals specifically with the accounting recognition of the issues included in the Tax Reforms that went into effect in 2014 and which are related to taxes on income and PTU. The Institution has evaluated the effects which these reforms will have on its financial information and has disclosed such effects in Note 26.

Improvements to NIF 2013-The principal improvements which generate accounting changes that should be recognized retrospectively in years beginning January 1, 2013 are:

Bulletin C-15, *Impairment in the value of long-lived assets and their disposal*- When an operation is discontinued, the obligation to recast the balance sheets of previous periods presented for accounting purposes is eliminated.

NIF D-4, *Taxes on income*- Recognizes that the taxes on income (current and deferred) should be presented and classified based on the transaction or event from which such taxes arise. For this reason, they should be recognized in results of the period except when they have arisen from a transaction or event that is recognized in another item of comprehensive income or loss or directly in a heading of stockholders' equity.

Bulletin D-5, *Leases* - Establishes that the nonrefundable payments for leasing rights should be deferred during the lease term and applied to results in proportion to the recognition of the related revenue and expense for the lessor and lessee, respectively.

Furthermore, improvements to the NIF 2013 were issued which do not result in accounting changes and mainly clarify definitions and terms.

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

Changes in accounting estimates applicable in 2013-

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

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

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

The Institution decided to early adopt the new methodology issued by the Commission, recognizing an additional allowance for loan losses of $1,551 in the commercial portfolio, applied against "Results from previous years", with an effect, net of deferred taxes, of $1,086.

Special accounting criteria applicable to the credits subject to the support resulting from the floods caused by Hurricanes Ingrid and Manuel

In Official Notice No. P65/2013 dated October 18, 2013, 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 the meteorological phenomena known as Hurricanes Ingrid and Manuel, and at the same time bring about their stabilization.

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:

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

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

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

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

Without the relief offered by the special accounting criteria, the current portfolio reported in the balance sheet would have been reduced by $1,507 while the allowance for loan losses would have increased by approximately $498, due to the fact that loans which received the support would have been classified in overdue portfolio if the deferral had not been applied.

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

Type of portfolio	No. of cases	Amount deferred	Total amount of the credit
Mortgage loans	4,688	$ 83	$ 2,366
Consumer and automobile loans	204	2	16
Credit card	22,442	549	851
PyMEs	348	85	94
Total	27,682	$ 719	$ 3,327

Reclassifications - Certain headings of the consolidated financial statements for the year ended December 31, 2012 have been reclassified to conform with the presentation used in 2013

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 2013 and 2012, measured through the value of the Investment Units (UDI), is 12.31% and 12.12%, 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, 2013 and 2012.

Inflation rates for the years ended December 31, 2013 and 2012 were 3.78% and 3.91%, respectively.

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

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

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

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

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

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

Securities -

– *Trading securities:*

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

Debt instruments-

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

Equity instruments-

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

– *Securities available for sale:*

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

– *Securities held to maturity:*

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

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

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

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

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

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

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

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

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

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

As of December 31, 2013 and 2012, management has not identified objective evidence of impairment of any securities.

Repurchase transactions - Repurchase agreements are recorded as follows:

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

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

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

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

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

When the buyer sells the collateral or provides it as a guarantee, the proceeds from the transaction are recognized, as well as an account payable for the obligation to repay the collateral to the selling party (measured initially at the price agreed), which is valued at fair value for its sale, or, if it is given as guarantee in another repurchase transaction, at its amortized cost, (any spread between the price received and the value of the account payable is recognized in results of the year).

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

The memorandum accounts recorded for collateral received by the buyer are cancelled when the repurchase transaction reaches maturity or there is a default on the part of the seller.

For transactions in which the buyer sells or in turn provides the collateral received as guarantee (for example, when another repurchase or securities loan transaction is agreed), the control of such sold or pledged collateral is performed in memorandum accounts, by applying for valuation purposes the standards for custody transactions established in accounting criterion B-9.

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

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

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

The amount of the premium earned is recognized in results of the year through the effective interest method during the term of the transaction.

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

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

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

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

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

The Institution's policies require that for purposes of entering into derivative transactions, both trading parties must belong to the Financial System and have authorization from the Central Bank of Mexico to carry out this type of transaction, classifying and, if applicable, determining risk exposure lines. Prior to carrying out these transactions, corporate customers must be granted a credit line authorized by the Credit Risk Committee or provide readily realizable guarantees through the pertinent bond contracts. Transactions involving mid-sized and small businesses, as well as individuals, are carried out through readily realizable guarantees established in bond contracts.

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

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

All derivatives are subsequently valued at fair value without deducting the transaction costs incurred for their sale or other types of disposal; this valuation effect is then recognized in the results of the period under "Trading income".

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

In the consolidated balance sheet, the heading derivatives must be split between those held for trading and hedging purposes.

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.

Trading transactions:

– *Forwards and futures contracts*:

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

– *Options:*

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

– *Swaps:*

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

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

In the case of debt and bond contracts in which the reference underlying is an interest rate with implied cap, floor and collar, The reference underlyings are considered to be closely related to the host contract, and consequently, these items are not bifurcated. Accordingly, the main contract issued for debt and bonds is recorded based on the applicable criteria to each contract, at the amortized cost in both cases.

Collateral granted and received in derivatives transactions not performed in recognized markets or stock exchanges - The account receivable generated for collateral provided in cash in derivative transactions not performed in recognized markets or stock exchanges is presented under the heading "Other accounts receivable", whereas the account payable generated for the reception of collateral provided in cash is presented under the heading "Sundry creditors and other accounts payable".

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

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

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

– **When there is evidence that the customer has been declared bankrupt.**

- When payments have not been fully settled according to contractual terms, considering that:

  – Loans with a single payment of principal and interest at maturity are considered past due 30 calendar days after the date of maturity.

  – In the case of loans with a single repayment of principal at maturity, but with periodic interest payments, the total of the principal and interest when a scheduled payment is three months past due.

  – Loans for which agreement has been reached regarding payment of principal and interest in scheduled payments are considered past due three months after the first installment is past due.

  – In the case of revolving credit granted, loans are considered past due when payment has not been received for two normal billing periods or, when the billing period is not monthly, two months or more following maturity

- Customer bank accounts showing overdrafts are reported as non-performing loans at the time the overdraft occurs.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Allowance for loan losses -

– *Commercial loan portfolio:*

On June 24, 2013, through the Federal Official Gazette, the Commission issued a ruling that amends the Regulations, modifying the methodology applicable to the classification of commercial credit portfolio, with the aim of changing the current model for creating the allowance for loan losses from an incurred loss model to an expected loss model in which the credit losses expected over the following 12 months are estimated using the credit information available as of the reporting date.

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

The Institution decided to early adopt the methodology issued by the Commission, by recognizing an additional allowance for loan losses of $1,551 in the commercial portfolio, applied against "Results from previous years" with a charge, net of deferred taxes, of $1,086.

As of June 30, 2013 the Institution, when classifying the commercial credit portfolio, considers the Probability of Default, Severity of the Loss and Exposure to Default, and also classifies the aforementioned commercial credit portfolio into different groups and establishes different variables for the estimation of the probability of default.

This change in methodology was adopted by the Institution on June 30, 2013, in which the amount of the allowance for loan losses on each credit will be the result of applying the following expression:

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

Where:

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

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

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

For purposes of the above:

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

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

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

Unsecured loans-

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

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

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

I. For disposed balances of uncommitted credit lines which may be canceled unconditionally or which in practice allow for an automatic cancellation at any time and without prior notice:
EI i = Si
II. For other credit lines:

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

Where:

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

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

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

Up to May 31, 2013 and during the year 2012, the Institution individually classified the commercial credit portfolio for loans or groups of loans owed by the same debtor whose balance is equal to or greater than an amount equivalent to 4 million UDIS as the classification date. All other loans were classified using a parametric analysis based on the number of months elapsed after the first default. The portfolio payable by the Federal Government or expressly guaranteed by the Federal Government was considered exempt.

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

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

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

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

Level

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

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

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

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

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

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

– *Portfolio of States and their Municipalities:*

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

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

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

Where:

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

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

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

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

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

Where:

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

Unsecured loans-

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

c. 45%, for Preferred Positions.
d. 100%, for Subordinated Positions or when the credit reports 18 months or more of arrears for the amount due and payable under the terms originally agreed.

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

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

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

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

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

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

On October 5, 2011, a ruling by the CNBV was published in the Federal Official Gazette that modifies the Regulations related to the classification methodology of commercial loan portfolio granted to States and their Municipalities, as well as the accounting treatment for loan portfolio, the Bank applied this methodology until May 31, 2013. The most important modifications referred to the following:

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

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

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

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

– *Mortgage portfolio:*

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

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

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

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

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

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

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

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

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

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

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

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

– *Consumer credit card loan portfolio:*

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

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

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

- Non-compliance probability - Based on variables including portfolio type, account aging, admission tool or the behavior of loans with at least three outstanding payments, together with a 100% rating for loans with three or more outstanding payments.
- Loss severity - Is calculated based on variables like portfolio type, balance aging and noncompliance period.
- Exposure - Is determined according to the credit limit and current balance.

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

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

As of December 31, 2013 and 2012, the classification and creation of the allowance for loan losses of the consumer credit portfolio is performed with figures as of the last day of each month and is presented to the Commission at the latest as of the 30 days following the month classified, in accordance with the reserve percentages applicable to each type of portfolio, as indicated above.

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

Additional reserves:

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

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

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

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

The Institution recognized the securitized transactions performed during 2009 in accordance with the accounting criteria issued by the Commission in April 2009 regarding C-1 "Asset recognition and derecognition", C-2 "Securitized transactions" and C-5 "Consolidation of special-purpose entities". After applying these criteria, the Institution derecognized the securitized assets held by the trusts, which were subsequently consolidated on its balance sheet. Accordingly, these assets are recorded under assets in the balance sheet. The securitizations performed prior to 2009 are not consolidated, based on the treatment established by the Commission.

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

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

– The valuation system measures the follow-up of certificate performance and the subordinated portions recorded by the Institution and, if applicable, it also values the bond position to consider its possible sale on a secondary market.

– The valuation model is used to calculate the Institution's constant historical prepayment rate computation, the mortality rate, current credit percentage, interest rate, issuance amount and value of guarantees with respect to the loan guarantee, among other items.

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

The characteristics of securitization contracts are detailed in Note 13.

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

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

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

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

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

On the recording date of the repossessed assets or assets received through payment in kind, the value of the asset which originated the foreclosure, as well as its respective reserve, must be canceled from the balance sheet, or the portion involving accrued or overdue payments settled through the partial payments in kind referred to by accounting criterion B-6, “Loan Portfolio”.

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

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

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

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

Allowance for personal property

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

Allowance for real estate property

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

Property, furniture and equipment, net - They are recorded at acquisition cost. Assets acquired prior to December 31, 2007 were restated by applying factors derived from the UDIs up to that date. The related depreciation and amortization is recorded by applying a given percentage based on the estimated useful life of such assets to the cost restated to that date.

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

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

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

Impairment of long-lived assets in use - The Institution revises the book value of long-lived assets in use, in the presence of any indicator of impairment which shows that the book value might not be recoverable, considering the higher of the present value of the future net cash flows or the net selling price, in the event of their eventual disposal. Impairment is recorded if the book value exceeds the higher of the aforementioned values. The indicators of impairment considered for such purposes are, among others, the losses from operations or negative cash flows in the period, if they are combined with a history or projection of losses, depreciation and amortization charged to results which, in percentage terms, in relation to revenues, are substantially higher than those of previous years, or the services rendered, competition and other economic and legal factors.

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

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

Income taxes - Income tax ("ISR") and the Business Flat Tax ("IETU") are recorded in results of the year in which they are incurred. To recognize deferred income taxes, based on its financial projections, the Institution must determine whether it will incur ISR or IETU and recognize deferred taxes for the tax that it will essentially pay. Deferred taxes are recognized by applying the respective rate to the temporary differences resulting from comparing the book and tax values of assets and liabilities, including the benefit of tax loss carry forwards. A deferred tax asset is only recorded when its recovery is highly likely.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Memorandum accounts -

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

– *Contingent assets and liabilities:*

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

– *Credit commitments:*

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

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

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

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

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

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

– *Collateral received by the Institution:*

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

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

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

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

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

– *Other record accounts (unaudited):*

As of December 31, 2013 and 2012, the other recording accounts present a balance of $1,497,679 and $1,375,837, 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.

22. Cash and cash equivalents

At December 31, 2013 and 2012, cash and cash equivalents consisted of the following:

	2013	2012
Cash	$ 46,411	$ 37,338
Banks	13,545	18,837
Restricted funds	68,295	65,337
Other quick funds	45	56
	$ 128,296	$ 121,568

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 $13.0843 Mexican pesos and $12.9658 Mexican pesos per one U.S. dollar, as of December 31, 2013 and 2012, respectively, and are comprised as follows:

	Mexican pesos		U.S. Dollars (in Mexican pesos)		Total	
	2013	2012	2013	2012	2013	2012
Deposits with foreign credit institutions	$ -	$ -	$ 12,536	$ 17,904	$ 12,536	$ 17,904
Central Bank of Mexico	-	-	105	78	105	78
Domestic banks	904	855	-	-	904	855
	$ 904	$ 855	$ 12,641	$ 17,982	$ 13,545	$ 18,837

As of December 31, 2013 and 2012, restricted funds available are as follows:

	2013	2012
Monetary regulation deposits (1)	$ 65,077	$ 65,123
Foreign exchange to be received (2)	41,446	18,565
Foreign exchange to be delivered (2)	(38,583)	(21,110)
Interbank loans call money (3)	-	2,392
Other restricted deposits	355	367
	$ 68,295	$ 65,337

(1) Circular Telefax 30/2008 of Central Bank of Mexico included instructions for the creation of a new monetary regulation deposit for all credit institutions, whose duration is indefinite with interest payable every 28 days. As of December 31, 2013 and 2012, the monetary regulation deposits and interest of the Institution are $65,077 and $65,123, respectively, and are included in the balance of "Restricted funds".

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

(3) "Call money" operations granted to December 31, 2013 and 2012, represent interbank loan transactions agreed at a term shorter than or equal to three business days, respectively, at a rate of 4.50%.

23. Margin call accounts

At December 31, 2013 and 2012, margin call accounts are composed as follows:

	2013	2012
Derivatives margin in authorized markets	$ 5,671	$ 3,746
Margin of ADR´s	-	2
	$ 5,671	$ 3,748

24. Securities

At December 31, 2013 and 2012, financial instruments were as follows:

d. ***Trading –***

	2013				2012
Instrument	Acquisition Cost	Accrued Interest	Increase (Decrease) due to Valuation	Book Value	Book Value
Securitized certificates	$ 7,665	$ 47	$ (28)	$ 7,684	$ 3,471
Sovereign debt Eurobonds	6,029	93	(45)	6,077	7,145
Net equity instruments	5,341	-	303	5,644	6,082
ADR´s	2,356	-	7	2,363	1,452
Commercial paper companies	1,209	-	-	1,209	1,684
Promissory notes with returns realizable at maturity	987	1	-	988	8
Udibonos	941	7	9	957	376
Corporate Eurobonds	807	12	(39)	780	334

Instrument	2013 Acquisition Cost	2013 Accrued Interest	2013 Increase (Decrease) due to Valuation	2013 Book Value	2012 Book Value
Fixed-rate bonds	632	58	(1)	689	-
BPA´s (Savings Protection Bonds)	431	-	-	431	3,317
Bank securitized certificates	294	1	-	295	-
Interchangeable securitized certificates (CBIC´s)	167	3	(1)	169	186
CETES	95	-	-	95	1,403
Treasury Bills	65	-	(5)	60	-
CEDES	2	-	-	2	3
Bondes	-	-	-	-	1,084
Bank bonds	-	-	-	-	1,761
Total	$ 27,021	$ 222	$ 200	$ 27,443	$ 28,306

During 2013 and 2012, valuation income and losses for net amounts of ($760) and $1,473 respectively, were recorder in results of the year.

As of December 31, 2013 and 2012, the Institution paid commissions for purchase and sale of securities in the amount of $141 and $175, respectively.

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

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

The collateral granted as of December 31, 2013 and 2012, were composed as follows:

Instrument	2013 Acquisition Cost	2013 Accrued Interest	2013 Valuation Increase (Decrease)	2013 Book Value	2012 Book Value
Fixed rate bonds	$ 504	$ -	$ 1	$ 505	$ 570
Net worth instruments	53	-	11	64	-
Bonds received as security loan warranties	557	-	12	569	570
BPA's (Savings Protection Bonds)	60,804	60	1,095	61,959	59,572
Fixed rate bonds	56,655	(140)	2,051	58,566	17,904
Federal Treasury Certificates (Cetes)	27,298	33	147	27,478	2,594
Federal Government Development Bonds (Bondes)	10,909	(1)	119	11,027	62,085
Investment unit bonds (Udibonos)	11,823		(18)	11,805	713
Securitization certificates	4,395	1	(8)	4,388	8,702
PRLV´S	2,000	-	-	2,000	-
CEDES	2,000	-	-	2,000	1,600
Exchangeable securitization certificates (CBIC's)	7,943	-	(28)	7,915	-
Commercial paper	444	-	-	444	-
Bank bonds	-	-	-	-	1,335
Bonds received as repurchase agreement warranties	184,271	(47)	3,358	187,582	154,505
Fixed rate bonds	11,959	(35)	(16)	11,908	14,707
T BILLS received as derivatives warranties	7,066	1	1	7,068	7,137
BPA's (Savings Protection Bonds)	4,993	10	50	5,053	16,468
Federal Government Development Bonds (Bondes)	274	-	-	274	5,955
CETES	40	-	-	40	90
Other warranties	24,332	(24)	35	24,343	44,357
Total restricted securities	$ 209,160	$ (71)	$ 3,405	$ 212,494	$ 199,432

Value date purchases at December 31, 2013, and 2012, were composed as follows:

Instrument	2013 Acquisition Cost	2013 Accrued Interest	2013 Valuation Increase (Decrease)	2013 Book Value	2012 Book Value
Fixed rate bonds	$ 4,177	$ 9	$ (2)	$ 4,184	$ 2,252
CETES	2,452	-	-	2,452	1,982
Investment unit bonds (Udibonos)	1,092	2	(1)	1,093	1,350
Net worth instruments	294	-	-	294	938
BPA´s (Savings Protection Bonds)	893	6	-	899	99

Instrument	2013 Acquisition Cost	2013 Accrued Interest	2013 Valuation Increase (Decrease)	2013 Book Value	2012 Book Value
Sovereign debt Eurobonds	42	1	-	43	-
ADR's	1	-	-	1	-
Federal Government Development Bonds (Bondes)	-	-	-	-	7
Eurobonds	-	-	-	-	225
Securitization certificates	-	-	-	-	14
Corporate Eurobonds	-	-	-	-	7
Corporate bonds	-	-	-	-	98
Total	$ 8,951	$ 18	$ (3)	$ 8,966	$ 6,972

Value date sales at December 31, 2013, and 2012, were composed as follows:

Instrument	2013 Acquisition Cost	2013 Accrued Interest	2013 Valuation Increase (Decrease)	2013 Book Value	2012 Book Value
Fixed rate bonds	$ (2,069)	$ (6)	$ 1	$ (2,074)	$ (1,802)
CETES	(2,355)	-	-	(2,355)	(1,204)
Investment unit bonds (Udibonos)	(510)	-	1	(509)	(635)
Federal Government Development Bonds (Bondes)	(498)	-	-	(498)	(5)
Securitization certificates	(347)	(1)	-	(348)	-
Net worth instruments	(228)	-	(15)	(243)	(707)
BPA's (Savings Protection Bonds)	(197)	(5)	-	(202)	(848)
ADR's	(91)	-	(1)	(92)	(6)
Sovereign debt Eurobonds	-	-	-	-	(292)
Corporate Eurobonds	-	-	-	-	(7)
Corporate securitization certificates	-	-	-	-	(30)
	(6,295)	(12)	(14)	(6,321)	(5,536)
Total negotiable instruments	$ 238,837	$ 157	$ 3,588	$ 242,582	$ 229,174

e. ***Available for sale -***

Instrument	2013 Acquisition Cost	2013 Accrued Interest	2013 Valuation Increase (Decrease)	2013 Book Value	2012 Book Value
Sovereign debt Eurobonds	$ 13,738	$ 306	$ (101)	$ 13,943	$ 5,021
Securitization certificates	12,133	39	394	12,566	7,364
Corporate Eurobonds	3,047	70	(87)	3,030	1,294
Fixed rate bonds	1,885	4	111	2,000	10,733
Net worth instruments	807	-	(7)	800	5
ADR's	9	-	239	248	145
CEDES Udis	68	34	5	107	-
Commercial paper	-	-	-	-	12,707
Total	$ 31,687	$ 453	$ 554	$ 32,694	$ 37,269

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

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

Collateral granted as of December 31, 2013 and 2012 were as follows:

Instrument	2013 Acquisition Cost	2013 Accrued Interest	2013 Increase (Decrease) due to Valuation	2013 Book Value	2012 Book Value
Fixed rate bonds	$ 35,492	$ (82)	$ 795	$ 36,205	$ 42,212
Federal Government Development Bonds (Bondes)	27,240	-	45	27,285	18,712
CETES	3,283	-	2	3,285	-
Securitization certificates	2,190	-	(31)	2,159	3,713
INVESTMENT UNIT BONDS (UDIBONOS)	316	-	(14)	302	-
Total warranties receivable from repurchase agreements	68,521	(82)	797	69,236	64,637
Fixed rate bonds	22,228	-	(14)	22,214	-
T BILLS given as warranties	772	-	-	772	674
Total other warranties	23,000	-	(14)	22,986	674
Total restricted securities	$ 91,521	$ (82)	$ 783	$ 92,222	$ 65,311
Total securities available-for-sale	$ 123,208	$ 371	$ 1,337	$ 124,916	$ 102,580

f. ***Held to maturity -***

The following securities have medium and long-term maturities:

Instrument	2013 Acquisition Cost	2013 Accrued Interest	2013 Book Value	2012 Book Value
Government bonds- Mortgage debtor support program	$ 14,179	$ -	$ 14,179	$ 13,649
Government bonds- State and Municipality debtor support program	1,672	-	1,672	1,616
U.S. Treasury securities	39	-	39	39
Total	$ 15,890	$ -	$ 15,890	$ 15,304

For the years ended December 31, 2013 and 2012, the yields related to the overall held to maturity portfolio, recorded in the result of the year, amounted to $593 and $636, respectively.

25. Repurchase transactions

As of December 31, 2013 and 2012, repurchase transactions were composed as follows:

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

As repurchasing party:

	2013			2012		
	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
Bonds	$ -	$ -	$ -	$ 21,071	$ 21,054	$ 17
Fixed-rate bonds	-	-	-	3,707	3,580	127
BPA's (saving protection bonds)	15,533	15,484	49	21,636	21,627	9
Total	$ 15,533	$ 15,484	$ 49	$ 46,414	$ 46,261	$ 153

b. ***Repurchase creditors -***

Security vendor:

	2013	2012
	Liability Side	Liability Side
Instruments	Payables under resale agreements	Payables under resale agreements
Fixed rate bonds	$ 92,939	$ 60,311
BPA's (Savings Protection Bonds)	60,863	59,202
Federal Government Development Bonds (Bondes)	38,199	80,359
CETES	30,610	2,595
Investment unit bonds (Udibonos)	12,126	715
Securitization certificates	11,573	7,205
CBIC's	7,943	8,737
CEDES	2,000	-
Total	$ 256,253	$ 219,124

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

	2013			2012		
	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	$ 27,775	$ 27,775	$ 27,775	$ 22,965	$ 22,965	$ 22,965
Net worth instruments	1	1	1	-	-	-
Investment unit bonds (Udibonos)	9,567	9,567	9,567	1,279	1,279	1,279
CETES	403	403	403	1,155	1,155	1,155
CBIC´s	29	29	29	8,813	8,813	8,813
	37,775	37,775	37,775	34,212	34,212	34,212

Instrument	2013 Memoranda accounts: Collateral Received for Securities Loans	2013 Memoranda accounts: Collateral Received for Loans and Sold or Given in Guarantee	2013 Liability portion: Creditors from Collateral Sold or Given in Guarantee	2012 Memoranda accounts: Collateral Received for Securities Loans	2012 Memoranda accounts: Collateral Received for Securities Loans	2012 Liability portion: Collateral Received for Loans and Sold or Given in Guarantee
Derivatives						
Treasury Notes	6,715	6,432	6,432	-	-	-
Total	$ 44,490	$ 44,207	$ 44,207	$ 34,212	$ 34,212	$ 34,212

The treasury notes received at December 31, 2013 were directly sold.

Premiums payable were recognized in the results of 2013 and 2012 for the amount of $78 and $78, respectively.

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

26. Derivatives

At December 31, 2013 and 2012, 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, 2013 and 2012. 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 28.

Trading:

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

Transaction	2012 Notional Amount Asset	Notional Amount Liability	Balance Debit	Balance Credit
Long-term futures position	$ 163,919	$ 163,919	$ -	$ -
Short-term futures position	19,761	19,761	-	-
Long-term forwards contracts	164,017	166,316	1,321	3,619
Short-term forwards contracts	172,072	169,672	3,884	1,485
Options acquired	1,562	-	1,562	-
Options sold	-	4,039	-	4,039
Swaps	643,563	642,715	57,662	56,814
	$ 1,164,894	$ 1,166,422	$ 64,429	$ 65,957

Hedging:

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

Transaction	2012 Notional Amount Asset	Notional Amount Liability	Balance, net Debit	Balance, net Credit
Long-term forwards contracts	$ 1,370	$ 1,344	$ 26	$ -
Short-term forwards contracts	832	832	-	-
Swaps	48,445	47,864	3,651	3,070
	$ 50,647	$ 50,040	$ 3,677	$ 3,070

a1. ***Futures and forward contracts -*** For the year ended December 31, 2013, the Institution carried out transactions in recognized markets (Mexican Derivatives Market (Mex-Der) Chicago and ITAU), including an equity of $977 distributed in rates of ($53), currencies of $1,005, $214 indexes and securities of ($189).

The Institution also entered into forward contracts with the principal foreign currencies. At the close of the year 2013 the following contracts are open:

Trading:

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

a2. ***Options -*** At December 31, 2013, option transactions were as follows:

Trading:

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

a3. ***Swaps -*** At December 31, 2013, swap transactions were as follows:

Trading:

Underlying	Currency	Receivable Contract Value	Payable Contract Value	Receivable	Payable	Net Position
Currency	US dollar	$ 158,845	$ 138,061	$ 178,997	$ 154,615	$ 24,382
	Peso	147,457	145,165	250,329	259,417	(9,088)
	UDIS	82,141	94,436	-	-	-
	Euro	10,600	21,259	11,399	23,731	(12,332)
	Yen	2,610	2,610	2,621	2,620	1
	Colombian peso	4,121	2,205	-	-	-
	Peruvian nuevo sol	201	139	-	-	-
	Pound Sterling	1,083	2,167	1,335	2,692	(1,357)
	Development Unit – Chile	1,206	1,217	-	-	-
	Chilean Peso	1,305	-	-	-	-
	Swiss Franc	736	736	763	762	1
				445,444	443,837	1,607
Interest rates	Peso		$ 1,319,479	$ 262,833	$ 264,909	$ (2,076)
	US dollar		372,402	36,904	36,061	843
	Euro		5,738	747	759	(12)
				300,484	301,729	(1,245)
Shares	Peso		$ 203	$ 6	$ 2	$ 4
	US dollar		7,917	314	14	300
				320	16	304
CDS	U.S. dollars		$ 1,112	$ 41	$ 41	$ -
CRA	Mexican pesos			$ (131)	$ -	$ (131)
Authorized markets	Mexican pesos		$ 4,704	$ 130	$ 130	$ -
				$ 746,288	$ 745,753	$ 535

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

Hedging:

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

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

Collateral received in OTC derivatives as of December 31, 2013 and 2012 is recorded under the heading "Creditors for collateral received in cash" and is shown as follows:

Cash received as derivatives warranty	2013 Acquisition Cost	2013 Accrued Interest	2013 Book Value	2012 Book Value
BBVA Servex	$ 3,380	$ 1	$ 3,381	$ -
Soc. Hipotecaria Federal	1,248	3	1,251	1,504
J. Aron and Company	875	-	875	810
Societe Generale	120	-	120	595
Credit Agricole CIB	201	-	201	992
Banco Nacional Comercio Exterior	33	-	33	-
Docuformas S.A.P.I. de C.V.	4	-	4	1
Morgan Stanley & Co.	2	-	2	-
Credit Suisse Security	-	-	-	6,772
Goldman Sachs Paris	-	-	-	258
BNP Paribas NY Branch	-	-	-	131
HSBC Bank U.S.A. N.A. N.Y	-	-	-	136
Bank of America National	-	-	-	22
José Antonio Chedraui	-	-	-	20
Merrill Lynch Capital Services Inc.	-	-	-	1
Total warranties received in cash	$ 5,863	$ 4	$ 5,867	$ 11,242

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

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

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

Held for trading purposes:

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

	2012			
	Book value		Balance	
Transaction type	Asset	Liability	Asset	Liability
Options acquired	$ 91	$ -	$ 91	$ -
Options sold	-	52	-	52
Swaps	19,346	19,647	2,098	2,399
	$ 19,437	$ 19,699	$ 2,189	$ 2,451

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

Held for trading purposes:

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

Transaction type		Underlying	2012 Face value	2012 Fair value
Purchases	OTC Options	US dollar	$ 100	$ 1
		Indexes	7,242	90
			$ 7,342	$ 91
Sales	OTC Options	Interest rates	$ 68	$ -
		Indexes	1	36
		US dollar	202	16
			$ 271	$ 52

a6. *Embedded swaps (Underlying) -*

Held for trading purposes:

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

Underlying	Currency	2012 Receivable face value	Receivable market value	Payable market value	Fair value
Currency	Peso	$ 7,381	$ 7,391	$ 8,572	$ (1,181)
	US dollar	7,730	10,632	9,622	1,010
		$ 15,111	$ 18,023	$ 18,194	$ (171)
Interest rate	Peso	$ 11,090	$ 1,323	$ 1,453	$ (130)

27. Loan portfolio

Loans granted classified by type of loan at December 31, 2013 and 2012, were as follows:

	Performing portfolio		Non-performing portfolio		Total	
	2013	2012	2013	2012	2013	2012
Commercial loans-						
Denominated in Mexican pesos-						
Commercial	$ 174,260	$ 157,883	$ 5,283	$ 5,657	$ 179,543	$ 163,540
Rediscounted portfolio	6,482	6,825	178	107	6,660	6,932
Lease portfolio	1,034	1,031	50	33	1,084	1,064

	Performing portfolio		Non-performing portfolio		Total	
	2013	2012	2013	2012	2013	2012
Denominated in U.S. dollars- (equivalent in Mexican pesos)						
Commercial	80,906	62,778	134	446	81,040	63,224
Rediscounted portfolio	775	1,085	37	28	812	1,113
Lease portfolio	123	73	7	7	130	80
Total commercial loans	263,580	229,675	5,689	6,278	269,269	235,953
Financial entities	11,154	8,411	-	49	11,154	8,460
Government entities	89,545	87,120	2	196	89,547	87,316
Total trade loans	364,279	325,206	5,691	6,523	369,970	331,729
Consumer-						
Credit card	96,656	92,172	4,081	4,744	100,737	96,916
Other consumer loans	83,918	73,908	3,370	2,912	87,288	76,820
Total consumer loans	180,574	166,080	7,451	7,656	188,025	173,736
Mortgage	154,046	150,882	9,533	7,507	163,579	158,389
Total loans	$ 698,899	$ 642,168	$ 22,675	$ 21,686	$ 721,574	$ 663,854

During 2013, the Institution acquired portfolio in the amount of $66 with a corresponding book value at the time of the purchase of $0.

At December 2013 and 2012, housing loan portfolio includes restricted securitized current portfolio of $7,892 and $4,435, respectively; and past-due portfolio of $105 and $105, respectively.

Commercial loans are detailed below; the distressed and non-distressed current and overdue portfolios at December 31, 2013 and 2012, are also identified. This portfolio does not include guarantees and interests collected ahead of time, which are shown as part of the commercial portfolio on the consolidated balance sheet:

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

	2012				
	Distressed		Non-distressed		
Portfolio	Current	Overdue	Current	Overdue	Total
Business or commercial activity	$ 400	$ 2,527	$ 212,080	$ 3,973	$ 218,980
Credits to financial entities	-	48	8,690	1	8,739
Credits to government entities	-	-	87,146	196	87,342
Business Credit Card	-	-	17,594	279	17,873
Entity Credit Card	-	1	72	1	74
Total	$ 400	$ 2,576	$ 325,582	$ 4,450	$ 333,008

The restructured and renewed portfolio at December 31, 2013, and 2012 were as follows:

Restructured Portfolio	2013 Current	2013 Past due	2013 Total
Business or commercial activity	$ 38,262	$ 1,330	$ 39,592
Consumer loans	716	867	1,583
Residential mortgage loans	21,884	6,245	28,129
Total	$ 60,862	$ 8,442	$ 69,304

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

Restructured Portfolio	2012 Current	2012 Past due	2012 Total
Business or commercial activity	$ 44,751	$ 3,110	$ 47,861
Consumer loans	995	654	1,649
Residential mortgage loans	24,365	5,063	29,428
Total	$ 70,111	$ 8,827	$ 78,938

At December 31, 2012, the Institution has warranties in real property for the amount of $43,201, together with warranties in securities for the amount of $22,324 for restructured commercial credits.

As of December 31, 2013, and 2012 aging of past due portfolio is as follows (in days):

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

	2012				
	Period				
Portfolio	1 to 180 days	181 to 365 days	365 days to 2 years	Warranty	Total
Business or commercial activity	$ 2,562	$ 981	$ 3,486	$ (506)	$ 6,523
Consumer loans	7,313	346	-	(3)	7,656
Mortgage loans	1,833	3,285	2,389	-	7,507
Total	$ 11,708	$ 4,612	$ 5,875	$ (509)	$ 21,686

At December 31, 2013 and 2012, unaccrued commissions for initially granting credit, by type and average payment period, are as follows:

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

	2012			
	By amortization period			
	1 to 5 years	15 years	More than 15 years	Total
Business or commercial activity	$ 474	$ 241	$ 76	$ 791
Mortgage loans	2	49	411	462
Total	$ 476	$ 290	$ 487	$ 1,253

As of December 31, 2013 and 2012, the balances of overdue credit portfolio fully reserved and eliminated from the balance sheet were as follows:

Item	2013	2012
Credit card	$ 5,930	$ 3,728
Commercial	2,490	1,956
Consumer	2,707	1,453
Mortgage	567	206
Total	$ 11,694	$ 7,343

As of December 31, 2013 and 2012, the amounts of portfolio sold without including securitization transactions, were as follows:

Concepto	2013	2012
Business or commercial activity	$ 569	$ 74
Credit card and consumer	10,884	5,341
Mortgage	493	2,259
Total	$ 11,946	$ 7,674

As of December 31, 2013 and 2012, the amount of lines of credit and letters of credit recorded in memoranda accounts comes to $313,705 and $254,838, respectively.

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

Type of loan	2013 Interest	2013 Commissions	2013 Total	2012 Total
Commercial loans-				
Denominated in Mexican pesos-				
Commercial	$ 13,823	$ 697	$ 14,520	$ 14,016
Rediscounted portfolio	473	-	473	489
Lease portfolio	77	-	77	92
Denominated in U.S. dollars-				
Commercial	2,305	1	2,306	2,181
Rediscounted portfolio	47	-	47	61
Lease portfolio	4	-	4	4
Total commercial loans	16,729	698	17,427	16,843
Credits to financial entities	525	-	525	473
Credits to government entities	4,991	-	4,991	5,505
Total commercial credits	22,245	698	22,943	22,821
Consumer credits -				
Credit card	24,180	-	24,180	21,668
Other consumer credits	16,735	245	16,980	16,220
Total Consumer credits	40,915	245	41,160	37,888
Mortgage	16,395	127	16,522	16,125
Total	$ 79,555	$ 1,070	$ 80,625	$ 76,834

As of December 31, 2013 and 2012, the amount of the recoveries of credit portfolio written off or eliminated were $597 and $606, respectively, recognized in the heading "Other operating income (expense)" of the consolidated statement of income.

At December 31, 2013 and 2012, loans classified by economic sectors were as follows:

	2013 Amount	2013 Concentration Percentage	2012 Amount	2012 Concentration Percentage
Foreign (non-Mexican entities)	$ 182	0.03%	$ 818	0.12%
Private (companies and individuals)	269,264	37.32%	235,948	35.54%
Financial	10,973	1.52%	7,642	1.15%
Credit card and consumer	188,025	26.06%	173,736	26.17%
Residential mortgage	163,579	22.67%	158,389	23.86%
Government entities	89,547	12.40%	87,316	13.16%
Other past-due loans	4	0.00%	5	0.00%
Total	$ 721,574	100.00%	$ 663,854	100.00%

Related-party loans - At December 31, 2013 and 2012, loans granted to related parties in accordance with the provisions of article 73 of the law of credit institutions, amounted to $31,883 and $39,911, respectively. The amount of related-party loans at December 31, 2013 and 2012 includes $9,364 and $9,921, respectively, of letters of credit, which are recorded in memorandum accounts.

Credit support program -

Early termination of debtor support programs:

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

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

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

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

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

General conditions of payment obligations of Federal Government:

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

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

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

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

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

As of December 31, 2013, 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	$ 1,640	13/07/2017	2,109,235	$ 61	13/07/2017
422-9	128,738,261	11,406	07/07/2022	-	-	-
423-9	10,656,993	944	01/07/2027	468,306	13	01/07/2027
424-6	383,470	34	20/07/2017	96,876	3	20/07/2017
431-2	964,363	78	04/08/2022	1,800	-	04/08/2022
Total		$ 14,102			$ 77	

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, 2013, and 2012 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, 2013, and 2012, the Institution has no loans with debtors or groups of entities or individuals representing a joint risk in which the individual amount exceeds 13% of its basic capital, 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.

28. UDI-denominated restructured loans

At December 31, 2013 and 2012, restructured loans denominated in UDIS amounted to $4,205 and $4,975, respectively.

29. Allowance for loan losses

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

Risk category	2013 Total loans	2013 Allowance	2012 Total loans	2012 Allowance
A1	$ 409,873	$ 2,152	$ 362,654	$ 2,124
A2	134,178	1,985	131,572	1,768
B1	58,007	1,602	34,102	1,037
B2	31,708	1,475	29,769	1,196
B3	24,241	1,299	32,317	1,628
C1	16,057	1,275	28,222	2,283
C2	17,212	2,979	17,215	2,840
D	20,673	5,991	17,785	4,714
E	10,401	6,459	10,152	6,953
Subtotal	722,350	25,217	663,788	24,543
Loans exempt from classification	20,624	-	22,230	-
Additional	-	2,119	-	3,391
Total	$ 742,974	$ 27,336	$ 686,018	$ 27,934

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, 2013 and 2012 is determined based on the balance of the portfolio at that date.

The allowance for loan losses at December 31, 2013 and 2012 covers 100% of past-due interest.

The amount of the allowance at December 31, 2013 and 2012 includes the classification of the loan granted in foreign currency valued at the exchange rate in effect on December 31, 2013 and 2012.

At December 31, 2013, the Institution has created additional mortgage portfolio reserves of $1,767, which represent the supplement required by the internal expected loss rating model. It also created credit card reserves of $352, which are based on the calculation performed to recognize the estimated effects of the credit card cycle modification that will take effect from January 2014.

At December 31, 2013 and 2012, the allowance for loan losses represents 120.55% and 128.81%, respectively, of the non-performing loan portfolio.

At December 31, 2013 and 2012, allowance by type of portfolio risk estimates is comprised as follows:

Item	2013	2012
Commercial loans-		
Commercial	$ 5,619	$ 5,802
Financial entities	167	282
Government entities	659	660
	6,445	6,744
Consumer	14,682	14,436
Mortgage	6,209	6,754
Total allowance	$ 27,336	$ 27,934

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

	2013	2012
Balance at beginning of year	$ 27,934	$ 24,873
Allowances charged to income statement	23,699	22,260
Allowances charged to the result from prior years	1,551	-
Applications and write-offs of the year	(25,901)	(17,842)
Sale of loans	-	(1,288)
Exchange effect	53	(69)
Balance at end of year	$ 27,336	$ 27,934

30. 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 – 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) 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), 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:

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

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

As of December 31, 2013 and 2012, amounts reported under "Benefits to be received in securitization operations", of $1,175 represent the outstanding trust certificates of unconsolidated securitizations.

The summarized financial information of unconsolidated securitization trusts as of December 31, 2013 and 2012, are shown below:

No. of Trust	711		752		781		847	
	2013	2012	2013	2012	2013	2012	2013	2012
Assets	$ 1,100	$ 1,347	$ 542	$ 643	$ 3,455	$ 3,916	$ 2,791	$ 3,358
Liabilities	$ 1,021	$ 1,247	$ 503	$ 595	$ 1,666	$ 2,360	$ 2,565	$ 3,121
Stockholders' equity	$ 79	$ 100	$ 39	$ 48	$ 1,789	$ 1,556	$ 226	$ 237
Net result	$ 14	$ 9	$ 7	$ 7	$ 234	$ 144	$ 56	$ 13

31. Receivables, sundry debtors and prepayments, net

The balance at December 31, 2013 and 2012, consists of the following:

Item	2013	2012
Debtors from transaction settlement	$ 29,596	$ 20,615
Loans to officers and employees	8,021	7,514
Sundry debtors	2,750	3,351
Debtors from collateral provided through OTC derivatives	7,902	7,654
Others	1,297	1,187
	49,566	40,321
Less – Allowance for uncollectible accounts	(428)	(241)
Total	$ 49,138	$ 40,080

The debtors for settlement of transactions as of December 31, 2013 and 2012, are composed as follows:

	2013	2012
Foreign currencies	$ 23,590	$ 15,935
Investments in securities	5,923	4,466
Derivatives	83	214
Total	$ 29,596	$ 20,615

Debtors for collateral granted on OTC derivatives as of December 31, 2013 and 2012 is composed as follows:

	2013			2012
Collateral provided through derivatives	Acquisition Cost	Accrued Interest	Book Value	Book Value
BNP Paribas	$ 1,265	$ -	$ 1,265	$ -
HSBC México, S. A.	1,220	-	1,220	1,308
Deutsche Bank	980	-	980	1,217
Natixis	860	-	860	-
JP Morgan Chase Bank NY	741	-	741	473
Goldman Sachs Paris	642	-	642	-
Barclays Bank PLC	611	-	611	663
Banco Nacional de México	411	1	412	372
Morgan Stanley Caps	389	-	389	512
Banco JP Morgan S.A.	370	-	370	-
Banobras	128	-	128	-
Royal Bank of Scotland	121	-	121	208
Morgan Stanley & Co	98	-	98	-
HSBC Bank USA NA NY	30	-	30	-
Bank of America NA	21	-	21	27
Toronto Dominion Bank	14	-	14	-
BBVA Servex	-	-	-	2,874
Total	$ 7,901	$ 1	$ 7,902	$ 7,654

32. Long-lived assets available for sale

On November 27, 2012, BBVA reached an agreement with Afore XXI Banorte, S.A. de C.V. regarding the plan to sell shares held directly or indirectly in Administradora de Fondos para el Retiro Bancomer, S.A. de C.V. (the Afore), of which 75% was held by the Institution. Accordingly, it has ceased being consolidated in conformity with NIF C-15, which considers the investment as a “Long-lived asset available-for-sale” in the balance sheet and results of the period. This item was presented under the heading of “Discontinued operations” in the statement of income.

The condensed financial information which deconsolidated at December 31, 2012 is presented below:

	2012
Balance Sheet:	
Current Assets	$ 4,539
Fixed assets and other assets	657
Current Liabilities	1,197
Stockholder´s Equity	3,999
Income and Comprehensive Income:	
Income	3,600
Costs and expenses	(1,234)
Income Taxes	(645)
Total net income	$ 1,721

The amounts of the Institution's investment in Afore at December 31, 2012, are as follows:

Item	2012
Investment amount	$ 2,999
Goodwill	1,759
Total	$ 4,758
Discontinued operations	$ 1,291

33. Repossessed assets, net

Repossessed assets at December 31, 2013 and 2012, were as follows:

Item	2013	2012
Buildings	$ 5,885	$ 5,049
Land	3,173	2,047
Securities	20	21
	9,078	7,117
Less - Allowance for impairment of repossessed assets	(1,448)	(976)
Total	$ 7,630	$ 6,141

34. Property, furniture and equipment, net

Property, furniture and equipment at December 31, 2013 and 2012 were as follows:

Item	2013	2012
Furniture and equipment	$ 8,229	$ 6,781
Office space	9,759	9,710
Installation costs	7,752	6,045
Land	2,519	2,488
Construction in progress	5,379	3,402
	33,638	28,426
Less- Accumulated depreciation and amortization	(11,247)	(9,758)
Total	$ 22,391	$ 18,668

As part of the strategic real estate plan, the Institution is currently building the corporate headquarters of the Financial Group, with an estimated termination date of 2013. As of December 31, 2013 and 2012, the amount of this investment is $7,898 and $5,890, respectively.

For the year ended December 31, 2013, depreciation and amortization are $1,516 and $1,375, respectively. For the year ended December 31, 2012, depreciation and amortization are $1,400 and $1,217, respectively..

Likewise, the amount of expenses incurred for this item during 2013 and 2012 is $1,977 and $1,262, respectively.

35. Equity investments

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

Entity	Equity	2013	2012
Fideicomiso No.1729 INVEX - Enajenación de Cartera	32.25%	$ 700	$ -
I+D México, S.A. de C.V.	50.00%	323	326
Servicios Electrónicos Globales, S.A. de C.V.	46.14%	93	85
Compañía Mexicana de Procesamiento, S.A. de C.V.	50.00%	107	101
Seguridad y Protección Bancarias, S.A. de C.V.	22.32%	12	9
Others	Various	138	192
Total		$ 1,373	$ 713

The investment in shares of associated companies as of December 31, 2013 and 2012 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, 2013 and 2012, the dividends received from associated companies and other permanent investments were $217 and $197, respectively.

At December 31, 2013 and 2012, the Institution holds equity in the results of associated companies for the amount of $169 and $165, respectively.

On October 24, 2013 and in conjunction with other banks, the Institution created Irrevocable Trust Number 1729 for portfolio sale purposes with credit portfolio (factoring) and cash contributions. The Trustee is Banco Invex, S.A. Institución de Banca Múltiple, Invex Grupo Financiero, with credit portfolio (factoring) and cash contributions. At December 31, 2013, the total Trust value is $3,557, of which the Institution has contributed $700.

36. 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, 2013 and 2012, of $5,478 and $6,699, respectively, as follows:

	2013		2012	
	Temporary Difference		Temporary Difference	
Item	Base	Deferred Income Taxes	Base	Deferred Income Taxes
Temporary differences - assets:				
Allowance for loan losses	$ 15,373	$ 4,612	$ 15,595	$ 4,613
Commissions and interest	6,663	1,999	6,737	2,021
Provisions	5,286	1,586	5,515	1,654

Item	2013 Temporary Difference Base	2013 Deferred Income Taxes	2012 Temporary Difference Base	2012 Deferred Income Taxes
Advance premium on swap	6,937	2,081	7,389	2,217
Other assets	1,105	331	2,490	746
Repossessed assets	2,222	667	1,432	430
Pension allowance	-	-	30	9
Allowance for debtors and creditors	296	89	132	40
Total assets	37,882	11,365	39,320	11,730
Temporary differences - liabilities:				
Valuation of investments at fair value	15,333	4,600	12,748	3,824
Available for sale securities valuation	1,574	472	2,661	798
Valuation derivatives coverage	130	39	265	76
Advance premium on swap	1,033	310	930	279
Pension allowance	788	237	-	-
Other liabilities	763	229	178	54
Total liabilities	19,621	5,887	16,782	5,031
Net deferred tax asset	$ 18,261	$ 5,478	$ 22,538	$ 6,699

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

37. Other assets

Other assets at December 31, 2013 and 2012, were as follows:

Item	2013	2012
Software (net)	$ 4,011	$ 3,701
Prepaid expenses	3,047	1,592
Pension plan prepayment	757	-
Other unapplied expenses	411	431
IETU and ISR (net)	173	132
Total	$ 8,399	$ 5,856

As of December 31, 2013 and 2012, 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, 2013 and 2012 are detailed below:

Item	2013	2012
Historical cost	$ 9,421	$ 8,006
Amortization	(5,410)	(4,305)
Total	$ 4,011	$ 3,701

38. 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 2013 and 2012 the Institution was subject to liquidity requirements of U.S. $181 million and U.S. $0 million, respectively, and maintained investments in liquid assets of U.S. $932 million and U.S. $1,358 million, reflecting liquidity excesses of U.S. $751 million and U.S. $1,358 million, respectively.

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

	2013	2012
Demand deposits:		
Demand deposits	$ 525,505	$ 472,313
Saving deposits	-	73
Time deposits:		
Notes with interest payable at maturity	112,568	118,125
Time deposits	17,269	24,577
Bank bonds	57,243	56,537
Total	$ 712,585	$ 671,625

39. Interbank loans and loans from other entities

At December 31, 2013 and 2012, interbank loans and loans from other entities were as follows:

Item	Mexican pesos		U.S. dollars in Mexican pesos		Total	
	2013	2012	2013	2012	2013	2012
Bank loans	$ 1,551	$ 5,000	$ 2,998	$ 9,175	$ 4,549	$ 14,175
Loans call money	13,506	124	3,926	829	17,432	953
Loans from other entities	8,981	8,325	937	1,355	9,918	9,680
Total	$ 24,038	$ 13,449	$ 7,861	$ 11,359	$ 31,899	$ 24,808

Interbank loans and loans from other entities in foreign currency were contracted by the Institution with terms ranging from two days to 7 years and annual rates ranging between 0.3% and 6.32 % annual in 2013 and 0.8% and 6.4% in 2012. Such loans are contracted with 11 foreign financial institutions.

The Institution maintains a credit line with the Central Bank of Mexico for up to the amount of the debt restructuring mechanism (DRM), the balance of which is $64,911 (without considering interest) for 2013 and 2012; the amount used from this credit line in 2013 and 2012 was $1,443 and $0, respectively. Accordingly, the available credit increased to $63,468 and $64,911 at the 2013 and 2012 yearend close, respectively.

40. 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 2013 and 2012, for ($658) and ($371), respectively. Both effects were recognized in the headings of "Other operating income (expenses)" in the consolidated statement of income.

Pension plan and seniority premiums -

At December 31, 2013 and 2012, obligations for defined benefits were composed as follows:

Item	2013	2012
Opening balance	$ 3,561	$ 3,616
Service cost		5
Financial cost	274	291
Actuarial losses and gains generated in the period	(153)	203
Benefits paid	(447)	(443)
Disposition or division of business	-	(110)
Reductions	-	(1)
Obligations for defined benefits	$ 3,235	$ 3,561
Amount of obligations for benefit acquired	$ 3,235	$ 3,561

At December 31, 2013 and 2012, plan assets were as follows:

Item	2013	2012
Opening balance	$ 4,069	$ 3,920
ns expected from plan assets	316	257
rial (losses) gains generated during the period	(682)	445
ibutions made by the Institution	456	-
enefits	(447)	(443)
fer between plans	-	(110)
Plan assets	$ 3,712	$ 4,069

At December 31, 2013 and 2012, the net plan assets were as follows:

Item	2013	2012
Defined benefit obligation	$ 3,235	$ 3,561
Plan assets	(3,712)	(4,069)
Current net asset derived from employee pensions	$ (477)	$ (508)

For the years ended December 31, 2013 and 2012, the net cost (benefit) of the period was as follows:

Item	2012	2011
Labor cost of services for the year	$ -	$ 5
Financial cost	274	291
(Return) on plan assets	(316)	(257)
Immediate recognition of actuarial losses (income) for the year	529	(242)
Effects of reduction and extinction	-	(1)
Net cost (benefit) of the period	$ 487	$ (204)

The nominal interest rates utilized in the actuarial calculations were:

Item	2013	2012
Actual return on plan assets rate	9.49%	8.20%
Interest rate	9.49%	8.20%
Salary increase rate	4.75%	4.75%
Medical services increase rate	6.75%	6.75%

Integral medical services

At December 31, 2013 and 2012, the obligations for defined benefits were composed as follows:

Item	2013	2012
Opening balance	$ 5,079	$ 4,611
Financial cost	402	386
Actuarial losses and gains generated in the period	(707)	456
Paid benefits	(402)	(372)
Transfer between plans	-	(2)
Obligations for defined benefits	$ 4,372	$ 5,079
Amount of the benefit obligation acquired	$ 4,372	$ 5,079

At December 31, 2013 and 2012, plan assets were composed as follows:

Item	2013	2012
Opening balance	$ 4,317	$ 3,910
Expected returns on plan assets	342	266
Actuarial losses and gains generated in the period	(746)	514
Entity contributions	915	-
Transfer between plans	-	(1)
Paid benefits	(402)	(372)
Plan assets	$ 4,426	$ 4,317

As of December 31, 2013 and 2012, the projected net (assets) liabilities are composed as follows:

	2013	2012
Defined benefit obligation	$ 4,372	$ 5,080
Plan assets	(4,426)	(4,317)
Projected net (assets) liabilities related to comprehensive medical services	$ (54)	$ 763

At December 31, 2013 and 2012, net cost of the period was composed as follows:

	2013	2012
Financial cost	$ 402	$ 386
Return on the fund assets	(342)	(266)
Immediate recognition of actuarial losses (gains) for the year	39	(58)
Net cost of the period	$ 99	$ 62

Below we present the effect of the 1% rate increase or decrease in the variation trend assumed for medical costs.

Item	2013		2012	
	+1%	-1%	+1%	-1%
Net cost of the period	39	(35)	44	(37)
Defined benefit obligations liability	423	(364)	557	(472)

Life insurance -

At December 31, 2013 and 2012, the obligations for defined benefits were composed as follows:

Item	2013	2012
Opening balance	$ 818	$ 746
ıcial cost	65	63
ırial (gains) losses generated during the period	(109)	17
;fers	-	(3)
benefits	(6)	(5)
Obligation from defined benefits	$ 768	$ 818
Amount of defined benefit obligation	$ 768	$ 818

At December 31, 2013 and 2012, plan assets are composed as follows:

Item	2013	2012
Opening balance	$ 1,052	$ 909
·ns expected from plan assets	84	62
ırial (losses) gains generated during the period	(189)	90
:ibutions made by the Institution	105	-
;fer between plans	-	(3)
benefits	(6)	(6)
Plan assets	$ 1,046	$ 1,052

At December 31, 2013 and 2012, the amount of the net projected asset is composed as follows:

	2013	2012
Defined benefit obligation	$ 768	$ 818
Plan assets	(1,046)	(1,052)
Net projected asset for death benefit	$ (278)	$ (234)

At December 31, 2013 and 2012, the net cost (benefit) of the period is composed as follows:

	2013	2012
Financial cost	$ 65	$ 63
Returns of fund assets	(84)	(62)
Immediate recognition of actuarial profits of the year	80	(73)
Net (cost) benefit of the period	$ 61	$ (72)

Retiree sports facility

At December 31, 2013 and 2012, the defined benefit obligation is composed as follows:

Item	2013	2012
Opening balance	$ 11	$ 10
Financial cost	1	1
Actuarial losses generated during the period	9	1
Paid benefits	(1)	(1)
Defined benefit obligation	$ 20	$ 11
Amount of acquired benefit obligation	$ 20	$ 11

At December 31, 2013 and 2012, the projected net liability is composed as follows:

Item	2013	2012
Unfunded liability	$ 20	$ 11
Projected net liability for the plan entitled sports for retirees	$ 20	$ 11

At December 31, 2013 and 2012, net cost of the period is composed as follows:

	2013	2012
Financial cost	$ 1	$ 1
Immediate recognition of actuarial gains during the year	9	1
Net cost of the period	$ 10	$ 2

Severance payments

For the years ended December 31, 2013 and 2012, the obligations for defined benefits are composed as follows:

Item	2013	2012
Opening balance	$ 2	$ 3
Service labor cost	1	-
Actuarial losses generated during the period	-	2
Paid benefits	-	(2)
Obligation reduction	-	(1)
Defined benefit obligation	$ 3	$ 2
Amount of defined benefit obligation	$ 3	$ 2

At December 31, 2013 and 2012, the projected net liability was composed as follows:

Item	2013	2012
Unfunded liability	$ 3	$ 2
Unrecognized actuarial gains	(1)	-
Net projected liability for personnel compensations	$ 2	$ 2

The amortization period of the unamortized items is five years.

At December 31, 2013 and 2012, the net cost of the period was as follows:

	2013	2012
Immediate recognition of actuarial losses of the year	$ -	$ 2
Reduction and settlement effects	-	(1)
Labor cost of the year	1	-
Net cost of the period	$ 1	$ 1

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, 2013, the plans for indemnities and sports for retirees did not have assets to fund the obligations for defined benefits.

At December 31, 2013, the assets from the different plans were invested in government securities. Also, the expected return on plan assets as of December 31, 2013 was estimated at $742, while the actual return during the period was $(863).

41. Subordinated debt

Item	2013	2012
Bancomer 06 debentures at the TIIE rate + 0.30%, payable every 28 days and with maturity on September 18, 2014, the number of outstanding securities is 25,000,000 with a face value of $100 Mexican pesos each.	$ 2,500	$ 2,500
Bancomer 08 debentures at the TIIE rate + 0.60%, payable every 28 days and with maturity on July 16, 2018, the number of outstanding securities is 12,000,000 with a face value of $100 Mexican pesos each.	-	1,200
Bancomer 08-2 debentures at the TIIE rate + 0.65%, payable every 28 days and with maturity on September 24, 2018, the number of outstanding securities is 30,000,000 with a face value of $100 Mexican pesos each.	-	3,000
Bancomer 09 debentures at the TIIE rate + 1.30%, payable every 28 days and with maturity on June 7, 2019, the number of outstanding securities is 27,292,325 with a face value of $100 pesos each.	2,729	2,729
Bancomer 08-3 debentures at the TIIE rate + 1.00%, payable every 28 days and with maturity on November 26, 2020, the number of outstanding securities is 28,591,672 with a face value of $100 pesos each.	2,859	2,859
Non-preferred capitalization notes for US $500 million, issued in May 2007 at an interest rate of 6.0080% issued May 17, 2017, payable semiannually and LIBOR + 1.81% as of May 18, 2017, payable quarterly, and maturing on May 17, 2022 the number of outstanding securities is 500,000 with a face value of $1,000 dollars each.	6,542	6,483
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 500,000 with a face value of $1,000 dollars each.	13,084	12,966
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.	16,355	16,207
Preferred capitalization notes for USD 1,000 million, issued in July 2012 , at an interest rate of 6.75% and expansion of emission by USD 500 million on September 2012, at an interest rate of 5.45% payable semiannually, starting at 30 of March 2013, an maturing on September 30, 2022, the number of outstanding securities is 1,500,000 with a face value of $1,000 dollars each.	19,627	19,449
Unpaid accrued interests	911	1,172
Total	$ 64,607	$ 68,565

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

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

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

On May 17, 2012, the Institution exercised the option for early redemption of the non-preferred capitalization notes, which were issued in May 2007 with a 10-year maturity, for the amount of EUR$600 million.

42. Related parties

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

	2013	2012
Banco Bilbao Vizcaya Argentaria, S.A. -		
Derivative financial instruments	$ 3,148	$ (4,212)
Creditors from repurchase agreements	$ -	$ 1,715
BBVA Bancomer Operadora, S.A. de C.V.		
Fees paid for administrative services	$ 11,369	$ 11,697
Account payable	$ 1,826	$ 3,112
BBVA Bancomer Servicios Administrativos, S.A. de C.V. -		
Fees paid for administrative services	$ 4,771	$ 3,974
Account payable	$ 861	$ 821
Seguros BBVA Bancomer, S.A. de C.V. -		
Commissions income	$ 1,339	$ 1,278
Insurance premiums paid	$ 550	$ 748
BBVA Bancomer Gestión, S.A. de C.V.-		
Commissions income	$ 2,626	$ 2,703

43. Income taxes

The Institution is subject to ISR and IETU.

ISR – The tax rate was 30% for 2013 and 2012; according to the new 2014 LISR (“2014 Law”), it will remain at 30% during 2014 and subsequent years.

As regards the accounting recognition of the items included in the 2014 Tax Reform and which are related to income taxes, the CINIF issued INIF 20, Accounting Effects of the 2014 Tax Reform, which took effect as of December 2013.

An additional 10% income tax has been established for dividends paid to foreign individuals and residents. This tax must be withheld and represents a definitive payment which must be made by stockholders, although tax treaties can be applied in the case of foreigners. This tax will be applicable to the distribution of profits generated as of 2014.

Based on the Tax Reform, as of January 1, 2014, it is likely that the Institution will no longer deduct the Global Allowances for Loan Losses permitted by the previous Income Tax Law. Consequently, as of 2014, the Institution will deduct bad debts. For this purpose and by means of temporary articles, the new LISR establishes specific rules for recognizing the tax effects generated by the excess amounts of unapplied Global Allowances for Loan Losses and the bad debts forming part of the latter.

IETU – Business Flat Tax (IETU) was eliminated as of 2014. Accordingly, this tax was incurred until December 31, 2013 and permitted certain deductions and tax credits based on the cash flows of each year. The tax rate was 17.5%.

The Business Flat Tax and Cash Deposit Tax were eliminated.

The income tax incurred is the higher of ISR and IETU.

Value Added Tax (IVA) -

The IVA rate has been standardized at the national level, thereby increasing the tax rate in effect in the border zone from 11% to 16%.

Based on its financial projections and according to INIF 8, *Effects of the Business Flat Tax*, the Institution determined that it will basically pay ISR. Therefore, it only recognizes deferred ISR.

Taxable income - The principal items that contributed to the determination of the Institution's tax result were deduction of allowances for loan losses without exceeding 2.5% of the annual average of the loan portfolio and the valuation of financial instruments.

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:

	2013	2012
Statutory rate	30%	30%
Add (deduct) -		
Effect of nondeductible items	0.69%	1.53%
Annual adjustment for inflation	(4.84%)	(2.13%)
Cancellation provisions from previous years	(1.16%)	(6.12%)
Other effects	(0.19%)	(0.24%)
Effective rate	24.50%	23.04%

Recoverable IMPAC - As of December 31, 2013 and 2012, the Institution has recoverable IMPAC of $889 and $1,187, respectively.

44. Stockholders' equity

Capital stock - The capital stock of the Institution at December 31, 2013 and 2012, was as follows:

	Number of shares at Par Value of $0.28 Mexican pesos per share					
	2013			2012		
	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					
	2013			2012		
	Authorized	**Unsubscribed**	**Paid-in**	**Authorized**	**Unsubscribed**	**Paid-in**
Series "F"	$ 2,550	$ (386)	$ 2,164	$ 2,550	$ (386)	$ 2,164
Series "B"	2,450	(371)	2,079	2,450	(371)	2,079
Subtotal	$ 5,000	$ (757)	4,243	$ 5,000	$ (757)	4,243
Capitalization of restatement			10,971			10,971
Restatement to Mexican pesos as of December 2007			8,924			8,924
Total			$ 24,138			$ 24,138

At a Stockholders' Ordinary General Meeting on February 28, 2013, the Institution authorized distribution a cash dividend of $20,085, taken from the "Results from prior years" which was distributed on the basis of $1.325448173233 Mexican pesos per share, which were paid to the shareholders during 2013 as follows: On March 25, 2013 $4,418, on June 26, 2013 $5,823; on September 25, 2013 $4,922 and on December 11, 2013 $4,922.

Restrictions on income - Stockholders' equity, except for restated amounts of paid-in capital and tax retained earnings, will incur ISR on dividends payable by the Institution at the current rate, at the time of distribution. The tax paid on such distribution can be credited against ISR of the year and the respective provisional payments during the year in which tax is paid on dividends and the next two years.

The annual net income of the Institution is subject to the legal requirement that 10% of profits be transferred to a legal reserve each year until the reserve equals paid-in capital. This reserve may not be distributed to stockholders during the existence of the Institution, except in the form of a stock dividend.

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

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

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

Capitalization for operating risk:

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

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

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

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

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

Capitalization due to market risk:

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

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

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

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

– *Basic capital:*

Item	**Amount**
Stockholders' equity	$ 125,568
Capital notes	14,043
Deductions of subordinated debt instruments related to securitization schemes	(2,010)
Deductions of investments in shares of financial entities	(1,867)
Organization expenses, other intangible assets	(5,229)
Total	$ 130,505

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

Item	Appraised Amount	Maturity Date	Calculation	Weighted Average Amount
Non-convertible debt considered as basic capital:				
Eligible capital notes	$ 6,542	17/05/2022	90 %	$ 5,888
Eligible capital notes	13,084	22/04/2020	90 %	11,776
	$ 19,626			$ 17,664

– *Complementary capital:*

Item	Amount
Obligations and capitalization instruments	$ 43,623
Allowance for loan losses	163
Total	$ 43,786
– *Net capital:*	$ 174,291

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

Item	Appraised Amount	Maturity Date	Calculation	Weighted Average Amount
Non-convertible debt considered as complementary capital:				
BANCOMER-06	$ 2,500	18/09/2014	0 %	$ -
BANCOMER-08-3	2,859	26/11/2020	100 %	2,859
BANCOMER-09	2,729	07/06/2019	100 %	2,729
Eligible capital notes	16,355	10/03/2021	90 %	14,720
Eligible capital notes	13,084	30/09/2022	90 %	11,776
Eligible capital notes	6,542	30/09/2022	90 %	5,888
	$ 44,069			$ 37,972

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	$ 160,518	$ 12,841
Transactions in Mexican pesos with real rate or rate denominated in UDIs	11,921	954
Rate of return based on the General Minimum Wage	23,705	1,896
Interest rate transactions in foreign currency with a nominal rate	28,554	2,284

Item	Risk-Weighted Positions	Capital Requirements
Positions in UDIs and Mexican pesos with yield linked to NCPI	52	4
Positions in currencies with yield indexed to exchange rates	7,322	586
Positions in shares or with yield indexed to the price of a share or group of shares	11,188	895
Transactions based on the General Minimum Wage	168	13
Surtax	9,843	787
Total market risk	$ 253,271	$ 20,260

Assets subject to credit risk:

Item	Risk-Weighted Assets	Capital Requirements
Weighted at 10%	$ 1,060	$ 85
Weighted at 11.5%	1,058	85
Weighted at 20%	33,306	2,665
Weighted at 23%	1,907	153
Weighted at 50%	31,827	2,546
Weighted at 75%	23,914	1,913
Weighted at 100%	436,623	34,930
Weighted at 115%	18,090	1,447
Weighted at 125%	15,363	1,229
Weighted at 150%	269	22
Weighted al 1250%	5,476	438
Internal methodology TDC	134,461	10,757
Total credit risk	$ 703,354	$ 56,270
Operational risk	$ 139,445	$ 11,156

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

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

As required by the Commission, the Institution performs exercises involving the preparation of annual financial projections for stress scenarios. These exercises verify that the Institution has sufficient capital to allow it to continue as a resource intermediary and credit grantor. Accordingly, these exercises consider different assumptions regarding the future behavior of the expected loss of credit portfolios and the behavior of macroeconomic variables.

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

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

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

45. Position in foreign currency

At December 31, 2013 and 2012, 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 $13.0843 Mexican pesos and $12.9658 Mexican pesos per U.S. dollar, respectively, and the position in foreign currency was as follows:

	Millions of U.S Dollars	
	2013	**2012**
Assets	11,691	10,825
Liabilities	(12,003)	(10,801)
Net liability position in U.S. dollars	(312)	24
Net liability position in Mexican pesos (nominal value)	$ (4,087)	$ 311

As of February 14, 2014, the foreign currency position (unaudited) is similar to that of the close of the year and the exchange rate as of that date is $13.2477 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, 2013 was USD $270.6 million short, which includes delta FX options, and excludes assets and liabilities that are not computable.

The Institution performs transactions in foreign currency, primarily in US dollars, Euros and Japanese yen. The Institution does not disclose its position in currencies other than the US dollar, as it is largely immaterial. The parity of other currencies with the Mexican peso is referenced to the US dollar and is in compliance with the Central Bank of Mexico regulations. Consequently, the Institution's position in all foreign currencies is consolidated in US dollars at each monthly close.

The foreign currency position of the other subsidiaries is immaterial.

46. UDI position

At December 31, 2013 and 2012, the Institution had UDI-denominated assets and liabilities translated into Mexican pesos, considering the prevailing conversion rate of $5.058731 Mexican pesos and $4.874624 Mexican pesos per UDI, respectively, as follows:

	Millions of UDIs	
	2013	**2012**
Assets	8,106	6,160
Liabilities	(5,261)	(5,837)
Net liability position in UDIs	2,845	323
Net liability position in Mexican pesos (nominal value)	$ (14,390)	$ 1,574

As of February 14, 2014 the position in UDIS (unaudited) is similar to that of the close of the year and the exchange rate as of that date is $5.123518 Mexican pesos per UDI.

47. 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 fees must be paid monthly for an amount equivalent to one twelfth of four thousandths of the monthly average of daily debit transactions of the month in question.

During 2013 and 2012, contributions made by the Institution to IPAB for insurance to deposits amounted to $3,003 and $2,858, respectively.

48. Financial margin

For the years ended December 31, 2013 and 2012, the main items composing the financial margin were as follows:

	2013		
		Amount valued	
	Mexican pesos	Dollars	Total
Interest income:			
Credit portfolio interest and returns	$ 77,127	$ 2,428	$ 79,555
Securities interest and returns	3,699	858	4,557
Interest from quick assets	2,797	68	2,865
Interest and premiums from repurchase agreements and securities loans	14,073	-	14,073
Memoranda account interest	123	-	123
Commissions collected for initially granting credit	1,070	-	1,070
Others	1,524	46	1,570
Total interest income	100,413	3,400	103,813
Interest expenses:			
Deposit interest	(10,364)	(593)	(10,957)
Interest from loans provided by banks and other entities	(713)	(23)	(736)
Debenture interest	(604)	(3,554)	(4,158)
Interest and premiums from repurchase agreements and securities loans	(12,837)	(15)	(12,852)
Expenses incurred to initially grant credit	(61)		(61)
Others	(660)	(45)	(705)
Total interest expenses	(25,239)	(4,230)	(29,469)
Financial margin	$ 75,174	$ (830)	$ 74,344

	2012		
	Amount valued		
	Mexican pesos	Dollars	Total
Interest income:			
Credit portfolio interest and returns	$ 73,587	$ 2,268	$ 75,855
Securities interest and returns	2,884	657	3,541
	3,205	60	3,265
Interest from quick assets	16,570	-	16,570
Interest and premiums from repurchase agreements and securities loans	143	-	143
Memoranda account interest	978	1	979
Commissions collected for initially granting credit	2,122	31	2,153
Total interest income	99,489	3,017	102,506
Interest expenses:			
Deposit interest	(11,831)	(624)	(12,455)
Interest from loans provided by banks and other entities	(1,001)	(41)	(1,042)
Debenture interest	(701)	(3,097)	(3,798)
Interest and premiums from repurchase agreements and securities loans	(14,947)	-	(14,947)
Expenses incurred to initially grant credit	(3)		(3)
Others	(654)	(51)	(705)
Total interest expenses	(29,137)	(3,813)	(32,950)
Financial margin	$ 70,352	$ (796)	$ 69,556

49. Commissions and fee income

For the years ended December 31, 2013 and 2012, the main items for which the Institution recorded commissions and fee income in the consolidated statement of income were as follows:

Concept	2013	2012
Credit and debit cards	$ 13,705	$ 12,572
Bank commissions	6,973	6,507
Investment funds	2,626	2,703
Insurance	1,342	1,267
Others	3,805	3,869
Total	$ 28,451	$ 26,918

During 2013 and 2012, the amount of revenues received by the Institution in trust operations amounted to $249 and $235, respectively.

50. Trading income

For the years ended December 31, 2013 and 2012, the main items composing the trading income were as follows:

	2013	2012
Valuation result:		
Derivatives	$ 580	$ 9,401
Foreign currency	(1,640)	(4,177)
Securities investments	2,007	1,903
	947	7,127
Purchase-sale result:		
Derivatives	1,592	(4,900)
Foreign currency	1,811	1,695
Securities investments	(1,334)	(296)
	2,069	(3,501)
Total	$ 3,016	$ 3,626

51. Segment information

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

elow we present the revenues obtained during the years 2013 and 2012, which show the difference segments as indicated in the preceding paragraph:

2013

Concept	Total	Commercial bank	Corporate and Government Banking	Market Operation	Other Segments
Financial margin	$ 74,344	$ 53,915	$ 12,922	$ 2,654	$ 4,85
lowance for loan losses	(23,699)	(23,122)	(577)	-	-
Net interest income after allowance for loan losses	50,645	30,793	12,345	2,654	4,85
Commissions and fees, net	19,429	16,063	4,175	770	(1,57
Trading income	3,016	1,258	312	1,370	7
Other operating income (expenses)	(62)	204	187	-	(45
Net operating revenues	73,028	$ 48,318	$ 17,019	$ 4,794	$ 2,89
dministration and promotion costs	(43,136)				
Net operating revenues	29,892				
are in net income of unconsolidated subsidiaries d affiliates	169				
Income before income taxes	30,061				
rrent income tax	(5,265)				
eferred income tax	(2,057)				
Income before non-controlling interest	22,739				
scontinued operations	8,085				
Income before non-controlling interest	30,824				
n-controlling interest	1				
Net income	$ 30,825				

2012

Concept	Total	Commercial bank	Corporate and Government Banking	Market Operation	Other Segments
Financial margin	$ 69,556	$ 53,283	$ 10,713	$ 3,217	$ 2,3
lowance for loan losses	(22,260)	(21,353)	(907)	-	-
Net interest income after allowance for loan losses	47,296	31,930	9,806	3,217	2,3
Commissions and fees, net	17,803	13,155	3,465	651	5
Trading income	3,626	1,316	485	1,282	5
Other operating income (expenses)	1,331	647	152	12	5
Net operating revenues	70,056	$ 47,048	$ 13,908	$ 5,162	$ 3,9
dministration and promotion costs	(41,806)				
Net operating revenues	28,250				
are in net income of unconsolidated subsidiaries and filiates	165				
Income before income taxes	28,415				
rrent income tax	(6,088)				
eferred income tax	(421)				
Income before non-controlling interest	21,906				
scontinued operations	1,291				
Income before non-controlling interest	23,197				
on-controlling interest	(4)				
Net income	$ 23,193				

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

52. Risk management and derivatives (Unaudited figures)

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

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

– *Participation of the governing bodies:*

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

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

– *Policies and procedures:*

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

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

– *Tactic decision making:*

Independence of the Comprehensive Risk Management Unit.

Interaction of this unit with operating committees.

Establishment of monitoring processes and daily and monthly reports.

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

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

– *Tools and analyses:*

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

Indicators of diversification levels (correlations).

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

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

Risk integration by defining capital requirements to absorb them.

– *Information:*

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

– *Technological platform:*

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

– *Audit and comptrollership:*

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

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

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

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

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

– *Market risk:*

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

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

– *Credit risk:*

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

Retail/consumer loans- Credit cards, financing plans.

Mortgage - Mortgage portfolio.

– *Operational Risk:*

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

Aware of the importance of considering all aspects associated with operating risk, the Institution has implemented comprehensive risk management which not only includes the quantitative aspects of risk, but also seeks to measure other elements that require the introduction of qualitative evaluation mechanisms, without overlooking the objectivity of the systems utilized for this purpose. An operating risk is defined as one that cannot be classified as a credit or market risk. This is a broad definition which primarily includes the following risk classes: process, fraud, technological, human resources, commercial and legal practices, and suppliers and disasters.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Economic value December 2013 (unaudited)

	Sensitivity				
Portfolio	**-100 pb**	**+100 pb**	**%**	**Alert**	**% Utilized**
M.N.	1,971	(2,900)	2.2%	3.5%	63.4%
M.E.	(645)	630	0.5%	4.0%	12.3%
Total	**1,326**	**(2,270)**	**1.7%**	**8.0%**	**21.7%**

December 2012 Financial margin with financial plan (unaudited)

	Sensitivity				
Portfolio	**-100 pb**	**+100 pb**	**%**	**Alert**	**% Utilized**
M.N.	(728)	728	0.9%	3.0%	30.4%
M.E.	(279)	279	0.3%	2.0%	1α%
Total	**(1,007)**	**1,007**	**1.3%**	**5.0%**	**25.2%**

With regard to liquidity risk, follow-up and information mechanisms have been established and approved by the Risk Committee, both for the management of short-term liquidity and of liquidity risk in the balance sheet. There is also a liquidity risk contingency plan, as well as a red flag system for quantitative and qualitative risk with different levels of risk. The short-term liquidity red flag system monitors the dynamic of the principal financing sources of the Treasury, and its distribution based on maturity deadlines. By the same token, the medium-term liquidity system monitors the optimal management of the Structural Balance Sheet resources based on the growth projections of the banking business.

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

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

Quantitative information (unaudited) –

– Operation and investment portfolio:

Portfolio	VaR 1 day December 31, 2013	VaR 1 day Average of the last quarter of 2013
Interest rate	$ 161,558	$ 132,863
Variable income	$ 43,337	$ 26,577
Foreign exchange	$ 31,883	$ 18,304
Volatility	$ 24,125	$ 29,509
Weighted	$ 164,914	$ 146,896

– Total Credit Risk exposure in derivatives as of December 2013:

Portfolio	December 31, 2013 (USD)
Counterparty Risk Exposure	$ 6,429

During 2013 and 2012, the Institution recognized losses due to operating risks (fraud, casualties, fines and penalties) for the amount of $429 and $550, respectively.

Derivative transactions -

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

Valuation methods -

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

Internal control procedures to manage market risks -

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

Limit	
VaR (one-day horizon)	$ 254
Annual loss	$ 752
Monthly loss	$ 301

Control of measures additional to VaR -

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

Coherence between VaR limits and sensitivity limits -

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

Embedded derivatives -

Under the Structured Bank Bonds issuance programs of the Institution, there are foreign currency, index and interest rate options recorded, equivalent to $44,395; also, there are interest rate and foreign currency swaps recorded for an amount of $127,626.

Sensitivity of interest to derivatives -

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

Sensitivity	Delta Interest Rate 1bp
Swaps	$ (124)
Interest-rate options	$ (1,372)

Hedging derivatives -

Fair value:

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

Cash flows:

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

The profit from cash flow hedge derivatives recognized in equity at December 31, 2013 is $131, which, considering the present value of the coupons that cleared in 2014, it is estimated that revenue of $235 will be recognized in results.

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Documentation of hedges:

Each hedge is supported by a file that includes:

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

– The primary position contract.

– The inventory of the derivative.

– The inventory of the primary position.

– The prospective and retrospective effectiveness test of each period.

53. Ratings

At December 31, 2013, 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/ Stable
Moody's	Baa1	P-2	Aaa.mx	MX-1	Stable/ Stable
Fitch	A-	F1	AAA(mex)	F1+(mex)	Stable/ Stable

54. Contingencies

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

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

55. New accounting principles

During 2013, the Mexican Board for Research and Development of Financial Reporting Standards issued the following Mexican Financial Reporting Standards (NIF), which took effect as of January 1, 2014, although early application was permitted, as follows:

NIF B-12, Offsetting of financial assets and liabilities
NIF C-14, Transfer and elimination of financial assets

The main changes established by these standards include the following:

NIF B-12*, Offsetting of financial assets and liabilities* – Establishes presentation and disclosure standards for the offsetting of financial assets and liabilities in the statement of changes in financial position, while indicating that this should only occur when: a) the company has a legal right and obligation to collect or pay an offset amount, and b) the amount obtained from applying the asset to the financial liability is reflected in the cash flows expected from the company when settling two or more financial instruments. Likewise, this standard establishes that the company can only use offsetting when fulfilling the following two conditions: 1) when it has a current legal right to offset the financial asset and financial liability under any circumstances; and when it 2) has the intention of settling the financial asset and liability through offsetting or simultaneously realizing the financial asset and settling the financial liability.

NIF C-14, *Transfer and elimination of financial assets* – Establishes standards for the recognition in accounting of transfers and eliminations of financial assets other than cash and cash equivalents, such as receivable or negotiable financial instruments, as well as the presentation of these transfers in the financial statements, together with the respective disclosures. In order to classify a transfer as an elimination, the risks and rewards associated with the financial asset must be fully assigned.

The party transferring the financial asset must not eliminate it from its statement of changes in financial position until such time as no further future benefits or losses are associated with the asset. Conversely, the recipient will assume the risks inherent to the acquired financial asset and will receive an additional return if the cash flows generated by the asset exceed those originally estimated, or a loss if lower cash flows are generated.

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

56. Authorization of the issuance of the consolidated financial statements

The consolidated financial statements were authorized for issuance on February 14, 2014, 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.

57. Review of the consolidated financial statements by the Commission

The accompanying consolidated financial statements at 31 December 2013 and 2012 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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ANNEX A

SIGNIFICANT DIFFERENCES BETWEEN MEXICAN BANKING GAAP AND U.S. GAAP

Mexican banks prepare their financial statements in accordance with Mexican Banking Accounting Criteria ("Mexican Banking GAAP") as prescribed by the CNBV. Mexican Banking GAAP encompasses general accounting rules for Banks as issued by the CNBV and, to the extent that such accounting rules do not address a given accounting topic, Mexican Financial Reporting Standards ("MFRS") prescribed by the Mexican Board for the Research and Development of Financial Information Standards (*Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera* ("CINIF")). Mexican Banking GAAP differs in certain significant respects from U.S. GAAP. Such differences might be material to the financial information contained in this offering memorandum. A summary of certain differences is presented below. We have made no attempt to identify or quantify the impact of those differences. In making an investment decision, investors must rely upon their own examination of the Company, including the terms of this offering and the financial information contained in this offering memorandum. Potential investors should consult with their own professional advisors for an understanding of the differences between Mexican Banking GAAP and U.S. GAAP, and how those differences might affect the financial information herein.

This summary should not be taken as exhaustive of all differences between Mexican Banking GAAP and U.S. GAAP. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented in financial statements, including the notes thereto. We have not included in this offering memorandum a reconciliation of our Mexican Banking GAAP financial statements to U.S. GAAP.

Loan loss reserve

The accounting rules for loan loss reserves under Mexican Banking GAAP are set forth in the "General Regulations Applicable to Credit Institutions" issued by the CNBV, These provisions require the creation of allowances for loan losses for each type of loan, providing for the assignment of a rating based on risk (i.e., country, financial and industry sector), payment history and the value of credit enhancements for each borrower with an outstanding balance exceeding 4,000,000 UDIS. Groups of homogenous loans are classified into ratings that are determined using a parametric analysis based on the number of months elapsed as of the first default. Such ratings are used, among other things, to estimate a loan loss reserve. The methodologies developed by the CNBV for recognizing and measuring loan loss reserves contemplate expected loss or incurred loss models, depending on loan portfolio type. In certain cases, , such as ours, the provisions allow entities to determine loan ratings and the corresponding recognition and measurement of loan loss reserves using internal methodologies previously authorized by the CNBV. Also, the CNBV permits recognition of additional discretional reserves based on preventative criteria.

We assign an individual risk category to each commercial loan based on the borrower's financial and operating risk level, its credit experience and the nature and value of the loans' collateral. A loan loss reserve is determined for each loan based on a prescribed range of reserves associated to each risk category. In the case of the consumer and mortgage loan portfolios, the risk rating procedure and the establishment of loan reserves considers the period of time a loan is delinquent, the probability of noncompliance, the severity of the loss based on its balance and the nature of any loan guarantees or collateral.

Past-due loans are classified as non-performing under the following circumstances: (1) all loans are classified as non-performing when there is evidence that the customer has declared bankruptcy; (2) loans with a single payment of principal and interest at maturity are classified as non-performing 30 calendar days after the maturity date; (3) loans with a single payment of principal at maturity and with scheduled interest payments are classified as non-performing 30 calendar days after principal becomes past-due and 90 calendar days after interest becomes past-due; (4) loans requiring payment of principal and interest in accordance with scheduled payments are classified as non-performing 90 days after the first installment is past due; (5) revolving lines of credit are considered non-performing when payment has not been received for two normal billing periods or, when the billing period is not monthly, 60 calendar days following maturity, and (6) overdrafts are reported as non-performing loans at the time the overdraft occurs.

Under U.S. GAAP, estimated loan losses are determined using incurred loss models. Accordingly, such losses should be accrued when, based on information available prior to the issuance of the financial statements, it is probable that a loan has been impaired at the date of the financial statements and the amount of the loss can be reasonably estimated.

Specific loss reserves are calculated for large non-homogeneous loans and for groups of smaller-balance homogeneous loans when it is determined that it is probable that a bank will not recover the full contractual principal and interest on a loan (impaired loan), in accordance with the original contractual terms. Estimated losses are measured at the present value of expected future cash flows discounted at the loan's effective rate, or at the loan's observable market price or at the fair value of the collateral if the loan is collateral dependent.

To calculate the allowance required for homogenous pools of smaller-balance impaired loans and unimpaired loans, loan provisions are estimated based on historical experience.

Under Mexican Banking GAAP, loans may be written-off when collection efforts have been exhausted or when they have been fully provisioned. For U.S. GAAP, loans (or portions of particular loans) should be written-off in the period that they are deemed uncollectible.

Non-performing loans

Under Mexican Banking GAAP, the recognition of interest income is suspended when loans are classified as non-performing based on the criteria established by the CNBV.

Under U.S. GAAP, the accrual of interest income is generally discontinued to the extent that such amounts are not expected to be recovered.

Fair value of financial instruments

Mexican Banking GAAP defines fair value as the amount an interested and informed market participant would be willing to exchange for the purchase or sale of an asset or to assume or settle a liability in a free market. This definition can consider either an entry or an exit price.

U.S. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This definition only considers an exit price. Consideration must be given to the principal and most advantageous market and the highest and best use of the asset.

Furthermore, U.S. GAAP establishes a three-level hierarchy to be used when measuring and disclosing fair value in a company's financial statements. Categorization within the fair value hierarchy is based on the lowest level of significant input to its valuation. The following is a description of the three hierarchy levels:

- Level 1—Quoted prices for identical instruments in active markets.
- Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3—Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Securitized transactions and the consolidation of special-purpose entities

Under Mexican Banking GAAP, as of January 1, 2009, securitized transactions must fulfill the requirements established in accounting criterion C-1 "Recognition and Derecognition of Financial Assets" in order to be considered a sale and transfer of assets. If such requirements are not met, the assets must remain on the balance sheet, together with the respective debt issuances. Furthermore, a company must consolidate a special-purpose entity

(SPE) when the economic basis of the relationship between both entities shows that the SPE is controlled by the former. Also, all securitized transactions made before the effective date of criterion C-1, are not consolidated since this criterion was issued considering a prospective implementation.

Under U.S. GAAP, the guidance surrounding derecognition financial assets is focused on an evaluation of control. In a transfer of financial assets (e.g. a securitization), an entity recognizes the financial and servicing assets it controls and the liabilities it has incurred, derecognizes financial assets when control has been surrendered, and derecognizes liabilities when extinguished. A transfer of financial assets in which the transferor surrenders control over those assets is accounted for as a sale to the extent that consideration other than beneficial interests in the transferred assets is received in exchange. The transferor has surrendered control over transferred assets if and only if all of the following conditions are met:

- The transferred assets have been isolated from the transferor (beyond the reach of the transferor and its creditors), even in bankruptcy.
- Each transferee (or, if the transferee is a qualifying special-purpose entity (SPE), each holder of its beneficial interests) has the right to pledge or exchange the assets (or beneficial interests) it received, and no condition both constrains the transferee (or holder) from taking advantage of its right to pledge or exchange and provides more than a trivial benefit to the transferor.
- The transferor does not maintain effective control over the transferred assets through either (1) an agreement that both entitles and obligates the transferor to repurchase or redeem them before their maturity or (2) the ability to unilaterally cause the holder to return specific assets, other than through a cleanup call.

Business combinations

Upon Mexican Banking GAAP, the purchase consideration in a business combination is allocated to the fair values of separately identifiable assets acquired and liabilities assumed. Goodwill is recognized for the excess of purchase consideration paid over the fair value of net assets acquired. Negative goodwill, which is the excess of the fair value of net assets acquired over purchase consideration paid, is allocated to the value of net assets until such amount is reduced to zero.

Under U.S. GAAP, an acquirer in a business combination recognizes assets acquired, liabilities assumed, and any noncontrolling interest in the acquiree at fair value as of the acquisition date. The excess of fair value of net assets acquired over purchase consideration paid is recognized as a bargain purchase gain in earnings.

Employee retirement obligations

Effective January 1, 2005 Mexican Banking GAAP requires the recognition of a severance indemnity liability calculated based on actuarial computations. Mexican Banking GAAP allows companies to recognize an asset equal to the amount liability recognized for these benefits, which is amortized over the expected service life of the employees.

Companies reporting under U.S. GAAP have always been required to recognize a pension liability for severance indemnity liabilities. Accordingly, under U.S. GAAP, companies do not recognize a transitional asset that is permitted under Mexican Banking GAAP.

In addition, under U.S. GAAP, requires recognition of the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position, recognizing changes in that funded status in the year in which the changes occur through other comprehensive income. Accordingly, certain deferred costs, which are recognized as a reduction of the pension liability under Mexican Banking GAAP, are included as part of the employee benefit liability under U.S. GAAP.

Guarantees

For Mexican Banking GAAP purposes, guarantees are recorded at cost at inception and disclosed in memorandum accounts unless payments in connection with the guarantee are probable, where the amounts expected to be paid are recorded.

For U.S. GAAP purposes, an entity recognizes, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing such guarantee.

Accounting Changes

In certain cases, the accumulated effects of accounting changes issued by the CNBV pursuant to new or revised accounting criteria are charged or credited to retained earnings and not to the statement of income for the period.

Under U.S. GAAP, accounting changes such as changes in accounting principles or corrections of errors are generally recognized with retrospective adjustments to previously reported financial statements.

Deferred Income Tax

Mexican Banking GAAP is similar to U.S. GAAP with respect to accounting for deferred income taxes in that an asset and liability approach is required. Under Mexican Banking GAAP, deferred tax assets must be reduced by a valuation allowance if it is "highly probable" that all or a portion of the deferred tax assets will not be realized. The determination of the need for a valuation allowance must consider future taxable income and the reversal of temporary taxable differences. Net deferred income tax assets or liabilities are presented within long-term assets or liabilities.

Through 2013, Mexican companies were subject to a dual tax system which included the regular income tax, or ISR, and the Business Flat Tax, or IETU. For Mexican GAAP purposes, companies must determine whether they are principally subject to regular income tax or IETU in the future and recognize deferred taxes accordingly. If a company determines that it will be both subject to IETU and ISR in the future, the company is required to schedule out the reversal of temporary differences under each tax regime and record the amount that represents the larger liability or the smaller benefit. As a result of the repeal of the IETU tax enacted during 2013, companies are required to eliminate all existing IETU deferred taxes and record deferred taxes arising from ISR with the net effect recognized to earnings.

Under U.S. GAAP, a valuation allowance is recognized if, based on the weight of all positive and negative available evidence, it is "more likely than not" that all or a portion of the deferred tax asset will not be realized. In order to make this determination, entities must consider future reversals of taxable temporary differences, future taxable income, taxable income in prior carryback years and tax planning strategies. Additionally, if the company has experienced recurring losses, little weight, if any, may be placed on future taxable income as objective evidence to support the recoverability of a deferred income tax asset. U.S. GAAP requires that deferred tax assets and liabilities be classified as current or long-term depending on the classification of the asset or liability to which the deferred relates.

Under U.S. GAAP, through 2012, companies must determine whether they will be principally subject to regular income tax or IETU and recognize deferred taxes accordingly. However, companies that are unable to conclude whether they will be principally subject to IETU and ISR in the future, may be required to apply a hybrid approach in which deferred taxes arising from both regular income tax and IETU are recognized. Similar to Mexican Banking GAAP, companies replaced all existing IETU deferred taxes with ISR deferred taxes during 2013 in connection with the repeal of the IETU tax.

Consolidation

Under Mexican Banking GAAP, an investor is required to consolidate subsidiaries over which it is has established control. An investor controls an investee when the investor has all the following:

a. power over the investee,

b. exposure, or rights, to variable returns from its involvement with the investee, and

c. the ability to use its power over the investee to affect the amount of the investor's returns.

Under U.S. GAAP, when a company has a controlling financial interest (either through a majority voting interest or through the existence of other control factors) in an entity, such entity's financial statements should be consolidated, irrespective of whether the activities of the subsidiary are non-homogeneous with those of the parent.

Entities over which a controlling financial interest is achieved through means other than voting rights are known as variable-interest entities ("VIEs"). Generally, VIEs are to be consolidated by the primary beneficiary which is the entity that has the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE.

Effects of inflation

Through December 31, 2007, Mexican Banking GAAP required that the effects of inflation be recorded in financial information and that financial statements be restated to constant Mexican pesos as of the latest balance sheet date presented. Beginning January 1, 2008, Mexican Banking GAAP modified the accounting for the recognition of the effects of inflation and defines two economic environments: (i) an "inflationary environment", in which the cumulative inflation of the three preceding years is 26% or more, in which case the effects of inflation should be recognized using the comprehensive method; and (ii) a "non-inflationary environment', in which the cumulative inflation of the three preceding years is less than 26%, in which case, no inflationary effects should be recognized in the financial statements.

Under U.S. GAAP, historical costs must be maintained in the basic financial statements. Business enterprises are encouraged to disclose certain supplemental information concerning changing prices on selected statement of income and balance sheets items unless the company operates in a hyperinflationary economy. A hyperinflationary economy is generally defined as one in which the cumulative three year inflation rate exceeds 100%.

SIGNIFICANT DIFFERENCES BETWEEN MEXICAN BANKING GAAP AND IFRS

Mexican banks prepare their financial statements in accordance with Mexican Banking Accounting Criteria ("Mexican Banking GAAP") as prescribed by the CNBV. Mexican Banking GAAP encompasses general accounting rules for Banks as issued by the CNBV and, to the extent that such accounting rules do not address a given accounting topic, Mexican Financial Reporting Standards ("MFRS") prescribed by the Mexican Board for the Research and Development of Financial Information Standards (*Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera* ("CINIF")). Mexican Banking GAAP differs in certain significant respects from International Financial Reporting Standards ("IFRS"). Such differences might be material to the financial information contained in this offering memorandum. A summary of certain differences is presented below. We have made no attempt to identify or quantify the impact of those differences. In making an investment decision, investors must rely upon their own examination of the Company, including the terms of this offering and the financial information contained in this offering memorandum. Potential investors should consult with their own professional advisors for an understanding of the differences between Mexican Banking GAAP and IFRS, and how those differences might affect the financial information herein.

This summary should not be taken as exhaustive of all differences between Mexican Banking GAAP and IFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented in financial statements, including the notes thereto. We have not included in this offering memorandum a reconciliation of our Mexican Banking GAAP financial statements to IFRS.

Loan loss reserve

The accounting rules for loan loss reserves under Mexican Banking GAAP are set forth in the "General Regulations Applicable to Credit Institutions" issued by the CNBV. These provisions require the creation of allowances for loan losses for each type of loan, providing for the assignment of a rating based on risk (i.e., country, financial and industry sector), payment history and the value of credit enhancements for each borrower that is evaluated individually. Groups of homogenous loans are classified into ratings that are determined using a parametric analysis based on the number of months elapsed as of the first default. Such ratings are used, among other things, to estimate a loan loss reserve. The methodologies developed by the CNBV for recognizing and measuring loan loss reserves contemplate expected loss models. In certain cases, the provisions allow entities to determine loan ratings and the corresponding recognition and measurement of loan loss reserves using internal methodologies previously authorized by the CNBV. Also, the CNBV permits recognition of additional discretional reserves based on preventative criteria. We apply an internally developed model that has been approved by the CNBV and that is based on an expected loss models to determine loan loss reserves related to credit card loans.

We assign an individual risk category to each commercial loan based on the borrower's financial and operating risk level, its credit experience and the nature and value of the loans' collateral. A loan loss reserve is determined for each loan based on a prescribed range of reserves associated to each risk category. In the case of the consumer and mortgage loan portfolios, the risk rating procedure and the establishment of loan reserves considers the period of time a loan is delinquent, the probability of noncompliance, the severity of the loss based on its balance and the nature of any loan guarantees or collateral.

Past-due loans are classified as non-performing under the following circumstances: (1) all loans are classified as non-performing when there is evidence that the customer has declared bankruptcy; (2) loans with a single payment of principal and interest at maturity are classified as non-performing 30 calendar days after the maturity date; (3) loans with a single payment of principal at maturity and with scheduled interest payments are classified as non-performing 30 calendar days after principal becomes past-due and 90 calendar days after interest becomes past-due; (4) loans requiring payment of principal and interest in accordance with scheduled payments are classified as non-performing 90 days after the first installment is past due; (5) revolving lines of credit are considered non-performing when payment has not been received for two normal billing periods or, when the billing period is not monthly, 60 calendar days following maturity, and (6) overdrafts are reported as non-performing loans at the time the overdraft occurs.

Entities reporting under IFRS may determine estimated credit losses using the incurred loss model of IAS 39, or they may early adopt IFRS 9 and apply the expected loss model set forth therein.

Under IFRS estimated losses should be accrued when, based on information available prior to the issuance of the financial statements, it is probable that a loan has been impaired at the date of the financial statements and the amount of the loss can be reasonably estimated.

Under the incurred loss model, specific loss reserves are calculated for large non-homogeneous loans and for groups of smaller-balance homogeneous loans when it is determined that it is probable that a bank will not recover the full contractual principal and interest on a loan (impaired loan), in accordance with the original contractual terms. Estimated losses are measured at the present value of expected future cash flows discounted at the loan's effective rate, or at the loan's observable market price or at the fair value of the collateral if the loan is collateral dependent. To calculate the allowance required for homogenous pools of smaller-balance impaired loans and unimpaired loans, loan provisions are estimated collectively based on historical experience.

Under the impairment approach in IFRS 9 it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses, and changes in those expected credit losses. At each reporting date, an entity shall assess whether the credit risk on a financial asset has increased significantly since initial recognition. Estimated credit losses on a financial asset for which the risk of credit loss has not increased significantly since initial recognition are equal to credit losses expected to occur over the following 12-month period. An entity shall measure the loss allowance for a financial asset at an amount equal to the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition. Under Mexican Banking GAAP, loans may be written-off when collection efforts have been exhausted or when they have been fully provisioned. For IFRS, loans should be written-off in the period in which the entity has no reasonable expectations of recovering the asset in its entirety or a portion thereof.

Non-performing loans

Under Mexican Banking GAAP, the recognition of interest income is suspended when loans are classified as non-performing based on the criteria established by the CNBV.

Under IFRS, the accrual of interest income on non-performing loans is adjusted based on the amounts expected to be recovered.

Fair value of financial instruments

Mexican Banking GAAP defines fair value as the amount an interested and informed market participant would be willing to exchange for the purchase or sale of an asset or to assume or settle a liability in a free market. This definition can consider either an entry or an exit price.

IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This definition only considers an exit price. Consideration must be given to the principal and most advantageous market and the highest and best use of the asset.

Furthermore, IFRS establishes a three-level hierarchy to be used when measuring and disclosing fair value in a company's financial statements. Categorization within the fair value hierarchy is based on the lowest level of significant input to its valuation. The following is a description of the three hierarchy levels:

- Level 1—Quoted prices for identical instruments in active markets.
- Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3—Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Business combinations

Under Mexican Banking GAAP, the purchase consideration in a business combination is allocated to the fair values of separately identifiable assets acquired and liabilities assumed. Goodwill is recognized for the excess of purchase consideration paid over the fair value of net assets acquired. Negative goodwill, which is the excess of the fair value of net assets acquired over purchase consideration paid, is allocated to the value of net assets until such amount is reduced to zero.

Under IFRS, an acquirer in a business combination recognizes assets acquired, liabilities assumed, and any noncontrolling interest in the acquiree at fair value as of the acquisition date. The excess of fair value of net assets acquired over purchase consideration paid is recognized as a bargain purchase gain in earnings.

Employee retirement obligations

Effective January 1, 2005 Mexican Banking GAAP requires the recognition of a severance indemnity liability calculated based on actuarial computations. Mexican Banking GAAP allows entities to recognize an asset equal to the amount liability recognized for these benefits, which is amortized over the expected service life of the employees.

Under IFRS, unless the individual facts and circumstances of an entity indicate that severance indemnities are, in substance, post-employment benefits, the entity recognizes a severance indemnity liability at the earlier of when

a. the entity can no longer withdraw the offer of those benefits; and
b. when the entity recognizes costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

In addition, under Mexican Banking GAAP, actuarial gains and losses are amortized to income over the estimated service life of the employees. By contrast, under IFRS, actuarial gains or losses recorded directly stockholders' equity and are not subsequently recycled to earnings.

Guarantees

For Mexican Banking GAAP purposes, guarantees are recorded at cost at inception and disclosed in memorandum accounts unless payments in connection with the guarantee are probable, where the amounts expected to be paid are recorded.

For IFRS purposes, an entity recognizes, at the inception of a guarantee, a provision for the fair value of the obligation undertaken in issuing such guarantee.

Accounting Changes

In certain cases, the accumulated effects of accounting changes issued by the CNBV pursuant to new or revised accounting criteria are charged or credited to retained earnings and not to the statement of income for the period.

Under IFRS, accounting changes such as changes in accounting principles or corrections of errors are generally recognized with retrospective adjustments to previously reported financial statements.

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Through 2013, Mexican companies were subject to a dual tax system which included the regular income tax, or ISR, and the Business Flat Tax, or IETU. For Mexican GAAP purposes, companies must determine whether they are principally subject to regular income tax or IETU in the future and recognize deferred taxes accordingly. If a company determines that it will be both subject to IETU and ISR in the future, the company is required to schedule out the reversal of temporary differences under each tax regime and record the amount that represents the larger liability or the smaller benefit. As a result of the repeal of the IETU tax enacted during 2013, companies are required to eliminate all existing IETU deferred taxes and record deferred taxes arising from ISR with the net effect recognized to earnings.

Under IFRS, deferred tax assets are recognized to the extent that it is "probable" that the related benefits will be realized by the entity. In order to make this determination, entities must consider future reversals of taxable temporary differences, future taxable income, taxable income in prior carryback years and tax planning strategies. Additionally, if the company has experienced recurring losses, little weight, if any, may be placed on future taxable income as objective evidence to support the recoverability of a deferred income tax asset.

Under IFRS, through 2012, companies must determine whether they will be principally subject to regular income tax or IETU and recognize deferred taxes accordingly. However, companies that are unable to conclude whether they will be principally subject to IETU and ISR in the future, may be required to apply a hybrid approach in which deferred taxes arising from both regular income tax and IETU are recognized. Similar to Mexican Banking GAAP, companies replaced all existing IETU deferred taxes with ISR deferred taxes during 2013 in connection with the repeal of the IETU tax.

Effects of inflation

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Under IFRS, historical costs must be maintained in the basic financial statements unless the entity is deemed to operate in a hyperinflationary economy. A hyperinflationary economy is generally defined as one in which the cumulative three year inflation rate exceeds 100%.

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