Grupo Financiero BBVA Bancomer, S. A. de C. V.
and subsidiaries

Consolidated financial statements

December 31, 2017
(With comparative figures as of December 31, 2016)

(With Independent Auditors' Report Thereon)

(Translation from Spanish Language Original)

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Independent Auditors' Report

The Board of Directors and Stockholders

Grupo Financiero BBVA Bancomer, S. A. de C. V.

Opinion

We have audited the consolidated financial statements of Grupo Financiero BBVA Bancomer, S. A. de C. V. and Subsidiaries (subsidiary of Banco Bilbao Vizcaya Argentaria, S. A.) (the Group), which comprise the consolidated balance sheet as at December 31, 2017, the consolidated statements of income, changes in stockholders' equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements of the Group, have been prepared, in all material respects, in accordance with the Accounting Criteria for Financial Group Holding Companies in Mexico issued by the National Banking and Securities Commission (the Commission).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Mexico, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

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Aguascalientes, Ags.
Cancún, Q. Roo.
Ciudad de México.
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Culiacán, Sin.
Chihuahua, Chih.
Guadalajara, Jal.
Hermosillo, Son.
León, Gto.
Mérida, Yuc.
Mexicali, B.C.
Monterrey, N.L.
Puebla, Pue.
Querétaro, Qro.
Reynosa, Tamps.
Saltillo, Coah.
San Luis Potosí, S.L.P.
Tijuana, B.C.

Auditors’ responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Other Matter

The consolidated financial statements of the Group for the year ended December 31, 2016, were audited by other independent auditors who expressed an unmodified opinion on those consolidated financial statements on February 24, 2017.

KPMG Cárdenas Dosal, S. C.

RUBRICA

Hermes Castañón Guzmán

Mexico City, February 23, 2018

Grupo Financiero BBVA Bancomer, S. A. de C. V.
and subsidiaries

Av. Paseo de la Reforma 510, Col. Juárez, México City

Consolidated Balance Sheet

December 31, 2017
(With comparative figures as of December 31, 2016)

(Millions of Mexican pesos)

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

Assets	2017	2016
Cash and cash equivalents (note 4)	$ 222,710	186,802
Margin accounts (note 5)	14,359	8,998
Investment securities (note 6):		
Trading	336,005	291,986
Available-for-sale	133,103	159,075
Held-to-maturity (note 9)	99,807	92,658
	568,915	543,719
Debtors on repurchase/resale agreements (note 7)	9,283	5,528
Derivatives (note 8):		
Trading	122,524	148,957
Hedging	16,034	18,934
	138,558	167,891
Valuation adjustments on financial assets hedging	286	262
Current loan portfolio (note 9):		
Commercial loans:		
Business and commercial	452,644	409,974
Financial institutions	27,899	19,606
Government entities	124,264	142,641
	604,807	572,221
Consumer loans	259,377	247,534
Residential mortgages:		
Medium class and residential	181,286	166,694
Loans acquired from Infonavit	12,547	14,821
	193,833	181,515
Total current loan portfolio	1,058,017	1,001,270
Past due loan portfolio (note 9):		
Commercial loans:		
Business and commercial	6,366	6,000
Financial institutions	-	322
Government entities	-	1
	6,366	6,323
Consumer loans	9,703	8,754
Residential mortgages:		
Medium class and residential	5,913	6,828
Loans acquired from Infonavit	763	853
	6,676	7,681
Total past due loan portfolio	22,745	22,758
Loan portfolio	1,080,762	1,024,028
Less:		
Allowance for loan losses (note 11)	(31,656)	(30,056)
Total loan portfolio, net	1,049,106	993,972
Insurance premium receivables, net (note 12)	6,499	5,139
Accounts receivable from reinsurers and bonding reinsurers, net	280	127
Benefits receivable on securitizations transactions (note 13)	158	197
Other accounts receivable, net (note 14)	79,825	80,586
Foreclosed assets, net (note 15)	2,602	3,866
Premises, furniture and equipment, net (note 16)	41,441	42,648
Permanent investments (note 17)	1,492	1,427
Deferred income tax and ESPS, net (note 25)	16,165	15,436
Other assets (note 18):		
Deferred charges, prepayments and intangibles	17,158	15,483
Other short and long-term assets	-	3,025
Total assets	$ 2,168,837	2,075,106

Liabilities and stockholders' equity	2017	2016
Deposits funding (note 19):		
Demand deposits	$ 834,993	754,498
Time deposits:		
General public	195,043	169,943
Money market	39,060	23,806
Debt securities issued	86,280	79,990
Global deposit account without changes	3,324	3,170
	1,158,700	1,031,407
Bank and other borrowings (note 20):		
Due on demand	-	413
Short-term	9,164	8,619
Long-term	8,216	10,172
	17,380	19,204
Technical reserves (note 21)	151,770	140,296
Creditors on repurchase/resale agreements (note 7)	223,457	261,371
Securities lending	2	1
Collaterals sold or pledged (note 7):		
Resale/repurchase agreements (creditor balance)	1	-
Securities lending	50,719	34,416
	50,720	34,416
Derivatives (note 8):		
Trading	134,984	148,027
Hedging	11,363	11,009
	146,347	159,036
Valuation adjustments on financial liabilities hedging	3,629	5,095
Accounts payable to reinsurers and bonding reinsurers	38	77
Other accounts payable:		
Income tax payable (note 25)	-	1,318
Employee statutory profit sharing (ESPS) payable	173	305
Creditors on settlement of transactions	65,683	59,192
Creditors on cash received as collateral (note 8)	24,394	36,271
Sundry creditors and other accounts payable	42,347	36,313
	132,597	133,399
Subordinated bonds issued (note 23)	78,966	93,185
Deferred credits and prepayments	7,908	7,754
Total liabilities	1,971,514	1,885,241
Stockholders' equity (note 26):		
Paid-in capital:		
Capital stock	9,799	9,799
Additional paid-in capital	79,333	79,333
	89,132	89,132
Earned capital:		
Statutory reserves	204	204
Retained earnings	70,093	64,860
Unrealized loss from valuation of available-for-sale securities	(1,584)	(3,168)
Unrealized gain from valuation of derivatives cash flow hedges	123	141
Cumulative translation effect	440	440
Remeasurements of employees' defined benefit plans	(6,725)	(2,568)
Net income	45,603	40,787
	108,154	100,696
Total controlling interest	197,286	189,828
Non-controlling interest	37	37
Total stockholders' equity	197,323	189,865
Total liabilities and stockholders' equity	$ 2,168,837	2,075,106

(Continued)

Grupo Financiero BBVA Bancomer, S. A. de C. V.
and subsidiaries

Av. Paseo de la Reforma 510, Col. Juárez, México City

Consolidated Balance Sheet, continued

December 31, 2017
(With comparative figures as of December 31, 2016)

(Millions of Mexican pesos)

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

Transactions on behalf of third parties	**2017**	**2016**
Customer current accounts:		
Customers´ bank accounts	$ -	239
Settlement of customers transactions	510	8,474
	510	8,713
Customers' securities:		
Customers' securities in custody	980,790	875,133
Collaterals received, securities and documents	-	42
	980,790	875,175
Transactions on behalf of customers:		
Repurchase/resell agreements	138	147
Collaterals received in guarantee	138	183
	276	330
Investment banking operations on behalf of third parties, net	1,212,812	889,097
Total transactions on behalf of third parties	$ 2,194,388	1,773,315

Own transactions	**2017**	**2016**
Own current accounts:		
Contingent assets and liabilities	$ 565	85
Credit commitments (note 9)	566,652	553,195
	567,217	553,280
Assets in trust or under mandate:		
In trust	419,391	444,179
Under mandate	24,197	24,897
	443,588	469,076
Assets in custody or under management	182,857	182,284
Collaterals received by the Bank (note 7)	58,464	45,516
Collaterals received and sold or pledged by the Bank (note 7)	53,821	44,752
Uncollected interest accrued on non-performing loans	4,832	7,762
Other memorandum accounts	3,532,686	3,400,699
Total own transactions	$ 4,843,465	4,703,369

	2017	**2016**
Historical stockholders' equity	$ 1,020	1,020
Shares delivered in custody (units)	15,854,682,820	15,838,694,806

See accompanying notes to the consolidated financial statements.

"This consolidated balance sheet, with those of the financial and other entities comprising the Financial Group that are subject to consolidation, was prepared in accordance with the accounting criteria for financial group holding companies issued by the National Banking and Securities Commission based on Article 30 of the Law that Regulates Financial Groups, which are of a general and mandatory nature and have been applied on a consistent basis, accordingly, they reflect all the transactions carried out by the Holding Company and the financial and other entities comprising the Financial Group that are subject to consolidation, for the year noted above. Furthermore, these transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions."

"This consolidated balance sheet was approved by the Board of Directors under the responsibility of the following officers."

RUBRICA	**RUBRICA**	**RUBRICA**	**RUBRICA**
Eduardo Osuna Osuna General Director	Luis Ignacio De la Luz Dávalos General Director of Finance	Natalia Ortega Gómez General Director of Internal Audit	Sergio Rafael Pérez Gaytán Director of Corporate Accounting

Grupo Financiero BBVA Bancomer, S. A. de C. V.
and subsidiaries

Av. Paseo de la Reforma 510, Col. Juárez, México City

Consolidated Statement of Income

Year ended December 31, 2017
(With comparative figures for the year ended December 31, 2016)

(Millions of Mexican pesos)

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

		2017	2016
Interest income (note 30)	$	178,166	144,940
Written insurance premiums (note 30)		21,444	30,552
Interest expense (note 30)		(54,361)	(34,633)
Net increase in technical reserves (note 30)		(4,067)	(11,022)
Claims and other contractual obligations, net (note 30)		(18,555)	(16,502)
Financial margin		122,627	113,335
Allowance for loan losses (note 11)		(34,079)	(32,434)
Financial margin adjusted for allowance for loan losses		88,548	80,901
Commissions and fee income (note 31)		38,770	35,008
Commissions and fee expense (note 31)		(13,944)	(12,342)
Financial intermediation income (note 32)		7,064	5,026
Other operating income		200	790
Administrative and promotional expenses		(58,524)	(55,920)
Net operating income		62,114	53,463
Equity in the income of non-consolidated subsidiaries and associated companies (note 17)		58	24
Income before income tax		62,172	53,487
Current income tax (note 25)		(16,636)	(13,544)
Deferred income tax, net (note 25)		68	(28)
Income before discontinued operations		45,604	39,915
Discontinued operations		-	871
Income before non-controlling interest		45,604	40,786
Non-controlling interest		(1)	1
Net income	$	45,603	40,787

See accompanying notes to consolidated financial statements.

"This consolidated statement of income, with those of the financial and other entities comprising the Financial Group that are subject to consolidation, was prepared in accordance with the accounting criteria for financial group holding companies issued by the National Banking and Securities Commission based on Article 30 of the Law that Regulates Financial Groups, which are of a general and mandatory nature and have been applied on a consistent basis, accordingly, they reflect the income and expenses carried out by the Holding Company and the financial and other entities comprising the Financial Group that are subject to consolidation, for the year ended noted above. Furthemore, these transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions."

"This consolidated statement of income was approved by the Board of Directors under the responsibility of the following officers."

RUBRICA

Eduardo Osuna Osuna
General Director

RUBRICA

Luis Ignacio De la Luz Dávalos
General Director of Finance

RUBRICA

Natalia Ortega Gómez
General Director of Internal Audit

RUBRICA

Sergio Rafael Pérez Gaytán
Director of Corporate Accounting

Grupo Financiero BBVA Bancomer, S. A. de C. V.
and subsidiaries

Av. Paseo de la Reforma 510, Col. Juárez, México City

Consolidated Statement of Changes in Stockholders' Equity

Year ended December 31, 2017
(With comparative figures for the year ended December 31, 2016)

(Millions of Mexican pesos)

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

		Paid-in capital		Earned capital								
		Capital stock	**Additional paid-in capital**	**Statutory reserves**	**Retained earnings**	**Unrealized loss from valuation of available-for-sale securities**	**Unrealized gain from valuation of derivatives cash flow hedges**	**Cumulative translation effect**	**Remeasurements of employees' defined benefit plans**	**Net income**	**Non controlling interest**	**Total stockholders' equity**
Balances as of December 31, 2015	$	9,799	79,333	204	53,906	(384)	550	343	-	34,485	38	178,274
Changes resulting from stockholders' resolutions (note 26):												
Appropriation of prior year's net income		-	-	-	34,485	-	-	-	-	(34,485)	-	-
Dividends declared and paid		-	-	-	(23,531)	-	-	-	-	-	-	(23,531)
Total		-	-	-	10,954	-	-	-	-	(34,485)	-	(23,531)
Changes related to the recognition of comprehensive income (note 26):												
Net income		-	-	-	-	-	-	-	-	40,787	(1)	40,786
Valuation effects of available-for-sale securities		-	-	-	-	(2,784)	-	-	-	-	-	(2,784)
Cumulative translation effect		-	-	-	-	-	-	97	-	-	-	97
Remeasurements of employees' defined benefit plans		-	-	-	-	-	-	-	(2,568)	-	-	(2,568)
Unrealized gain from valuation of derivatives cash flow hedges		-	-	-	-	-	(409)	-	-	-	-	(409)
Total		-	-	-	-	(2,784)	(409)	97	(2,568)	40,787	(1)	35,122
Balances as of December 31, 2016		9,799	79,333	204	64,860	(3,168)	141	440	(2,568)	40,787	37	189,865
Changes resulting from stockholders' resolutions (note 26):												
Appropriation of prior year's net income		-	-	-	40,787	-	-	-	-	(40,787)	-	-
Dividends declared and paid		-	-	-	(34,586)	-	-	-	-	-	-	(34,586)
Total		-	-	-	6,201	-	-	-	-	(40,787)	-	(34,586)
Changes related to the recognition of comprehensive income (note 26):												
Net income		-	-	-	-	-	-	-	-	45,603	1	45,604
Valuation effects of available-for-sale securities		-	-	-	-	1,584	-	-	-	-	-	1,584
Unrealized gain from valuation of derivatives cash flow hedges		-	-	-	-	-	(18)	-	-	-	-	(18)
Recognition of allowance for loan losses due to change in credit rating methodology (note 3)		-	-	-	(986)	-	-	-	-	-	-	(986)
Remeasurements of employees' defined benefit plans		-	-	-	-	-	-	-	(4,157)	-	-	(4,157)
Consolidation effect		-	-	-	18	-	-	-	-	-	(1)	17
Total		-	-	-	(968)	1,584	(18)	-	(4,157)	45,603	-	42,044
Balances as of December 31, 2017	$	9,799	79,333	204	70,093	(1,584)	123	440	(6,725)	45,603	37	197,323

See accompanying notes to consolidated financial statements.

"This consolidated statement changes in stockholders' equity, with those of the financial and other entities comprising the Financial Group that are subject to consolidation, was prepared in accordance with the accounting criteria for financial group holding companies issued by the National Banking and Securities Commission based on Article 30 of the Law that Regulates Financial Groups, which are of a general and mandatory nature and have been applied on a consistent basis, accordingly, they reflect the movements in stockholders' equity accounts carried out by the Holding Company and the financial and other entities comprising the Financial Group that are subject to consolidation, for the year ended noted above. Furthemore, these transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions."

"This consolidated statement of changes in stockholders' equity was approved by the Board of Directors under the responsibility of the following officers."

RUBRICA	**RUBRICA**	**RUBRICA**	**RUBRICA**
Eduardo Osuna Osuna	Luis Ignacio De la Luz Dávalos	Natalia Ortega Gómez	Sergio Rafael Pérez Gaytán
General Director	General Director of Finance	General Director of Internal Audit	Director of Corporate Accounting

Grupo Financiero BBVA Bancomer, S. A. de C. V.
and subsidiaries

Av. Paseo de la Reforma 510, Col. Juárez, México City

Consolidated Statement of Cash Flows

Year ended December 31, 2017
(With comparative figures for the year ended December 31, 2016)

(Millions of Mexican pesos)

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

		2017	2016
Net income	$	45,603	40,787
Items not requiring cash flows:			
Profit or loss derived from the valuation of investment and financing activities		-	100
Depreciation of premises, furniture and equipment		3,227	3,211
Amortization of intangible assets		2,260	1,911
Technical reserves		4,067	11,022
Provisions		1,919	791
Current and deferred income tax		16,568	13,572
Equity in income of non-consolidated subsidiaries and associated companies		(58)	(24)
Non-controlling interest		1	-
		73,587	71,370
Operating activities:			
Change in margin accounts		(5,478)	(5,925)
Change in investment securities		(24,571)	4,650
Change in debtors on repurchase/resale agreements		(3,755)	11,728
Change in derivatives (asset)		26,433	(53,103)
Change in loan portfolio, net		(63,263)	(90,658)
Change in insurance premium receivables, net		(1,360)	(2,398)
Change in reinsurers and bonding reinsurers, net (assets)		(153)	16
Change in benefits receivable on securitization transactions		39	939
Change in foreclosed assets, net		1,264	1,796
Change in other operating assets, net		(2,465)	(19,827)
Change in deposit funding		135,673	55,438
Change in bank and other borrowings		(1,744)	(1,916)
Change in technical reserves		7,408	896
Change in creditors on resale/repurchase agreements		(37,914)	18,978
Change in collaterals sold or pledged		16,304	(2,482)
Change in derivatives (liabilities)		(13,043)	47,798
Change in reinsurers and bonding reinsurers, net (liabilities)		(39)	9
Change in subordinated bonds issued with liabilities characteristics		(10,377)	(7)
Change in other operating liabilities		33	30,416
Change in hedging instruments (from hedged items related to operating activities)		2,039	(1,725)
Payments of income taxes		(19,144)	(14,553)
Net cash provided by operating activities		79,474	51,440
Cash flows from investment activities:			
Proceeds from premises, furniture and equipment disposals		649	172
Payments for premises, furniture and equipment acquisitions		(2,642)	(6,286)
Collections from subsidiaries and associates sold		2	259
Collections of cash dividends		-	68
Payments on acquisition of intangible assets		(2,701)	(2,345)
Net cash flows used in investing activities		(4,692)	(8,132)
Cash flows from financing activities-Dividend payments in cash		(34,586)	(23,531)
Net increase in cash an cash equivalents		40,196	19,777
Adjustments to cash flows due to foreign exchange fluctuations		(4,288)	16,869
Cash and cash equivalents at the beginning of the year		186,802	150,156
Cash and cash equivalents at the end of the year	$	222,710	186,802

See accompanying notes to consolidated financial statements.

"This consolidated statement of cash flows, with those of the financial and other entities comprising the Financial Group that are subject to consolidation, was prepared in accordance with the accounting criteria for financial group holding companies issued by the National Banking and Securities Commission based on Article 30 of the Law that Regulates Financial Groups, which are of a general and mandatory nature and have been applied on a consistent basis, accordingly, they reflect the cash inflows and outflows carried out by the Holding Company and the financial and other entities comprising the Financial Group that are subject to consolidation, for the year ended noted above. Furthemore, these transactions were carried out and valued in accordance with sound practices and the applicable legal and administrative provisions."

"This consolidated statement of cash flows was approved by the Board of Directors under the responsibility of the following officers."

RUBRICA	RUBRICA	RUBRICA	RUBRICA
Eduardo Osuna Osuna General Director	Luis Ignacio De la Luz Dávalos General Director of Finance	Natalia Ortega Gómez General Director of Internal Audit	Sergio Rafael Pérez Gaytán Director of Corporate Accounting

(1) Activity and operating regulatory environment

Grupo Financiero BBVA Bancomer, S. A. de C. V. and Subsidiaries (the "Group"), is a direct subsidiary of Banco Bilbao Vizcaya Argentaria, S. A. ("BBVA"), which is governed among others by the Law Regulating Financial Groups (*Ley para Regular las Agrupaciones Financieras*) (the "Law") and the General Provisions Applicable to Financial Group Holding Companies (*Disposiciones de Carácter General Aplicables a las Sociedades Controladoras de Grupos Financieros*) (the "Provisions") which regulate any matters corresponding to the National Banking and Securities Commission (the "Commission") and the National Insurance and Bonding Commission (the "CNSF") (collectively, the "Surveillance National Commissions"), and, therefore, is under inspection and surveillance of the Commission. The Groups' purpose is acquiring and managing shares issued by multiple banking entities, brokerage firms, insurance companies, investment fund manager, financial entities and any other type of corporations that determines the Ministry of Finance and Public Credit (Secretaría de Hacienda y Crédito Público) (SHCP), based on the provisions of the Law.

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

The powers vested in the Commission -as the entity regulating financial groups-, include reviewing the Groups' financial information and ordering any modifications thereto.

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

(2) Authorization and basis of presentation-

Authorization

On February 23, 2018, Eduardo Osuna Osuna, General Director, Luis Ignacio de la Luz Dávalos, General Director of Finance, Natalia Ortega Gómez, General Director of Internal Audit, and Sergio Rafael Pérez Gaytán, Director of Corporate Accounting, authorized the issuance of the accompanying consolidated financial statements and the notes thereto (hereinafter, the "financial statements").

The Group's shareholders and the Commission are authorized to amend the financial statements after their issuance. The accompanying 2017 financial statements will be submitted to the next Shareholders' Meeting for approval.

Basis of presentation

a) Declaration of compliance

The Group's financial statements have been prepared in accordance with the accounting criteria for Financial Group Holding Companies (the "accounting criteria") established by the Commission. The Commission is responsible for inspecting and supervising financial groups and reviewing their financial information.

The Accounting criteria establishes that the Commission shall issue specific rules for specialized transactions and indicates that without specific criteria of the Commission and, in a broader context, if there are no criteria established in the Mexican Financial Reporting Standards (Normas de Información Financiera) (NIF) issued by the Mexican Board for Research and Development of Financial Reporting Standards (Consejo Mexicano de Normas de Información Financiera, A. C.) ("CINIF"), any absence shall be supplied as established in NIF A-8. Any supplementary standard that belongs to any other regulatory scheme may only be used if the International Financial Reporting Standards (IFRS) referred to in NIF A-8 do not establish an accounting criterion, provided that all requirements established in the NIF are met. The supletoriety should follow the next order: generally accepted accounting principles in the United States of America (USGAAP) and any accounting standard that is part of a formal and recognized set of standards, provided that the requirements of the Commission's criterion A-4 are met.

b) Functional and reporting currency

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

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

c) Use of judgment and estimates

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

Significant items subject to such estimates and assumptions include the carrying value of financial instruments, transactions with securities and repurchase/resale agreements, derivative financial instruments, court awarded assets, property, furniture and equipment and intangible assets, allowance for loan losses and recoverability of accounts receivable, as well as the determination of the labor liabilities, technical reserves and the realization of deferred income tax assets. Volatility shown in the foreign exchange markets, mainly in the case of the Mexican peso in relation to the US dollar, as well as the economic situation, both in Mexico and abroad, may cause that the carrying values of assets and liabilities differ from the amounts to be obtained in the future for their realization and settlement. Therefore, actual results could differ from these estimates and assumptions.

d) Financial assets and financial liabilities recognition on trade date-

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

e) Comprehensive income

This caption it is composed by the net result of the year plus other items that represent a gain or loss in the same year, which, according to the accounting practices followed by the Group, are presented directly in the stockholders' equity without the requirement to present an statement of comprehensive income, such as the gain or loss from valuation of securities available for sale, the gain or loss from valuation of cash flow hedge instruments and the cumulative translation effect, as well as the remeasurement of employee's defined benefits plans.

(3) Summary of significant accounting policies -

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Group, except as explained in notes 3 (1) (iii) y 3(l) (iv).

Amendments to accounting criteria issued by the Commission

On January 6, 2017, the Commission published in the Official Gazette of the Federation a resolution that amends the methodology applicable to the credit quality classification of non-revolving consumer loan portfolio, mortgage loans and non-revolving consumer loans that should be classified as microcredits (the "Resolution"). The main purpose of this amendment is to incorporate of new categories of borrowers' risk level, such as the level of indebtedness, payment behavior and specific risks for each type of product, as well as updating and adjusting the risk parameters related to the probability of default, loss given default and exposure to noncompliance.

According to the resolution issued by the Commission, the initial effect should have been recognized in the item "Net income of previous years" as from June 1, 2017 and not after the next following 12 months. The Group recognized such initial effect on June 30, 2017, increasing the allowance for loan losses in an amount of $953 arising from the non-revolving consumer loan portfolio and $477 of the mortgage loan portfolio and a decrease of $22 in the non-revolving consumer loan portfolio classified as microcredits. The amount recognized in the stockholders' equity, in the "Retained earnings" caption, was $986, net of deferred tax.

Use of special criteria

By means of official communication P-290/2017 dated September 15, 2017 and official communication 320-1/14057/2017 dated October 10, 2017, the Commission authorized financial institutions -including the Group's banking subsidiary- to follow special accounting criteria and to expand special criteria, respectively, with the aim to support economic recovery of their respective clients living or having their payment sources in places declared as "disaster areas" as a consequence of natural phenomena, specifically "Lidia" and "Katia" hurricanes and earthquakes occurred on September 7 and 19, 2017.

Such support entails that the loan portfolio receiving the benefit shall be considered as current, in accounting terms, for up to three months according to the received benefit, or up to six months in the case of group microcredits, with the corresponding accounting effects for determination of the rating and the allowance for loan losses. Likewise, benefits must be implemented no later than 120 days after the casualty date.

The foregoing shall be applied to those borrowers classified as current, in accounting terms, as of the casualty date.

The special accounting criteria applicable by type of loan are as follows:

1.- Loans with a single payment of principal at maturity and interest payable periodically, as well as loans with a single payment of principal and interest at maturity, which are renewed or restructured are considered past due portfolio, in the terms of provisions of paragraph 79 of criterion B-6 "Loan portfolio." For such purpose, it is required that the new maturity term, if granted to borrower, is no greater than three months as from the date on which it had expired.

2.- For loans with principal and interest payable periodically, which are subject to restructuring or renewal, shall be considered as current upon occurrence of such act, without applying the provisions of paragraphs 82 and 84 of criterion B-6 "Loan portfolio."

3.- Loans stated as revolving since their inception, that have been restructured or renewed within 120 calendar days following the casualty date shall not be considered as past due portfolio. In relation to the above-mentioned criteria, these shall not be considered restructured according to provisions of paragraph 40 of criterion B-6 "Loan portfolio".

Given the application of these special accounting criteria, as of December 31, 2017, the decrease in the current loan portfolio would have amounted to $2,512, since balance of loans that received the support would have been recorded as past due portfolio if the deferral had not been made. Likewise, the impact on results from the creation of allowance for loan losses for year ended December 31, 2017, would have been $1,097.

(a) Recognition of the effects of inflation-

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

Percentages of inflation measured through the value of the UDI for years ended on December 31, 2017, 2016 and 2015 were 6.68%, 3.38% and 2.10%, respectively; therefore, annual accrued inflation of the last three years was 9.97%, 10.39%, and 12.34%, respectively, the reason why the economic environment for both years qualifies as non-inflationary. As mentioned above, the cumulative effects of the inflation until December 31, 2007 are recorded in the consolidated balance sheet as of December 31, 2017 and 2016.

Grupo Financiero BBVA Bancomer, S. A. de C. V.
and subsidiaries

(b) Principles of consolidation-

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

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

The subsidiaries consolidated with the Group as of December 31, 2017 and 2016, are detailed as follows:

Company	Participation in consolidation	Activity
BBVA Bancomer, S. A., Institución de Banca Múltiple and Subsidiaries (the Bank)	99.99%	Multiple banking activities
Casa de Bolsa BBVA Bancomer, S. A de C. V (la Casa de Bolsa)	99.99%	Brokerage services
BBVA Bancomer Operadora, S. A. de C. V. and Subsidiaries	99.99%	Administrative services
BBVA Bancomer Servicios Administrativos, S. A. de C. V. and Subsidiaries	99.99%	Administrative services
BBVA Bancomer Gestión, S. A. de C. V., Sociedad Operadora de Fondos de Inversión (la Operadora)	99.99%	Investment fund manager
Hipotecaria Nacional, S. A. de C. V., Sociedad Financiera de Objeto Múltiple, Entidad Regulada (merged with the Bank, February 14, 2017)	99.99%	Residential mortgages and appraisals
Seguros BBVA Bancomer, S. A. de C. V. and Subsidiaries (Seguros BBVA Bancomer)	99.99%	Insurance company
Pensiones BBVA Bancomer, S. A. de C. V. and Subsidiarias (Pensiones BBVA Bancomer)	99.99%	Insurance institution specializing in pensions
BBVA Bancomer Seguros Salud, S. A. de C. V. (Seguros Salud)	99.99%	Insurance institution specializing in health care

(c) Offsetting financial assets and financial liabilities-

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

(d) Cash and cash equivalents -

Cash and cash equivalents consist of cash in hand, deposits with mexican and foreign banks in pesos and dollars, as well as 24, 48, 72 and 96 hour foreign currency purchase and sale transactions. Also includes bank borrowings with original maturities of up to three days ("Call Money"), and monetary regulation deposits in the Central Bank (these latter deposits considered of restricted availability are formed pursuant to Official Circular 3/2012 "Provisions applicable to transactions of financial institutions and the rural financial entity", issued by the Central Bank, with the purpose of regulating the liquidity of the money market, which accrue interest at the banking funding rate), remittances in transit and auctions carried out by the Central Bank.

The cash and cash equivalents are recognized at nominal value. For the currencies in dollars, the exchange rate used for the translation is the one published by the Central Bank on the same day in accordance with the rules established by the Commission. As of the date of the financial statements, gain or losses due to the translation effect and accrued interest income are recognized in the results of the year.

The foreign exchange currencies acquired and agreed to be settled in 24, 48, 72 and 96 hours, are recognized as restricted cash (foreign currency for received), while the currencies sold are recorded as cash outflow (foreign currency for delivery). The rights and obligations for the sales and purchases of foreign exchange at 24, 48, 72 and 96 hours are recorded in clearing accounts under the caption "Other accounts receivable, net" and "Creditors on settlement of transactions", respectively.

(e) Margin accounts-

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

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

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

(f) Investment securities-

Investment securities consist of government securities, bank promissory notes, and other debt securities listed or not in recognized markets, which are classified using the categories shown below, based on the intention of management of the Group on their ownership.

- *Trading securities:*

  Trading securities are those debt securities and equity shares in which the Financial Group 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. They are initially accounted for at cost of acquisition, which is equivalent to their fair value, and then at fair value using prices provided by an independent price vendor, whose valuation effect is included in the statement of income under the heading "Financial intermediation income".

- *Securities available-for-sale:*

  Consist of securities acquired with an intention other than obtaining gains from trading them on the market or holding them to maturity. These securities are valued in the same manner as "Trading securities", with unrealized gains or losses valuation recognized in stockholders' equity net of deferred taxes, which is recycled in earnings at the time of sale.

- *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 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 Financial Group determines the increase or decrease from appraisal at fair value using restated prices provided by the price vendor, who uses different market factors in its determination.

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

Transfers between categories-

Transfers from the category of "Held-to-maturity" to "Available-for-sale" securities, are permissible only when there is no intention or ability to hold them until maturity; the valuation result corresponding to the transfer date is recognized in stockholders' equity. Reclassifications from any category to "Held-to-maturity securities" and from "Trading securities" to "Available-for-sale", can be done with the authorization granted by the Commission.

During the year ended December 31, 2017, there were no transfers between categories. In 2016, the Group transferred securities classified as held to maturity to the category of available for sale in an amount of $163, corresponding to trust exchange certificates.

Impairment:

The Group 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.

As of December 31, 2017 and 2016, the Group's management has not identified that there is objective evidence of impairment of any securities.

Value date transactions-

Securities purchased with a settlement date of a maximum of four working days after trade date, are recorded as restricted securities, while securities sold are recorded as securities to deliver reducing the investment securities position. The corresponding debit or credit is made to an asset or liability clearing account, as it corresponds.

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

(g) Repurchase/resale agreements-

Repurchase agreements are recorded as follows:

The repurchase/resale agreements that do not comply with the terms of criterion C-1 "Recognition and withdrawals of financial assets", are treated as collateralized financing transactions, which reflects the economic substance of those transactions. This treatment is adopted regardless of whether it is "cash oriented" or "securities-oriented" repurchase/ resale agreement.

Acting as a seller on resale agreements-

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

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

Acting as a buyer on repurchase agreements-

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

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

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

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

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

(h) Securities lending

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 an interest 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 Group 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 interest 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 Group records the security subject matter of the loan received in memorandum accounts, following the valuation guidelines for the securities recognized, in the account B-9 “Assets in custody or under administration”.

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

(i) **Settlement clearing accounts-**

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

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

(j) Derivatives-

The Group carries out two different types of transactions in accordance with its intention:

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

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

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

The assets and/or liabilities arising from transactions with derivative financial instruments are recognized 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 Group initially recognizes all derivatives (including those forming part of hedges) as assets or liabilities (depending on the rights and/or obligations they embody) in the consolidated 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 “Financial intermediation income”.

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

Derivatives must be presented under a specific asset or liability caption 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.

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

Trading transactions-

– *Optional securities (“Warrants”):*

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

– *Forwards and futures contracts:*

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

– *Options:*

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

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

– *Swaps:*

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

Hedging transactions-

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

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

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

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

Embedded derivatives-

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

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

Collateral granted and received in derivatives transactions not performed in recognized markets or stock exchanges-

– The account receivable generated for cash collateral provided in derivative transactions not performed in recognized markets or stock exchanges is presented under the heading "Other accounts receivable, net", 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.

(k) Loan portfolio-

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

The Group classifies its portfolio under the following captions:

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

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

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

The undrawn lines of credit are recorded in memorandum accounts under the caption "Credit commitments".

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

Outstanding balance of the loan and the associated interest are classified as performing and past due, considering the following criteria, respectively:

Current loan portfolio-

– Loans that are current in the payments of both principal and interest.

– Loans that do not exhibit the characteristics of non-performing portfolio.

– Restructured or renewed loans which have evidence of sustained payment.

Non-performing loan portfolio-

– Loans with a single payment of principal and interest at maturity are considered non-performing 30 days after the date of maturity.

– Loans with a single payment of principal at maturity and with periodic interest payments are considered non-performing 90 days after interest is due.

– Loans whose principal and interest payments have been agreed in periodic installments are considered non-performing 90 days after an installment becomes due.

– If debts are composed by revolving credits with two outstanding monthly billing periods or, if the billing period is not monthly, 60 or more days after payment is due.

– Mortgage loans with periodic installments of principal and interest and are considered non-performing when a payment is 90 days or more in arrears.

– Customer checking accounts of clients that don't have authorized credit line showing overdrafts, will be reported in the non-performing portfolio at the date of the overdraft.

– If the borrower is declared bankrupt in accordance with the Commercial Bankruptcy Law, except for the loans on which the Group continues to collect payments under the terms of fraction VIII, article 43 of the Commercial Bankruptcy Law and loans that are granted under the terms of the article 75 in relation with fractions II and III of article 224 of the Commercial Bankruptcy Law.

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

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

Non-performing portfolio which are restructured or renewed will remain in non-performing portfolio until there is evidence of sustained payment.

Sustained payments-

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

Regarding loans with a single payment of principal at maturity, regardless of whether the payment of interest is periodic or upon maturity, it is considered that there is a sustained payment of the credit when any of the assumptions mentioned in the next page occurs.

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

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

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

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

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

Financial factoring, discount and assignment agreement of credit rights-

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

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

In the event that the transaction generates interest, it will be recognized as accrued.

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

Financial asset derecognition-

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

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

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

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

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

(l) Allowance for loan losses-

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

i) Commercial loan portfolio-

Business and comercial-

For the commercial portfolio classified in the groups denominated "Large Companies" (evidenced by annual sales over 50 million dollars) and "Companies" (annual sales over 60 million pesos and below 50 million dollars), respectively, the Commission approved to the Group the application of internal rating models to determine the allowance for loan losses with an advanced approach, through official communications 121-1/116843/2014 y 121-1/116844/2014 dated April 21, 2014, which are reviewed annually according to the Regulation.

Likewise, by means of official communications 121-1/118708/2016 and 121-1/118709/2016 dated February 5, 2016, the Commission approved the re-estimation (calibration) of the internal models mentioned in the preceding paragraph for the commercial portfolio groups of Large Companies and Companies, respectively, which have been applied by the Group since February 2016.

As the Group classifies the commercial credit portfolio into Large Companies and Companies groups, it considers an expected loss model for the following 12 months, according to the following:

– Probability of Default (PD) - It is estimated based on scores of a rating model pursuant to a master scale computed using the companies' financial information; for a past due portfolio, a 100% percentage is considered for this variable.

– Loss Given Default (LGD) - It is estimated through the discount of estimated cash flows to be collected, adjusted depending on the guarantee and the period of time on which the borrower has been in non-compliance.

– Exposure at default (EAD) - This variable is determined considering the amount of the loan drawn-down balance at the end of each month, plus a percentage on the undrawn balance of the loan.

Commercial loans other that for Large Companies and Companies

For rating the commercial portfolio other than the one corresponding to Large Companies and Companies groups, the Group considers the PD, LGD and EAD factors, according to the Provisions, as follows:

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

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

Where:

R_i =Amount of the allowance for loan losses to be created for the nth loan.
PD_i =Probability of Default of the nth loan.
LGD_i =Severity of the Loss on the nth loan.
EAD_i =Exposure to Default on the nth loan.

The PD_i, will be calculated according to the following formula:

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

For purposes of the above:

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

$$Total\ Credit\ Score_i = \alpha \ x(Quantity\ Credit\ Score_i) + (1-\alpha)\ x\ (Quality\ Credit\ Score_i)$$

Where:

Quantity Credit Score$_i$ ($QCSt_i$) = Is the score obtained for the nth borrower when evaluating the risk factors according to the Regulation.

Qualitative credit score$i$ (QCSl$_i$)	=	Is the score obtained for the nth borrower when evaluating the risk factors according to the Regulation.
α	=	Is the relative weight of the quantitative credit score.

Unsecured loans-

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

a. 45%, for Preferred Positions.

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

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

The EAD_i will be determined based on the following:

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

$$EAD\ i = Si$$

II. For other credit lines:

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

Where:

Si=	The outstanding balance of the nth loan at the rate date, which represents the amount of loan granted to the borrower, adjusted for accrued interest, less payments of principal and interest, as well as any reduction, forgiveness, rebate and discount granted. In any case, the amount subject to the classification must not include uncollected accrued interest recognized in memorandum accounts on the balance sheet for loans classified within non-performing portfolio.

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

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

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

ii) **Portfolio of States and their Municipalities *(governments)*-**

For rating States and municipalities, the Group considers the PD, LGD and EAD factors, according to the Provisions, as follows:

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

$$R_i = PD_i \ x \ LDG_i \ x \ EAD_i$$

Where:

R_i =	The amount of the allowance for loan losses to be created for the nth loan.
PD_i =	Probability of Default of the nth loan.
LGD_i =	Severity of the Loss of the nth loan.
EAD_i =	Exposure to Default of the nth loan.

The PIi will be determined according to the following formula:

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

For such purposes:

The total credit score of each borrower is calculated by applying the following formula:

$$Total\ Credir\ Score_i = \alpha \ x \ (Quantitative\ Credit\ Score_i) + (1-\alpha) \ x \ (Qualitative\ Credit\ Score_i)$$

Where:

$PCCt_i$	=	Quantitative Credit Score = IA + IB + IC
$PCCt_i$	=	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 LGDi of the loans granted to States or Municipalities which are not covered by security interests in real property, or personal or credit-derived collateral will be:

a. 45%, for Preferred Positions.

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

The EAD_i will be determined based on the following:

$$EAD_i = S_i * Max\left\{\left(\frac{S_i}{\text{Authorized credit line}}\right)^{-0.5794}, 100\%\right\}$$

Where:

S_i= The outstanding balance of the nth loan at the classification date, which represents the amount of loan granted to the borrower, adjusted for accrued interest, less payments of principal and interest, as well as any reduction, forgiveness, rebate and discount granted.

In any case, the amount subject to the classification must not include uncollected accrued interest recognized in memorandum accounts on the balance sheet for loans classified within non-performing portfolio.

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

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

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

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

Risk Level	**Percentages Ranges loss Reserves**
A-1	0% to 0.90%
A-2	0.901% to 1.50%
B-1	1.501% to 2.00%
B-2	2.001% to 2.50%
B-3	2.501% to 5.00%
C-1	5.001% to 10.00%
C-2	10.001% to 15.50%
D	15.001% to 45.00%
E	More to 45.00%

iii) Mortgage portfolio-

Pursuant to the Resolution issued by the Commission on January 6, 2017 on changes to the methodology applicable to mortgage portfolios, as from July 1, 2017, the Group determines reserves under this new methodology, which considers PD, LGD and EAD factors, according to the Provisions and the description below:

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

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

Where:

PD_i = The amount of the allowance for loan losses to be created for the nth loan.
LGD_i = Probability of Default of the nth loan.
EAD_i = Severity of the Loss of the nth loan.
EI_i = Exposure to Default of the nth loan.

For rating housing mortgage portfolio, the Group considers a loss model according to the following:

– PD = a percentage of 100% is considered for the portfolio with 4 or more delays. However, if the portfolio has less than 4 delays, a different percentage is considered depending on risk coefficients with specific values established in the Provisions, incorporating for their determination the borrower's payment behavior variables -within the Group and other entities of the Mexican Financial System-, except for loans of mortgage portfolio allocated to housing remodeling or improvement with associated guarantees, where Provisions include specific aspects for such loans.

– LGD = it is obtained depending on the loan recovery rate, considering a percentage of 100% for delays equal to or greater than 60 days. However, for loans with delays less than 60 days, a different percentage is considered depending on cure coefficients with specific values established in the Provisions, incorporating for their determination, variables such as an unemployment insurance, the borrower's payment behavior, guarantees for the property, except for loans of mortgage portfolio allocated to housing remodeling or improvement with associated guarantees, where Provisions include specific aspects for such loans.

– EAD = corresponds to the principal and interest balance of each loan part of the mortgage portfolio.

Allowances for mortgage loan losses, set up by the Group as a result of the loan rating, are classified based on risk degrees and percentages:

Level of risk	**Allowance Percentage Range for Loan Losses**		
A-1	0%	to	0.50%
A-2	0.501%	to	0.75%
B-1	0.751%	to	1.00%
B-2	1.001%	to	1.50%
B-3	1.501%	to	2.00%
C-1	2.001%	to	5.00%
C-2	5.001%	to	10.00%
D	10.001%	to	40.00%
E	40.001%	to	100.00%

iv) Non-revolving consumption portfolio-

Pursuant to Resolution issued by the Commission on January 6, 2017 on changes to the methodology applicable to non-revolving consumption loan portfolio, as from July 1, 2017, the Group determines reserves under this new methodology, which considers PD, LGD and EAD factors, according to the Provisions and the description on the following page.

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

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

Where:

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

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

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

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

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

Allowance for consumer loan losses which, does not include credit card transactions, set up by the Group as a result of the loan rating, are classified according to the following risk degrees and percentages:

Level of risk	**Allowance Percentage Range for Loan Losses**		
A-1	0%	to	2.00%
A-2	2.01%	to	3.00%
B-1	3.01%	to	4.00%
B-2	4.01%	to	5.00%
B-3	5.01%	to	6.00%
C-1	6.01%	to	8.00%
C-2	8.01%	to	15.00%
D	15.01%	to	35.00%
E	35.01%	to	100.00%

v) Consumer credit card loan portfolio-

The Commission approved the Group's request to apply an internal credit card rating model per Document 111-1/69930/2009 on June 22, 2009.

Likewise, by means of official communication 121-1/775/2017 dated February 13, 2017, the Commission approved the use of the rating internal system for revolving consumption loans, considering for the estimation of parameters information up to 2015, which have been applied by the Bank as from February 2017.

For rating revolving consumer portfolio, the Group considers an expected loss model for the next 12 months according to the following:

– PD = it is estimated based on scores allocated, considering the admission tool or credit behavior (scoring model), based on the loan age and the type of portfolio.

– LGD = it is estimated through the cash flows discount of delinquent exposures recovered at different times, estimated to be recovered, adjusted for the guarantee and period of time of noncompliance by the borrower.

– EAD - this variable is determined considering the amount of the loan drawn down balance at the end of each month, plus a percentage on the undrawn balance of the loan.

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

Level of Risk	**Allowance Percentage Ranges for Loan Losses**		
A-1	0%	to	3.00%
A-2	3.01%	to	5.00%
B-1	5.01%	to	6.50%
B-2	6.51%	to	8.00%
B-3	8.01%	to	10.00%
C-1	10.01%	to	15.00%
C-2	15.01%	to	35.00%
D	35.01%	to	75.00%
E	More than 75.01%		

As of December 31, 2017 and 2016, the rating and creation of the allowance for loan losses of the consumer loan portfolio is performed with figures as of the last day of each month and is presented to the Commission at the latest as of the 30 days following the month rated, in accordance with the reserve percentages applicable to each type of portfolio, as indicated above.

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

vi) Additional reserves-

Additional allowances set up by the Group address the differences between the models established by the Commission in the accounting criteria, and the internal models that consider the application of specific percentages for PD and LGD variables -according to an expected loss model- which are in the process of receiving the authorization from the Commission.

vii) Restructuring and renewal processes-

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

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

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

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

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

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

Interest rate: when the agreed interest rate improves.

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

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

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

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

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

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

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

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

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

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

(m) Securitization with transfer of ownership-

By securitizing the mortgage portfolio with transfer of ownership, the Group (the “Transferor”) transfers the financial assets through a securitization vehicle (the “Trust”), to enable the latter to issue securities through an intermediary (the “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

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

The Group recognized the securitized transactions performed during 2009 in accordance with the accounting criteria issued by the Commission in the same year, regarding C-1 “Financial Asset recognition and derecognition”, C-2 “Securitized transactions” and C-5 “Consolidation of special-purpose entities”. After applying these criteria, the Group derecognized the securitized assets held by the trusts, which were subsequently consolidated on the balance sheet of the Group. Accordingly, these assets are recorded under assets in the balance sheet. The securitizations performed prior to 2009 are not consolidated, based on the treatment established by the Commission.

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

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

Notwithstanding the above, the Group, 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 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.

(n) Premium receivable-

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

(o) Other receivable, net-

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

(p) Foreclosed assets or received through payment in kind, net -

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

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

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

On the recording date of the foreclosed assets or assets received through payment in kind, the value of the asset which originated the foreclosure, as well as its respective reserve, must be canceled from the balance sheet, or the portion involving accrued or overdue payments settled through the partial payments in accordance to the Provisions.

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

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

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

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

Considering the foregoing, and in observance of the Provisions, the determination of the allowance for personal property or real property foreclosed or received in accord and satisfaction over a period of time, is computed based on the tables shown in the following page, depending on the type of property in question.

Allowance for personal property

Time elapsed as of the repossesion 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 repossesion or Payment-in-kind (months)	Allowance percentage
Up to 12	0%
More than 6 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%

(q) Property, furniture and equipment, net-

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

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

	Rate
Real estate	2.5%
Construction	1.3%
Construction components:	
Elevators	3.3%
Power plants	2.8%
Pipelines	2.8%
Air conditiones	2.8%
Computer equipment	25.0%
ATM´s	12.5%
Furniture and equipment	10.0%
Vehicles	25.0%
Security equipment	10.0%

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

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

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

The Group tests the net carrying value of long-live assets in order to determine the existence of impairment indications that such value exceeds its recovery value. The recovery value represents the potential amount of net income that it is reasonably expected to be obtained as a consequence of the use or realization of such assets.

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

(s) Equity investments-

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

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

(t) Goodwill-

Represents the excess of the purchase price over the book value of a subsidiary company's shares at the acquisition date and it is recognized in "Other assets"; the amount of goodwill is annually assessed for impairment following the accounting criteria C-15 "Impairment in the value of long-lived assets and their disposal".

(u) Income tax (IT)-

IT payable for the year are determined in conformity with the tax regulations in effect.

Deferred IT is accounted for under the asset and liability method.

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

(v) Other assets-

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

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

(w) Deposits funding-

Deposits funding comprises demand and time deposits from the general public, as well as bank bonds and money market funding and global deposit account without changes. Interest is recognized in the statement of income on an accrual basis.

(x) Bank and other borrowings-

Bank and other borrowings comprise loans from domestic and foreign Banks. Interest is recognized on an accrual basis under the caption “Interest expenses” in the statement of income.

(y) Employee benefits-

The Group’s net obligation corresponding to the defined benefit pension plans, seniority premiums, medical expenses, benefits upon death, sports benefits and post-employment benefits, which is calculated on a separate basis for each plan, estimating the amount of the future benefits brought to present value earned by the retirees in previous years, deducting from such amount, the fair value of the plan assets.

Calculation of the obligation for the defined benefit plans is performed on an annual basis by actuaries, using the projected unit credit method. When the calculation results in a possible asset for the Group, the recognized asset is limited to the present value of the economic benefits available in the form of future refunds of the plan or any curtailment in future contributions thereto. To calculate the present value of the economic benefits, any minimum financing requirement must be taken into consideration.

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

The Group determines the net interest expense (income) on the net liability (asset) for defined benefits of the year, by multiplying the discount rate used to measure the defined benefit obligation by the net liability (asset) defined at the beginning of the reporting annual period, considering changes in the net liability (asset) from the defined benefits during the period as result of the estimations of the contributions and benefit payments. Net interest and labor cost are recognized as part of the cost of the year under other administrative expenses.

All remeasurament resulting from any differences between the projected and actual actuarial hypotheses by the end of the period, are recognized in the period where they are incurred in as part of the OCI within stockholders' equity.

(z) Technical reserves-

The Group creates and values the technical reserves in accordance with the terms and provisions established by the Law of Insurance and Bonding Institutions and with the general rules issues by the CNSF in Title 5 of the Unique Insurance Circular.

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

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

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

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

Reserve for current risks-

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

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

The best estimate will be equal to the expected value of the future cash flows, considering income and expenses, of obligations, understood as the weighted average by probability of these cash flows, considering the temporary value of money based on the curves of interest rate free of market risk for each currency or monetary unit provided by the independent price vendors, as of the valuation date. The hypothesis and procedures with which the future cash flows of obligations are determined, based on which the better estimate will be obtained, were defined by the Group in the method recorded for the calculation of the best estimate. For purposes of calculating the future cash flows of revenues, the premiums that upon valuation are overdue and outstanding are not considered, nor are the fractional payments accounted for in "Insurance premium receivable" in the consolidated balance sheet.

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

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

Multiannual insurance-

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

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

Catastrophic risk insurance-

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

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

Risk margin-

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

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

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

Outstanding claims provision-

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

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

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

This reserve includes the following components:

Outstanding claims provision for claims and other obligations of known amount-

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

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

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

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

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

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

Risk margin-

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

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

Catastrophic risk insurance-

Earthquake and/or volcanic eruption coverage-

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

Hurricane and other hydrometeorology risks-

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

Reserve for contractual obligations for pensions-

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

Contingency reserve-

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

Reserve for investment fluctuations-

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

(aa) Reinsurance-

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

Inwards reinsurance

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

Ceded reinsurance

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

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

Participation of reinsurance companies for current risks and pending losses.

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

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

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

(ab) Provisions-

They are recognized when there is a present obligation resulting from a past event, which is likely to result in an outflow of economic resources, and that can be estimated reasonably.

(ac) Foreign currency transactions-

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

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

(ad) Financial margin-

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

Interest income-

Interest income comprise returns generated by the loan portfolio, depending on the terms established in agreements entered into with the borrowers and agreed upon interest rates, earned interest income in capital lease transactions, amortization of interest collected in advance, as well as interest from deposits at financial entities, bank loans, margin accounts, investments in securities, repo agreements and securities lending, accrual of collected fees for initial loan granting, as well as dividends of net worth instruments considered as interest income and insurance premium revenues.

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

Commissions charged for initial loan granting are recorded as deferred revenues under "Deferred credits and prepayments", and are amortized to earnings under "Interest income", using the straight line method over the life of the loan, except for those related to revolving loans, which are amortized over a 12 month period.

Interest expense-

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

Commissions charged and associated costs and expenses-

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

Commissions recognized after the initial loan origination, those incurred as part of the maintenance of such loans, or those collected for other reasons than the granting are recognized in earnings when they are incurred.

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

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

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

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

(*ae*) *Salvage revenues-*

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

(af) Memorandum accounts-

(i) Own transactions:

Memorandum accounts are used to record assets or commitments which do not form part of the Group'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:

– *Contingent assets and liabilities:*

Formal claims received by the Group and that may involve any liability are recorded.

– *Loan commitments:*

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

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

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

These represent the value of property received in trust, all information concerning the management of each being kept in separate accounts. The mandate is recorded at the goods stated value subject to the mandate agreements entered into by the Group.

– *Assets in custody, guarantee and under management (unaudited):*

Cash and securities owned by the clients under custody, guarantee and management are reflected in the respective memorandum accounts and were valued based on the price delivered by the price vendor.

Securities under custody and management are deposited at S.D. Indeval, Institución para el Depósito de Valores, S.A. de C.V.

– *Collateral received by the entity:*

This balance represents the total amount of collateral received in repurchase transactions and securities loans, when the Group acts as the repurchasing party and borrower.

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

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

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

The interest earned is recorded in memorandum accounts once a performing portfolio loan is transferred to non-performing portfolio.

– *Other record accounts (unaudited):*

As of December 31, 2017 and 2016, the other memorandum accounts present a balance of $3,532,686 and $3,400,699, respectively.

(ii) Transactions on behalf of third parties:

It is represented by cash deposits from clients, securities in custody and transactions entered into on behalf of clients. Cash is deposited at banks in accounts other than those owned by the Group. Valuation of assets in custody, related to securities or certificates that qualify as securities, is carried out at fair value. For transactions on behalf of third parties, these are valued addressing the nature of the transaction, that is, investments in securities, repos, securities lending and derivatives.

(ag) Contingencies-

Significant contingency-related obligations or losses are accounted for when materialization becomes likely and there are reasonable elements for quantification. In the absence of these reasonable elements, a disclosure is included on a qualitative basis in the notes to financial statements. Contingent revenues, profits or assets are recorded when there is certainty about their realization.

(4) Cash and cash equivalents-

At December 31, 2017 and 2016, funds available consisted of the following:

		2017	2016
Cash in hand	$	56,263	54,211
Banks		111,331	88,847
Restricted cash:			
Foreign currency purchases		73,145	62,333
Foreign currency sales		(65,589)	(60,285)
Deposits with Central Bank [1]		40,263	40,250
Other restricted cash funds		579	566
Other cash and cash equivalents		6,718	880
Total	$	222,710	186,802

Banks include deposits in Mexican pesos and U.S. dollars, translated at the exchange rate published by the Central Bank of Mexico of $19.6629 and $20.6194 Mexican pesos per one U.S. dollar, as of December 31, 2017 and 2016, respectively, and are comprised as follows:

		Mexican pesos		U.S. Dollars (in Mexican pesos)		Total	
		2017	2016	2017	2016	2017	2016
Deposits with foreign credit institutions	$	906	533	95,821	72,985	96,727	73,518
Central Bank		13,446	14,693	1,158	636	14,604	15,329
	$	14,352	15,226	96,979	73,621	111,331	88,847

[1] As of December 31, 2017 and 2016 the account of Central Bank includes Group's Monetary Regulation Deposits in Central Bank ("DRM"), which amount to $40,263 and $40,250, respectively. These Monetary Regulation Deposits will have an indefinite duration, for which purpose Central Bank will provide timely notice of the date and the procedure for withdrawal of the respective balances. Interest on the deposit is payable every 28 days by applying the rate established in the Regulations issued by Central Bank.

On May 12, 2016 through Circular 9/2016, the Central Bank issued rules for the auction of Reportable Monetary Regulation Bonds (BREMS R), which indicate that these instruments can be settled with monetary regulation deposit (DRM) resources. The current Provisions establish that the DRM may be comprised of cash, securities or both.

At December 31, 2017 and 2016, the Group holds BREMS R for the amount of $32,682 and $32,671, respectively, which form part of the DRM. These amounts are recorded as restricted under the heading of "Investments in securities" in the category of securities available-for-sale (note 6.b. and 6.b.1.), this is the case because the bond issuance prospectus establishes that they must only be sold directly or through repurchase transactions to the Central Bank, when determined by the latter through its general provisions.

(2) As of December 31, 2017 and 2016, foreign currencies to be received and delivered in connection with purchases and sales, respectively, payable in 24 and 48 hours are composed as follows:

	Balance in foreign currency		**Mexican peso equivalent**	
	2017	**2016**	**2017**	**2016**
Purchases of foreign currencies to be received at 24, 48, 72 and 96 hours:				
USD	3,382	2,870	$ 66,509	59,183
EUR	281	145	6,632	3,150
JPY	20	-	4	-
	====	====		
Total			$ 73,145	62,333
			=====	=====
Sales of foreign currencies to be settled at 24 and 48, 72 and 96 hours:				
USD	(3,301)	(2,848)	$ (64,907)	(58,727)
EUR	(29)	(63)	(682)	(1,360)
BRL	-	(31)	-	(198)
	====	====		
Total			$ (65,589)	(60,285)
			=====	=====

Upon recording foreign currencies to be delivered or received from sales and purchases under caption "Cash and cash equivalents", the clearing accounts of the counter value of these transactions are recorded in the consolidated balance sheet under headings "Other accounts receivable, net" and "Creditors on settlement of transactions", accordingly.

(5) Margin accounts-

As of December 31, 2017 and 2016, margin accounts consist of guarantees granted in cash for derivative financial transactions in recognized markets of $14,359 and $8,998, respectively.

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(6) Investment securities-

At December 31, 2017 and 2016, investment securities were as follows:

a. Trading Securities

Instrument	2017 Acquisition Cost	2017 Accrued Interests	2017 Increase (decrease) valuation	2017 Book Value	2016 Book Value
Unrestricted securities:					
Equity shares	4,029	-	(6)	4,023	5,746
American Depositary Receipts (ADRS)	5,534	-	139	5,673	7,294
Bank bonds	390	1	(3)	388	-
Sovereign debt Eurobonds	6,359	84	21	6,464	6,164
Fixed-rate government bonds	15,983	239	(76)	16,146	8,566
Promissory notes with returns realizable at maturity (PRLV)	297	-	-	297	879
Federal Mexican Treasury Securities (CETES)	6,523	178	8	6,709	6,026
Federal Government Development Bonds (BONDESD)	104	-	-	104	418
Companies commercial paper	775	9	(16)	768	497
Corporate Eurobonds	2,026	20	41	2,087	2,535
Securitized certificates	6,326	86	(87)	6,325	6,734
Bank securitized certificates	-	-	-	-	390
Exchangeable securitization certificates (CBICS)	105	2	-	107	340
Federal Mexican Government Development Bonds in UDIS (UDIBONOS)	11,348	48	(68)	11,328	5,725
Mexican Bank Saving Protection Bonds (BPA´s)	12,171	190	(6)	12,355	8,600
Investment companies	30,852	18	6,143	37,013	36,685
Treasury notes	98	1	(2)	97	102
Unrestricted securities carried forward	$ 102,920	876	6,088	109,884	96,701

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Instrument	2017 Acquisition Cost	2017 Accrued Interests	2017 Increase (decrease) valuation	2017 Book Value	2016 Book Value
Unrestricted Securities brought forward	$ 102,920	876	6,088	109,884	96,701
Restricted Securities:					
Collateral granted (a.1.)	217,643	169	2,196	220,008	197,860
Value date purchase (a.2.)	16,560	-	45	16,605	15,187
Value date sales (a.3.)	(10,456)	(6)	(30)	(10,492)	(17,762)
Total	$ 326,667	1,039	8,299	336,005	291,986

During 2017 and 2016, the Group recognized gain and losses valuation from unrestricted securities in a net amount of $3,072 and $1,034, respectively (note 32).

Likewise, as of December 31, 2017 and 2016, the residual terms of these investments are as follows:

Instrument	2017 Less than 1 month	Between 1 and 3 months	More than 3 months	Without a fixed period	Total acquisition cost
Unrestricted securities:					
Equity shares	$ -	-	-	4,029	4,029
ADRS	-	-	-	5,534	5,534
Bank bonds	30	20	340	-	390
Sovereign debt Eurobonds	-	-	6,359	-	6,359
Fixed-rate government bonds	-	-	15,983	-	15,983
PRLV	250	-	47	-	297
CETES	2,958	-	3,565	-	6,523
BONDESD	100	-	4	-	104
Companies commercial paper	137	10	628	-	775
Corporate Eurobonds	-	5	2,021	-	2,026
Securitized certificates	-	-	6,326	-	6,326
Carried forward	$ 3,475	35	35,273	9,563	48,346

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Instrument		2017 Less than 1 month	Between 1 and 3 months	More than 3 months	Without a fixed period	Total acquisition cost
Brought forward	$	3,475	35	35,273	9,563	48,346
CBICS		-	-	105	-	105
UDIBONOS		-	-	11,348	-	11,348
BPAS		-	-	12,171	-	12,171
Investment companies		-	-	-	30,852	30,852
Treasury notes		-	-	98	-	98
Total	$	3,475	35	58,995	40,415	102,920
		====	==	=====	=====	======

Instrument		2016 Less than 1 month	Between 1 and 3 months	More than 3 months	Without a fixed period	Total acquisition cost
Unrestricted securities:						
Investment Funds	$	-	-	-	31,909	31,909
Securitized certificates		-	-	6,684	-	6,684
Sovereign debt Eurobonds		-	-	6,268	-	6,268
Equity shares		-	-	-	6,067	6,067
ADRS		-	-	-	7,384	7,384
PRLV		825	-	54	-	879
UDIBONOS		1,629	-	4,180	-	5,809
Corporate Eurobonds		-	-	2,472	-	2,472
Fixed-rate government bonds		-	-	8,649	-	8,649
BPAS		-	-	8,492	-	8,492
Bank securitized certificates		-	-	384	-	384
CIBICS		-	-	333	-	333
CETES		-	19	5,971	-	5,990
BONDESD		-	-	417	-	417
Treasury notes		-	-	103	-	103
Companies commercial paper		-	2	495	-	497
Total	$	2,454	21	44,502	45,360	92,337
		====	==	=====	=====	=====

a.1. The collaterals granted as of December 31, 2017 and 2016 were comprised as follows:

Instrument		2017 Acquisition cost	Accrued interests	Increase (decrease) valuation	Book value	2016 Book value
Unrestricted securities:						
Bono IPAB	$	27,233	13	14	27,260	-
Fixed-rate government bonds		21,143	35	127	21,305	14,484
BONDES D		3,991	2	-	3,993	29
CETES		-	-	-	-	2
BPAS		-	-	-	-	20,798
Collaterals granted by securities lending, carried forward	$	52,367	50	141	52,558	35,313

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Instrument	2017 Acquisition cost	2017 Accrued interests	2017 Increase (decrease) valuation	2017 Book value	2016 Book value
Collaterals granted by securities lending, brought forward	$ 52,367	50	141	52,558	35,313
Collateral under repurchase/resale agreements:					
Bank securitization certificates	493	-	-	493	1,863
BONDES D	11,077	6	33	11,116	15,287
Fixed-rate government bonds	46,440	34	335	46,809	22,680
BPAS	88,973	75	1,655	90,703	91,982
CETES	676	-	-	676	6,707
UDIBONOS	7,497	1	3	7,501	15,940
CBICS	7,771	2	27	7,800	4,070
Equity shares	-	-	-	-	36
Securitization certificates	2,349	1	2	2,352	3,982
Total collateral under repurchase/resale agreements	165,276	119	2,055	167,450	162,547
Total restricted securities by collaterals granted	$ 217,643	169	2,196	220,008	197,860

During 2017 and 2016, the Group recognized, valuation gain from restricted securities by collaterals granted in a net amount of $1,475 and $2,017, respectively (note 32).

a.2. Value date purchases at December 31, 2017, and 2016 were comprised as follows:

Instrument	2017 Acquisition cost	2017 Accrued interests	2017 Increase (decrease) valuation	2017 Book value	2016 Book value
Equity shares	$ 600	-	19	619	164
ADRS	-	-	-	-	694
Fixed-rate government bonds	10,815	-	25	10,840	10,518
BPAS	4,513	-	-	4,513	-
BONDES D	11	-	-	11	-
CETES	-	-	-	-	150
UDIBONOS	584	-	1	585	3,079
Securitization certificates	16	-	-	16	308
Corporate Eurobonds	-	-	-	-	-
Sovereign debt Eurobonds	21	-	-	21	274
Total	$ 16,560	-	45	16,605	15,187

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a.3. Value date sales at December 31, 2017, and 2016 were comprised as follows:

	2017				2016
Instrument	Acquisition cost	Accrued interest	Increase (decrease) valuation	Book value	Book value
Equity shares	$ (812)	-	(17)	(829)	(166)
ADRS	-	-	-	-	(102)
Sovereign debt Eurobonds	(6)	-	-	(6)	(2,833)
CETES	(647)	-	-	(647)	(547)
Fixed-rate government bonds	(6,931)	-	(11)	(6,942)	(8,606)
BPAS	-	-	-	-	(999)
BONDESD	(1,408)	(6)	-	(1,414)	(846)
UDIBONOS	(545)	-	-	(545)	(3,656)
Securitization certificates	(107)	-	(2)	(109)	(7)
Total	$ (10,456)	(6)	(30)	(10,492)	(17,762)
	=====	=	==	=====	=====

b. Available for sale

	2017				2016
Instrument	Acquisition cost	Accrued interest	Increase (decrease) due to valuation	Book value	Book value
Equity shares	$ 535	-	54	589	733
ADRS	-	-	-	-	483
Sovereign debt Eurobonds	16,981	357	1,587	18,925	16,884
Corporate Eurobonds	8,489	135	(444)	8,180	9,503
Development bank Eurobonds	333	3	12	348	-
Banking bonds	400	1	-	401	9
CEDES UDI	81	59	(6)	134	-
Securitization certificates	7,660	55	(166)	7,549	12,848
BREMS R (1)	32,662	20	-	32,682	3,721
UDIBONOS	261	44	29	334	286
Banking Eurobonds	-	-	-	-	351
PRLV	119	109	(5)	223	5,416
CBICS	413	6	108	527	510
Carried forward	$ 67,934	789	1,169	69,892	50,744

(1) BREMS R are part of the monetary regulation deposit (note 4).

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	2017				2016
Instrument	**Acquisition cost**	**Accrued interest**	**Increase (decrease) valuation**	**Book value**	**Book value**
Brought forward	$ 67,934	789	1,169	69,892	50,744
Commercial paper	-	-	-	-	459
Fixed-rate government bonds	148	1	(14)	135	137
UMS	1,391	32	118	1,541	1,594
MEXC	104	1	(1)	104	-
Total unrestricted	69,577	823	1,272	71,672	52,934
Restricted (b.1.)	63,823	102	(2,494)	61,431	106,141
	$ 133,400	925	(1,222)	133,103	159,075
	======	===	====	======	======

At December 31, 2017 and 2016, the remaining scheduled maturities of the available for sale instruments are as follows:

		2017				
Instrument		**Less than 1 month**	**Between 1 and 3 months**	**More than 3 months**	**Without a fixed term**	**Total acquisition cost**
Unrestricted:						
Equity shares	$	-	-	-	535	535
Sovereign debt Eurobonds		-	-	16,981	-	16,981
Corporate Eurobonds		-	-	8,489	-	8,489
Development bank Eurobonds		-	-	333	-	333
Securitization certificates		-	561	6,936	163	7,660
CEDES UDIS		-	-	81	-	81
Banking Bonds		200	-	200	-	400
BREMS R		-	-	32,662	-	32,662
UDIBONOS		-	-	261		261
PRLV		-	-	119	-	119
CBICS		-	-	413	-	413
Fixed-rate government bonds		-	-	148	-	148
UMC		-	-	1,391	-	1,391
MEXC		-	-	104	-	104
Total unrestricted	$	200	561	68,118	698	69,577
		===	===	=====	===	=====

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Instrument	2016 Between 1 and 3 months	More than 3 months	Without a fixed term	Total acquisition cost
Unrestricted:				
Sovereign debt Eurobonds	$ -	15,786	-	15,786
Securitization certificates	350	12,712	-	13,062
Corporate Eurobonds	187	10,061	-	10,248
Equity shares	-	-	814	814
ADRS	-	-	13	13
Banking Eurobonds	-	350	-	350
BREMS R	-	3,720	-	3,720
PRLV	1,073	4,254	-	5,327
UDIBONOS	-	245	-	245
CBICS	-	387	-	387
Commercial Paper	-	488	-	488
Fixed-rate government bonds	-	148	-	148
Banking Bonds	-	9	-	9
UMS	-	1,459	-	1,459
Total unrestricted	$ 1,610	49,619	827	52,056

b.1. Collateral granted (restricted securities) of investments available for sale as of December 31, 2017 and 2016 are as follows:

Instrument	2017 Acquisition cost	Accrued interest	Increase (decrease) valuation	Book value	2016 Book value
Fixed-rate government bonds	$ 59,319	97	(2,277)	57,139	75,580
Securitization certificates	2,914	2	(189)	2,727	-
UDIBONOS	379	-	(30)	349	335
BREMS R	-	-	-	-	28,950
Collateral receivable from repurchase agreements	62,612	99	(2,496)	60,215	104,865
Treasury Bills	1,211	3	2	1,216	1,276
Total restricted	$ 63,823	102	(2,494)	61,431	106,141

c. Held to maturity:

	2017				2016
Instrument	**Acquisition cost**	**Accrued interest**	**Increase (decrease) valuation**	**Book value**	**Book value**
Government Bonds - Mortgage debtor support program	$ 14,579	85	-	14,664	15,656
Securitization certificates	11,173	288	34	11,495	6,763
CBICS	1,459	3	(14)	1,448	1,216
UDIBONOS	71,674	371	(470)	71,575	68,913
PRLV	145	-	-	145	110
Corporate Eurobonds	465	8	-	473	-
Banking bonds	7	-	-	7	-
Total held to maturity	$ 99,502	755	(450)	99,807	92,658

For the years ended December 31, 2017 and 2016, the yields related to the overall held to maturity portfolio, recorded in the results of the year, amounted to $9,984 and $6,473, respectively.

d. Collateral received

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

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

At December 31, 2017 and 2016, there are no investments in debt securities of one issuer other than government bonds exceeding 5% of the global capital of the Group.

(7) Repurchase transactions and securities loans-

a. Repurchase agreement receivables

As of December 31, 2017 and 2016, repurchase transactions are comprised as follows:

	2017			2016		
	Asset	Liability		Asset	Liability	
Instrument	Receivable under repurchase	Collateral sold or pledged	Difference debit (credit)	Receivable under repurchase	Collateral sold or pledged	Difference debit (credit)
BONDES	$ 583	2,402	(1,819)	1,277	1,179	98
Fixed rate bonds	-	-	-	1,400	1,400	-
BPAS	500	101	399	5,432	5,249	183
CETES	10,701	-	10,701	5,239	-	5,239
Securitization certificates	600	598	2	2,323	2,315	8
Total	$ 12,384	3,101	9,283	15,671	10,143	5,528

b. Creditors on repurchase / resale agreements

As of December 31, 2017 and 2016, creditors on repurchase / resale agreements are comprised as follows:

Instrument		2017	2016
Government debt securities:			
BONDES D	$	7,989	10,930
Fixed rate Bonds		104,566	96,880
BPAS		89,041	91,670
Securitization certificates		5,570	5,844
CETES		676	6,707
BREMS R		-	28,975
PIC´s		7,769	4,061
UDIBONOS		7,846	16,304
Total	$	223,457	261,371

At December 31, 2017 and 2016, the interest (premiums) receivable recorded by the Group were $1,150 and $775, respectively which is presented in the consolidated statements of income in the financial statement caption “Interest income”. Also, at December 31, 2017 and 2016, the interest (premiums) charged to the Financial Group were $20,093 and $11,629, respectively.

c. Collateral sold or pledged in repurchase/resale agreements and securities lending transactions as of December 31, 2017 and 2016 are as follows:

		2017			2016		
		Memoranda accounts		Liability	Memoranda accounts		Liability
by Instrument		**Collateral received by the entity**	**Collateral received and sold or pledged by the entity**	**Collaterals sold or pledged by the entity**	**Collateral received by the entity**	**Collateral received and sold or pledged by the entity**	**Collateral sold or pledged the entity**
Borrower of securities:							
Fixed rate bonds	$	33,566	33,566	33,566	20,490	20,490	20,490
UDIBONOS		5,383	5,383	5,383	41	41	41
CETES		3,552	3,552	3,552	7,570	7,570	7,570
CBICS		7,906	7,906	7,906	1,945	1,945	1,945
Net equity instruments		668	312	312	4,370	4,370	4,370
		51,075	50,719	50,719	34,416	34,416	34,416
Repurchase agreements:							
Securitization certificates		599	599	1	2,315	2,315	-
BONDES		2,003	2,003	-	1,678	1,181	-
Fixed rate bonds		-	-	-	1,402	1,402	-
BPAS		500	500	-	5,669	5,438	-
Net equity instruments		-	-	-	36	-	-
		3,102	3,102	1	11,100	10,336	-
Other collateral received:		4,287	-	-	-	-	-
Total	$	58,464	53,821	50,720	45,516	44,752	34,416
		=====	=====	=====	=====	======	=====

Interest income and expense recognized in the Consolidated Statements of Income during 2017 amounted to $3 and $2,860 respectively (in 2016, amounted to $8 and $993, respectively.)

At December 31, 2017 and 2016, the Group has contracted repurchase agreements for an average period of 47 days and 22 days, while transactions involving securities lending are performed over an average period of 11 days and 8 days.

(8) Derivatives-

At December 31, 2017 and 2016, securities and derivative transactions are as follows:

a. As of December 31, 2017 and 2016, the Group carries out transactions with derivative financial instruments as described on the following page. Foreign currency position arising from such derivative financial instruments is shown in the assets and liabilities position shown in note 27.

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Trading:

		2017			
		Book value		Balance	
		Asset	Liability	Asset	Liability
Futures contracts long position	$	103,155	103,155	-	-
Futures contracts short position		30,147	30,147	-	-
Forward contracts long position		612,130	595,004	21,896	4,770
Forward contracts short position		697,286	723,610	2,161	28,485
Options acquired		4,704	-	4,704	-
Options sold		-	10,497	-	10,497
Swaps		1,147,896	1,145,366	93,763	91,232
	$	2,595,318	2,607,779	122,524	134,984

		2016			
		Book value		Balance	
		Asset	Liability	Asset	Liability
Futures contracts long position	$	90,228	90,228	-	-
Futures contracts short position		8,459	8,459	-	-
Forward contracts long position		497,619	489,326	17,411	9,118
Forward contracts short position		484,231	501,706	1,742	19,217
Options acquired		6,200	-	6,200	-
Options sold		-	11,983	-	11,983
Swaps		1,013,433	997,538	123,604	107,709
	$	2,100,170	2,099,240	148,957	148,027

Hedging:

		2017				
		Notional amount		Balance		Net
		Asset	Liability	Asset	Liability	Position
Forward contracts long position	$	6,378	5,988	390	-	390
Swaps		82,432	78,151	15,644	11,363	4,281
	$	88,810	84,139	16,034	11,363	4,671

		2016				
		Notional amount		Balance		Net
		Asset	Liability	Asset	Liability	Position
Forward contracts long position	$	2,778	2,485	293	-	293
Forward contracts short position		142	188	-	46	(46)
Swaps		93,980	86,302	18,641	10,963	7,678
	$	96,900	88,975	18,934	11,009	7,925

b. **Future and forward contracts** – For the year ended December 31, 2017, the Group carried out transactions in recognized markets (Mexican Derivatives Market (Mex-Der), Chicago and ITAU), including an equity of $(7,517) distributed in rates of $(383), currencies of $(24,072), $16,648 indexes and securities of $290.

For the year ended December 31, 2016, the Group carried out transactions in recognized markets (Mexican Derivatives Market (Mex-Der) Chicago and ITAU), including an equity of $7,650 distributed in rates of $(13), currencies of $6,635, $867 indexes and securities of $161.

As of December 31, 2017, the future and forward contracts are as follows:

Trading:

			Sales		Purchases		
Type of transaction	**Underlying**		**Receivable**	**Contract value**	**Contract value**	**Payable**	**Balance**
Future contracts	U.S. dollars	$	27,285	27,285	102,161	102,161	-
	Index		2,609	2,609	390	390	-
	Bono M10		-	-	410	410	-
	S&P		241	241	194	194	-
	Euro stock		12	12	-	-	-
		$	30,147	30,147	103,155	103,155	-

			Sales		Purchases		
Type of transaction	**Underlying**		**Receivable**	**Contract value**	**Contract value**	**Payable**	**Balance**
Forward contracts	U.S. dollars	$	629,506	656,629	579,998	562,729	(9,854)
	Equity		34,095	33,877	31,850	32,015	53
	Index		482	501	282	260	3
	Bonds		33,203	32,603	-	-	600
		$	697,286	723,610	612,130	595,004	(9,198)

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Hedging:

Type of transaction	Underlying		Sales: Receivable	Sales: Contract value	Purchases: Contract value	Purchases: Payable	Balance
Forward contracts	U.S. dollars	$	-	-	6,378	5,988	390

At year end 2016 the following contracts are open:

Trading:

Type of transaction	Underlying		Sales: Receivable	Sales: Contract value	Purchases: Contract value	Purchases: Payable	Balance
Future contracts	Bono M10	$	885	885	-	-	-
	Index		2,981	2,981	3	3	-
	S&P		167	167	148	148	-
	U.S. dollars		4,426	4,426	90,077	90,077	-
		$	8,459	8,459	90,228	90,228	-

Type of transaction	Underlying		Sales: Receivable	Sales: Contract value	Purchases: Contract value	Purchases: Payable	Balance
Forward contracts	U.S. dollars	$	456,394	474,167	478,535	470,069	(9,307)
	Index		17,771	17,598	17,910	18,088	(5)
	Equity		147	140	576	563	20
	Bonds		9,919	9,801	598	606	110
		$	484,231	501,706	497,619	489,326	(9,182)

Hedging:

Type of transaction	Underlying		Sales: Receivable	Sales: Contract value	Compras: Contract value	Compras: Payable	Balance
Forwards	U.S. dollars	$	142	188	2,778	2,485	247

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c. **Options -** At December 31, 2017, the Group option transactions are as follows

Trading:

	Type of transaction	Underlying	Amount of reference	Fair Value
Purchases	OTC Options[1]	U.S. dollars	$ 62,345	$ 1,453
		Interest rates	123,482	1,545
		Equity securities and index	15,466	1,264
			======	4,262
	Market Options[2]	Equity securities and index	$ 9,458	442
			======	
				$ 4,704
				=====
Sales	OTC Options[1]	U.S. dollars	$ 60,193	$ 1,444
		Interest rates	142,188	1,623
		Equity securities and index	8,500	6,767
			======	9,834
	Market Options[2]	Equity securities and index	$ 17,676	663
			======	
				$ 10,497
				=====

At December 31, 2016, the Group option transactions are as follows:

	Type of transaction	Underlying	Amount of reference	Fair Value
Purchases	OTC Options[1]	Interest rates	$ 82,842	$ 2,374
		Equity securities and index	28,058	2,008
		U.S. dollars	51,595	1,147
	Options OM[2]	Equity securities and index	7,421	671
			======	
				$ 6,200
				=====
Sales	OTC Options[1]	Interest rates	$ 198,528	$ 2,000
		Equity securities and index	19,473	8,310
		U.S. dollars	52,860	1,217
	Options OM[2]	Equity securities and index	12,183	456
			======	
				$ 11,983
				=====

[1] OTC (Over The Counter)
[2] OM (Organized Markets)

d. **Swaps -** At December 31, 2017, the Group swap transactions are as follows:

Trading:

Underlying	Currency	Receivable contract value	Payable contract value	Receivable	Payable	Net Position
Currency	Mexican Peso	$ 223,243	207,544	305,915	303,058	2,857
	U.S. Dollar	290,341	253,197	312,191	264,723	47,468
	UDIS	87,955	96,847	-	-	-
	Euro	54,495	91,836	58,624	101,519	(42,895)
	Colombian Peso (COP)	2,339	838	-	-	-
	GBP	1,330	1,330	1,741	1,814	(73)
	CLP	3,809	-	-	-	-
	CHF	-	4,047	-	4,342	(4,342)
		======	======			
				678,471	675,456	3,015
			Notional amount			
Interest rates	Mexican Peso [1]	$	2,737,741	370,352	369,372	980
	Euro		186,888	2,988	3,063	(75)
	U.S. Dollar		1,207,948	94,626	95,926	(1,300)
	GBP		532	14	24	(10)
	COP		803	156	152	4
			=======			
				468,136	468,537	(401)
Shares	Mexican Peso	$	1,195	19	1,428	(1,409)
	U.S. Dollar		1,375	1,392	-	1,392
			=======			
				1,411	1,428	(17)
CDS	U.S. Dollar	$	492	13	14	(1)
			=======			
CRA	Mexican Peso		-	(66)	-	(66)
Exchange Markets	Mexican Peso	$	78,148	(69)	(69)	-
			=======			
			$	1,147,896	1,145,366	2,530
				=======	=======	====

[1] The Financial Group entered into nominal interest rate swaps in Mexican pesos with various institutions, agreed to at annual rates ranging from 4.07% and 20.26%.

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At December 31, 2016, the Group swap transactions are as follows:

Trading:

Underlying	Currency	Receivable contract value	Payable contract value	Receivable	Payable	Net Position
Currency	U.S. Dollar	$ 302,861	244,825	325,705	256,489	69,216
	Mexican Peso	197,706	180,798	287,031	291,844	(4,813)
	UDIS	91,196	107,613	-	-	-
	Euro	45,386	84,599	49,789	94,408	(44,619)
	COP	2,182	875	-	-	-
	GBP	1,274	1,274	1,711	1,809	(98)
	CHF	-	4,059	-	4,404	(4,404)
	Chilean Peso	3,651	-	-	-	-
		======	======			
				664,236	648,954	15,282

Underlying	Currency	Notional amount	Receivable	Payable	Net Position
Interest rates	Mexican Peso [(1)]	$ 1,784,178	255,501	252,846	2,655
	U.S. Dollar	1,107,436	88,954	90,580	(1,626)
	Pound Sterling	510	15	30	(15)
	Euro	104,006	1,635	1,821	(186)
		=======			
			346,105	345,277	828
Shares	U.S. Dollar	$ 5,614	3,457	59	3,398
	Mexican Peso	2,077	36	3,382	(3,346)
		=======			
			3,493	3,441	52
CDS	U.S. Dollar	$ 825	29	24	5
		=======			
CRA	Mexican Peso	$ -	(272)	-	(272)
		=======			
Exchange Markets	Mexican Peso	$ 96,058	(158)	(158)	-
		=======			
			$1,013,433	997,538	15,895
			=======	======	=====

[(1)] The Group entered into nominal interest rate swaps in Mexican pesos with various institutions, agreed to at annual rates ranging from 3.33% and 20.26%.

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Hedging:

At December 31, 2017:

Underlying	Currency		Receivable contract value	Payable contract value		Receivable	Payable	Net Position
Currency	Mexican Peso	$	17,811	21,034		18,704	22,794	(4,090)
	U.S. dollar		31,533	7,013		36,644	7,762	28,882
	GBP		-	1,255		-	1,726	(1,726)
	Euro		-	16,701		-	19,410	(19,410)
			=====	=====				
						55,348	51,692	3,656
				Notional amount				
Interest rates	Mexican Peso (1)		$	28,770		11,458	11,136	322
	U.S. dollar			63,976		15,626	15,323	303
				=====				
						27,084	26,459	625
					$	82,432	78,151	4,281
						=====	=====	=====

[(1)]The Group entered into nominal interest rate swaps in Mexican pesos with various institutions at annual rates ranging from 5.43% and 8.91%.

At December 31, 2016:

Underlying	Currency		Receivable contract value	Payable contract value		Receivable	Payable	Net Position
Currency	Mexican Peso	$	18,400	21,006		20,046	23,806	(3,760)
	U.S. dollar		33,067	8,294		40,005	9,438	30,567
	Pound Sterling		-	1,202		-	1,740	(1,740)
	Euro		-	15,390		-	18,723	(18,723)
			=====	=====				
						60,051	53,707	6,344
				Notional amount				
Interest rates	Mexican Peso (2)		$	29,231		13,135	12,666	469
	U.S. dollar			70,831		20,794	19,929	865
				=====				
						33,929	32,595	1,334
					$	93,980	86,302	7,678
						=====	=====	=====

[(2)] See explanation on the next page.

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(2) The Group entered into nominal interest rate swaps in Mexican pesos with various institutions at annual rates ranging from 5.02% and 8.91%.

Collateral received in OTC derivatives as of December 31, 2017 and 2016 is recorded under the caption "Payables for collateral received in cash" and is shown as follows:

Cash received as Derivatives collateral		2017 Acquisition cost	2017 Accrued interest	2017 Book value	2016 Book value
Actiganamas, S. A. de C. V. SIID	$	-	-	-	1
Actinver Casa de Bolsa		5	-	5	-
Alsea SAB de C. V.		236	-	236	131
B.b.v.a. Servex		-	-	-	846
Banco Base S. A.		-	-	-	188
Banco Inbursa S. A.IBM		1,189	2	1,191	1,531
Banco Interacciones		-	-	-	202
Banco JP Morgan S. A.		-	-	-	779
Banco Nacional de México		240	2	242	-
Citi Banamex USA		3,999	-	3,999	-
Banco Regional de Monterrey		-	-	-	29
Banco Santander México		484	3	487	2,523
Banco Ve Por Mas S. A.		-	-	-	14
Bbva Banco Continental		-	-	-	27
Banco Nacional Comercio Exterior		467	3	470	547
Banco Mercantil del Norte		3,269	4	3,273	3,449
Bimar Internacional		-	-	-	392
Casa de Bolsa Finame		137	-	137	68
Credit Agricole CIB		1,083	1	1,084	2,043
Credit Suisse Securities		343	-	343	3,223
Deutsche Bank		2,849	4	2,853	7,108
Goldman Sachs Paris		4,274	6	4,280	5,925
HSBC Bank USA NA NY		79	-	79	109
J. Aron and Company		586	1	587	1,130
Merrill Lynch Cap.SE		933	1	934	1,112
Mexichem		107	-	107	-
Morgan Stanley & Co		2	-	2	188
Morgan Stanley Cap S		621	1	622	729
Morgan Stanley SAS		1,505	2	1,507	2,073
Natixis		964	1	965	1,544
UBS Ag Zurich		592	1	593	-
Valores Mexicanos		11	-	11	35
Vector Casa de Bolsa		-	-	-	7
Xignux S. A.		41	-	41	318
Collaterals received in cash for derivatives		24,016	32	24,048	36,271
Collaterals received in cash other than derivative transactions		346	-	346	-
	$	24,362	32	24,394	36,271
		=====	==	=====	=====

As of December 31, 2017 and 2016, the group has not recorded “collateral receive” in memoranda accounts.

e. **Transactions with embedded derivative financial instruments**

Embedded derivatives shown below are part of the derivatives for trading purposes position.

	2017			
	Book value		Balance	
	Asset	Liability	Asset	Liability
Options acquired	$ 585	-	585	-
Options sold	-	1,156	-	1,156
Swaps	13,991	12,897	3,603	2,509
Forward contracts short position	32	34	-	2
	$ 14,608	14,087	4,188	3,667

	2016			
	Book value		Balance	
	Asset	Liability	Asset	Liability
Options acquired	$ 1,009	-	1,009	-
Options sold	-	1,249	-	1,249
Swaps	18,993	17,498	5,540	4,045
	$ 20,002	18,747	6,549	5,294

e.1. Embedded options (Underlying):

Trading purposes:

			2017	
		Underlying	Nominal amount	Fair value
Purchases	OTC Options	U.S. dollar	$ 731	26
		Indexes	30,041	550
		Interest rates	997	9
				$ 585

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		Underlying		2017 Nominal amount	2017 Fair value
Sales	OTC Options	U.S. dollar	$	737	83
		Interest rates		8,214	1
		Indexes		15,257	1,072
				=====	
					$ 1,156
					====

		Underlying		2016 Nominal nominal	2016 Fair value
Purchases	OTC Options	U.S. dollar	$	3,860	12
		Interest rates		1,196	48
		Indexes		28,434	949
				======	
					$ 1,009
					====

		Underlying		2016 Nominal amount	2016 Fair value
Sales	OTC Options	Interest rates	$	13,173	14
		Indexes		14,413	1,195
		U.S. dollar		3,439	40
				=====	
					$ 1,249
					===

e.2 Embedded swaps (Underlying)

Trading purposes:

Underlying	Currency		2017 Notional amount	2017 Receivable market value	2017 Payable market value	2017 Fair value
Currency	Mexican Peso	$	3,974	3,834	3,886	(52)
	U.S. dollar		4,461	4,318	4,241	77
	Euro		379	420	415	5
			=====			
				8,572	8,542	30
Interest rate	Mexican Peso	$	38,741	5,345	4,298	1,047
	U.S. dollar		791	74	57	17
			======			
				5,419	4,355	1,064
				$ 13,991	12,897	1,094
				=====	=====	====

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		2016			
Underlying	**Currency**	**Notional amount**	**Receivable market value**	**Payable market value**	**Fair value**
Currency	Mexican Peso	$ 4,509	4,544	4,622	(78)
	U.S. dollar	4,785	5,388	5,232	156
	Euro	381	438	432	6
			10,370	10,286	84
Interest rate	Mexican Peso	$ 45,450	8,478	7,109	1,369
	U.S. dollar	1,112	146	102	44
			8,624	7,211	1,413
			$ 18,994	17,497	1,497

e.3 Forward embedded (Underlying)

Trading purposes:

		2017		
		Sales		
	Underlying	**Receivable**	**Contract value**	**Balance**
Forward contracts	U.S. dollar	$ 32	34	(2)

According to the structured banking bonds issuance programs, the Group has recorded embedded options, swaps and forwards in a nominal amount of $55,978, $48,346 and $33, respectively, with underlying interest rates for swaps and foreign currencies, indexes and interest rates for options.

As of December 31, 2017, the Group has entered into the following hedge contracts as follow:

Type of Hedge: Cash Flow Hedges

Description of the hedge	Risk hedge	Hedge instrument	Maximum maturity date of hedge	Fair value hedge instrument	Periods in which flows affect results	Amount recognized in comprehensive income of the period	Amount that is reclassified from equity to income statement	Caption in the Consolidated income statement where the hedge is being applied	Caption in the Consolidated Balance Sheet where the primary position is recorded	Ineffectiveness recognized
Partial Coverage of Monetary Regulation Deposit DRM(1) y (2)	Variable flows from the DRM	24 IRS Fixed/TIIE	jun-20	$ (274) ===	32 months	$ 28 ==	$ (293) ===	Interest Margin from cash and cash equivalents	Restricted cash	$ - ==
Coverage of expenses and investment in EUR(2) and USD	Exchange rate in estimated expense cash flows	24 FWD Sale Usd/Mxp 12 FWD Sale Eur/Mxp	dic-18	$ 386 ===	11 months	$ (3) ==	$ (194) ===	Expenses	Property, furniture and equipment, marketing	$ - ==

(1) At December 31, 2017, the remaining balance of maturities of hedging forwards amounts to $3.

At December 31, 2017, amortization of early-expiration of DRM hedging swaps amounting to $36, net of deferred tax, is recognized in earnings.

(2) At December 31, 2017, the balance of interest from hedging derivatives open position amounts to $52.

* Up to date, all cash flows from foreseen transactions occurred within the terms originally agreed upon.

Type of Hedge: Fair Value

Description of the hedge	Nature of the records covered	Hedge instrument	Maximum maturity of hedge	Fair value hedge instrument	Gain/Loss hedge instrument for December 17	Gain/Loss hedging element for December 17	Caption in the balance sheet where the primary position is recorded	Ineffectiveness recognized
Hedge of loans in USD and MXN from fixed rate to floating rate[2]	Fixed Rate Risk on loans in USD and Fixed rate in MXN	4 IRS Pays fixed Interest in USD and receives variable IRS Pays fixed Interest in MXP and Receives Variable	2040	$ 100 ====	$ (34) ===	$ 34 ===	Performing Loan Portfolio	$ - ==
Hedge of Mexican sovereign bonds in EUR/USD/GBP[2]	Fixed rate on bonds UMS in EUR/USD/ GBP	70 CCS V/F	2025	$(6,744) ====	$ 126 ===	$ (153) ===	Investment in securities	$ - ==
Hedge of issuance of subordinated notes USD[2]	Fixed rate on notes issued USD V/F	31 IRS F/V	2024	$ 260 ====	$ (611) ===	$ 611 ===	Subordinated debt	$ - ==
Hedge of issuance of subordinated notes USD[2] y [3]	Fixed rate in notes USD V/F	24 CCS F/V	2024	$ 2,900 ====	$ (758) ===	$ 779 ===	Subordinated debt	$ - ==
Hedge of corporate bonds[2] y [3]	Fixed rate in foreign currency USD, EUR, UDI	49 CCS V/F	2025	$ (674) ====	$ 69 ===	$ (98) ===	Investment in securities	$ - ==
Hedge of bonds Hedge bonds[2]	Fixed rates on bonds USD/	42 IRS V/F (39 MXN y 3 USD)	2025	$ 480 ====	$ (41) ===	$ 97 ===	Investment in securities	$ (61) ==

(2) At December 31, 2017, the balance of interest from hedging derivatives open position amounts to $52.

(3) At December 31, 2017, there is an effect for the exchange rate component amounting to $8,182.

* Fair value of cross currency swaps (CCS) does not include an exchange rate component, as this is not part of the hedging relationship.

IRS - Interest rate swaps. CCS - Cross currency swaps

As of December 31, 2016, the Financial Group has entered into the following hedge contracts as follow:

Type of Hedge: Cash Flow Hedges

Description of the hedge	**Risk hedge**	**Hedge instrument**	**Maximum maturity date of hedge**	**Fair value hedge instrument**	**Periods in which flows affect results**	**Amount recognized in comprehensive income of the period**	**Amount that is reclassified from equity to Income statement**	**Caption in the Consolidated income statement where the hedge is being applied**	**Caption in the Consolidated Balance Sheet where the primary position is recorded**	**Ineffectiveness recognized**
Partial Hedge of Monetary Regulation Deposit	Variable flows from the DRM	24 IRS FIJA/TIIE	June – 2020	$ (302)	41 months	(644)	22	Interest Margin from cash and cash equivalents	Restricted cash	$ -
Hedge of expenses and investment in EUR y USD	Exchange rate cash in estimated expense flows	12 FWD sale EUR/MXP	June - 2017	$ 293	5 months	200	372	Expenses	Property furniture and equipment. Marketing	$ -
Hedge of sovereign bonds of the Brazilian government	Variables flow from the bond	1 FWD sale BRL/USD/MXN	January - 2017	$ -	0 months	(18)	-	Interest Margin from Securities	Investment in securities	N/A

Type of Hedge: Fair Value

	Nature of the records covered	Hedge instrument	Maximum maturity of hedge	Fair value hedge instrument	Gain/loss hedge instrument	Gain/loss hedging element	Caption in the consolidated balance sheet where the primary position is recorded	Ineffectiveness recognized
Hedge of loans in USD and MXP from Fixed Rate to floating-rate	Fixed rate risk on loans in USD and fixed rate in MX	6 IRS Pays fixed interest in USD and receives variable 2 IRS Pays fixed interest in MXP and receives variable	2040	$ 134 ===	$ 1,786 ====	$ (1,547) ====	Performing Loan Portfolio	$ - ==
Hedge of Mexican Sovereign bonds in EUR/USD/GBP	Fixed Rate on Bonds UMS in EUR/USD/ GBP – V/F	70 CCS V/F	2025	$ (5,652) ====	$ 406 ====	$ (403) ===	Investment in securities	$ - ==
Hedge issuance Of subordinated notes USD	Fixed Rate on Notes Issued USD V/F	31 IRS F/V	2024	$ 871 ====	$ (2,173) ====	$ 2,173 ====	Subordinated debt	$ - ==
Hedge issuance Of subordinated notes USD	Fixed Rate in notes USD V/F	24 CCS F/V	2024	$ 3,680 ====	$ (1,227) ====	$ 1,224 ====	Subordinated debt	$ - ==
Hedge of Corporate Bonds	Fixed Rate in foreign currency USD, EUR, UDI	54 CCS V/F	2025	$ (837) ====	$ 420 ====	$ (410) ====	Investment in securities	$ (3) ==
Hedge of Corporate Bonds	Fixed Rate on Bonds USD	48 IRS V/F	2025	$ 527 ====	$ 448 ====	$ (448) ====	Investment in securities	$ - ==

* Fair value of cross currency swaps (CCS) does not include an exchange rate component, as this is not part of the hedging relationship.

IRS - Interest rate swaps. CCS - Cross currency swaps

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(9) Loan portfolio -

Loans classified by type of loan at December 31, 2017 and 2016, are as follows:

	Performing portfolio		Non-performing portfolio		Total	
	2017	2016	2017	2016	2017	2016
Commercial loans-						
Denominated in Mexican pesos:						
Commercial	$ 290,980	254,914	6,188	5,578	297,168	260,492
Rediscounted portfolio	11,739	13,203	28	49	11,767	13,252
Finance Lease	1,686	1,831	28	21	1,714	1,852
Denominated in U.S. dollars (equivalent in Mexican pesos):						
Commercial	146,297	138,285	121	324	146,418	138,609
Rediscounted portfolio	904	606	-	26	904	632
Finance Lease	1,038	1,135	1	2	1,039	1,137
Total Commercial or business activity loans	452,644	409,974	6,366	6,000	459,010	415,974
Financial entities	27,899	19,606	-	322	27,899	19,928
Government entities	124,264	142,641	-	1	124,264	142,642
Total trade loans	604,807	572,221	6,366	6,323	611,173	578,544
Consumer-						
Credit card	105,273	102,712	4,738	4,016	110,011	106,728
Other consumer loans	154,104	144,822	4,965	4,738	159,069	149,560
Total consumer loans	259,377	247,534	9,703	8,754	269,080	256,288
Mortgage -						
Residential and non –residential	181,286	166,694	5,913	6,828	187,199	173,522
Low income	12,547	14,821	763	853	13,310	15,674
Total mortgage loans	193,833	181,515	6,676	7,681	200,509	189,196
Total loan portfolio	$ 1,058,017	1,001,270	22,745	22,758	1,080,762	1,024,028

At December 31, 2017 and 2016 mortgage loan portfolio includes restricted securitized performing portfolio of $3,923 and $4,689, respectively; and non-performing portfolio of $76 and $89, respectively.

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Commercial loans are described below; the distressed and non-distressed performing and non-performing portfolios at December 31, 2017 and 2016, are also identified. This portfolio does not include guarantees and interest collected in advance, which are shown as part of the commercial portfolio on the consolidated balance sheet.

		2017				
		Distressed		Non-distressed		
		Performing	Non performing[1]	Performing	Non performing	Total
Business or commercial activity	$	-	4,824	420,926	469	426,219
Loans to financial entities		-	-	27,497	-	27,497
Loans to government entities		-	-	124,264	-	124,264
Credit card Small-Medium enterprises		-	1,378	31,675	1,264	34,317
Credit card Small business		-	4	241	-	245
Total	$	-	6,206	604,603	1,733	612,542

		2016				
		Distressed		Non-distressed		
		Performing	Non performing[1]	Performing	Non performing	Total
Business or commercial activity	$	-	5,144	380,172	6	385,322
Loans to financial entities		-	322	19,601	-	19,923
Loans to government entities		-	1	142,640	-	142,641
Credit card Small-Medium enterprises		-	1,552	30,637	638	32,827
Credit card Small business		-	2	101	1	104
Total	$	-	7,021	573,151	645	580,817

(1) It includes loans written off from the consolidated balance sheet (financially written-off portfolio).

The restructured and renewed portfolio at December 31, 2017, and 2016 were as follows:

		2017		
Restructured Portfolio		Current	Noncurrent	Total
Business or commercial activity	$	67,580	989	68,569
Consumer loans		1,152	1,287	2,439
Mortgage loans		15,884	3,367	19,251
Total	$	84,616	5,643	90,259

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Restructured Portfolio		**2016**		
		Current	**Noncurrent**	**Total**
Business or commercial activity	$	62,279	1,582	63,861
Consumer loans		1,050	999	2,049
Mortgage loans		16,848	3,838	20,686
Total	$	80,177	6,419	86,596
		=====	====	=====

At December 31, 2017 and 2016, the Financial Group has collateral in real property for the amount of $9,399 and $8,473, respectively and collateral in securities for the amount of $1,386 and $5,634 for restructured commercial loan.

As of December 31, 2017, and 2016 aging of non current portfolio is as follows (in days):

		2017				
		Period				
		1 to 180 days	**181 to 365 days**	**366 to 2 years**	**Collateral**	**Total**
Business or commercial activity	$	2,108	2,643	3,182	(1,567)	6,366
Consumer loans		9,154	549	-	-	9,703
Mortgage loans		1,789	1,906	2,981	-	6,676
Total	$	13,051	5,098	6,163	(1,567)	22,745
		=====	====	====	====	=====

		2016				
		Period				
		1 to 180 days	**181 to 365 days**	**366 to 2 years**	**Collateral**	**Total**
Business or commercial activity	$	1,855	2,689	3,109	(1,330)	6,323
Consumer loans		8,337	417	-	-	8,754
Mortgage loans		1,641	1,981	4,059	-	7,681
Total	$	11,833	5,087	7,168	(1,330)	22,758
		=====	====	====	====	=====

At December 31, 2017 and 2016, unaccrued commissions for initial loan origination by type of loan and average amortization period are comprised as shown on the following page.

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		2017			
		By amortization period			
		1 to 5 years	6 to 15 years	More than 15 years	Total
Business or commercial activity	$	916	458	157	1,531
Consumer loans		302	479	-	781
Mortgage loans		-	15	173	188
Total	$	1,218	952	330	2,500

		2016			
		By amortization period			
		1 to 5 years	6 to 15 years	More than 15 years	Total
Business or commercial activity	$	652	553	167	1,372
Consumer loans		318	393	-	711
Mortgage loans		-	15	194	209
Total	$	970	961	361	2,292

As of December 31, 2017 and 2016, the balances of non-performing credit portfolio fully reserved and eliminated from the balance sheet are as follows:

		2017	2016
Business or commercial activity	$	5,825	3,956
Consumer loans:			
Credit card		3,389	3,273
Other consumer loans		2,756	3,037
		6,145	6,310
Mortgage loans		5,387	5,352
Total	$	17,357	15,618

As of December 31, 2017 and 2016, the amounts of portfolio sold without including securitization transactions, are as follows:

Loan portfolio		2017	2016
Business or commercial activity	$	1,101	-
Consumer loans		39,335	10,683
Residential mortgage		2,419	1,182
Total	$	42,855	11,865

As of December 31, 2017 and 2016, the amount of lines of credit and letters of credit recorded in memoranda accounts amount to $566,652 and $553,195, respectively.

As of December 31, 2017 and 2016, the revenues from interest and commissions recorded in the financial margin, segmented by type of loan, are composed as follows:

		2017			2016
Type of loan		**Interest**	**Commissions**	**Total**	**Total**
Commercial loans-					
Denominated in Mexican pesos:					
Commercial	$	28,766	977	29,743	20,652
Rediscounted portfolio		1,288	-	1,288	828
Finance Lease		170	-	170	120
Denominated in U.S. dollars (equivalent in Mexican pesos):					
Commercial		6,067	-	6,067	5,122
Rediscounted portfolio		99	-	99	72
Finance Lease		55	-	55	46
Business or commercial activity		36,445	977	37,422	26,840
Loans to financial entities		1,763	2	1,765	858
Loans to government entities		9,851	65	9,916	7,549
Total commercial loans		48,059	1,044	49,103	35,247
Consumer loans-					
Credit card		29,547	42	29,589	29,766
Other consumer loans		31,253	418	31,671	29,108
Total Consumer loans		60,800	460	61,260	58,874
Mortgage loans		19,645	38	19,683	18,367
Total	$	128,504	1,542	130,046	112,488
		======	====	======	======

As of December 31, 2017 and 2016, the amount of the recoveries of loan portfolio written off or eliminated from the balance sheet were $907 and $695, respectively, recognized in the finance statement caption “Other operating income” of the consolidated statement of income.

At December 31, 2017 and 2016, loans classified by economic sectors are as follows:

		2017			2016	
		Amount	**Concentration Percentage**		**Amount**	**Concentration Percentage**
Private (companies and individuals)	$	459,005	42.47%	$	415,964	40.62%
Credit card and consumer		269,080	24.90%		256,288	25.03%
Mortgage		200,509	18.55%		189,196	18.47%
Government entities		124,264	11.50%		142,642	13.93%
Financial		26,143	2.42%		17,490	1.71%
Foreign (non-Mexican entities)		1,756	0.16%		2,438	0.24%
Other past-due loans		5	-		10	-
Total	$	1,080,762	100.00%	$	1,024,028	100.00%
		=======	======		=======	======

Related-party loans- At December 31, 2017 and 2016, loans granted to related parties in accordance with the provisions of article 73 of credit institutions law, amounted to $40,172 and $39,962, respectively. The amount of related-party loans at December 31, 2017 and 2016 includes $16,482 and $16,716, respectively, of letters of credit, which are recorded in memorandum accounts.

Loan support program-

Position in special Cetes and special “C” Cetes which the group keeps under the financial statement caption of “Securities held to maturity”:

As of December 31, 2017, 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**	**Maturity date**	**No. of securities**	**Amount**	**Maturity date**
422-9	128,738,261	$ 13,443	07/07/2022	-	$ -	-
423-9	10,656,993	1,113	01/07/2027	468,306	16	01/07/2027
431-2	964,363	92	04/08/2022	1,800	-	04/08/2022
Total		$ 14,648			$ 16	

***Loan granting policies and procedures* –** the Group 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 which form part of the credit manuals are presented on the next page.

Common risk

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

Risk diversification:

At December 31, 2017, and 2016, the Group maintains the following credit risk operations in compliance with the general risk diversification rules established in the accounting Criteria and applicable to asset and liability transactions, as follows:

- At December 31, 2017, the Bank keeps loans granted to a debtor or groups of persons representing a common risk for an individual amount of $22,507, which represents 12.7% of the Bank’s basic capital. At December 31, 2016, the Group did not have loans for an individual amount accounting for more than 10% of the basic capital.

- As of December 31, 2017 and 2016, the maximum amount of financing with the three largest debtors amounts to $40,510 and $31,020, respectively and represent 22.9% and 19.8%, respectively of the basic capital.

Potential risk:

- Loan applications must be approved in terms of the amount of the risk.
- Avoid risk exposure above the legal limit and other institutional limits established.

Consumer loans, mortgage loans and loans to small and micro-sized companies are subject to automated evaluation and follow-up mechanisms that have been implemented, based on certain standard factors which, under the Group´s criteria, are used to make decisions and allow greater efficiency in the handling of the high volume of loan applications.

(10) Restructured loans denominated in UDIS

At December 31, 2017 and 2016, restructured loans denominated in UDIS amounted to $1,774 and $2,242, respectively.

(11) Allowance for loan losses-

Loan ratings of the Group made for the purpose of recording the loan loss allowance based on the requirements discussed in Note 3, is composed as shown in the next page.

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		2017				
			Allowance for the losses			
Risk category		**Total loans**	**Commercial**	**Consumer**	**Mortgage**	**Total allowance**
A1	$	826,629	1,343	1,201	298	2,842
A2		102,338	616	1,027	43	1,686
B1		70,820	198	1,912	21	2,131
B2		44,342	115	1,910	28	2,053
B3		30,754	393	1,264	25	1,682
C1		20,912	153	1,432	137	1,722
C2		20,527	39	3,326	283	3,648
D		13,267	1,251	1,504	1,040	3,795
E		15,711	2,693	7,384	753	10,830
Total		1,145,300	6,801	20,960	2,628	30,389
Additional allowance		-	-	7	1,260	1,267
Total	$	1,145,300	6,801	20,967	3,888	31,656
		=======	====	=====	====	=====

		2016				
			Allowance for the losses			
Risk category		**Total loans**	**Commercial**	**Consumer**	**Mortgage**	**Total allowance**
A1	$	747,329	1,337	1,409	271	3,017
A2		131,047	561	1,476	166	2,203
B1		60,570	161	1,460	53	1,674
B2		41,086	178	1,495	48	1,721
B3		26,107	217	1,254	29	1,500
C1		19,097	119	1,289	160	1,568
C2		20,105	77	2,965	312	3,354
D		17,819	1,379	1,655	1,742	4,776
E		15,228	2,595	5,883	1,298	9,773
		1,078,388	6,624	18,886	4,079	29,589
Excepted		37	-	-	-	-
Additional allowance		-	-	13	454	467
Total	$	1,078,425	6,624	18,899	4,533	30,056
		=======	====	=====	====	=====

The total loan portfolio balance used for calculation of the allowance for loan losses 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 allowance for loan losses at December 31, 2017 and 2016 is determined based on the balance of the portfolio at that date.

The allowance for loan losses at December 31, 2017 and 2016 covers 100% of non-performing interest.

The amount of the allowance for loan losses at December 31, 2017 and 2016 includes the classification of loan granted in foreign currency valued at the exchange rate in effect on December 31, 2017 and 2016.

As mentioned in note 3(I)(vi), the Group has implemented an internal methodology for determining the residential mortgages' allowance for loan losses, which is based on an internal model of expected losses and is currently in the process of approval from the Commission. At December 31, 2017 and 2016, the Group has set up reserves based on its internal methodology in the amount of $3,888 and $4,533, respectively, which are above the methodology established by the Commission in the amount of $1,260 and $454, respectively.

At December 31, 2017 and 2016, the allowance for loan losses represents 139.17% and 132.07%, respectively, of the non-performing loan portfolio.

At December 31, 2017 and 2016, allowance for loan losses by type of portfolio is comprised as follows:

		2017	2016
Commercial loans:			
Commercial	$	6,276	5,740
Financial entities		326	618
Government entities		199	266
		6,801	6,624
Consumer		20,967	18,899
Mortgage		3,888	4,533
For loan losses total allowance	$	31,656	30,056
		=====	=====

Changes in the allowance for loan losses - Below is an analysis of the allowance for loan losses for years ended on December 31, 2017 and 2016:

		2017	2016
Balance at the beginning of the year	$	30,056	27,386
Allowance for loan losses charged to results of operations		34,079	32,434
Reserves created against previous years		1,408	-
Applications, write-downs and others		(33,876)	(29,938)
Exchange rate fluctuations		(11)	174
Balance at end of year	$	31,656	30,056
		=====	=====

(12) Premium debtors-

At December 31, 2017 and 2016 is as follows:

		2017	2016
Life	$	3,257	2,170
Car		1,680	1,733
Damage		1,074	986
Accident, disease and pensions		488	250
	$	6,499	5,139
		====	====

As of December 31, 2017 and 2016, premium debtors represents 8.60% and 7.74% of the total assets from Seguros BBVA Bancomer.

(13) Securitization operations-

Mortgage portfolio securitizations-

BBVA Bancomer 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 BBVA Bancomer, S.A., (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, mortgage performing loan 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 noncompliance 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 Stock Market Certificates (SMCs), less the respective issuance costs.

– **Irrevocable Trust Contract for the Issuance of securitized debt instruments**

This contract is entered into by and between BBVA Bancomer, S.A., (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 Securitized debt Certificates, which will have such mortgage loans as a source of payment and the placement of the Securitized debt Certificates among small investors; while the Trustee will have all those rights 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 BBVA Bancomer.

– **Loan Servicing Contract**

This contract is entered into by and between BBVA Bancomer, S.A., (Administrator), Trustee and 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 "foreclosed assets" that were transferred in the assignment contract. Accordingly, to enable the Administrator to fulfill its obligations, the Trustee will pay a management fee to the Administrator equivalent to the amount resulting from multiplying the unpaid balance of the principal of the mortgage loans by the percentage stipulated and divided by 12.

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

On June 17, 2013, the Commission through document 153/6937/2013 authorized the registration of BBVA Bancomer with the National Securities Registry of the Program for the issuance of Securitization Certificates for up to the amount up to of $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 BBVA Bancomer, in its capacity as trustor and final trust beneficiary and CI Banco, S. A., Institución de Banca Múltiple (Trustee), in its capacity as trustee and through their Common Representative, executed irrevocable Trust No. F/00989 for the issuance of fiduciary securitization certificates to enable the Trustee to issue securitized 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 loans.

– **Irrevocable Trust Contract for the Issuance of Securitized Debt Certificates**

This contract was executed by BBVA Bancomer; (Trustor and final Trust Beneficiary) (Trustee), and Monex Casa de Bolsa, S.A. de C.V. (Common Representative), which stipulates that the purpose of the trust is to acquire mortgage loans, 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.

– **Loan Servicing Contract**

This contract was executed between BBVA Bancomer (Administrator), Trustee and 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 fee to the Administrator.

The specific characteristics of each trust are detailed below:

		Trusts				
		711	**752**	**847**	**881**	**989**
Execution date of trust contract		Dec-19-07	Mar-13-08	Dec-08-08	Aug-03-09	Jun-21-13
Number of loans assigned		2,943	1,587	18,766	15,101	10,830
Amount of portfolio	$	2,644	1,155	5,823	6,545	4,413
Securitized debt certificates issued		25,404,498	11,143,185	55,090,141	59,101,116	41,920,673
Face value per securitized debt certificates (in Mexican pesos)	$	100 pesos	100 pesos	100 pesos	100 pesos	100 pesos
Amount of issue of securitized debt certificates	$	2,540	1,114	5,509	5,910	4,192
Tranche A1	$	-	-	-	562	-
Tranche A2	$	-	-	-	1,732	-
Tranche A3	$	-	-	-	3,616	-
Gross annual interest rate		9.05%	8.85%	9.91%	-	6.38%
Tranche A1		-	-	-	6.14%	-
Tranche A2		-	-	-	8.04%	-
Tranche A3		-	-	-	10.48%	-
Effective duration of the SMC (years))		20.5	20.42	22	20.08	20
Value of certification	$	103	40	314	635	221
Loan to value %		3.9%	3.5%	5.4%	9.7%	5.0%
Total cash flow received for the assignment	$	2,507	1,091	5,475	5,733	4,129

As of December 31, 2017 and 2016, amounts reported under "Benefits to be received in securitization transactions", of $158 and $197, represent the outstanding trust certificates of unconsolidated securitizations.

The summarized financial information of unconsolidated securitization trusts as of December 31, 2017 and 2016, are shown below:

No. of Trust		711		752		847	
		2017	2016	2017	2016	2017	2016
Assets	$	418	541	222	285	1,166	1,473
Liabilities		384	494	201	261	1,071	1,347
Stockholders' equity		34	47	21	24	95	126
Net result	$	5	6	5	3	18	19
		===	===	===	===	====	====

In April 2016, stock exchange securities of the securitized mortgage loan portfolio in Trust No. 781 was settled earlier. The value of the net credit portfolio, to the settlement date, amounted to $2,093, equivalent to a total of 3,975 mortgage loans. The effect recognized in the Bank's earnings for 2016 was a profit of $1,307.

In compliance with the rules of order and order of preference of distributions set forth in clause 11 of the Trust Agreement described in this note, the Assignee shall distribute to the Beneficiary in last place, in proportion to the percentage represented by the respective certificate, the assignee's remaining balance or surplus (cash flow of the principal and interest).

(14) Other accounts receivable, net-

Other accounts receivable as of December 31, 2017 and 2016 are as follows:

		2017	2016
Debtors from pending settlement transactions [(a)]	$	54,260	60,138
Loans to officers and employees		11,594	10,963
Sundry debtors		3,199	2,636
Collateral provided through OTC derivatives [(b)]		9,789	5,795
Other		1,291	1,543
		80,133	81,075
Less – Allowance for uncollectible accounts		(308)	(489)
	$	79,825	80,586
		=====	=====

(a) The receivables for pending settlement transactions as of December 31, 2017 and 2016, are composed as follows:

		2017	2016
Foreign currencies	$	45,683	46,218
Investments in securities		7,297	12,832
Derivatives		1,280	1,088
	$	54,260	60,138
		=====	=====

(b) Receivables for collateral granted on OTC derivatives as of December 31, 2017 and 2016 is comprised as follows:

	2017			2016
	Acquisition cost	Accrued interest	Book value	Book value
Collateral provided through derivatives:				
Actinver Casa Bolsa GFA	$ -	-	-	4
BBVA Servex	1,292	-	1,292	-
Banca Afirme, S.A.	2	-	2	72
Banca Mifel, S. A. IBM	28	-	28	6
Banco Actinver IBM	5	-	5	5
Banco Interacciones	201	1	202	-
Banco Invex	100	-	100	23
Banco Regional de Monterrey	61	-	61	-
Banco Monex	52	-	52	60
Banco Nacional de México	-	-	-	420
Banco Nacional de Obras	1,522	10	1,532	1,738
Banco Scotiabank	50	-	50	-
Barclays Bank Plc	147	-	147	138
BBVA Chile	31	-	31	98
BBVA Colombia S.A	13	-	13	60
BNP Paribas	2,632	4	2,636	1,426
HSBC México, S.A.	612	1	613	926
JP Morganchase Bank NY	41	-	41	89
Banco JP Morgan S.A	2,142	3	2,145	-
Royal Bank of Scotland	36	-	36	92
Societe Generales	802	1	803	638
	$ 9,769	20	9,789	5,795
	====	==	====	====

(15) Foreclosed assets, net-

Foreclosed assets at December 31, 2017 and 2016, are as follows:

		2017	2016
Buildings	$	4,148	4,571
Land		1,745	2,256
Securities		24	23
		5,917	6,850
Less - Allowance for impairment of foreclosed assets		(3,315)	(2,984)
Total	$	2,602	3,866
		====	====

The changes in the reserve for decreases in value of foreclosed assets are summarized below, for the years ended December 31, 2017 and 2016:

		2017	2016
Opening balance	$	2,984	2,404
Reserves created against "Other operating income"		1,030	1,119
Merge of Hipotecaria Nacional, S. A. de C. V., SOFOM ER		33	-
Termination of Trust 781 (Bursa 03)		-	34
Reserve applications for foreclosure sales and others		(732)	(573)
Ending balance	$	3,315	2,984
		====	====

Fully reserved foreclosed assets at December 31, 2017 and 2016 are as follows:

		2017	2016
Premises – Foreclosed value	$	1,813	1,211
Lands – Foreclosed value		1,340	968
Securities and rights – Foreclosed value		20	20
Total	$	3,173	2,199
		====	====

(16) Property, furniture and equipment, net-

Property, furniture and equipment at December 31, 2017 and 2016 are as follows:

		2017	2016
Furniture and equipment	$	14,423	13,431
Office buildings		8,617	8,963
Installation costs		17,872	16,162
Land		2,732	2,733
Construction		14,174	14,176
Construction in progress		114	36
		57,932	55,501
Less- Accumulated depreciation and amortization		(16,491)	(12,853)
Total	$	41,441	42,648
		=====	=====

For the year ended December 31, 2017, the amount of depreciation and amortization are $3,227 and $2,260, respectively. For the year ended December 31, 2016, the amount of depreciation and amortization are $3,211 and $1,911, respectively.

(17) Equity investments-

For the year ended December 31, 2017 and 2016, investments in associates were valued based on equity method, while other permanent investments were recorded at their acquisition cost. The most significant of these investments are detailed below:

Entity	Participatión 2017	Participatión 2016		2017	2016
Fideicomiso No.1729 INVEX - Disposal of Portfolio	32.25%	32.25%	$	758	758
Compañía Mexicana de Procesamiento, S. A. de C. V.	50.00%	50.00%		151	136
Servicios Electrónicos Globales, S. A. de C. V.	46.14%	46.14%		143	125
Fideicomiso FIMPE	28.50%	28.50%		77	87
Investment Funds	Various	Various		191	169
Other investments recognized at cost	Various	Various		172	152
Total			$	1,492	1,427
				====	====

Investment in shares of associated companies was determined in some cases, based on the non-audited financial information, which is adjusted should there were differences, once it is available.

For years ended on December 31, 2017 and 2016, dividends received from associated companies and other permanent investments amounted to $81 and $75, respectively.

For years ended on December 31, 2017 and 2016, participation in results of associated companies amounted to $58 and $24, respectively.

On March 18 and July 29, 2016, the Group disposed of its shareholding in associated companies I+D México, S.A. de C.V. and Unidad de Avalúos México, S.A. de C. V., generating profits of $131 and $421, respectively, recorded in the consolidated income statement under “Discontinued operations.”

(18) Other assets-

The balance of deferred charges, advance payments and intangibles assets at December 31, 2017 and 2016 is comprised as follows:

		2017	2016
Goodwill	$	8,869	8,869
Software, net		4,539	4,105
Deferred charges, prepaid expenses and intangibles		3,750	2,509
Advance payment to pension plans		-	3,025
Total	$	17,158	18,508
		====	====

At December 31, 2017 and 2016, goodwill is as follows:

Banca Promex, S.A.	$	2,728
Seguros BBVA Bancomer, S.A. de C.V.		3,295
Hipotecaria Nacional, S.A. de C.V. (SOFOM, E. R.)		2,703
Pensiones BBVA Bancomer, S.A. de C.V.		143
Total	$	8,869

As of December 31, 2017 and 2016, the accumulated 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.

At December 31, 2017 and 2016, the amount of the historical cost and software amortization are detailed below:

		2017	2016
Historical cost	$	15,870	13,944
Accumulated amortization		(11,331)	(9,839)
Total	$	4,539	4,105

(19) Deposits-

At December 31, 2017, average rates of bank deposits (unaudited) in “local currency”, according to their short and long-term demand are 1.04% and 4.69% and 0.11% and 0.31%, in “Foreign currency”, respectively, (at December 31, 2016, these were 0.83% and 3.62% and 0.02% and 0.39% in “Foreign currency”, respectively.)

		2017	2016
Deposit funding:			
Demand deposits	$	834,993	754,498
Time deposits:			
Notes payable		177,626	157,683
Time deposits		56,477	36,066
Credit instruments issued [a]		86,280	79,990
Inactive global deposits account		3,324	3,170
Total	$	1,158,700	1,031,407

(a) See explanation on the next page.

(a) Credit instruments issued:

Description of the principal programs

As of December 31, 2017 and 2016, the Financial Group has placed short-term and long-term, composed as follows:

	2017			2016		
	Amount	**Term (days)**	**Rate**	**Amount**	**Term (days)**	**Rate**
Banking bonds Long term	$ 27,908	1,348	7.39%	$ 31,977	1,474	5.81%
Banking bonds Short term	6,013	289	7.19%	3,198	323	5.84%
Securitized debt certificates MXP	17,342	2,063	7.69%	10,338	2,366	6.73%
Securitized debt certificates UDI's	20,125	5,355	4.03%	18,862	5,355	4.03%
Senior Notes	14,892	3,653	4.38%	15,615	3,653	4.38%
Total	$ 86,280			$ 79,990		

Liquidity ratio (unaudited) **-**The provisions of the "Regime of admission of liabilities and investment for transactions in foreign currency" issued by the Central Bank for financial institutions include the mechanism for determining the liquidity coefficient for liabilities denominated in foreign currency.

According to aforementioned regime, in 2017 and 2016, the Bank generated a liquidity requirement of 2,306 and 51 million US dollars, respectively and kept an investment in liquid assets of 5,041 and 3,551 million US dollars with a surplus of 2,735 million and 3,649 million US dollars, respectively.

(20) Interbank loans and loans from other entities-

At December 31, 2017 and 2016, interbank loans and loans from other entities are as follows:

	Mexican pesos		U.S. dollars in Mexican pesos		Total	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Bank loans	$ -	1,111	-	55	-	1,166
Call money	-	413	-	-	-	413
Loans from other entities	15,308	15,960	2,072	1,665	17,380	17,625
Total	$ 15,308	17,484	2,072	1,720	17,380	19,204

As of December 31, 2017 interbank loans and loans from other entities in foreign currency were contracted by the Group with terms ranging from 4 days to 3 years (3 days to 4 years in 2016) and annual USD rates ranging between 1.50%% and 7.25% annual (between 0.714% and 1.50% annual in 2016) . Such loans are contracted with two foreign financial institutions in 2017 (with four financial institutions in 2016).

The Group has a liquidity line of credit in the Central Bank of an amount equivalent to up to the DRM (see note 4). Such line of credit amounted to $40,230 at December 31, 2017 and 2016, without considering interest in both years. At December 31, 2017, the Group did not use such line of credit, while at December 31, 2016 it used $1,120; therefore, the amount of the available line of credit (overdraft) amounted to $40,230 and $39,110, at December 31, 2017 and 2016, respectively.

(21) Technical reserves -

At December 31, 2017 and 2016, technical reserves are as follows:

		2017	2016
Seguros BBVA Bancomer			
Reserve for current risks:			
Direct life insurance	$	47,247	45,812
Direct by accidents and illness		50	42
Damage direct insurance		3,396	2,867
Reinsurance taken		2	2
		50,695	48,723
Contractual obligations:			
Claims incurred		2,143	1,983
By claims incurred and paid in terms		1,156	1,120
Past due US dollars to be paid		386	373
By claims incurred but not reported		835	729
		4,520	4,205
Catastrophic risk reserve		4,665	4,034
		59,880	56,962
Premiums in deposit:		22	27
Total reserves Seguros BBVA Bancomer	$	59,902	56,989
		=====	=====
Seguros Salud			
Reserve for current risks	$	42	43
Reserve for current risks to be fulfilled:			
Claims incurred		22	14
By claims incurred but not reported		92	16
Reserve expenses for unadjusted claims		-	1
Reserve for unvalued claims		-	38
		114	69
		156	112
Premiums in deposit:		5	3
Total reserves BBVA Bancomer Seguros Salud	$	161	115
		=====	======

		2017	2016
Pensiones BBVA Bancomer			
Reserve for current risks:			
Mathematical Reserves for Basic Benefits:			
Labor Risk:			
Permanent disability	$	10,482	9,213
Death		7,928	7,316
Life and disability:			
Disability		20,368	18,834
Death		41,299	37,905
Retirement Severance:			
Retirement		8,860	7,376
Mathematical reserves for additional benefits:			
Labor Risk:			
Permanent disability		18	17
Death		16	16
Life and disability:			
Disability		45	44
Death		71	73
Un-paid claims		174	158
Contingent reserve		1,768	1,603
Reserves for investment fluctuations		609	634
		91,638	83,189
Premiums in deposit		69	3
Total reserves Pensiones BBVA Bancomer		91,707	83,192
Total Seguros BBVA Bancomer		59,902	56,989
Total Seguros Salud		161	115
Total technical reserves	$	151,770	140,296
		======	======

(22) Labor obligations

The Group has liabilities for labor obligations arising from employee benefits, resulting from termination and post-employment benefits, which consider the payment of seniority premiums upon retirement, post-retirement obligations for payment of integrated medical services to retirees and their economic dependents, life insurance and sports benefits. Said benefits are applicable according to the Group’s subsidiary at which the employee is hired.

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.

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and subsidiaries**

Below is the breakdown of the net assets (liabilities) for defined benefits at December 31, 2017 (net assets for deferred benefits at December 31, 2016.)

		2017					
			Other retirement benefits				
		Pension plan and seniority premium	Comprehensive medical services	Death benefit	Retiree sports club	Severance provision	Total
As of December 31, 2017, net (liability) asset from defined benefits are as follows:							
Benefit obligations	$	(9,592)	(27,425)	(1,063)	(112)	(788)	(38,980)
Plan assets		8,924	25,704	2,192	-	-	36,820
Net (Liability) for defined benefits	$	(668)	(1,721)	1,129	(112)	(788)	(2,160)
As of December 31, 2017, the defined benefit obligations are as follows:							
Initial balance	$	8,154	21,241	1,317	99	609	31,420
Service Cost		106	531	5	3	108	753
Financial cost		762	2,077	126	9	30	3,004
Actuarial gains and losses generated in the period		1,470	4,602	(369)	6	257	5,966
Paid benefits		(930)	(764)	(15)	(4)	(183)	(1,896)
Acquisition, sale or spin-off business		(1)	-	-	-	-	(1)
Early reduction of obligations		31	(262)	(1)	(1)	(33)	(266)
Defined benefit obligations	$	9,592	27,425	1,063	112	788	38,980
As of December 31, 2017, the Assets of the Plan ("AP") are integrated as follows:							
AP at the beginning of the year	$	8,816	23,639	1,986	-	-	34,441
AP Expected return		838	2,329	193	-	-	3,360
Actuarial gains generated in the period		190	500	28	-	-	718
Paid benefits		(920)	(764)	(15)	-	-	(1,699)
AP at the end of the year	$	8,924	25,704	2,192	-	-	36,820
Net assets (liabilities) for defined benefits at the beginning of the year	$	663	2,398	669	(99)	(609)	3,022
Service Cost		(137)	(269)	(4)	(2)	(74)	(486)
Net interest		76	252	67	(9)	(30)	356
Payments made		10	-	-	4	183	197
(Losses) gains recognized in OCI during the period		(1,280)	(4,102)	397	(6)	(258)	(5,249)
Net assets (liabilities) for defined benefits at the end of the year	$	(668)	(1,721)	1,129	(112)	(788)	(2,160)

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	2017					
		Other retirement benefits				
	Pension plan and seniority premium	**Comprehensive medical services**	**Death benefit**	**Retiree sports club**	**Severance provision**	**Total**
As of December 31, 2017, the (cost) defined benefit income for the period is integrated as follows:						
Labor cost of the service:						
Current service	$ (106)	(531)	(5)	(3)	(108)	(753)
Services passed through early reduction of obligations	(31)	262	1	1	33	266
Acquisition, sale or spin-off business	-	-	-	-	1	1
Net interest on the (liability) net asset for defined benefits:						
Interest cost of defined benefit obligations	(762)	(2,077)	(126)	(9)	(30)	(3,004)
AP interest income	838	2,329	193	-	-	3,360
Recycling of remeasurement of assets (liabilities) Net defined benefit to recognize in the ORI:						
Gains (losses) on the obligation for defined benefits	(15)	(104)	16	-	1	(102)
AP profits	(34)	(108)	(7)	-	-	(149)
Income (Cost) Net of the Period	$ (110)	(229)	72	(11)	(103)	(381)
As of December 31, 2017, the remeasurements of the net asset (liability) for defined benefit recognized in the ORI, are integrated as follows:						
Reconciliation of actuarial (loss) gains:						
Opening balance (losses) gains on the obligation	$ (175)	(1,220)	198	4	(13)	(1,206)
(Losses) gains in the obligation	(1,470)	(4,602)	369	(6)	(257)	(5,966)
Recycling of remeasurement of the obligation	15	104	(16)	-	(1)	102
Ending balance (losses) gains on the obligation	(1,630)	(5,718)	551	(2)	(271)	(7,070)
Opening balance (losses) gains on return on assets	(425)	(1,282)	(93)	-	-	(1,800)
Gains (losses) on the return of AP	190	500	28	-	-	718
Recycling of replenishments in the return of AP	34	108	7	-	-	149
Ending balance (losses) gains on the obligation	(201)	(674)	(58)	-	-	(933)
Final balance (losses) net gains recognized in ORI	$ (1,831)	(6,392)	493	(2)	(271)	(8,003)

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		2016					
			Other retirement benefits				
		Pension plan and seniority premium	Comprehensive medical services	Death benefit	Retiree sports club	Severance provision	Total
As of December 31, 2017, net (liability) asset from defined benefits are as follows:							
Benefit obligations	$	(8,154)	(21,241)	(1,317)	(99)	(609)	(31,420)
Plan assets		8,817	23,639	1,986	-	-	34,442
Net (Liability) for defined benefits	$	663	2,398	669	(99)	(609)	3,022
		====	=====	====	==	===	====
As of December 31, 2016, the defined benefit obligations are as follows:							
Initial balance	$	8,008	18,602	1,399	95	623	28,727
Service cost		113	477	9	3	73	675
Financial cost		709	1,701	126	9	52	2,597
Actuarial gains and losses generated in the period		175	1,220	(198)	(4)	1	1,194
Paid benefits		(851)	(655)	(15)	(3)	(104)	(1,628)
Early reduction of obligations		-	(104)	(4)	(1)	(36)	(145)
Defined benefit obligations	$	8,154	21,241	1,317	99	609	31,420
		====	=====	====	==	===	=====
As of December 31, 2017, the Assets of the Plan ("AP") are integrated as follows:							
AP at the beginning of the year	$	9,039	21,243	1,879	-	-	32,161
Contributions made by the entity		243	2,375	45	-	-	2,663
AP Expected return		808	1,957	171	-	-	2,936
Actuarial losses generated in the period		(425)	(1,282)	(93)	-	-	(1,800)
Early reduction of obligations		(2)	-	-			(2)
Paid benefits		(846)	(654)	(16)	-	-	(1,516)
AP at the end of the year	$	8,817	23,639	1,986	-	-	34,442
		====	=====	====	==	==	=====
Net assets (liabilities) for defined benefits at the beginning of the year	$	1,031	2,641	479	(95)	(623)	3,433
Service Cost		(115)	(373)	(5)	(2)	(37)	(532)
Net interest		99	256	45	(9)	(52)	339
Contributions to the fund		243	2,375	45	-	-	2,663
Payments made		5	1	-	3	104	113
(Losses) gains recognized in OCI during the period		(600)	(2,502)	105	4	(1)	(2,994)
Net assets (liabilities) for defined benefits at the end of the year	$	663	2,398	669	(99)	(609)	3,022
		====	====	====	==	===	====

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		2016					
			Other retirement benefits				
		Pension plan and seniority premium	Comprehensive medical services	Death benefit	Retiree sports club	Severance provision	Total
As of December 31, 2017, the (cost) defined benefit income for the period is integrated as follows:							
Labor cost of the service:							
Current service	$	(113)	(477)	(9)	(3)	(73)	(675)
Services passed through early reduction of obligations		(2)	104	4	1	36	143
Net interest on the (liability) net asset for defined benefits:							
Interest cost of defined benefit obligations		(709)	(1,701)	(126)	(9)	(52)	(2,597)
AP interest income		808	1,957	171	-	-	2,936
Recycling of remeasurement of assets (liabilities) Net defined benefit to recognize in the ORI: (Losses) on the obligation for defined benefits		-	-	-	-	7	7
Income (Cost) Net of the Period	$	(16)	(117)	40	(11)	(82)	(186)
		===	====	==	==	==	===
As of December 31, 2017, the remeasurements of the net asset (liability) for defined benefit recognized in the ORI, are integrated as follows:							
Reconciliation of actuarial (loss) gains:							
Opening balance (losses) gains on the obligation	$	-	-	-	-	(4)	(4)
(Losses) gains in the obligation		(175)	(1,220)	198	4	(1)	(1,194)
Recycling of remeasurement of the obligation		-	-	-	-	(7)	(7)
Ending balance (losses) gains on the obligation		(175)	(1,220)	198	4	(12)	(1,205)
		===	====	===	===	==	====
Opening balance (losses) gains on return on assets		-	-	-	-	-	-
Gains (losses) on the return of AP		(425)	(1,282)	(93)	-	-	(1,800)
Ending balance (losses) gains on the obligation		(425)	(1,282)	(93)	-	-	(1,800)
Final balance (losses) net gains recognized in ORI	$	(600)	(2,502)	105	4	(12)	(3,005)
		===	====	===	==	==	====

At December 31, 2017 and 2016, the severance plan and the sports club plan for retirees have no assets for financing the obligations for defined benefits.

At December 31, 2017 and 2016, assets of several plans were invested in government securities. Likewise, expected return of the plan assets to those dates was estimated in the amount of $3,360 and $2,936 of surplus, respectively. Real return to the same dates in the amount of $4,078 and $1,136 of surplus and deficit, respectively.

The main actuarial hypotheses used in 2017 and 2016 are shown below:

	2017	2016
Nominal discount rate used to estimate the obligation's present value	9.48%	9.95%
Yield rate expected for plan assets	9.48%	9.95%
Salary increase rate	4.75%	4.75%
Pension increase rate	2.13%	2.13%
Medical services increase rate	7.00%	6.75%
Nominal increase rate on future salaries	3.75%	3.75%
Long term inflation rate	3.75%	3.75%

(23) Subordinated debt -

Subordinated obligations are comprised as follows:

		2017	2016
Junior notes of USD 500 million, issued in May 2007, at an interest rate of 6.0080% until May 17, 2017, payable semiannually and LIBOR + 1.81% as from May 18, 2017, payable quarterly, due on May 17, 2022; the number of outstanding securities is 500,000, with a nominal value of 1,000 dollars each. These notes were not settled earlier on May 17, 2017.	$	-	10,310
Junior notes of USD 1,000 million, issued in April 2010, at an interest rate of 7.25%, payable semiannually as from October 22, 2010, due on April 22, 2020; the number of outstanding securities is of 1,000,000, with a nominal value of 1,000 dollars each.		19,663	20,619
Senior notes of USD 1,250 million, issued in March 2011, at an interest rate of 6.50%, payable semiannually as from September 10, 2011, due on March 10, 2021; the number of outstanding securities is of 1,250,000, with a nominal value of 1,000 dollars each.		24,579	25,774
Senior notes of USD 1,000 million, issued in July 2012, at an interest rate of 6.75% and an extension of the issuance of USD 500 million in September 2012, at an interest rate of 6.75%, payable semiannually as from March 30, 2013, due on September 30, 2022; the number of outstanding securities is of 1,500,000, with a nominal value of 1,000 dollars each.		29,494	30,929
Senior notes of USD 200 million, issued in November 2014, at an interest rate of 5.35%, payable semiannually as from May 12, 2015, due on November 12, 2029; the number of outstanding securities is of 200,000, with a nominal value of 1,000 dollars each.		3,933	4,124
Unpaid accrued interest		1,297	1,429
Total	$	78,966	93,185
		=====	=====

(24) Related parties-

Following provisions of Bulletin C-3 "Related parties" issued by the Commission, significant related parties balances/transactions are described below:

		2017	2016
Banco Bilbao Vizcaya Argentaria, S. A.			
Derivative financial instruments [1]	$	(1,773)	378
Repurchase agreements payable [1]		(4,238)	(4,113)
		=====	====
Aplica Tecnología Avanzada, S. A. de C. V.			
Deposits [1]	$	779	1,223
Loans portfolio [1]		1,005	1,443
		=====	====
Income:			
Interest [2]	$	41	29
Loans origination commissions [2]		31	25
		=====	====
Administrative services fees [2]	$	44	32
		=====	====
Expense:			
Processing and systems development [2]	$	2,374	2,384
		=====	====
BBVA Leasing México, S. A. de C. V. (formerly known as Facileasing S. A. de C. V.)			
Deposits [1]	$	258	32
Loans portfolio [1]		-	6,278
		=====	====
Income:			
Interest [2]	$	-	213
Administrative services fees [2]		65	65
		=====	====
Facileasing Equipment, S. A. de C. V.			
Deposits [1]	$	-	265
Loans portfolio [1]		-	6,476
		=====	====
Income:			
Interest [2]	$	113	277
Fees paid for administrative services [2]		31	43
		=====	====
Loan portfolio[1]	$	12,086	-
		=====	====
Income:			
Interest[2]	$	296	-
		=====	====
Fees on administrative services [2]	$	65	-
		=====	====

[1] Balances of accounts payable/receivable at December 31, 2017 and 2016, respectively.

[2] It relates to the income or (expense) recorded in the income statement for years ended on December 31, 2017 and 2016, respectively.

At December 31, 2017 and 2016, there are other related parties transactions that are regarded as non- significant, thus have not been disclosed.

(25) Income tax (ISR from its Spanish acronym)-

The current Income Tax Law establishes an income tax rate of 30%.

Main items affecting the Group taxable income were the annual inflation adjustment, accruals, the market valuation results, the differences between the accounting and tax depreciation and amortization and the deductible written-off portfolio.

A reconciliation of the income tax rate and the effective tax rate, as a percentage of the income before income tax, is as follows:

	2017		2016	
Statutory rate	$ 18,634	30.00%	$16,039	30.00%
Increase (reduction from):				
Non-deductible expenses	502	0.81%	623	1.16%
Effects of inflation, net	(3,112)	(5.01%)	(1,401)	(2.62%)
Reversal on revenues/expenses from previous years	571	0.92%	(1,451)	(2.71%)
Other accruals	(27)	(0.04%)	(238)	(0.45%)
Effective rate	$ 16,568	26.68%	$13,572	25.38%
	=====	======	=====	======

Recoverable Asset Tax (IMPAC from its Spanish acronym):

At December 31, 2017 and 2016, the Group has an IMPAC of $199 and $381, respectively.

Other tax issues:

At December 31, 2017 and 2016, balances are as follows:

		2017	2016
Net after-tax profit account	$	22,608	21,675
Capital contributions account		199,193	186,720
		=====	=====

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The Group has recognized a deferred income tax resulting from the temporary differences arising from the comparison of accounting and taxable values of the following assets and liabilities:

		2017		2016		
		Temporary differences		Temporary differences		Movement
		Base	Deferred IT	Base	Deferred IT	for the year
Deferred tax assets:						
Allowance for loan losses (not yet deducted)	$	31,933	9,580	32,572	9,771	(191)
Fees and interest charged in advance		8,092	2,427	12,499	3,750	(1,323)
Accruals		10,154	3,046	7,169	2,151	895
Other assets		5,346	1,604	3,893	1,168	436
Foreclosed assets		4,458	1,337	3,903	1,171	166
Net operating loss carry forwards		1,176	353	1,339	402	(49)
Valuation of available-for-sale securities		2,983	895	6,290	1,887	(992)
Debtors and creditors		3,419	1,026	494	148	878
Total asset		67,561	20,268	68,159	20,448	(180)
Deferred tax liabilities:						
Fair value in statements of income		-	-	8,615	2,585	2,585
Valuation of hedging derivatives and available-for-sale securities		459	138	303	91	(47)
Pre-maturity of derivative financial instruments		10,868	3,260	1,976	593	(2,667)
Employee benefits		2,127	638	1,737	521	(117)
Other liabilities		223	67	4,074	1,222	1,155
Total liabilities		13,677	4,103	16,705	5,012	909
Net deferred assets	$	53,884	16,165	51,454	15,436	729
		=====	=====	=====	=====	===
Movement in results for the year						$ 68
Movement in equity						661
						===

In assessing the realizability of deferred tax assets, Management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

Other considerations:

In accordance with Mexican tax law, the tax authorities are empowered to examine transactions carried out during the five years prior to the most recent income tax return filed.

In accordance with the IT Law, companies carrying out transactions with the related parties are subject to certain requirements as to the determination of prices, which should be similar to those that would be used in arm's length transactions.

(26) Stockholders' equity

(a) Structure of the Capital stock–

The capital stock of the Group at December 31, 2017 and 2016, was as follows:

Number of shares at Par Value of $0.11 Mexican pesos per shared

	Authorized	Unsubscribed	Paid-in
Serie "B"	4,605,999,999	(60,462,657)	4,545,537,342
Serie "F"	4,794,000,001	(62,930,521)	4,731,069,480
Total	9,400,000,000	(123,393,178)	9,276,606,822
	===========	=========	===========

	Historical amount		
	Authorized	Unsubscribed	Paid-in
Serie "B"	$ 507	(7)	500
Serie "F"	527	(7)	520
Subtotal	$ 1,034	(14)	1,020
	====	==	

Capital reordering, updated	15,191
Accrued inflation effects until December 2007	2,725
Reduction /increase in capital in fiscal year 2009, net	(9,137)
Total	$ 9,799
	=====

At General Ordinary Stockholders' Meeting held on February 28, 2017, it was agreed that given that the consolidated financial statements approved by such Stockholders' Meeting reported a net income in fiscal year 2016, amounting to $40,787, the appropriations for the year 2017 were as follows: (i) net income obtained during the year in the amount of $40,787, to the account of "Retained Earnings"; and

(ii) distribution of dividends for up to $28,551, which were declared from the account "Retained Earnings ", on the basis of $3.72830288742834 pesos per share, which were paid to shareholders as follows: $21,413 on September 29, 2017 and $7,138 on December 22, 2017.

At General Ordinary Stockholders' Meeting held on February 26, 2016, it was agreed that given that the consolidated financial statements approved by such Stockholders' Meeting reported a net income in fiscal year 2015, in the amount of $34,485, the appropriations for the year 2016 were as follows: (i) net income obtained during the year amounting to $34,485, to the account of "Retained Earnings"; and (ii) distribution of dividends for up to $24,140, of which, $18,105 were declared form the account "Retained Earnings", on the basis of $2.536595594867 pesos per share, which were paid to shareholders as follows: $6,035, on March 30, 2016; $6,035, on June 23, 2016; $6,035, on September 22, 2016; and $6,035, on January 19, 2017.

On January 13, 2016, a dividend of $5,426 was declared; such amount was paid on January 21, 2016, which was approved at the General Ordinary Stockholders' Meeting held on February 26, 2015.

(b) Comprehensive income-

Comprehensive income for years ended on December 31, 2017 and 2016, amounted to $42,044 and $35,122, net of deferred taxes, respectively. Such amount is shown in the consolidated statement of changes in stockholders' equity and represents the result of the total activity of the Group and its subsidiaries during the year, and includes the items according to the applicable accounting criteria, recorded directly in stockholders' equity (result from valuation of securities available for sale, result from valuation of cash flow hedging, initial effect of the application of provisions in effect in year 2017, corresponding to one of the above mentioned items and remeasurements for employees' defined benefits).

(c) Stockholders' equity restrictions -

Series "F" shares represent, at all times, no less than 51% of the capital stock and may only be purchased, directly or indirectly, by a Foreign Financial Institution, as defined in the Law. Series "B" shares may represent up to 49% of the capital stock, shall be subscription free and shall be governed by article 74 of said Law.

At no time, foreign business entities that exercise authority functions, according to article 24 of the Law, may participate in any way in the Group's capital. Domestic financial entities, even those that form part of the Financial Group, may not participate either, except when acting as institutional investors in terms of article 27 of the Law.

The Group's net income is subject to the legal provision requiring 5% of profits for each period to be set aside to increase the legal reserve until it reaches 20% of the capital stock. This reserve may not be distributed amongst shareholders while the Group remains in existence, except as dividends in shares.

In the event of profits distribution not subject to taxes applicable to the Group, such tax must be paid upon distribution of the dividend. Therefore, the Group must consider the profits subject to each rate.

Dividend paid in 2017 come from net income of years previous to 2015; therefore, the additional IRS of 10% on dividend payments to individuals and residents abroad is not applicable.

Capital reductions shall cause taxes on the surplus of the amount distributed against its tax value, determined according to provisions of the Income Tax Law.

(d) Bank's capitalization index (unaudited)-

Capitalization rules establish requirements in relation to specific levels of net capital, as a percentage of the assets subject to market risk, credit and operational risks; however, for calculation purposes of the net capital, deferred taxes shall represent a maximum of 10% of the basic capital.

Under the standard method, transactions are classified in twelve different groups, according to the counterparty, which must be weighted pursuant to the corresponding risk degree.

In addition, under this method, a greater weight is allocated to the past-due portfolio (115% and 150%) and the mortgage loans shall have a factor of 50% to 100%, depending on the level of the down payment and the related guarantees, which serve to increase the down payment percentage and to allocate a better weight.

- *Capitalization for operational risk*

  In order to calculate the capital requirement for exposure to operational risk, the Bank must use the following:

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

The capital requirement for alternative standard method must be implemented within a term of 3 years and it must consider the weight according to the business line.

According to modifications to the capitalization rules issued in December 2014, in effect as of October 2015, the following is shown:

- *Capitalization for market risk*

  According to amendments to the capitalization rule in effect as of October 2015, the applicable weights for reports RC-01, RC-02, RC-03 y RC-04 were modified. In addition, in the RC on share positions (RC-05) weights for the general market risk are changing- The portfolio diversification calculation is omitted, using instead 8% of the market specific risk and, finally, the liquidation risk calculation is suppressed.

  A new RC was added to the market requirements, RC-18, which captures the effect of Gamma and Vega on the option positions and is reflected in the total market risk at the end of December 2018. This requirement is additional to requirements generated in the other RCs.

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- *Capitalization for credit risk*

  In relation to credit risk, changes to the capitalization rule caused the counterparty risk to be split in counterparty and related party credit risk and credit risk for credit valuation adjustment and with related parties and exposure to non-compliance fund in bank clearing houses.

  The Bank's capitalization index at December 31, 2017 amounted to 14.25% of total risk (market, credit and operational) and 20.56% of credit risk, which are 3.75 and 10.06 points above the minimum required.

  The amount of net capital, made up of basic and supplementary capital, is broken down below (shown figures may differ in their presentation in the Bank's consolidated financial statements):

- *Basic capital:*

Concept		**Amount**
Stockholders' equity	$	175,297
Capitalization instruments		7,802
Instruments of subordinated debt in relation to securitization programs		(605)
Deductions of investments in shares of financial entities		(733)
Organization expenses and other intangibles		(4,972)
Total	$	176,789
		======

The main features of the obligations are shown below:

Concept		**Valued amount**	**Maturity date**	**Calculation percentage**		**Weighted average (basic capital)**
Non-convertible -						
Computable in basic capital:						
Computable capitalization instruments	$	29,494	17/05/2022	50%	$	14,747
		=====				=====

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- Suplementary capital

Concept		**Amount**
Obligations and capitalization instruments	$	29,077
Allowance for loan losses		105
Total	$	29,182
Net capital	$	205,971

Concept		**Valued amount**	**Maturity date**	**Calculation percentage**		**Weighted average (basic capital)**
Computable capitalization instruments	$	24,579	10/03/2021	50%	$	12,289
Computable capitalization instruments		19,663	30/09/2022	50%		9,831
Computable capitalization instruments		3,933	12/11/2024	50%		1,966
Total	$	48,175			$	24,086

Assets on risk are comprised as follows:

– *Assets subject to market risk:*

Concept		**Assets weighted by risk**	**Capital requirement**
Transactions in Mexican pesos with nominal rate	$	216,753	17,340
Transactions in Mexican pesos, with real rate or denominated in UDIS		27,350	2,188
Return rate referred to the general minimum wage		8,634	691
Transactions in foreign currency with nominal rate		32,332	2,587
Positions in UDIS or with return referred to the NCPI		67	5
Positions in foreign currencies with return indexed to the exchange rate		17,135	1,371
Positions in shares or with return indexed to the price of a share or group of shares		31,255	2,500
Transactions referred to the general minimum wage		235	19
Gamma (RC-18)		23,023	1,842
Vega (RC-18)		297	24
Spread		8,220	658
Total market risk	$	365,301	29,225

– *Assets subject to market risk:*

Concept		Assets weighted by risk	Capital requirement
Weighted at 10%	$	1,351	108
Weighted at 11.5%		1,772	142
Weighted at 20%		19,537	1,563
Weighted at 23%		6	-
Weighted at 50%		48,883	3,911
Weighted at 57.5%		120	10
Weighted at 75%		41,990	3,359
Weighted at 100%		411,476	32,918
Weighted at 115%		7,975	638
Weighted at 150%		2,803	224
Weighted at 1250%		949	76
CCC / E and C Internal methodology		405,812	32,465
CVA		23,303	1,864
ECC		99	8
Counterparty		17,208	1,377
Related		17,601	1,408
Repurchase agreements and Spot		923	74
Total credit risk	$	1,001,808	80,145
		=======	=====
Operational risk	$	77,950	6,236
		=====	=====

Capital management - The Bank has the required staff, process and systems for the right identification, measurement, oversight, control and mitigation of the risks to which the Bank is exposed; for further detail and explanation, see note 34.

In turn, the periodic processes to guarantee that the financial reports are disclosed and reflect the risks to which the Bank is exposed are defined and established.

Stress testing are performed annually; these are required by the Commission to assess capital sufficiency of the Bank in order to continue acting as intermediary of resources and granting loans under different scenarios.

In addition, there is an analysis comprising liquidity crisis scenarios. These stress scenarios estimate the impact on the auto-financing ratio and the capacity of explicit assets available to cover maturities in a horizon of 12 months, which allows to know the Bank survival horizon. Results show a satisfactory resistance of the Bank to liquidity crisis.

On the other hand, the Bank has different management levers to be actioned should it faced different stress scenarios that could impair its solvency position in terms of capital and/or liquidity. Given the strong condition of the Bank, both financial and of its balance structure, such levers allow it to access wholesale markets, both local and international, to obtain financing and capital, have at its disposal high quality assets for its sale and/or securitization, as well as discount securities, either at the market or with the Central Bank.

Based on the foregoing, it is determined that the Bank has the mechanisms necessary to efficiently face stress scenarios that may impair the situation, both in relation to the capital and liquidity.

For further details, see "Exhibit 1-O", required by the Provisions "Supplementary Information for the fourth quarter of 2017", in compliance with the obligation to disclose information on the Capitalization Index, available on the webpage https://investors.bancomer.com/.

(27) Foreign currency position -

Central Bank Regulations establish standards and limits to have banks keep long or lending (short or borrowing) positions in foreign currencies equivalent to a maximum of 15% of the Bank's basic capital. At December 31, 2017 and 2016, the Bank kept an exchange rate risk position within the mentioned limit.

At December 31, 2017 and 2016, the exchange rate determined by the Central Bank of Mexico and used by the Group to value its assets and liabilities in foreign currency (translated to U.S. dollars) was $19.6629 Mexican pesos and $20.6194 Mexican pesos per U.S. dollar, respectively, and the position in foreign currency was as follows:

		Millions of U.S Dollars	
		2017	2016
Assets		17,431	14,344
Liabilities		(16,936)	(14,113)
Net assets position in U.S. dollars		495	231
		=====	=====
Net assets position in Mexican pesos (nominal value)	$	9,733	4,763
		=====	=====

As of February 23, 2018, date of issuance of the audited financial statements, the last exchange rate established by the Mexican central bank was 1 USD = MXN $18.5659.

According to the provisions of the Central Bank of Mexico, the position reported to that institution as of December 31, 2017 and 2016 was USD $312 million and USD $129 million long, which includes delta FX options, and excludes assets and liabilities that are not computable.

The Financial Group performs transactions in foreign currency, primarily in US dollars, Euros and Japanese yen. The Financial Group does not disclose its position in currencies other than the US dollar, as it is largely immaterial. The parity of other currencies with the Mexican peso is referenced to the US dollar and is in compliance with the Central Bank of Mexico regulations. Consequently, the Financial Group's position in all foreign currencies is consolidated in US dollars at each monthly closing.

(28) Position in UDIS-

At December 31, 2017 and 2016, the Group had UDI-denominated assets and liabilities translated into Mexican pesos, considering the prevailing conversion rate of $5.934551 Mexican pesos and $5.562883 Mexican pesos per UDI, respectively, as follows:

		Millions of UDIS	
		2017	**2016**
Assets		21,559	21,784
Liabilities		(20,941)	(20,154)
Net assets position in UDIs		618	1,630
Net asset position in Mexican pesos (nominal value)	$	3,668	9,067

As of February 23, 2018 the position in UDIS is similar to that of the close of the year and the exchange rate as of that date is $5.997315 Mexican pesos per UDI.

(29) Preventive and protective savings mechanism-

The Bank Savings Protection Institute ("IPAB") was approved on January 19, 1999. It is intended to establish a bank savings protection system for individuals who perform any of the established guaranteed transactions, while regulating the financial support granted to Full-Service Banking Institutions to protect the public interest for an equivalent of up to 400,000 UDIS.

The IPAB has resources derived from the mandatory fees paid by financial institutions, which reflect their risk exposure levels based on their level of capitalization and other indicators determined by the internal regulations of the IPAB Governance Board. These fees must be paid monthly for an amount equivalent to one twelfth of four thousandths of the monthly average of daily debit transactions of the month in question.

During 2017 and 2016, contributions made by the financial group to IPAB for insurance to deposits amounted to $4,917 and $4,585, respectively.

Protection to the securities market, reserve fund - in March 1999, brokerage firms acting as trustors created a trust with the purpose of building a fund to allow the brokerage firms to have a financial reserve amount up to the contributions made by each brokerage firm. Contributions made by the Group and interest earned at December 31, 2017 and 2016 amounted to $43.8 and $40.7, respectively.

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(30) Financial margin-

For the years ended December 31, 2017 and 2016, the main items comprising the financial margin were as follows:

		2017		
		Mexican Pesos	Dollars	Total
Interest income:				
Interest and returns on loan portfolio	$	122,283	6,221	128,504
Interest and return on securities		40,118	1,058	41,176
Interest on cash and cash equivalents		3,101	978	4,079
Interest and premiums on repurchase/resale agreements and securities lending		1,153	-	1,153
Interest on margin accounts		352	-	352
Commissions collected on loan originations		1,542	-	1,542
Other		1,280	80	1,360
Total interest income		169,829	8,337	178,166
Written insurance premiums, net		21,444	-	21,444
Interest expense:				
Deposits' interest		(22,213)	(710)	(22,923)
Interest from loans provided by banks and other entities		(1,501)	(30)	(1,531)
Interest on subordinated obligations		(1,257)	(3,467)	(4,724)
Interest and premiums on repurchase/resale agreements and securities lending		(22,953)	-	(22,953)
Expenses from loan originations		(410)	-	(410)
Other		(1,761)	(59)	(1,820)
Total interest expense		(50,095)	(4,266)	(54,361)
Net increase in technical reserves		(4,067)	-	(4,067)
Claims, and other contractual obligations, net		(18,555)	-	(18,555)
Financial margin	$	118,556	4,071	122,627
		======	=====	======

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		2016		
		Mexican Pesos	**Dollars**	**Total**
Interest income:				
Interest and returns on loan portfolio	$	106,477	4,519	110,996
Interest and return on securities		26,634	845	27,479
Interest on cash and cash equivalents		2,748	-	2,748
Interest and premiums on repurchase/resale agreements and securities lending		783	-	783
Interest on margin accounts		173	-	173
Commissions collected on loan originations		1,480	12	1,492
Other		1,187	82	1,269
Total interest income		139,482	5,458	144,940
Written insurance premiums, net		30,552	-	30,552
Interest expense:				
Deposits' interest		(15,090)	(461)	(15,551)
Interest from loans provided by banks and other entities		(1,032)	(26)	(1,058)
Interest on subordinated obligations		(221)	(3,775)	(3,996)
Interest and premiums on repurchase/resale agreements and securities lending		(12,622)	-	(12,622)
Expenses from loan originations		(394)	-	(394)
Other		(952)	(60)	(1,012)
Total interest expense		(30,311)	(4,322)	(34,633)
Net increase in technical reserves		(11,022)	-	(11,022)
Claims, and other contractual obligations, net		(16,502)	-	(16,502)
Financial margin	$	112,199	1,136	113,335
		======	====	======

(31) Commissions and fee income -

For the years ended December 31, 2017 and 2016, the main items for which the Group recorded commissions and fee income in the consolidated statement of income were as follows:

		2017	**2016**
Credit and debit cards	$	21,531	19,562
Bank commissions		4,879	4,125
Investment funds		3,724	3,185
Insurance		519	262
Other		8,117	7,874
Total	$	38,770	35,008
		=====	=====

During 2017 and 2016, the amount of revenues earned by the Group in trust operations amounted to $400 and $341, respectively.

For the years ended December 31, 2017 and 2016, the main items for which the Group recorded Commission and fee expense in the consolidated statement of income were as follows:

		2017	2016
Credit Card	$	(8,307)	(6,642)
Effective credit card reward points		(2,445)	(2,345)
Promotion fund collateral		(619)	(714)
Cash management and fund transfer		(391)	(442)
Credit placement		(387)	(408)
Appraisals		(338)	(347)
Sale of foreclosed assets		(308)	(324)
Purchase-sale of securities		(291)	(315)
Insurance		(337)	(261)
Other		(521)	(544)
Total	$	(13,944)	(12,342)

(32) Net gain on financial assets and liabilities -

For the years ended December 31, 2017 and 2016, the main items comprising the net gain on financial assets and liabilities were as follows:

		2017	2016
Valuation:			
Derivatives	$	(17,512)	8,527
Foreign currency		15,349	(6,720)
Investments in securities (note 6)		4,547	(983)
		2,384	824
Purchase-sale result:			
Derivatives		2,567	68
Foreign currency		4,340	3,394
Investments in securities		(2,227)	740
		4,680	4,202
Total	$	7,064	5,026

(33) Segment information –

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

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Below we present the revenues obtained during the years 2017 and 2016, which show the difference segments as indicated in the preceding paragraph:

2017 Item		Total	Commercial Bank	Corporate and Government Banking	Market Operations	Retirement saving Funds	Other Segments
Financial margin	$	122,627	88,545	25,448	1,758	9,333	(2,457)
Allowance for loan losses		(34,079)	(31,271)	(2,800)	-	(8)	-
Financial margin adjusted for allowance for loan losses		88,548	57,274	22,648	1,758	9,325	(2,457)
Commissions and fees, net		24,826	19,007	7,384	1,602	(2,339)	(828)
Net gain on financial assets and liabilities		7,064	1,720	671	3,378	2,164	(869)
Other operating income (expenses)		200	644	277	(32)	(380)	(309)
		120,638	78,645	30,980	6,706	8,770	(4,463)
Administration and promotion costs		(58,524)					
Net operating revenues		62,114					
Equity in the income of non-consolidated subsidiaries and associates		58					
Income before income tax		62,172					
Current income tax		(16,636)					
Deferred income tax, net		68					
Income before discontinued operations		45,604					
Non-controlling interest		(1)					
Net income	$	45,603					

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2016 Item		Total	Corporate and Commercial Bank	Government Banking	Retirement Market Operations	Saving Funds	Other Segments
Financial margin	$	113,335	80,012	20,211	3,542	10,084	(514)
Allowance for loan losses		(32,434)	(30,292)	(2,091)	-	(51)	-
Financial margin adjusted for allowance for loan losses		80,901	49,720	18,120	3,542	10,033	(514)
Commissions and fees, net		22,666	15,353	6,289	887	(307)	444
Net gain on financial assets and liabilities		5,026	1,617	529	1,807	1,352	(279)
Other operating income (expenses)		790	1,412	174	(4)	311	(1,103)
		109,383	68,102	25,112	6,232	11,389	(1,452)
Administration and promotion costs		(55,920)					
Net operating revenues		53,463					
Equity in net income of non-consolidated subsidiaries and associates		24					
Income before income tax		53,487					
Current income tax		(13,544)					
Deferred income tax, net		(28)					
Income before discontinued operations		39,915					
Discontinued operations		871					
Income before non-controlling interest		40,786					
Non-controlling interest		1					
Net income	$	40,787					

(34) Risk management and derivatives (Unaudited figures) -

Organizational structure

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

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

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

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

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

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

Qualitative information:

- *Participation of the governing bodies:*

  The Financial Group's risk management model is characterized by the direct influence of its corporate entities with regard to both the definition of the risk strategy and the follow-up and continuous supervision of its implementation.

  The Board of Directors establishes the general risk strategy. In accordance with this strategy, the Board of Directors' Risk Committee Representative proposes policies and specific risk limits for each risk type for the Board's approval, while also providing follow-up on compliance. In this way, the strategy approved by the Board of Directors includes the Group's risk appetite, fundamental metrics and the basic structure of limits, risk types and asset classes, together with risk management control model bases.

  The Board of Directors' Risk Committee Representative is responsible for performing a risk analysis and providing periodic risk follow-up within the sphere of corporate entity attributes, while controlling and providing detailed follow-up on the risks affecting the Group taken as a whole, which allows the integration of the risk management strategy and application of approved policies to be effectively monitored.

- *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. Business risk and reputation risk manuals, which provide for the methodologies associated to the calculation and follow up thereof.

  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, which establishes monitoring processes through reports and alerts to detect instances of impairment, together with business objective departures and the structure of limits defined by risk type.

The Group's different risk units participate in the preparation of the Risk Appetite that the Institution is willing to assume to attain its business objectives and which must be submitted for the approval of the Board of Directors, as regards general issues, and to the Risk Committee in the case of specific exposures and sub-limits.

The Financial Group has adequate authorization processes for new products and/or services that imply risks and which include the ratification of each individual product and/or service by the Risk Committee.

- *Tools and analyses*

Continuous measurement of credit, market and liquidity risks under consistent methodologies and parameters. Budgets are prepared for these metrics, which serve as the basis for the Group's risk management.

Follow-up on the analysis of risks incurred by the Group's different business units. This follow-up considers risk metrics, the risk appetite, the main risk concentrations, compliance with regulatory limits, the credit stress analysis, calculation of the regulatory capital requirement, structural risks, market risks, the liquidity risk, operational risk, legal risk and reputational risk.

The methodologies and parameters utilized to measure risks are periodically calibrated and submitted for the approval of the competent entities.

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.

- *Information*

Information is the cornerstone of risk management and is utilized for preventive management purposes based on the definition and establishment of early warning indicators and metrics to anticipate risk profile movements - positive and negative - (customers, portfolios, products, asset classes). It is also used to avoid impairment and indicate departures and potential threats derived from all risks and defined axes during the different phases (current, impaired and in recovery), at all the organizational levels of the risk function (risk units in the different business areas, corporate area and specialized areas) and corporate entities, thereby ensuring its coherence and compliance with applicable regulatory requirements.

- *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 Comptroller's Office*

Involvement of internal audit in relation to compliance with the "Provisions in matters of risk management" and implementation of compliance plans by risk type and area.

Recommendations included in the audit reports are subject to regular follow up by the Audit Committee.

Carrying out of audits of compliance with the legal referred provisions by a firm of independent experts on risk measure models, systems, methodologies, assumptions, parameters and procedures to determine whether they comply with or not their functionality in view of the characteristics of the Group's operations, instruments, portfolios and risk exposures.

The Group considers that to date, it fully complies with the "Provisions on matters of risk management". Likewise, the Group continues with measurement and limitation improvement projects, automation of processes and methodological refinements.

On the other hand, the Comptroller's Office is responsible for guaranteeing the proper functioning of the internal control programs and the timely update and dissemination of internal regulations, which further, among other aspects, compliance with the provisions in matters of comprehensive risk management.

The Internal Validation Units is part of the Comptroller's Office, which is responsible for reviewing the proper design, documentation and functioning of the internal models used in the measurement and management of the different types of discretionary and non-discretionary risks faced by the Bank's activity.

Methodological framework - Risk valuation, measurement and description techniques

For risk purposes, the Bank's consolidated balance sheet is broken-down as follows:

- *Market risk:* Operation and investment portfolios - Investment in securities for negotiation purposes, repurchase agreements and transactions with derivative financial instruments.

  Structural balance - Available for sale, remaining transactions, including securities held to maturity and derivative financial instruments for structural risk management of interest rates and exchange rates.

- *Credit risk:*

  Commercial portfolio - Traditional wholesaler credit portfolio, as well as exposures for investments in issuances as counterparty in derivative financial instruments.

  Consumer - Credit cards and non-revolving consumer credits.

  Mortgage - Mortgage portfolio.

  For the purpose of calculating capital and reserves, advanced internal models are used in the credit card and companies and corporate portfolios; such models are approved by the Commission.

Within the Wholesale Portfolio, the definition of subgroups based on the sales figure function has been established as a global criterion:

Sales volume	**Segment**
>60 mill mxp	Enterprises
>=50 mill usd	Large Enterprises (Corporate)

Non-revolving consumer portfolios, mortgage portfolios and the commercial portfolio with a sales volume of less than $60 utilize standard models to calculate capital and reserves.

- *Liquidity risk:* Banking business, with positions on and off-balance, including loans, traditional deposits, investments in securities, derivatives, wholesale financing, etc.

  Furthermore, if there is a contractual obligation, the follow-up and control over the liquidity risk of the banking business includes liquidity which might be required by its subsidiaries, entities belonging to the same Financial Group or relevant related parties, and liquidity which the banking business itself might require from some of such entities or related parties.

Market Risk:

The purpose of market risk management is as follows:

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

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

1. Define the degree of sensitivity in the valuation of positions to changes in prices, interest rates or indexes.

2. Reasonably estimate the expected change for a specific time horizon with certain prices, rates, rates or indexes, considering it the degree to which they can be moved.

3. Reevaluate the portfolio to such expected changes sets and thereby determine the maximum potential loss in terms of value.

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

When significant risks are identified, they are measured and limits are assigned in order to ensure adequate control. The global measurement of risk is made through a combination of the methodology applied to the trading portfolios and the structural balance sheet. Historical Simulation without smoothing is the official methodology currently utilized to calculate the VaR.

		4Q 2015	3Q 2016	4Q 2016
VaR of trading securities:				
VaR 1 day	$	122	128	138
VaR 10 days		388	408	432
	$	510	536	570
		===	===	===

		VaR 1 day	VaR 10 days
VaR of trading securities:			
Interest rate	$	144	394
Variable income		33	78
Foreign currency		31	76
Interest rate Vega		9	62
Variable income Vega		32	50
Foreign currency Vega		4	9
		===	===

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

Structural balance sheet

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

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In relation to the structural balance of interest rates and exchange rates, sensitivity of economic value and financial margin are calculated by virtue of movements parallel to an increase or drop in interest rates (+/- 100 basis points), as well as the estimate of expected losses in simulation scenarios of nonparallel movements in risk factors (interest rate and exchange rate), according to the methodology authorized by the Risks Committee. A system of alerts has been established for previous metrics; monthly follow-up is provided by the Risk Committee and is quarterly presented to the Board of Directors; mitigation measures have been established for those cases in which alert limits are exceeded.

The structural risk measurement system is QRM (Quantitative Risk Management), which in turn incorporates the characterization of the headings of the structural balance sheet according to the financial characteristics of each heading.

The methodology behind the economic value consists of estimating the fair value of the positions on the structural balance sheet, through the calculation of the current value of its net future flows (the flows expected from its assets less the flows expected from its liabilities) discounted at market interest rates. By the same token, the methodology behind the financial margin metrics is based on the projection of the interest income and expenses from the structural balance sheet, month-to-month in a 12-month horizon, considering the projected growth of the business. Specifically, the principal assumptions behind the characterization of the headings of the structural balance sheet are as follows:

- Prepayment rates: Supposes an advance payment of certain headings of the structural balance sheet, such as mortgage loans, commercial portfolio, among others.

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

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

To monitor the structural balance risk interest rate and exchange rate, in which the Assets and Liabilities Committee is the executive body responsible for handling the situation. Such committee adopts investment and hedging strategies within the policies and risk limits approved by the Board of Directors and delegated Risk Committee of the Board.

Estimated Economic Value Sensitivity

Portfolio	(100) bp	+100 bp	Red flag use
Mexican pesos	$ 3,380	(3,850)	29.6 %
Foreign currency	(2,762)	2,489	39.5 %
Total	$ 618	(1,362)	10.5%
	====	====	=====

Financial Margin Sensitivity Projected to 12 Months

Portfolio	(100) bp	+100 bp	Red flag use
Mexican pesos	$ (1,939)	1,795	38.3%
Foreign currency	(838)	834	44.1%
Total	$ (2,777)	2,629	43.8%

In terms of consumption, the use of alerts in the quarter shows the following exposure (percentage of the use of alerts, average of monthly closings):

Portfolio	Use Alert SVE	Use Alert SMF
Mexican pesos	22.2%	36.4%
Foreign currency	39.4%	46.6%
Total	10.8%	43.1%

In terms of annual consumption for 2017, exposures are as follows (percentage of use of alerts, average of monthly closings):

Portfolio	Use Alert SVE	Use Alert SMF
Mexican pesos	23.7%	30.7%
Foreign currency	38.2%	39.3%
Total	11.2%	36.4%

- Credit risk

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

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

- Expected Loss = Probability of Default x Severity of Loss x Exposure
- Exposure refers to the maximum amount of the balance at the time of the default; the elements which enable this factor to be determined are the size of the line, disposition of the line and type of product.
- Probability of Default is the likelihood that a customer may default on his obligations. The elements which enable the determination of this factor are risk classification by client, migration of credit quality and situation of non-performing portfolio.

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

Portfolio *	**Porcentage**
Commercial	0.6%
Consumer	3.7%
Mortgage	0.4%

Portaflio *	**PD's**	**Severity**
Commercial	1.6%	36.2%
Consumer	4.9%	76.3%
Mortgage	2.1%	20.8%

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

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

From our standpoint, the average losses can be supported with the creation of an allowance for loan losses which should be treated as a cost of the credit business.

The second fund created to cover unexpected losses should be assured by setting aside a specific amount of capital which may be used or not, but which assures the solvency of the Financial Group in the event of above average losses. This allocated capital therefore depends on how volatile the credit losses are over time and is known as economic capital, so as to give it a risk connotation.

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

Every month an estimate is made of Expected Loss, Economic Capital and Regulatory Capital based on Internal Models.

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

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

The Group ensures that the data used to prepare reports is taken from unified sources by risk type, which have been reconciled, are traceable and essentially automatic (or involve manual sources with controls). This data has a single definition to guarantee reporting frequency, distribution and confidentiality, among other aspects.

Internal model approval

The Group applies internal methodologies to standardized portfolios; i.e., it does not partially adopt internal methods within portfolios.

The Commission authorized the use of advanced internal models for the first time on June 22, 2009 for the revolving consumer portfolio, and on April 21, 2014 in the case of Enterprises and Large Enterprises.

Authorizations of new parameters took place on January 16, 2017 for credit cards, on August 16, 2017 for companies and on February 5, 2016 for large companies; on April 6, 2017, the authorization for this portfolio was extended.

Exposure to Default

The exposure to default (EAD) is defined as the calculation of the disposed balance in the period under analysis, plus the Available balance and line granted, adjusted for Credit Conversion Factors, (CCF1 and CCF2), respectively, CCF1 and CCF2 are calibrated from historic information.

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

Probability of default

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

Consequently, for the Financial Group, a transaction/customer will be considered as “bad” or in arrears when either of the following options arises:

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

The materiality filter is the only difference as regards the default definition established by Article 2 Bis 68 of the National Banking and Securities Commission provisions.

Severity of Loss

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

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

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

- Coverage and/or mitigation policies by each type of risk

  The establishment of personal guarantees or security interests in personal or real property, apart from improving the credit structure of the operation, allows the estimate of the Severity of the Loss to be mitigated in order to reduce the credit reserves derived from the regulatory portfolio classification.
  The Group performs revaluations of the loans, depending on the type of collateral, using statistical methods or confirming the existence and physical condition of the collateral. The value of the personal and real estate guarantees is updated each year over the term of the loan, except for those which require an ongoing evaluation (shares listed on stock markets) or for discontinued periods (investment projects).

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

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

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

$$CA_i = \frac{C_i}{C_i} \cdot (1 - H^i_C - H^i_{FX}) \cdot \frac{(t - 0.25)_i}{T - 0.25}$$

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

Internal ratings process: For the Enterprises and Large Enterprises internal model (E&LE), the Group considers groups III and IV and certain cases from group V of the rules for the capitalization requirements of full-service banks and national credit institutions and development banks of the Commission. Group IV excludes customers with investment projects, as well as small and medium mortgage promoters, and small and medium companies (Pymes) according to the sales volume (customers with transactions valued at less than MX $ 60 million). Large promoters are considered from group III.

Description of portfolios with certified internal models:

A Description of the wholesale portfolio, which has been rated according to internal models, is provided below:

Closing E&LE December 2017

Scale		Available	Balance	Exposure to default	Weighted median severity	Weighted median risk	Exposure non-financial security interest	Exposure security interest
A1	$	63,315	336,445	354,590	39%	0%	153,300	13,790
A2		2,329	17,584	17,736	37%	3%	11,868	1,386
B1		15	2,272	2,278	37%	5%	1,403	180
B2		52	3,290	3,311	37%	6%	2,069	114
B3		888	3,842	4,471	39%	8%	932	89
C1		7	841	844	36%	17%	854	28
D		-	150	150	41%	91%	1,382	-
E		6	2,733	2,733	79%	100%	10,222	346
Total	$	66,612	367,157	386,113	39%*	2%*	182,030	15,933
		=====	======	======	====	===	======	=====

* Average weighted percentage

For the credit card internal model, the Group considers group VI (Consumer and mortgage loans) in accordance with the capitalization rules of the CUB. Such group matches the loans made to customers -Individuals - who were granted a revolving credit line for personal use.

A description of the credit card portfolio is detailed below:

Closing CC December 2017					
Scale	**Available**	**Balance**	**Exposure to default**	**Weighted median severity**	**Weighting average weighted risk**
A1	$ 43,973	$39,924	$57,607	76%	2%
A2	15,184	15,056	19,461	78%	4%
B1	9,703	9,898	12,389	78%	6%
B2	9,207	9,472	11,623	79%	7%
B3	8,789	8,880	11,055	79%	9%
C1	8,925	8,546	11,348	78%	11%
C2	11,922	12,100	15,411	77%	24%
D	2,220	1,906	2,878	77%	42%
E	3,028	2,707	3,673	82%	75%
Total	$ 112,951	$108,489	$145,445	78%*	9%*
	======	======	======	====	===

* *Average weighted percentage*

- *Analysis of estimated losses according to certified internal models*

The Backtest exercise matches estimated losses calculated by using the internal model with incurred losses, so as to determine whether established parameters adequately predict their behavior during an annual timeframe.

The level of reserves is considered to be adequate when, at the close of the annual timeframe, the amount of actual losses accrued for certified portfolios does not exceed the band established for estimated reserves.

The result obtained for certified portfolios during the third quarter of 2017 is detailed below:

Backtesting 3Q 17				
Loan Portfolio	**PE MI Sep16**	**Clean-up Oct16-Sep17**	**DIF $ (SMTO - PE)**	**% USE**
Total	$ 12,609	12,402	(207)	98
	=====	=====	===	==

The loss use is 98%, which is acceptable.

Internal ratings systems and the relationship between internal and external credit risk ratings

Backtesting 3Q 17				
Loan Portfolio	**PE MI Sep16**	**Clean-up Oct16-Sep17**	**DIF $ (SMTO - PE)**	**% USE**
Total	$ 12,609	12,402	(207)	98
	=====	=====	===	==

The Group utilizes two types of credit risk model, which are clearly differentiated by the portfolio to which they are applied and the informatic systems supporting the rating tools used for contracts and customers (scoring and rating, respectively). The rating institutions utilized to assign ratings to loan portfolio transactions are Standard & Poor's, Moody's and Fitch.

Scoring (retail portfolios) and rating (wholesale portfolios) tools are utilized to ensure that the decisions made by the Institution's entities maintain the portfolio's profitability and the required quality level.

- Rating

The rating module is to provide tools for analysis and valuation which enable a loan classification to be given to a customer based on homogeneous data and criteria for the Group. The rating is a tool for customer classification, geared towards company banking and corporate banking.

The rating basically consists of classifying the customer based on a series of quantitative variables, which are obtained from the financial statements (Balance Sheet and profit and loss account) and from a series of qualitative variables (sector, market position, etc.).

Using these variables, a series of rules or red flag signals are established which enable the agent or analyst to clarify specific aspects which require a justification (elevated indebtedness, reduced level of proprietary funds, etc.) which, depending on their importance, might condition the result obtained for the loan to be granted. The rating is part of the information used in the process to make decisions on a transaction and it is the indispensable support to set price policies considering the risk-profitability binomial.

- Scoring

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

  - Origination scoring, which is obtained at the time of contracting, based on proprietary information of the operation and information requested from the customer, generates a score for each operation.
  - Behavioral scoring is obtained each month, based on payments behavior with the Group. This model, which is used in the assignment of scores for each of the operations, is easy to understand, stable and enables the expert to use it in decision-making.

- Profitability measurement

Aside from calculating capital requirements derived from its credit risk, the Group also utilizes internal estimates to measure the profitability of transactions awaiting acceptance and stock. In the case of loans granted to enterprises, large enterprises, IFI, states and sovereign entities, profitability and added economic benefit indicators are calculated during the customer evaluation process.

The Group utilizes two methodologies to measure loan portfolio profitability. One of these involves measuring profitability based on the regulatory capital calculated according to risk-weighted assets (RoRC), while the other methodology measures profitability in relation to economic capital (RAROEC).

Liquidity Risk

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

Apart from the regulatory liquidity ratios, the liquidity risk control scheme of the Group is based on the establishment of limits in three fundamental areas: a) Self-financing through the LtSCD ratio or Loan to Stable Customer Deposits (maximum relationship of the financing of the net credit investment with stable customer deposits); b) financing structure diversification through a maximum amount of Short-Term (FCP); and c) Capacity to absorb liquidity shocks through the 30 day Basic Capacity (CB 30d – available liquidity buffer coefficient and net outlays of liquidity established within the respective unexpired deadline). There are also red flags to prevent the limits from being exceeded, including the follow-up on other unexpired deadlines. There are also metrics to identify possible threats in advance to allow for the adoption, as the case may be, of the necessary preventive measures, including indicators of financing concentration or foreign exchange liquidity or long-term financing diversification, among others.

December 2016 Liquidity risk exposure: average monthly closing.

Absolute margin in relation to the limit (positive without excess, negative with excess)

LtSCD	14%
FCP 12m	$210,951
CB 30d	50%

* Annual perspective

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

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

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

The Bank gaps at different terms are detailed below:

Millions of Mexican pesos		**At sight**	**30 days**	**6 months**	**1 year**	**More than 1 year**	**No expiration date**	**Total**
Cash and cash equivalents	$	187,247	3,684	12,192	5,921	55,473	-	264,517
Loan portfolio		-	64,370	172,424	95,680	719,632	-	1,052,106
Securities portfolio		-	434	15,642	24,646	393,489	-	434,211
Debtors on repurchase/resale agreements		-	3,102	-	-	-	-	3,102
Total assets	$	187,247	71,590	200,258	126,247	1,168,594	-	1,753,936
Deposits	$	5,980	121,263	75,828	1,668	-	829,308	1,034,047
Debt securities issued		-	11,938	33,342	9,698	149,148	-	204,126
Creditors on repurchase/resale agreements		-	181,391	45,159	-	-	-	226,550
Other accounts, net		-	-	-	-	-	289,213	289,213
Total liabilities	$	5,980	314,592	154,329	11,366	149,148	1,118,521	1,753,936
Off-balance-sheet	$	-	57	(10,288)	(4,493)	6,938	-	(7,786)
Liquidity gaps		181,267	(242,945)	35,641	110,388	1,026,384	(1,118,521)	(7,786)
Accumulated gaps		181,267	(61,678)	(26,037)	84,351	1,110,735	(7,786)	-

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

Embedded derivatives

Pursuant to the Group's programs for issuance of structured bank bonds, there is a record of foreign currency, indexes and interest rates options, equivalent to a nominal of $55,978. Likewise, the entity has interest rates and foreign currency swaps recorded with a nominal of $48,346 and forwards of $ 33.

Qualitative information

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

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

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

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

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

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

- Liquidity management and financing. This is performed by Finance, specifically in the Financial Management area.

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

The status of the limits and red flags is reported through daily internal reports to Senior Management, internal audit and the areas which handle risk, even more frequently in times of crisis.

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

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

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

b) Liquidity risk mitigation techniques used

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

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

In the event of liquidity risk limit or alert triggering, there are specific action and communication procedures within the Bank established with a clear definition of roles for the different areas and decision-making bodies, differentiating the communication level based on whether a limit or alert was triggered. Likewise, there is a Liquidity Contingency Plan, which in the event of activation has a stock of actions classified by their typology based on whether they are related or not to the Mexican central bank, the wholesale market or the commercial activity.

c) Use of stress tests.

Liquidity risk stress tests are carried out in different stress scenarios, evaluating in each one the buffer coverage state of available liquidity with the liquidity needs of the scenario in question under different temporary horizons and delimiting the survival horizon under different situations. The results of these tests are integral part of the Liquidity Contingency Plan, as they are part of its activation program.

Description of contingent financing plans.

The Liquidity Contingency Plan or Contingency Financing Plan is set up as a fundamental element of liquidity risk management in moments of liquidity stress.

It contains clear procedures to make decision making easier, as well as to enable a fast adoption of contingent measures and effective communication, specifying functions and responsibilities in these situations, as well as the authority to activate it. It is defined based on four principles: coordination among the involved units, efficient level of information, confidentiality of performances and information and enforceability. It is sanctioned by the Bank's Board of Directors, with the prior favorable opinion of its delegated Risk Committee; the proposal of the Liquidity Contingency Plan to the Board of Directors and its subsequent amendments are made by the Bank's Chief Executive Officer. Its activation would be carried out by the Asset/Liability Committee, under a traffic light approach for the plan indicators, which allows to distinguish severity of the situation.

Also, the Bank has a Contingency Plan or Recovery Plan that provides for potential actions to be performed with the purpose of restoring its financial situation in different adverse scenarios that could affect solvency and/or liquidity. This plan describes the bank situation detailing key business lines, recovery indicators, corporate governance for its preparation, as well as in the case of occurrence of adverse scenarios and the process to implement recovery measures.

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Likewise, this plan is approved by the Board of Directors.

- Liquidity Coverage Ratio (LCR)

The Liquidity Coverage Ratio quantifies the potential capacity of the Bank to face liquidity needs at 30 days, with available liquid assets, under a stress scenario.

According to the information disclosure requirements set forth in Exhibit 5 of the General Provisions on Liquidity Requirements for Banking Entities, below, there is a Liquidity Coverage Ratio Disclosure Form for the fourth quarter of 2017.

Liquidity Coverage Ratio		Unweighted amount	Weighted amount
Computable liquid assets			
Total computable liquid assets	$	-	299,196
		======	======
Cash outflows			
Stable financing	$	546,591	34,051
Less stable financing	$	412,157	20,608
Non-guaranteed retail financing		134,434	13,443
Operational deposits		437,042	168,290
Non-operational deposits		104,319	23,836
Non-guaranteed debt		324,059	135,790
Non-guaranteed wholesale financing		8,664	8,664
Guaranteed wholesale financing		-	2,162
Outflows related to derivate financial instruments		510,785	45,641
Facilities and liquidity		24,311	15,791
Additional requirements		486,474	29,851
Other contractual financing obligations		69,253	11,835
Total cash outflows		-	261,980
		======	======
Cash inflows			
Cash inflows from guaranteed transactions	$	22,637	82
Cash inflows from non-guaranteed transactions		73,448	42,769
Other cash inflows		4,765	4,762
Total cash inflows	$	100,850	47,613
		======	=======
Total computable liquid assets	$	-	299,196
Total net cash outflows		-	214,367
Liquidity Coverage Ratio		-	139.58%
		======	=======

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a) Calendar days provided for in the quarter that is disclosed.

The reported quarter includes 92 calendar days.

b) Main causes of the results of Liquidity Coverage Ratio and the evolution of their main components.

During the quarter, the LCR improves due to an increase in the client attraction, mainly retailers, improving the composition with a more stable fund, being greater than that of credit activity.

Fund attraction growth allowed to keep more liquid assets, which are mostly of high quality (government debt and deposits in central banks).

Description	**4Q-16**	**1Q-17**	**2Q-17**	**3Q-17**	**4Q-17**
Liquid assets	$ 225,058	240,549	220,062	238,190	299,196
Outlays	$ 180,727	192,359	190,557	192,120	214,366
	======	======	======	======	======
LCR	124.43%	125.21%	115.47%	124.06%	139.58%
	======	======	======	======	======

c) Changes of the main components in the reported quarter.

Description	**3Q-17**	**4Q-17**	**Variance**
Liquid assets	$ 238,190	299,196	61,006
Outlays	239,338	261,980	22,642
Receipts	47,218	47,613	395
Net outputs	192,120	214,366	22,246
	======	======	=====
LCR	124.06%	139.58%	15.52%
	======	======	=====

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

Computable Liquid Assets

	3Q-17	**4Q-17**	**Variance**
N1 Cash	$ 155,801	198,270	42,469
N1 Securities	60,632	79,532	18,900
N2 A	16,066	16,129	63
N2 B	5,691	5,265	(426)
Total	$ 238,190	299,196	61,006
	======	======	=====

* Weighted amounts based on the LCR discount factor.

e) Concentration of financing sources

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

Sources of financing (December 2017)	% of total liabilities
Customers' deposits	70%
Collateralized financing	15%
Securities	6%
Subordinate obligations	5%
Money market	3%
Interbank	1%
Total	100%

f) Exposures in financial derivatives and possible margin calls.

Exposure, according to current local exposure guidelines in derivatives for the Liquidity Coverage Coefficient referenced to the net disbursements expected for the next 30 days, plus a contingent disbursement for transactions involving derivative financial instruments (LBA: lookback approach), is detailed below:

Description		4Q-17
Net outlay of derivatives to 30 days plus contingent outlay (LBA)	$	11,750

g) Mismatch of foreign currencies

Liquidity risk associated to transactions in foreign currency is covered according to the provisions on the liquidity coefficient in foreign currency, established by the Mexican central bank. Also, risk associated to exchange rate is duly funded and managed within the regulatory limits.

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

The responsibility for handling liquidity is concentrated in the Financial Management unit, which reports directly to the CFO and is independent from the business units. It maintains a direct interaction with the business areas, defining strategies for how to use and attract liquidity. The strategies are applied within the risk limits approved by the Board of Directors and the Board's delegated Risk Committee, and are agreed upon in the Assets and Liabilities Committee, the executive body responsible for handling capital and the structural risks of the balance sheet with regard to interest rates, exchange rates and liquidity.

i) Cash flow outlays and receipts that, if appropriate, are not captured in this framework but which the Group considers relevant for its liquidity profile.

The Group considers that all relevant flows are covered in the LCR metric, for which reason there are no additional flows to be considered.

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 Group 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.

Operational risk is defined as such credit or market risk not subject to characterization which is originated in the probability of human errors, inadequate or defective internal processes, failures in the systems, as well as external events that could represent a loss for the Group, which are grouped in the following risk classes: process errors, internal and external fraud, technological failures, human resources, commercial practices, disasters and losses caused by suppliers. This definition includes legal risk and excludes both the strategic and/or business risk, and the reputational risk.

The Internal Comptroller's Office is responsible for the operational risk measurement and control; such office is independent from the market risk and credit risk units, as well as from the audit and regulatory compliance units.

The Group has established robust internal processes for detection and grouping of the operational risk events that allow us to be timely aware of their materialization. Losses arising from the operational risk recorded in 2017 were of $1,460 million, mainly due to fraud or operational errors.

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

- Identification. Consists of determining which risk factors (circumstances which can become operational risk events) reside in the processes of each business/support unit. 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 Operational Risk Committee created by each business/support unit.

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

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

Operational risk management is integrated into the Group's comprehensive risk management structure, based on an internal control structured methodology. This methodology allows risk identification in the organization areas, the generation of analyses prioritizing the risks according to an estimated residual (after incorporating the effect of controls), linkage of risks to the processes and establishment of a target level for each risk which, in comparison to their residual risk, identifies weaknesses that must be managed until their mitigation.

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

- Framework of operational risk management: Three lines of defense

  - Business units-

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

  - Internal Controllership, GRO Paris and Internal Control Specialists

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

  - They define procedures, systems and tools.

  - Reporting to Senior Management.

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

  - Internal Audit:

    The Internal Audit area is responsible for verifying compliance of the Group's operational risk management, evaluating the performance of the first and second defense line, through independent revisions and tests to controls, processes and systems.

Operational risk management at the Group is designed at the internal Comptroller's Office, aligned with the Group's corporate criteria. Business or support areas have, in turn, Internal Control officers (ICOs) who functionally report the Comptroller's Office, and who are responsible for implementing the model daily at the business areas. Thus, the Group has a vision in the front of the process, where they identify and characterize operational risk and make decisions on mitigation.

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

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

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

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

Capitalization for operational risk

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

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

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

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

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

Monthly average of the losses arising from the operational risk recorded in the fourth quarter of 2017 were of $197 million, mainly due to fraud or operational errors.

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(35) Financial indicators (unaudited)-

As of December 31, 2017 and 2016, according to article 18 of the Provisions, the Group's financial indicators are as follows:

	2017	2016
Delinquency ratio	2.10%	2.20%
Hedge ratio of portfolio of non-performing loans	139.18%	132.10%
Operating efficiency	2.85%	2.90%
ROE	22.82%	22.70%
ROA	2.10%	2.11%
Capitalization ratio credit and market risk	14.30%	13.70%
Basic capital 1 on credit, market and operational risk	12.23%	11.40%
Liquidity	81.95%	83.50%
Net adjusted interest margin (MIN) /Average Productive Assets	4.66%	4.80%

(36) Ratings-

At December 31, 2017, the ratings assigned to main subsidiaries of the Group are as follows:

	Global Scale ME		National Scale		
Ratings Agency	**Long Term**	**Short Term**	**Long Term**	**Short term**	**Perspective**
The Bank					
Standard &Poor's	BBB+	A-2	mxAAA	mxA-1+	Stable
Moody's	A3	P-2	Aaa.mx	MX-1	Negative
Fitch	A-	F1	AAA (mex)	F1+ (mex)	Stable
Broker dealer					
BBVA Bancomer	Baa2	P-2	Aa2.mx	MX-1	Stable
Moody´s	N/A	N/A	AAA(mex)	F1+(mex)	Stable
Fitch					
Seguros BBVA Bancomer	N/A	N/A	AAA(mex)	N/A	Stable
Fitch					
Pensiones BBVA Bancomer	N/A	N/A	AAA(mex)	N/A	Stable
Fich					
Seguros Salud	N/A	N/A	AAA(mex)	N/A	Stable
Fitch					

(37) Commitments and contingent liabilities-

(a) Leases-

The Bank rents buildings and premises occupied by some branches, according to lease agreements with different terms. For years ended at December 31, 2017 and 2016, the total expense for leases amounted to $4,991 and $4,559, respectively and is included in the heading “Administrative and promotion expenses” in the statement of income.

(b) Contingencies-

At December 31, 2017 and 2016, there are claims against the Group in ordinary civil and commercial actions, as well as assessments by the tax authorities; however, in opinion of its lawyers, claims filed are considered inadmissible and, in the event of unfavorable resolutions, they would not affect significantly the Group’s financial condition. For such purposes, at December 31, 2017 and 2016, the Group has weighted the impacts of each one of them and has recorded a reserve for these contentious matters of $401 and $311, respectively.

At December 31, 2017 and 2016, there are claims against the Group in labor actions; however, in opinion of its lawyers, claims filed are considered inadmissible and, in the event of unfavorable resolutions, they would not affect significantly the Group’s financial condition. For such purposes, at December 31, 2017 and 2016, the Group has weighted the impacts of each claim and has recorded a reserve for these labor matters of $428 and $281, respectively.

(38) Subsequent events-

On January 17, 2018, according to rule 144-A of the Securities and Exchange Commission, the Group placed TIER Senior Subordinated Notes 2 in an amount of 1,000 million dollars at an issuance price of 99.505%, with maturity on January 2033.

(39) Regulatory pronouncements recently issued-

The Mexican Financial Reporting Standards Board (Consejo Mexicano de Normas de Información Financiera, A.C.)(CINIF from its Spanish acronym) has issued the Mexican Financial Reporting Standards (Mexican FRS) and Improvements thereto as mentioned below:

Mexican FRS C-9 “Provisions, Contingencies and Commitments” - It shall be in effect for fiscal years beginning as of January 1, 2018, allowing its early adoption, provided it is done in conjunction with the initial adoption of Mexican FRS C-19 “Payable Financial Instruments.” It supersedes Bulletin C-9 “Liability, Provisions, Contingent Assets and Liabilities and Commitments.” First time adoption of this Mexican FRS does not generate accounting changes in the financial statements. Following are the main aspects covered by this Mexican FRS, among others:

- It reduces its scope by reallocating accounting for financial liabilities to Mexican FRS C-19 “Financial instruments payable.”
- The definition of “liability” has been modified to eliminate the concept of “virtually unavoidable” and include the term “likely”.
- Terminology used across the standard is updated to uniform its presentation according to the other Mexican FRS.

Improvements to 2018 Mexican FRS -

In December 2017, the CINIF issued a document titled “Improvements to Mexican FRS 2018”, which includes specific amendments to some existing Mexican FRS. The main amendments that give rise to accounting changes are as follows:

Mexican FRS B-2 “*Statement of cash flows*”- It requires new disclosures on liabilities associated to financing activities, whether they required or not the use of cash or cash equivalents, preferably with the reconciliation of opening and ending balances. This improvement comes into effect for fiscal years beginning as from January 1, 2018; early adoption is allowed. Accounting changes must be recognized on a retrospective basis.

Mexican FRS B-10 “*Effects of inflation*”- It requires disclosure of the percentage of accrued inflation for the last three years, which was the basis to rate the economic environment at which the entity operated in the current year as inflationary or non-inflationary, as well as the percentage of accrued inflation of three years, including two previous ones and the own period, which shall be the basis to rate the economic environment at which the entity shall operate in the following year. This improvement comes into effect for fiscal years beginning as from January 1, 2018; early adoption is allowed. Accounting changes must be recognized on a retrospective basis.

Mexican FRS C-6 “*Property, plant and equipment*” and Mexican FRS C-8 “*Intangible Assets*” – It establishes that a depreciation and amortization method of an asset based on the amount of income associated to the use thereof is not appropriate, given that such amount of income may be affected by factors other than the consumption pattern of the asset’s economic benefits. It clarifies the meaning of the concept asset’s consumption of future economic benefits. This improvement comes into effect for years beginning as from January 1, 2018 and the arising accounting changes must be recognized on a retrospective basis.

Management estimates that the adoption of the Mexican FRS and improvements to the Mexican FRS shall not generate important effect on the Group consolidated financial statements.

On December 27, 2017, the Commission published in the Official Gazette of the Federation (DOF) a resolution modifying the Provisions, in relation to criterion A-2 “Application of specific standards”, where such modification addresses the incorporation of the Mexican FRS mentioned below:

Mexican FRS B-17 “*Fair Value Determination*”- It was issued to a) define the fair value; b) establish in a single regulatory framework the fair value determination; and c) standardize the disclosures on fair value determination. It is noteworthy that this Mexican FRS is a reference framework for the conceptual determination and it generates methodologies for determining fair value.

Mexican FRS C-3 “*Accounts receivable*”- Main changes refer to specifying that:

a) accounts receivable are based on an agreement that represents a financial instrument;

b) the allowance for uncollectible commercial accounts is recognized upon income accrual, based on the expected loan losses.

c) since initial recognition, it is required to consider the time value of money. Therefore, if the effect of the account receivable's present value is significant in relation to its term, it should be adjusted considering such present value.

d) it is required to present an analysis of the change between opening balances and the final estimation for uncollectibility.

Mexican FRS C-9 *"Provisions, contingencies and commitments"*- The term "likely" in the definition of "liability" was adjusted, eliminating the term "virtually unavoidable." First time adoption of this Mexican FRS does not generate accounting changes in the financial statements of the entities.

Mexican FRS C-16 *"Impairment of financial instruments to be collected (IFC)"*- It determines when and how expected losses for IFC impairment must be recorded, which must be recognized when the credit risk has increased. It is concluded that a portion of the IFC's future cash flows shall not be recovered and the standard proposes the recognition of the unexpected loss based on the historical experience of credit losses; and the current conditions and reasonable unsustainable forecast of the different quantifiable future events that could affect the amount of the future cash flows to be recovered from the IFC, which involves the preparation of estimates to be adjusted periodically based on the past experience. Likewise, for the IFC earning interest, it is required to determine how and when they are estimated to be recovered given that the recoverable amount must be stated at present value.

Mexican FRS C-19 *"Financial instruments payable"*- It establishes: a) the possibility of valuing, subsequent to its initial recognition, certain financial liabilities at fair value upon meeting certain exceptional conditions; b) valuing long-term liabilities at fair value at their initial recognition, considering its fair value over time when their term is greater than one year or if they do not meet the normal loan conditions; and c) upon restructuring the liability, without substantially modifying the future cash flows to settle it, the cost and commissions disbursed in this process shall affect the amount of the liability and shall be amortized using a modified effective interest rate, instead of affecting directly the net income or loss.

Mexican FRS C-20 *"Financial instruments receivable"*- It specifies the classification of financial instruments in assets based on the business model: a) for a profit generated from a contractual yield, previously specified in an agreement, the amortized cost is recognized; b) if they are also used to generate a profit based on their purchase and sale, they are recognized based on fair value. The embedded derivative instrument modifying the capital and interest cash flows of the host instrument shall not be bifurcated; everything shall be valued at fair value as if it were a trading financial instrument.

Mexican FRS D-1 *"Revenues from clients' contracts"* - The most significant changes refer to the establishment of an income recognition model based on the following steps: a) control transfer, based on the opportunity to recognized income; b) identification of the different obligations to be complied with in an agreement; c) allocation of the transaction amount between the different obligations to be complied with based on the independent sales price; d) introduction of the concept of conditioned account receivable, upon fulfilling an obligation and generating an unconditional right to the consideration given that to have the consideration payment enforceable, only the lapse of time is required; e) the recognition of rights to collection, which in some cases, may have an unconditional right to the consideration before having fulfilled an obligation; and f) the valuation of the income considering aspects such as the recognition of important financing components, the consideration other than cash and the consideration payable to a client.

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and subsidiaries

Mexican FRS D-2 ***"Costs from agreements with clients"*** **-** It separates provisions on recognition of costs from agreements with clients and provisions corresponding to recognition of income from agreements with clients and extends the scope to include costs related to the type of agreements with clients.

As of the date of this document, the Group is in the process of establishing the effect of the new accounting principles on its financial information.

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