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

Consolidated Financial Statements

Years Ended December 31, 2014 and 2013
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, 2014 and 2013

Contents:

EY
Construyendo un mejor entorno de negocios

Av. Ejército Nacional 843-B
Antara Polanco
11520 México, D.F.

Tel: +55 5283 1300
Fax: +55 5283 1392
ey.com/mx

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., Institución de Banca Múltiple, Grupo Financiero Interacciones and subsidiaries (the Bank), which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, and the consolidated statements of income, statements of changes in shareholders' equity and statements of cash flow for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the accompanying 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 the accompanying consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the 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 audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements of Banco Interacciones, S.A., Institución de Banca Múltiple, Grupo Financiero Interacciones and subsidiaries for the years ended December 31, 2014 and 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.

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
Ernst & Young Global Limited

C.P.C. Jorge M. Senties

Mexico City
March 2, 2015

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

Consolidated Statements of Financial Position

At December 31, 2014 and 2013

(Amounts in millions of Mexican pesos)

(Notes 1 and 2)

	2014	2013
Assets		
Cash and cash equivalents (Note 3)	Ps. 6,030	Ps. 6,335
Margin accounts (Note 6)	-	46
Investments in securities (Note 4)		
Held-for-trading securities	28,159	57,126
Available-for-sale securities	4,189	5,242
Held-to-maturity securities	2,079	1,027
	34,427	63,395
Debtors under security repurchase agreements (Note 5)	106	-
Performing loan portfolio (Note 7)		
Business or commercial activity	18,127	12,274
Financial entities	2,459	2,374
Government entities	60,787	47,986
Consumer loans	34	26
Home mortgage loans	235	258
Total performing loan portfolio	81,642	62,918
Past-due loans		
Business or commercial activity	106	129
Home mortgage loans	9	7
Total past-due loan portfolio	115	136
Total loans	81,757	63,054
Loan-loss reserve (Note 8)	(1,380)	(1,897)
Total loan portfolio, net	80,377	61,157
Other accounts receivable, net (Note 9)	988	4,399
Foreclosed and repossessed assets, net (Note 10)	609	1,038
Property, furniture and equipment, net (Note 11)	123	128
Equity investments	5	5
Deferred taxes, net (Note 20)	332	121
Other assets (Note 12)		
Deferred charges, prepaid expenses and intangibles	336	254
Other short- and long-term assets	19	12
	355	266
Total assets	Ps. 123,352	Ps. 136,890

	2014	2013
Liabilities		
Traditional deposits (Note 13)		
Demand deposits	Ps. 27,239	Ps. 17,717
Time deposits		
General public	14,060	9,010
Money market transactions	15,664	11,456
	29,724	20,466
Debt securities issued (Note 13)	14,034	8,125
	70,997	46,308
Interbank and other borrowings (Note 14)		
Demand loans	45	942
Short-term	4,184	4,757
Long-term	11,290	13,501
	15,519	19,200
Creditors under security repurchase agreements (Note 5)	21,852	52,318
Collateral securities sold or delivered in guarantee		
Securities lending	-	337
Derivatives (Note 6)		
Held-for-trading	77	4
Other accounts payable		
Income tax payable	415	27
Employee profit sharing payable	38	30
Creditors on settlement of transactions (Note 15)	409	5,915
Accrued liabilities and other accounts payable (Note 16)	1,458	1,555
	2,320	7,527
Outstanding subordinated debentures (Note 17)	2,556	2,556
Deferred credits and early settlements	132	135
Total liabilities	113,453	128,385
Shareholders' equity (Note 19)		
Contributed capital		
Share capital	3,624	3,624
Earned capital:		
Capital reserves	688	539
Retained earnings	3,491	2,506
Unrealized gain on available-for-sale securities	346	347
Net income	1,750	1,489
	6,275	4,881
Total shareholders' equity	9,899	8,505
Total liabilities and shareholders' equity	Ps. 123,352	Ps. 136,890

Memorandum accounts

		2014		2013
Loan commitments	**Ps.**	**2,358**	Ps.	1,244
Property held in trust or under mandate (Note 23a)				
Trusts	**Ps.**	**57,459**	Ps.	37,428
Mandates	**Ps.**	**89**	Ps.	89
Property held for safekeeping or managed (Note 23b)	**Ps.**	**25,329**	Ps.	23,603
Collateral securities received by the Bank (23c)	**Ps.**	**9,399**	Ps.	6,410
Collateral securities received and sold or delivered in guarantee by the Bank (Note 23d)	**Ps.**	**2,674**	Ps.	1,580
Uncollected accrued interest on past-due loans (Note 23e)	**Ps.**	**294**	Ps.	215
Other memorandum accounts	**Ps.**	**215**	Ps.	44,522

The Bank’s historical share capital at December 31, 2014 and 2013 is PS.2,604.

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, 2014 and 2013

(Amounts in millions of Mexican pesos)

(Notes 1, 2 and 25)

	2014	2013
Interest income (Note 24a)	Ps. 6,677	Ps. 6,361
Interest expense (Note 24b)	(4,601)	(4,532)
Financial margin	2,076	1,829
Loan-loss reserve (Note 8)	(961)	(975)
Financial margin adjusted for credit risks	1,115	854
Commissions and fees earned (Note 24c)	2,964	4,795
Commissions and fees paid (Note 24d)	(1,436)	(3,002)
Intermediation income (Note 24e)	281	235
Other operating income (Note 24f)	1,192	952
Administrative and promotional expenses	(1,735)	(1,759)
Operating income before income tax(Note 25)	2,381	2,075
Current year income tax (Note 20)	(842)	(706)
Deferred income tax, net (Note 20)	211	120
	(631)	(586)
Net income	Ps. 1,750	Ps. 1,489

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, 2014 and 2013

(Amounts in millions of Mexican pesos)

(Notes 1, 2 and 19)

	Contributed capital	Earned capital				
	Share capital	Capital reserves	Retained earnings	Unrealized gain on available-for-sale securities	Net income	Total shareholders' equity
Balance at December 31, 2012	Ps. 1,893	Ps. 446	Ps. 2,174	Ps. 512	Ps. 930	Ps. 5,955
Resolutions adopted by shareholders:						
Appropriation of net income to retained earnings			930		(930)	-
Subscription of shares	1,895					1,895
Creation of reserves		93	(93)			-
Dividends paid to shareholders			(505)			(505)
Reimbursement of share capital to shareholders	(164)					(164)
	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)
	-	-	-	(165)	1,489	1,324
Balance at December 31, 2013	3,624	539	2,506	347	1,489	8,505
Resolutions adopted by shareholders:						
Appropriation of net income to retained earnings			1,489		(1,489)	-
Creation of reserves		149	(149)			-
Dividends paid to shareholders			(355)			(355)
	-	149	985	-	(1,489)	(355)
Recognition of comprehensive income:						
Net income					1,750	1,750
Unrealized gain on available-for-sale securities				(1)		(1)
	-	-	-	(1)	1,750	1,749
Balance at December 31, 2014	Ps. 3,624	Ps. 688	Ps. 3,491	Ps. 346	Ps. 1,750	Ps. 9,899

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, 2014 and 2013

(Amounts in millions of Mexican pesos)

(Notes 1 and 2)

	2014	2013
Net income	Ps. 1,750	Ps. 1,489
Adjustment of items not affecting cash flow:		
Depreciation of property, furniture and equipment	15	18
Amortization of intangible assets	40	46
Provisions	138	25
Current-year and deferred income tax	631	586
Other	-	8
	824	683
Operating activities		
Margin accounts	46	(28)
Investments in securities	28,967	(25,114)
Debtors under security repurchase agreements	(106)	-
Loan portfolio	(19,220)	(7,238)
Foreclosed and repossessed assets	429	(824)
Other operating assets	3,290	(2,244)
Traditional deposits	24,689	3,744
Interbank and other borrowings	(3,681)	4,480
Creditors under security repurchase agreements	(30,466)	21,829
Derivatives (liability)	73	-
Subordinated debentures	-	51
Collateral securities sold or delivered in guarantee	(337)	(233)
Other operating liabilities	(5,736)	2,204
Income tax paid	(454)	(732)
Net cash flows used in operating activities	(2,506)	(4,105)
Investing activities		
Payments for the purchase of property, furniture and equipment	(10)	(10)
Payments for the purchase of intangible assets and others	(8)	(10)
Payments for the purchase of other long-lived assets	-	(6)
Net cash flows used in investing activities	(18)	(26)
Financing activities		
Cash dividends paid	(355)	(505)
Proceeds from shares issued	-	1,895
Payment of capital reimbursements	-	(164)
Net cash flows (used in) generated by financing activities	(355)	1,226
Net decrease in cash and cash equivalents	(305)	(733)
Cash and cash equivalents at beginning of year	6,335	7,068
Cash and cash equivalents at end of year	Ps. 6,030	Ps. 6,335

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, 2014 and 2013

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

1. Description of the Business and Relevant Events

a) Corporate 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 rules established by the National Banking and Securities Commission (CNBV, Spanish acronym), Banco de México (Banxico), and 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 rules and regulations issued by the Ministry of Finance and Public Credit (SHCP).

b) Relevant events

During the years ended December 31, 2014 and 2013, the Bank's operations were affected by the following relevant events:

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

The methodology for the grading of commercial loans and for the creation of the respective loan-loss reserves issued by the CNBV on June 24, 2013, includes the procedures for grading loans granted to financial entities which, in accordance with the transitory rules issued by the CNBV, may be deferred until June 30, 2014. 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. See Note 2o) for a description of the main characteristics of this methodology.

Based on the application of this new methodology, the Bank determined an overstatement in the loan-loss reserve of Ps.106, which was released on the next loan grading date, as required under the Mexican National Banking and Securities Commission Accounting Criterion B-6, *Loans*. This overstatement represents the difference between the balance of the loan-loss reserve of Ps.33 resulting from the application of the new methodology and the balance of Ps.139 that was determined using the old grading methodology. The related accounting adjustment was performed based on the transitory provisions established by the CNBV. To apply the new methodology, the Bank applied the option set forth in official document 320-1/15106/2013 issued by the CNBV on August 21, 2013, since the Bank deemed it impractical to make retrospective adjustments to its loan-loss reserve (at December 31, 2013) 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).

- **Application of the effects of Mexican tax reform to take effect as of January 1, 2014**

Mexico's latest tax reform took effect on January 1, 2014. This tax reform included the repeal of the Flat-rate Business Tax Law and the tax on cash deposits. 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) Deductions of payroll-related expenses that are tax exempt for employees will be limited to 53% of the expense.

c) 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 10% rate.

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

- **Dividends paid**

At an ordinary shareholders' meeting held on November 26, 2014, the shareholders declared a cash dividend of Ps.355, which was paid from the Net taxed profits account (CUFIN, Spanish acronym) balance on December 9, 2014.

- **Sale of loan portfolio**

In November 2014, the Bank sold a loan portfolio comprised of loans owed by Banco Monex, S.A., I.B.M., Monex Grupo Financiero, Trustee of Trust 1412, with a net value of Ps.230.

In December 2014, the Bank sold a loan portfolio comprised of loans owed by the government of the State of Puebla, with a net value of Ps.2,900.

2. Summary of Significant Accounting Policies

a) Basis of preparation and presentation of financial information

The accompanying consolidated financial statements were prepared in accordance with the accounting standards for credit institutions issued by the CNBV. Under these accounting standards, the controlling companies of financial groups are required to observe Mexican Financial Reporting Standards (Mexican FRS), as issued or adopted by the Mexican Financial Reporting Standards Board (*Consejo Mexicano de Normas de Información Financiera, A.C.* or CINIF), and any other accounting rules issued by the CNBV for adoption by such entities. 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.

On March 2, 2015, the accompanying consolidated financial statements were authorized for issue by the Bank's Board of Directors, under the responsibility of the following Group officers: Gerardo C. Salazar Viezca, General Director; Alejandro Frigolet Vázquez-Vela, Corporate Finance and Administrative Director; Carlos Adrián Madrid Camarillo, Director of Accounting and Financial Reporting; and Carlos Andrade Téllez, Corporate Internal Audit Director.

The accompanying consolidated financial statements shall be subject to further approval of the shareholders. As part of its inspection and oversight powers, the CNBV has the right to order those 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, 2014.

The 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, 2014 and 2013 is as follows (does not include the elimination of intercompany transactions):

	2014					
Subsidiary	**Equity interest**	**Total assets**	**Total liabilities**	**Shareholders' equity**	**Operating income**	**Net income for the year**
Inmobiliaria Interorbe, S.A. de C.V.	**99.99%**	**Ps. 22**	**Ps. 1**	**Ps. 21**	**Ps. 3**	**Ps. 2**
Inmobiliaria Mobinter, S.A. de C.V.	**99.99%**	**25**	**1**	**24**	**4**	**2**
Interacciones Sociedad Operadora de Sociedades de Inversión, S.A. de C.V.	**99.90%**	**20**	**13**	**7**	**83**	**-**
		Ps. 67	**Ps. 15**	**Ps. 52**	**Ps. 90**	**Ps. 4**

	2013					
Subsidiary	Equity interest	Total assets	Total liabilities	Shareholders' equity	Operating income	Net income for the year
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

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. 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. The Bank has authorization to consolidate the financial statements of this company since the subsidiary's activities are similar or complementary to its own.

Highlights of the captions at December 31, 2014 and 2013 that were affected by the consolidation before and after eliminations are as follows:

	2014		2013	
	Individual balances	**Consolidated balances**	Individual balances	Consolidated balances
Statement of financial position				
Cash and cash equivalents	**Ps. 6,023**	**Ps. 6,030**	Ps. 6,335	Ps. 6,335
Held-for-trading securities	**28,158**	**28,159**	57,125	57,126
Held-to-maturity securities	**2,079**	**2,079**	1,027	1,027
Loan-loss reserve	**1,380**	**1,380**	1,897	1,897
Other accounts receivable, net	**980**	**988**	4,397	4,399
Property, furniture and equipment, net	**113**	**123**	116	128
Equity investments	**57**	**4**	49	5
Demand deposits	**27,252**	**27,239**	17,721	17,717
Time deposits	**29,747**	**29,724**	20,500	20,466
Other accounts payable	**2,308**	**2,320**	7,518	7,527
Statement of income				
Interest expense	**4,602**	**4,601**	4,533	4,532
Administrative and promotional expenses	**1,652**	**1,735**	1,737	1,769
Other operating income	**1,100**	**1,187**	925	952

c) Consolidated statements of cash flows

The Bank prepares its consolidated statements 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 2014 and 2013, 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 11.62% and 11.36%, 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 statement of financial position at December 31, 2014 and 2013 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, share capital, capital reserves, and retained earnings.

e) Presentation of financial statements

The CNBV regulations require that amounts shown in the consolidated financial statements of credit institutions be expressed in millions of Mexican pesos. Consequently, the accounting records of certain caption of the accompanying financial statements show balances of less than one million Mexican pesos and, therefore, these balances are not included in the captions at all.

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 statement of financial position 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 CNBV'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 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. Interpreting the meaning of what may be deemed to be "significant" or "extended" requires judgment by management. Nevertheless, the Bank evaluates, among other factors, the historical changes in the pricing and terms of each instrument, as well as the size of differences between the fair value and acquisition cost of its investments.

- **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. These investments are stated at cost plus unpaid accrued interest at the date of the statements of financial position, 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 presented in the statement of financial position 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 CNBV-authorized price supplier.

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 currency 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:

- **Held-for-trading securities**

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 income tax, 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.

- **Held-to-maturity securities**

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 accordance with CNBV 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, 2014 and 2013, 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.

- **Transfers of financial instruments between categories**

No reclassifications are permitted between financial instrument categories, except for securities reclassified from held-to-maturity to available-for-sale, which is allowed provided that the Bank does not intend to hold these 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 CNBV's authorization.

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 statement of financial position 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 entity.

- 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 statement 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 is recognized in the income statement as it accrues.

- Dividends

Stock dividends are accounted for 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.

m) Derivative financial instruments and hedging activities

Derivatives are recognized in the statements of financial position 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 borrowing 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 statement of financial position as part of the caption Derivatives for trading or hedging purposes. Such premium is valued at the fair value of the option.

- **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.

- **Financial instruments acquired for hedging purposes**

The Bank has the following financial instruments acquired for hedging purpose.

- **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.

- **Cash-flow hedges**

These instruments hedge the Bank's exposure to variability in cash flows on its forecasted transactions that (i) are 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 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) Loan portfolio

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 credit area 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 occurred 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 statement of financial position as interest earned in advance under the caption Deferred credits and early settlements, and is amortized on a straight-line basis 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 income statement 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.

Loan origination fees are amortized over the term of the loan.

Incremental loan origination costs are amortized over the same terms as the loan origination fees related to each loan.

In accordance with Mexican FRS, loan origination costs, and other items associated with the loan origination process should be valued separately to determine whether they should be included as part of the effective interest rate of the transaction.

- **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 the loan is repayable in partial, periodic installments of principal and interest and 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.

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 CNBV 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 investment units (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 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:

Level of risk	Percentage of the allowance
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 (both state and municipal) is calculated considering the default risk for 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:

Level of risk	Percentage of the allowance
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) are 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, which 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:

	Percentage	
Level of risk	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 loan-loss reserve 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.

- **Write-offs**

In accordance with CNBV regulations, the Bank recognizes write-offs occurring during the year in profit or loss, without the need for authorization from the CNBV 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 are 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 cash flows from a given instrument, it must create an allowance for bad debts 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 amount, 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 caption.

The allowance for impairment in foreclosed and repossessed assets and assets received as payment in kind are recognized on a monthly basis in a systematic and cumulative manner using a specific allowance that is charged to earnings under the Other operating income/(expenses) caption. The mechanism used for calculating and recognizing the allowance consists of creating an impairment projection schedule for each foreclosed asset to create an allowance of up to 100% of the value of each asset, or a lesser percentage for those assets that the Bank's specialized recovery area determines may remain on the statement of financial position for a specific period of time, in accordance with the CNBV's rules. The Bank determines the monthly incremental amount of the allowance required under CNBV rules so that the asset is recognized consistently year after year as the assets age. The amount of the allowance is adjusted each month based on the variances in the value of the foreclosed assets (inflows and outflows).

Foreclosed assets and assets received in lieu of payment that the Bank intends to retain for its own use are recognized in the statement of financial position 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 on the value of the Investment Units (UDI).

Depreciation is computed on the value of fixed assets on a straight-line basis, 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.

For the years ended December 31, 2014 and 2013, there were no indicators of impairment in the value of the Bank's long-lived assets.

t) 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 for 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 traditional 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 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 time 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 statement of financial position 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) Provisions, contingent liabilities and commitments

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

In the case of contingencies, the Bank's management evaluates the existing circumstances (i.e., at the date of preparation of the financial statements to determine the likelihood probable, possible, or remote) that an outflow will be required in settlement.

Contingent liabilities are recognized only when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Also, commitments are only recognized when they will generate a loss.

w) Employee benefits

- Employee profit sharing

The Bank determines its taxable income for purposes of its calculation of employee profit sharing in accordance with the Mexican Income Tax Law and pays the amount determined by applying the limit set forth in section III of Article 127 of the Federal Labor Law. The Bank recognizes its liability for employee profit sharing payable in the statement of financial position at December 31, 2014 and 2013. Deferred employee profit sharing is calculated as described above, and there are no items giving rise to employee profit sharing at December 31, 2014 and 2013.

- Termination benefits

Non-alternative retirement benefits payable to employees due to corporate restructurings are either recognized as expenses as they accrue, or are recognized whenever: (i) the Bank has a present obligation (legal or constructive) to pay these benefits as a result of a past event, (ii) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (iii) a reliable estimate can be made of the amount of the obligation. The Bank's liability for non-alternative retirement benefits payable for reasons other than corporate restructurings are recognized 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, 2014 and 2013.

At December 31, 2014 and 2013, the Bank recognized a liability for labor obligations totaling Ps.21 (Ps.4 for seniority premiums and Ps.17 for termination benefits) and Ps.17 (Ps.4 for seniority premiums and Ps.13 for termination benefits), respectively, based on actuarial computations. For the years ended December 31, 2014 and 2013, the Bank's net periodic benefit cost was Ps.4 in both years.

- **Unamortized items**

As of 2008, the transition asset or liability, past service costs and changes to plan are being amortized on a straight-line basis 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, 2014 and 2013 was Ps.1 and was included in net periodic benefit cost.

The net projected liability is included in the accompanying consolidated statement of financial position 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.

x) Income tax

Income tax consists of current-year and deferred income 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 values of balance sheet accounts, plus the effects of tax losses and tax credits.

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

Provisions for income tax 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 or employee profit sharing rate, as the case may be, effective as of the date of the statement of financial position, or the enacted rate at the date of the statement of financial position that will be in effect when 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 includes the repeal of the Flat-rate Business Tax Law and for this reason, starting on January 1, 2014, 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.

y) Share-based payments

The Bank maintains a stock option plan to acquire shares in Grupo Financiero Interacciones (equity bonds) for executives who have worked for the Bank for three years or more. These payments are initially measured at fair value. All vested and unallocated shares are recognized in the Other assets caption and are measured at fair value on a daily basis. Under no circumstances does the Bank pay this benefit in cash.

z) Outstanding subordinated debentures

The Bank's liability for subordinated debt represents the amount it is obligated to pay out to its bondholders. The carrying amount 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.

aa) Recognition of interest

Interest income and Commissions earned on the Bank's performing portfolio are recognized on 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.

ab) 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 accordance with Mexican FRS C-9.

ac) 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.

ad) 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 operating income caption in the income statement.

ae) Memorandum accounts

Memorandum accounts are used to record and control all of the Bank's financial and non-financial supplementary information on the statement of financial position, 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.

af) Earnings per share

Earnings per share are determined by dividing the net profit or loss for the year by the weighted-average number of shares outstanding at the date of the statement of financial position.

ag) Comprehensive income

The comprehensive income shown in the consolidated statement of changes in shareholders' equity consists mainly 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.

ah) 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.

ai) New accounting pronouncements

Following is a discussion of the new accounting pronouncements that became effective as of January 1, 2014 and that are applicable for the Bank:

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 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. Lastly, 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.

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

3. Cash and Cash Equivalents

An analysis of this caption at December 31, 2014 and 2013 is as follows:

		2014		2013
Cash	Ps.	13	Ps.	9
Foreign currency		4		7
Deposits in Banco de México (Banxico) [a]		4,009		3,209
Domestic and foreign banks [b]		784		1,387
Three-day call money transactions		1,106		-
Cash held in trust		114		-
		6,030		4,612
24/48 hour currency transactions [c]:				
Buying		-		4,826
Selling		-		(3,103)
		-		1,723
	Ps.	6,030	Ps.	6,335

[a] Deposits in Banco de México (Banxico)

At December 31, 2014 and 2013, the Bank has made the following deposits in Banxico:

		2014		2013
Circular - telefax 36/2008	Ps.	4,009	Ps.	3,201
Accrued interest on deposits		-		8
	Ps.	4,009	Ps.	3,209

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

Date published	August 1, 2008
Individual amount	$ 4,009
Term of deposit	Open-ended
Rate	Weighted funding rate
Term of returns	28 days

(b) Domestic and foreign banks

	2014		2013	
	Currency		Currency	
	Mexican pesos	**Foreign currency**	Mexican pesos	Foreign currency
Domestic banks in U.S. dollars	**Ps. 770**	**1**	Ps. 149	13
Foreign banks in U.S. dollars	**12**	**52**	1,236	95
Domestic banks in Mexican pesos	**2**	**-**	2	-
	Ps. 784	**53**	Ps. 1,387	108

(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. For the year ended December 31, 2014, the Bank carried out no 24/48 hour currency transactions. An analysis of the Bank's 24/48 currency transactions for the year ended December 31, 2013 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. 1,723		

At December 31, 2013, 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 statement of financial position 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, 2014 and 2013 is as follows:

a) Held-for-trading securities

	2014			
	Cost	Accrued interest	Unrealized gain or loss	Fair value
Unrestricted				
Debt instruments				
UDI-denominated development bonds [1]	Ps. (99)	Ps. -	Ps. -	Ps. (99)
Development bonds	4,530	2	2	4,534
Debt certificates ("certificados bursátiles") [1]	(20)	-	-	(20)
Term deposits with interest payable at maturity	2,193	10	(1)	2,202
	6,604	12	1	6,617
Restricted				
Debt instruments				
Sovereign debt	99	-	1	100
Fixed-yield bonds	9,601	52	83	9,736
Development bonds	7,969	1	-	7,970
Debt certificates ("certificados bursátiles")	3,750	4	(18)	3,736
	21,419	57	66	21,542
	Ps. 28,023	Ps. 69	Ps. 67	Ps. 28,159

	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
Debt certificates ("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	5,938	42	14	5,994
Fixed-yield bonds	332	1	4	337
Development bonds	45,513	53	10	45,576
Debt certificates ("certificados bursátiles") [1]	2,326	6	(5)	2,327
	54,109	102	23	54,234
	Ps. 56,998	Ps. 104	Ps. 24	Ps. 57,126

[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, 2014 and 2013 is as follows:

	2014			
	Cost	Accrued interest	Unrealized gain or loss	Fair value
Unrestricted				
Debt instruments				
Debt certificates ("certificados bursátiles")	Ps. 1,063	Ps. 2	Ps. 2	Ps. 1,067
Certificates of deposit	343	-	-	343
	1,406	2	2	1,410
Equity instruments, net				
Shares in mutual funds	1,593	-	384	1,975
	2,999	2	384	3,385
Restricted				
Debt instruments				
Sovereign debt	432	13	(4)	441
Equity instruments, net				
Shares	249	-	114	363
	681	13	110	804
	Ps. 3,680	Ps. 15	Ps. 494	Ps. 4,189

	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
Debt certificates ("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 in mutual funds	1,819	-	350	2,169
	3,869	2	367	4,238
Restricted				
Debt instruments				
Sovereign debt	565	56	(36)	585
Fixed-yield bonds	12	-	-	12
Equity instruments, net				
Shares	242	-	165	407
	819	56	129	1,004
	Ps. 4,688	Ps. 58	Ps. 496	Ps. 5,242

As analysis of the net unrealized gain on available-for-sale securities shown in equity as a comprehensive income item at December 31, 2014 and 2013 is as follows:

	2014		2013	
Unrealized gain	**Ps.**	**494**	Ps.	496
Less:				
Effect of deferred income tax	**(**	**148)**	(	149)
	Ps.	**346**	Ps.	347

c) Held-to-maturity securities

An analysis of the Bank's investments in held-to-maturity securities at December 31, 2014 and 2013 is as follows:

	2014					
		Cost		**Accrued interest**		**Carrying amount**
Unrestricted						
Debt instruments						
Mexican Treasury Certificates (CETES)	**Ps.**	**3**	**Ps.**	**-**	**Ps.**	**3**
Corporate debt		**1,317**		**1**		**1,318**
Debt certificates (“certificados bursátiles”)		**1**		**-**		**1**
		1,321		**1**		**1,322**
Restricted						
Debt instruments						
Debt certificates		**756**		**1**		**757**
	Ps.	**2,077**	**Ps.**	**2**	**Ps.**	**2,079**

	2013					
		Cost		Accrued interest		Carrying amount
Unrestricted						
Debt instruments						
Mexican Treasury Certificates (CETES)	Ps.	3	Ps.	-	Ps.	3
Corporate debt		295		2		297
Debt certificates (“certificados bursátiles”)		1		-		1
		299		2		301
Restricted						
Debt instruments						
Debt certificates (“certificados bursátiles”)		726		-		726
	Ps.	1,025	Ps.	2	Ps.	1,027

At December 31, 2014 and 2013, the Bank's held-to-maturity securities show no indicators of impairment.

At December 31, 2014 and 2013, a breakdown of the Bank's investments in securities by credit rating is as follows:

	2014		2013	
Rating	**Amount**	**%**	Amount	%
AAA	**Ps. 31,174**	**90.55%**	Ps. 57,772	91.13%
A	**199**	**0.58%**	948	1.50%
CC	**-**	**0.00%**	1	0.00%
None	**3,054**	**8.87%**	4,674	7.37%
	Ps. 34,427	**100.00%**	Ps. 63,395	100.00%

d) Interest income

For the years ended December 31, 2014 and 2013, the Bank's interest income for each category of security investment is as follows (Note 24a):

	2014	2013
Held-for-trading securities	**Ps. 1,529**	Ps. 1,536
Available-for-sale securities	**84**	149
Held-to-maturity securities	**95**	54
	Ps. 1,708	Ps. 1,739

e) Reclassification of financial assets

For the years ended December 31, 2014 and 2013, the Bank made no reclassifications of its securities investments between categories that required the express authorization of the CNBV.

In 2014, the Bank engaged in securities trading transactions involving corporate bonds with Interacciones Casa de Bolsa that gave rise to de-recognition and recognition of investments in the available-for-sale and held-to-maturity categories. The Bank informed the CNBV of these transactions as part of the customary regulatory reporting and oversight procedures.

f) Debt securities that exceed 5% of the Bank's net capital

An analysis of the Bank's investment in securities other than government securities, are comprised of debt instruments from the same issuer and represent more than 5% of the Bank's net capital at December 31, 2014 and 2013.

		Market value	
Issuer	**Average rate**	**2014**	2013
TCIVICA	2.25%	**Ps. 1,318**	Ps. 1,330
CBPF 48 90	4.30%	**1,583**	1,284
PEMEX 13 95	3.37%	**1,753**	-
CFECB 10-2 95	4.26%	**-**	558
		Ps. 4,654	Ps. 3,172

5. Security Repurchase Agreements

An analysis of the Bank's securities repurchase agreements at December 31, 2014 and 2013 is as follows:

	2014		
	Forward price	Accrued premiums	Total
Debtors under security repurchase agreements			
Government debt	Ps. 2,652	Ps. 1	Ps. 2,653
Other debt instruments	10	-	10
	Ps. 2,662	Ps. 1	Ps. 2,663
Less:			
Collateral securities sold or delivered in guarantee			
Government debt			Ps. 2,547
Other debt instruments			10
			2,557
			Ps. 106
Creditors under security repurchase agreements			
Government debt	Ps. 17,085	Ps. 4	Ps. 17,089
Brazilian government debt	427	24	451
Debt certificates ("certificados bursátiles")	4,311	1	4,312
	Ps. 21,823	Ps. 29	Ps. 21,852

	2013		
	Forward price	Accrued premiums	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
Debt certificates ("certificados bursátiles")	3,017	-	3,017
	Ps. 52,248	Ps. 70	Ps. 52,318

The terms of the Bank's security repurchase agreements at December 31, 2014 and 2013 ranges between 2 and 43 days.

At December 31, 2014 and 2013, the collateral received by the Bank is mainly comprised of debt securities bank savings bonds (Note 23c).

For the years ended December 31, 2014 and 2013, interest income from security repurchase agreements was Ps.93 and Ps.54, respectively, while interest expense was Ps.1,407 and Ps.1,491, respectively (Note 24).

6. Derivative Financial Instruments

a) Derivatives held-for-trading

- Forwards

At December 31, 2014 and 2013, the Bank maintains a short position in forwards in U.S. dollars with fair values of Ps.(77) and Ps.(4), respectively. An analysis is as follows:

Type of derivative or contract	Notional amount nominal value	Value of underlying asset/reference variable		Fair value at December 31		Expiration date
		2014	2013	**2014**	2013	
		T.C. USD	T.C. USD			
FWD	USD (30)	**-**	13.0843	**Ps. -**	Ps. (4)	2014
FWD	USD (98)	**14.7414**	-	**(77)**	-	2015
				Ps. (77)	Ps. (4)	

- Options

At December 31, 2014, the Bank maintains a long position in three call options, which expire in 2015 and 2016, and the notional amount is Ps.1,935. The premiums paid by the Bank for these options totaled Ps.7. The Bank also maintains a short position in 13 call options of Ps.5,997 that expire in 2015 and 2017. The premiums earned by the Bank on these options totaled Ps.15. At December 31, 2014, the fair value of these instruments is less than one million Mexican pesos.

At December 31, 2013, the Bank maintained a long position in three call options, which expire in 2014 and 2015, 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 of Ps.1,809 that expire in 2014 and 2015. The premiums earned by the Bank on these options totaled Ps.10.

b) Hedging transactions

At December 31, 2014 and 2013, the Bank maintains no hedge derivative position.

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, 2014 and 2013, the total balance of the Bank's margin accounts associated with its outstanding derivatives is Ps.56 (recognized in the caption Other accounts receivable, since the instruments are OTC, see Note 9) and Ps.46 (included in the Margin accounts caption, since the instruments are traded in recognized markets), respectively.

7. Loans

An analysis of the Bank's loans at December 31, 2014 and 2013 is as follows:

a) Loan reconciliation

	2014	2013
Total loans as per consolidated statement of financial position	Ps. 81,757	Ps. 63,054
Unaccrued finance income	47	46
Amounts recognized in memorandum accounts:		
Loan commitments	2,358	1,244
Total loan portfolio	Ps. 84,162	Ps. 64,344

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

An analysis of the Bank's loans at December 31, 2014 and 2013 is as follows:

	2014					
	Performing portfolio			Past-due portfolio		
Item	Principal	Interest	Total	Principal	Interest	Total
Commercial loans	Ps. 18,097	Ps. 30	Ps. 18,127	Ps. 105	Ps. 1	Ps. 106
Loans to financial entities	2,454	5	2,459	-	-	-
Loans to government entities	60,604	183	60,787	-	-	-
Consumer loans	34	-	34	-	-	-
Home mortgage loans	235	-	235	9	-	9
	Ps. 81,424	Ps. 218	Ps. 81,642	Ps. 114	Ps. 1	Ps. 115

	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

c) Analysis of loans by type of currency

An analysis of loans by currency at December 31, 2014 and 2013 is as follows:

	2014	2013
Mexican pesos		
Commercial loans	Ps. 19,802	Ps. 13,568
Loans to financial entities	2,459	2,373
Loans to government entities	59,700	47,237
Consumer loans	34	26
Home mortgage loans	244	265
	82,239	63,469
U.S. dollars		
Commercial loans	801	84
Loans to government entities	1,122	791
	1,923	875
	Ps. 84,162	Ps. 64,344

d) Operating limits

The CNBV establishes lending limits to be observed by credit companies. 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 core 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 core capital for each borrower or group of borrowers constituting common risk.

At December 31, 2014 and 2013, the Bank has complied with the aforementioned limits.

- **Other loan limits**

The sum of loans granted to the three largest borrowers, loans granted exclusively to multi-service banks, and loans to state-owned entities and agencies, including public trusts, may not exceed 100% of the Bank's core capital (Tier 1).

At December 31, 2014 and 2013, the highest total amount due from the three largest borrowers was Ps.7,660 and Ps.4,321, respectively, which represented 78% and 65% of the Bank's core capital computed at December 31, 2014 and 2013, respectively.

At December 31, 2014 and 2013, the Bank has granted 20 and 17 loans, respectively, that exceed 10% of its core capital. At December 31, 2014, these loans total Ps.61,793 and represent 73% of the Bank's core capital. At December 31, 2013, these loans total Ps.49,805 and represent 77% of the Bank's core 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%.

An analysis of the Bank's troubled commercial loans at December 31, 2014 and 2013 is as follows:

	2014								
	Performing			Past-due			Total		
	Balance	Reserves	% of allowance	Balance	Reserves	% of allowance	Balance	Reserves	% of allowance
Troubled loan portfolio	Ps. 13	Ps. 6	46%	Ps. 106	Ps. 105	99%	Ps. 119	Ps. 112	94%

	2013								
	Performing			Past-due			Total		
	Balance	Reserves	% of allowance	Balance	Reserves	% of allowance	Balance	Reserves	% of allowance
Troubled loan portfolio	Ps. 5	Ps. 2	40%	Ps. 129	Ps. 80	62%	Ps. 134	Ps. 82	61%

f) Classification of loans by region

A breakdown of the Bank's loan portfolio by region at December 31, 2014 and 2013 is as follows:

			% of loan portfolio	
	2014	2013	**2014**	2013
Distrito Federal	**Ps. 24,445**	Ps. 12,185	**29.05%**	18.94%
Coahuila	**8,540**	8,614	**10.15%**	13.39%
Veracruz	**4,962**	4,868	**5.89%**	7.57%
Jalisco	**3,661**	2,825	**4.35%**	4.39%
Puebla	**4,016**	5,358	**4.76%**	8.33%
Quintana Roo	**5,079**	4,346	**6.03%**	6.75%
Nuevo León	**5,559**	1,755	**6.61%**	2.73%
Estado de México	**3,842**	3,776	**4.57%**	5.87%
Michoacán	**2,501**	2,653	**2.97%**	4.12%
Chihuahua	**5,467**	4,502	**6.49%**	7.00%
Tamaulipas	**1,138**	1,111	**1.35%**	1.73%
Sonora	**3,729**	3,535	**4.43%**	5.49%
Tabasco	**64**	1,053	**0.08%**	1.64%
Zacatecas	**1,538**	864	**1.83%**	1.34%
Nayarit	**803**	1,055	**0.95%**	1.64%
Chiapas	**14**	690	**0.02%**	1.07%
Durango	**586**	629	**0.70%**	0.98%
Querétaro	**756**	1,526	**0.90%**	2.37%
San Luis Potosí	**2,070**	398	**2.46%**	0.62%
Oaxaca	**2,611**	1,952	**3.10%**	3.03%
Colima	**257**	237	**0.31%**	0.37%
Morelos	**463**	217	**0.55%**	0.34%
Campeche	**399**	181	**0.47%**	0.28%
Baja California Norte	**365**	-	**0.43%**	0.00%
Hidalgo	**200**	-	**0.24%**	0.00%
Guanajuato	**9**	-	**0.01%**	0.00%
Yucatán	**9**	10	**0.01%**	0.02%
Guerrero	**461**	2	**0.55%**	0.00%
Baja California Sur	**42**	1	**0.05%**	0.00%
Sinaloa	**501**	-	**0.60%**	0.00%
Aguascalientes	**74**	-	**0.09%**	0.00%
Tlaxcala	**1**	1	**0.00%**	0.00%
	Ps. 84,162	Ps. 64,344	**100.00%**	100.00%

g) Performing restructured and rolled over loans

In 2014, the Bank restructured 13 loans and rolled over 15 loans. In 2013, the Bank restructured 12 loans and rolled over 17 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, 2014 and 2013 is as follows:

	2014						2013					
	Performing		**Past-due**		**Total**		Performing		Past-due		Total	
Restructured loans	**Ps.**	**7,720**	**Ps.**	**71**	**Ps.**	**7,791**	Ps.	11,437	Ps.	91	Ps.	11,528
Rolled over loans		**19,414**		**-**		**19,414**		17,623		-		17,623
	Ps.	**27,134**	**Ps.**	**71**	**Ps.**	**27,205**	Ps.	29,060	Ps.	91	Ps.	29,151

h) Past-due portfolio

An aged analysis of the past-due loan portfolio at December 31, 2014 and 2013 is as follows:

	2014									
	From 1 to 180 days overdue		**From 181 to 365 days overdue**		**From 366 to 730 days overdue**		**More than 730 days overdue**		**Total past-due portfolio**	
Commercial loans	**Ps.**	**-**	**Ps.**	**1**	**Ps.**	**45**	**Ps.**	**60**	**Ps.**	**106**
Home mortgage loans		**1**		**3**		**2**		**3**		**9**
	Ps.	**1**	**Ps.**	**4**	**Ps.**	**47**	**Ps.**	**63**	**Ps.**	**115**

	2013									
	From 1 to 180 days overdue		From 181 to 365 days overdue		From 366 to 730 days overdue		More than 730 days overdue		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

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:

In accordance with accounting Criterion B-6, Loan Portfolio, of the *Circular Única* for Banks, the Bank identified a commercial loan portfolio of Ps.482, which the Bank could have considered in June and September as a past-due portfolio. This situation is no longer present at the year-end closing and the related effects were immaterial to the financial information for the years ended December 31, 2014 and 2013.

i) Changes in the past-due portfolio

An analysis of movements in the past-due loan portfolio at December 31, 2014 and 2013 is as follows:

	2014	2013
Beginning balance of past-due portfolio	Ps. 136	Ps. 366
Plus:		
Net reclassification from performing loan portfolio to past-due portfolio	65	682
Less:		
Partial collections	(45)	(714)
Write-offs	(41)	(198)
	(86)	(912)
	Ps. 115	Ps. 136

j) 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 financing through rediscounted loans using either their own resources or loans provided by third parties. An analysis of the balance of the Bank's loans in Mexican pesos and U.S. dollars provided under this program at December 31, 2014 and 2013 is as follows:

	2014		2013	
	Mexican pesos	U.S. dollars translated into Mexican pesos	Mexican pesos	U.S. dollars translated into Mexican pesos
Commercial loans (NAFIN rediscounts)	Ps. 6,768	Ps. -	Ps. 7,020	Ps. 772
Commercial loans (FIRA rediscounts)	1	-	6	-
Commercial loans (Bancomext rediscount)	-	3,759	-	3,290
	Ps. 6,769	Ps. 3,759	Ps. 7,026	Ps. 4,062

k) Interest and Commissions

An analysis of interest and commissions on the Bank's loan portfolio for the years ended December 31, 2014 and 2013 is as follows:

	Interest		Commissions	
	2014	2013	**2014**	2013
Loans to government entities	**Ps. 3,090**	Ps. 3,166	**Ps. 1**	Ps. 3
Commercial loans	**1,085**	956	**2**	8
Loans to financial entities	**149**	58	**1**	1
Home mortgage loans	**16**	17	**-**	-
Consumer loans	**2**	1	**-**	1
	Ps. 4,342	Ps. 4,198	**Ps. 4**	Ps. 13

At December 31, 2014 and 2013, unamortized commissions earned on new loans totaled Ps.106 and Ps.108, respectively, of which Ps.18 and Ps.19, respectively, correspond to commercial loans and Ps.88 and Ps.89, respectively, to loans extended to government entities.

At December 31, 2014 and 2013, the total amount of interest on past due loans that has been suspended for recognition in the income statement was Ps.294 and Ps.215, respectively.

8. Loan-loss Reserve

An analysis of the loan-loss reserve at December 31, 2014 and 2013 is as follows:

	2014	2013
Commercial loans (a)	**Ps. 1,373**	Ps. 1,891
Consumer loans (b)	**1**	1
Home mortgage loans (c)	**6**	5
	Ps. 1,380	Ps. 1,897

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

An analysis of the Bank's loan-loss reserve at December 31, 2014 and 2013 is as follows:

	2014		2013	
Risk	**Amount of loans**	**Amount of reserve**	Amount of loans	Amount of reserve
A1	**Ps. 44,642**	**Ps. 210**	Ps. 31,122	Ps. 165
A2	**21,191**	**248**	4,671	54
B1	**8,400**	**141**	5,158	89
B2	**1,263**	**30**	4,105	94
B3	**5,431**	**215**	15,691	817
C1	**1,245**	**104**	1,650	268
C2	**11**	**1**	1,205	168
D	**1,595**	**318**	404	98
E	**106**	**106**	47	47
Effect of the change in the methodology for the grading of commercial loans (1)	**-**	**-**	-	91
	Ps. 83,884	**Ps. 1,373**	Ps. 64,053	Ps. 1,891

(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 CNBV, 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 companies established by the CNBV, 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, 2014 and 2013 is as follows:

	2014		2013	
Risk	**Amount of loans**	**Amount of reserve**	Amount of loans	Amount of reserve
A	**Ps. 33**	**Ps. 1**	Ps. 26	Ps. 1
B	**1**	**-**	-	-
	Ps. 34	**Ps. 1**	Ps. 26	Ps. 1

c) Home mortgage loans

An analysis of the loan-loss reserve for home mortgage loans at December 31, 2014 and 2013 is as follows:

	2014		2013	
Risk	Amount of loans	Amount of reserve	Amount of loans	Amount of reserve
A	Ps. 185	Ps. 1	Ps. 218	Ps. 1
B	38	1	12	-
C	8	-	28	1
D	11	2	5	1
E	2	2	2	2
	Ps. 244	Ps. 6	Ps. 265	Ps. 5

d) Movements in the loan-loss reserve

Movements in the loan-loss reserve through December 31, 2014 and 2013 were as follows:

	2014	2013
Balance at beginning of year	Ps. 1,897	Ps. 2,015
Plus:		
Increase in loan-loss reserve	961	975
Exchange loss on loans in U.S. dollars	1	-
	962	975
Less:		
Sale of loan portfolio	(265)	(257)
Write-offs	(41)	(198)
Payment in kind	-	(92)
Release of loan-loss reserve (Note 24f)	(1,165)	(532)
Other charges to the reserve	(8)	(14)
	(1,479)	(1,093)
Balance at end of year	Ps. 1,380	Ps. 1,897

9. Other Accounts Receivable, net

An analysis of this caption at December 31, 2014 and 2013 is as follows:

		2014		2013
Debtors under open forex and securities transactions [a]	Ps.	573	Ps.	3,935
Other debtors		585		466
Loans to personnel		8		11
Creditable taxes		40		263
Guarantee deposits for derivative transactions (Note 6c)		56		-
		1,262		4,675
Allowance for doubtful accounts		(274)		(276)
	Ps.	988	Ps.	4,399

[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:

		2014		2013
Clearing accounts for forex transactions (Note 3)	Ps.	-	Ps.	3,102
Clearing accounts for securities trading activities		573		833
	Ps.	573	Ps.	3,935

10. Foreclosed and Repossessed Property, net

An analysis of this caption at December 31, 2014 and 2013 is as follows:

		2014		2013
Land	Ps.	234	Ps.	234
Buildings		16		109
Rights		777		762
Machinery and equipment		14		31
		1,041		1,136
Allowance for impairment in the value of the assets [1]		(432)		(98)
	Ps.	609	Ps.	1,038

[1] In 2014, the Bank created an allowance for impairment in the value of assets due to changes in the age of collection rights of Ps.177 and other reasonable impairment allowances totaling Ps.157 that are calculated in accordance with the asset age reserve tables established by the CNBV for foreclosed assets.

11. Property, Furniture and Equipment, net

An analysis of this caption at December 31, 2014 and 2013 is as follows:

	2014	2013
Land	Ps. 6	Ps. 6
Buildings	48	48
Furniture and equipment	38	37
Computer equipment	46	41
Installation expenses	163	162
Other	10	7
	311	301
Accumulated depreciation	(188)	(173)
	Ps. 123	Ps. 128

Depreciation for the years ended December 31, 2014 and 2013 was Ps.15 and Ps.18, respectively.

12. Other Assets

An analysis of this caption at December 31, 2014 and 2013 is as follows:

	2014	2013
Other assets:		
Software	Ps. 61	Ps. 83
Trademarks and patents	4	-
Other assets, net	22	33
	87	116
Prepaid expenses and deferred charges:		
Executive airline services	146	64
Prepaid expenses	23	-
Trust 8105	6	7
Commissions paid for financial liabilities	19	23
	194	94
Deferred charges:		
Debt issue costs	74	56
	Ps. 355	Ps. 266

Amortization for the years ended December 31, 2014 and 2013 was Ps.40 and Ps.46, respectively.

13. Core Deposits

a) Demand deposits

An analysis of demand deposits at December 31, 2014 and 2013 is as follows:

Checking accounts	Mexican pesos		Foreign currency translated into Mexican pesos		Total	
	2014	2013	**2014**	2013	**2014**	2013
Interest bearing	**Ps. 25,072**	Ps. 15,509	**Ps. -**		**Ps. 25,072**	Ps. 15,509
Non-interest bearing	**1,423**	2,094	**744**	Ps. 114	**2,167**	2,208
	Ps. 26,495	Ps. 17,603	**Ps. 744**	Ps. 114	**Ps. 27,239**	Ps. 17,717

For the years ended December 31, 2014 and 2013, interest payable by the Bank on demand deposits was Ps.821 and Ps.624, respectively (Note 24).

b) Time deposits

	2014			2013
	Principal	Interest	Total	Total
Money market transactions:				
Promissory notes with interest payable at maturity [(1)]	Ps. 12,775	Ps. 52	Ps. 12,827	Ps. 7,395
Certificates of deposit [(2)]	2,830	7	2,837	4,061
	15,605	59	15,664	11,456
General public:				
Over-the-counter promissory notes	14,029	31	14,060	9,010
	Ps. 29,634	Ps. 90	Ps. 29,724	Ps. 20,466

(1) At December 31, 2014 and 2013, these instruments are denominated in Mexican pesos and mature from January to July 2015 and from January to October 2014, respectively.

(2) At December 31, 2014, certificates of deposit are denominated in Mexican pesos and mature from January to December 2015, while certificates of deposit payable at December 31, 2013 are denominated in Mexican pesos and mature from January to November 2014.

For the years ended December 31, 2014 and 2013, interest payable by the Bank on time deposits was Ps.1,070 and Ps.1,151, respectively (Note 24b).

c) Debt certificates issued

An analysis of the Bank's debt certificates at December 31, 2014 and 2013 is as follows:

2014

Issuer	Issue date	Maturity date	Principal		Accrued interest		Total	
BINTER 13-3	17/06/2013	15/06/2016	Ps.	1,500	Ps.	4	Ps.	1,504
BINTER 13	16/05/2013	12/05/2016		1,000		1		1,001
BINTER 12	14/12/2012	11/12/2015		1,200		3		1,203
BINTER 13-4	05/12/2013	18/05/2017		1,000		4		1,004
BINTER 13-2	15/08/2013	11/08/2016		1,400		5		1,405
BINTER 14	27/06/2014	07/06/2017		1,500		5		1,505
BINTER 14-2	19/06/2014	25/01/2018		1,500		5		1,505
BINTER 14-3	27/06/2014	22/06/2018		900		2		902
BINTER 14-4	26/09/2014	21/09/2018		2,500		4		2,504
BINTER 14-5	27/11/2014	14/02/2019		1,500		1		1,501
			Ps.	14,000	Ps.	34	Ps.	14,034

2013

Issuer	Issue date	Maturity date	Principal		Accrued interest		Total	
BINTER 11	03/03/2011	27/02/2014	Ps.	2,000	Ps.	8	Ps.	2,008
BINTER 13-3	17/06/2013	15/06/2016		1,500		4		1,504
BINTER 13	16/05/2013	12/05/2016		1,000		1		1,001
BINTER 12	14/12/2012	11/12/2015		1,200		3		1,203
BINTER 13-4	05/12/2013	18/05/2017		1,000		4		1,004
BINTER 13-2	15/08/2013	11/08/2016		1,400		5		1,405
			Ps.	8,100	Ps.	25	Ps.	8,125

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

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

Through official communication 153/107349/2014 dated September 22, 2014, the CNBV 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.20 billion, or the equivalent of this amount in investment units (UDIs). In addition, through official communications 153/107349/2014, the CNBV authorized to issue BINTER 14-4 debt certificates ("certificados bursátiles") for a total placement of Ps.2.5 billion and its 15-5 BINTER debt certificates ("certificados bursátiles") for a total placement of Ps.1.5 billion, respectively.

- **BINTER 13-3 debt certificates ("certificados bursátiles")**

Face value:	Ps.100
Issue amount:	Ps.1,500 million
Number of instruments:	15,000,000
Term:	1,092 days
Date of issue:	June 17, 2013
Maturity date:	June 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 before the beginning of each interest period), plus 1.4%.

- **BINTER 13 debt certificates ("certificados bursátiles")**

Face value:	Ps.100
Issue amount:	Ps.1,000 million
Number of instruments:	10,000,000
Term:	1,092 days
Date of issue:	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 before the beginning of each interest period), plus 1.4%.

- **BINTER 12 debt certificates ("certificados bursátiles")**

Face value:	Ps.100
Issue amount:	Ps.1,200 million
Number of instruments:	12,000,000
Term:	1,092 days
Date of issue:	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 before the beginning of each interest period), plus 1.5%.

- **BINTER 13-4 debt certificates ("certificados bursátiles")**

Face value:	Ps.100
Issue amount:	Ps.1,000 million
Number of instruments:	10,000,000
Term:	1,260 days
Date of issue:	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 before the beginning of each interest period), plus 1.4%.

- **BINTER 13-2 debt certificates ("certificados bursátiles")**

Face value:	Ps.100
Issue amount:	Ps.1,400 million
Number of instruments:	14,000,000
Term:	1,092 days
Date of issue:	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 before the beginning of each interest period), plus 1.4%.

- **BINTER 14 debt certificates ("certificados bursátiles")**

Face value:	Ps.100
Issue amount:	Ps.1,500 million
Number of instruments:	15,000,000
Term:	1,260 days
Date of issue:	June 27, 2014
Maturity date:	June 7, 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 before the beginning of each interest period), plus 1.2%.

- **BINTER 14-2 debt certificates ("certificados bursátiles")**

Face value:	Ps.100
Issue amount:	Ps.1,500 million
Number of instruments:	15,000,000
Term:	1,316 days
Date of issue:	June 19, 2014
Maturity date:	January 25, 2018
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 before the beginning of each interest period), plus 0.9%.

- **BINTER 14-3 debt certificates ("certificados bursátiles")**

Face value:	Ps.100
Issue amount:	Ps.900 million
Number of instruments:	9,000,000
Term:	1,456 days
Date of issue:	June 27, 2014
Maturity date:	June 22, 2018
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 before the beginning of each interest period), plus 0.9%.

- **BINTER 14-4 debt certificates ("certificados bursátiles")**

Face value:	Ps.100
Issue amount:	Ps.2,500 million
Number of instruments:	25,000,000
Term:	1,456 days
Date of issue:	September 26, 2014
Maturity date:	September 21, 2018
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:	Mexican weighted interbank interest rate (TIIE) of up to 29 days (computed two business days before the beginning of each interest period), plus 0.9%.

- **BINTER 14-5 debt certificates ("certificados bursátiles")**

Face value:	Ps.100
Issue amount:	Ps.1,500 million
Number of instruments:	15,000,000
Term:	1,540 days
Date of issue:	November 27, 2014
Maturity date:	February 14, 2019
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 before the beginning of each interest period), plus 0.9%.

- **BINTER 11 debt certificates ("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
Date of issue:	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 before the beginning of each interest period), plus 1.15%.

14. Interbank and Other Borrowings

a) Demand loans

At December 31, 2014 and 2013, the Bank has outstanding two-day call money transactions for a total principal amount of Ps.45 and Ps.942, respectively, bearing interest of 2.95% and 3.45%, respectively.

b) Short- and long-term loans

At December 31, 2014 and 2013, the Bank has taken out several short-and long-term loans with floating interest rates from domestic development banks. An analysis is as follows:

	2014			2013		
	Short-term	Long-term	Total	Short-term	Long-term	Total
In Mexican pesos:						
Nacional Financiera, S.N.C.	Ps. 2,793	Ps. 3,174	Ps. 5,967	Ps. 865	Ps. 6,155	Ps. 7,020
Banco Nacional de Comercio Exterior, S.N.C.	351	3,416	3,767	42	3,248	3,290
Banco Nacional de Obras y Servicios Públicos, S.N.C.	217	4,700	4,917	226	4,096	4,322
	3,361	11,290	14,651	1,133	13,499	14,632
In U.S. dollars translated into Mexican pesos:						
Nacional Financiera, S.N.C.	808	-	808	1,565	-	1,565
Banco Nacional de Obras y Servicios Públicos, S.N.C.	-	-	-	723	-	723
Banco Nacional de Comercio Exterior, S.N.C.	-	-	-	1,316	-	1,316
	808	-	808	3,604	-	3,604
Public trust funds in Mexican pesos:						
Fondo de Garantía y Fomento para la Agricultura, Ganadería y Avicultura (FIRA)	1	-	1	4	2	6
Fondo de Operaciones y Financiamiento Bancario para la Vivienda (FOVI)	14	-	14	16	-	16
	15		15	20	2	22
	Ps. 4,184	Ps. 11,290	Ps. 15,474	Ps. 4,757	Ps. 13,501	Ps. 18,258

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

The Bank has an available line of credit of up to Ps.10,921 extended by NAFIN. The funds received by the Bank under this arrangement are in Mexican pesos and U.S. dollars. These variable rate loans include no guarantees, since they exclusively involve discounted notes.

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

The Bank has a variable rate line of credit from Bancomext of up to USD 4 billion. 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.2,500 (maturing on November 30, 2025) 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) plus 1.56 percentage points. At December 31, 2014 and 2013, the outstanding balance of this loan is Ps.1,458 and Ps.1,557, 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, 2014 and 2013, the balance of the Trust was Ps.31 and Ps.29, 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.2,908. This loan matures 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. This loan bears interest at the Mexican weighted interbank interest rate (TIIE), plus a premium that is determined as stipulated in the agreement.

On January 23, 2009, the Bank entered into Irrevocable Trust agreement No. F/258 as a trustor and secondary beneficiary of the trust, with Banco Monex, S.A. Institución de Banca Múltiple, Monex Grupo Financiero, División Fiduciaria as the trustee, and BANOBRAS as the primary beneficiary. The trust was created to establish one or more repayment mechanisms for the loan consisting of the original rights over four loans and/or debt recognition agreements, as well as the income earned from the exercise of such rights. These rights were placed in the trust. In the event that the funds available in the Trust are insufficient to cover the Bank's payment obligation, the Bank will be required to cover any such difference using its own resources. At December 31, 2014, this line of credit has expired, while at December 31, 2013, the outstanding balance of the trust was Ps.35.

BANOBRAS (Infrastructure- Monex Trust 1616):

On December 13, 2013, the Bank obtained a non-revolving line of credit of Ps.7,525 from BANOBRAS. This loan is to mature 240 months after the first drawdown, which occurred on December 19, 2013. The proceeds from the loan were used to meet certain financial commitments that the Bank undertook related to various infrastructure projects that are in the construction and operating stages. This loan bears interest at the Mexican weighted interbank interest rate (TIIE), plus a premium that is determined as stipulated in the agreement. At December 31, 2014 and 2013, the outstanding balance of the loan is Ps.2,782 and Ps.3,451, respectively.

On December 17, 2013, the Bank entered into Irrevocable Trust agreement No. F/1616 as a trustor and secondary beneficiary of the trust, with Banco Monex, S.A. Institución de Banca Múltiple, Monex Grupo Financiero, División Fiduciaria as a trustee, and BANOBRAS as primary beneficiary. The trust was created to establish a mechanism for the management and use of proceeds from the non-revolving loan. The trust receives the proceeds from the contributed collection rights and uses the proceeds to repay the loan. At December 31, 2014, the outstanding balance of the trust is Ps.36.

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 (maturing on March 18, 2016). The proceeds from this loan 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, 2014 and 2013, 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.

c) Interest paid

For the years ended December 31, 2014 and 2013, interest payable on interbank loans was Ps.672 and Ps.727, respectively (Note 24b).

d) Current lines of credit:

2014

Lender	Amount of line of credit	Currency		Translated into Mexican pesos		Amount drawn down (principal)		Amount available for drawdown
NAFIN	10,921	Mexican pesos	Ps.	10,921	Ps.	6,768	Ps.	4,153
BANCOMEXT	400	U.S. dollars		5,896		3,759		2,137
FIFOMI	20	U.S. dollars		295		-		295
FIRA	1,200	Mexican pesos		1,200		1		1,199
BANOBRAS	6,330	Mexican pesos		6,330		4,909		1,421
FOVI	18	Mexican pesos		18		14		4
Export – Import Bank of Korea	10	U.S. dollars		147		-		147
			Ps.	24,807	Ps.	15,451	Ps.	9,356

2013

Lender	Amount of line of credit	Currency		Translated into Mexican pesos		Amount drawn down (principal)		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

The lines of credit obtained from the aforementioned financial companies 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, 2014 and 2013, 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, 2014 and 2013, 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:

		2014		2013
Clearing accounts related to buying and selling foreign currency (Note 3)	Ps.	-	Ps.	4,826
Clearing accounts for securities trading activities		409		1,089
	Ps.	409	Ps.	5,915

16. Accrued liabilities and Other Accounts Payable

An analysis of this caption at December 31, 2014 and 2013 is as follows:

		2014		2013
Liabilities derived from bank services	Ps.	852	Ps.	914
Value added tax		4		103
Taxes and fees payable		3		7
Taxes and social security contributions		26		75
Employee benefits		27		20
Expense provisions		493		390
Other sundry creditors		53		46
	Ps.	1,458	Ps.	1,555

17. Outstanding Subordinated Debentures

An analysis of the Bank's outstanding subordinated debentures at December 31, 2014 and 2013 is as follows:

Issuer	Date Issue date	Maturity date		Principal		Accrued interest		Total
BINTER 12 Q	11/20/07	11/7/17	Ps.	700	Ps.	1	Ps.	701
BINTER 10 Q	11/28/08	11/16/18		650		2		652
BINTER 08 Q	12/16/10	12/3/20		500		1		501
BINTER 07 Q	11/29/12	11/17/22		700		2		702
			Ps.	2,550	Ps.	6	Ps.	2,556

For the years ended December 31, 2014 and 2013, interest payable by the Bank on subordinated debentures was Ps.144 and Ps.163, respectively (Note 24b).

Subordinated debenture placement program

At an ordinary and extraordinary shareholders' meeting held on November 6, 2008, the shareholders authorized the Bank to seek financing through the issue of one or more preferred or non-preferred non-convertible subordinated debentures for a maximum total issue amount of Ps.2.0 billion (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 CNBV 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 issue.

Issue of Subordinated Debentures BINTER 12

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

General information regarding 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
Date of issue:	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.

Issue of Subordinated Debentures BINTER 10

Through official communication 153/89436/2010 dated December 14, 2010, the CNBV authorized to release the updated debenture prospectus, as well as the public offering notice related to the BINTER 10 issue. Through official communication DGAJB-154/89048/2010, the BINTER 10 debenture issue was given final authorization. General information regarding 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
Date of issue:	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.

Issue of Subordinated Debentures BINTER 08

Through official communication 153/17956/2008, dated November 27, 2008, the CNBV authorized to release the updated debenture prospectus, as well as the public offering notice related to the BINTER 08 issue. Through official communication S33/18643/2008, the BINTER 8 debenture issue was given final authorization.

General information regarding BINTER 08 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
Date of issue:	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.

Issue 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 issue 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 CNBV 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 Commissions 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 issue certificate, the change was authorized by the CNBV 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 BINTER 07 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
Date of issue:	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 accordance 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 CNBV, Indeval and the Mexican Stock Exchange of its decision to exercise its right of prepayment within five business days prior to the 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 accordance 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, 2014 and March 2, 2015, the date of the audit report on these financial statements, the exchange rates published by Banxico were $ 14.714 pesos and $ 14.9624 pesos, respectively, per U.S. dollar. The exchange rate at December 31, 2013 was $ 13.0843 pesos per U.S. dollar.

The Bank has the following U.S. dollar denominated assets and liabilities at December 31, 2014 and 2013:

	2014			
	Currency			
	U.S. dollars		Mexican pesos	
Assets:				
Cash and cash equivalents	USD	55	Ps.	810
Securities and derivatives		18		265
Loan portfolio		116		1,710
		189	Ps.	2,785
Liabilities:				
Demand deposits		50		737
Security and derivative transactions		80		1,179
Bank loans and other accounts payable		65		958
		195		2,874
Net monetary liability (sell) position	US$ (	6)	Ps. (	89)

	2013			
	Currency			
	U.S. dollars		Mexican pesos	
Assets:				
Cash and cash equivalents	USD	241	Ps.	3,153
Securities and derivatives		88		1,150
Loan portfolio		67		875
Other accounts receivable		43		563
		439		5,741
Liabilities:				
Demand deposits		9		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
Net monetary asset (purchase) position	USD	8	Ps.	104

In accordance with the contents of official communication 3/2013 issued by Banxico, credit institutions must maintain daily foreign currency positions that are balanced both on a combined basis and on a currency-by-currency basis. The acceptable combined liability or asset position of a bank may not exceed 15% of its net capital. Regarding its individual foreign currency position at December 31, 2014 and 2013, the Bank complies with the aforementioned limit.

19. Shareholders' Equity

a) Share capital

At December 31, 2014 and 2013, the Bank's share capital is represented by 2,604,000 Series "O" shares, issued and outstanding, with a par value of one thousand pesos each.

At a regular 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 Spanish acronym), the Bank paid income tax of Ps.28 on the reimbursement.

b) Capital reserves

In accordance with the Mexican Corporations Act, the Bank is required to appropriate at least 10% of the net income of each year 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 share capital. Such reserve may not be distributed to the shareholders during the life of the Bank, except in the form of a stock dividend.

At regular shareholders' meetings held on April 30, 2014 and 2013, the shareholders agreed to appropriate Ps.149 and Ps.93 from the Bank's net earnings of 2014 and 2013, respectively, to increase the Bank's legal reserve.

c) Inflation restatement of share capital, capital reserves and retained earnings

An analysis of the effects of inflation recognized through December 31, 2007 on the Bank's share capital, capital reserve, and retained earnings accounts at December 31, 2014 and 2013 is as follows:

	Nominal value	Restatement for inflation	Total 2014	Total 2013
Share capital	Ps. 2,604	Ps. 1,020	Ps. 3,624	Ps. 3,624
Capital reserves	669	19	688	539
Retained earnings	6,306	(719)	5,587	4,342
	Ps. 9,579	Ps. 320	Ps. 9,899	Ps. 8,505

d) Distribution of earnings

At December 31, 2014 and 2013, the Bank's Net taxed profits account (CUFIN) balance is Ps.4,180 and Ps.2,667, respectively. Earnings distributed in excess of the CUFIN balance will be subject to the payment of 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 to the gross-up amount. This income tax is a final tax payment. The CUFIN should be restated for inflation using the basis of the National Consumer Index (INPC, Spanish acronym) through the distribution date.

At a regular shareholders' meeting held on November 26, 2014, the shareholders declared a cash dividend of Ps.355, which was paid from the CUFIN balance on December 9, 2014.

At regular 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. Also, at regular 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.

e) Capital reductions

At December 31, 2014 and 2013, the Bank's Restated contributed capital account (CUCA) balance is Ps.4,345 and Ps.4,174, respectively. Any capital reduction or reimbursement to shareholders in excess of the CUCA balance should be treated for tax purposes as a distributed profit.

f) Capitalization index (unaudited information)

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 reflect 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, 2014 and 2013 is as follows:

	2014	2013
Capital adequacy ratios:		
Net capital/ total capital requirement	**2.11%**	2.12%
Net capital/assets with credit risk	**23.26%**	26.68%
Net capital/total distressed assets	**16.92%**	16.95%
Core capital/total distressed assets	**14.05%**	13.37%
Core capital/total capital requirement	**1.69%**	1.67%

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 core, supplementary and net capital at December 31, 2014 and 2013 is as follows:

		2014		2013
Core capital:				
Shareholders' equity	Ps.	9,899	Ps.	8,505
Less:				
Deduction of non-financial equity investments		2		1
Deduction of intangibles and deferred costs and expenses		67		94
Total core capital		9,830		8,410
Supplementary capital:				
Capital instruments computed as supplementary		2,000		2,254
Net capital	Ps.	11,830	Ps.	10,664

Distressed assets

An analysis of the Bank's market risk-weighted positions and credit risk-weighted assets at December 31, 2014 and 2013 is as follows:

2014		Risk-weighted assets		Capital requirement
Market risk:				
Mexican peso transactions at nominal rates	Ps.	5,995	Ps.	480
Mexican-peso transactions with premiums		3,037		243
Mexican-peso transactions at real interest rate		1,667		133
Foreign currency transactions at nominal rates		36		3
Foreign currency positions		174		14
UDI positions or tied to INPC		9		1
Transactions with shares and on shares		1,428		114
		12,346		988

2014	Risk-weighted assets		Capital requirement	
(ii) Credit risk:				
Group II (weighted at 20%)	Ps.	21	Ps.	2
Group II (weighted at 50%)		208		17
Group III (weighted at 20%)		743		59
Group IV (weighted at 20%)		3,168		253
Group V (weighted at 20%)		5,748		460
Group V (weighted at 50%)		3,728		298
Group V (weighted at 115%)		527		42
Group V (weighted at 150%)		15,751		1,260
Group VI (weighted at 100%)		267		21
Group VII (weighted at 20%)		1,279		102
Group VII (weighted at 50%)		3		-
Group VII (weighted at 100%)		14,466		1,157
Group VII (weighted at 115%)		1,187		95
Group VIII (weighted at 125%)		7		1
Group IX (weighted at 115%)		125		10
		47,228		3,777
Operational risk		6,733		539
	Ps.	66,307	Ps.	5,304

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 INPC		113		9
Transactions with shares and on shares		6,441		515
		16,660		1,333

2013	Risk-weighted assets		Capital requirement	
Credit risk:				
Group II (weighted at 50%)	Ps.	292	Ps.	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

In 2014, the Other (weighted at 100%) caption includes weighted distressed assets and capital requirements of Ps.35 and Ps.432 (Ps.26 and Ps.323 in 2013), respectively, which refer to the Bank's capital requirements for its equity investments, personal and real property, prepaid expenses, and deferred charges.

20. Income Tax

a) Income tax

For the years ended December 31, 2014 and 2013, the Bank reported taxable income of Ps.2,560 and Ps.1,677, respectively. A condensed reconciliation of the Bank's income before taxes on profits to its tax result is as follows:

	2014	2013
Net income	**Ps. 1,750**	Ps. 1,489
Plus/(less) reconciling items:		
Deductible annual inflation adjustment	**(273)**	(214)
Allowance for impairment in the value of assets	**178**	37
Expense provisions	**(102)**	(250)
Reversal of overstatements in the loan-loss reserve	**(254)**	(532)
Interest collected in advance, net of interest from prior years	**(1)**	22
Taxable income on trades of segregated securities	**-**	439
Loan-loss reserve	**961**	-
Other, net	**301**	686
Tax result	**Ps. 2,560**	Ps. 1,677

The Bank's income tax for the years ended December 31, 2014 and 2013 was Ps.768 and Ps.503, 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.

At December 31, 2014, the Bank recognized Ps.74 in the Current-year income tax payable caption. This amount corresponds to income tax related to the Bank's book/tax reconciling items from prior years that will be paid in the short-term, as established during management's negotiations with the Tax Administration Service.

- Flat-rate business tax

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.

b) Deferred income tax

For the years ended December 31, 2014 and 2013, deferred income tax effects recognized in the consolidated financial statements are as follows:

		2014		2013
Deferred tax assets:				
Non-deductible provisions	**Ps.**	**350**	Ps.	150
Tax losses		**-**		6
Increase in the loan-loss reserve		**118**		-
Allowance for foreclosed or repossessed assets		**116**		46
Interest and Commissions collected in advance		**54**		54
Other		**55**		19
		693		275
Deferred tax liabilities:				
Unrealized gains on financial instruments		**309**		147
Prepaid expenses		**52**		7
		361		154
Deferred income tax asset, net	**Ps.**	**332**	Ps.	121

At December 31, 2014 and 2013, the Bank created a valuation allowance of Ps.111 and Ps.223, respectively, for those deferred tax assets that do not have a high probability of being realized.

For the year ended December 31, 2014, the Bank reported a deferred income tax asset of Ps.211, which was credited to the income statement.

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 the income statement 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.

d) Effective income tax rate

A reconciliation of the statutory income tax rate to the Bank's effective income tax rate at December 31, 2014 and 2013 is as follows:

	2014	2013
Income before income tax	Ps. 2,381	Ps. 2,075
Reconciling items:		
Annual inflation adjustment	(273)	(214)
Non-deductible expenses	34	56
Non-taxable income (Brazil 2012 coupon)	(35)	(60)
Net effect of loan-loss reserve	-	(434)
Other items	(247)	(130)
Income before income tax, plus permanent items	1,860	1,293
Statutory income tax rate	30%	30%
	558	388
Payments made under the tax amnesty program	-	198
Extraordinary income tax provision	73	-
Total current-year and deferred income tax	Ps. 631	Ps. 586
Effective income tax rate	26%	28%

Since at the date of the audit report on these financial statements the Bank has not yet filed its income tax return for 2014 with the respective tax authorities, the tax results shown above are subject to change.

21. Related Party Balances and Transactions

An analysis of the Bank's principal balances due from and to related parties at December 31, 2014 and 2013 is as follows:

	2014		
	Debit/ (credit) balance	Transactions Income	Transactions Expenses
Loan portfolio			
Interacciones Casa de Bolsa, S.A. de C.V.	Ps. -	Ps. 2	Ps. -
Banco Monex, Fideicomiso/Lerma- Santiago No. 517	286	-	-
Banco Multiva, Fideicomiso/Grupo Hermes No. 305-8	265	-	-
Grupo Hermes, S.A. de C.V.	587	11	-
	Ps. 1,138	Ps. 13	Ps. -

	2014					
	Debit/ (credit) balance		Transactions Income		Expenses	
Traditional deposits						
Interacciones Casa de Bolsa, S.A. de C.V.						
Demand deposits	Ps.	251	Ps.	-	Ps.	-
Time deposits		401		-		46
Securities issued		105		-		9
Aseguradora Interacciones, S.A. de C.V.						
Demand deposits		35		-		-
Grupo Financiero Interacciones, S.A. de C.V.						
Demand deposits		43		-		-
	Ps.	1,806	Ps.	-	Ps.	55
Money market transactions						
Interacciones Casa de Bolsa, S.A. de C.V.						
Security repurchase agreements	Ps.	-	Ps.	55	Ps.	70
Administrative services						
Aseguradora Interacciones, S.A. de C.V.	Ps.	-	Ps.	6	Ps.	21
Servicios Corporativos, S.A. de C.V.		-		-		52
	Ps.	-	Ps.	6	Ps.	73

	2013					
	Debit/(credit) balance		Transactions Income		Expenses	
Loan portfolio						
Interacciones Casa de Bolsa, S.A. de C.V.	Ps.	100	Ps.	2	Ps.	-
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		-
Affiliates	Ps.	948	Ps.	89	Ps.	-
Traditional deposits						
Interacciones Casa de Bolsa, S.A. de C.V.						
Demand deposits	Ps.	180	Ps.	-	Ps.	-
Securities issued		62		-		6
	Ps.	242	Ps.	-	Ps.	6
Money market transactions						
Interacciones Casa de Bolsa, S.A. de C.V.						
Security repurchase agreements	Ps.	-	Ps.	27	Ps.	50

22. Earnings Per Share

An analysis of this caption for the years ended December 31, 2014 and 2013 is as follows:

	2014	2013
Number of outstanding shares (weighted average)	Ps. 1,016,750	Ps. 1,016,750
Net income for the year	1,750	1,489
Earnings per share (pesos)	Ps. 1,721	Ps. 1,464

23. Memorandum Accounts

a) Property held in trust or under mandate

	2014	2013
Trusts:		
Administrative	Ps. 51,624	Ps. 32,333
Guarantee	3,501	3,380
Investment	2,334	1,715
	57,459	37,428
Mandates	89	89
	Ps. 57,548	Ps. 37,517

For the years ended December 31, 2014 and 2013, the Bank earned Ps.92 and Ps.80, respectively, from activities performed in its capacity as trustee.

b) Property held for safekeeping or managed

An analysis of this caption for the years ended December 31, 2014 and 2013 is as follows:

	2014	2013
Instruments and securities managed for mutual funds and customers	Ps. 25,329	Ps. 23,603

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

c) Collateral securities received by the Bank

	2014	2013
Government debt	Ps. 2,664	Ps. 1,196
Other debt instruments	10	569
Guarantees under loan transactions	6,725	4,645
	Ps. 9,399	Ps. 6,410

d) Collateral securities received and sold or delivered in guarantee by the Bank

		2014		2013
Government debt	Ps.	2,664	Ps.	1,011
Other debt instruments		10		569
	Ps.	2,674	Ps.	1,580

e) Uncollected accrued interest on past-due loans

		2014		2013
Commercial portfolio	Ps.	291	Ps.	212
Mortgage portfolio		3		3
	Ps.	294	Ps.	215

24. Income Statement

An analysis of the income statement for the years ended December 31, 2014 and 2013 is as follows:

a) Interest income

		2014		2013
Loan portfolio [1]	Ps.	4,342	Ps.	4,198
Investments in securities		1,708		1,739
Interest and premiums on security repurchase agreements		93		54
Cash and cash equivalents		395		298
Other		139		72
	Ps.	6,677	Ps.	6,361

[1] An analysis of the Bank's loans at December 31, 2014 and 2013 is as follows:

	2014				2013			
	Performing		Past-due		Performing		Past-due	
Interest on portfolio by type of loan:								
Commercial loans	Ps.	1,079	Ps.	7	Ps.	941	Ps.	14
Loans to financial entities		149		-		58		-
Consumer loans		2		-		1		-
Home mortgage loans		15		-		17		-
Loans to government entities		3,088		2		3,147		20
		4,333	Ps.	9		4,164	Ps.	34
	Ps.	4,342			Ps.	4,198		

b) Interest expense

	2014	2013
Demand deposits (Note 13a)	Ps. 821	Ps. 624
Time deposits (Note 13b)	1,070	1,151
Interest and returns on security repurchase agreements (Note 5)	1,407	1,491
Interbank and other borrowings (Note 14)	672	727
Subordinated debentures (Note 17)	144	163
Other	487	376
	Ps. 4,601	Ps. 4,532

c) Commissions and fees collected

	2014	2013
Loan transactions	Ps. 2,603	Ps. 4,582
Letter of credit without refinancing	41	52
Activities performed as a trust	92	82
Other fees and commissions collected	228	79
	Ps. 2,964	Ps. 4,795

d) Commissions and fees paid

	2014	2013
Commissions paid on time	Ps. 1,331	Ps. 2,974
Fund transfer	2	2
Other Commissions and fees paid	103	26
	Ps. 1,436	Ps. 3,002

e) Intermediation income

	2014	2013
Unrealized gain or loss		
Investments in securities	Ps. 29	Ps. 65
Derivative financial instruments	(66)	(27)
	(37)	38
Gain on securities trading		
Foreign currencies and precious metals	118	56
Investments in securities and derivative financial instruments	200	141
	318	197
	Ps. 281	Ps. 235

f) Other operating income

	2014		2013
Overstatements in the loan-loss reserve (Note 8d)	Ps.	1,165	Ps.	532
Cancellation of other liability accounts		77		318
Gain on assignment of loan rights		-		79
Leasing revenues		12		12
Recovery of loan portfolio		8		11
Gain on sale of foreclosed and repossessed property and other fixed assets		28		11
Interest earned on loans to officers and employees		1		1
Unrealized loss on translation of items not related to financial margin		2		(12)
Allowance for doubtful accounts		-		(13)
Allowance for foreclosed or repossessed assets		(334)		(37)
Other		233		50
	Ps.	1,192	Ps.	952

25. Segment Information

A summary of the operating results of the Bank's principal operating segments at December 31, 2014 and 2013 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 transactions

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

a) Loan portfolio

State and municipal governments

Item		2014		2013
Average principal	Ps.	46,955	Ps.	41,298
Interest income		2,956		2,991
Interest expense		1,860		2,016
Financial margin		1,096		975
Loan-loss reserve		428		764
Commissions and fees collected		2,121		4,349
Commissions and fees paid		1,307		2,905
Intermediation income		-		7
Operating expenses		613		808
Other operating income		975		580
Net income	Ps.	1,844	Ps.	1,434

Infrastructure

Item		2014		2013
Average principal	Ps.	14,773	Ps.	11,680
Interest income		1,085		938
Interest expense		657		578
Financial margin		428		360
Loan-loss reserve		302		62
Commissions and fees collected		397		137
Commissions and fees paid		25		1
Operating expenses		84		125
Other operating income		45		39
Net income	Ps.	459	Ps.	348

Small and medium enterprises

Item		2014		2013
Average principal	Ps.	4,509	Ps.	3,689
Interest income		278		297
Interest expense		88		151
Financial margin		190		146
Loan-loss reserve		110		57
Commissions and fees collected		126		149
Commissions and fees paid		3		4
Operating expenses		44		119
Other operating income		6		53
Net income	Ps.	165	Ps.	168

Financial entities

Item	2014		2013	
Average principal	Ps.	389	Ps.	372
Interest income		27		12
Interest expense		15		15
Financial margin		12		3
Loan-loss reserve		121		92
Commissions and fees collected		172		158
Commissions and fees paid		93		92
Operating expenses		5		5
Other operating income		45		45
Net income	Ps.	10	Ps.	11

b) Domestic and international treasury

Item	2014		2013	
Average principal	Ps.	24,856	Ps.	20,308
Interest income		896		579
Interest expense		745		349
Financial margin		151		230
Operating expenses		148		74
Commissions and fees collected		56		1
Commissions and fees paid		8		2
Intermediation income		39		106
Net income	Ps.	90	Ps.	259

Money market transactions

Item	2014		2013	
Average principal	Ps.	39,672	Ps.	29,345
Interest income		1,435		1,544
Interest expense		1,236		1,438
Financial margin		199		106
Intermediation income		117		63
Operating expenses		140		30
Net income	Ps.	176	Ps.	139

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:	**2014**		2013	
Loan portfolio	Ps.	2,478	Ps.	1,961
Treasury		266		398
Other segments (fiduciary, currency trading)		163		90
Expenses, net (not directly related to operating segments)	(	526)	(	374)
Operating income	Ps.	2,381	Ps.	2,075

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, 2014 and 2013, the Bank has no relevant contingencies related to complaints or lawsuits filed against it.

c) Tax reviews

In accordance with current Mexican Tax Law, the Bank's income tax returns are open to review by the tax authorities for a period of five years from the date they are filed. In the event of such a review, the tax authorities could determine taxes owed by the Bank due to differences in the criteria used by the Bank and the tax authorities in the interpretation of Mexican tax laws.

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 as a way to avoid putting Grupo Financiero's capital and financial solvency at risk. 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. In this regard, 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 are periodically submitted to the Risk Management Board 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 general and specific 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, and the Bank's 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 reporting on any exceeded transaction limits, any corrective actions deemed necessary, and progress in any projects being developed by the Risk Committee.

c) Risk management process

The different types of risks to which the Bank is exposed 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 area carries out, and the instruments they use. The business units analyzed in this risk analysis are:

- Money market
- Foreign currency market
- Derivatives market
- Treasury services
- Loans

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 as an intermediary operating through exchanges and in over-the-counter instruments:

✓ Futures and forwards over Mexican pesos, foreign currencies and investment 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 as an intermediary was published on April 8, 2010:

✓ Options over Mexican pesos, foreign currencies, and investment units (UDIs).
✓ Options over nominal, real or premium interest rates on all kinds of debt instruments.
✓ Swaps over Mexican pesos, foreign currencies, and investment 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 that generates future earnings for the Bank.

The Bank's strategy regarding derivative transactions at all times considers the Bank's principle objectives and the strategy is in line with the Bank's risk profile. This strategy also takes into account the Bank's policies and generally conservative approach to risk, which the Bank considers to manage the risks it assumes when it enters into derivative contracts.

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

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 by replacing the transaction in the market with another. The potential loss from doing in 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)]

Where:

Nominal = the nominal value of the transaction
Instrument risk factor = the risk to which the instrument is exposed by type of underlying and days to maturity
Max(0,mtm) = future risk exposure

Nominal = the nominal value of the transaction
Instrument risk factor = the risk to which the instrument is exposed
Max(0,mtm) = future risk exposure
Foreign exchange risk factor = the risk 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 Bank determines its expected loss, which is the total loss as a percentage of its capital that could arise 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 aspects are considered in the measurement of 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 of 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 Risk Management 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 to 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).

All positions, irrespective of their accounting classification, are considered in the determination of the market risk described above, which, accordingly, includes for trading, available-for-sale, and held-to-maturity securities.

Non-discretionary risks

1. Operating risks

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:

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 of 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.

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

- Qualitative analysis: used to estimate the losses resulting from operating risks.

- 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:

Frequency		Code
Low	A	Every 10 years
	B	Every 5 years
	C	Biannually
	D	Annually
Medium	E	Semi-annually
	F	Quarterly
	G	Bimonthly
	H	1 month
High	I	1 Bi-weekly
	J	1 weekly
	K	1 every 3 days
	L	Daily

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

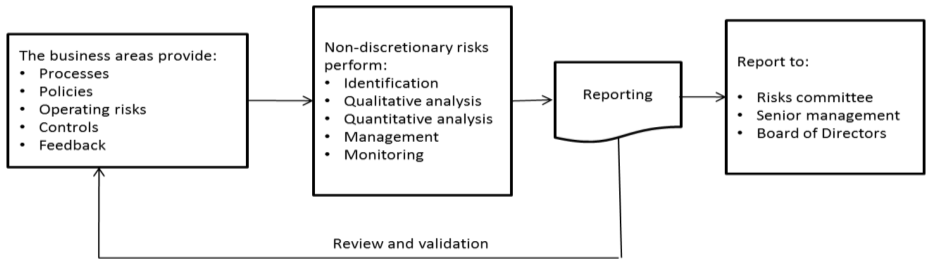
1. Management: the possible actions to mitigate the risks and their respective cost/benefit analyses are assessed. Also, these actions are implemented and followed up on.

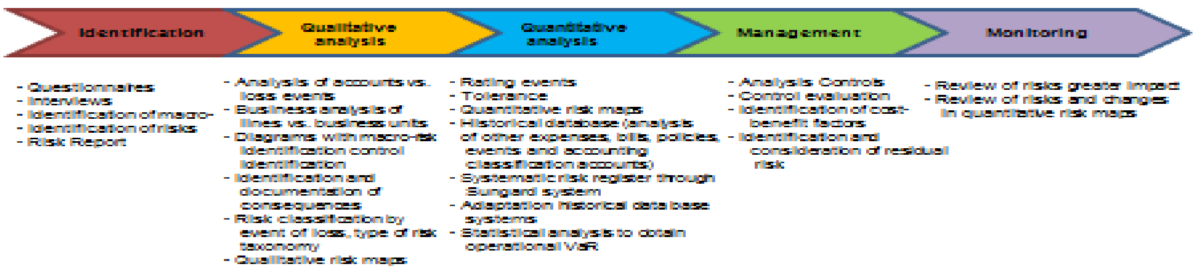
   Based on the analyses performed, the risks are determined and monitored based on the corresponding quantitative risks map. The risks with high frequency and severity are reviewed and their respective preventive and corrective controls are evaluated. In the event that inadequate controls are detected, 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.

2. 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.

   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 operating risks.

   Risk materialization report: This materialization is calculated considering the operating risks inherent to the processes of the identified business units. As a result of this methodology, the Bank is able to generate a close estimate of the operational 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 loss event, type of loss, cost, and accounting entry. The areas involved are the Bank's Audit, Legal, and Risks areas.

2. 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.

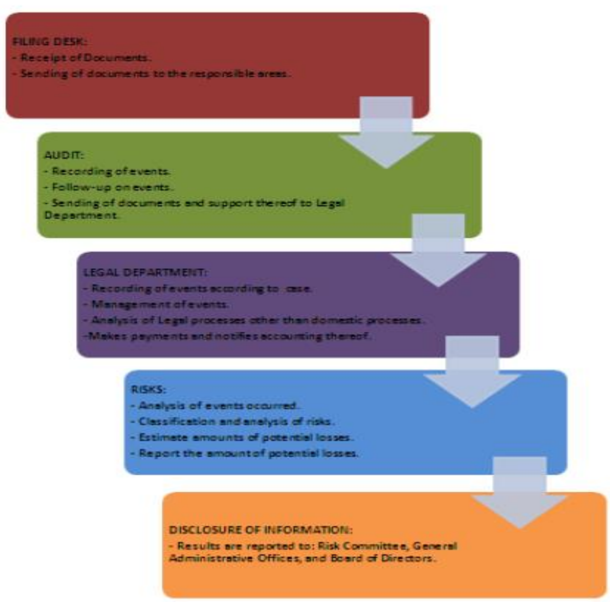
3. Qualitative analysis: using the information provided by the involved areas, the causes and consequences of the event are analyzed, which will be used to create a historical database. Also, based on the nature of the events, the loss events and the business lines giving rise to them are classified.

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 services.

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

a) 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 it 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.

- Ensure that all transactions or activities performed by users include 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 all 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.

b) 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 are identified. Mechanisms are also implemented to measure and ensure the levels of liquidity and response times for the agreed upon services.

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

c) 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.

d) 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.

e) 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.

f) 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.

g) 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
- ✓ Software
- ✓ 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 risk to which the Bank or any of the Group's subsidiaries 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 Bank's needs.

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 companies.

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)

Credit Risk:

An analysis of the calculation for potential losses from counterparty risk in respect of the Bank's derivative transactions, as well as an estimate of the expected and unexpected losses in the loan portfolio in Q4 2014 is as follows:

The computation of risk that the counterparty fails to meet its contractual obligations under derivative transactions at December 31, 2014 is as follows:

Counterparty risk exposure in derivatives

Counterparty	Day expiring	Limit	Amount reported	Cash and cash equivalents	Percentage
Counterparty 1 CAP	152	101,200	2,219	98,981	2%
Counterparty 1 CAP 2	243		35,492	63,489	35%
Counterparty 1 CAP 3	579	214,000	15,163	198,837	7%
Counterparty 1 FX SWAP	103	12,810	-	12,810	0%
Counterparty 3 FX FWD 1	189		-	21,350	0%
Counterparty 3 FX FWD 2	316	21,350	-	21,350	0%
Counterparty 3 FX SWAP	243		-	21,350	0%
Counterparty 4 FX FWD	273	12,810	-	12,810	0%

Amounts in thousands of Mexican pesos

The average monthly exposure in derivative transactions in Q4 2014 is shown below:

Average exposure

Instrument	Oct-14	Nov-14	Dec-14	Q414
CAPs	37,881	28,862	26,437	31,060
FOREX	2,019	688	-	902

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 2014 is as follows:

Loan Portfolio Risk

Loan Portfolio	Q314*	Oct 14	Nov 14	Dec 14*	Q414
Amount of the portfolio	68,186,576	76,736,015	83,503,348	84,171,664	81,470,342
Expected loss	1,331,825	1,502,655	1,282,788	1,038,508	1,274,650
Unexpected loss	2,763,989	3,325,054	3,558,489	3,026,509	3,303,351
Credit VaR[2]	4,095,814	4,827,709	4,841,277	4,065,017	4,578,001

[2]*Considering a confidence level of 99.5%*
**Average for the quarter*
Amounts in thousands of Mexican pesos

The computation of consolidated credit risk (portfolio and financial instruments at Q4 2014 is as follows:

Consolidated credit risk for the Bank

Loan Portfolio	Q314*	Oct 14	Nov 14	Dec 14*	Q414
Amount of the portfolio	75,171,786	83,694,740	90,496,036	91,713,538	88,634,771
Expected loss	1,338,995	1,509,855	1,290,062	1,045,092	1,281,670
Unexpected loss	2,871,190	3,388,131	3,574,740	3,043,146	3,335,339
Credit VaR[2]	4,210,184	4,897,986	4,864,802	4,088,238	4,617,008

[2]Considering a confidence level of 99.5%
**Average for the quarter*
Amounts in thousands of Mexican pesos

At December 31, the Bank has granted 20 loans that exceed 10% of its core capital at September 2014.

Common Risk Group	Total Liability*	% of Core Capital
Borrower 1	8,428.0	85.7%
Borrower 2	8,001.4	81.4%
Borrower 3	5,466.8	55.6%
Borrower 4	4,458.3	45.3%
Borrower 5	3,837.8	39.0%
Borrower 6	3,764.2	38.3%
Borrower 7	3,673.6	37.4%
Borrower 8	3,198.7	32.5%
Borrower 9	2,523.5	25.7%
Borrower 10	2,421.1	24.6%
Borrower 11	2,410.6	24.5%
Borrower 12	2,050.8	20.9%
Borrower 13	1,897.5	19.3%
Borrower 14	1,665.2	16.9%
Borrower 15	1,658.1	16.9%
Borrower 16	1,651.8	16.8%
Borrower 17	1,280.6	13.0%
Borrower 18	1,247.1	12.7%
Borrower 19	1,095.4	11.1%
Borrower 20	1,062.9	10.8%

The loans granted to the Bank's three largest borrowers by common risk at December 31, 2014 total Ps.7,441.5, while the maximum loan limit is set at Ps.3,932.

Market risk:

An analysis of the Value at Risk (VaR) for each type of the Bank's portfolios at Q4 2014 is as follows:

Value at risk (VaR)

Business Unit	VaR	% of capital
Money market (held-for-trading)	3,482	0.04%
Money market (held-to-maturity)	11,595	0.12%
Money market transactions (available-for-sale)	5,864	0.06%
Foreign currency market	13	0.0001%
Derivatives market (Forex forwards)	386	0.004%
Derivatives market (Caps)	104	0.001%
Own (held-for-trading)	923	0.01%
Own (held-to-maturity)	10,911	0.11%
Own (available-for-sale)	12,114	0.12%
Overall VaR	13,118	0.13%

Amounts in thousands of Mexican pesos

Note: Overall VaR includes portfolios of derivatives market, foreign currency market, liquidation value date transactions, trading and available-for-sale securities.

An analysis of the level of market risk exposure in the Bank's overall VaR compared to the limit established for the Bank is as follows. This limit is 0.75% of the Bank's core capital.

	Q314	Oct 14	Nov 14	Dec 14	Q414
VaR Bank	16,350	13,947	13,770	12,957	13,558
Limit	69,631	71,843	73,732	74,275	73,283
Percentage	23%	19%	19%	17%	19%

Average for the period; amounts in thousands of Mexican pesos.

An analysis of the actual VaR for foreign currency and derivative transactions, and the Bank's overall VaR is as follows.

Bank Market Risk Indicators

	Q314	Oct 14	Nov 14	Dec 14	Q414
VaR Bank	16,350	13,947	13,770	12,957	13,558
Foreign currency VaR	391	402	232	49	228
Derivatives (Fx Forward) VaR	1,037	204	310	435	316
Derivatives (caps) VaR	142	174	113	101	129

Average for the period; amounts in thousands of Mexican pesos.

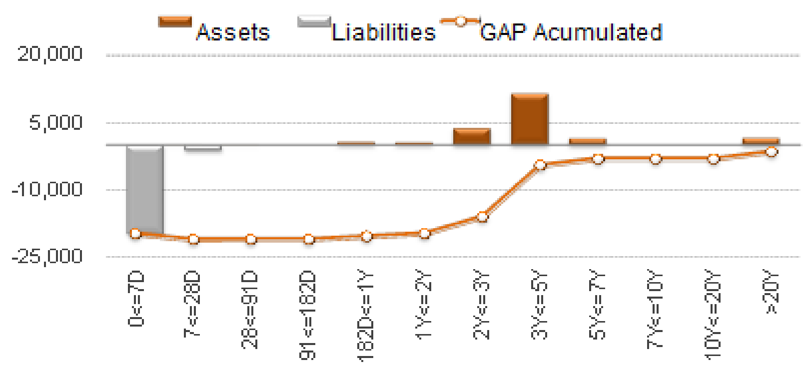
Liquidity risk:

An analysis of the duration gap of the Bank's loan portfolio at Q4 2014 is as follows:

Duration gap (years)

	Jul 14	Aug 14	Sept 14	Dec 14
Loan portfolio	4.91	4.87	4.95	3.78
Tender	1.91	1.89	1.97	1.67
Duration gap	3.00	2.98	2.99	2.11

A graph of the maturity gaps in the Bank's securities positions at December 31, 2014, which is the basis for the Bank's reported liquidity risk, is as follows:



Amounts in thousands of Mexican pesos

The potential loss from the forced sale of the entire asset portfolio was as follows in Q4 2014:

Potential loss from the forced sale of assets

	Oct 14	Nov 14	Dec 14	Q414
Banco	260,449	270,592	216,130	249,057

Amounts correspond to the last day of the month
Amounts in thousands of Mexican pesos
*Average for the quarter

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 from debt rollovers

	Oct 14	Nov 14	Dec 14	Q414
Banco	58,679	68,595	69,706	65,660

Amounts correspond to the last day of the month
Amounts in thousands of Mexican pesos
*Average for the quarter

Risk management for derivatives

Changes in the exposure to principal risks identified

The Bank's strategy regarding derivative transactions at all times considers the Bank's principle objectives and are in line with its risk profile. This strategy is also based on the Bank's policies and approach that emphasize prudence. The types of the transactions carried out by the Bank during the year include forwards foreign exchange transactions (Mexican peso-U.S. dollar) as part of the Bank's synthetic funding strategy and new cap option transactions provided to the Bank's institutional investors. Such transactions are hedged using long-term transactions of a similar nature and with similar characteristics of the issued instruments. During 2014, 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

The Bank's current outstanding transactions are no longer within the scope of its hedging strategies, in accordance with the accounting rules applicable to credit institutions. As a result, the Bank has not needed to assess the efficiency of these financial instrument structures. However, provided below are descriptions of some of the models that would be used by the Bank were it to implement this type of strategy in the future:

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 each valuation date, the mark-to-market valuation of foreign exchange forwards is determined using the most appropriate valuation model for this type of transaction and including the elimination of arbitration in the value of the instrument. In other words, the fair value of these instruments is measured by using a valuation model that is based on non-arbitration principles. This is a widely accepted valuation model. Just as the model selected meets the requirement discussed above, the Bank also selects the most appropriate parameters for applying the model. These parameters may include the risk-free interest rate 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 purposes of the valuation, since 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 the results of these valuations, the Bank measures the changes in the fair value of the instruments and subsequently compares them 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 issue of term deposits payable at maturity (Mexican pesos). U.S. dollar-denominated cash flows arise from loan transactions or treasury management, where the issue 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 terms of 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 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 match method: The requirements to qualify for this methodology are as follows:

- No upfront payments
- The fixed swap rate is constant
- The floating swap index does not change

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

- No upfront payments
- The fixed swap rate is constant
- The floating swap index does not change
- The maturity date of the instrument to be hedged >= swap maturity date
- The 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:

$$80\% \leq \frac{\text{Change in value (instrument to hedge)}}{\text{Change in value (swap)}} \leq 125$$

or

$$80\% \leq \frac{\text{Change in value (swap)}}{\text{Change in value (instrument to hedge)}} \leq 125$$

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

Regression analysis method: The condition for deeming a hedge effective is 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

When all these conditions are met and 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 accordance with the critical terms method. Such method meets the following requirements:

Net monetary liability (sell) position	Condition	Net monetary asset (purchase) position
Maturity date	=	Maturity date
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 analysis

A summary of the results of the sensitivity analysis conducted with respect to the risk factors associated with the Bank's derivatives position at the end of Q4 2014, as well as an analysis of the changes in the risk factor percentages used to calculate the scenarios and the results obtained, is provided below:

	Extreme Scenarios				
Risk Factor	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Exchange rate	6.8%	13.6%	20.4%	12.1%	23.5%
Interest rate (notional)	31.3%	62.5%	93.8%	4.5%	36.0%
* U.S. dollar Fix (base of 14.7414)	15.7438	16.7462	17.7486	16.5251	18.2056

*The exchange rate value is considered in each scenario.

Stress Test Analysis

Risk Factor	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Exchange rate	61,526	123,052	184,578	109,321	212,515
Interest rate (notional)	6,181	12,248	18,232	891	7,093
Total	**67,707**	**135,300**	**202,810**	**110,212**	**219,608**

Amounts in thousands of Mexican pesos

As can be observed above, the exchange rate is most significantly affected by the range of scenarios. This analysis was performed using the variance percentages described in the first table above.

Sensitivity Analysis

Risk Factor	Scenario 1	Scenario 2	Scenario 3
Exchange rate	5,127	10,254	15,382
Interest rate (notional)	518	1,035	1,552
Total	**5,645**	**11,289**	**16,933**

Amounts in thousands of Mexican pesos

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 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 operational events occurring within the Bank. Based on the foregoing, the Bank's operational risk materialization estimate for Q4 2014 is Ps.98 thousand. The calculation of the capital requirement for operating risk yielded Ps.547 million at September 2014.

The operational Value at Risk (VaR) represents 0.439% of the Bank's net capital (amount at October 31, 2014, validated and published by Banxico). The 99% operational VaR calculated using the information provided in the Bank's accounting records for loss events from operational risk was Ps.52 million at the end of Q4 2014.

Operational VaR for Q4 2014 was measured using a 99% confidence level. The results of this analysis are as follows:

VaR by Operating Risk for Q4 14

Month	Oct-14	Nov-14	Dec-14	Q414
VaR	57,556	54,087	52,285	54,643

Amounts in thousands of Mexican pesos
**Average for the quarter*

Unquantifiable risks:

As part of the effort to mitigate its unquantifiable risks, the Bank contracts specialized insurance policies comprised of bankers blanket bond insurance (BBB), directors and officers liability insurance (D&O), and a civil liability multi-company insurance policy covering all kinds of liabilities.

In addition, to control its reputational risk, the Bank has a specialized area that continuously monitors the Bank's media coverage.

Variances in interest income and economic value of equity:

An analysis of the variances in the Bank's interest income and economic value of equity (EVE) over the last quarter of 2014 and 2013 is as follows:

	October 2014	November 2014	December 2014
EVE (%)			
Variance in EVE (%)	1.60%	0.52%	-6.39%
	October 2013	November 2013	December 2013
EVE (%)	23.20%	7.20%	30.36%
Variance in EVE (%)	(21.17%)%	16.00%	23.16%

28. Subsequent Events

- Accounting rules applicable in 2015

On May 19, 2014, the CNBV issued changes to the regulatory accounting framework applicable to credit institutions. These changes will become effective on June 1, 2015. The most relevant of these changes for the Bank are as follows:

a) Criterion A-2, *Application of Specific Standards*, eliminates the supplementary application of Mexican FRS B-4, *Comprehensive Income*, since this standard was eliminated when Mexican FRS B-3, *Statement of Comprehensive Income,* and Mexican B-4, *Statement of Changes in Shareholders' Equity,* became effective on January 1, 2014. Mexican FRS C-18, *Obligations Related to Retirements of Property, Plant and Equipment* and Mexican FRS C-21, *Joint Arrangements*, have also been incorporated into the CNBV's accounting standards.

This criterion also establishes that overdrafts in the checking accounts of customers who do not have a line of credit with the Bank should be classified as overdue debt and the Bank must create a bad debt reserve for the full amount of the overdraft.

b) Criterion B-1, *Cash and Cash Equivalents,* establishes that when a bank's net balance of receivable and deliverable foreign currencies balance under 24- and 48-hour FOREX transactions is negative, such balance should be presented in the Other accounts payable caption.

c) Criterion B-6, *Loan Portfolio*, includes rules regarding the initial recognition of factoring transactions, unaccrued interest income (including its calculation), interest, advances and commissions, and fees other than those related to factoring arrangements.

Criterion B-6 includes rules for transferring to the past-due portfolio payments that are more than 90 days overdue with respect to home improvement loans granted to individuals that are backed by the individual's housing sub-account balance. The criterion includes disclosure rules related to this matter. Additionally, Criterion B-6 includes specific rules for accounting for restructured consolidated loans and broadens the concept of sustained payment to consider the various types and characteristics of loans, as well as a definition of renewed loans.

a) Accounting criterion C-5, *Consolidation of Special Purpose Entities*, has been eliminated due to the incorporation of Mexican FRS B-8, *Consolidated and Combined Financial Statements*, into the CNBV's accounting rules.

The Bank's management does not believe that these changes will not have a significant effect on the Bank's financial statements.