BANCO INTERACCIONES, S.A., INSTITUCIÓN DE BANCA MÚLTIPLE, GRUPO FINANCIERO INTERACCIONES AND SUBSIDIARIES

Consolidated Financial Statements

Years Ended December 31, 2013 and 2012
with Report of Independent Auditors

BANCO INTERACCIONES, S.A., INSTITUCIÓN DE BANCA MÚLTIPLE, GRUPO FINANCIERO INTERACCIONES AND SUBSIDIARIES

Consolidated Financial Statements

Years Ended December 31, 2013 and 2012

Contents:

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REPORT OF INDEPENDENT AUDITORS

To the Shareholders of
Banco Interacciones, S.A.,
Institución de Banca Múltiple,
Grupo Financiero Interacciones

We have audited the accompanying consolidated financial statements of Banco Interacciones, S.A. de C.V., Institución de Banca Múltiple, Grupo Financiero Interacciones, and subsidiaries, which comprise the consolidated balance sheet at December 31, 2013, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended, as well as a summary of the significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements, in accordance with the regulatory accounting framework for credit institutions established by the Mexican National Banking and Securities Commission, as described in Note 2), 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.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements of Banco Interacciones, S.A., Institución de Banca Múltiple, Grupo Financiero Interacciones, and subsidiaries for the year ended December 31, 2013, have been prepared, in all material respects, in conformity with the regulatory accounting framework for credit institutions established by the Mexican National Banking and Securities Commission.

Other matters

The consolidated financial statements of Banco Interacciones, S.A., Institución de Banca Múltiple, Grupo Financiero Interacciones, and subsidiaries at and for the year ended December 31, 2012, which are presented solely for comparison purposes, were audited by other independent accountants, whose audit report dated February 15, 2013 contained an unqualified opinion on those financial statements.

Our audit opinion and the accompanying financial statements and footnotes have been translated from the original Spanish version to English for convenience purposes only.

Mancera, S.C.
A Member Practice of
EY Global

Jorge Senties

Mexico City
February 28, 2014

BANCO INTERACCIONES, S.A., INSTITUCIÓN DE BANCA MÚLTIPLE, GRUPO FINANCIERO INTERACCIONES AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2013 and 2012

(Amounts in millions of Mexican pesos)
(Notes 1 and 2)

	2013	2012
Assets		
Cash and cash equivalents (Note 3)	Ps. 6,335	Ps. 7,068
Margin accounts (Note 6)	46	19
Investments in securities (Note 4)		
Securities held for trading	57,126	32,906
Available-for-sale securities	5,242	4,580
Securities held-to-maturity	1,027	1,038
	63,395	38,524
Derivatives (Note 6)		
Held for trading	-	4
Performing loans (Note 7)		
Commercial loans		
Business or commercial activity	12,274	9,930
Financial entities	2,374	1,236
Government entities	47,986	44,171
Consumer loans	26	11
Home mortgage loans	258	220
Total performing loans	62,918	55,568
Past-due loans:		
Commercial loans		
Business or commercial activity	129	290
Government entities	-	67
Home mortgage loans	7	9
Total past-due loans	136	366
Total loans	63,054	55,934
Loan-loss reserve (Note 8)	(1,897)	(2,015)
Total loans, net	61,157	53,919
Other accounts receivable, net (Note 9)	4,399	1,576
Foreclosed and repossessed assets, net (Note 10)	1,038	215
Property, furniture and equipment, net (Note 11)	128	141
Long-term equity investments	5	4
Deferred income tax, net (Note 20)	121	-
Other assets (Note 12)		
Deferred charges, prepaid expenses and intangible assets	254	195
Other short- and long-term assets	12	123
	266	318
Total assets	Ps. 136,890	Ps. 101,788

	2013	2012
Liabilities		
Traditional deposits (Note 13)		
Demand deposits	Ps. 17,717	Ps. 16,289
Time deposits		
General public	9,010	11,910
Money market	11,456	9,651
	20,466	21,561
Debt securities issued (Note 13)	8,125	4,714
	46,308	42,564
Interbank and other borrowings (Note 14)		
Demand loans	942	2,102
Short-term	4,757	1,800
Long-term	13,501	10,818
	19,200	14,720
Creditors under security repurchase agreements (Note 5)	52,318	30,489
Collateral securities sold or delivered in guarantee		
Securities loans	337	570
Derivatives (Note 6)		
Held for trading	4	-
For hedging purposes	-	3
	4	3
Other accounts payable		
Income tax payable	27	408
Employee profit sharing payable	30	26
Creditors on settlement of transactions (Note 15)	5,915	2,364
Sundry creditors and other accounts payable (Note 16)	1,555	2,007
	7,527	4,805
Outstanding subordinated debentures (Note 17)	2,556	2,505
Deferred income tax and deferred employee profit sharing, net	-	68
Deferred credits and early settlements	135	109
Total liabilities	128,385	95,833
Shareholders' equity (Note 19)		
Contributed capital		
Capital stock	3,624	1,893
Earned capital		
Capital reserves	539	446
Retained earnings	2,506	2,174
Unrealized gain on available for sale Securities	347	512
Net income	1,489	930
	4,881	4,062
Total shareholders' equity	8,505	5,955
Total liabilities and shareholders' equity	Ps. 136,890	Ps. 101,788

Memorandum Accounts (Note 24)

	2013	2012
Loan commitments	Ps. 1,244	Ps. 1,131
Property held in trust or under mandate		
Trusts	Ps. 37,428	Ps. 34,261
Mandates	Ps. 89	Ps. 89
Property held for safekeeping or managed	Ps. 6,726	Ps. 6,726
Collateral received by the Bank	Ps. 6,410	Ps. 6,380
Collateral securities received and sold or delivered in guarantee by the Bank	Ps. 1,580	Ps. 6,380
Uncollected accrued interest on past-due loans	Ps. 215	Ps. 409
Other memorandum accounts	Ps. 44,522	Ps. 82,794

The Bank's historical capital stock at December 31, 2013 and 2012 is Ps.2,604 and Ps.872, respectively.

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

BANCO INTERACCIONES, S.A., INSTITUCIÓN DE BANCA MÚLTIPLE, GRUPO FINANCIERO INTERACCIONES AND SUBSIDIARIES

Consolidated Statements of Income

For the period from January 1 to December 31, 2013 and 2012

(Amounts in millions of Mexican pesos)

(Notes 1, 2 and 25)

	2013	2012
Interest income	Ps. 6,361	Ps. 5,581
Interest expense	4,532	4,054
Financial margin	1,829	1,527
Loan-loss reserve (Note 8)	975	773
Financial margin adjusted for credit risks	854	754
Commissions and fees collected	4,795	3,372
Commissions and fees paid	3,002	1,526
Intermediation income	235	152
Other operating income (expenses)	952	244
Administrative and promotional expenses	1,759	1,676
Operating income	2,075	1,320
Income before income tax	2,075	1,320
Current year income tax (Note 20)	706	673
Deferred income tax, net (Note 20)	(120)	(283)
	586	390
Net income	Ps. 1,489	Ps. 930

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

BANCO INTERACCIONES, S.A., INSTITUCIÓN DE BANCA
MÚLTIPLE, GRUPO FINANCIERO INTERACCIONES
AND SUBSIDIARIES

Consolidated Statements of Changes in Shareholders' Equity

For the period from January 1 to December 31, 2013 and 2012

(Amounts in millions of Mexican pesos)

(Notes 1, 2 and 18)

	Contributed capital		Earned capital				
	Capital stock	Contributions for future capital increases	Capital reserves	Retained earnings	Unrealized gain on available-for-sale securities	Net income	Total shareholders' equity
Balance at December 31, 2011	Ps. 1,913	Ps. 38	Ps. 337	Ps. 1,649	Ps. 208	Ps. 1,092	Ps. 5,237
Resolutions adopted by shareholders:							
Appropriation of net income to retained earnings				1,092		(1,092)	
Increase in legal reserve			109	(109)			
Dividends paid to shareholders				(458)			(458)
Reimbursement of capital stock to shareholders	(20)						(20)
Contributions for future capital increases		(38)					(38)
Total	(20)	(38)	109	525		(1,092)	(516)
Recognition of comprehensive income:							
Net income						930	930
Unrealized gain on available for sale securities					304		304
Total	-	-	-	-	304	930	1,234
Balance at December 31, 2012	1,893		446	2,174	512	930	5,955
Resolutions adopted by shareholders:							
Appropriation of net income to retained earnings				930		(930)	
Increase in legal reserve							
Subscription of shares	1,895						1,895
Creation of reserves			93	(93)			-
Dividends paid to shareholders				(505)			(505)
Reimbursement of capital stock to shareholders	(164)						(164)
Total	1,731	-	93	332	-	(930)	1,226
Recognition of comprehensive income:							
Net income						1,489	1,489
Unrealized gain on available for sale securities					(165)		(165)
Total	-	-	-	-	(165)	1,489	1,324
Balance at December 31, 2013	Ps. 3,624	Ps.	Ps. 539	Ps. 2,506	Ps. 347	Ps. 1,489	Ps. 8,505

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

BANCO INTERACCIONES, S.A., INSTITUCIÓN DE BANCA MÚLTIPLE, GRUPO FINANCIERO INTERACCIONES AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the period from January 1 to December 31, 2013 and 2012

(Amounts in millions of Mexican pesos)

(Notes 1 and 2)

	2013	2012
Net income	Ps. 1,489	Ps. 930
Adjustment of items not affecting cash flow:		
Depreciation of property, furniture and equipment	18	21
Amortization of intangible assets	46	27
Provisions	25	368
Current-year and deferred income tax	587	390
Other	7	(85)
	683	1,651
Operating activities		
Margin accounts	(28)	1
Investments in securities	(24,992)	(4,431)
Derivatives (asset)	-	(4)
Loans	(7,238)	(12,090)
Collection rights acquired	-	(1,376)
Foreclosed and repossessed assets	(824)	102
Other operating assets	(2,244)	1,938
Traditional deposits	3,744	13,169
Interbank and other borrowings	4,480	664
Creditors under security repurchase agreements	21,829	(861)
Derivatives (liability)	-	(6)
Subordinated debentures	51	650
Other operating liabilities	2,204	758
Collateral securities sold or delivered in guarantee	(233)	570
Income tax paid	(732)	-
Net cash flow (used in) provided by operating activities	(3,983)	735
Investing activities		
Payments for the acquisition of property, furniture and equipment	(10)	(1)
Payments for the acquisition of intangible assets and others	(10)	(1)
Proceeds from cash dividends	15	18
Payments for the acquisition of other long-lived assets	(6)	-
Net cash flow (used in) provided by investing activities	(11)	16
Financing activities		
Cash dividends paid	(584)	(379)
Collection for shares issued	1,895	-
Payment of capital reimbursements	(222)	-
Net cash flow provided by (used in) financing activities	1,089	(379)
Net (decrease) increase in cash and cash equivalents	(733)	372
Cash and cash equivalents at beginning of the year	7,068	6,696
Cash and cash equivalents at end of year	Ps. 6,335	Ps. 7,068

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

BANCO INTERACCIONES, S.A., INSTITUCIÓN DE BANCA MÚLTIPLE, GRUPO FINANCIERO INTERACCIONES AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

(Amounts in millions of Mexican pesos, except for foreign currency and exchange rates)

1. Description of the Business and Relevant Events

a) Purpose

Banco Interacciones, S.A. (the Bank) was incorporated and authorized to operate as a full-service bank on September 8, 1993, as published in the *Official Gazette* on that same date. The Bank's majority shareholder is Grupo Financiero Interacciones, S.A. de C.V. (Grupo Financiero Interacciones), who holds 99.99% of its shares. The Bank is engaged in providing banking and loan services in terms of the Mexican Credit Institutions Act (the Act).

The Bank is currently authorized by Banco de México (Banxico) to engage in transactions with derivatives.

The Bank is subject to the money laundering prevention regulations issued by the Ministry of Finance and Public Credit (SHCP).

b) Corporate purpose and relevant events

During the year ended December 31, 2013, the Bank's operations were affected by the following relevant events:

- Changes in the methodology for the grading of the commercial loans

On June 24, 2013, the National Banking and Securities Commission (the Commission or CNBV) issued a new methodology for the grading of commercial loans and for the creation of the respective loan-loss reserves. The new methodology consists of the application of a formula that considers expected loss estimates, default exposure variables and cumulative maturities. This new methodology also requires banks to classify their borrowers based on their nature and type of entity.

The new methodology includes the procedures for grading loans granted to financial entities. In conformity with the transitory rules issued by the Commission, the use of this new methodology will take effect for banks as of January 1, 2014 but may be deferred until June 30, 2014.

The Bank applied the new methodology for the grading of commercial loans to its portfolio balances at December 31, 2013. The Bank determined an overstatement in the loan-loss reserve of Ps.91, which will not be released until the following loans grading date, as required under the Commission's Accounting Criterion B-6, *Loans*. This overstatement represents the difference between the balance of the loan-loss reserve of Ps.269 resulting from the application of the new methodology and the balance of Ps.361 determined using the old grading methodology at the date of its application. The related accounting adjustment was made based on the transitory provisions established by the Commission.

Lastly, the Bank decided to apply the option set forth in official document 320-1/15106/2013 issued by the Commission on August 21, 2013 for banks where the Bank deemed it impractical to make retrospective adjustments to its loan-loss reserves (at December 31, 2012) for comparative purposes due to the following reasons:

- The Bank does not have historical information with the level of detail and characteristics required by the new methodology;

- There may be inconsistencies in the available historical information, and correcting such inconsistencies, insofar as possible, could require the allocation of a considerable amount of human, technological and economic resources to;

- Setting up an analysis, authorization and implementation process might require considerable resources and time and could take more than 6 months to complete;

- The additional or significant investments required to procure the equipment needed to store and manage historical information, and the time that will be spent by specialized personnel to calculate the figures for the 2012 periods (annual and quarterly) and 2013 (quarterly).

- **Approval of the tax reform in force as of January 1, 2014**

On October 31, 2013, the tax reform was published in *the Official Gazette*. This tax reform includes the repeal of the Flat-rate Business Tax Law, the elimination of the tax on cash deposits, and changes in the Income Tax Law. The principal changes contained in the tax reform that are applicable to the Bank are as follows:

a) The loan-loss reserve (equal to 2.5% of the average daily balance of the loan portfolio) will no longer be deductible and instead banks shall only be allowed to deduct their bad debts when they become legally uncollectible in terms of the Mexican Income Tax Law, or sooner when the practical impossibility of collection may be demonstrated.

b) Dividends paid from the Net taxed profits account (CUFIN) to foreign individuals or corporations from earnings generated as of January 1, 2014 shall be subject to a 10% tax withholding. Dividends not paid from the CUFIN shall continue to be subject to income tax payable by the entity at the rate of 30%.

c) Deductions of payroll-related expenses that are tax exempt for employees will be capped at 47% of the expense and 53% under certain circumstances.

d) Employee profit sharing is to be computed on an entity's taxable earnings for the year, plus or minus the effects of certain adjustments specified in the Income Tax Law. Payroll-related expenses that are tax exempt for employees shall be deductible in full, but the deduction of employee profit sharing paid during the year will no longer be allowed. Employee profit sharing will continue to be computed at the rate of 10%.

As a result of the aforementioned changes in Mexican tax law, the Bank's management has remeasured the Bank's current and contingent liabilities and assets related taxes on profits and employee profit sharing.

The Bank's management determined that the new tax rules will have no material effect on the Bank's consolidated financial statements.

- **Sale of loan portfolio**

In October 2013, the Bank sold the portfolio of its outstanding loans owed by the State of Coahuila, with a value net of the associated loan-loss reserve of Ps.2,495, resulting in a loss on the sale of Ps.39 for the Bank.

In August 2013, the Bank sold its portfolio of past-due loans owed by Grupo San Luis Potosí, with a value net of the associated loan-loss reserve of Ps.122, giving rise to a gain on the sale of Ps.118 for the Bank.

- **Property awarded to the Bank**

As part of its debt recovery process, in 2013, the Bank was awarded real estate and trust beneficiary rights totaling Ps.94 and Ps.741, respectively.

- **Capitalization**

At an extraordinary shareholders' meeting held on November 28, 2013, the shareholders agreed to increase the Bank's ordinary capital stock by Ps.1,895, of which Ps.1,095 was funded through the issue of 1,095,000 Series "O" shares that were paid in by Grupo Financiero Interacciones, S.A. de C.V. and Ps.800 corresponds to the issue of 800,000 Series "O" shares that will be held as treasury shares and offered to the shareholders to meet the Bank's future capital needs.

- **Capital decrease**

At an extraordinary shareholders' meeting held on December 18, 2013, the shareholders agreed to decrease the Bank's ordinary capital stock by Ps.164 through a capital reimbursement of one thousand Mexican pesos per share. This capital stock had originally been allocated to fund the Bank's buyback of shares publicly traded on the Mexican Stock Exchange.

- **Dividend paid**

At ordinary meetings held on April 25 and November 28, 2013, the Bank's shareholders declared cash dividends of Ps.159 and Ps.300, respectively, which were paid from the Bank's Net taxed profits account (CUFIN) on May 3, 2013 and December 6, 2013, respectively.

2. Summary of Significant Accounting Policies

a) Basis of preparation and presentation of financial information

The accompanying consolidated financial statements were prepared in conformity with the accounting standards for credit institutions issued by the Commission. Under these accounting standards, credit institutions are required to observe Mexican Financial Reporting Standards (Mexican FRS), as issued or adopted by the Mexican Financial Reporting Standards Research and Development Board *(Consejo Mexicano para la Investigación y Desarrollo de Normas de Información Financiera, A.C. or* CINIF), and any other accounting rules issued by the Commission for adoption by credit institutions. The CNBV's own accounting standards include rules with respect to accounting valuations, recognition, and disclosures and financial statement presentation applicable to certain captions in the financial statements of banks.

On February 28, 2014, the accompanying consolidated financial statements were authorized for issue by the Bank's Board of Directors, under the responsibility of the following Bank officers: Gerardo C. Salazar Viezca, CEO; Alejandro Frigolet Vázquez-Vela, Corporate Finance and Administrative Director, Carlos Adrián Madrid Camarillo, Director of Accounting and Financial Reporting, and Gustavo Espinosa Carbajal, Corporate Internal Audit Director.

The accompanying consolidated financial statements shall be subject to further approval of the shareholders. In addition, as part of its inspection and oversight powers, the Commission may order any modifications and corrections to the Bank's financial statements that it considers necessary prior to their publication.

b) Consolidation of financial statements

The accompanying consolidated financial statements include the financial statements of the Bank (holding company) and of Inmobiliaria Interorbe, S.A. de C.V., Inmobiliaria Mobinter, S.A. de C.V. and Interacciones Sociedad Operadora de Sociedades de Inversión, S.A. de C.V. (subsidiaries). The accompanying consolidated financial statements reflect the operating results of the subsidiaries from the date of acquisition through December 31, 2013.

The consolidated financial statements of the Bank and its subsidiaries were prepared at the same reporting date and for the same reporting period. All significant balances and transactions between members of the Group have been eliminated in full on consolidation.

Highlights of the condensed financial information of each of the subsidiaries at and for the years ended December 31, 2013 and 2012 is as follows:

Subsidiary	% equity interest	Total assets	Total liabilities	Shareholders' equity	Operating income	Net income for the year
		2013				
Inmobiliaria Interorbe, S.A. de C.V.	99.99%	Ps. 20	Ps.	Ps. 20	Ps. 3	Ps. 2
Inmobiliaria Mobinter, S.A. de C.V.	99.99%	23		23	4	3
Interacciones Sociedad Operadora de Sociedades de Inversión, S.A. de C.V.	99.90%	10	8	2	19	-
		Ps. 53	Ps. 8	Ps. 45	Ps. 26	Ps. 5

Subsidiary	% equity interest	Total assets	Total liabilities	Shareholders' equity	Operating income	Net income for the year
		2012				
Inmobiliaria Interorbe, S.A. de C.V.	99.99%	Ps. 18	Ps. -	Ps. 18	Ps. 4	Ps. 1
Inmobiliaria Mobinter, S.A. de C.V.	99.99%	20	-	20	5	2
Interacciones Sociedad Operadora de Sociedades de Inversión, S.A. de C.V.	99.90%	10	9	1	17	-
		Ps. 48	Ps. 9	Ps. 39	Ps. 26	Ps. 3

Interacciones Sociedad Operadora de Sociedades de Inversión is primarily engaged in rendering mutual fund management services and services related to the distribution and valuation of shares in mutual funds, as well as accounting and administrative services to mutual funds. The Company has authorization to consolidate the financial statements of this company since the subsidiary's activities are similar or complementary to its own. Inmobiliaria Interorbe, S.A. de C.V. and Inmobiliaria Mobinter, S.A. de C.V. are engaged in leasing property, furniture and equipment to companies that are part of Grupo Financiero Interacciones.

Highlights of the captions at December 31, 2013 and 2012 that were affected by the consolidation before and after eliminations are as follows:

	2013		2012	
	Individual balances	Consolidated balances	Individual balances	Consolidated balances
Balance sheet				
Cash and cash equivalents	Ps. 6,335	Ps. 6,335	Ps. 7,067	Ps. 7,068
Securities held for trading	57,125	57,126	32,899	32,906
Securities held-to-maturity	1,027	1,027	4,580	4,580
Loan-loss reserve	1,897	1,897	2,015	2,015
Other accounts receivable, net	4,397	4,399	1,573	1,576
Property, furniture and equipment, net	116	128	130	141
Long-term equity investments	49	5	44	4
Demand deposits	17,721	17,717	16,281	16,289
Time deposits	20,500	20,466	21,587	21,561
Other accounts payable	7,518	7,527	4,804	4,805
Income statement				
Interest expense	4,533	4,532	4,055	4,054
Administrative and promotional expenses	1,737	1,759	1,656	1,676
Other operating income (expenses)	925	952	340	359

c) Consolidated statements of cash flows

The Bank prepares its consolidated statement of cash flows using the indirect method, which adjusts accrual basis net income or loss for the effects of non-cash transactions, movements in operating cash flows balances, and cash flows from investing and financing activities.

d) Recognition of the effects of inflation on financial information

For 2013 and 2012, the Bank operated in a non-inflationary economic environment, as defined under Mexican FRS B-10, since the cumulative inflation rate for the three prior years of 12.2560% and 12.2617%, respectively, did not exceed 26%. As a result, beginning January 1, 2008, the Bank ceased to recognize the effects of inflation on its financial information. Consequently, only non-monetary items that are from years prior to 2007 and are included in the balance sheets at December 31, 2013 and 2012, recognize the effects of inflation from the date they were acquired, contributed or initially recognized through December 31, 2007. Such non-monetary items include fixed assets, intangible assets, capital stock, capital reserves and retained earnings.

e) Presentation of financial statements

Commission regulations require that amounts shown in the consolidated financial statements of credit institutions be expressed in millions of Mexican pesos. Consequently, the Bank's financial information has accounts with balances of less than one million Mexican pesos that were excluded from the captions in the accompanying consolidated financial statements.

f) Significant accounting estimates and assumptions

The preparation of the Bank's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the affected asset or liability in future periods.

The key assumptions concerning future events and circumstances and other key sources of uncertainty at the reporting date that represent a significant risk of causing the need for a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Bank based its assumptions and estimates on the best available information at the time the financial statements were prepared. Nevertheless, existing estimates and assumptions about future events and circumstances may change due to market events beyond the Bank's control. Such changes are immediately reflected in management's assumptions as they occur.

- **Fair value of financial instruments**

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish fair values. These judgments include considerations of liquidity and model inputs such as volatility for longer-dated derivatives and discount rates, prepayment rates, and default rate assumptions for securities.

- **Loan-loss reserve**

To calculate its loan-loss reserve, the Bank individually assesses its outstanding commercial loans based on the classification of borrowers established in the Commission's grading methodology. This assessment requires management's judgment in analyzing the quantitative and qualitative factors of borrowers to assign credit scores to each borrower. This credit score is a critical factor for estimating the probability of default based on the expected loss formula and consequently, for determining the applicable reserve rate applied and the risk grade for each loan. Actual results could differ from the assessment of these factors.

- **Impairment of investment value in securities**

The Bank reviews its debt securities classified as available-for-sale and held-to-maturity investments at each reporting date to assess whether they are impaired.

The Bank also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Bank evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

- **Deferred income tax**

The Bank periodically evaluates the possibility of recovering its deferred tax assets based on the amount of taxable income it expects to generate in future years and when necessary, it creates a valuation allowance for those assets that do not have a high probability of being realized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax-planning strategies.

g) Cash and cash equivalents

Cash and cash equivalents principally consist of bank deposits and highly liquid investments with maturities of less than 90 days. Such investments are stated at acquisition cost plus unpaid accrued interest at the balance sheet date, which is similar to their market value.

Call money financing extended or acquired in the interbank market and whose repayment period may not exceed three business days are present in the balance sheet as part of the caption Cash and cash equivalents in the case of financing extended, and Demand loans in the case of loans received. Interest expense and income under these short-term loans is recognized on an accrual basis in the income statement under the caption Financial margin.

Documents for immediate guaranteed collection are recognized as part of Other cash equivalents if they are collectible within two (in Mexico) or five (abroad) business days after the date of the transaction that gave rise to them. When these documents are not recovered within such terms, they are transferred to the Loans or Other accounts receivable caption, based on the nature of the initial transaction.

For those items transferred to the Other accounts receivable caption, an allowance for the total debt is created within 15 business days after the transfer.

h) Recognition of transactions

The Bank's transactions related to investments in securities, derivatives, security repurchase agreements and security lending, among others (both proprietary and on customers' behalf), are recognized at the time the respective agreements are entered into, irrespective of the settlement date.

i) Valuation of financial instruments

In determining the fair value of both proprietary and customer positions in derivative financial instruments, the Bank uses the prices, rates and other market information provided by a Commission-authorized price supplier, except for futures transactions, which are valued using market prices determined by the clearinghouse of the securities market in which the instruments are traded.

j) Open transactions

- Securities trading

The related amount receivable or payable under open securities transactions is recognized in the corresponding clearing account at the agreed on price at the time of the trade. The difference between the market price of the securities and the agreed on price is recognized in the income statement as part of the caption Intermediation income.

- **Currency trading**

The Bank buys and sells U.S. dollar futures with 24-, 48- and 72-hour terms. Dollars bought and sold are recorded in assets or liabilities at the transaction's inception date. These dollar amounts are translated into Mexican pesos using the FIX exchange rate published by Banco de México in the *Official Gazette* one business day after either the date of the related transactions or the financial statements reporting date.

When it is agreed that settlement shall be within a maximum of two bank-working days from the trade date, the traded currency is recorded as a restricted liquid asset (in the case of purchases) and a liquid asset outlay (in the case of sales), against the corresponding clearing account. Gains or losses on currency trading are recognized in the income statement as part of the caption Intermediation income.

When debit balances in clearing accounts are not recovered within 90 days subsequent to the trade date, they are reclassified as outstanding debt under the caption Other accounts receivable and the Bank creates an allowance for the entire balance.

With respect to transactions involving the buying and selling of securities and foreign currencies that are not paid for immediately in cash or where settlement is not on a same-day basis, the related amount receivable or payable is recorded in Mexican pesos in clearing accounts until the respective payment is made. Debit and credit balances in clearing accounts are included as part of the captions Other accounts receivable and Sundry creditors and other accounts payable, as the case may be, and can be offset only if and when the Bank has the contractual right to do so and intends to settle the net amount, or to simultaneously realize the asset and settle the liability.

k) Investments in securities

Investments in securities include investments in debt instruments and shares of other companies. These investments are classified based on management's intention with regard to each investment at the time they are acquired. Each classification is governed by specific rules with respect to the way the investment is recorded, valued and presented in the financial statements, as described below:

- **Securities held for trading**

These instruments are acquired for the purpose of earning gains from price differences on short-term trading activities. At the end of each month, these securities are valued at fair value, and the related gain or loss is recognized in the consolidated income statement as part of the caption Intermediation income. At the time the instruments are sold, the unrealized gain or loss is reclassified in the consolidated income statement as securities trading gains or losses, as the case may be.

- **Available-for-sale securities**

These are debt securities and equity instruments that are not acquired to earn gains from price differences resulting from short-term trading activities. Furthermore, the Bank neither has the intention nor the ability to hold the debt securities to their maturity. Therefore, these instruments are residual in nature (i.e., they are acquired for purposes different from those of the trading or held to maturity securities).

These securities are measured at fair value, and the related gain or loss, net of taxes on profits, is recognized in consolidated equity as part of the caption Unrealized gain on available-for-sale securities. At the time the instruments are sold, the cumulative unrealized gain or loss is reclassified in the consolidated income statement as securities trading gains or losses under the caption Intermediation income.

- **Securities held-to-maturity**

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Bank has the intention and ability to hold to maturity. Such securities are valued at their amortized cost, which means that accrued interest includes the amortization of the premium or discount (included in the fair value, if applicable, at which they were initially recognized) and the transaction costs.

In conformity with Commission accounting rules, no financial assets may be classified as held-to-maturity if in the current year or the two immediately preceding years, the Bank has sold or reclassified held-to-maturity securities before maturity, regardless of whether the financial assets it intends to classify as held-to-maturity and those that were sold or reclassified before maturity share similar characteristics, except under the following conditions:

a) within 28 days prior to either the instrument's maturity or, when applicable, the date of the repurchase option of the security by the issuer, or

b) after more than 85% of the original nominal value of the security has accrued or, when applicable, has been earned by the Bank.

During the years ended December 31, 2013 and 2012, the Bank has not sold any held-to-maturity securities.

At the time of their acquisition, investments in securities are initially measured at fair value (which includes any applicable discount or premium). Transaction costs associated with the acquisition of securities are recognized depending on their category: a) trading securities are recognized in profit or loss for the year at the date of acquisition; and b) available-for-sale securities and held-to-maturity securities are recognized initially as part of the investment.

Accrued interest on debt securities is recognized in net profit or loss in the applicable category as part of the caption Investments in securities. Accrued interest collected is reclassified from the Investments in securities caption to the Cash and cash equivalents caption.

- **Reclassification of financial assets**

The Bank makes no reclassifications of instruments between different categories, except in the case of securities transferred from the held-to-maturity category to the available-for-sale category, provided it does not have the intention or ability to hold the instruments to maturity.

Any unrealized gain or loss at the reclassification date is recognized under the caption Unrealized gain on available-for-sale securities in the consolidated statement of changes in shareholders' equity.

Any reclassification of instruments between categories other than the reclassification mentioned above requires the Commission's authorization.

- **Dividends**

Stock dividends are accounted by increasing the number of shares outstanding of the investee and, at the same time, reducing the average stock price of the shares in question. This is the same as assigning a zero value to the dividend.

Cash dividends received are accounted for by reducing the value of the investment.

l) Security repurchase (repo) transactions

The Bank enters into repurchase agreements to buy and sell government and bank securities.

The account receivable or payable representing the right or obligation to receive or return the cash, as the case may be, and the interest accrued on the transaction, are recorded in the consolidated balance sheet as part of the caption Debtors under security repurchase agreements or Creditors under security repurchase agreements, respectively.

Financial assets transferred as collateral securities delivered in guarantee by the Bank as a seller are classified as restricted securities based on the type of financial assets in question. Financial assets transferred as collateral securities received in guarantee by the Bank as a buyer are recognized in Memorandum accounts as part of the caption Collateral received by the Bank.

Memorandum accounts that include collateral securities received when the Bank is a buyer in repurchase agreements, and which have been sold or delivered in guarantee of another transaction, are cancelled when the Bank acquires the collateral sold to return it to the seller either upon maturity of the agreement, or in the event of default by the counterparty. Collateral securities are included in memorandum accounts under the caption Collateral securities received and sold or delivered in guarantee by the Bank.

- **As the seller**

The Bank recognizes the cash received or a debit clearing account, as well as an account payable initially recognized at the contractual price, which represents the obligation to return the cash delivered to the buyer. Over the term of the security repurchase agreement, the account payable is measured to fair value using the amortized-cost method. Interest on repurchase agreements is recognized in the income statements as it accrues.

- **As the buyer**

The Bank recognizes the cash outlay or a credit clearing account, as well as an account receivable initially recognized at the contractual price, which represents the right to recover the cash delivered to the seller. Over the term of the security repurchase agreement, the account receivable is measured at fair value using the amortized-cost method. Interest on repurchase agreements recognized in the income statements as it accrues.

m) Financial derivative instruments and hedging activities

Derivatives are recognized in the balance sheet at fair value, regardless of whether they are classified as held-for-trading or hedging purposes. Cash flows received or delivered to adjust derivatives to their fair value at the inception of the hedge (excluding premiums on options) are recognized as part of the fair value of the instrument.

The Bank uses hedging instruments as part of its strategies for mitigating or eliminating altogether the various financial risks it is exposed to and its strategies regarding asset/liability management, as well as to reduce its deposits and borrowings costs. Transactions conducted for trading purposes refer mainly to those transactions that the Bank carries out with its customers or with other intermediaries to meet their financial risk hedging requirements, and they generate hedging positions that the Bank offsets through mirror transactions conducted on the open market.

Transaction costs are recognized as expenses in the income statement as they are incurred.

The notional amounts of the derivatives are also recognized in memorandum accounts under the caption Other memorandum accounts.

Highlights of the accounting treatment of the Bank's agreements involving financial instruments (derivatives) are as follows:

- **Options**

Options are contractual agreements that convey the right, but not the obligation, to purchase an underlying asset at a determined price called the exercise price, either at a fixed future date or at any time within a specified period. The premium paid on an option transaction is presented separately in the consolidated balance sheet as part of the caption Derivatives for trading or hedging purposes. Such premium is valued at the fair value of the option.

- **Futures**

Futures contracts are transactions in which there is an obligation to buy or sell a financial asset or other asset at a future date at a pre-agreed price. Futures contracts are standardized with respect to their terms, and quantity, quality, delivery location, and payment terms. The pricing of futures is set by the parties and the futures may be traded in the secondary market. Futures contracts also involve the use of margin accounts. The counterparty under futures contracts is a clearinghouse, which means that no significant credit risk is involved in these transactions.

The asset or liability recognized for futures is initially determined at the benchmark price of the instrument multiplied by the contract price. Margin calls are presented in the balance sheet as part of the caption Margin accounts.

Changes in the market value of an open futures contract are recognized in the balance sheet as part of the caption Derivatives, and are recognized in the income statement under the caption Intermediation income. Fair values of futures contracts are determined using prices quoted in the markets where the futures are traded.

In respect of its currency trading activities (U.S. dollar), the Bank enters into future contracts through which it acquires the right or the obligation to receive or pay differences in Mexican peso arising from the devaluation of the Mexican peso against the U.S. dollar on an amount of foreign currency stipulated in the respective futures contract. At the end of each month, the Bank's final monthly position is valued using the official exchange rate published on the last business day of each month and the resulting exchange gain or loss is immediately recognized in profit or loss.

- **Forwards**

Forward contracts are transactions under which there is an obligation to buy or sell a financial asset or other asset at a future date at a pre-agreed price. Forwards are highly negotiable contracts as to their pricing, terms, asset quantity and quality, margin requirements, delivery location, and payment terms. Since forwards are not traded in a secondary market, they expose the Bank to credit risk.

Derivatives are recognized as either assets or liabilities in the balance sheet, and are initially stated at their fair value, which is similar to the agreed on price at the time of the transactions. After initial recognition, derivatives are measured at fair value, without deductions for transaction costs that may be incurred on the sale or disposal of the instrument. Unrealized gains and losses on the financial assets and liabilities associated with the rights and obligations under derivative financial instruments are recognized in profit or loss.

- **Financial instruments acquired for hedging purposes**

The Bank has the following derivative financial instruments acquired for hedging purposes:

- **Fair value hedges**

These instruments hedge the Bank's exposure to changes in the fair value of a recognized asset or liability or unrecognized firm commitments, or an identified portion of such assets, liabilities or unrecognized firm commitments attributable to a particular risk and which may affect the Bank's operating results. The Bank has contracted fair value hedges to mitigate market risks related to financial assets and liabilities.

The unrealized gain or loss resulting from the mark-to-market valuation of hedging instruments is immediately recognized in profit or loss.

The unrealized gain or loss on the hedged item attributable to the risk being hedged is adjusted to the book value of that item and is recognized in profit or loss. This is applicable even if the hedged item is valued at cost.

In a fair value hedge related to interest rate risk of a portion of a financial asset or financial liability portfolio (and only for this specific kind of hedge), the adjustment to the carrying amount of the hedged item corresponding to the unrealized gain or loss recognized in profit or loss, is recognized as part of the caption unrealized gain or loss on financial asset hedges or gain or loss on financial liability hedges, as the case may be, and is presented immediately after the respective financial assets or liabilities.

- **Cash flow hedges**

These instruments hedge the Bank's exposure to variability in cash flows on its forecasted transactions that are (i) attributable to a particular risk associated with a recognized asset or liability (such as one or more of the future interest payments under a variable-interest loan or debt instrument) or a highly probable event; and that (ii) could affect the Bank's operating results. The Bank's cash flow hedges are represented by financial assets with floating interest rates.

The separate component of equity associated with the hedged item is adjusted to the lesser of the following (in absolute amounts):

i. the cumulative gain or loss on the hedging instrument from inception of the hedge; and
ii. the cumulative change in fair value (present value) of the expected future cash flows on the hedged item from inception of the hedge

Any remaining gain or loss on the hedging instrument or designated component of it (that is not an effective hedge) is recognized in profit or loss.

n) Loans

Significant policies and procedures related to loan approval, control, and recovery

The management of the Bank's loan portfolio is based on well-defined strategies, which include centralized loan processing, portfolio diversification, optimized credit analysis, close loan monitoring and a loan grading model.

The Bank's different business areas develop and structure proposals that are analyzed by the credit department or, if applicable, are referred to the relevant decision-makers to ensure that there is adequate segregation between the Bank's business originators and the employees who authorize the Bank's transactions.

The Bank's business areas constantly evaluate the financial position of each of the Bank's customers through exhaustive review and risk analysis of each loan performed at least once a year. When a business area detects that the financial situation of a given customer has worsened, the appropriate changes in the customer's rating are made. This way, the Bank determines the changes that have occurs in the risk profile of each of its customers.

The Bank has policies and procedures in place to maintain a healthy, diversified portfolio with a prudent and controlled risk level. These policies and procedures also consider the business units, currency, loan term, and business sector related to the loan in question. Loan limits are submitted annually to the Board of Directors for authorization.

- Recording of loans

Irrevocable lines of credit and lines of credit extended to customers against which there have been no drawdowns are controlled in Memorandum accounts under the caption Loan commitments at the time they are authorized by the Bank's Committee. Drawdowns made by borrowers on their authorized lines of credit are recorded as assets (loan granted) at the time the related funds are transferred to the borrower.

Commissions earned on the opening of lines of credit against which there have been no drawdowns are recognized as interest income on a deferred basis over a 12-month period. At the time drawdowns are made against these lines of credit, the deferred commissions are recognized in the income statement.

With respect to discounted notes, both with or without recourse, the Bank records the total amount of notes received as part of its loans, and credits the related cash expenditure agreed upon in the related agreement against this amount. Any difference between these two amounts is then recognized in the balance sheet as interest earned in advance under the caption Deferred credits and early settlements, and is amortized using the straight-line method over the term of the loan.

Letters of credit are recorded in memorandum accounts as part of the caption Loan commitments and after they are exercised by the customer or the counterparty, they are reclassified to loans, while the unsettled portion of the instrument is recorded in the caption Sundry creditors and other accounts payable. Considerations agreed on under these transactions are recognized in the income statement under the Commissions and fees collected caption at the time they are actually collected.

Consumer loans not extended through credit cards and mortgages loans are recognized at the time the credit is granted, and guarantees received by the Bank under these transactions are documented before making the cash available. Interest is calculated on unpaid balances of each loan.

Guarantees received by the Bank are recognized in Memorandum accounts as part of the caption Loan commitments. Commissions earned on these transactions are recognized in the income statement at the time they are generated.

Loans made to employees are included in the Other accounts receivable caption and the interest accrued on these loans is recognized in the statement of income under the Other income caption.

Interest on performing loans is credited to earnings as it accrues, irrespective of the settlement date. The recognition of interest is suspended at the time a given loan is reclassified to the past-due portfolio.

Commissions earned on the initial granting of loans are amortized over the term of the loan.

Incremental costs incurred during the loan origination stage are amortized over the same terms as the commissions under each loan are collected.

In conformity with Mexican FRS, commissions earned, origination costs and other items associated with the granting of loans must be valued separately to determine whether they should be included as part of the effective interest rate of the transaction (adjustment to the returns).

- **Identification of troubled loans (non-performing loans)**

Loans whose amounts, conditions and repayment terms have made, or could make it difficult for the Bank to recover using its regular loan collection system, are classified as troubled loans (non-performing loans) and are transferred to the Bank's loan recovery area. This procedure is in place to take advantage of the loan recovery area's experience and specialized negotiation, recovery, and oversight strategies aimed at determining the best way to maximize the Bank's recovery of troubled loans in the shortest possible time.

- **Loans reclassified to the past-due loan portfolio**

Balances that become past due in terms of the original loan conditions are reclassified to the past-due portfolio when either the Bank learns that the borrower has declared bankruptcy in terms of the Mexican Bankruptcy Act or when the borrower fails to make payments within the originally stipulated terms, and following these general guidelines:

i) If the loan is repayable in one single installment of principal and interest and is 30 days or more overdue.

ii) If principal is repayable in one single installment and interest is payable in installments and the interest is 90 days or more overdue or the principal is 30 days or more overdue;

iii) If principal and interest are due and payable in installments, including home mortgage loans, and the loan is 90 days or more overdue;

iv) If the loan is revolving and is two months past due or, as appropriate, is 60 days or more overdue.

v) Overdrafts in customer checking accounts and documents for immediate guaranteed collection are included in the past-due loan portfolio as they become known by the Bank.

Overdue loans where the borrower has subsequently paid in full the outstanding balances (principal and interest) and restructured or rolled over loans where there is evidence of sustained payment of both principal and interest loans are reclassified back to the performing loan portfolio. See Note 9 for the principal movements in the Bank's past-due portfolio, broken down by roll overs, total payments, partial payments, and reclassifications to the performing portfolio.

Loans repayable in one single installment and interest payable in installments, as well as loans to be paid in a single installment of principal and/or interest upon maturity that are restructured during the term of the loan or rolled over at any time, are classified as overdue until there is evidence of sustained payment by the borrower.

- **Loan restructurings and rollovers**

Loan restructurings consist of extensions made to the guarantees covering drawdowns made by borrowers, as well as changes in the original loan conditions with respect to payments, interest rates, or currency, or a grace period granted by the Bank during the term of the loan.

Loan rollovers occur when a loan's repayment term is extended during or past the loan's original maturity date, or when the loan is repaid by the borrower at any time using additional financing obtained from the Bank by either the original debtor or any other person that because of common economic links with the debtor, constitutes a common risk for the Bank.

Restructured overdue loans remain in the performing loan portfolio as long as there is evidence of sustained payment of both principal and interest of at least three consecutive installments, or in the case of installments that cover periods in excess of 60 days, when the borrower has made at least one payment. For restructured loans that involve a reduction in the frequency of payments below what was originally agreed, sustained payment shall be considered to exist when three consecutive payments under the original payment plan have been made.

Loans to be repaid in a single installment of principal and/or interest upon maturity that are restructured during the term of the loan or rolled over at any time are classified as overdue.

o) Loans grading rules and loan-loss reserve

The loan-loss reserve is calculated based on the grading rules established in the specific accounting criteria for credit institutions issued by the Commission via its Circular Única for Banks, which include methodologies for the evaluation and creation of reserves by type of loan.

- Commercial loans

Through November 30, 2013, the Bank used a methodology that requires an assessment of the debtor's creditworthiness and the quality of commercial loans in relation to the value of guarantees received or the value of property held in trust or under structured transactions, where applicable. In general terms, commercial loans are classified based on the following:

- Loans in excess of 4 million UDIs at the grading date are valued individually based on quantitative and qualitative factors of the borrower and by type of loan, and based also on an analysis of the country, industry, financial and payment experience risks, including the following risk factors: the borrower's financial structure and payment capacity, sources of financing, management and decision-making, reliability of financial information, market position and the collateral and guarantees provided by the borrower for the loan.

- Loans of less than 4 million UDIs are classified based on a stratification of outstanding installments and then by assigning a risk grade and specific reserve percentage based on the number of outstanding installments.

This grading methodology included contingent obligations derived from transactions involving letters of credit that are recorded in memorandum accounts.

As of December 31, 2013, the Bank applied the new methodology established by the CNBV for grading commercial loans, which is as follows:

- Evaluate the default risk of each borrower based on the three recommendations issued by the Basel Committee: (i) probability of default, (ii) loss severity, and (iii) exposure at default. Loss severity varies based on the loan structure and it ranges from 0% to 100%.

- Classify loans granted based on the type of portfolio, and identify commercial loans granted to corporations and individuals engaged in business activities, decentralized bodies (federal, state or municipal), and political parties, with sales or net income equal to or less than 14 million investment units (UDIs). UDIs are divided into two groups:

  a) For borrowers of this kind with net income or annual net sales of less than 14 million UDIs, UDIs are classified into loans with overdue payments or without late payments. The probability of default is computed using 17 variables divided into 3 different groups: (a) payment experience; (b) Federal Housing Fund (INFONAVIT) payment experience; and (c) the characteristics of the borrower.

  b) For borrowers of this kind with net income or annual net sales of more than 14 million UDIs, UDIs are classified into small, medium and large entities. The probability of default is computed using 21 variables divided into 8 different groups: (a) payment experience; (b) Federal Housing Fund (INFONAVIT) payment experience; (c) a financial factor; (d) country- and industry-specific risk factors; (e) market position; (f) transparency and regulatory compliance; (g) corporate governance; and (h) management competence.

The case-by-case application of a formula that considers expected loss components, as well as variables related to default and cumulative maturities at the computation date, which vary based on the Bank's loan classification.

An analysis of the provision percentage determined and the credit risk grading allocated to the commercial loan portfolio is as follows:

Risk grade	Provision percentage
A-1	0 to 0.9
A-2	0.091 to 1.5
B-1	1.501 to 2.0
B-2	2.001 to 2.50
B-3	2.501 to 5.0
C-1	5.001 to 10.0
C-2	10.001 to 15,5
D	15.501 to 45.0
E	More than 45.0

The rules for commercial loan grading require a quarterly evaluation of credit risks based on the total amount of loans granted to each single debtor.

- **Loans granted to federal and municipal government entities**

The loan-loss reserve for loans to government entities is calculated considering the default risk each borrower based on the three recommendations issued by the Basel Committee: (i) probability of default, (ii) loss severity, and (iii) exposure at default. The probability of default is computed using 19 coefficients divided into 5 different groups: (a) payment experience; (b) credit rating given by a rating agency; (c) financial risk; (d) socio-economic risk; and (e) financial stress. Loss severity varies based on the loan structure and ranges from 10% to 45% exposure at default.

For loans to decentralized government bodies (both state and municipal) that are expressly guaranteed by the respective state or municipal governments, the Bank calculates the amount of the corresponding preventive provisions using the procedure applicable to loans to state and municipal governments.

- **Investment projects with self-funded loan repayment sources**

For investment project loans with self-funded loan repayment sources, various internal or external experts evaluate the Bank's related financial risk during the construction or operation phases on a case-by-case basis.

- **Home mortgage loans**

The loan-loss reserve for mortgage loans, which includes home mortgage loans for home purchases, and home construction, remodeling or enhancement, is calculated considering the default risk of each borrower based on the three recommendations issued by the Basel Committee: (i) probability of default (ii) loss severity, and (iii) exposure at default. Probability of default is computed using 8 coefficients, which primarily consider the Bank's payment experience. Loss severity varies based on the loan structure and ranges from 10% to 100% of exposure at default.

An analysis of the provision percentage determined and the credit risk grading allocated to mortgage loans is as follows:

Risk grade	Provision percentage
A-1	0 to 0.50
A-2	0.501 to 0.75
B-1	0.751 to 1.0
B-2	1.001 to 1.50
B-3	1.501 to 2.0
C-1	2.001 to 5.0
C-2	5.001 to 10.0
D	10.001 to 40.0
E	40.001 to 100.0

- **Consumer loans**

Consumer loans (i.e., loans to individuals, divided into different groups such as consumer and personal loans) is calculated considering the default risk of each borrower based on the following: (i) probability of default (ii) loss severity, and (iii) exposure at default. Probability of default is computed using 8 coefficients that primarily consider the Bank's payment experience. Loss severity varies based on the loan structure and ranges from 10% to 65% of exposure at default.

An analysis of the provision percentage determined and the credit risk grading allocated to the consumer loan portfolio is as follows:

	Consumer	
Risk grade	**Non-revolving**	**Credit card and other revolving loans**
A-1	0 to 2.0	0 to 3.0
A-2	2.01 to 3.0	3.01 to 5.0
B-1	3.01 to 4.0	5.01 to 6.5
B-2	4.01 to 5.0	6.51 to 8.0
B-3	5.01 to 6.0	8.01 to 10.0
C-1	6.01 to 8.0	10.01 to 15.0
C-2	8.01 to 15.0	15.01 to 35.0
D	15.01 to 35.0	35.01 to 75.0
E	35.01 to 100.0	More than 75.01

- **Recognition in the income statement**

As a result of the grading process, changes in the loan-loss reserve are recognized in the income statement and the financial margin is adjusted accordingly up to the amount of the reserve for the type of loans in question.

Whenever the balance of the provision for credit risk exceeds the reserve amount required based on the respective grading methodologies, the difference is cancelled against the income statement through a charge to the loan-loss reserve the next time the type of loan in question (commercial, consumer, mortgage) is graded. Whenever the amount to be released exceeds the balance of the provision recognized in the income statement, this difference is recognized as other operating income (expenses).

Mexican FRS require that reductions in the balance of the allowance for doubtful accounts be recognized at the time such reductions are determined.

Any total or partial loan reduction, forgiveness, cancellation or discount is charged to the income statement in the loan-loss reserve caption. Whenever the amount of such reductions, forgiveness, cancellations or discounts exceeds the balance of the provision associated with the loan, a provision should be created for up to the amount of the difference.

- **Sundry write-offs**

In conformity with Commission regulations, the Bank recognizes write-offs occurring during the year in profit or loss, without the need for authorization from the Commission to do so.

p) Collection rights

Collection rights are financial instruments that are not considered investments in securities because they have not been issued as part of a series by a trust or another legal entity. These instruments also include impaired loans that based on the information available, current circumstances and the results of the loan review process, the Bank has determined that the amounts due by the borrower (principal and interest) under the loan's original terms and conditions may not be recovered in full.

The amount recognized for a collection right as another account receivable is the price paid at the time the collection right was acquired. This means that no bad debt allowance should be recognized for the instrument at the date of acquisition. Collection rights are subsequently valued using the effective interest rate method, which requires the initial investment in the instrument to be systematically amortized, with the related returns be recognized in the Bank's income statement accounts using an estimated rate of return from subsequent collections in cash and in kind derived from collection rights. When the full price paid for a collection right is recovered by the Bank, any subsequent recoveries made against the original debt is recognized in profit or loss. The Bank is required to compute quarterly the expected cash flows during the effective terms of its collection rights. Should the Bank determine a reduction in the expected in cash flows from a given instrument, it must create an allowance for bad debt for this anticipated reduction.

q) Foreclosed and repossessed property

Foreclosed and repossessed property is recognized at the lower of either its cost or its fair value, net of all costs and expenses incurred by the Bank during the foreclosure or repossession proceedings.

At the time a foreclosed asset is sold, the difference between the selling price and carrying value of the asset, net of associated reserves, and any adjustments to the value, creation, and adjustments to this reserve, are recognized as part of the other operating income (expenses) caption.

Foreclosed assets and assets received in lieu of payment that the Bank intends to retain for its own use are recognized in the balance sheet as assets.

r) Property, furniture and equipment

Property, furniture and equipment are carried at cost. Through December 31, 2007, property, furniture and equipment were restated based the value of the Investment Units (UDI).

Depreciation is computed on the value of fixed assets (on historical acquisition cost for investments made as of 2008 and on restated value for investments made through December 31, 2007) using the straight-line method, based on the estimated useful lives of the related assets.

s) Assessment of long-lived assets for impairment

Long-lived assets, both tangible and intangible, are tested annually for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Impairment is determined based on the recoverable amount of the related asset, which is the higher of the cash-generating unit's net selling price and its value in use (the present value of future cash flows), using an appropriate discount rate.

At December 31, 2013 and 2012, there are no indicators of impairment in the Bank's long-lived assets.

t) Long-term equity investments

Investments in associates are accounted for using the equity method.

u) Deposits and borrowings

Liabilities related to deposits and interbank loans and other borrowings are accounted for based on the contractual obligations underlying each arrangement. Accrued interest on deposits and borrowings is charged to the income statement as part of the interest expense caption.

Liabilities related to deposits and borrowings in the form of demand and time deposits, as well bank bonds and interbank loans and other borrowings, are accounted based on the contractual obligations underlying each arrangement. Accrued interest on these deposits and borrowings is charged to the income statement as part of the caption Financial margin.

Securities included in the Bank's core deposits that are part of its direct deposits and borrowings are classified and accounted for as follows:

- Instruments issued at nominal value are accounted for based on the contractual obligations underlying each arrangement. Accrued interest is charged to profit or loss.

- Instruments issued at a price other than nominal value (with a premium or at a discount) are accounted for based on the contractual obligations underlying each arrangement, while the difference between the nominal value of the security and the amount of cash received for it is recognized as a deferred cost or prepaid expense and is amortized on a straight-line basis over the term of each instrument.

- Instruments issued at a discount and bearing no interest (zero coupon) are valued at their issue date time based on the amount of cash received for them. The difference between the nominal value of the security and the amount of cash received for the instrument is considered interest, and is recognized in profit or loss using the effective interest rate method.

Term deposits with interest payable at maturity, other term deposits and certificates of deposit are recorded at their nominal values. Promissory notes issued by the Bank on the interbank market are placed at a discount.

Commissions paid for loans received by the Bank or to the underwriter of the Bank's debt instruments are charged to the income statement under the caption Commissions and fees paid on an accrual basis.

Debt issue costs, as well as the premiums and discounts on the Bank's debt, are recorded in the balance sheet as deferred costs or prepaid expenses, as the case may be, and are amortized as interest income or expense on an accrual basis over the terms of the securities giving rise to them.

Premiums and discounts are accounted for as part of the liability giving rise to them. Deferred issue costs are recorded as part of the caption Other assets.

v) Employee benefits

- Employee profit sharing

At December 31, 2013 and 2012, there are no temporary items that gave rise to deferred employee profit sharing, in accordance with Mexican FRS D-3 in effect as of January 1, 2008, since the Bank's policy is to calculate employee profit sharing at one month of the base salary of its employees, as established in Article 127, section III of the Mexican Labor Law.

- Termination benefits

Non-retirement severance benefits payable to employees due to corporate restructurings are either recognized as expenses as they accrue, or are recognized whenever: (i) the Bank has current obligations (legal or constructive) to pay these benefits resulting from a past event, (ii) payment of the obligation is probable, and (iii) the amount of the obligation can be reliably estimated. The Bank's liability for non-retirement severance benefits payable for reasons other than corporate restructurings are calculated based on independent actuarial computations.

- Seniority premiums

Under Mexican Labor Law, seniority premiums accruing to employees who resign or are dismissed under certain circumstances after fifteen or more years of service, are recognized as a cost of the years in which services are rendered. The Bank has created a provision to cover the defined benefit obligation, based on actuarial computations made at December 31, 2013 and 2012.

At December 31, 2013 and 2012, the Bank recognized a liability for labor obligations totaling Ps.17 (Ps.3 for seniority premiums and Ps.14 for termination benefits) and Ps.13 (Ps.3 for seniority premiums and Ps.10 for termination benefits), respectively, based on actuarial computations. For the years ended December 31, 2013 and 2012, the Bank's net periodic cost was Ps.2 in both years.

- **Unamortized items**

As of 2008, the transition asset or liability, past service costs and changes to plan are being amortized using the straight-line method over a period of five years, which represents the average remaining working lifetime of the Bank's employees. Amortization expense for the years ended December 31, 2013 and 2012 was Ps.1 and was included in net period cost.

The net projected liability is included in the accompanying consolidated balance sheet as part of the caption Sundry creditors and other accounts payable. Except for Interacciones Sociedad Operadora de Sociedades de Inversión, S.A. de C.V., the Bank's subsidiaries have no employees of their own.

w) Income tax paid

Income tax consists of current-year and deferred tax. Current-year income tax refers to the tax payable by the Bank on its taxable income for the period, while deferred income tax is comprised of the deferred assets and liabilities attributable to temporary differences between the book and tax balances of balance sheet accounts, plus the effects of tax losses and tax credits.

Current-year income tax is determined in conformity with current tax legislation and represents a liability of less than one year. Tax prepayments in excess of annual tax for the year give rise to an account receivable.

Provisions for income tax, flat-rate business tax and employee profit sharing are recognized in profit or loss of the related year. The related deferred income tax effect is determined by applying the applicable tax rate to temporary differences between the book and tax values of balance sheet accounts, including the available tax loss carryforward and tax credits. Deferred tax assets are recognized only when there is a high probability that they will materialize in the future. Deferred taxes are determined by applying the enacted income tax rate or flat-rate business tax rate effective, as the case may be, as of the balance sheet date, or the enacted rate that will be in effect at the time the temporary differences giving rise to deferred tax assets and liabilities are expected to be recovered or settled.

On October 31, 2013, the tax reform was published in the *Official Gazette*. This tax reform establishes the repeal of the Flat-rate Business Tax Law and for this reason, at December 31, 2013, the Bank ceased carrying out projections to determine whether it will be subject to the payment of income tax or flat-rate business tax for the purpose of recognizing deferred taxes.

x) Outstanding subordinated debentures

The Bank's liability for subordinated debt represents the amount it is obligated to pay out to its bondholders. The carrying value of outstanding debt is the face value of the bonds, minus any remaining discount or plus any remaining premium. Interest expense under subordinated debt is recognized as it accrues.

Debt issue costs, as well as the discounts or premiums on the placement of debentures are being amortized over the period in which debentures will be outstanding, in proportion to their maturities. These expenses are recognized as deferred charges. The premium or discount on the placement of debentures is recognized in the Outstanding subordinated debentures caption.

y) Recognition of interest

Interest income and commissions earned on the Bank's performing portfolio are recognized an accrual basis. Interest and the outstanding principal of loans are considered in the loan grading procedure used in the calculation of the loan-loss reserve.

Accrued interest or other financial income on past-due loans is recognized in Memorandum accounts and is recognized in the income statement under the interest income caption at the time it is eventually collected from the borrower.

Interest on security repurchase transactions and instruments held by the Bank is recognized in the income statement as it accrues.

z) Recognition of commissions

Commissions on loan management and maintenance are earned after the loan has been granted and so they are recognized in the year in which they accrue. Commissions are recognized in the income statement as part of the Commissions and fees collected caption.

Commissions and fees paid are calculated and recognized based on the likelihood that borrowers will repay their loans (principal and interest) on time, in conformity with Mexican FRS C-9.

aa) Foreign currency transactions

The exchange rate used to translate Mexican pesos into U.S. dollars is the FIX exchange rate published by the Banco de Mexico in the *Official Gazette* on the work day immediately following the date of the transaction or the reporting date, as the case may be.

ab) Transactions in investment units (UDI)

Transactions in Investment Units (UDIs) are recognized at the date of the related transaction. Assets and liabilities in UDIs are valued at the end of each year based on the value of the UDI at that time. Gains and losses arising from changes in the value of the UDI affecting the Bank's positions related to income or expenses reflected in the financial margin are recognized as interest income or expense, as the case may be. Exchange gains or losses that are unrelated to the financial margin are recognized as part of the Other income (expenses) caption in the income statement.

ac) Memorandum accounts

Memorandum accounts are used to record and control all of the Bank's financial and non-financial supplementary balance sheet information, mainly related to the opening of lines of credit, letters of credit, securities held for safekeeping and managed securities, which are stated at fair value. They also include property held under trust agreements (when the Bank acts as trustee), asset and liability positions under security repurchase agreements, uncollected accrued interest on past-due loans and the amounts of derivative financial instruments that the Bank has contracted during the year.

ad) Earnings per share

Earnings per share is determined by dividing the net profit or loss for the year by the weighted-average number of shares outstanding at the balance sheet date. There are no effects arising from potentially dilutive shares.

ae) Comprehensive income

The comprehensive income shown in the consolidated statement of changes in shareholders' equity consists of the Bank's net income or loss for the year, plus the unrealized gain or loss on available-for-sale securities valued at their fair value.

af) Segment Information

The Bank has identified its reportable operating segments. Each of these segments is considered an individual component of the Bank's internal structure, each with its own particular risks and return opportunities. Segments are analyzed periodically to ensure their adequate funding and to evaluate their performance.

ag) New accounting pronouncements

The following Mexican Financial Reporting Standards became effective on January 1, 2013 and are applicable for the Bank:

- New Mexican Financial Reporting Standards and their Amendments

The following Mexican FRS became effective as of January 1, 2013:

Mexican FRS B-3, *Statement of Comprehensive Income* - Establishes the guidelines regarding the presentation, structure, content, and disclosures associated with the statement of comprehensive income. The new standard specifies that OCI must be presented in profit and loss either in a single statement of comprehensive income or in two separate financial statements. Mexican FRS B-3 also establishes that an entity shall not separately present any items of income and expense as non-ordinary items either in the statement of comprehensive income (or income statement, if presented) or in the notes. Lastly, Mexican FRS B-3 establishes that the Other income and expenses caption must exclude operating expense or income items.

Mexican FRS B-8, *Consolidated and Combined Financial Statements*- Mexican FRS B-8 provides a new definition of control and introduces the concepts of protective rights and structured entity. The new standard also eliminates the concept of special purpose entity and replaces it with the concept of principal and agent.

Mexican FRS B-12, *Offsetting Financial Assets and Liabilities*- Mexican FRS B-12 broadens the offsetting rules established in Mexican FRS A-7, *Presentation and Disclosure*.

Mexican FRS C-7, *Investments in associates, Joint ventures and other investments – Mexican FRS C-7* incorporates the changes made to international accounting standards regarding accounting for joint ventures. Accordingly, Mexican FRS C-7 establishes that all interests in joint ventures that meet the definition of a joint venture must be accounted for using the equity method, thus eliminating the option of using the proportionate consolidation method.

Mexican FRS C-14, *Transfer and Derecognition of Financial Assets*- Mexican FRS C-14 establishes the guidelines regarding the accounting treatment for transfers and the derecognition of financial assets (contractual rights and financial instruments held-for-trading), as well as the financial statement presentation and disclosures related to these items. This standard establishes the transfer of risks and rewards of ownership of a financial asset as a basic condition for its derecognition. Mexican FRS C-14 was issued in order to eliminate the need for entities to apply IFRS 9 on a supplementary basis.

Mexican FRS C-21, *Joint Arrangements*- Mexican FRS C-21 establishes the rules for the valuation, presentation and disclosures in respect of the initial recognition and subsequent valuation of interests in joint arrangements. Mexican FRS C-14 was issued in order to eliminate the need for entities to apply IFRS 11 on a supplementary basis.

The adoption of these standards had no effect on the Bank's financial statements.

- Improvements to Mexican FRS for 2013

These improvements consist of changes and clarifications aimed at enhancing certain aspects of Mexican FRS. In December 2012, the CINIF approved these improvements for mandatory application as of January 1, 2013. The most relevant changes that give rise to changes in accounting policy are as follows:

- Bond issue costs (financial liabilities) must be amortized using the effective interest rate method over the life of the bond.

- Current year income tax must not be recognized directly in profit or loss when it arises from transactions recognized directly in equity (i.e., other comprehensive income).

- Initial costs paid by lessees must be deferred over the lease period and amortized proportionally to the recognition of the related lease. Other costs related to the lease are to be expensed as incurred. These improvements had no significant effect in the Bank's financial statements.

The adoption of these improvements had no material effect on the Bank's financial information.

3. Cash and Cash Equivalents

An analysis of this caption at December 31, 2013 and 2012 is as follows:

	2013	2012
Cash	Ps. 9	Ps. 13
Foreign currency	7	6
Deposits in Banxico (a)	3,209	3,211
Domestic and foreign banks (b)	1,387	200
Three-day call money transactions	-	2,195
24/48 hour currency futures (c)		
Buying	4,826	2,361
Selling	(3,103)	(918)
	Ps. 6,335	Ps. 7,068

(a) Deposits in Banxico

At December 31, 2013 and 2012, the Bank has made the following deposits in Banxico:

	2013	2012
Circular - telefax 36/2008	Ps. 3,201	Ps. 3,201
Accrued interest on deposits	8	10
	Ps. 3,209	Ps. 3,211

Under *Circular Telefax* 36/2008 issued by Banxico, as a measure to ensure the continued health of Mexico's financial sector, credit institutions are now required to make a restricted monetary regulation deposit to Banxico through Banxicos's Account-Holder's Service System (SIAC-BANXICO). A breakdown of the Bank's deposit to Banxico is as follows:

	36/2008
Date of publication	August 1, 2008
Individual amount	Ps.3,201
Term of deposit	Open-ended
Rate	Weighted funding rate
Term of returns	28 days

(b) Domestic and foreign banks

	2013				2012			
	Currency				Currency			
	Mexican pesos		Foreign		Mexican pesos		Foreign	
Domestic banks in U.S. dollars	Ps.	149	Ps.	13	Ps.	21	Ps.	1
Foreign banks in U.S. dollars		1,236		95		177		14
Domestic banks in Mexican pesos		2		-		2		-
	Ps.	1,387	Ps.	108	Ps.	200	Ps.	15

(c) 24/48 hour currency transactions

These are transactions that involve the buying and selling of foreign currencies, which are to be settled within a maximum period of two business days and whose liquidity is restricted until the date of payment. An analysis of this caption at December 31, 2013 and 2012 is as follows:

	2013					
	Cash receipts (outlays) in U.S. dollars		Average contracted exchange rate (Mexican pesos per U.S. dollar)		(Debit) credit clearing account balances in Mexican pesos	
U.S. dollar purchases	USD	369	Ps.	13.07317	Ps. (	4,824)
U.S. dollar sales	(	237)	Ps.	13.08860	Ps.	3,102
	USD	132				
Year-end exchange rate (peso per USD)	Ps.	13.0843				
Net position in Mexican pesos	Ps.	1,722				

	2012					
	Cash receipts (outlays) in U.S. dollars		Average contracted exchange rate (Mexican pesos per U.S. dollar)		(Credit) debit clearing account balances in Mexican pesos	
U.S. dollar purchases	USD	182	Ps.	12.98901	Ps. (	2,364)
U.S. dollar sales	(	70)		13.142857	Ps.	920
	USD	112				
Year-end exchange rate (peso per USD)	Ps.	12.9658				
Net position in Mexican pesos	Ps.	1,443				

At December 31, 2013 and 2012, clearing account debit and credit balances that represent the amount of the agreed on transactions that have not yet been settled are included in the balance sheet as part of the caption Other accounts receivable and creditors on settlement of transactions, respectively.

4. Investments in Securities

An analysis of the Bank's investments in securities at December 31, 2013 and 2012 is as follows:

a) Securities held for trading

	2013			
	Cost	Accrued interest	Unrealized gain or loss	Fair value
Unrestricted				
Debt instruments:				
UDI-denominated development bonds[1]	Ps. (20)	Ps. -	Ps. -	Ps. (20)
Development bonds	2,855	1	1	2,857
Corporate debt	102	-	-	102
Structured notes ("certificados bursátiles")[1]	(247)	-	-	(247)
Term deposits with interest payable at maturity	199	1	-	200
	2,889	2	1	2,892
Restricted				
Debt instruments:				
Sovereign debt	Ps. 5,938	Ps. 42	Ps. 14	Ps. 5,994
Fixed-yield bonds	332	1	4	337
Development bonds	45,513	53	10	45,576
Structured notes ("certificados bursátiles")	2,326	6	(5)	2,327
	54,109	102	23	54,234
Total held-for-trading securities	Ps. 56,998	Ps. 104	Ps. 24	Ps. 57,126

	2012			
	Cost	Accrued interest	Unrealized gain or loss	Fair value
Unrestricted				
Debt instruments				
Sovereign debt [1]	Ps. (16)	Ps. -	Ps. -	Ps. (16)
Fixed-yield bonds	439	-	2	441
Development bonds	1,985	5	(1)	1,989
Corporate debt	106	-	4	110
Structured notes ("certificados bursátiles")	450	2	(2)	450
Term deposits with interest payable at maturity	598	1	-	599
	3,562	8	3	3,573
Equity instruments, net	6	-	-	6
	3,568	8	3	3,579
Restricted				
Debt instruments				
Sovereign debt	5,345	-	(1)	5,344
Fixed-yield bonds	19	-	-	19
Development bonds	21,873	10	(28)	21,855
Bank bonds	645	-	-	645
Structured notes ("certificados bursátiles")	1,457	-	7	1,464
	29,339	10	(22)	29,327
Total held-for-trading securities	Ps. 32,907	Ps. 18	Ps. (19)	Ps. 32,906

(1) These captions include open securities purchase transactions that are grouped into the investments in securities category.

b) Available-for-sale securities

An analysis of the Bank's available-for-sale securities at December 31, 2013 and 2012 is as follows:

	2013							
		Cost		Accrued interest		Unrealized gain or loss		Fair value
Unrestricted								
Debt instruments								
Corporate debt	Ps.	1,312	Ps.	1	Ps.	16	Ps.	1,329
Structured notes ("certificados bursátiles")		145		-		-		145
Certificates of deposit		393		1		-		394
Term deposits with interest payable at maturity		200		-		1		201
		2,050		2		17		2,069
Equity instruments, net:								
Shares of mutual funds		1,804		-		365		2,169
		3,854		2		382		4,238
Restricted								
Debt instruments:								
Sovereign debt		565		56	(	36)		585
Fixed-yield bonds		12		-		-		12
Equity instruments, net								
Shares		228		-		179		407
		805		56		143		1,004
Total available-for-sale securities	Ps.	4,659	Ps.	58	Ps.	525	Ps.	5,242

	2012							
		Cost		Accrued interest		Unrealized gain or loss		Fair value
Unrestricted								
Debt instruments								
Corporate debt	Ps.	1,280	Ps.	1	Ps.	134	Ps.	1,415
Structured notes ("certificados bursátiles")		525		-	(	1)		524
		1,805		1		133		1,939
Equity instruments, net:								
Shares of mutual funds		553		-		408		961
		2,358		1		541		2,900
Restricted								
Debt instruments								
Sovereign debt		792		84	(	5)		871
Fixed-yield bonds		343		1		22		366
		1,135		85		17		1,237
Equity instruments, net								
Shares		228		-		215		443
		1,363		85		232		1,680
Total available-for-sale securities	Ps.	3,721	Ps.	86	Ps.	773	Ps.	4,580

As analysis of the net unrealized gain on available-for-sale securities shown in equity as a comprehensive income item at December 31, 2013 and 2012 is as follows:

	2013	2012
Fair value valuation result	Ps. 496	Ps. 512
Less:		
Effect of deferred income tax	(149)	-
	Ps. 347	Ps. 512

c) Held-to-maturity securities

An analysis of the Bank's investments in held-to-maturity securities at December 31, 2013 and 2012 is as follows:

	2013		
	Cost	**Accrued interest**	**Carrying value**
Unrestricted			
Debt instruments			
Mexican Treasury Certificates (CETES)	Ps. 3	Ps. -	Ps. 3
Corporate debt	295	2	297
Structured notes ("certificados bursátiles")	1	-	1
	299	2	301
Restricted			
Debt instruments			
Structured notes ("certificados bursátiles")	726	-	726
Total held-to-maturity securities	Ps. 1,025	Ps. 2	Ps. 1,027

	2012		
	Cost	Accrued interest	Carrying value
Unrestricted			
Debt instruments			
Corporate debt	Ps. 307	Ps. 2	Ps. 309
Structured notes ("certificados bursátiles")	2	-	2
	309	2	311
Restricted			
Debt instruments			
Mexican Treasury Certificates (CETES)	3	-	3
Structured notes ("certificados bursátiles")	724	-	724
	727	-	727
Total held-to-maturity securities	Ps. 1,036	Ps. 2	Ps. 1,038

At December 31, 2013 and 2012, the Bank's held-to-maturity securities show no indicators of impairment.

At December 31, 2013 and 2012, a breakdown of the Bank's investments in securities by credit rating is as follows:

Rating	2013 Amount	2013 %	2012 Amount	2012 %
AAA	Ps. 57,772	91.13%	Ps. 33,521	87.03%
AA	-	0.00%	301	0.78%
A	948	1.49%	720	1.87%
CC	1	0.00%	1	0.00%
N/A	2,576	4.06%	1,403	3.64%
Unrated	2,098	3.31%	2,570	6.67%
	Ps. 63,395	100.00%	Ps. 38,516	100.00%

d) Interest income

For the years ended December 31, 2013 and 2012, the Bank's interest income for each category of security investment is as follows:

	2013	2012
Securities held for trading	Ps. 1,536	Ps. 1,465
Available-for-sale securities	149	123
Held-to-maturity securities	54	27
	Ps. 1,739	Ps. 1,615

5. Security Repurchase Agreements

An analysis of the Bank's security repurchase agreements at December 31, 2013 and 2012 is as follows:

	2013 Forward price	2013 Accrued premiums	2013 Total
Debtors under security repurchase agreements			
Government debt	Ps. 507	Ps. -	Ps. 507
Other debt instruments in U.S. dollars	566	-	566
	Ps. 1,073	Ps. -	Ps. 1,073
Less:			
Collateral securities sold or delivered in guarantee			
Government debt			Ps. 507
Other debt instruments in U.S. dollars			566
			1,073
			Ps. -
Creditors under security repurchase agreements			
Government debt	Ps. 48,665	Ps. 38	Ps. 48,703
Brazilian government debt	566	32	598
Structured notes ("certificados bursátiles")	3,017	-	3,017
	Ps. 52,248	Ps. 70	Ps. 52,318

	2012		
	Forward price	Accrued premiums	Total
Debtors under security repurchase agreements			
Government debt	Ps. 5,031	Ps. 8	Ps. 5,039
Structured notes ("certificados bursátiles")	380	-	380
Other debt instruments in U.S. dollars	386	-	386
	Ps. 5,797	Ps. 8	Ps. 5,805
Less:			
Collateral securities sold or delivered in guarantee			
Government debt			Ps. 5,039
Structured notes ("certificados bursátiles")			380
Other debt instruments in U.S. dollars			386
			5,805
			Ps. -
Creditors under security repurchase agreements			
Government debt	Ps. 27,180	Ps. 9	Ps. 27,189
Brazilian government debt	791	45	836
Structured notes ("certificados bursátiles")	2,463	1	2,464
	Ps. 30,434	Ps. 55	Ps. 30,489

The terms of the Bank's security repurchase agreements at December 31, 2013 ranges between 2 and 43 days.

6. Derivatives

- **Forwards**

At December 31, 2013 and 2012, the Bank maintains a short position in forwards in U.S. dollars with fair values of Ps.(4) and Ps.4, respectively.

- **Futures**

At December 31, 2013, the Bank maintains no position in futures. At December 31, 2012, the Bank maintains a short hedge position in futures in Bonds M-10 with a total notional amount of Ps.288.

- **Options**

At December 31, 2013, the Bank maintains a long position in three call options, which expire in 2015 and 2014, and the notional amount is Ps.1,591. The premiums paid by the Bank for these options totaled Ps.7. The Bank also maintains a short position in 5 call options that have a total of Ps.1,809 and that expire in 2014 and 2015. The premiums earned by the Bank on these options totaled Ps.10.

At December 31, 2012, the Bank maintains a long position in three 28-day TIIE call options that have a total notional amount of Ps.4,994 and that expire in 2013, 2014 and 2015. The premiums paid by the Bank for these options totaled Ps.14. The Bank also maintains a short position in four put options with a total notional amount of Ps.5,144, and expiring in 2013, 2014 and 2015. The premiums earned by the Bank on these options totaled Ps.42.

a) Derivatives held for trading

Type of derivative or contract	Notional Amount	Value of underlying asset / reference variable 2013	Value of underlying asset / reference variable 2012	Fair value at December 31 2013	Fair value at December 31 2012	Expiration date
		Exchange rate USD	Exchange rate USD			
FXS	USD (8)		12.9658		Ps. 3	2013
FXS	USD (8)		12.9658		1	2013
FWD	USD (15)	**13.0843**	-	Ps.(2)		2014
FXS	USD (15)	**13.0843**	-	(2)		2014
				(4)	4	
		TIIE28	TIIE28			
CAP-10 (1)	Ps. 3,500		4.8475			2013
CAP-11 (1)	(3,500)		4.8475			2013
CAP-12 (1)	60	**3.795**	4.8475			2014
CAP-13 (1)	(60)	**3.795**	4.8475			2014
CAP-14 (1)	(149)	**3.795**	4.8475			2014
CAP-15 (1)	1,434	**3.795**	4.8475			2015
CAP-16 (1)	(1,434)	**3.795**	4.8475			2015
CAP-21 (1)	96	**3.795**				2015
CAP-22 (1)	(96)	**3.795**				2015
CAP-23 (1)	(69)	**3.795**				2015
				Ps.(4)	Ps. 4	

(1) At December 31, 2013 and 2012, the fair value of these instruments is less than one million Mexican pesos.

b) Hedge derivatives

At December 31, 2013, the Bank maintains no hedge derivative position. At December 31, 2012, the Bank maintains the following hedge position:

Type of derivative, security or contract	Notional amount	Value of underlying asset / reference variable	Fair value	Expiration date	Collateral / lines of credit / collateral securities received in guarantee
Future Bond M-10	Ps.(288)	Ps. 111.475	Ps. (3)	Ps.(288) 2013	AIMS/13/MXN

The Bank's policies and procedures for managing the risks inherent to transactions with derivative financial instruments are described in Note 27.

c) Margin accounts

At December 31, 2013 and 2012, the total balance of the Bank's margin accounts associated with its options and futures is Ps.46 and Ps.19, respectively.

7. Loans

An analysis of the Bank's loans at December 31, 2013 and 2012 is as follows:

a) Loan reconciliation

	2013	2012
Total loans shown in the consolidated balance sheet	Ps. 63,054	Ps. 55,934
Unaccrued finance charges	46	48
Amounts recognized in memorandum accounts:		
Loan commitments	1,244	1,131
Total loans	Ps. 64,344	Ps. 57,113

b) Analysis of performing and past-due loan portfolio by type of loan

An analysis of the Bank's loans at December 31, 2013 and 2012 is as follows:

	2013					
	Performing portfolio			Past-due portfolio		
Item	Principal	Interest	Total	Principal	Interest	Total
Commercial loans	Ps. 12,256	Ps. 18	Ps. 12,274	Ps. 128	Ps. 1	Ps. 129
Loans to financial entities	2,362	12	2,374	-	-	-
Loans to government entities	47,876	110	47,986	-	-	-
Consumer loans	26	-	26	-	-	-
Home mortgage loans	258	-	258	7	-	7
	Ps. 62,778	Ps. 140	Ps. 62,918	Ps. 135	Ps. 1	Ps. 136

	2012					
	Performing portfolio			Past-due portfolio		
Item	Principal	Interest	Total	Principal	Interest	Total
Commercial loans	Ps. 9,904	Ps. 27	Ps. 9,931	Ps. 288	Ps. 1	Ps. 289
Loans to financial entities	1,223	13	1,236	-	-	-
Loans to government entities	44,097	74	44,171	67	-	68
Consumer loans	11	-	11	-	-	-
Home mortgage loans	219	-	219	9	-	9
	Ps. 55,454	Ps. 114	Ps. 55,568	Ps. 364	Ps. 1	Ps. 366

c) Analysis of loans by type of currency

An analysis of loans by currency at December 31, 2013 and 2012 is as follows:

	2013	2012
Mexican pesos		
Commercial loans	Ps. 13,568	Ps. 10,946
Loans to financial entities	2,373	1,494
Consumer loans	26	11
Home mortgage loans	265	229
Loans to government entities	47,237	44,265
	63,469	56,945
U.S. dollars		
Commercial loans	84	106
Loans to government entities	791	62
	875	168
	Ps. 64,344	Ps. 57,113

d) Operating limits

The Commission establishes lending limits to be observed by credit institutions. The most important of these lending limits are as follows:

- Loans constituting common risk

Loans granted to one borrower or to a group of borrowers that are considered one borrower because they represent common risk are subject to the lending limits shown in the following table:

% of basic capital	Loan capitalization level
12%	More than 8% and up to 9%
15%	More than 9% and up to 10%
25%	More than 10% and up to 12%
30%	More than 12% and up to 15%
40%	More than 15%

Loans backed by unconditional and irrevocable guarantees covering both principal and interest, provided by foreign financial entities that are rated as an investment grade or higher, may exceed the maximum limit applicable to that particular lender. However, in no case may these loans represent more than 100% of the Bank's basic capital for each borrower or group of borrowers constituting common risk.

At December 31, 2013 and 2012, the Bank has complied with the aforementioned limits.

- **Other loan limits (risks)**

The sum of loans granted by the Bank to its three largest borrowers, loans granted exclusively to multi-service banks, and loans state-owned entities and agencies, including public trusts, may not exceed 100% of the Bank's basic capital.

At December 31, 2013 and 2012, the highest total amount due from the Bank's three largest borrowers was Ps.4,321 and Ps.4,975, respectively, which represented 65% and 88% of the Bank's basic capital computed at December 31, 2013 and 2012, respectively.

At December 31, 2013 and 2012, the Bank has granted 17 and 23 loans, respectively, that exceed 10% of its basic capital. At December 31, 2013, these loans total Ps.49,805 and represent 77% of the Bank's basic capital. At December 31, 2012, these loans total Ps.45,355 and represent 79% of the Bank's basic capital.

e) Analysis of economic environment (troubled loan portfolio)

The troubled loan portfolio includes commercial loans for which the Bank has determined that the amounts due (principal and interest) may not be recovered in full from the borrower.

As established in Article 113, section II, paragraph a) of the Circular Única for banks, the probability of default of the troubled loan portfolio is automatically set at 100%.

The Bank's troubled commercial loans at December 31, 2013 total Ps.134. An analysis is as follows:

	2013								
	Performing			Past-due					
	Balance	Reserves	% of allowance	Balance	Reserves	% of allowance	Total balance	Total reserves	% of allowance
Troubled loan portfolio	Ps. 5	Ps. 2	37%	Ps. 129	Ps. 80	62%	Ps. 134	Ps. 82	61%

f) Classification of loans by region

	2013	2012	% of loan portfolio 2013	% of loan portfolio 2012
Distrito Federal	Ps. 12,185	Ps. 12,881	17.39%	22.55%
Coahuila	8,614	11,367	13.66%	19.90%
Veracruz	4,868	4,292	7.72%	7.51%
Jalisco	2,825	3,962	4.48%	6.94%
Puebla	5,358	3,828	8.50%	6.70%
Quintana Roo	4,346	3,229	6.89%	5.65%
Nuevo León	1,755	3,182	2.76%	5.57%
Estado de Mexico	3,776	2,940	5.98%	5.15%
Michoacán	2,653	1,655	4.21%	2.90%
Chihuahua	4,502	1,250	7.14%	2.19%
Tamaulipas	1,111	1,115	1.70%	1.95%
Sonora	3,535	1,108	5.60%	1.92%
Tabasco	1,053	1,009	1.67%	1.77%
Zacatecas	864	878	1.37%	1.54%
Nayarit	1,055	850	1.66%	1.49%
Chiapas	690	838	1.09%	1.47%
Durango	629	495	1.00%	0.87%
Querétaro	1,526	487	2.42%	0.85%
San Luis Potosí	398	462	0.63%	0.81%
Oaxaca	1,952	370	3.10%	0.65%
Colima	237	260	0.38%	0.46%
Morelos	217	222	0.34%	0.39%
Campeche	181	209	0.29%	0.37%
Baja California Norte	-	89	0.00%	0.16%
Hidalgo	-	55	0.00%	0.10%
Guanajuato	-	46	0.00%	0.08%
Yucatán	10	15	0.02%	0.03%
Guerrero	2	14	0.00%	0.02%
Baja California Sur	1	4	0.00%	0.01%
Sinaloa	-	1	0.00%	0.00%
Tlaxcala	1	-	0.00%	0.00%
	Ps. 64,344	Ps. 57,113	100.00%	100.00%

g) Performing restructured and rolled over loans

In 2013, the Bank restructured 28 loans. In 2012, the Bank restructured 74 loans, as it maintained or enhanced the original loan conditions and guarantees of each loan agreement.

An analysis of the Bank's restructured and rolled over loans at December 31, 2013 and 2012 is as follows:

2013			2012		
Performing	Past-due	Total	Performing	Past-due	Total
Ps. 29,061	Ps. 91	Ps. 29,152	Ps. 25,527	Ps. 45	Ps. 25,572

h) Past-due portfolio

- Aging

An aging analysis of the past-due loan portfolio at December 31, 2013 and 2012 is as follows:

	2013				
	1 to 180 days overdue	181 to 365 days overdue	366 to 730 days overdue	More than 730 days	Total past-due portfolio
Commercial loans	Ps. 53	Ps. 28	Ps. 5	Ps. 43	Ps. 129
Home mortgage loans	1	1	-	5	7
	Ps. 54	Ps. 29	Ps. 5	Ps. 48	Ps. 136

	2012				
	1 to 180 days overdue	181 to 365 days overdue	366 to 730 days overdue	More than 730 days	Total past-due portfolio
Commercial loans	Ps. 30	Ps. 5	Ps. 29	Ps. 226	Ps. 290
Government entities	67	-	-	-	67
Home mortgage loans	-	-	2	7	9
	Ps. 97	Ps. 5	Ps. 31	Ps. 233	Ps. 366

The amounts of the loans shown in the two tables above are determined at the time the loans are reclassified to the past-due portfolio. An analysis is as follows:

- **Changes in the past-due portfolio**

	2013	2012
Beginning balance of past-due portfolio	Ps. 366	Ps. 367
Plus:		
Net reclassification from performing portfolio to past-due portfolio	682	1,082
Less:		
Partial collections	(714)	(658)
Write-offs	(198)	(425)
	(912)	(1,083)
	Ps. 136	Ps. 366

i) Rediscounting of loans backed by funds (with recourse)

The Mexican government has set up a number of funds to promote development in specific areas of Mexico's agriculture, cattle-raising, industrial and tourism sectors through financing provided by Banxico, the Mining Development Trust Fund (FIFOMI), Banco Nacional de Comercio Exterior (National Foreign Trade Bank or Bancomext), Nacional Financiera and Fondo de Garantía y Fomento para la Agricultura (Guarantee and Development Fund for the Agriculture, Livestock and Poultry Sector or FIRA). These agencies provide the financing through rediscounted loans using either their own resources or loans provided by third parties. An analysis of the accumulated balance of the Bank's loans in Mexican pesos and U.S. dollars provided under this program at December 31, 2013 and 2012 is as follows:

	2013		2012	
	Mexican pesos	U.S. dollars translated to Mexican pesos	Mexican pesos	U.S. dollars translated to Mexican pesos
Commercial loans (NAFIN rediscounts)	Ps. 7,020	Ps. 772	Ps. 7,687	Ps. 40,155
Commercial loans (FIRA rediscounts)	6		23	
Commercial loans (Bancomext rediscount)	3,290		3,094	
Commercial loans (FIFOMI rediscount)	-		49	
	Ps. 10,316	Ps. 772	Ps. 10,853	Ps. 40,155

j) Interest and commissions

An analysis of interest and commissions on the Bank's loan portfolio for the years ended December 31, 2013 and 2012 is as follows:

	Interest		Commissions	
	2013	2012	2013	2012
Commercial loans	Ps. 956	Ps. 857	Ps. 8	Ps. 6
Loans to financial entities	58	34	1	-
Consumer loans	1	1	1	-
Home mortgage loans	17	16	-	-
Loans to government entities	3,166	2,758	3	13
	Ps. 4,198	Ps. 3,666	Ps. 13	Ps. 19

At December 31, 2013 and 2012, unamortized commissions earned on new loans totaled Ps.108 and Ps.109, respectively, of which Ps.19 and Ps.19, respectively, correspond to commercial loans and Ps.89 and Ps.108, respectively, to loans extended to government entities.

At December 31, 2013 and 2012, the total amount of interest on past due loans that has been cancelled from the income statement was Ps.215 and Ps.409, respectively.

8. Loan-Loss Reserve

An analysis of the loan-loss reserve at December 31, 2013 and 2012 is as follows:

	2013		2012	
Commercial loans (a)	Ps.	1,891	Ps.	2,011
Consumer loans (b)		1		-
Home mortgage loans (c)		5		4
	Ps.	1,897	Ps.	2,015

a) Commercial loans (including loans to financial and government entities)

An analysis of the Bank's loan-loss reserve at December 31, 2013 and 2012 is as follows:

	2013				2012			
Risk	Amount of loans		Amount of reserve		Amount of loans		Amount of reserve	
A1	Ps.	31,122	Ps.	165	Ps.	14,065	Ps.	63
A2		4,671		54		3,818		30
B1		5,158		89		29,081		660
B2		4,105		94		7,825		571
B3		15,691		817		878		127
C1		1,650		268		708		181
C2		1,205		168		103		41
D		404		98		106		74
E		47		47		264		264
Effect of the change in the methodology for the grading of commercial loans to be released from reserve (1)		-		91		-		-
	Ps.	64,053	Ps.	1,891	Ps.	56,848	Ps.	2,011

(1) Overstatement in the loan-loss reserve for commercial loans

At December 31, 2013, as a result of the new grading process applied to the commercial loan portfolio using the new methodology provided by the Commission, the Bank determined that it may reduce the loan-loss reserve for these loans by Ps.91, which based on the accounting rules for credit institutions established by the Commission, will be released from the reserve against profit or loss on the following loan portfolio grading date (March 31, 2014).

b) Consumer loans

An analysis of the loan-loss reserve for consumer loans at December 31, 2013 and 2012 is as follows:

Risk	2013 Amount of loans		2013 Amount of reserve		2012 Amount of loans		2012 Amount of reserve	
A	Ps.	26	Ps.	1	Ps.	1	Ps.	-
B		-		-		10		-
	Ps.	26	Ps.	1	Ps.	11	Ps.	-

c) Home mortgage loans

An analysis of the loan-loss reserve for home mortgage loans at December 31, 2013 and 2012 is as follows:

Risk	2013 Amount Of loans		2013 Amount of reserve		2012 Amount of loans		2012 Amount of reserve	
A	Ps.	218	Ps.	1	Ps.	195	Ps.	-
B		12		-		30		1
C		28		1		2		1
D		5		1		-		-
E		2		2		2		2
	Ps.	265	Ps.	5	Ps.	229	Ps.	4

d) Movements in the loan-loss reserve

Movements in the loan-loss reserve at December 31, 2013 and 2012 were as follows:

	2013		2012	
Balance at beginning of year	Ps.	2,015	Ps.	1,873
Plus:				
Increase in loan-loss reserve		975		773
Less:				
Sale of loan portfolio	(	257)		-
Write-offs	(	198)	(	425)
Payment in kind	(	92)		-
Release of loan-loss reserve from prior years	(	532)	(	113)
Other charges to the reserve	(	14)	(	86)
Exchange loss on loans in U.S. dollars		-	(	7)
Balance at end of year	Ps.	1,897	Ps.	2,015

9. Other Accounts Receivable, net

An analysis of this caption at December 31, 2013 and 2012 is as follows:

		2013		2012
Debtors under open forex and securities transactions (a)	Ps.	3,935	Ps.	1,345
Other debtors		466		483
Employee loans		11		9
Creditable taxes		263		22
Guarantee deposits		-		1
		4,675		1,860
Allowance for doubtful accounts	(	276)	(	284)
	Ps.	4,399	Ps.	1,576

(a) This caption consists primarily of same-day value forex transactions involving sales of foreign currencies with 24- and 48-hour settlements. An analysis is as follows:

		2013		2012
Clearing accounts for forex transactions (Note 3)	Ps.	3,102	Ps.	920
Clearing accounts for securities trading activities		833		425
	Ps.	3,935	Ps.	1,345

10. Foreclosed and Repossessed Property, net

An analysis of this caption at December 31, 2013 and 2012 is as follows:

		2013		2012
Land	Ps.	234	Ps.	234
Buildings		109		8
Rights		762		20
Machinery and equipment		31		29
		1,136		291
Allowance for impairment in the value of the assets	(	98)	(	76)
	Ps.	1,038	Ps.	215

11. Property, Furniture and Equipment, net

	2013	2012
Land	Ps. 6	Ps. 6
Buildings	48	48
Furniture and equipment	37	36
Computer equipment	41	40
Installation expenses	162	159
Other	7	7
	301	296
Accumulated depreciation	(173)	(155)
	Ps. 128	Ps. 141

12. Other Assets

	2013	2012
Other assets:		
Software	Ps. 83	Ps. 36
Other assets, net	33	87
	116	123
Prepaid expenses and deferred charges:		
Aerolíneas Ejecutivas, S.A. de C.V.	64	87
Prepaid expenses	-	61
Trust 8105	7	8
Bank loan fees	23	10
	94	166
Deferred charges:		
Debt issue costs	56	29
	Ps. 266	Ps. 318

13. Traditional Deposits

a) Demand deposits

An analysis of demand deposits at December 31, 2013 and 2012 is as follows:

Checking accounts	Mexican pesos		Foreign currency translated to Mexican pesos		Total	
	2013	2012	2013	2012	2013	2012
Interest bearing	Ps. 15,509	Ps. 13,870		Ps. 22	Ps. 15,509	Ps. 13,892
Non-interest bearing	2,094	2,326	Ps. 114	71	2,208	2,397
	Ps. 17,603	Ps. 16,196	Ps. 114	Ps. 93	Ps. 17,717	Ps. 16,289

For the years ended December 31, 2013 and 2012, interest payable by the Bank on demand deposits was Ps.624 and Ps.595, respectively (Note 24).

b) **Time deposits**

	2013			2012
	Principal	Interest	Total	Total
Money market:				
Term deposits with interest payable at maturity (1)	Ps. 7,345	Ps. 50	Ps. 7,395	Ps. 9,109
Certificates of deposit (2)	4,055	6	4,061	542
	11,400	56	11,456	9,651
General public:				
Over-the-counter promissory	8,988	22	9,010	11,910
	Ps. 20,388	Ps. 78	Ps. 20,466	Ps. 21,561

(1) At December 31, 2013, term deposits with interest payable at maturity are denominated in Mexican pesos and mature from January to October 2014, while these deposits at December 31, 2012 are denominated in Mexican pesos and mature from January to June 2013.

(2) At December 31, 2013, certificates of deposit are denominated in Mexican pesos and mature from January to November 2014, while certificates of deposit payable at December 31, 2012 are denominated in Mexican pesos and mature from January to March 2013.

- **Debt securities**

An analysis of the Bank's debt securities at December 31, 2013 and 2012 is as follows:

2013					
Issuer	Issuance date	Maturity date	Principal	Accrued interest	Total
BINTER 11	03/03/2011	02/27/2014	Ps. 2,000	Ps. 8	Ps. 2,008
BINTER 13-3	09/19/2013	09/15/2016	1,500	4	1,504
BINTER 13	05/16/2013	05/12/2016	1,000	1	1,001
BINTER 12	12/14/2012	12/11/2015	1,200	3	1,203
BINTER 13-4	12/05/2013	05/18/2017	1,000	4	1,004
BINTER 13-2	08/15/2013	08/11/2016	1,400	5	1,405
			Ps. 8,100	Ps. 25	Ps. 8,125

			2012		
Issuer	Issuance date	Maturity date	Principal	Accrued interest	Total
BINTER 10	12/02/2010	11/28/2013	Ps. 1,500	Ps. 1	Ps. 1,501
BINTER 11	03/03/2011	02/27/2014	2,000	9	2,009
BINTER 12	12/14/2012	12/11/2015	1,200	4	1,204
			Ps. 4,700	Ps. 14	Ps. 4,714

Highlights of the Bank's outstanding debt are as follows:

Through official communication 153/78721/2009 dated July 14, 2009, the Commission authorized the Bank to undertake a program to issue certificates of deposits, bank structured notes ("certificados bursátiles") and term deposits with interest payable at maturity of up to Ps.10,000 million, or equivalent of this amount in investment units (UDIs).

- **BINTER 13-4 bank structured notes ("certificados bursátiles")**

Face value:	Ps.100
Issue amount:	Ps.1,000 million.
Number of instruments:	10,000,000
Term of placement:	1,260 days.
Issuance date:	December 5, 2013
Maturity date:	May 18, 2017
Guarantee:	Since these instruments are unsecured, they bear no guarantee, nor are they backed by the IPAB or by any other Mexican government entity.
Interest rate:	28-day Mexican weighted interbank interest rate (TIIE) (computed two business days prior to the beginning of each interest period), plus 1.4%.

- **BINTER 13-3 bank structured notes ("certificados bursátiles")**

Face value:	Ps.100
Issue amount:	Ps.1,500 million
Number of instruments:	15,000,000
Term:	1,092 days
Issuance date:	September 17, 2013
Maturity date:	September 15, 2016
Guarantee:	Since these instruments are unsecured, they bear no guarantee, nor are they backed by the IPAB or by any other Mexican government entity.
Interest rate:	28-day Mexican weighted interbank interest rate (TIIE) (computed two business days prior to the beginning of each interest period), plus 1.4%.

- BINTER 13-2 bank structured notes ("certificados bursátiles")

Face value:	Ps.100
Issue amount:	Ps.1,400 million
Number of instruments:	14,000,000
Term:	1,092 days
Issuance date:	August 15, 2013
Maturity date:	August 11, 2016
Guarantee:	Since these instruments are unsecured, they bear no guarantee, nor are they backed by the IPAB or by any other Mexican government entity.
Interest rate:	28-day Mexican weighted interbank interest rate (TIIE) (computed two business days prior to the beginning of each interest period), plus 1.4%.

- BINTER 13 bank structured notes ("certificados bursátiles")

Face value:	Ps.100
Issue amount:	Ps.1,000 million.
Number of instruments:	10,000,000
Term:	1,092 days
Issuance date:	May 16, 2013
Maturity date:	May 12, 2016
Guarantee:	Since these instruments are unsecured, they bear no guarantee, nor are they backed by the IPAB or by any other Mexican government entity.
Interest rate:	28-day Mexican weighted interbank interest rate (TIIE) (computed two business days prior to the beginning of each interest period), plus 1.4%.

- BINTER 12 bank structured notes ("certificados bursátiles")

Ticker symbol:	BINTER 12
Face value:	Ps.100
Issue amount:	Ps.1,200 million
Number of instruments:	12,000,000
Term:	1,092 days
Issuance date:	December 14, 2012
Maturity date:	December 11, 2015
Guarantee:	Since these instruments are unsecured, they bear no guarantee, nor are they backed by the IPAB or by any other Mexican government entity.
Interest rate:	28-day Mexican weighted interbank interest rate (TIIE) (computed two business days prior to the beginning of each interest period), plus 1.5%.

- BINTER 11 bank structured notes ("certificados bursátiles")

Ticker symbol:	BINTER 11
Face value:	Ps.100
Issue amount:	Ps.2,000 million
Number of instruments:	20,000,000
Term:	1,092 days
Issuance date:	March 3, 2011
Maturity date:	February 27, 2014
Guarantee:	Since these instruments are unsecured, they bear no guarantee, nor are they backed by the IPAB or by any other Mexican government entity.
Interest rate:	28-day Mexican weighted interbank interest rate (TIIE) (computed two business days prior to the beginning of each interest period), plus 1.15%.

14. Interbank and other borrowings

Demand loans

As of December 31, 2013, the Bank has outstanding two-day call money transactions with various financial companies for a total principal amount of Ps.615, bearing interest of 3.45%. The Bank also has outstanding foreign currency denominated call money transactions with BANCOMEXT for a total principal amount of USD 25 and bearing interest of 0.43%. At December 31, 2012, the Bank had three-day call money transactions with Banco Azteca, BACOMEXT and BANSI for a total principal amount of Ps.1,569, and bearing interest of 4.3%, 0.45% and 4.5%, respectively.

To support its lending and treasury transactions, the Bank has taken out several short-and long-term loans with floating interest rates from domestic development banks. An analysis is as follows:

Short- and long-term loans

	2013			2012		
	Short-term	Long-term	Total	Short-term	Long-term	Total
In Mexican pesos:						
Nacional Financiera, S.N.C.	Ps. 865	Ps. 6,155	Ps. 7,020	Ps. 869	Ps. 6,818	Ps. 7,687
Banco Nacional de Comercio Exterior, S.N.C.	42	3,248	3,290	717	2,376	3,093
Banco Nacional de Obras y Servicios Públicos, S.N.C.	226	4,096	4,322	91	1,605	1,696
	1,133	13,499	14,632	1,677	10,799	12,476
In U.S. dollars translated to Mexican pesos:						
Nacional Financiera, S.N.C.	1,565	-	1,565	40	-	40
Banco Nacional de Obras y Servicios Públicos, S.N.C.	723	-	723	-	-	-
Banco Nacional de Comercio Exterior, S.N.C.	1,316	-	1,316	-	-	-
	3,604	-	3,604	40	-	40
Public trust funds in Mexican pesos:						
Guarantee and Development Fund for the Agriculture, Livestock and Poultry Industry	4	1	5	9	-	9
Housing Operation and Bank Financing Fund (FOVI)	16	-	16	18	-	18
Mining Development Trust Fund (FIFOMI)	-	-	-	49	-	49
	20	1	21	76	-	76
Public trust funds in U.S. dollars translated to Mexican pesos:						
Guarantee and Development Fund for the Agriculture, Livestock and Poultry Industry (FIRA)	-	-	-	-	14	14
Interest provision	-	-	-	7	5	12
	Ps. 4,757	Ps. 13,500	Ps. 18,257	Ps. 1,800	Ps. 10,818	Ps. 12,618

Nacional Financiera, S.N.C. (NAFIN):

The Bank has an available line of credit of up to Ps.11,500 extended by NAFIN. The funds received by the Bank under this arrangement are in Mexican pesos and U.S. dollars. These loans include no guarantees, as they exclusively involve discounted notes.

Banco Nacional de Comercio Exterior, S.N.C. (BANCOMEXT):

The Bank has an available line of credit from BANCOMEXT of up to USD 400 million. Drawdowns are made through the discounting of negotiable debt instruments representing the Bank's commercial loans to its customers.

Banco Nacional de Obras y Servicios Públicos, S.N.C. (BANOBRAS) - Governments- Invex 867 Trust:

The Bank has entered into line of credit agreements with BANOBRAS to receive financing of up to Ps.2,000 (maturing on November 30, 2023) for the Bank to lend to state agencies, who are to invest these amounts in public projects that aligned with the mandate of BANOBRAS. The funds with which the Bank intends to settle all of its contractual obligations in respect of this line of credit will come from the repayment of other loans it has extended and their respective promissory notes, and from any additional contributions the Bank has made to the trust, based on the terms of the trust agreement. This loan from BANOBRAS bears interest at the Mexican weighted interbank interest rate (TIIE) rate plus 1.66 percentage points. At December 31, 2013 and 2012, the outstanding balance of this loan is Ps.1,557 and Ps.1,605, respectively.

On February 9, 2009, the Bank entered into Irrevocable Administrative and Source of Funding Trust No. 867, as a trustor and secondary beneficiary, with BANOBRAS as trustor and primary beneficiary, and Banco INVEX, S.A., Institución de Banca Múltiple, INVEX Grupo Financiero, as a trustee, to establish one or more repayment mechanisms for the loans made by BANOBRAS to the Bank, where the proceeds obtained by the Bank from the repayment of four outstanding loans by the borrowers will cover the Bank's obligations under the line of credit. The rights over these loans were placed in the trust. At December 31, 2013 and 2012, the balance of the Trust was Ps.29 and Ps.34, respectively.

BANOBRAS **(Infrastructure- Monex Trust 258):**

On January 21, 2009, the Bank entered into a current account line of credit agreement with BANOBRAS to receive financing of up to Ps.2,500. These loans are to mature 240 months after the first drawdown, which occurred on January 30, 2009. This financing was used to meet certain financial commitments that the Bank has undertaken to carry out various infrastructure projects still in the investment stage, and to be able to continue funding new infrastructure and/or public service projects. These loans bear interest at the Mexican weighted interbank interest rate (TIIE), plus a premium that is determined as stipulated in the agreement. At December 31, 2013 and 2012, the balance of the trust is Ps.55 and Ps.91, respectively.

On January 23, 2009, the Bank entered into Irrevocable Trust agreement No. F/258, as a trustor and secondary beneficiary, with Banco Monex, S.A. Institución de Banca Múltiple, Monex Grupo Financiero, División Fiduciaria as a trustee, and BANOBRAS, as primary beneficiary, establish one or more repayment mechanisms of the loan consisting of the original rights over three loans and/or debt recognition agreements, as well as the proceeds obtained from the exercise of such rights. These rights were placed in the trust. In that event that the funds available in the Trust are insufficient to cover the Bank's obligation, the Bank will be required to cover any such difference using its own resources. At December 31, 2013 and 2012, the outstanding balance of the trust is Ps.35 and Ps.33, respectively.

BANOBRAS (Infrastructure- Monex Trust 1616):

On December 13, 2013, the Bank obtained a simple line of credit of Ps.4,500 from BANOBRAS. This loan is to mature 240 months after the first drawdown, which occurred on December, 19, 2013. Such funds were used to meet certain financial commitments that the Bank undertook to carry out various infrastructure projects in the construction and operating stages. This loans bears interest at the Mexican weighted interbank interest rate (TIIE), plus a premium that is determined as stipulated in the agreement. At December 31, 2013 the outstanding balance of the loan is Ps.2,691.

Export - Import Bank of Korea:

On March 19, 2009, the Bank entered into a revolving line of credit agreement with the Export-Import Bank of Korea to receive financing of up to USD 10 million (with a maturity of March 18, 2013). The proceeds of these loans are to be used as: i) an interbank loan to cover financing extended by the Bank to buyers of eligible products as stipulated in the agreement for terms of less than twenty-four months; ii) a letter of credit; iii) as a guarantee fund under the terms and conditions established in the agreement. The loan bears interest at the London Interbank Offered Rate (LIBOR). At December 31, 2013 and 2012, the Bank has made no drawdowns against this line of credit.

Public trusts:

The Bank has obtained lines of credit from FIRA and FIFOMI to receive financing of up to USD 1,200 and USD 20, respectively. Such financing corresponds to public trustee common funds and it is secured by the loan itself.

Current lines of credit:

		2013			
Lender	Amount of line of credit	Currency	Translated into Mexican pesos	Amount drawn down	Amount available for drawdown
NAFIN	11,500	Mexican pesos	Ps. 11,500	Ps. 7,791	Ps. 3,709
BANCOMEXT	400	U.S. dollars	5,231	3,291	1,940
FIFOMI	20	U.S. dollars	262	-	262
FIRA	1,200	Mexican pesos	1,200	6	1,194
BANOBRAS	6,340	Mexican pesos	6,340	4,339	2,001
Export - Import Bank of Korea	10	U.S. dollars	131	-	131
			Ps. 24,664	Ps. 15,427	Ps. 9,237

2012					
Lender	Amount of line of credit	Currency	Translated into Mexican pesos	Amount drawn down	Amount available for drawdown
NAFIN	9,500	Mexican pesos	Ps. 9,500	Ps. 7,727	Ps. 1,773
BANCOMEXT	400	U.S. dollars	5,186	3,093	2,093
FIFOMI	20	U.S. dollars	259	49	210
FIRA	1,200	Mexican pesos	1,200	23	1,177
BANOBRAS	4,500	Mexican pesos	4,500	1,696	2,804
Export - Import Bank of Korea	10	U.S. dollars	130	-	130
			Ps. 20,775	Ps. 12,588	Ps. 8,187

The lines of credit obtained from the aforementioned financial institutions include certain affirmative and negative restrictive covenants that the Bank must meet during the effective term of each loan agreement. According to the Bank's management, at December 31, 2013 and 2012, the Bank is currently in compliance with these restrictive covenants and obligations and it expects to continue to comply with them during the entire terms of the loan agreements.

15. Creditors on settlement of transactions

At December 31, 2013 and 2012, this caption primarily refers to creditors under same-day value forex transactions involving sales of foreign currencies with 24- and 48-hour settlements, as well as securities trading transactions. An analysis as follows:

	2013	2012
Clearing accounts for forex transactions (Note 3)	Ps. 4,826	Ps. 2,364
Clearing accounts for securities trading activities	1,089	-
	Ps. 5,915	Ps. 2,364

16. Sundry creditors and other accounts payable

An analysis of this caption at December 31, 2013 and 2012 is as follows:

	2013	2012
Liabilities derived from bank services	Ps. 914	Ps. 1,114
Value added tax	103	73
Taxes and duties payable	7	2
Taxes and social security contributions	75	22
Employee benefits	20	19
Provisions for sundry liabilities	390	592
Other sundry creditors	46	185
	Ps. 1,555	Ps. 2,007

17. Outstanding Subordinated Debentures

An analysis of the Bank's outstanding subordinated debentures at December 31, 2013 and 2012 is as follows:

2013

	Date							
Issuer	**Issuance or Issue date**	**Maturity date**		**Principal**		**Accrued interest**		**Total**
BINTER 07 Q	**11/20/07**	**11/07/17**	**Ps.**	**700**	**Ps.**	**2**	**Ps.**	**702**
BINTER 08 Q	**11/28/08**	**11/16/18**		**500**		**1**		**501**
BINTER 10 Q	**12/16/10**	**12/03/20**		**650**		**2**		**652**
BINTER 12 Q	**11/29/12**	**11/17/22**		**700**		**1**		**701**
			Ps.	**2,550**	**Ps.**	**6**	**Ps.**	**2,556**

2012

Issuer	Issuance or Issue date	Maturity date		Principal		Accrued interest		Total
BINTER 07 Q	11/20/07	11/07/17	Ps.	700	Ps.	3	Ps.	703
BINTER 08 Q	11/28/08	11/16/18		500		2		502
BINTER 10 Q	12/16/10	12/03/20		650		2		652
BINTER 12 Q	11/29/12	11/17/22		648		-		648
			Ps.	2,498	Ps.	7	Ps.	2,505

Subordinated debenture placement program

At an ordinary and extraordinary shareholders' meeting held on November 6, 2008, the Bank's shareholders authorized the Bank to seek financing through the issuance of one or more preferred or non-preferred non-convertible subordinated debentures for a maximum total issue amount of Ps.2,000 million (hereinafter "the debenture issue"). The proceeds from the debenture issue were used to bolster the Bank's capital.

Through official letter 153/17956/200/8 dated November 27, 2008, the Commission authorized the provisional registration of the debenture issue in the National Securities Registry, as well as the public offering of the debentures under this program.

The debenture issue was authorized by Banxico through official letter S33/18643 dated November 27, 2008.

In an official communication dated November 24, 2008, the Mexican Stock Exchange also expressed its consent for the registration of the debenture program.

Issuance of Subordinated Debentures BINTER 12

Through official communication 153/9239/2012 dated November 26, 2012, the Commission authorized the Bank to release the updated debenture prospectus, as well as the public offering notice related to the BINTER 12 issuance. Through official communication DGAJB-154/11410/2012, the BINTER 12 debenture issue was given final authorization.

General information regarding the Bank's BINTER 12 subordinated debentures issue is provided below:

Type of security:	Preferred non-convertible subordinated debentures
Face value:	Ps.100
Issue amount:	Ps.700 million.
Number of debentures issued:	7,000,000
Term:	3,640 days.
Issuance date:	November 29, 2012
Maturity date:	November 17, 2022
Guarantee:	Since the subordinated debentures are unsecured, they bear no guarantee, nor are they backed by the IPAB or by any other Mexican government entity.
Interest rate:	The 28-day Mexican weighted interbank interest rate (TIIE), plus 2.5 percentage points.

Issuance of Subordinated Debentures BINTER 10

Through official communication 153/89436/2010 dated December 14, 2010, the Commission authorized the Bank to release the updated debenture prospectus, as well as the public offering notice related to the BINTER 10 issuance. Through official communication DGAJB-154/89048/2010, the BINTER 10 debenture issue was given final authorization. General information regarding the Bank's BINTER 10 subordinated debentures issue is provided below:

Type of security:	Preferred non-convertible subordinated debentures
Face value:	Ps.100
Issue amount:	Ps.650 million.
Term:	3,640 days.
Dated date:	December 16, 2010
Maturity date:	December 3, 2020
Guarantee:	Since the subordinated debentures are unsecured, they bear no guarantee, nor are they backed by the IPAB or by any other Mexican government entity.
Interest rate:	The 28-day Mexican weighted interbank interest rate (TIIE), plus 2.0 percentage points.

Issuance of Subordinated Debentures BINTER 08

Through official letter 153/17956/2008 dated November 27, 2008, the Commission authorized the Bank to release the updated debenture prospectus, as well as the public offering notice related to the BINTER 8 issuance. Through official communication 533/18643/2008, the BINTER 8 debenture issue was given final authorization.

General information regarding the Bank's BINTER 8 subordinated debentures issue is provided below:

Type of security:	Preferred non-convertible subordinated debentures
Face value:	Ps.100
Issue amount:	Ps.500 million.
Term:	3,640 days.
Issuance date:	November 28, 2008
Maturity date:	November 16, 2018
Guarantee:	Since the subordinated debentures are unsecured, they bear no guarantee, nor are they backed by the IPAB or by any other Mexican government entity.
Interest rate:	The 28-day Mexican weighted interbank interest rate (TIIE), plus 1.75 percentage points.

Issuance of Subordinated Debentures BINTER 07

At an extraordinary shareholders' meeting held on October 12, 2007, the Bank's shareholders authorized the Bank to seek financing through the issuance of non-preferred non-convertible subordinated debentures for a maximum total issue amount of Ps.700 million. The proceeds from the debenture issue were used to bolster the Bank's capital.

Through official communication S33/18468 dated November 8, 2007, Banxico authorized the BINTER 07 subordinated debenture issue, and this approval was reported to the Commission through the certificate signed on November 16, 2007 and official communication 312-2/8524/2007 issued on the same day. The BINTER 07 subordinated debenture issue has been registered in the Commission's National Securities Registry under file number 2312-2.00-2007-005, through official communication 153/1654726/2007 dated November 14, 2007, as well as in the respective debt issue list of the Mexican Stock Exchange.

At an extraordinary shareholders' meeting held on July 23, 2008, the shareholders agreed to modify the terms of the BINTER 07 program in order to have the Bank issue preferred subordinated debentures instead of non-preferred subordinated debentures.

This change in the BINTER 07 subordinated debenture program was authorized in the National Securities Registry through official letter 153/17940/2008 dated November 12, 2008. For purposes of the issuance certificate, the change was authorized by the Commission through official letter 311- 32166/2008 CNBV 311.311.19(82), and it was authorized by Banxico through official letter S33/18646 dated November 4, 2008.

General information regarding the Bank's BINTER 7 subordinated debentures issue is provided below:

Type of security:	Preferred non-convertible subordinated debentures
Face value:	Ps.100
Issue amount:	Ps.700 million.
Number of debentures:	7,000,000
Term:	3,640 days
Issuance date:	November 20, 2007
Maturity date:	November 7, 2017
Guarantee:	Since the subordinated debentures are unsecured, they bear no guarantee, nor are they backed by the IPAB or by any other Mexican government entity.
Interest rate:	The 28-day Mexican weighted interbank interest rate (TIIE), plus 1.75 percentage points.

In conformity with the Act, Article 13 of Circular 3/2012 issued by Banxico and based on the conditions established in the General Provisions for Credit Institutions, the Bank is entitled to pay out in advance, with the prior authorization of Banxico, at any payment date as of the fifth year from the issue date, all, but not less than all, of the subordinated debentures, at a price equal to its nominal value, plus accrued interest at the prepayment date, provided that (i) the Bank, through its common representative, informs in writing the obligors, the Commission, Indeval and the Mexican Stock Exchange of its decision to exercise its right of prepayment within five business days prior to date on which the Bank intends to pay out in advance all of the subordinated debentures, and (ii) the prepayment is made in the form and place established for that purpose.

Prepayment of the Bank's subordinated debentures is subject to the Bank's maintaining a capitalization index for credit, operating and market risks, after payment, higher than 10%, determined in conformity with the capitalization provisions or, if applicable, with the relevant authorization established in Article 31 of Circular 3/2012 issued by Banxico.

18. Foreign Currency Position

At December 31, 2013 and February 28, 2014, the date of the audit report on these financial statements, the exchange rates published by Banxico that were used to translate the above amounts to Mexican pesos were Ps.13.0843 and Ps.13.2379, respectively, per U.S. dollar. The Bank has the following U.S. dollar denominated assets and liabilities at December 31, 2013:

	2013			
	Currency			
	U.S. dollars		Mexican pesos	
Assets:				
Cash and cash equivalents	USD	241	Ps.	3,153
Securities and derivatives		88		1,150
Loans		67		875
Other accounts receivable		43		563
		439	Ps.	5,741
Liabilities:				
Demand deposits		9	Ps.	118
Collateral securities sold or delivered in guarantee		43		566
Creditors under security repurchase agreements		46		597
Security and derivative transactions		30		390
Bank loans and other accounts payable		303		3,966
		431		5,637
Monetary asset position	USD	8	Ps.	104

	2012			
Securities	Currency			
Assets:	U.S. dollars		Mexican pesos	
Cash and cash equivalents	USD	129	Ps.	1,673
Securities and derivatives		67		869
Loans		13		169
Other accounts receivable		30		389
		239	Ps.	3,100
Liabilities:				
Demand deposits		7	Ps.	91
Collateral securities sold or delivered in guarantee		30		389
Creditors under security repurchase agreements		64		441
Security and derivative transactions		15		194
Bank loans and other accounts payable		152		1,971
		268		3,086
Monetary (liability) asset position	USD (	29)	Ps.	14

19. Shareholders' Equity

a) Capital stock

At December 31, 2013 and 2012, the Bank's capital stock is represented by 2,604,000 and 872,500 Series "O" shares, issued and outstanding, with a par value of one thousand pesos each.

At a general ordinary shareholders' meeting held on December 10, 2013, the shareholders agreed to a capital reimbursement to the Bank's shareholders of Ps.164. Since this capital reimbursement was not paid out of the Restated contributed capital account (CUCA), the Bank paid income tax of Ps. 28 on the reimbursement.

b) Capital reserves

In conformity with the Mexican Corporations Act, the Bank is required to appropriate at least 10% of the net income of each year in order to increase the legal reserve. This practice must be continued each year until the legal reserve reaches an amount equal to the value of the Bank's paid in capital stock. Such reserve may not be distributed to the shareholders during the life of the Bank, except in the form of a stock dividend.

At general ordinary shareholders' meetings held on April 30, 2013 and 2012, the shareholders agreed to appropriate Ps.93 and Ps.109 of the Bank's net earnings of 2013 and 2012, respectively, to increase the Bank's legal reserve.

c) Restatement of capital stock, capital reserves and retained earnings

An analysis of the Bank's capital stock, capital reserves and retained earnings at December 31, 2013 and 2012 is as follows:

	Nominal value	Restatement for inflation	Total 2013	2012
Capital stock	Ps. 2,604	Ps. 1,020	Ps. 3,624	Ps. 1,893
Capital reserves	520	19	539	446
Retained earnings	5,054	(712)	4,342	3,616
	Ps. 8,178	Ps. 327	Ps. 8,505	Ps. 5,955

At general ordinary shareholders' meetings held on January 13, 2013, the shareholders declares a cash dividend of Ps.46. Since this dividend was not paid out of the CUFIN balance, the Bank paid income tax on the dividend of Ps. 20.

d) Distribution of earnings

At December 31, 2013, the Company's CUFIN balance is Ps.2,520. Any distribution of earnings up to the amount of the CUFIN will not be subject to corporate income tax. However, any dividends distributed in excess of the CUFIN are subject to corporate income tax, which is calculated by applying a gross-up by a factor of 1.4286 to the dividend and then applying the 30% corporate income tax rate. This withholding may be credited by the shareholder against its income tax for the year and the two following years. The CUFIN may be restated for inflation on the basis of the National Consumer Price Index (NCPI) through the date on which the dividends are paid.

At general ordinary shareholders' meetings held on April 28, 2013 and December 12, 2013, the shareholders declared cash dividends of Ps.159 and Ps.300, respectively, which were paid in full out of the Bank's CUFIN balance.

At general ordinary shareholders' meetings held on January 3, 2013, the shareholders declared a cash dividend of Ps.46. Since this dividend was not paid out of the CUFIN balance, the Bank paid income tax on the dividend of Ps. 28.

At general ordinary shareholders' meetings held on February 3, 2012, the Bank's shareholders declared a cash dividend of Ps.379, which were paid in full from the CUFIN account.

At general ordinary shareholders' meetings held on December 10, 2012 and January 3, 2013, the Bank's shareholders declared cash dividends of Ps.79 and Ps.38, respectively. Since these dividends were not paid out of the CUFIN balance, the Bank paid income tax on the dividends totaling Ps. 28.

e) Capital reductions

At December 31, 2013, the balance of the Bank's Restated contributed capital account (CUCA) is Ps.4,174. Any capital reduction or reimbursement to shareholders in excess of the CUCA must be treated for tax purposes as a distributed profit.

f) Capital requirements

The rules for calculating the capital requirements of full-service banks are aimed at establishing principles and guidelines that ensure that the capital adequacy ratios of banks reflects the risks to which they are exposed as accurately and with the highest level of risk sensitivity as possible.

The Bank's compliance with its capital requirements was determined using the market, credit, and operating risk groups established under the respective capital requirements rules. An analysis of the Bank's capital adequacy ratios at December 31, 2013 and 2012 is as follows:

	2013	2012
Capital adequacy ratios:		
Net capital/ total capital requirement	**2.12**	2.05
Net capital/assets with credit risk	**26.68%**	24.95%
Net capital/total distressed assets	**16.95%**	16.37%
Basic capital/total distressed assets	**13.37%**	11.40%
Basic capital/total capital requirement	**1.67**	1.43

The Ministry of Finance and Public Credit requires credit institutions to maintain a minimum capital ratio to distressed assets, which is computed by applying the percentages determined based on the risk grades assigned to each asset. An analysis of the information related to the Bank's basic capital, supplementary and net capital at December 31, 2013 and 2012 is as follows:

		2013		2012
Basic capital:				
Shareholders' equity	**Ps.**	**8,506**	Ps.	6,080
Less:				
Deduction of non-financial equity investments		**1**		1
Deduction of intangibles and deferred costs and expenses		**95**		123
Total basic capital		**8,410**		5,956
Supplementary capital:				
Capital instruments computed as supplementary		**2,254**		2,504
Loan-loss reserves computed as supplementary		**-**		93
Net capital	**Ps.**	**10,664**	Ps.	8,553

- **Distressed assets**

An analysis of the Bank's market risk-weighted positions and credit risk-weighted assets is as follows:

2013		Risk-weighted assets		Capital requirement
Market risk:				
Mexican peso transactions at nominal rates	Ps.	1,844	Ps.	148
Mexican-peso transactions with premiums		6,608		529
Mexican-peso transactions at real interest rate		1,381		110
Foreign currency transactions at nominal rates		264		21
Foreign currency positions		9		1
UDI positions or tied to NCPI		113		9
Transactions with shares		6,441		515
		16,660		1,333

2013	Risk-weighted assets		Capital requirement	
Credit risk:				
Group II (weighted at 50%)		292		23
Group III (weighted at 20%)		313		25
Group III (weighted at 50%)		125		10
Group III (weighted at 100%)		398		32
Group III (weighted at 125%)		170		14
Group IV (weighted at 20%)		533		43
Group V (weighted at 20%)		4,928		394
Group V (weighted at 50%)		8,625		690
Group V (weighted at 115%)		862		69
Group V (weighted at 150%)		3,500		280
Group VI (weighted at 100%)		284		23
Group VII (weighted at 20%)		1,141		91
Group VII (weighted at 100%)		15,192		1,215
Group VII (weighted at 115%)		1,062		85
Group IX (weighted at 100%)		2,167		173
		39,592		3,167
Operational risk:		6,312		505
	Ps.	62,564	Ps.	5,005

2012	Risk-weighted assets		Capital requirement	
Market risk:				
Mexican peso transactions at nominal rates	Ps.	3,328	Ps.	266
Mexican-peso transactions with premiums		3,386		271
Mexican-peso transactions at real interest rate		1,912		153
Foreign currency transactions at nominal rates		368		30
Foreign currency positions		77		6
UDI positions or tied to NCPI		13		1
Transactions with shares		3,511		281
		12,595		1,008
Credit risk:				
Group II (weighted at 50%)		435		35
Group III (weighted at 20%)		1,265		101
Group III (weighted at 125%)		457		37
Group IV (weighted at 20%)		818		65
Group V (weighted at 20%)		2,980		238
Group V (weighted at 50%)		10,401		832
Group V (weighted at 115%)		2,288		183
Group V (weighted at 150%)		1,689		135
Group VI (weighted at 100%)		230		18
Group VII (weighted at 20%)		283		23
Group VII (weighted at 100%)		11,007		880
Group VII (weighted at 115%)		1,454		116
Group IX (weighted at 100%)		980		78
		34,287		2,741
Operational risk:		5,354		540
	Ps.	52,236	Ps.	4,189

In 2013, the Other (weighted at 100%) caption includes weighted distressed assets and capital requirements of Ps.26 and Ps.323 (Ps.38 and Ps.475 in 2012), respectively, which refer to the Bank's capital requirements for its long-term equity investments, personal and real property, prepaid expenses, and deferred charges.

20. Income tax

a) Income tax

For the years ended December 31, 2013 and 2012, the Bank reported taxable income of Ps.1,677 and Ps.2,242, respectively. A condensed reconciliation of the Bank's income before taxes on profits to its tax result is as follows:

	2013	2012
Net income	Ps. 1,489	Ps. 930
Plus (less) reconciling items:		
Deductible annual inflation adjustment	(214)	(153)
Allowance for impairment in the value of assets	37	41
Expense provisions	(250)	482
Reversal of overstatements in the loan-loss reserve	(532)	(279)
Interest collected in advance, net of interest from prior years	22	(56)
Taxable income on trades of segregated securities	439	1,420
Tax loss on trades of segregated securities for the year	-	(439)
Other, net	686	(296)
Tax result	Ps. 1,677	Ps. 2,242

The Bank's income tax for the years ended December 31, 2013 and 2012 was Ps.503 and Ps.673, respectively.

Current year income tax charged to the income statement includes income tax prepayments corresponding to 2006 and 2008 of Ps.2 and Ps.196, respectively. These amounts were determined in accordance with the terms of a tax amnesty program known locally as *Ponte al corriente*. Such amounts were recorded as part of current year income tax for 2013, in addition to an understatement in the income tax provision for 2012 of Ps.5.

b) Flat-rate business tax

Current-year FRBT is computed by applying the 17.5% rate to an income base determined on the basis of cash flows, net of authorized credits.

FRBT credits result mainly from the negative FRBT base to be amortized (deductions that exceed revenues), salary and social security contribution credits, and credits resulting from the deduction of certain assets.

Through December 31, 2013, the FRBT coexists with income tax and therefore, it is calculated based on the following:

- FRBT shall be payable only to the extent it exceeds income tax for the same period. To determine FRBT payable, income tax paid in a given period is first subtracted from the FRBT of the same period.

- The Bank shall have not FRBT payable, provided that its income tax exceeds its FRBT for the same period.

- When the FRBT base is negative because deductions exceed taxable income, there is no FRBT payable. The amount of the negative base multiplied by the FRBT rate results in an FRBT credit.

For the year ended December 31, 2013, the Bank reported FRBT payable of Ps.338, which was lower than its income tax payable for the year. For the year ended December 31, 2012, the Company had no FRBT base.

c) Deferred income tax

An analysis of deferred income tax shown in the balance sheet at December 31, 2013 and 2012 is as follows:

	2013		2012	
Deferred tax assets:				
Non-deductible provisions	Ps.	150	Ps.	214
Tax losses		6		-
Foreclosed and repossessed assets		46		31
Interest		54		47
Unrealized loss on financial instruments		-		6
Other		19		13
		275		311
Deferred tax liabilities:				
Unrealized gain on financial instruments	Ps.	147	Ps.	219
Prepaid expenses		7		2
Other		-		158
		154		379
Deferred income tax asset (liability), net	Ps.	121	Ps.(	68)

The Bank's deferred income tax liability refers mainly to the immediate deduction of tax losses incurred on trades of segregated securities.

At December 31, 2013 and 2012, the Bank created a valuation allowance of Ps.223 and Ps.320, respectively, for those deferred tax assets that do not have a high probability of being realized.

For the year ended December 31, 2013, the Bank reported a deferred income tax asset of Ps.193, of which Ps.120 was credited to profit or loss of 2013 and Ps.73 was recognized in the caption Unrealized gain on available-for-sale securities in the consolidated statement of changes in shareholders' equity, since it corresponds to deferred income tax on unrealized investments in available-for-sale securities. For the year ended December 31, 2012, the Bank reported deferred income tax of (Ps.201), of which (Ps.211) was recognized in profit or loss and Ps.10 was credited to shareholders' equity accounts.

d) Effective income tax rate

A reconciliation of the statutory corporate income tax rate to the effective income tax rate recognized by the Bank for financial reporting purposes at December 31, 2013 and 2012 is as follows:

	2013	2012
Income before income tax	Ps. 2,075	Ps. 1,320
Reconciling items:		
Annual inflation adjustment	(214)	(154)
Non-deductible expenses	56	189
No taxable income (Brazil 2012 coupon)	(60)	(87)
Net effect of loan-loss reserve	(434)	(137)
Other items	(130)	167
Income before income tax, plus permanent items	1,293	1,298
Statutory income tax rate	30%	30%
	388	389
Payments made under the tax amnesty program	198	-
Total current-year and deferred income tax	Ps. 586	Ps. 389
Effective income tax rate	28%	30%

Since at the date of the audit report on these financial statements the Bank has not yet filed its income tax return for 2013 with the respective tax authorities, the tax results shown above are subject to change.

21. Related Party Balances and Transactions

In conformity with Commission accounting rule C-3, *Related Parties*, transactions with related parties that represent more than 1% of the Company's net capital of the month prior to the reporting date must be disclosed. At December 31, 2013 and 2012, this threshold for the Bank is Ps.106 and Ps.86, respectively.

	Debit balance /net		Transactions			
			Revenues		Expenses	
At December 31, 2013						
Interacciones Casa de Bolsa, S.A. de C.V.	Ps.	342	Ps.	29	Ps.	56
Banco Monex, Fideicomiso/Lerma- Santiago No. 517		280		35		-
Banco Multiva, Fideicomiso/Grupo Hermes No. 305-8		255		18		-
Grupo Hermes, S.A. de C.V.		313		34		-
	Ps.	1,190	Ps.	116	Ps.	56

	Debit balance /net		Transactions			
			Revenues		Expenses	
At December 31, 2012						
Interacciones Casa de Bolsa, S.A. de C.V.	Ps.	217	Ps.	5	Ps.	191
Banco Monex, Fideicomiso/Lerma- Santiago No. 517		464		-		-
Banco Multiva, Fideicomiso/Grupo Hermes No. 305-8		237		-		-
Grupo Hermes, S.A. de C.V.		527		3		-
Aseguradora Interacciones, S.A.		52		6		17
	Ps.	1,497	Ps.	14	Ps.	208

a) Contracts

The most important related-party agreements that the Bank has entered into are as follows:

- Leasing and service agreements entered into with Interacciones Casa de Bolsa, S.A. de C.V. and Aseguradora Interacciones, S.A. for the rental of offices and branches. These agreements are for average terms of one year.

b) Transactions

During the years ended December 31, 2013 and 2012, the Company had the following transactions with related parties:

Company/Relationship	Transaction	2013		2012	
Revenues:					
Affiliates	Financial consulting				
Affiliates	Administrative services	Ps.	14	Ps.	14
Affiliates	Interest income		102		
		Ps.	116	Ps.	14
Disbursements:					
Affiliates	Maintenance services	Ps.	56	Ps.	208
Changes in capital:					
Direct shareholder/holder	Dividends paid	Ps.	505	Ps.	458

c) Balances

An analysis of the Company's principal balances due from and to related parties at December 31, 2013 and 2012 is as follows:

	2013		2012	
Loans				
Affiliates	Ps.	948	Ps.	1,497
Traditional deposits				
Affiliates	Ps.	45	Ps.	-
Money market				
Affiliates	Ps.	197	Ps.	-

22. Earnings per Share

	2013		2012	
Number of outstanding shares (weighted average)	Ps.	1,016,750	Ps.	872,500
Net income for the year		1,489		930
Earnings per share (Mexican pesos)	Ps.	1,464	Ps.	1,065

23. Memorandum Accounts

a) Property held in trust or under mandate

		2013		2012
Trusts:				
Administrative	Ps.	32,333	Ps.	30,000
Guarantee		3,380		2,959
Investment		1,715		1,302
		37,428		34,261
Mandates		89		89
	Ps.	37,517	Ps.	34,350

For the years ended December 31, 2013 and 2012, the Bank earned Ps.80 and Ps.76, respectively, from activities performed in its capacity as trustee.

b) Property held for safekeeping or managed

		2013		2012
Instruments and securities managed for mutual funds and customers	Ps.	6,724	Ps.	6,718
Other		2		8
	Ps.	6,726	Ps.	6,726

The caption Property held for safekeeping or managed includes assets or securities held in guarantee that the Bank has received for it to manage.

24. Income Statement

a) Interest income

		2013		2012
Loans	Ps.	4,198	Ps.	3,666
Investments in securities		1,739		1,616
Interest and premiums on security repurchase agreements		54		50
Cash and cash equivalents		298		211
Other		72		38
	Ps.	6,361	Ps.	5,581

	2013		2012	
	Performing	Past-due	Performing	Past-due
Interest on portfolio by type of loan:				
Commercial loans	Ps. 941	Ps. 14	Ps. 852	Ps. 5
Loans to financial entities	58	-	34	-
Consumer loans	1	-	1	-
Home mortgage loans	17	-	16	-
Loans to government entities	3,147	20	2,754	4
	4,164	Ps. 34	3,657	Ps. 9
	Ps. 4,198		Ps. 3,666	

b) Interest expense

	2013	2012
Demand deposits	Ps. 624	Ps. 595
Time deposits	1,151	1,131
Interest and returns on security repurchase agreements	1,491	1,483
Interbank and other borrowings	727	665
Subordinated debentures	163	129
Other	376	51
	Ps. 4,532	Ps. 4,054

c) Commissions and fees collected

	2013	2012
Loan transactions	Ps. 4,582	Ps. 3,084
Letter of credit without refinancing	52	59
Activities performed as a trust	82	80
Electronic banking services	1	1
Other fees and commissions collected	78	148
	Ps. 4,795	Ps. 3,372

d) Commissions and fees paid

	2013	2012
Fund transfers	Ps. 2	Ps. 2
Other commissions and fees paid	3,000	1,524
	Ps. 3,002	Ps. 1,526

e) Intermediation income

	2013	2012
Unrealized gains (losses):		
Investments in securities	Ps. 65	Ps.(17)
Derivative financial instruments	(27)	31
	38	14
Gains earned on securities trades:		
Foreign currencies and precious metals	56	98
Investments in securities and derivative financial instruments	141	40
	197	138
	Ps. 235	Ps. 152

f) Other operating income (expenses)

	2013	2012
Reversal of overstatements in the loan-loss reserve	Ps. 532	Ps. 113
Cancellation of other liability accounts	318	66
Gain on assignment of loan rights	79	-
Other	52	74
Leasing revenues	12	10
Recovery of loan portfolio	11	3
Gain on sale of foreclosed and repossessed property and other fixed assets	11	32
Recoveries	-	2
Interest earned (paid) on loans to officers and employees	(1)	1
Unrealized loss on translation of items not related to financial margin	(12)	(4)
Allowance for doubtful accounts	(13)	(12)
Unrealized loss on foreclosed and repossessed assets	(37)	(41)
	Ps. 952	Ps. 244

25. Segment information

A summary of the operating results of the Bank's principal operating segments at December 31, 2013 and 2012 is shown below. The amounts included in the segment information are shown using a different classification than the classification used for the preparation of the financial statements, since segment information is prepared by combining the Bank's operating and accounting records. The Bank does business in the following segments:

Loan portfolio:

- State and municipal governments
- Agribusiness
- Infrastructure
- Small and medium enterprises (business banking and factoring)

Treasury:

- Domestic treasury
- International treasury
- Money market

A summary of the Bank's operating segment information is as follows:

a) Loan portfolio

State and municipal governments

Item	2013	2012
Average principal	Ps. 41,298	Ps. 33,212
Interest income	2,991	2,450
Interest expense	2,016	1,673
Financial margin	975	777
Loan-loss reserve	764	551
Commissions and fees collected	4,349	3,057
Commissions and fees paid	2,905	1,486
Intermediation income	7	(31)
Operating expenses	808	637
Other operating income (expenses)	580	337
Net income	Ps. 1,434	Ps. 1,466

Infrastructure

Item	2013	2012
Average principal	Ps. 11,680	Ps. 9,198
Interest income	938	770
Interest expense	578	503
Financial margin	360	267
Loan-loss reserve	62	109
Commissions and fees collected	137	85
Commissions and fees paid	1	-
Operating expenses	125	136
Other operating income (expenses)	39	22
Net income	Ps. 348	Ps. 129

Small and medium enterprises

Item	2013		2012	
Average principal	Ps.	3,689	Ps.	5,355
Interest income		297		458
Interest expense		151		248
Financial margin		146		210
Loan-loss reserve		57		99
Commissions and fees collected		149		92
Commissions and fees paid		4		2
Operating expenses		119		111
Other operating income (expenses)		53		23
Net income	Ps.	168	Ps.	113

b) Domestic and international treasury

Item	2013		2012	
Average principal	Ps.	20,308	Ps.	6,440
Interest income		579		555
Interest expense		349		314
Financial margin		230		241
Operating expenses		74		67
Commissions and fees collected		1		-
Commissions and fees paid		2		2
Intermediation income		106		94
Net income	Ps.	259	Ps.	266

Money market

Item	2013		2012	
Average principal	Ps.	29,345	Ps.	28,406
Interest income		1,544		1,340
Interest expense		1,438		1,314
Financial margin		106		26
Intermediation income		63		1
Operating expenses		30		25
Net income	Ps.	139	Ps.	2

c) Segment reconciliation

A reconciliation of the largest items comprising of the operating segments shown above as compared to the total amount shown in the Bank's basic consolidated financial statements is as follows:

Income by segment		2013		2012
Loans	Ps.	1,950	Ps.	1,708
Treasury		398		268
Other segments (fiduciary, currency exchange)		90		113
Administrative expenses		363		769
Operating income	Ps.	2,075	Ps.	1,320

26. Contingencies

a) Reviews by the Tax Administration Service (SAT)

The Bank has filed several nullity suits against the resolutions issued by the SAT regarding the Bank's calculation of employee profit sharing for 2006, 2007 and 2008 of Ps.91 and income tax for 2007 of Ps.47. Based on the opinion of its legal advisors, the Bank believes it has reasonable grounds of defense against the SAT's findings and that it will therefore prevail in this case.

b) Other contingencies

At December 31, 2013 and 2012, the Banks has no relevant contingencies related complaints or lawsuits filed against it.

27. Risk Management (Unaudited Information)

Qualitative information

a) Risk exposure objectives

Since the Bank's main aim is to provide its customers services with high added value, the Bank attempts to keep its risk exposure to a minimum by maintaining proprietary positions in its different business units in order to not expose the capital of the Bank to any type of risks. When conditions in the financial markets are favorable and the business units assume proprietary positions, such positions are customized using risk exposure levels that limit the potential losses of these proprietary positions.

The purpose of risk management is to ensure that the Bank maintains its financial positions within the limits established for such purposes at all times and in this way ensure the Bank's financial health. As part of these efforts, the Bank's business units are required to maintain their operations and risk levels within the established limits, in order to minimize the exposure of their capital to fluctuations resulting from different risk factors.

Moreover, the Bank's Comprehensive Risk Management area makes every effort to identify and monitor the factors that may affect the Bank's capitalization levels, and to maintain this indicator at optimum levels. The Bank's risk management objectives, policies, and procedures will be submitted to the Risk Management Board in their next meeting for authorization and approval.

b) Risk management function

Risk management is carried out mainly through the Bank's Risk Management Committee, with the support of the Corporate Risk Management Office, who on a quarterly basis, must report of the most significant risk management aspects to the Board of Directors. The Board of Directors has authorized the applicable risk management policies and procedures, as well as the Bank's exposure limits for its quantifiable risks.

The Risk Committee's meetings are held on a monthly basis and are attended by the members of the Bank's Board of Directors and its CEO, as well as the Corporate Risk Management and Internal Audit Directors. At these monthly sessions, the Committee receives the different reports prepared by the Corporate Risk Management Office, which include the limits exceeded in respect of transactions, and the progress in the implementation of new projects.

c) Risk management process

The different types of risks to which the Bank is exposed to are identified by the Corporate Risk Management Office and this process mainly consists of identifying the following:

1. The business units that cause exposure to risk.
2. The types of risks such units are exposed to.
3. The risk factors that affect the market values of the instruments and/or transactions.

A detailed analysis of the characteristics of the Bank's transactions and operations, the markets in which it operates, the regulations that the transactions are subject to, and the Bank's counterparties allow the Bank to detect the risks that its business units are exposed to.

In particular, for its market and credit risk, the Bank performs a detailed analysis of its positions, instruments, and transactions, as well as counterparty creditworthiness, allowing it to identify the specific factors that could give rise to potential losses in such positions. The risk factors for each business unit depend on:

a) The lending and borrowing transactions they carry out
b) The complexity of the transactions and instruments involved in such transactions

Business units that give rise to risk exposure are identified after performing an in-depth analysis of the Bank's different areas, the transactions that each carries out, and the instruments they use. The business units analyzed in this risk analysis are:

- Money market
- Foreign currency market
- Derivatives market
- Treasury
- Loan

d) Risk management methodologies

The Bank has prepared a Risks Management Manual that is continuously updated. This manual includes the policies and procedures related to performing this function, as well as the main methodologies applied to each type of risk.

I. Quantifiable risks

- **Discretionary risks**

1. Risk management for derivatives

As per an official document issued by Banxico on April 16, 2007, Banxico confirmed the Bank's authorization to carry out the following types of derivative transactions through exchanges and over-the-counter:

✓ Futures and forwards over Mexican pesos, foreign currencies and business units (UDIs).
✓ Futures and forwards over nominal, real or premium interest rates on all kinds of debt instruments.

Banxico's authorization for the Bank to carry out the following types of derivative transactions was published on April 8, 2010:

✓ Options over Mexican pesos, foreign currencies and business units (UDIs).
✓ Options over nominal, real or premium interest rates on all kinds of debt instruments.
✓ Swaps over Mexican pesos, foreign currencies and business units (UDIs).
✓ Swaps over nominal, real or premium interest rates on all kinds of debt instruments.

The Bank contracts these instruments in order to:

a) Meet the risk hedging requirements of the Bank's customers so that they are able to manage the risks to which they are exposed due to changes in the variables inherent to the market.

b) With other intermediaries: as hedges for the aforementioned transactions and to ensure the existence of a position generates future earnings for the Bank.

These instruments are valued in accordance with the applicable accounting rules, using standard methodologies that are consistent with sound banking practices and that described in the respective accounting rules.

Regarding the effectiveness of its hedges, upon initial evaluation and over the life of the hedge, the Bank attempts to offset the fair value or cash flows of the hedged item on a period-by-period or cumulative basis with changes in the fair value or cash flows of the derivative itself by a range of 80% and 125%. The method for determining the hedge effectiveness depends on the particular risk management strategy in effect, while also taking into consideration the specific instruments contracted by the Bank. This method should be reasonable and supported through consistent and offsetting variances on the basis of reliable statistical tests to evaluate the reliability of the data generated.

The procedures and controls used by the Comprehensive Risk Management Unit in managing the risks inherent to the Bank's derivative contracts are reasonable and consistent with the characteristics of such transactions. Also, as part of the Bank's continuous improvement efforts, a periodic review of the methodologies in place is performed internally and by an independent expert in order to strengthen the Bank's risk management processes and procedures.

- **Derivative credit risk**

The impact of counterparty default on a given derivatives transaction may be mitigated by replacing such instrument in the market with another instrument. At the time of default, the credit risk in a transaction is exactly the same as the risk of replacing the instrument in the market. This type of risk is called implicit risk, and it may be managed using the Value at Risk (VaR) methodology upon replacing the transaction in the market with another. Any potential loss from doing so will be the effect of changes in the pricing of the instruments.

The aim of implicit risk is to post collateral to counterparty so that in the event of default, the collateral may be sufficient to cover any potential loss incurred at the time the transaction in the market in replaced. However, a pre-determined factor should be added to implicit risk in order to offset the effect of less-than-expected liquidity in the market, since operating on the assumption that markets are always efficient could lead to understatements in credit risk.

Credit risk – current risk (MTM) + potential risk

Current risk is basically the mark-to-market or positive valuation of the transaction (the amount payable by the counterparty) while potential risk is the VaR associated with the transaction.

The expected loss associated with a counterparty is based on three variables:

- The amount of the counterparty risk exposure
- The probability of default
- The potential recovery of collateral agreed on at the beginning of the transaction

Based on the foregoing, expected and unexpected loss may be determined based on the risk of the counterparty's failure to meet its payment obligations.

To develop methodologies, processes, criteria and policies that are in line with the Bank's risk profile, the Comprehensive Risk Management Unit created the following methodology for the computation of used loans:

- Based on recommendations issued by the Basel Committee regarding the cost of settling a transaction and its market value, the Bank is able to determine the loans drawn down by a counterparty (CEA) with respect to a transaction, using a linear model that includes both the nominal value and future exposure of such transaction.

- Based on the foregoing and considering that a transaction might include the risk that a counterparty will contract loans, if the mark-to-market value of a transaction is favorable, the CEA may be determined as a variable that depends of the current cost of replacing the transaction plus any future risk. An analysis is as follows:

CEA= [NOMINAL X INSTRUMENT RISK FACTOR + MAX (0,MTM)] X FOREIGN CURRENCY RISK FACTOR

Where:

Nominal = the nominal value of the transaction
Instrument risk factor = the risk factor to which the instrument is exposed
Max(0,mtm) = future risk to which the instrument is exposed
Foreign exchange risk factor = the risk factor to which foreign exchange is exposed

2. *Credit risk*

Credit risk is defined as a potential loss arising from the failure of a borrower or an issuer to meet its payment obligations. These types of risks are managed by analyzing the counterparties and obtaining the expected losses on the respective loan portfolio, based on a default probability analysis related to the credit ratings of each of the financial instruments.

The methodology used to quantify the Bank's credit risk is based on probabilistic models that allow management to estimate the distribution of the losses resulting from this risk. The Comprehensive Risk Management System includes the Credit Risk+ methodology used for measuring and quantifying credit risk for the loan portfolio and transactions carried out with financial instruments. The Credit Risk+ methodology is used to measure the credit risk based on a portfolio approach that takes into consideration the credit ratings of the counterparties and the exposure of each borrower.

Using this methodology, the expected loss is determined, which is defined as the loss amount as a percentage of its capital resulting from the bank's credit risk exposure. Also, the loss resulting from the changes in the quality of the Bank's counterparties, called unexpected loss, is also calculated. The methodology for quantifying the credit risk is applied to all of the Bank's credit portfolios and its position in the financial instruments.

For such purposes, it is necessary to rely on certain assumptions, including the following:

- The default rates or probabilities related to the credit ratings of each borrower are constant over the timeline tested.
- Defaults are stand-alone events between borrowers.
- Exposure due to default (total exposure, less recovery value) is known and remains constant.
- The timeline tested is fixed and constant. In this case, the proposed timeline is one year.

The following aspect are considered in the measurement credit risks: Amount of exposure, recovery rate and probability of default.

The probability of default is associated with the credit ratings of each counterparty. Furthermore, the Bank prepares estimates of the expected loss based on the extreme scenarios in which the quality of the loan portfolio is impaired, in order to determine the impact on the estimates of expected and unexpected losses.

This method is based on two stages:

- The frequency of default and severity of losses in the event of default are included in the method based on a default probability analysis, the probability distribution in the number of portfolio defaults is calculated over the timeline tested. Based on the exposures by borrower and recovery percentages, the expected loss by borrower is estimated. This amount known as loss due to default is taken as an input to the exposure model.

- The distributions of both the frequency of defaults and exposures described above are added together to obtain the probability of loss added to the portfolio. Based on such probability, the Bank is able to obtain the aforementioned risk measurements (expected and unexpected losses at different level of confidence).

Regarding the credit risk management, the Bank has developed metrics to properly supplement the applicable guidelines, such as loan portfolio concentration measured using different parameters, including the Herfindahl-Hirschman index, the GINI index, etc. The Bank follows up on several its portfolio classifications, based on the borrower, geography, and target market, among other factors.

3. Liquidity risk

The liquidity risk is defined as the potential loss from the impossibility of or difficulty in rolling over debt under normal conditions for the Bank, or the early or forced sale of assets with unusually high discounts.

To manage its liquidity risk, the Bank includes aspects related to the gap analysis for the Bank's open positions. As part of the Bank's risk control strategy, the Corporate Risks Office prepares a monthly interest rate and maturity gap report. Moreover, the Bank has developed methodologies that allow it to quantify its liquidity risks, in this case in respect of the forced sale of assets or debt rollovers under extraordinary conditions.

To quantify the potential loss caused by the early sale of assets, a function that relates the loss in the value of the assets with the amount of the assets offered for sale is prepared. Therefore, based on scenarios showing different liquidity requirements, the potential loss of outstanding assets is determined based on the depreciation factor that was determined. This methodology takes into account all the assets that are reflected in the statement of financial position and includes the following assumptions:

- All assets have different liquidity levels, which are based on the feasibility of selling the asset at its market price, which itself is directly related to the size and breadth of the existing market for these kinds of instruments.
- The increase in the availability of these assets on the market affects their pricing and the impairment is related to the prevailing sale price. Therefore, there should be a relationship between the amount of each asset subject to analysis and the effect of its market price.
- Should the Bank have any extraordinary liquidity requirements, it shall always attempt to sell those assets with the highest liquidity level, since these are the assets whose market price will be most impaired.
- The potential liquidity risk loss will be based on the Bank's cash requirements. In other words, the greater the Bank's need for cash, the greater the amount offered and the higher the debt that the Bank will offer, as well as the acquisition of assets with higher degrees of liquidity, thus increasing the Bank's losses from these events.

For the potential loss resulting from debt rolled over under unusual circumstances, the Bank selects debt with maturities of less than one month, determining the interest rates to which the interest premium is applied to obtain the respective pricing premium for the rollover of the debt in unfavorable conditions and assuming the following:

- All debt has different levels of stability, which is based on the feasibility that the debt will be rolled over in full upon maturity under market conditions considered acceptable.
- Should the Bank have any problems placing the debt, the counterparties will demand a higher interest rate, thereby increasing the financial cost for the Bank.
- The potential loss due to liquidity risk with regard to the Bank's debt will be based on the interest premium that the Bank needs to provide investors in order roll over the required debt.

4. Market risk

Market risk is defined as the potential loss triggered by changes in risk factors (such as interest rates, exchange rates, price indexes, among others) relating to the valuation or expected future results of the Bank's operations.

The market risk present in the positions reflected in the Bank's financial instruments is measured using the Value at Risk (VaR) methodology, whose indictor is based on the maximum expected loss in a given timeline and with a certain level of confidence. VaR is directly related to the volatility of the value of each securities portfolio, which is affected by the changes in the factors that affect the value of the positions that comprise the portfolio.

The VaR summarizes the expected loss above the objective timeline within a pre-determined confidence interval.

The most important characteristics of the market risk model are as follows:

- It is based on the use of statistical methods that are similar to the effect of the changes in the risk factors on the market value of the Bank's assets and liabilities.
- They simulated those used in the financial industry, with certain changes to reflect the specific circumstances of the Bank.
- They are periodically assessed by the Corporate Risk Management Office.

In order to measure the market risk, the Corporate Risk Management Office uses the Comprehensive Risk Management System tool to calculate VaR on a daily basis. The Bank performs an estimate of VaR considering the following assumptions:

Model	Historical simulation
Timeline	1 day
Observation period	350 days
Confidence level	95 %

The base assumption in the historical simulation method for the VaR computation is that the past returns of risk factors are the best estimate available of future returns (statistically). This means that past experience is considered to represent the immediate future when using a unique sampling pattern based on historical data.

To supplement the market risk methodology, the Bank uses sensitivity tests to simulate variances in the risk factors affecting the value of its positions. The Bank also carries out back testing to verify the validity of the model, comparing the results provided by the model to actual results and applying the Kupiec statistical test.

These market risk methodologies are applied to the Bank's money market, foreign exchange market and derivatives market position, and the Bank's own financial instrument position, irrespective of the respective accounting classifications (i.e., for trading, available-for-sale, or held-to-maturity).

Non-discretionary risks

1. Operating risk

Operating risk is defined as the potential loss resulting from inadequate or failed internal controls, errors in transaction processing, data entry or transmission back to sources, as well as adverse administrative and court rulings, fraud, or theft.

The operating risk management process is comprised of the following phases:

1. Identification: this phase consists of compiling the Bank's information using a wide range of existing inputs or inputs delivered to the Comprehensive Risk Management Unit, in order to identify and document the processes that describe the Bank's business, as well as the risks inherent to them.

   This stage involves the use of surveys, interviews, and a risk identification report in order to identify and document the Bank's processes and activities and the individuals responsible for each for them (in order to segregate the functions and authorization levels), as well as the risks inherent to each. This stage also includes a fourth identification of the internal controls in place for each risk. This process involves all the areas that describe the Bank's business, including the areas that safeguard and provide maintenance and control over relevant files, and that oversee and assess the service providers involved in the settlement of transactions.

2. Qualitative analysis: this consists of performing a systematic analysis of the Bank's operating risks and their causes and consequences in order to perform the analysis of potential operating risks.

Once the processes, the individuals responsible, and the inherent risks have been identified, the Bank enters them into a qualitative database in which the risks are rated based on the following:

- Type: Operational, Technical, Legal, and Reputational risk.
- Causes and consequences.
- Taxonomy: Individuals, Processes, Systems, and External.
- Loss events: Classification provided by Basel II.
- Controls: Preventive and corrective.
- Qualitative risk maps: Classification of the Frequency and Severity in the following ranges:

Qualitative	Code
Very high	MA
High	A
Medium	M
Low	B
Very low	MB

3. Quantitative analysis:

   The events are valued based on the steps described above; in other words, a valuation is performed to estimate the loss of each event per business unit, as well as to identify the affected financial statement account. This process requires estimates of tolerance levels. The results are recorded into heat maps that are prepared based on the following tables:

Frecuency		Code
Low	each 10 years	A
	each 5 years	B
	semiannual	C
	annual	D
Medium	semestral	E
	quarterlyl	F
	semiannual	G
	1 month	H
High	1 fortnightly	I
	1 weeklyl	J
	1 each 3 days	K
	daily	L

Severity		Code
Low	0 a 30,000	A
	30,001 a 60,000	B
	60,001a 90,000	C
	90,001 a 120,000	D
	120,001 a 150,000	E
Medium	150,001 a 300,000	F
	300,001 a 500,000	G
	500,001 a 800,000	H
	800,001 a 1,500,000	I
	1,500,001 a 3,000,000	J
High	3,000,001 a 5,000,000	K
	5,000,001 a 10,000,000	L
	10,000,001 a 17,000,000	M
	17,000,001 a 30,000,000	N
	30,000, 001 <	O

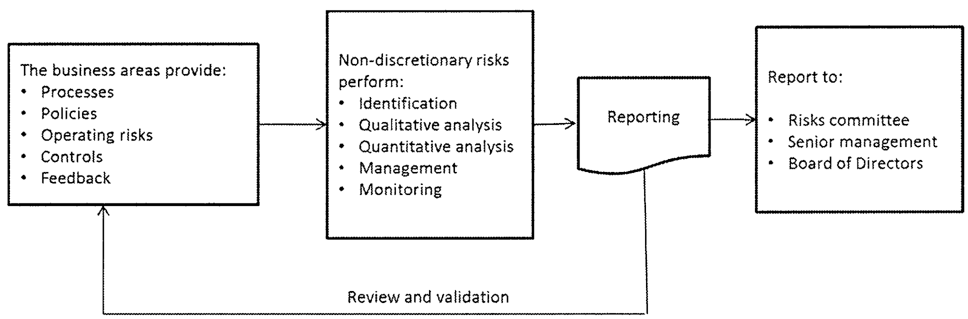
4. Management: the possible actions to mitigate the risks and their respective cost/benefit analyses are assesses. Also, these actions are implemented and followed up on.

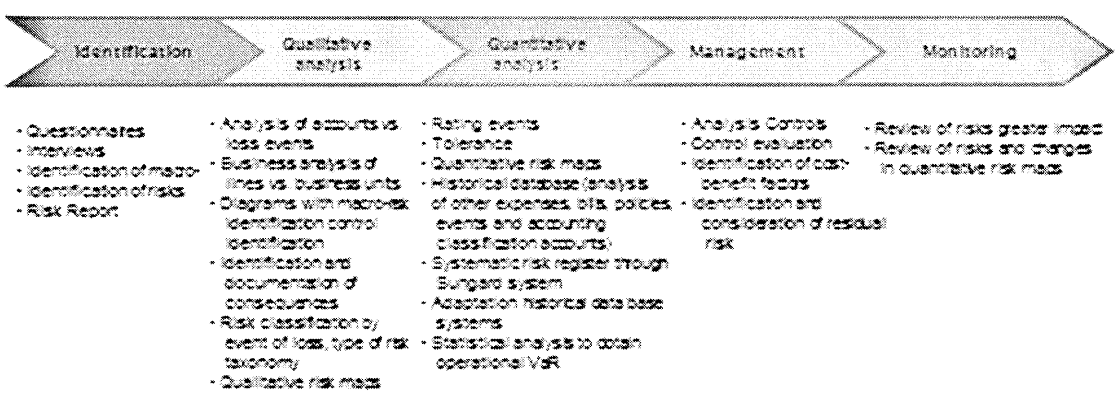
   Based on the analyses performed, the risks are determined and monitored based on the corresponding quantitative risks map. The risks with high frequency and severity are reviewed and their respective preventive and corrective controls are evaluated. In the event that inadequate controls are detected, the replacement of such control is proposed and a related cost/benefit analysis is prepared for those controls that need to be reengineered or that would bear a high cost for the Bank. Subsequently, these controls are followed up on.

5. Monitoring: the risks with the highest impact for the Bank are permanently monitored and mitigation strategies are determined together with personnel of the areas involved in the matter.

6. Disclosure: the Bank's CEO, Board of Directors, Risk Management Committee, the corresponding authorities, and the areas involved are informed of the progress, results, and impacts of the operational risks.

   Risk materialization report: This materialization is calculated considering the operating risks inherent to the processes of the Bank's business units. As a result of this methodology, the Bank is able to generate a close estimate of the operating events occurring within the Bank.





2. *Legal risk*

Legal risk is defined as the potential loss from the Bank's non-compliance with the legal and administrative laws and regulations to which it is subject, as well as from any adverse administrative and legal rulings it receives from the courts and authorities related to its business activities and any related penalties.

The legal risk management process is comprised of the following phases:

1. Database registration: Occurs at the time an official document, fine, administrative-law penalty, or lawsuit notification, among others, is received. Each area involved is responsible for filling out the main fields in the database, indicating the: cause, event, date, official document number, line of business giving rise to the event, the loss event, type of loss, cost, and accounting entry. The areas involved are the Bank's Audit, Legal, and Risks areas.

2. Identification: Identification of the legal risk and current classification within the Bank, which may be:

   - Legal acts in which the Bank is involved in as a corporate entity and for which an adverse ruling may be received.
   - Administrative-law penalties that the Bank may be subject to due to its failure to comply with any given rules and regulations.

   The legal area is responsible for its own processes, policies, methodologies, implementation, and controls for the activities they perform. The Comprehensive Risk Management Unit is responsible for gathering evidence of the implementation of: Policies and procedures to analyze the legal validity and secure the appropriate legal instrumentation prior to performing all legal acts, including formalizing guarantees provided in order to guarantee the security of each transaction.

3. Qualitative analysis: using the information provided by the involved areas, the causes and consequences of the event are analyzed, which will be used to create a historical database. Also, based on the nature of the events, the loss events and the business lines giving rise to them are classified.

4. Quantitative analysis: the frequency and severity of administrative-law penalties due to failure to comply with current rules and regulations are evaluated, as well as the lawsuits to which the Bank is party, and the economic impact that they will cause for the Bank.

5. Management: the possible actions to mitigate the risks, including their cost/benefit analyses, are analyzed.

6. Monitoring: the risks with the highest impact for the Bank are constantly monitored together with the involved areas.

7. Disclosure: the Bank's CEO, Board of Directors, Risk Management Committee, the corresponding authorities, and the areas involved are informed of the risks.

3. Technological risk

Technological risk is defined as the potential loss from damages, business interruption, alterations and failures arising from the use and reliance on hardware, software, systems, applications, networks and any other information distribution channel used by the Bank to provide its bank services.

The technological risk management process is comprised of the following phases:

1. Identification: This phase consists of gathering the Bank's information using a wide range of existing inputs or inputs delivered at the request of the Comprehensive Risk Management Unit, in order to identify the Bank's technological risk, the cause of such risk, and its consequences.

The IT area is responsible for its own processes, policies, methodologies, implementation, and controls for the activities its performs. The Comprehensive Risk Management Unit is responsible for gathering evidence of the implementation of:

Hardware, software, systems, applications, security, information and network recovery, processing or operating errors, procedure failures, and inadequate and insufficient capacity of installed controls:

- Evaluating vulnerability
- Considering the implementation of internal controls
- Maintaining policies and procedures that, at all times, ensure the quality of the service and the security and integrity of the information, regardless of whether an internal or external service provider has been contracted.
- Ensuring that all transactions or activities performed by users includes electronic evidence that comprise audit records.
- Implementing mechanisms that measure and guarantee liquidity levels and response times and that ensure that transactions and services are performed properly.

For the distribution channels for on-line customer transactions:

- Establishing the measures and controls necessary to ensure confidentiality when creating, storing, transmitting, and receiving identification codes and access for users.
- Implementing control measures necessary to ensure the protection, security, and confidentiality of the information generated in transactions performed through all technological means.

- Having control plans and operation, authorization and access policies for systems, databases and applications in place for performing transactions through all technological means.
- Including appropriate means for backing up and, where applicable, recovering information generated in transactions performed through all technological means.

Design contingency plans in order to ensure the capacity and continuity of the systems in place for performing transactions through all technological means.

Establishing mechanisms for identifying and resolving all acts and events that could give rise to risks as a result of:

- Committing fraudulent acts or transactions through technological means.
- Contingencies generated in the systems related to services rendered and transactions performed through all technological means.
- Inappropriate use of the above-mentioned distribution channels, to operate through the means mentioned above.

2. Qualitative analysis: After being identified, the Bank's processes and technological infrastructure are analyzed to determine the possible impact on the systems and applications. The controls in place to mitigate technological risks are also identified in order to ensure compliance with the objectives regarding minimizing exposure to such risks. Moreover, an analysis is performed to ensure the security and confidentiality of the transaction, as well as authorization and access to the systems.

The Bank creates a database to record all the technological risks resulting from the identification and analysis of the previous points. The causes and consequences of this exposure is analyzed and classified based on the line of business and loss events in question, and their cost and corresponding affected balance sheet accounts is identified. Mechanisms are also implemented to measure and ensure the levels of liquidity and response times for the agreed upon services.

The vulnerability of the hardware, software, applications, security, information recovery, networks, etc. is also assessed either through an external service provider or by the person in charge of Risk Management within the Bank.

3. Quantitative analysis: An estimate is performed of the potential indirect losses caused by the technological risk and they are calculated based on the probability of occurrence and average monetary impact.

4. Management: The controls and possible actions to mitigate the risks, including their cost/benefit, are evaluated, and the residual risk, which is what is left over after applying the measures to existing risks, is analyzed.

5. Monitoring: the risks with the highest impact for the Bank are permanently monitored and mitigation strategies are determined together with personnel of the areas involved in the matter.

6. Disclosure: The Bank's CEO, Board of Directors, and Risk Management Committee, the corresponding authorities, and the areas involved are informed of the findings and impacts of the technological risks detected.

7. The Comprehensive Risk Management Unit, together with the IT area, has developed a database that is able to generate reports for occurrences in the software, hardware, networks, and servers, based on the different problems that users have encountered. Using this reporting mechanism, the Bank has identified various technological risks and has classified these risks as follows:

    - ✓ Office
    - ✓ Reinstallation
    - ✓ PC personalization
    - ✓ Configuration of new PCs
    - ✓ Configuration of web services
    - ✓ Printers (settings)
    - ✓ General email
    - ✓ Applications
    - ✓ Damaged printers
    - ✓ Mouse
    - ✓ PC in general (hardware)
    - ✓ Keyboard
    - ✓ Network speed
    - ✓ Replacement of network cable
    - ✓ Viruses
    - ✓ PC delivery
    - ✓ Email application crash
    - ✓ Additions on the server
    - ✓ SAP

The severities of each of these types of risks are applied as follows:

Types of reports, taking the following into account: the internal resolution provided for each report, the personnel required, employee positions and the skills needed for such positions. The result is an hourly rate calculated on a man-hour basis.

With regard to systems that require external personnel, the following is taken into account: purchase price, repair price, and a cost factor in which the problem incurred.

The calculation of the cost of the operating and control areas requires the following variables: a) the daily loss or gain of the promotion areas; b) the number of transactions that were settled; and c) the amount of these transactions, in order to obtain the average incurred cost, if any inherent risks existed. Through the monitoring activities, IT personnel generate the reports and controls required by the Bank.

ii. Unquantifiable risks

Insured assets were followed up on, and the vulnerable processes for which there was no type of insurance coverage, were analyzed in depth. The methodology used to follow up on the insurance coverage of risks to which the Bank is exposed to, consists of the following:

Determining the insurance needs for operational events. Recognizing the need for insurance coverage for assets and liabilities, and the operational risks to which the Bank is exposed.

Based on the value of the assets or liabilities to be insured or, if any, of the expected loss in the activities of any of the business units, the Bank determines the policy amount that meets the needs of the Bank.

Decision-making criteria.- Insurance policies are taken out seeking the lowest possible premium and highest possible coverage offered by different insurance companies.

Finding alternatives.- Identifying the insurance companies that offer the coverage required by the Bank, and the requirements that they should meet based on the calculation of the Capital Requirement for Operational Risks established in the capital requirements guidelines for financial institutions.

Evaluating the alternatives.- Ask different insurance companies for quotes for policies with the coverage that meets the Bank's needs. These insurance companies must have high ratings, based on the information available from the different rating agencies.

The Bank evaluates the advantages and disadvantages of each policy quote it receives.

Selecting the best alternative.- The best alternatives are submitted to the Risks Committee for discussion and approval in order to take out the policy that best meets the Bank's needs in terms of securing the lowest possible premium and highest possible coverage.

Portfolios subject to comprehensive risk management

The risk management process is comprehensive in that it seeks to assess all the different types of risks to which the Bank is exposed and in more general terms, the risk exposure of all of the Bank's business units. Overall risk management efforts are primarily applied to the following portfolios:

- Loan portfolio (commercial, mortgage and consumer)
- Money market
- Foreign currency market
- Derivatives market
- Securities portfolio (based on the accounting classification - i.e., for trading, available-for-sale, or held-to-maturity).

The risks analysis prepared by the Comprehensive Risk Management Unit includes all positions held by the Bank, following the guidelines established by the Bank's senior management and considering the Bank's specific needs. This analysis also takes into account standard guidelines and the accounting classifications for each instrument, both on a general basis and for each classification considered, such as business unit, transaction desk, regionalization, classification, etc. Concerning market risk, the Bank specifically performs the exposure study based on the accounting classifications of held-for-trading securities, available-for-sale securities, and held-to-maturity securities, with the corresponding oversight performed as required under the relevant standards.

Liquidity risk considers all of the positions included in the statement of financial position.

Quantitative information (amounts in Mexican pesos)

Market risk:

An analysis of the Value at Risk (VaR) for each type of the Bank's portfolios at Q4 2013 is as follows:

BANK

Value at Risk (VaR) (Amounts In thousands of pesos)

Business unit	VaR	% Equity
Money market (held-for-trading)	-15,178	0.225%
Money market (held-to-maturity)	-2,157	0.032%
Money market (available-for-sale)	-19,598	0.290%
International market (held-for-trading)	-179	0.003%
Derivatives	-3,981	0.059%
Own (held-for-trading)	-1,360	0.020%
Own (held-to-maturity)	-2,100	0.031%
Own (available-for-sale)	-19,231	0.285%
Overall VaR	-29,682	0.44%

Note: Global VaR includes portfolios of Derivatives, International market, liquidation value date transactions, securities trading and available for-sale.

Limit Bank Market Risk

(expressed in thousands of pesos)

	Limit	VaR	Used
October 2013	-64,149	-25,333	39%
November 2013	-66,753	-29,816	45%
December 2013	-67,472	-31,433	47%
Average period			
Actual limit 1.0% of equity			

Indicators Bank Market Risk

(expressed in thousands of pesos)

	VaR Bank	VaR foreign exchange	VaR Derivatives
October 2013	-25,333	-196	-3,851
November 2013	-29,816	-358	-4,247
December 2013	-31,433	-123	-4,072
Average period			

Credit risk:

An analysis of data relating to the computation of potential losses on derivatives and due to credit risk in the Bank's loan portfolio at Q4 2013 is as follows:

The computation of risk that the counterparty fails to meet its contractual obligations under derivative transactions at December 31, 2013 is as follows:

Counterparty risk exposure in derivatives

Counterparty	Day Expiring	Limit	consumption $	available	consumption %
Counterparty 1 CAPs	606	$747,200	$43,064	$704,136	5.8%
Counterparty 2CAPs	208	$45,760	$1,650	$44,110	3.6%
Counterparty 3 FX FWD	120	$149,158	$4,868	$142,583	3.3%

Amounts In thousands of pesos

Loan portfolio:

An analysis of data relating to the computation of potential losses due to credit risk in the Bank's loan portfolio at Q4 2013 is as follows:

The computation of consolidated credit risk (portfolio and financial instruments at Q4 2013 is as follows:

The Bank has granted 17 loans that exceed 10% of the Bank's basic capital. At December 31, 2013, these loans total Ps.49,805.

The loans granted to the Bank's three largest borrowers, by common risk, at December 31, 2013 total Ps.4,321, while the maximum loan limit is set at Ps.2,670.

Liquidity risk:

Analysis of the Bank's life in Mexican pesos at December 31, 2013 is as follows:

Credit risk consolidated 4Q 2013

Month	Amount	Expected loss	Not expected loss	Percentil 99.5%
OCTOBER	118,556,479	-1,938,360	-4,211,977	-6,150,337
NOVEMBER	116,372,248	-1,984,387	-4,182,149	-6,166,536
DECEMBER	132,296,050	-2,635,826	-4,544,815	-7,180,641
AVERAGE	**122,408,259**	**-2,186,191**	**-4,312,981**	**-6,499,171**

Amounts In thousands of pesos

Gap of Duration (Year)

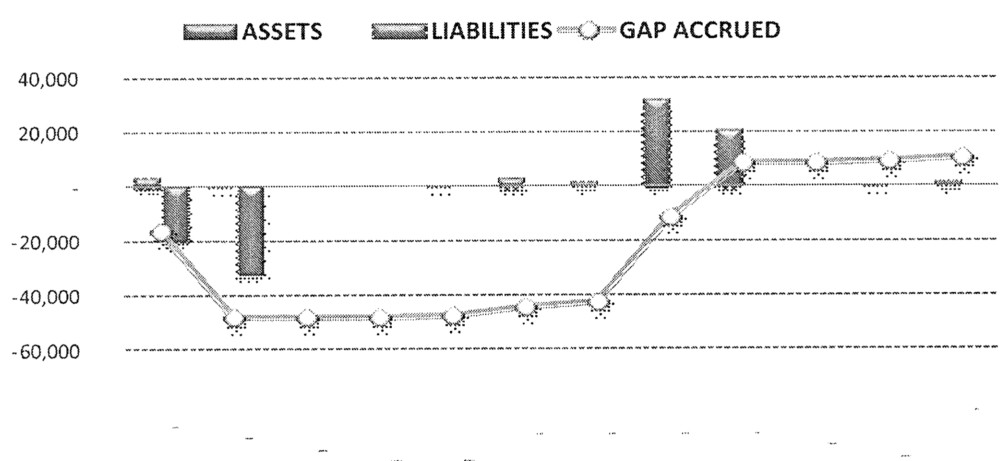
	Oct - 13	Nov - 13	Dec - 13
Loan portfolio	4.64	4.56	4.82
Fonder	1.81	1.77	1.95
GAP	**2.83**	**2.79**	**2.86**

A graph of the maturity gaps in the Bank's securities positions at December 31, 2013, based on which the Bank reported a liquidity risk, is as follows:

Bank Credit Risk (Loan Portfolio) 4Q 2013

Month	Portfolio	Expected loss	No expected loss
OCTOBER	58,673,155	-1,495,371	-3,073,012
NOVEMBER	59,669,976	-1,540,957	-3,137,705
DECEMBER	64,567,642	-2,209,593	-4,769,802
AVERAGE	**60,970,258**	**-1,748,640**	**-3,660,173**

Amounts In thousands of pesos



In millions of Mexican pesos

The potential loss from the early or forced sale of assets showed was as follows:

Potential loss arising from sale of assets

Liquidity requirement for the calculation	750,000
Potential loss	-306,081

In millions of Mexican pesos

The Bank also prepares an estimate of its potential loss from rolling over debt under extraordinary conditions based on the difference between the cost of debt under normal market conditions and the cost of debt under extraordinary market conditions. An analysis is as follows:

Potential loss due to debt rollovers

Debt rolled over under normal market	30,143,564
Debt rolled over under extraordinary market conditions	30,144,498
Potential loss	-934

Amounts In thousands of pesos

An analysis of the estimate for potential losses due to liquidity risks during the period is as follows:

LIQUIDITY RISK INDICATORS BINTER

4Q 2013

Month	EXPECTED LOSS FROM SALE OF ASSETS	EXPECTED LOSS FOR RENEWAL OF LIABILITIES
October	-486,973	-2,079,769
November	-257,285	-1,138,376
December	-306,081	-934,279
Average	-350,113	-1,384,141

Data refer to end of month

Amounts In thousands of pesos

Risk management for derivatives

Changes in the exposure to the main risks identified

The Bank's derivative contracts are at all times focused on the Bank's primary objectives and they are in line with the risk profile. They are also based on sound accounting policies. Based on the type and volume of the transactions carried out by the Bank during the year, including foreign currency forwards (Mexican peso-U.S. dollar) as part of the treasury synthetic funding strategy and new cap option transactions provided to institutional customers. Such transactions are hedged using long-term transactions of the same nature and characteristics similar to the characteristics issued. Also, the Bank conducted interest-rate swap transactions, since other transactions conducted in prior years expired during the period. During 2013, the Bank has followed up, maintained and updated its systems, processes and resources in place to manage the risks assumed when it enters into the aforementioned derivative contracts.

Disclosure of events

As a result of the accounting classification of instruments contracted by the Bank, which were recognized as held for trading purposes, the Bank was not required to evaluate hedge effectiveness of such instruments. However, provided below are descriptions of some of the models to be used by the Bank for these types of strategies:

Foreign currency forwards

The hedge effectiveness of loans or cash flows in foreign currency (USD) with foreign exchange forwards is valued as follows:

In general, at the corresponding review date, the mark-to-market valuation of foreign exchange forwards is determined considering the most appropriate valuation model for this type of transactions, as well as the elimination of arbitration in the value of such instrument. In other words, the fair value of these instruments is determined through the implementation of a valuation model created using non-arbitration principles. This model is commonly used. Just as the model selected meets the aforementioned requirement, the Bank has also selected the most appropriate parameters to implement such model. These parameters may include the risk-free interest for foreign currencies, the implicit risk-free interest for forwards transactions (Mexican peso-U.S. dollar) and the FIX exchange rate published by Banxico.

The aforementioned interest rates are considered the most appropriate for such purposes as they were provided by the Bank's price supplier.

The Bank has implemented the Kondor+ valuation for the automation of processes inherent to derivative transactions. Based on these valuations, the Bank measures the changes in the fair value of the instruments and subsequently compares then to the changes in the fair value of the hedged item.

The hedged item consists of cash flows denominated in foreign currencies (USD) and for the issuance of term deposits payable at maturity (Mexican pesos). U.S. dollar-denominated cash flows arise from loan transactions or treasury management, where the issuance of the term deposits is due to treasury funding requirements. The Bank focuses on the changes in the fair value of the cash flows of its treasury department, considering the USD amounts as assets and the Mexican peso amount as liabilities upon maturity.

The methodologies used to evaluate the aforementioned positions are properly documented in the Risk Management Manual.

The Bank's hedge effectiveness depends on the changes in effectiveness indicators, in accordance with the Accounting Criteria B-5, described in Attachment 33 of the Circular Única for Banks (CUB). In other words, a hedge is considered effective when the changes in the fair value or cash flows of the hedged item are offset by changes in the fair value or cash flows of the hedging instrument within a range of 80% to 125%.

Interest rate swap

The effectiveness of hedging loans with interest rate swaps is assessed using the following criteria:

1. Qualitative
   a. Critical terms

2. Quantitative methods
   a. Synthetic instrument method
   b. Dollar Offset method
   c. Regression analysis

Critical terms method: The requirements to qualify for this methodology are as follows:

- No upfront payments
- Fixed swap rate remains constant
- Floating swap index does not change
- Floating swap index cannot be multiplied by a coefficient, unless:
  - The hedged item is identical

Hedged instrument	Condition	Swap
Maturity date	≥	Maturity date
Interest payment dates	± 15 days	Swap exchange dates
Reset frequency	=	Reset frequency
Reset dates	± 6 days	Reset dates

Synthetic instrument method: The requirements to qualify for this methodology are as follows:

- No upfront payments
- Fixed swap rate remains constant
- Floating swap index does not change
- Maturity date of the instrument to be hedged >= swap maturity date
- Actual synthetic rate should be within a range of 90% to 111% of the fixed swap rate.

This method consists of obtaining a value similar to the expected rate through the synthetic instrument (Swap + instrument to be hedged); i.e., the synthetic rate:

Synthetic rate = instrument to be hedged - swap rate paid + swap rate received

Where:
If the synthetic rate / expected rate is between 90% and 11% , then the hedge derivatives are effective.

Dollar Offset method: This method is based on the following ratio:

$$80\% \leq \frac{\text{Change of value (Instrument to cover)}}{\text{Change of value (Swap)}} \leq 125$$

or

$$80\% \leq \frac{\text{Change of value (Swap)}}{\text{Change of value (Instrument to cover)}} \leq 125$$

If this ratio is within the range, then the hedge is effective.

Regression analysis method: The requirement for a hedge to be effective are as follows:

1. $R^2 \geq 0.80$
2. F-statistic is significant using a 95% confidence level
3. $0.80 \leq M \leq 1.25$ Where: Y=mX+b

If all requirements are met provided that there is sufficient data, then the hedge derivatives are deemed effective.

Options (Interest Rate and Foreign Exchange)

The Bank has carried out short-term cap options transactions at current TIIE rates with different customers. To mitigate the market risk related to such positions, the Bank has purchased cap options at TIIE rates from other counterparties. These transactions are intended to be treated as hedge instruments for accounting purposes, in conformity with the critical terms method. Such method meets the following requirements:

Net monetary liability (sell) position	Condition	Net monetary asset (purchase) position
Date of expiration	=	Date of expiration
Exercise date	=	Same exercise dates
Strike	=	Same strike
Notional amount	=	Same notional amount
Underlying	Same	Same underlying
Type of option	Same	Purchase vs. purchase and sale vs. sale

Sensitivity analyses

Moreover, the sensitivity analyses of risk factors at 4Q 2013 are as follows:

Analysis of Stress Test of BINTER Derivatives (Amounts in thousands of pesos)

Risk factor	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Exchange rate	-26,496	-52,993	-79,489	-47,080	-91,520
Interest rate (National)	-3,066	-6,131	-9,197	-440	-3,528
Total	**-29,562**	**-59,124**	**-88,686**	**-47,519**	**-95,048**

Sensitivity Analysis BINTER Derivatives (Amounts in thousands of pesos)

Risk factor	Scenario 1	Scenario 2	Scenario 3
Exchange rate	-2,208	-4,416	-6,624
Interest rate (National)	-255	-511	-766
Total	**-2,464**	**-4,927**	**-7,391**

Non-discretionary risks

Operational risk

In accordance with Article 86, section II, paragraph a, number 3, and Article 88 of the Circular Única for Banks, at least on a quarterly basis, the Bank must assess and report in the notes to its financial statements the impact that the materialization of the risks identified could have for the business. This materialization is calculated considering the operational risks inherent to the processes of the Bank's business units. As a result of this methodology, the Bank is able to generate a close estimate of the operating events occurring within the Bank. Based on the foregoing, the Bank's operational risk materialization estimate for Q4 2013 is Ps.13,662. The calculation of the Capital Requirement for Operational Risk yielded Ps.575,269 at December 2013.

The Value at Risk of the Operational Risk represents 0.0053% of the Bank's net capital. This Value at Risk was calculated based on the Bank's accounting entries related to loss events.

4Q VaR	
Oct-13	550
Nov-13	558
Dec-13	558

Amounts in thousands of Mexican pesos

Unquantifiable risks:

As part of the processes for mitigating unquantifiable risks, the table below includes a summary of the management activities performed with regard to the renewal of the Bank's insurance policies:

Insurance company	Policy	Coverage	Policy number	Covered company	Premium paid, not including VAT
Policy in U.S. dollars, issued and in effect					
ACE Seguros S.A.	Civil liability for board members and officers	• Bankers Blanket Bonds (BBB) • Civil liability • Directors and Officers (D&O)	8082	GFI	75,000.00
Policy in U.S. dollars, issued and in effect					
AXA Seguros, S.A. de C.V.	Multi-company	• Damages occurred, claimed, and/or lawsuits • Fire • Flooding • Earthquake and volcanic eruption Hail	GSA096690000	GFI Building and branches	511,775.41

Variances in financial income and economic value:

An analysis of the variances in the Bank's financial income and economic value over the last quarter of 2013 and 2012 is as follows:

	October 2013	November 2013	December 2013
Economic value (%)* *	23.20%	7.20%	30.36%
Variance in economic value (pp)	(21.17%)	16.00%	23.16%

*ECONOMIC VALUE INFORMATION PROVIDED BY THE COMPREHENSIVE RISK MANAGEMENT UNIT

	October 2012	November 2012	December 2012
Economic value (%) *	23.69%	12.80%	21.93%
Variance in economic value (pp)	9.40%	(10.89%)	9.13%

28. Subsequent Events

- Improvements to Mexican FRS 2014 and new Mexican FRS

Following is a discussion of the improvements and new accounting pronouncements that will become effective as of January 1, 2014:

Improvements to Mexican FRS:

Mexican FRS C-5, *Prepaid Expenses*. Mexican FRS C-5 establishes that prepaid expenses made in a foreign currency should not be adjusted subsequently to reflect exchange rate fluctuations. The standard also eliminates the rule that establishes recognizing impairment in the value of prepaid expenses, and that it should be recognized in profit or loss of the period it occurs as part of the caption that management deems most appropriate.

Mexican accounting Bulletin C-15, *Accounting for the Impairment or Disposal of Long-Lived Assets*. Mexican accounting Bulletin C-15 clarifies that impairment in the value of long-lived assets should not be capitalized as part of the value of other assets. It also establishes that financial statements from prior years should not be restated to reflect assets and liabilities related to a discontinued operation that is presented in the balance sheet of the current year. Lastly, this standard modifies the definition of the "appropriate discount rate" that should be used to calculate value in use for impairment testing and establishes that the appropriate discount rate should be based on either real or nominal values, depending on the financial assumptions used in the discounted cash flow projections.

Mexican FRS B-3, *Statement of Comprehensive Income*. Mexican FRS B-3 has been amended to eliminate the requirement that certain transactions be recognized as part of Other income and Other expenses, and to allow this recognition at the discretion of an entity's management.

Mexican FRS C-13, *Related Parties*. Mexican FRS C-13 establishes that entities that share joint control are considered related parties and thus, besides joint arrangements, joint operations should also be considered related parties. Mexican FRS C-13 also replaces the term "affiliate" with the term "related party".

New Mexican FRS:

Mexican FRS C-11, *Shareholders' Equity*. Mexican FRS C-11 establishes that capital contributions should only be recognized directly in equity when: a) there is a shareholder or owner resolution indicating that the capital increase will be performed at some time in the future, b) the price per share of the shares to be issued for the capital contributions has been established and c) it is established that the contributions may not be reimbursed before they are capitalized.

Mexican FRS C-12, ***Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity***. Mexican FRS C-12 establishes that the principal feature of an equity instrument is that its holder of the instrument bears the risks and rewards of ownership of the instrument and does not merely earn a fixed-yield on the security. This new accounting standard also introduces the concept of subordination as a critical aspect for determining whether and instrument is an equity instrument, and establishes that instruments with precedence of payment or reimbursement over other instruments qualify as liabilities since there is an obligation to pay them. Mexican FRS C-12 allows classification as an equity instrument for those instruments that provide the option to issue a fixed number of shares at a fixed price per share set in a currency different from the issuer's functional currency, provided that all the holders of the class of instruments in question have the same option in proportion to their equity interest.

Management deems that the adoption of these new standards will have no effect on the Bank's financial statements.