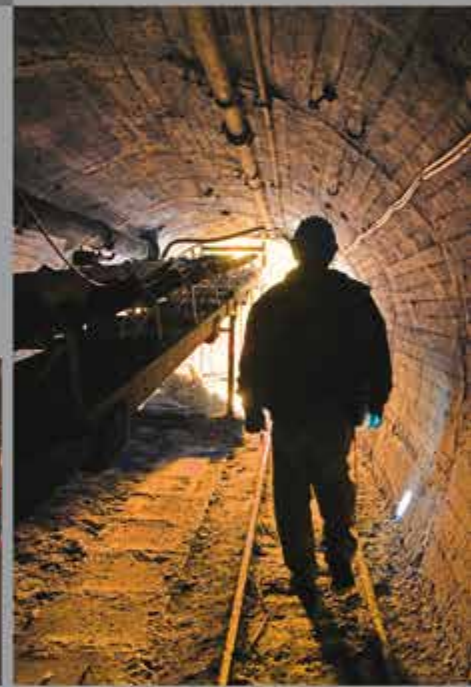


Report 2013 - 2014



MINING DEVELOPMENT BANK





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Technical Committee

Ministry of Economy

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Substitute Commissioner

Mining Development Bank

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Pro-Secretary for the Technical Committee

Jorge Ramón Muñozcano Saínz
Director of Technical Coordination and Planning

Oscar Cortés Salazar
Deputy Director of Operations

Report

2013 - 2014

Mining Development Bank





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The Mining Development Bank (FIFOMI, for its acronym in Spanish) is a federal government institution focused on promoting and supporting the growth of the national mining sector. FIFOMI, during the year of 2014, celebrated its 80th year of existing and being a fundamental actor in the development of the national mining sector, and the better use of our mining resources.

Furthermore, granting financial resources has as main objective offering training and technical assistance. FIFOMI has proved to be a key factor for the consolidation of small and medium size companies not only exclusively dedicated to mining, but also to others that work with this industry's supply chain.

Likewise, within the policies developed over recent years, FIFOMI has linked itself to different mining clusters in which there is a constant contribution to the development of a new financial scheme.

The presence of the Mining Development Bank throughout the national territory has been effective thanks to the coverage provided by its 14 regional offices, strategically located in those cities with the strongest mining tradition.

It is worth stressing that the National Development Plan 2013-2018 establishes as a strategy (4.8.2) the promotion of higher levels of investment and competitiveness in the mining sector, through three major actions: promote the increase on investment in the mining sector, seek the financing for the mining sector and its chain of value, and provide training for small and medium size companies during the exploration, exploitation, and commercialization in mining.

This way, FIFOMI is a key institution in the achievement of major national goals, which was also established in the Mining Development Program 2013-2018, whose objectives are also: promoting and increasing the investment levels and competitiveness in the mining sector, seeking an increasing financing for the sector, promoting the development of small and medium size mining and social mining, modernizing the institutional norms for the sector

and its chain of value, as well as improving the processes related to formalities related to mining concessions.

FIFOMI contributes directly to two of these objectives: seeking the increase of financing in the mining sector and its chain of value, and promoting the development of the small, medium, and social mining.

From the year 2013, a focus on credit that promotes new financing strategies, easier access to credit for small and medium size companies of the mining sector and its chain of value, was adopted as main approach.

This re-design in the credit focus will be reinforced by training and technical assistance, as well as gradual changes to the structure of operations, administration, financing policy, and promotion.

This action taken by the Mining Development Bank promotes a competitive development of national mining, strengthens its chain of value, facilitates to small and medium size mining companies the commercialization of their products and allows the development of explored projects with the Support Program for the Exploration of the Mexican Geological Survey. Furthermore, it multiplies the financing available for initiators of mining in zones of hard access, brings mining production closer to the processes of mineral benefit, allows mining companies to grow, introduces new technology to mining, and supports activities that mitigate the impact on the environment.

This way, the Mining Development Bank has consolidated itself as a renewed institution that supports the sector through the constant encouragement of sustainable development and the sustainability of the mining activity, as well as its capacity to generate benefits, such as local and regional growth that ultimately contribute to the prosperity of the nation.

Mario Alfonso Cantú Suárez
General Coordinator of Mining



During 2013 and 2014, the Mining Development Bank, as a public trust of the Mexican finance sector, has progressed in its mission of promoting a more significant support to the mining sector and its chain of value.

Under the direction of the National Development Plan 2013-2018 and the Mining Development Program 2013-2018, FIFOMI has contributed to the task of fomenting the mining industry in the country, making the most out of the experience and knowledge it has acquired throughout its 80 years of existence.

During 2013-2014, FIFOMI has tried to direct the financing, training, and technical assistance towards the mining sector and its most relevant activities. This new approach gives more attention to mineral producers, companies that provide services for the industry, and primary consumers of minerals.

FIFOMI has outlined medium- and long-term objectives, as well as metrics that allow an evaluation of its achievements. That is the reason why during these past two years, the bases for a refocusing in the improvement of processes such as credit analysis and risk administration have been laid out.

The Mining Development Bank has achieved its financial viability based on actions oriented to the diversification of the portfolio of financial intermediaries and direct credits; at the same time, it has sought funding that allows an increase in competitiveness and guarantees the liquidity for the granting of credits. FIFOMI has strengthened the quality of its credit analysis with the purpose of choosing profitable projects both on a social and on an economic manner.

As it is shown in this report, several goals have been achieved. Those of us who work for FIFOMI are sure that in order to meet the long-term goals, we must follow the established plan and consolidate the FIFOMI as a financial institution that gives technical assistance, so that in the long run, it will keep on developing the mining sector in the country within the national development.

Dr. Armando Pérez Gea
Director General



I. GENERAL INFORMATION



The Mining Development Bank (FIFOMI) is a state agency classified as a public trust that is a part of the Mexican financial system. FIFOMI is sectorized to the Ministry of Economy, as a specialized agency of the mining sector that promotes the development of national mining through financing, training, and technical assistance, in order to create, strengthen and consolidate mining projects and operations in the country.

FIFOMI's trustor is the Ministry of Finance, and its trustee is the Nacional Financiera, and is regulated by the National Banking and Securities Commission.

FIFOMI supports activities related with mining and its chain of value. Its spectrum ranges from mineral producers and processors to mining industry service providers, consumers, and distributors.

a. Mission

To promote national mining development, jobs and investment generation through training support, technical assistance and/or financing to individual tax payers and companies devoted to exploit, benefit, industrialize, commercialize, and to consumers of minerals and their by-products, as well as to service providers related to the mining sector.

b. Vision

FIFOMI is an entity of quality within an atmosphere of continuing improvement, competitive with a market view, specialized in the mining sector and its productive chain, preferably directed to micro, small, and medium size companies with national coverage. It is renowned for its contribution to the sector's development and its contribution to the social and economic well-being of the country; also, it is respectful of the environment.

c. FIFOMI: History and current status

In 1934, the Mining Promotion Commission (COFOMI, for its acronym in Spanish) was created as owner of the non-concession deposits of iron, sulfur, and coal, all of them considered strategic minerals for the financial conditions of the country.

Afterwards, on December 8, 1961, a trust was created in the Nacional Financiera, as published in the Official Journal of the Federation, in order to study the exploration, exploitation, and the benefits of non-metallic minerals.

In October 1974, the previous 1961 Agreement was derogated by presidential decree, and on November 1, 1974 a new decree was published in the Official Journal of the Federation, creating the Mexican Non-Metallic Minerals Trust.

¹ List of parastatal agencies of the Federal Government subject to the Federal Law on Parastatal Entities and its Regulations published in the Official Journal of the Federation, on August 15, 2014.



Years later, the Federal Government realized the need to strengthen the technical capabilities of the mining sector in order to integrate a larger amount of mining aspects and provide diverse kinds of support to help in their development, particularly in small and medium size mining operations, reaching all sorts of minerals, except hydrocarbons and radioactive minerals.

Given those reasons and through a presidential agreement dating from January 25, 1990, and published in the Official Journal of the Federation on February 2 of the same year, the title of the Mexican Non-Metallic Minerals Trust was changed for that of Mining Development Bank, broadening the functions of that organization to consider all sorts of minerals, except petroleum and solid, liquid, or gaseous hydrocarbons, or radioactive minerals.

In December, 1992, and derived from provisional article number 5 of the Mining Act, the Act on the Patrimony of the Mining Promotion Commission was abrogated, generating its extinction. By January 1993, through a presidential decree, FIFOMI absorbed a part of COFOMI patrimony, substituting it in its pecuniary rights and obligations.

In 1994, FIFOMI became part of the sector coordinated by the Ministry of Commerce and Industrial Promotion, within the agencies under the General Coordination of Mining, operating with its own resources.

Since 2001, the Mining Development Bank is assigned to the Ministry of Economy and operates as a financial institution that provides financing, training, and technical assistance services.

In recent years, beginning on 2013, the FIFOMI has evolved to become a promoting institution specialized in the mining sector, by promoting the development of small and medium size companies in the field to increase their productivity and therefore to contribute to the economic and social development of Mexico.

The financing from FIFOMI is given directly to companies that produce and process mineral, and through financial intermediaries directed to small mining companies integrated to the value chain as suppliers and traders of minerals. This has forced the transformation of technical assistance and training offered by FIFOMI.

The re-orientation of the Mining Development Bank activities is based on its deep knowledge of the mining sector.



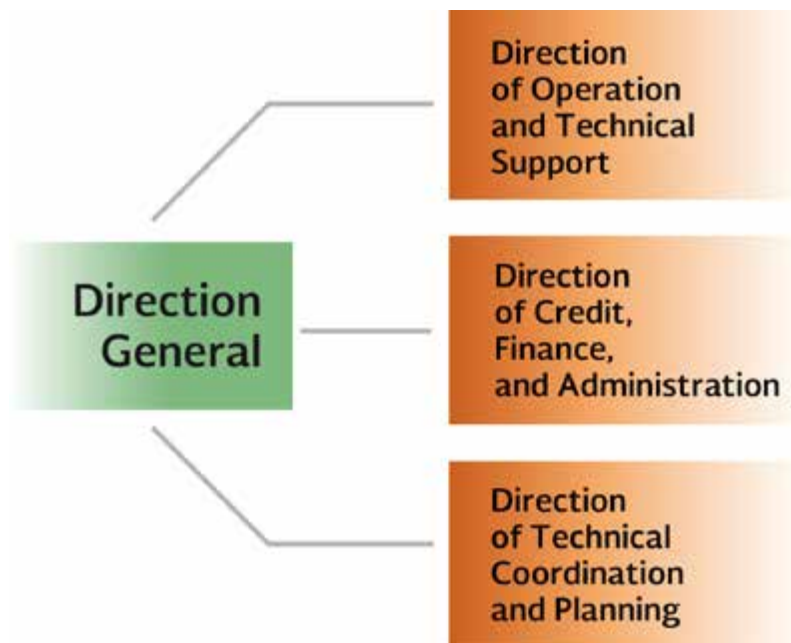
d. Organizational Structure



The top level in the organizational structure of the Mining Development Bank is composed by the Direction General, the Direction of Operation and Technical Support, and the Direction of Credit, Finance, and Administration in its core, and the Direction of Technical Coordination and Planning as a support area. Likewise, Exportadora de Sal, S.A. (ESSA) and Baja Bulk Carriers (BBC) act as FIFOMI's subsidiaries.

Direction General

Organization chart

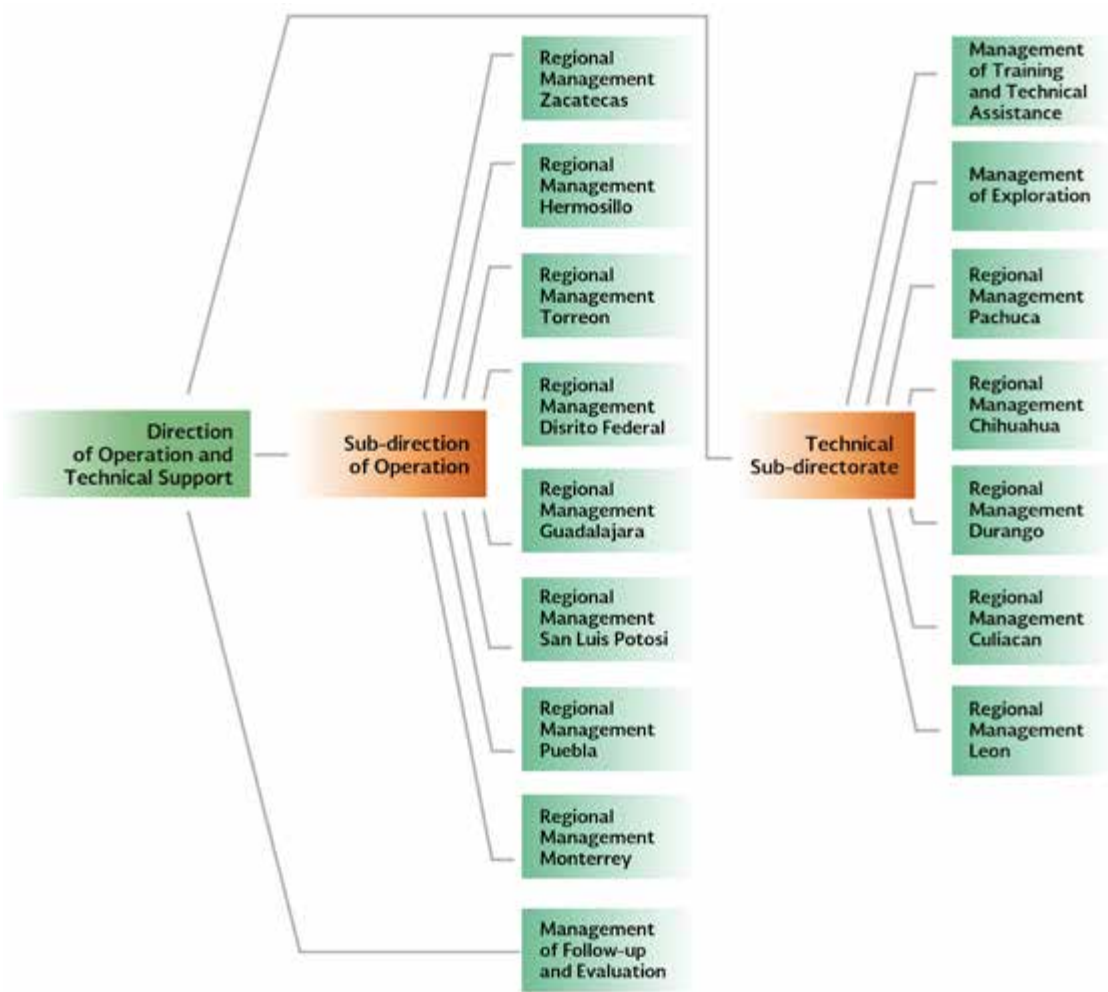




d.1 Major Areas

Direction of Operation and Technical Support

Organization chart





Description

Direction of Operation and Technical Support

Objective: To direct the promotion of financing, training, and technical assistance in order to encourage the development of national mining, as well as actions towards the compliance of the post-credit normativity.

· Sub-direction of Operation

Objective: To coordinate the promotion of financing and the correct functioning of Regional Managements.

· Management of Follow-up and Evaluation

Objective: To establish the follow-up of post-credit and financing activities of Regional Managements through reports and statistics, with the purpose of fulfilling the normativity of the Institution.

· Technical Sub-direction

Objective: To coordinate the technical assistance and training provided by the FIFOMI and the functioning of the Regional Managements, with the purpose of fulfilling institutional objectives.

· Management of Training and Technical Assistance

Objective: To coordinate technical assistance and training in order to encourage national mining development.

· Management of Exploration

Objective: To coordinate the activities carried out as a part of the program for exploration, with the purpose of supporting national mining development.

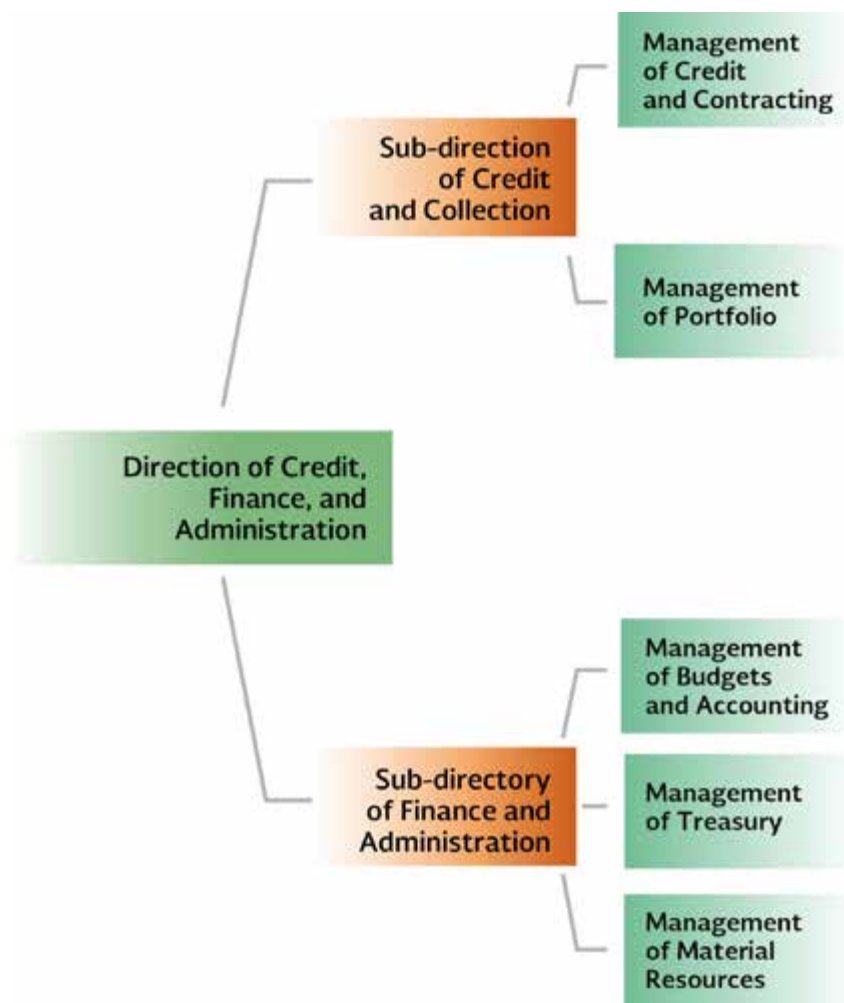
· Regional Management

Objective: To administer those processes regarding promotion, technical assistance, training, and financing collaborating towards the fulfillment of the Institution's goals and the development of national mining.



Direction of Credit, Finance, and Administration

Organization chart





Description

Direction of Credit, Finance, and Administration
Objective: To establish a methodology for the evaluation of credit requests made to the Internal and External Credit Committees; to establish the rules for the recovery of the loan portfolio; to coordinate the budget elaboration and the administration of financial resources, as well as to supervise the fulfillment of acquisitions and general services normativity.

· **Sub-direction of Credit and Collection**
Objective: To coordinate credit requests, the facilitation of Financial Intermediaries and others related to credit activity; to supervise the registry and the collection of the loan portfolio.

· **Management of Credit and Contracting**
Objective: To evaluate the addition of financial intermediaries that help developing national mining and its productive chain, as well as identifying the financial feasibility of projects.

· **Management of Portfolio**
Objective: To participate in the registry, control, qualification and recovery of the credit portfolio, ensuring the custody of those values given as guarantee.

· **Sub-directory of Finance and Administration**
Objective: To guarantee the supply of financial resources, material and general services, as well as to provide financial and budget information that contributes towards the compliance of institutional goals.

· **Management of Budgets and Accounting**
Objective: To issue financial, budget, and fiscal information using those dispositions that regulate and coordinate FIFOMI.

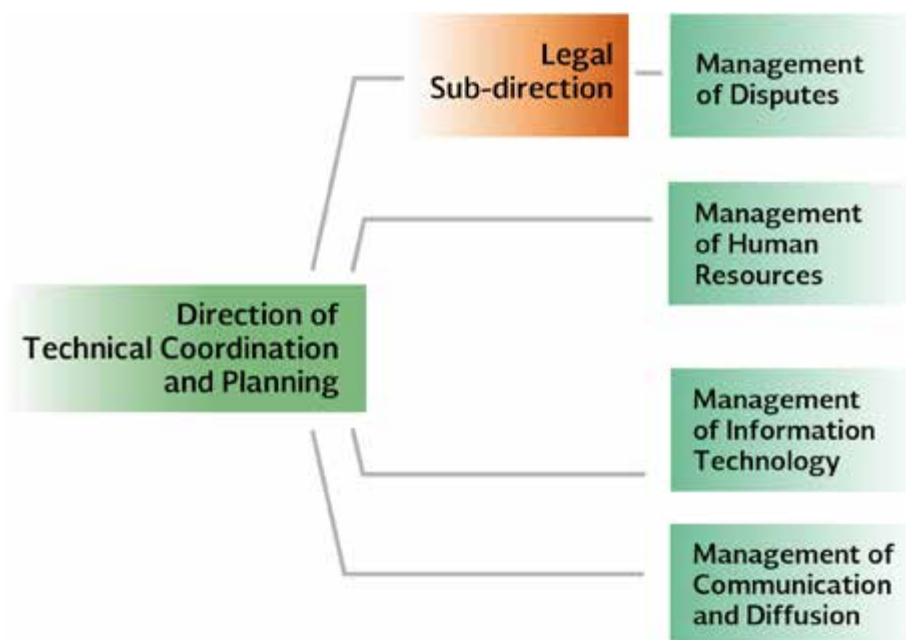
· **Management of Treasury**
Objective: To obtain funding and administer the financial resources for the correct operation of FIFOMI, optimizing the remaining of the operation, according to the internal policies with the purpose of obtaining better results.

· **Management of Material Resources**
Objective: To coordinate the acquisition of goods and services, as well as the attention of general services.

d.2 Support Areas

Direction of Technical Coordination and Planning

Organization chart





Description

Direction of Technical Coordination and Planning
Objective: To direct and supervise the strategies and actions for legal matters, human resources, information technology and diffusion.

· Legal Sub-direction

Objective: To be the legal representative and defender of FIFOMI against any administrative, labor, civil or penal controversy filed; to ensure the correct application of the law regarding contracts and agreements of the Institution, as well as to ensure the recovery of credits through the law, with the purpose of safeguarding the patrimony of FIFOMI.

· Management of Disputes

Objective: To act as the legal representative of FIFOMI with full faculties to attend controversies and collections regarding the Institution, as well as to ensure the formalization of credits.

· Management of Human Resources

Objective: To establish and coordinate processes regarding recruiting, selection, training, payroll, and staff administration with the objective of finding the right staff for the Institution and its goals.

· Management of Information Technology

Objective: To sustain an optimal operation of information technology and communications through a proper handling of infrastructure in order to offer quick solutions to issues regarding support, development, and maintenance services.

· Management of Communication and Diffusion

Objective: To establish and implement strategies that promote the services offered by the Institution, as well as communicating FIFOMI's activities towards its staff.





d.3 Subsidiaries

⚡ Exportadora de Sal, S.A.

Exportadora de Sal, S.A. (ESSA) (Salt Exporter, in English) is located in Guerrero Negro in the state of Baja California Sur, where the largest salt plant is operated with a production capacity of over 8 million tons a year. Besides, the company has operations in the island of Cedros, also in Baja California Sur, where they handle their ship exports, with a capacity of receiving and loading ships as large as 180,000 tons.

ESSA is one of the main salt suppliers and producers for the chlor-alkali industry in the Pacific Rim, taking part in one of the largest salt markets for de-icing the roads, water softeners and food in North America. Exportadora de Sal is a joint investment between the Mining Development Bank (51%) and Mitsubishi Corporation (49%).

⚡ Baja Bulk Carriers

In order to ensure controlled costs for sea freight, which is a very important aspect in the Cost, Insurance, and Freight (CIF), the naval company Baja Bulk Carriers (BBC) was created. The company's main purpose is an efficient transportation of bulk salt produced by ESSA all the way from Isla de Cedros to its destination. BBC is an essential strategic element that allows for competitiveness, since it works with large ships (70,000-160,000 TM) under short-term contracts, thus stabilizing marine freight costs. BBC belongs to the Mexican government through the Mining Development Bank (50%) and Mitsubishi Corporation (50%).



II. DEVELOPMENT OF POLICIES FOR THE MINING SECTOR



a. Mining in Mexico



Mining contributes to 4% of the national GDP and has presented a rise in investment.

Economic indicators of the Mining Sector

	GDP 2013 (2008=100)	GDP 2014 (2008=100)
Non-oil mining	132,420 million pesos	134,673 million pesos
Percentage GDP	0.9%	1.0%
Annual growth	5.6%	1.7%
Expanded mining (excluding oil)	537,844 million pesos	555,930 million pesos
Percentage GDP	4.0%	4.0%
Annual growth	0.2%	3.4%

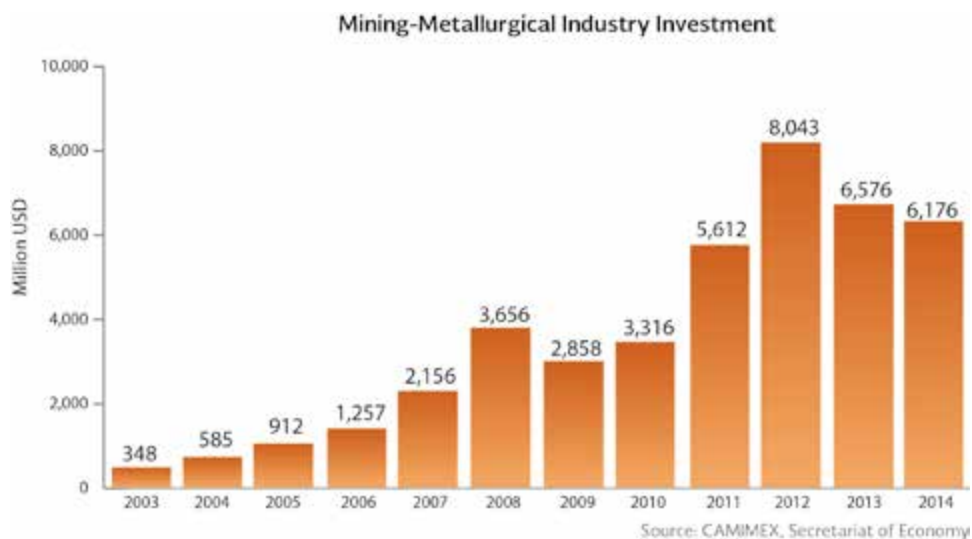
Value of the Mining Metallurgical Production of Minerals subject to be licensed
(millions of pesos)

	2013	%	Change	2014 (jan-nov)	Change
Total:	200,947	100%	-14.2	172,951	-6.7
Precious minerals	104,162	52%	-18.3	79,616	-17.3
Industrial minerals	57,948	29%	-16.1	57,630	7.6
Steel minerals	24,750	12%	2.5	22,780	0.5
Non-metallic minerals	14,087	7%	5.1	12,925	-0.1

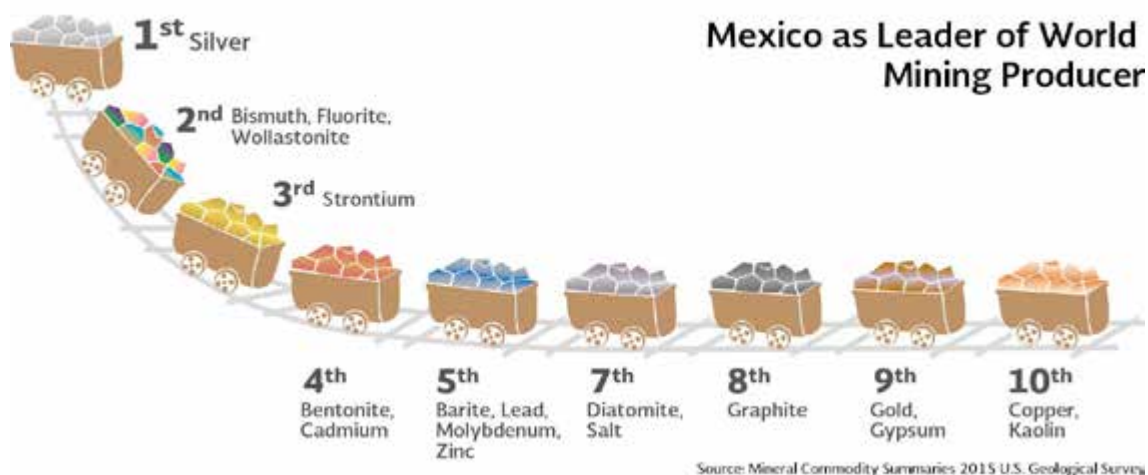
Source: Bank of Economic Information (BIE), INEGI.
Mining GDP excludes services.



In 2013, the investment made to the mining-metallurgy industry rose to 6.5 billion dollars, a decrease of 18.2% compared to 2012. For 2014, the amount to be invested is calculated in 6.1 billion dollars, 6.1% less than the previous year.



Mexico is and has been a historical mining country, with major reserves of mineral resources. Currently, Mexico is one of the ten main producers of:





Financing to the mining industry. The following table shows the evolution of credits given by commercial and development banks to the mining industry (coal, iron, sand, non-ferrous metal ores, sand, gravel, clay, and non-metallic minerals).

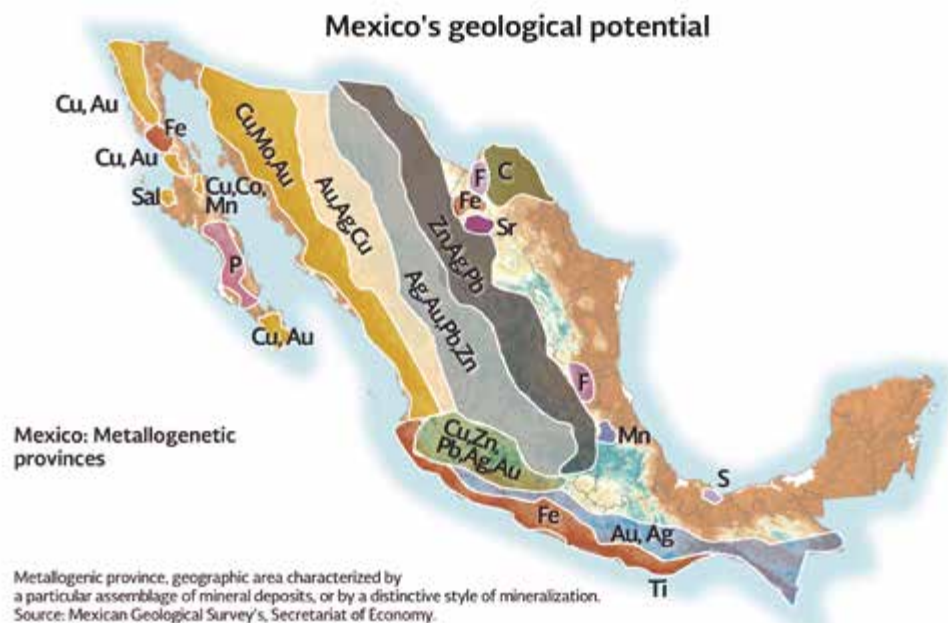
Financing to the mining industry

Year	Commercial Bank			Development Bank		
	Total	Loans to mining industry	%	Total	Loans to mining industry	%
2010	2,166,640	4,595	0.2%	378,395	168	0.0%
2011	2,506,277	5,000	0.2%	408,104	133	0.0%
2012	2,793,721	7,385	0.3%	465,381	436	0.1%
2013	3,047,804	5,218	0.2%	548,992	985	0.2%
2014	3,366,356	6,694	0.2%	656,399	1,828	0.3%

Source: BANXICO. <http://www.banxico.org.mx>



Mexico possesses a wide range of mineral resources, from precious and industrial metals to non-metallic materials.



b. Legal Framework of FIFOMI

The Mining Development Bank strategy is ruled by the National Development Plan 2013-2018 and the Mining Development Program 2013-2018; as well as the Federal Government regulations of financing, which were published as a part of the Finance Reforms in January 2014.

Furthermore, the Mining Development Program includes indicators and goals that simplify the evaluation and follow-up to these policies.



The Mining Development Program 2013-2018 has four main strategic objectives: 1. To promote investment and competitiveness in the sector; 2. to seek an increase in financing, including its value chain; 3. to foster the development of small, medium size and social mining; and 4. to modernize institutional regulations, improving those processes that attend formalities.

One strategy for fulfilling those objectives is simplifying access to credit to companies of the sector (and their suppliers); thrive in the creation of mining clusters, as well as providing support to activities of exploration and evaluation of new projects.

The Financial Reform of January 2014 estates that “Institutions of development banking have as main objective simplifying the access to credit and financial services to natural and judicial persons, as well as providing technical assistance and training with the purpose of enhancing economic development. In the spirit of developing those functions, institutions must seek sustainability, through efficient, transparent, and cautious channeling of resources.”

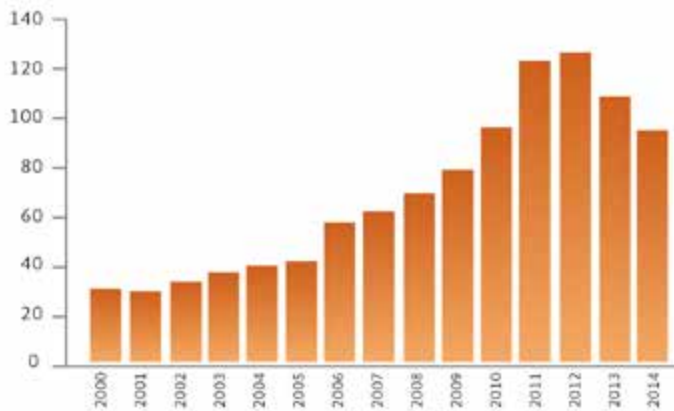
c. New approach

From 2013, FIFOMI established as premise to have long-term objectives and metrics that allow for the evaluation and tracking of its accomplishments through time. Through its new strategy, the priority sectors were defined: mineral producers, companies providing services to the mining industry and consumers of minerals.

This new approach was pressing due to the need of strengthening financing available for mining activities. This had been lost in previous years. Rising prices of some metallic minerals had been left behind and, at the same time, working conditions of the sector had changed.

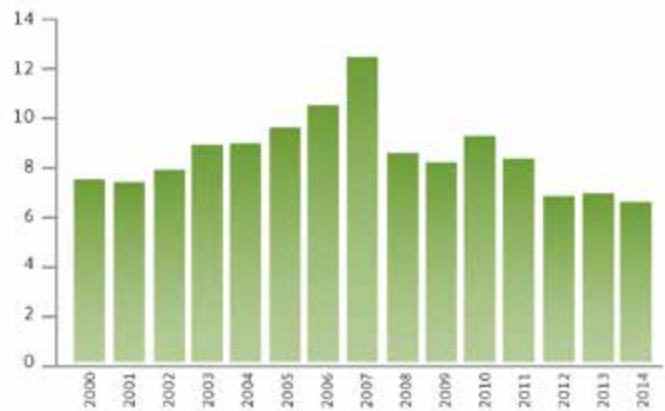
Historical Metal Prices

Precious Metals Prices vs. Dollar rate Exchange
(2010=100, dollar/euro)



Source: World bank

Base Metals Prices vs. GDP of China
(2010=100, % change)





In this sense, FIFOMI has redirected its actions to facilitate access to financing to companies of the sector, particularly small and medium sized.

A strategy for financing companies at the beginning of the mining chain (extraction) as well as that to processors and sellers needed an operation rules change, and added flexibility.

An important measure was modifying the scheme from 2013, to the Rules of Operation to First-tier Credits in order to add flexibility to lending schemes; this was mainly aimed to accepting the guarantees and coverage for small miners. The National Program of Direct Credit to Small Mining was also modified; currently named National Program of Direct Credit with Support to Small Mining, it is increasing the terms of first-tier credits and providing more competitive interest rates.

Adding flexibility to the conditions that grant first-tier financing to suppliers, particularly to those who work for large mining companies, required that the revolving gear to support providers of the productive chain acquired new characteristics. This would allow for an adaptation to the conditions of competence of the financial system in terms of guarantees, commissions, payment, and requirements in order to access credit.

Within the changes made to the Rules of Operation to First-tier Credits, the maximum amount of credit available was increased, from 5 to 25 million dollars. This included companies that have a great impact and that can function as influencers for smaller companies within the productive chain of mining activity. Among those companies, we can find the mineral suppliers.





The Rules of Operation for Credit Discount with Financial Intermediaries were also modified. Within these important modifications, we can find some changes made to the faculties of the Credit Committee, which will allow processes to be simplified.

As a complement to credit activity, the FIFOMI provides technical assistance and training focused towards mining exploitation and its chain of suppliers.

In this regard, a redesign was carried out for those programs aimed to provide technical assistance and training, centered in the support towards Small and Medium Companies.

In this way, as a medium and long-term strategy, an egalitarian participation is sought, an increase in the financing for mineral producers, to companies that provide services to the mining industry and to the mineral consumers.

On the other hand, as permanent task, the FI-FOMI must improve the quality of its credit portfolio with a better selection of costumers and a deeper analysis of the projects.

Likewise, we are looking to maintain a balance of the credit portfolio between financial intermediaries and direct projects' financing.





III. OPERATING SITUATION



a. Goals and indicators

During the 158 ordinary session of FIFOMI's Technical Committee, carried out on March 28, 2014, members of the Committee authorized FIFOMI's Strategic Indicators for the year, based on fraction I, article 58 of the Parastatal Entities Federal Law.

Strategic Indicators 2014

Indicator	Unit	Goal 2014	Observed	% Fulfilled
Financing				
1 Financing	Million pesos	12,434	12,041	97
2 Current portfolio balance	Million pesos	2,500	2,316	93
3 Using guarantee funds	Million pesos	300	491	164
4 Companies benefitted with credit	Companies	750	468	62
Source: Management of Credit and Engagement and Management of Portfolio.				
Operational Efficacy				
5 Net financial results	Million pesos	100	98	98
6 Past-due portfolio	%	3.0	3.5	--
7 Operational cost / amount placed	%	1.7	1.6	--
Source: Management of Budgets and Accounting and Management of Portfolio.				
Training and Technical Assistance				
8 Training and Technical Assistance for the mining sector (Dirigidas a financiamiento y exploración)	Companies	300	396	132
Source: Management of Training and Technical Assistance.				



b. Financing

b.1 Placement

The resources granted during 2014 added up to 12 billion pesos, a figure that represents a fulfillment of 166% in regards to the annual forecast, as well as an increment of 192% in regards to what was granted during 2013, amounting to 6.2 billion pesos.

On the other hand, in 2013 the resources granting presented a progress of 90% respect to what was originally planned for that year, and a decrease of 37% respect to what was granted on 2012. These results are due mainly because the credits are now being directed to the financing of other priorities, as mentioned before, those activities at the beginning of the mining production chain.

First-tier credits

In 2013, resources worth 318 million pesos were allocated in first-tier credits, which represented 5% of the total amount and reflected an increase of 1% in comparison with 2012 allocation. Through first-tier credits, during 2013, 72 companies received support, mainly through the Productive Chains Program.

During the period ranging from January to December 2014, resources adding up to 8.5 billion pesos, were placed in first-tier credits, representing 71% of the total amount allocated. Towards the end of 2014, through first-tier credits, 115 companies received support mainly through the Productive Chains Program.

Discount operations

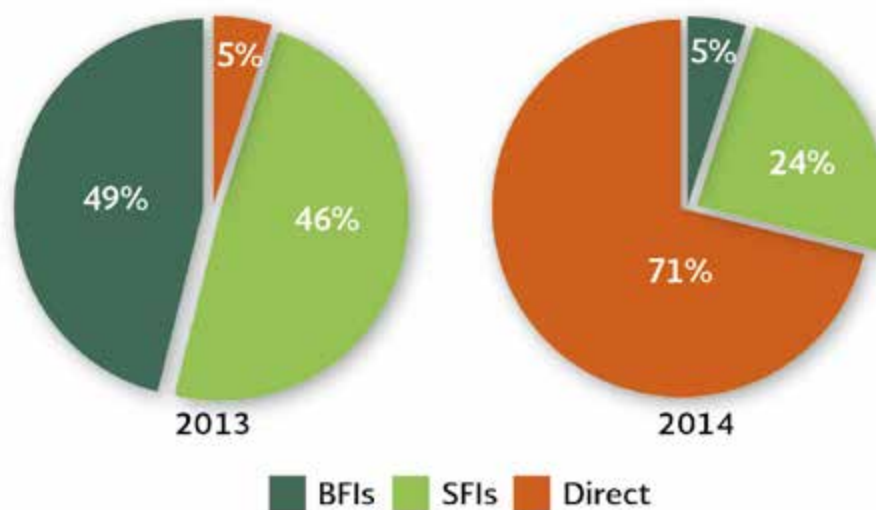
During the 2013 activities, resources worth 5.9 billion pesos were placed through discount operations, representing 95% of the total amount allocated. This amount represents a decrease of 38% in comparison to 2012; these are coherent results given the fact that credits are being refocused towards direct credits supporting mining projects and financial intermediaries specialized in the sector.

During 2014, 3.4 billion pesos were granted in discount operations, conformed by 2.9 billion pesos through specialized financial intermediaries (SFIs) and 586 million pesos through Banking Financial Intermediaries (BFIs), representing 24% and 5% of the total amount, respectively.





Credit Placement



Companies supported with financing

In 2013, credits to 672 companies were granted, reaching 95% of the annual goal, having a decrease of 12% when compared to 2012 numbers.

During 2014, 468 companies received this type of financial support. This figure represents an increase of 62% of the annual goal, observing a decrease of 30% respect to companies supported in 2013.



Financing by activity level

During 2013, the granting of resources by level of activity is as follows:

Level 1. Mineral producers

Amounted up to 933 million pesos, representing 15% of the total. In comparison to what was granted in 2012, this decreased by 11%.

Level 2. Service providers to the mining industry

Resources worth 1.1 billion pesos were granted, representing 18% of the total granted, which meant an increase of 40% when compared to 2012.

Level 3. Mineral processors

The allocation was of 1.8 billion pesos, representing 30% of the total granted during 2013, and that reflects a decrease of 31% when compared to 2012.

Level 4. Consumers, distributors, and traders

An allocation of 2.3 billion pesos, representing 37% of the total allocation, as well as a 57% decrease when compared to the previous year.

During 2014, the granting of resources by level of activity was as follows:

Level 1. Mineral producers

The allocation of 8.9 billion pesos, representing 74% of the total granted, as well as an increase of 856% when compared to 2013.

Level 2. Service providers to the mining industry

Resources for 1 billion pesos were granted, representing 8% of the total allocation, as well as a 12% decrease when compared to 2013.

Level 3. Mineral processors

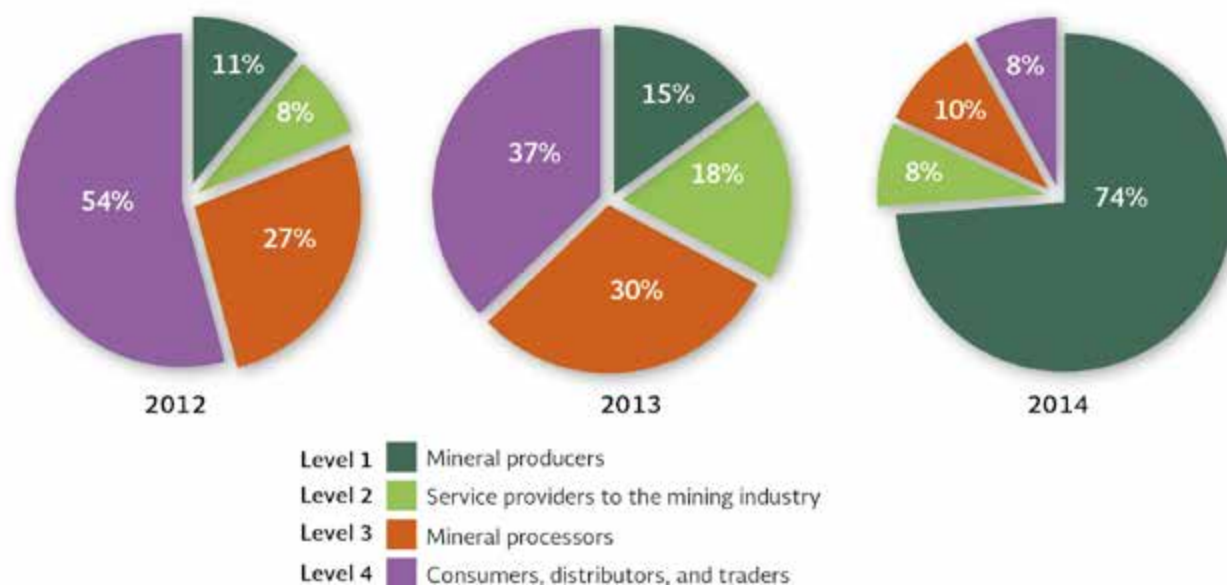
For this category, the allocation was of 1.1 billion pesos, representing 9% of the total granted until December 2014, and a 40% decrease when compared to 2013.

Level 4. Consumers, distributors, and traders

Resources for 982 million pesos were granted, representing 8% of the total amount granted, reflecting a 57% decrease when compared to 2013.



Placement by Activity



Financing to mining suppliers and its productive chain

Currently, the Productive Chains Program is active in the states of Guanajuato, Zacatecas, Sinaloa, Hidalgo, Chihuahua, and Yucatan. During 2013, 169 million pesos were granted through four first-order companies (EPOs, for its acronym in Spanish).

During 2014, 339 million pesos were granted through seven EPOs, representing 3% of the total amount granted during 2014.



b.2 Loan Portfolio Balance

Total Loan Portfolio 2013-2014

The total balance of the credit portfolio for December of 2014 was 2.4 billion pesos, registering a 4% increase respect to December 2013, which amounted up to 2.3 billion pesos. The total balance of the credit portfolio for 2013 registered a 31.4% decrease when compared to December of 2012, which registered 3.3 billion pesos.

Current portfolio

In 2014, the current portfolio ascended to 2.3 billion pesos, registering an increase of 10% when compared to December of 2013, which registered 2.1 billion pesos. The current portfolio of 2013 represented 34% less when compared to 2012, which registered 3.1 billion pesos.

Past due portfolio

The total balance for the past-due credit portfolio for 2014 amounted to 85 million pesos, representing a delinquency rate of 3.5%. At the same time, in December 2013 the past due portfolio rounded up to 205 million pesos, representing a delinquency rate of 8.9%. The past due portfolio of December 2012 was of 197 million pesos.

The decrease of past due portfolio for 2014 was mainly thanks to the reclassification of 15

loans to memorandum accounts for an amount of 135 million pesos, authorized by the Technical Committee, in March 2014.

Number of operations

From January to December, 2014, 4,121 credit operations were registered; figure 67% superior to the 2,455 operations reported during the same period of 2013. The registered operations towards the closure of 2013 (2,455), were 27% superior to those reported for 2012 (1,931).

Recovery

From January to December, 2014, the portfolio was recovered for a total of 11.9 billion pesos, from a budget of 11.9 billion pesos. This represents 58% more when compared to 2013, where 7.5 billion pesos were recovered.

From January to December, 2013, from a budget of 10 billion pesos, 7.5 billion pesos were recovered. When compared to 2012, when 9.5 million pesos were recovered, 21% less was recovered for the 2013 period.

Participation of banking financial intermediaries in the loan portfolio

The loan portfolio balance for December 2014, when compared to 2013, shows a decrease of 48%, going from 193 million pesos to 100 million pesos.



If we compare December 2013 to 2012 portfolios, there was a decrease of 76.2%, going from 809 million pesos to 193 million pesos. Concerning the number of credits, a 2% increase was registered, for this type of intermediaries, in 2013.

Participation of specialized financial intermediaries in the loan portfolio

Comparing the loan portfolio balance of December 2014 to the previous year there was a 12% decrease, from 1.7 billion pesos to 1.5 billion pesos.

In addition, when comparing the balance of 2013 to 2012, we can appreciate a decrease of 18.6%, going from 2.1 billion pesos to 1.7 billion pesos. Referring to credits' number, in 2013, a decrease of 4.9% was observed.

Participation of direct credits in the loan portfolio

For 2014, the balance increased 103%, going from 383 to 781 million pesos, this was the result from re-focusing financing to the priority activities of the mining sector.

At the same time, the balance for 2013 decreased 10%, going from 428 to 383 million pesos, due to the higher selectivity of the Institution.

In 2013, the number of credits increased 151%, going from 396 to 992 credits granted, mainly through the Productive Chains Program.

Portfolio per credit term

2013

At the end of 2013, an improvement in the distribution of the loan portfolio by term was observed. Due to the actions taken to re-focus, the long-term credit has been increased. This type of credit accounts for 45% of the total portfolio, reflecting a 11 percentage points increase when compared to 2012; in the same period, the short-term credit decreased 9 percentage points.

The figures for the long-term portfolio of 2013 are detailed in the following paragraphs.

The short-term portfolio (up to one year) represented 38.2% of the total portfolio, a figure that summed up to 882 million pesos, representing a decrease of 45% when compared to the 2012 period, where the amount was 1 billion pesos.

For December 2013, the medium-term portfolio (1 to 3 years) closed at 395 million pesos, representing 17% of the total portfolio. This number is 37% less than what was reported for the 2012 period, a total of 631 million pesos.



The long-term portfolio (more than 3 years) was of 1 billion pesos, representing 45% of the total portfolio, being equal to a 9% decrease when compared to the 2012 period, where the amount was 1,1 billion pesos.

2014

The figures for the 2014 period, ended in December, are now described.

The short-term portfolio (up to one year) represents a 51% of the total portfolio, which summed up to 1.2 billion pesos, representing an increase of 37% to the portfolio reported on the same period the previous year, for an amount of 882 million pesos.

For December 2014, the medium-term portfolio (one to three years), summed up to 203 million pesos, representing 8% of the total portfolio; the figure is 48% lower than the previous year, which summed up to 395 million pesos.

The long-term portfolio (over three years) is 994 million pesos, representing 41% of the total portfolio, being equal to a decrease of 4% when compared to the previous year, which summed up to 1 billion pesos.

Portfolio per Activity Level 2013 - 2014

In 2013, the portfolio per level of activity was as follows.

Level 1. Mineral Producers, 630 million pesos, figure representing 27% of the total portfolio balance and a total increase of 7% when compared to the 2012 period.

Level 2. Service providers to the mining industry was of 394 million pesos, representing 17% of the total portfolio balance, and reflecting an increase of 6% when compared to the 2012 period.

Level 3. To mineral consumers was of 500 million pesos, representing 22% of the portfolio balance, meaning a decrease of 1%, when compared to 2012.

Level 4. To consumers, distributors, and traders, 785 million pesos, representing 34% of the total portfolio balance, meaning a 13% decrease of the total.

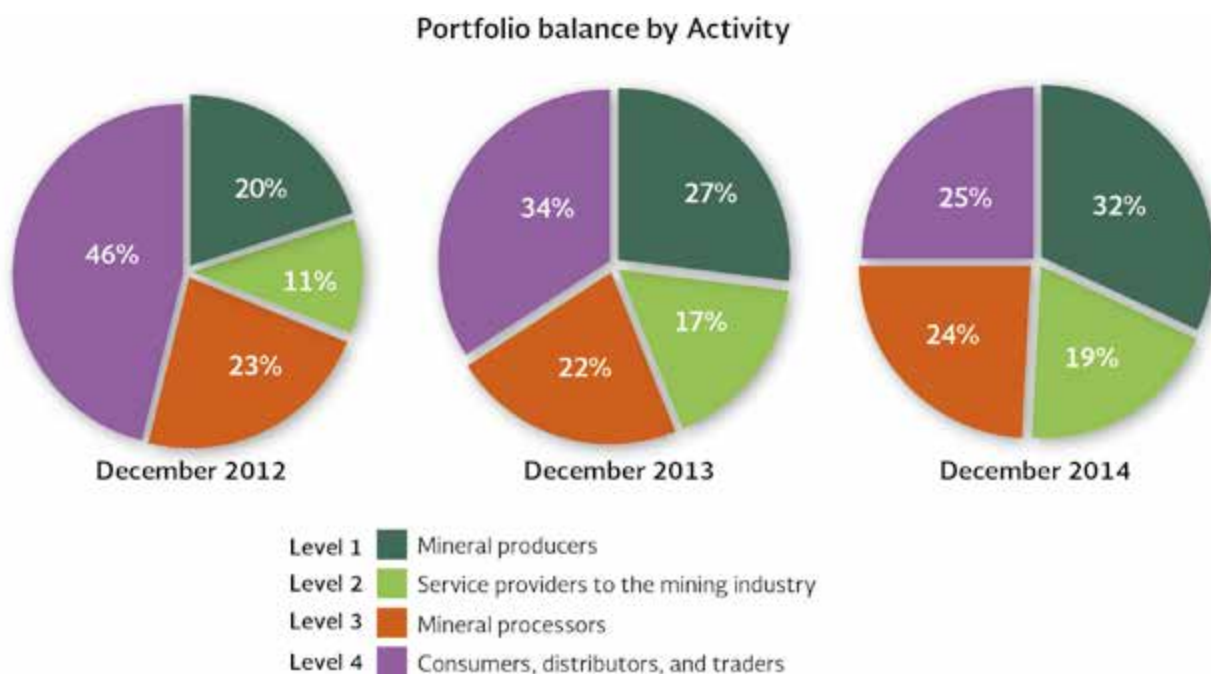
For the period ending in December 2014, the portfolio per level of activity was divided as follows.

Level 1. Mineral producers, 777 million pesos, representing 32% of the total portfolio balance and an increase of 15% when compared to the 2013 period.

Level 2. Service providers for the mining industry, 459 million pesos, which represented 19% of the total portfolio balance and an increase of 17%, when compared to December 2013.

Level 3. To mineral processors, 575 million pesos, representing 24% of the total portfolio balance, as well as an increase of 15% when compared to 2013.

Level 4. To consumers, distributors, and traders, 600 million pesos, representing 25% of the total portfolio balance, and a decrease of 24%, when compared to December 2013.





Portfolio per size of company 2013 - 2014

On December 2012, the portfolio was mainly made up of credits granted to micro size companies, for 1.219 billion pesos (36%), to small size companies for 933 million pesos (28%) and to medium size companies, for 1.2 billion pesos (36%).

For 2013, the portfolio was made up of credits granted to micro size companies for 703 million pesos (30%), to small size companies for 983 million pesos (43%), to medium size companies for 622 million pesos (27%) and to large size companies, for 2 million pesos (0.1%).

For the period ending in December 2014, 73% of the portfolio corresponded to micro, small, and medium size companies, being divided in this way: credits to micro size companies added up to 418 million pesos (17%), to small size companies an amount of 780 million pesos (32%) was granted, to medium size companies, 563 million pesos (23%) were given; and the rest, 650 million pesos, were granted to large impact companies (27%).

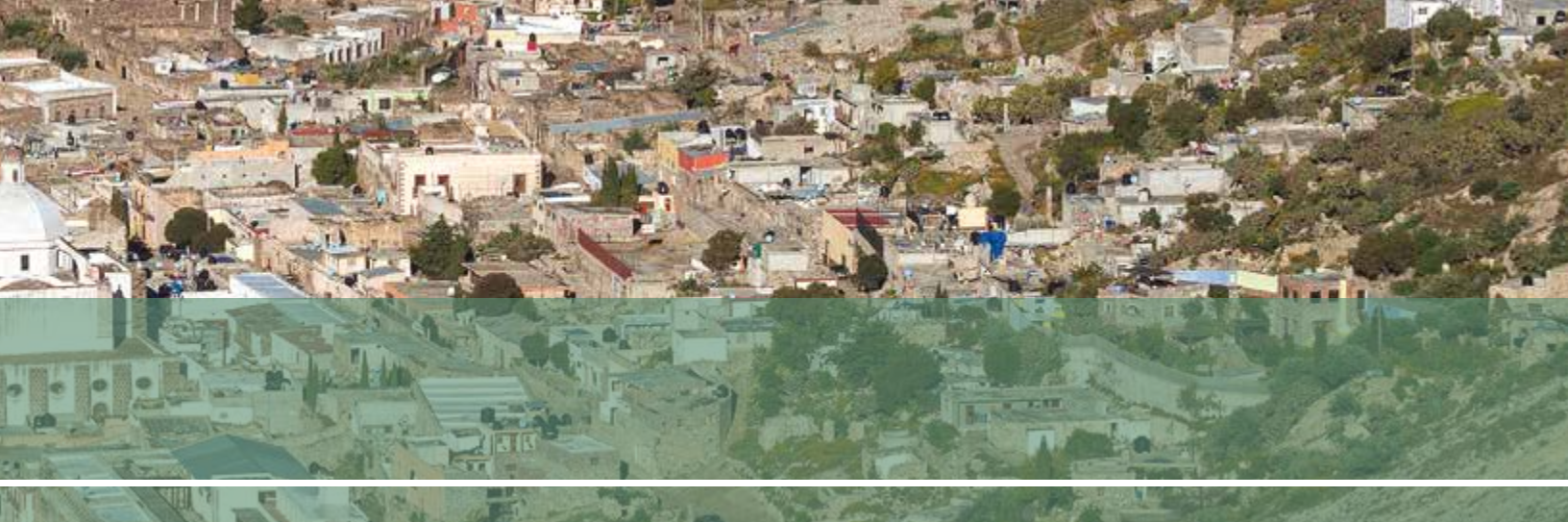
It can then be observed that, starting on 2013, the portfolio is oriented to micro, small, and medium size companies, trying to fulfill the institutional mandate.

Credit portfolio per Regional Managements

Portfolio per Regional Managements 2013-2014
(million pesos)

Regional Management	2013	2014
Chihuahua	77.9	66.4
Culiacan	26.8	42.6
Distrito Federal	329.5	208.1
Durango	79.9	73.6
Guadalajara	533.7	423.2
Hermosillo	174.9	158.6
Leon	42.0	35.8
Merida	52.7	205.0
Monterrey	51.6	28.6
Pachuca	101.1	261.6
Puebla	103.9	29.3
San Luis Potosi	55.8	33.8
Torreon	638.2	565.0
Zacatecas	41.5	42.4
Oficinas Centrales	0.0	236.9
Total	2,309.6	2,410.9





b.3 Reserves.

Preventive estimations for Credit Risks 2013-2014

At the end of 2014, the preventive estimation for credit risks ascended to 116 million pesos. Such estimation generated a coverage of 137% for the overdue portfolio. When compared to 2013 (231 million pesos), the preventive estimation for credit risks decreased 50%.

In 2013, the preventive estimation for credit risks added up to 231 million pesos. This estimation generated a coverage for 113% for the overdue portfolio. When compared to the same period in 2012 (205 million pesos), the estimation increased 13%.

b.4 Actions to avoid the deterioration of the loan Portfolio

- Incorporation of intermediaries with proven experience and financial strength plus, if needed, certified by a qualified agency.

- Adjustment to global discount lines to avoid portfolio concentration.

- In order to record any payment breach of the administrative portfolio, a daily follow-up is carried out, carefully monitoring the payment delays, with the help of the Regional Managements.

- Consultation of payments and account statements through the SIFOMI portal, where debts can be consulted and payments can be promptly programmed.

- On a monthly basis, monitoring the main indicators of the financial intermediaries is carried out with the purpose of having alerts and, if needed, performing corrective actions for the lines of credit.

- There is a special treatment for the credit follow-up in order to verify the business, the state of guarantees, as well as proof of incurred expenses.



b.5 Venture Capital

On July 22, 2011, FIFOMI signed a contract with the Mexican Corporation of Capital Investments (CMIC, for its Spanish acronym), known as the Fund of Funds (FdeF, in Spanish).

The contract considered investing in Arias Resource Capital Fund II, L.P. (ARCF II), created as a private investment fund of metals and mining companies for emerging markets. It was agreed with CMIC that FIFOMI would contribute with

10 million dollars (9 millions for investment and 1 million for administrative expenses).

Called up share capital

A summary of the called up share capital, the return and the payment of administrative expenses up to December 31, 2014 is now shown.

Called up share capital		
	Date	Amount US Dollars
First	08/31/2011	2,383,110
Second	10/13/2011	17,756
Third	12/13/2011	4,652
Fourth	02/07/2012	3,325
Fifth	03/01/2012	32,220
Sixth	05/15/2012	720,000
Seventh	07/03/2012	1,000,230
Eighth	04/19/2013	810,000
Ninth	08/06/2013	810,000
Tenth	09/05/2014	720,000
Subtotal		6,440,178
Repayment of capital	12/04/2012	(408,278)
Administrative Expenses	Other dates	361,115
Total		6,393,014

Note: The tenth call corresponds to administrative expenses.



c. Risk Administration

During the January-December 2013 period, the next was registered.

Market Risk

The treasury reported an average of 426.5 million pesos per day, with an average daily Value at Risk (VaR) of 1,500 pesos, corresponding to 0.0003% of the VaR. This indicator shows an adequate administration of market risk, since the authorized limit by the Risk Administration Committee is 0.06%.

The volatility of exchange and interest rates has no impact on the levels of VaR, due to the absence of dollars in the treasury and the majoritarian investment on one-day reported transactions.

Credit Risk

The amount of exposure of the credit portfolio towards the closing of the second semester of 2013 was of 2.3 billion pesos, with a 1.85% probability of default (having an increase of 44 base points, when compared to the same period of the previous year), with an estimate loss of 42.8 million pesos. The VaR of credit was of 89.3 million pesos, the estimate loss and the VaR are covered by the preventive reserve, made up of 203.9 million pesos.

During this period, tests to the sensitivity to the probability of default were carried out in order to observe the behavior of estimate loss and the value at risk facing distinct scenarios, as well as credit back testing, comparing approximations of estimated loss against credits that went to the overdue portfolio during the year. Those tests showed results consistent with the estimate in the credit risk model, meaning that the actual loss observed was below expected during the analysis period.

Liquidity

The results of the analysis of the cash flows towards the end of the second semester of 2013, presented a credit allocation of 7,2 billion pesos for 2014 and an availability of the treasury resources for 793 million pesos; for this analysis, no guarantee funds were considered because their availability is restricted.

Liquidity Gaps 2013



During the January-December 2014 period, the following was observed.

Market Risk

The treasury reported an average of 446.1 million pesos a day, with an average daily risk value (VaR) of 10,527.3 pesos, corresponding to 0.0025% of the VaR. This indicator proves that there is an adequate administration of the risk market.

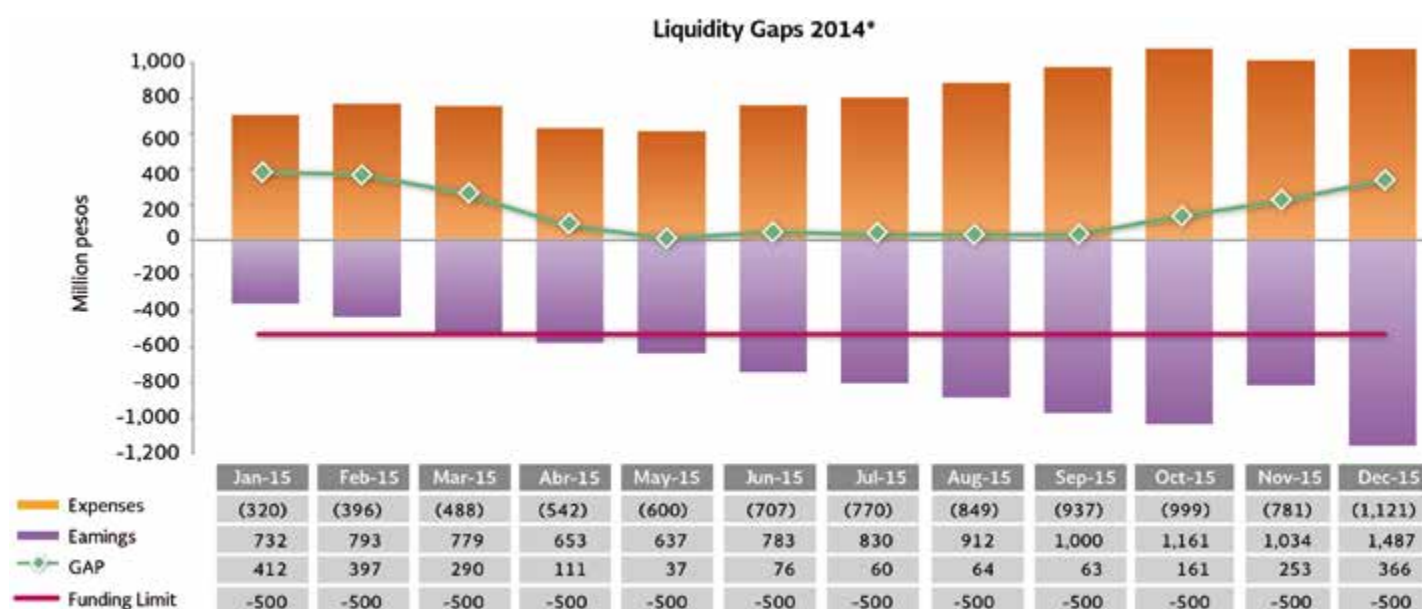
Credit Risk

The exposed amount of the credit portfolio for December 2014 added up to 2.4 billion pesos, with a default probability of 0.83% (showing

a decrease of 102 base points, when compared to the same period of the previous year), and an estimate loss of 20.1 million pesos. The credit VaR was 82 million pesos; the estimated loss and the VaR are covered by the preventive reserves, constituted by 116.3 million pesos.

Sensitivity tests for the probability of default were carried out with the objective of analyzing the behavior of the Estimated Loss and the Value at Risk when facing different scenarios, observing consistency in the results.

The credit risk administration allows for the probability of default associated to the credit portfolio to be known by sectors, regions, and financial intermediaries. This also allows for the establishment of limits and the decrease of im-



*Date from December 31 of the 2014

pact from potential losses (estimated and not estimated); this statistic allows for a better decision-making when granting credits and reduces the potential losses for overdue portfolio, which has less risk concentrations as result.

Liquidity

The results of the analysis of cash flows towards the end of the 2014 period, estimates a credit allocation of 7.2 billion pesos for 2015 and an availability of treasury resources for 334 million pesos.

During this process of measuring liquidity, there is information that allows us to make timely decisions for the on-going operation. The estimation of the net flows prevents possible dates of liquidity deficit and, at the same time, allows us to use mechanisms for funding, proving to date being an effective tool.

d. Technical Assistance and Training

Technical Assistance



FIFOMI offers technical assistance through its 14 regional offices in topics related to projects' administration and operation for small and medium size mining companies.

Technical assistance is carried out through specialized analysts with either a geologic, miner, or metallurgic profile.

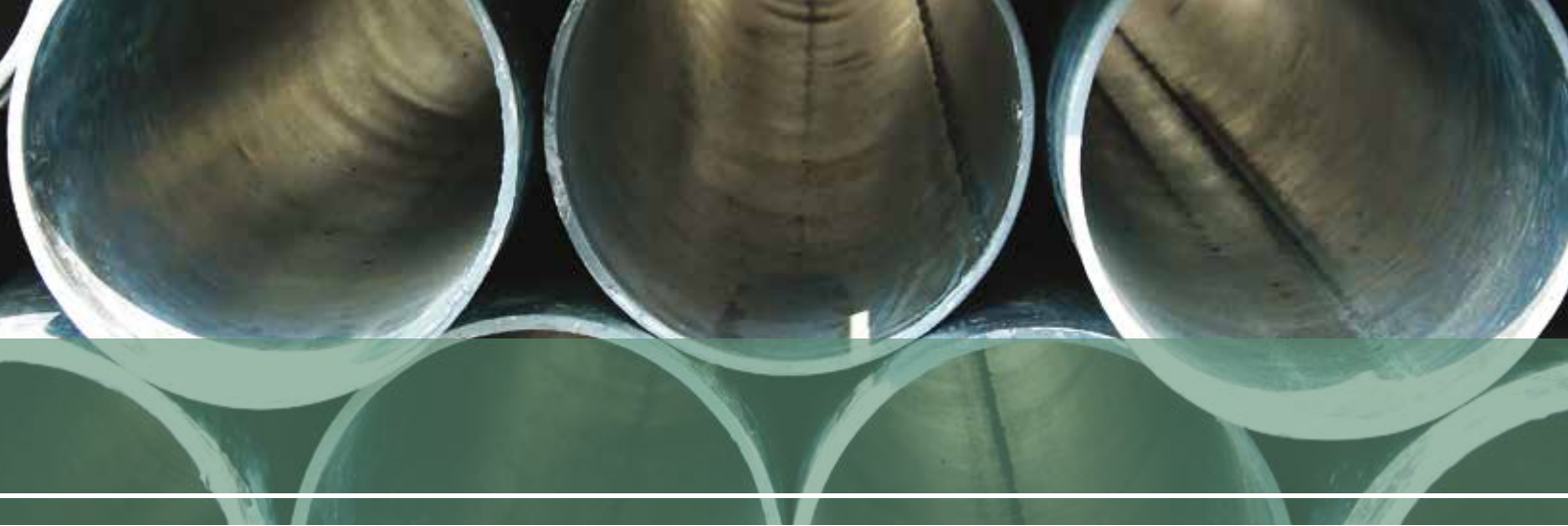
The re-focus of FIFOMI for technical assistance seeks mainly to support those activities oriented to exploration, and obtaining direct credits from mineral producers and services to the mining industry, as well as specialized financial intermediaries.

Specialized technical assistance becomes a very important element for determining the viability of a project.

During January-December, 2013, 2,030 assistance and technical assessments were carried out, 99% of the established goal (2,050) and 18.9% less than carried out during 2012, 9% were technical support (visits) and 91% were technical assistance, similar to the distribution of 2012, which was of 10% and 90%, respectively.

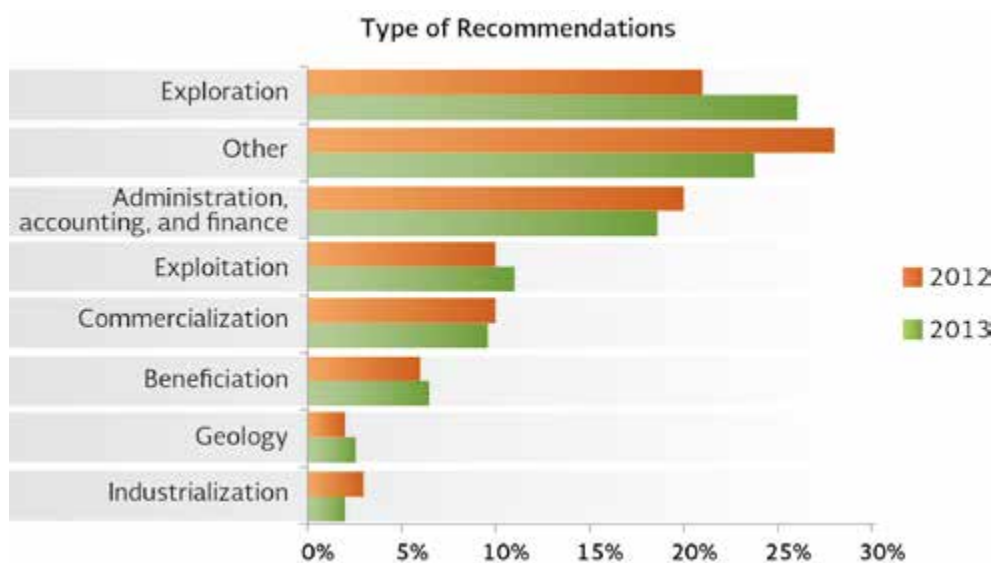
Technical assistance 2012-2013

	2012	2013	Change
Goal	2,050	2,050	0.0
Observed	2,503	2,030	-18.9
Observed/Goal	122.1	99.0	N.A.



During 2013, there were technical assistance throughout the 32 federal states of the country, 57% of the recommendations made were related to exploration, exploitation, commercialization, mineral beneficiation, geology, and

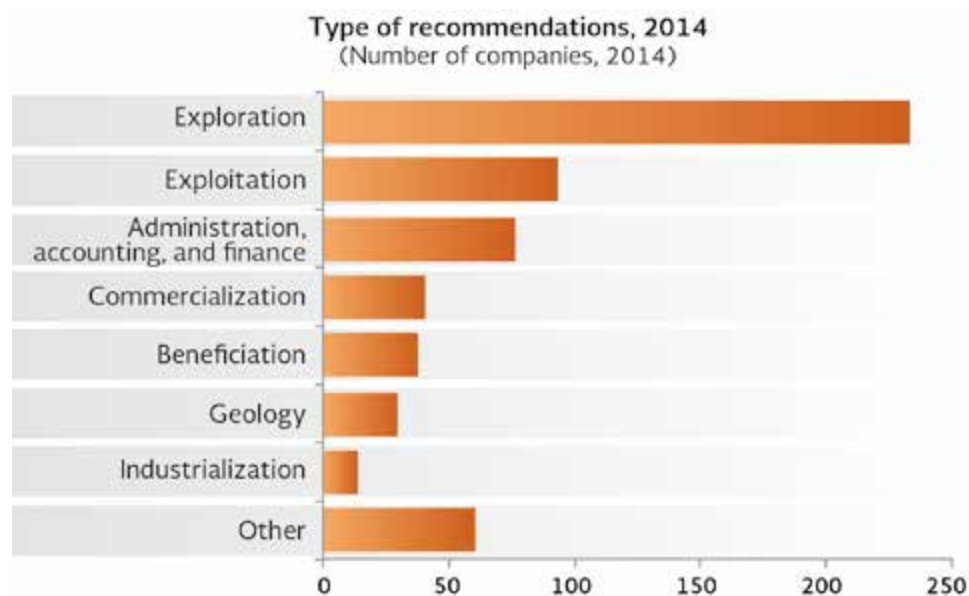
industrialization, 19% of the recommendations made were related to administration, accounting, and finance, and 24% related to other topics.



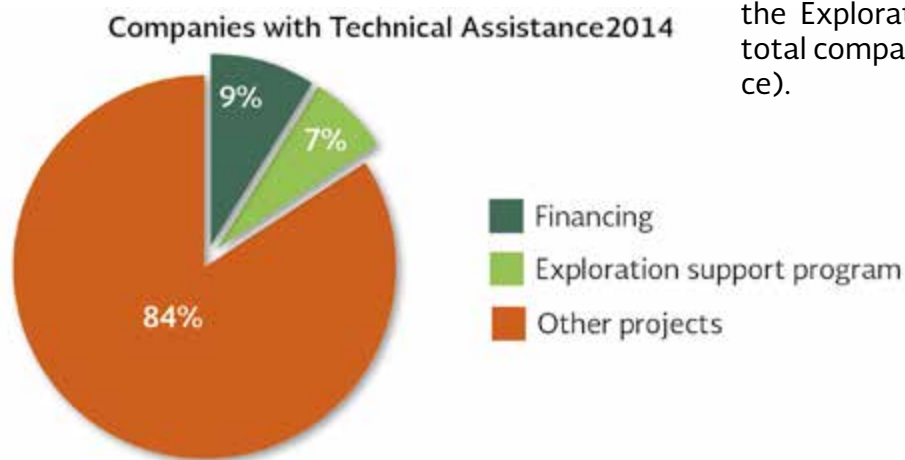
During 2013, 1,742 companies received technical assistance, representing 86.6% of 2,012 companies' goal, and 9.9% less than in 2012 (1,933).

In 2014, the first results of activities refocus can be appreciated, giving more importance to those oriented towards exploration and credits to mineral producers and services to the mining industry. In 2014, 14% more training related to exploration was registered when compared to 2013.

In 2014, technical assistance was provided throughout 29 federal states across the country, 76% of the recommendations were related to exploration, exploitation, commercialization, mineral beneficiation, geology, and industrialization, 14% of the recommendations were related to topics such as administration, finance, and accounting, while 10% were related to diverse topics.



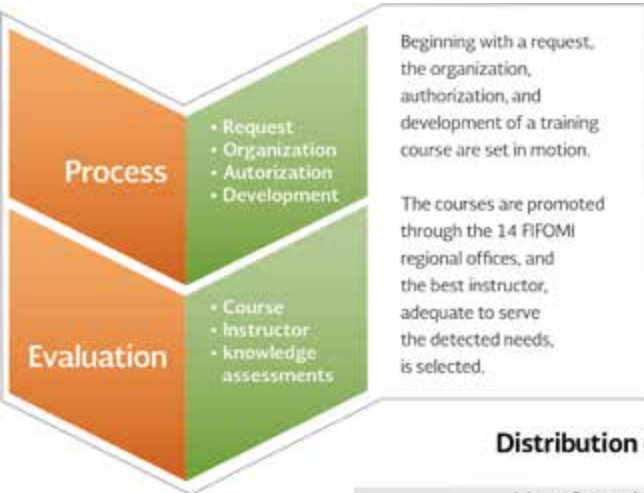
During January-December, 2014, 93 companies were served. Out of this number, 52 are companies that promote credit solicitations with FIFOMI (9% of the 590 companies were helped with technical assistance). Out of the total, 41 companies are heading to apply for the Exploration Support Program (7% of the total companies helped with technical assistance).





Training

Training courses offered by FIFOMI are promoted and organized on specialized topics of technical and administrative areas for the mining sector and its productive chain. In order to optimize the human resources and materials, there is collaboration with universities, organizations, state governments, and companies.

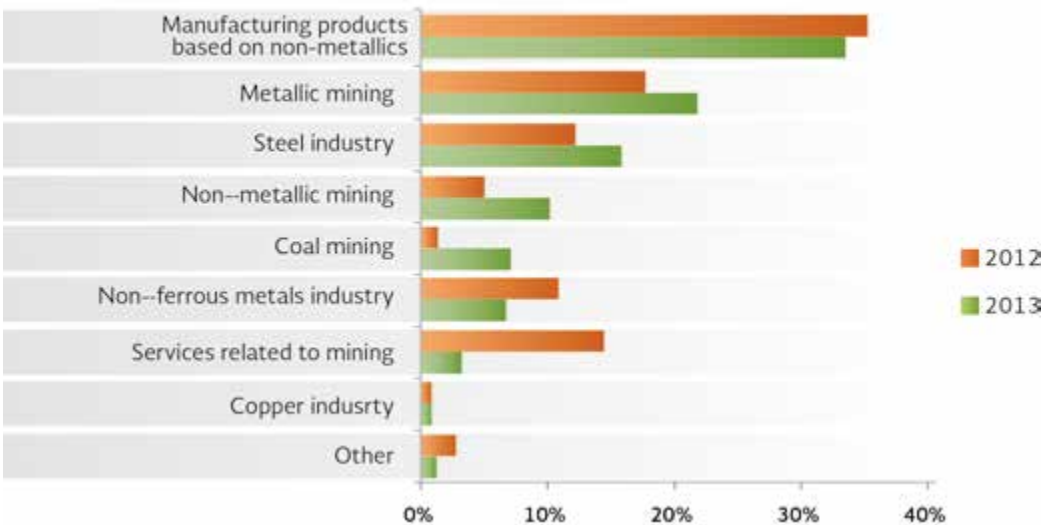


Training, 2013

In January-December, 2013, 245 courses were carried out, attended by 8,437 people, 39% more than the established goal of 6,100 courses and 17% more than in 2012 (7,238). Out of the total number of training courses, 80 were oriented towards mineral producers (33%) and 8 (3%) were organized for companies offering services for the mining industry.

With the courses of 2013, there was presence in 17 federal states with mining vocation and 6,362 companies were helped, 5% more than the established goal for the year and 4% more than 2012 (6,139).

Distribution of training courses by sector 2013





Training, 2014

For 2014, just as technical assistance, the first results of the re-focus promoted by FIFOMI towards exploration and credits for mineral producers, as well as specialized financial intermediaries (SFIs), can be seen.

The following chart shows that 54% of the training courses offered by FIFOMI during 2014 were about subjects related to mining processes. Also, the beginning of the courses directed to SFIs can be appreciated.

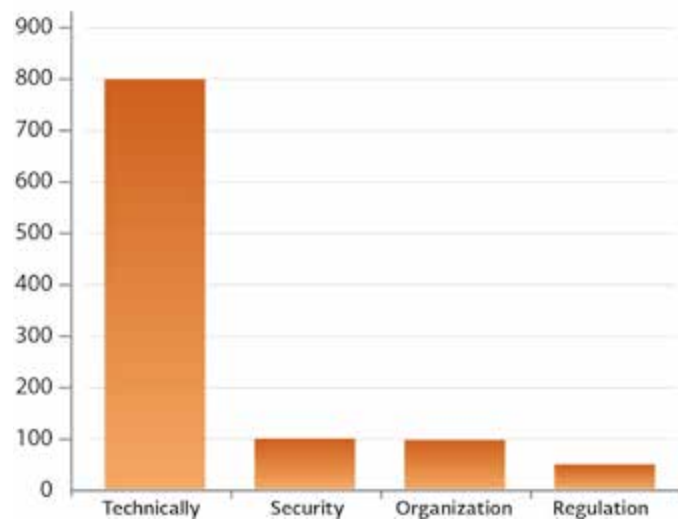


In January-December, 2014, 41 training courses took place, 48% more than in 2013, attended by 2,362 persons. Out of the total number

of courses, 33 were aimed to mineral producers (81%) and 8 were provided to companies offering services to the mining industry (20%).



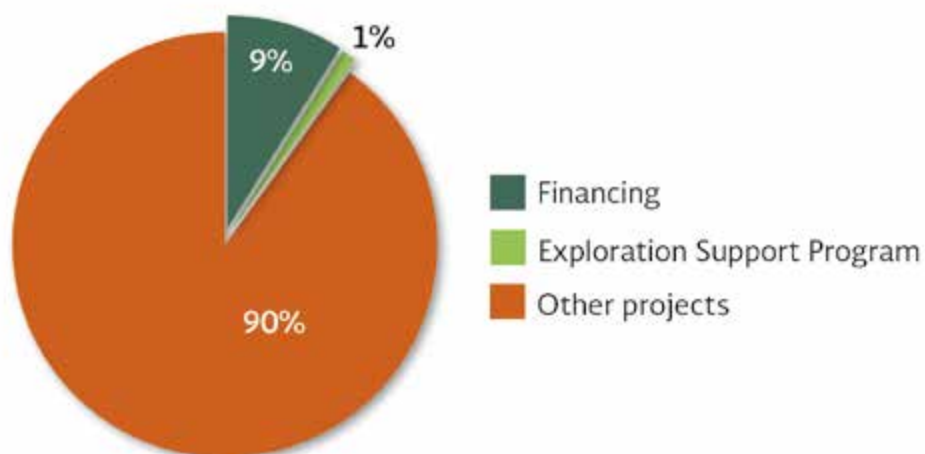
Subjects of the training courses
(Number of companies 2014)



During the period from January to December 2014, training was provided for 109 companies. Out of these, 97 promote credit requests from FIFOMI (9%, out of 1,052 companies) and

12 were directed to a request for the Exploration Support Program (1% of the total companies that received training).

Companies with training





IV. PROMOTION

With the aim of strengthening national and international promotion of Mexico as one of the main destinations for mining investment, between 2013 and 2014, FIFOMI participated in the following events.



- FIFOMI was a part of the Entrepreneur Week 2013, organized in August by the Secretary of Economy at Banamex Center, in Mexico City. This forum allowed FIFOMI to promote its services for small and medium size mining companies (SMEs) and those that are a part of the productive chain of the sector.

- In September, FIFOMI attended the national ASOFOM reunion, in Quintana Roo, being present in the expositions and in the conference panel.

- FIFOMI was present in the XXX International Mining Convention, from October 16 to 19. It took place at the Imperial World Convention Center of Acapulco, Guerrero. The International Mining Convention, organized twice a year by the Mine Engineers, Metallurgists and Geologists of Mexico, A.C. (AIMMGM, for its acronym in Spanish), is a very important mining event of Latin America; here, FIFOMI provided personalized attention to financial consults, training, and technical assistance. Additionally, the Director General offered a technical conference and participated in a workshop with financial institutions, promoting the refocusing of the Institution.

- During the same month, FIFOMI took part in the convention organized by the Mexican Council of Credit Unions (ConUnion in Spanish) called "For the solidity of our institutions", in-

Quintana Roo. This forum gathered the main financial institutions and investors of the whole country. Participating in this event allowed FIFOMI to promote its programs and services among the different credit unions of the country.



With the objective of reinforcing the position of FIFOMI in the Mexican mining sector abroad, FIFOMI participated in the following international events.

- The International Convention of Prospectors and Developers Association of Canada (PDAC), carried out in the city of Toronto, Canada, from March 3 to 6.

- During the PDAC 2013, FIFOMI also celebrated Mexico Mining Day 2013, on March 5. During this forum, business opportunities were promoted, offering opportunities for the Mexican mining sector and international investors as well. The Mexico Mining Day 2013 took place among the experiences presented by some of the Canadian mining companies present in the panels: Doing Business in Mexico I and Doing Business in Mexico II. Among the main companies were First Majestic Silver Corp., Endeavour Silver Corp., Aurico Gold and Agnico Eagle, who spoke about the good results obtained from investing in Mexico, boosting the growth of the Mexican mining sector.

- From May 25 to June 3, FIFOMI participated along with the General Mining Coordination, in the Latin America Down Under event in Sydney, Australia, promoting investment opportunities in Mexico.



In the national scenario, FIFOMI participated in the events focusing on the financing promotion to the mining industry and its productive chain. The main events where FIFOMI participated in 2014 were:

- Forum “Credit services from FIFOMI to the Sinaloa mining sector”, carried out on January 16, in Culiacan, Sinaloa; and, on February 18, in Durango, Durango, with the purpose of presenting the financing options provided by the Institution.
- The X International Mining Conference 2014, carried out from April 2 to 4 in the city of Chihuahua, Chihuahua, where FIFOMI’s participation was offering information to the assistants regarding financial services, training, and technical assistance.
- In the V Seminary “Success Stories of Junior Mining Companies and Mining Projects in Mexico”, on May 22 and 23, in Mazatlan, Sinaloa, FIFOMI fulfilled its objective of creating awareness on the support provided to national and international mining companies.

· FIFOMI was also present in the IV International Seminary of Perforation and Mining Exploration, during May 29 and 30, in Hermosillo, Sonora. Its participation in the Seminary positioned FIFOMI as a Financial Institution specialized in the mining sector and its productive chain.

· From June 4 to 7, FIFOMI had a presentation in the “Second Convention Mining Expo, Zacatecas 2014” in the city of Zacatecas, Zacatecas. During the convention, FIFOMI provided information about financial options and technical assistance given to the mining companies of the region.

· The “Entrepreneur Week 2014”, carried out from August 11 to 15 at Banamex Center in Mexico City, is consolidated year by year in a space dedicated to strategic sectors and regional competitiveness. The presence of FIFOMI in the exposition area allowed assistants to identify new business opportunities related to the mining sector and its supplier’s chain.



In the international scenario, FIFOMI was presented in the next events.

- International Convention Prospectors and Developers Association of Canada (PDAC 2014), from March 2 to 5 in the city of Toronto, Canada. With its presence, FIFOMI contributed to the strengthening of the Mexican mining sector abroad with an option of attractive investment.
- During the PDAC 2014, FIFOMI organized the fourth edition of Mexico Mining Day, event that took place on March 5, in the city of Toronto, Canada. For this edition of Mexico Mining Day, the Secretary of Economy, Ildefonso Guajardo, who promoted the business opportunities Mexico offers, particularly to the Mexican mining sector and investors worldwide, proudly represented the Mexican delegation. Herminio Blanco also attended the conference alongside representatives from the main Canadian mining companies active in Mexico.

- FIFOMI participated in the event “Latin America Down Under 2014”, which took place on May 28 and 29 in the city of Sydney, Australia, promoting investment opportunities for the mining sector in Mexico, coordinated with the General Mining Coordination.

- Together with the General Mining Coordinator, there was a participation in the “5th Reunion of Mining Ministers in the Asia-Pacific Economic Cooperation (APEC) Forum”, which took place from June 23 to 28, in the capital city of Beijing, China, under the motto “Tighter cooperation for mining in order to achieve transformation and growth”. In this reunion, three main topics were discussed: boost towards a better cooperation for the mining sector in the Asia-Pacific region; innovation for growth and social responsibility; and common development.

San Lorenzo Mexico

V. COMPLIANCE WITH THE NORMATIVITY IN MATTER OF TRANSPARENCY AND ACCESS TO PUBLIC GOVERNMENTAL INFORMATION



2013

During the period from January to December 2013, FIFOMI received 87 information requests through the Federal Institute for Access to Public Information and Data Protection (IFAI, for its acronym in Spanish), 38% more than those received during 2012.

The information requests received in 2013 were referred, for their attention, to the following areas of FIFOMI:

Area	Number of requests
Human Resources	7
Technical Support	28
Budget	6
Material Resources	35
Judicial	4
Informatics	7
Total	87

Such requests were resolved 100% via electronic means, with a time frame no longer than 15.4 days, less than established by the Law which is 20 days; 12 of those requests were because the information was reserved, as stated by the Information Committee of the Institution.

2014

During the period of January-December 2014, 69 requests were received, 21% less than those received during the 2013 period.

The information requests received in 2014 were forwarded for attention to the following areas of FIFOMI:

Area	Number of requests
Human Resources	14
Technical Support	10
Budget	6
Material Resources	18
Judicial	1
Credit	8
Informatics	3
Treasury	2
Connection Unit	3
Discarded for lack of information	4
Total	69

Such requests were 100% answered via electronic means in an average time lapse of 9.15 days, which is less to that established by the Law (20 days); three requests were considered as reserved, ratifying the classification of the Information Committee.

In 2013 and 2014, there was follow-up to the updating of information of the Transparency Portal of FIFOMI, with the objective of fulfilling what was established in article 7 of the Federal Law of Transparency and Access to Public Governmental Information.



VI. COMPLEMENTARY ACTIVITIES



a. Employee Integration

The Mining Development Bank considers its employees as the most valuable resource of the organization, providing continuous recognition and opportunities for the improvement of their abilities.

Traditional holidays such as “Mother’s Day,” “Father’s Day,” “Children’s Day,” among others, have been used as opportunities of integration for the Institution’s employees.

At the same time, FIFOMI has recognized the trajectory of its workers by granting distinctions to those with 5, 10, 15 or more years of service.

In addition, activities designed for training and motivation of workers are promoted, with the purpose of increasing the benefits for employees themselves and the Institution.





b. Events for the 80th Anniversary of FIFOMI

The Mining Development Bank turned 80 years old during 2014, this milestone represented an opportunity to recognize the Institution's trajectory as an entity of the Government that has and will continue to support the development of Mexican mining.

Around this commemoration, in January 2014, there was an open calling for children and grandchildren of the Institution's staff in order to participate in a drawing contest revolving the 80th anniversary of FIFOMI.

The awards for the winners were given on April 30, with the first place being granted to the child Paulo Saúl Vela Morales; the second place was to Maximiliano Guerra Herrera and third place was to Mónica Betzabé Valdés Gayosso.

On the other hand, the Ministry of Economy organized the "Magno Concert", in order to celebrate the 80th anniversary of FIFOMI, 70th of the Mexican Geological Service, and 60th of the Salt Exporter. The concert took place on August 29, 2014, in the "Sala Nezahualcóyotl" at the National Autonomous University Campus, where the Mining Symphonic Orchestra, directed by Carlos Miguel Prieto, played pieces from Brahms and Beethoven.

The concert was honored with the presence of the Secretary of Economy, Ildefonso Guajardo, who was joined by the Mining Coordinator General and the Directors General of Salt Exporter, Mexican Geological Service and FIFOMI.





From October 9 to November 10, FIFOMI presented the temporary exhibit called “Mexican mining, an opportunity for new generations” in the Technological Museum of the Electricity Federal Commission (MUTEC, for its acronym in Spanish), in Mexico City.

The exhibit was composed by pictures and objects especially selected for this event, as tools and other antique objects used for mining, as well as samples of diverse minerals. The exhibit was conformed thanks to the materials provided by the Mining Chamber of Mexico (CAMIMEX, for its Spanish acronym), the Mexican Geological Service (SGM, for its Spanish acronym) and Salt Exporter (ESSA), plus the Mining Development Bank.

The purpose of this exhibit was showing the journey of Mexican mining during the last 80 years to the new generations, paying special attention to the main aspects of contemporary mining.

As part of the commemorative activities, FIFOMI organized a fieldtrip to MUTEC for the children of the staff that work in the central offices; in this occasion the children visited the different exhibits of the museum that talk about energy, electricity, and the temporary mining exhibit, in order to get to know more about the sector.





Also, as part of these activities carried out during the 80th Anniversary, FIFOMI organized two specialized forums:

The forum called “Hydrocarbon Reform and the New Mining Law”, was organized together with the Autonomous Technological Institute of Mexico (ITAM, for its Spanish acronym), and took place on November 14, at the Santa Teresa campus of ITAM.

This forum covered three topics: “Perspectives of the Mining Activity,” “Impact of the Energetic Reform in the Mining Sector,” and “The Derived Demand for Minerals”; where well-known actors of the mining, energetic, and judicial sector, as well as academic experts on the matter of public policies and energy research participated.

Those who attended the forum were officials from the federal government, FIFOMI staff, and members of the Engineering Association of Mines, Metallurgists and Geologists of Mexico (AIMMGM, for its Spanish acronym), representatives from the Mexico Mining Chamber, as well as executives and specialized press.

The second forum, called “Energetic Minerals”, took place on November 14, 2014, at the Industrial Club of Mexico City. This forum included a conference called “The Derived Demand of Minerals,” and two panels “Exploration and Energetic Resources” and “Utilization of Mineral Energetics: Environmental Considerations.”

To this forum attended officials from the federal government, as well as FIFOMI staff and members of the AIMMGM, besides executives and mining consultants.

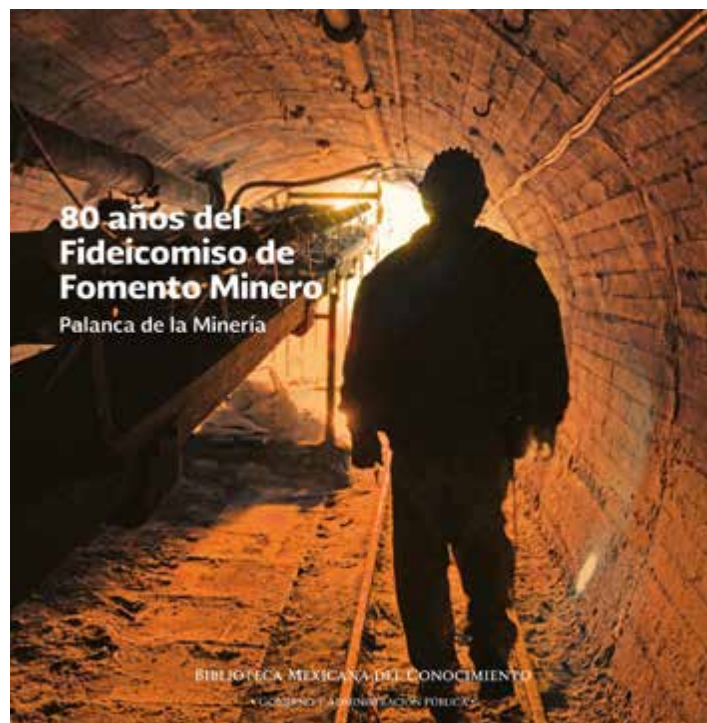




Book *80 Years of The Mining Development Bank, Lever of Mining*

The book *80 Years of the Mining Development Bank, Lever of Mining* is a publication made in order to commemorate the anniversary of FI-FOMI. The book points out the history of the Institution since its creation, in 1934, as the Mining Promotion Commission, and tells the Institution's evolution through 80 years.

This book is part of the Biblioteca Mexicana del Conocimiento, the Publishing Program of the Federal Government, in the Government and Public Administration Collection.





VII. FINANCIAL STATEMENTS

a. Independent Auditor's Opinion



DESPACHO

A. FRANK Y ASOCIADOS, S.C.
CONTADORES PUBLICOS Y CONSULTORES

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1 OF 3

INDEPENDENT AUDITOR'S OPINION

TO FIFOMI'S TECHNICAL COMMITTEE

TO THE MINISTRY OF PUBLIC ADMINISTRATION

TO THE NATIONAL BANKING AND SECURITIES COMMISSION

- I. We have audited the attached unconsolidated financial statements of the Mining Development Bank, that include the general balance sheet, the assets analysis statements, and the debt and other liabilities analysis statements, as to December 31, 2014 and 2013, and the profit/loss statement, the statement of changes in equity, the cash flow statements, and the financial statements of changes, corresponding to the above-mentioned years, as well as a summary of the significant accounting policies and other explanatory information. The unconsolidated financial statements have been prepared by FIFOMI's management in accordance with the "General Accounting Regulations Applicable to all Public Trusts referred to in Fraction IV of Article 3 of the Act of National Banking and Securities Commission (CNBV)", published in the Official Journal of the Federation on May 4, 2006, that became effective on January, 2007; in accordance with the general regulation applied to promotion agencies and organisms published in the Official Journal of the Federation on December 1, 2014, that became effective the day following their publication; and in accordance with the Financial Information Rules issued by the Mexican Board of Financial Information Rules, A.C., that have been applied in a supplementary way to FIFOMI and are mentioned in Note 2, item a) to the attached unconsolidated financial statements.

Management's responsibility related to the unconsolidated statements

- II. FIFOMI's management is responsible for preparing the attached unconsolidated financial statements in accordance with the accounting regulations mentioned in the previous paragraph and that are mentioned in Note 2, item a) to the attached unconsolidated financial statements, as well as for the internal control the management deemed necessary to allow for the preparation of those financial statements free from major deviation, due to fraud or error.

Auditor's responsibility

- III. Our responsibility is to give an opinion about the attached unconsolidated financial statements based on our audits. We have performed our audits in accordance with the International Audit Regulations. They demand us to fulfill ethics requirements, and to plan and perform the audit in order to obtain a reasonable certainty that the financial statements are free from any major deviation.

An audit involves the implementation of procedures to obtain the audit evidence about the amounts and the information disclosed by the financial statements. The selected procedures depend on the auditor's judgment, including the evaluation of risks of a major deviation in the unconsolidated financial statements due to fraud or error. When performing such evaluation of risks, the auditor bears in mind the relevant internal control that FIFOMI's management has applied to prepare the unconsolidated financial statements by, in order to design the audit procedures that are adequate under the circumstances, and not in order to express an opinion about the effectiveness of the agency's internal control. An audit also assesses if the accounting policies applied are adequate and if the accounting estimates made by the management are reasonable, as well as the overall assessment of the unconsolidated financial statements presentation.

We consider that the audit evidence we have gotten in our audits offers a sufficient and adequate base to give our opinion.

Auditor's opinion

- IV. In our opinion, the attached unconsolidated financial statements of the Mining Development Bank mentioned in the first paragraph of this report, dated on December 31, 2014 and 2013, and for the years ended those dates, have been prepared, in all relevant aspects, in accordance with the financial regulations mentioned in Note 2, item a) to the attached financial statements.

Base of accounting preparation and use of this report

- V. Without affecting our opinion, we attract attention to Note 2, item a) to the attached unconsolidated financial reports, where the accounting bases to prepare these reports are described. The financial reports were prepared in order to fulfill the governmental regulatory requirements the FIFOMI is subject to, and to be integrated in the Report of the Account of the Federal Public Treasure, which are presented in the formats established so by the Governmental Accounting Office of the Ministry of Finance; therefore, they cannot be suitable for other purposes.

ALEJANDRO FRANK DÍAZ
CERTIFIED PUBLIC ACCOUNTANT

Mexico City,
February 23, 2015

Bartolache No. 1756, Col. Del Valle,
Deleg. Benito Juárez, C.P. 03100, México, D.F.

FIFOMI Statement of Financial Position, as of December 31, 2014 compared to the same period of 2013, audited and approved at the 162 Technical Committee Ordinary Session of the Mining Development Bank.

MINING DEVELOPMENT BANK
Non-Consolidated Income Statements
As of December 31, 2014 and 2013
(in Indonesian rupiah)

	2019	2018		2019	2018
ASSETS			LIABILITIES		
CURRENT ASSETS			SHORT-TERM LIABILITIES		
CASH AND CASH EQUIVALENTS	1,400,000	1,400,000	TRADING PAY, CURRENT	0	1,400,000
RECEIVABLES, NET	4,100,000	3,900,000	DEBT SECURITIES ISSUED		
TOTAL CASH AND CASH EQUIVALENTS	4,100,000	3,900,000			
PREPAID INSURANCE	2,000,000	2,000,000	OTHER ACCOUNTS PAYABLE		
PREPAID RENT	1,000,000	1,000,000	Suppliers	1,000,000	1,000,000
PREPAID SALARIES	1,000,000	1,000,000	Bank of America	1,000,000	1,000,000
PREPAID UTILITIES	1,000,000	1,000,000	Other accounts payable	1,000,000	1,000,000
TOTAL PREPAID ASSETS	4,000,000	4,000,000	Notes payable	1,000,000	1,000,000
TOTAL CURRENT ASSETS	8,100,000	7,900,000			
NON-CURRENT ASSETS			DEFERRED CREDITS AND DEFERRED DEBIT		
PROPERTY, PLANT, AND EQUIPMENT	1,000,000	1,000,000			
ACCUMULATED DEPRECIATION	(100,000)	(100,000)			
TOTAL NON-CURRENT ASSETS	900,000	900,000			
TOTAL ASSETS	9,000,000	8,800,000			
LIABILITIES AND EQUITY					
CURRENT LIABILITIES			LONG-TERM LIABILITIES		
ACCOUNTS PAYABLE	1,000,000	1,000,000			
DEBT SECURITIES ISSUED	1,000,000	1,000,000			
DEFERRED CREDITS	1,000,000	1,000,000			
TOTAL CURRENT LIABILITIES	3,000,000	3,000,000			
NON-CURRENT LIABILITIES					
DEFERRED DEBIT	1,000,000	1,000,000			
TOTAL NON-CURRENT LIABILITIES	1,000,000	1,000,000			
TOTAL LIABILITIES	4,000,000	4,000,000			
EQUITY					
PAYABLE TO SHAREHOLDERS	1,000,000	1,000,000			
RETAINED EARNINGS	4,000,000	3,800,000			
TOTAL EQUITY	5,000,000	4,800,000			
TOTAL LIABILITIES AND EQUITY	9,000,000	8,800,000			

These balance sheets will be presented to its own plan team for the Technical Committee for its respective approval.

These subjects' work will be presented in a symposium titled "The Technical Community for its 100th Anniversary."

For additional information
contact your nearest

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LETTER TO THE EDITOR

c. Income Statement

The Income Statement as of December 31, 2014 is presented and compared to December 2013, showing in general terms an increase of 13.1 million pesos, representing 15.5%, mainly due to net interest income adjusted and the participation in subsidiaries' results.

MINING DEVELOPMENT BANK Not consolidated Income Statements As of December 31, 2014 and 2013

(In Mexican pesos)

	2014	2013
Interest income	230,706,125	235,869,974
Interest expense	(22,956,029)	(45,031,774)
NET INTEREST INCOME	207,750,096	190,838,200
Preventive provision for credit risks	(13,076,581)	(21,659,657)
NET INTEREST INCOME ADJUSTED FOR CREDIT RISKS	194,673,515	169,178,543
Commissions and fees paid	(3,493,249)	(937,979)
TOTAL OPERATING REVENUES	191,180,266	168,240,564
Administrative and promotional expenses	(212,825,421)	(208,727,972)
OPERATING INCOME	(21,645,155)	(40,487,408)
Other income	21,161,010	5,140,368
Other expenses	(32,730,010)	(26,096,254)
INCOME BEFORE EQUITY INTEREST IN NET INCOME OF SUBSIDIARIES AND ASSOCIATES	(33,214,154)	(61,443,294)
Equity in the results of associated and affiliated companies	131,580,991	145,709,660
NET INCOME	98,366,837	84,266,366

"These statements of income, were prepared in accordance with the accounting criteria applicable for Development Entities issued by the National Banking and Securities Commission pursuant to Articles 99, 101 and 102 of the Law for Credit Institutions, which are of general and mandatory nature, must be applied consistently and reflect the income and expenses resulting from the transactions performed by the Mining Development Bank during the above period, which were realized and valued according to sound banking practices and applicable legal and administrative dispositions."

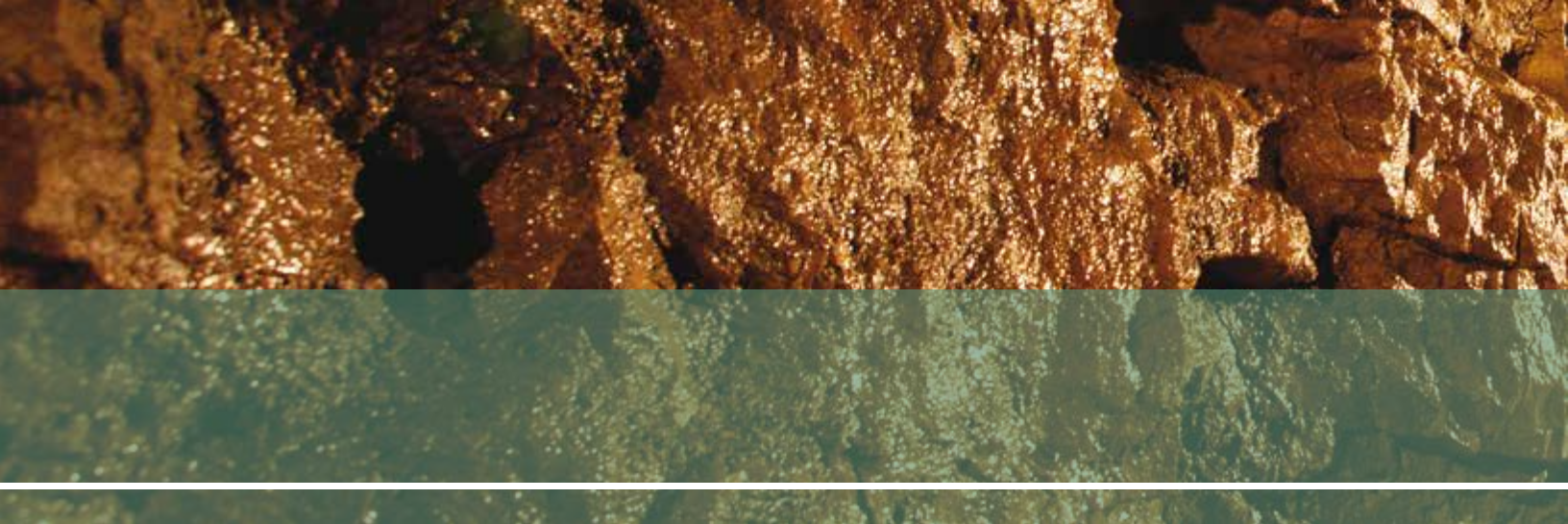
These income statements will be presented in its own due time to the Technical Committee for its respective approval

DR. ARMANDO PEREZ GEA
Director General

C. P. LUZ MARIA SALAZAR
Directora de Crédito, Finanzas y Administración

LIC. ALFONSO SALINAS RUIZ
Subdirector de Finanzas y Administración

LIC. y C. P. SERGIO MORENO VAZQUEZ
Gerente de Presupuesto y Contabilidad



The analysis and explanation of the results statement in the main sections are as follows:

· **Interest income.**

Presenting an increase of 67.9 million pesos, representing 30%, due to the low reference interest rate (TIIE) that represents 13%.

· **Interest expense.**

It is 35.3 million pesos lower, representing 92.2%, essentially by the pre-payment of debt certificates, in February 2014.

· **Exchange result and commissions collected in advance.**

They show a variation of 47.0 million pesos, mainly due to the favorable effect of fluctuation in the exchange rate of credits in dollars.

· **Preventive provision for credit risks.**

It presents a decrease of 8.6 million pesos, derived from the loan portfolio rating corresponding to the second semester of the period and having eliminated the effect of the provision by Finpatria, registered in 2013.

· **Commissions and fees.**

It presents an increase of 2.6 million pesos for the repayment of the premium for pre-payment of long-term debt certificates carried out during February 2014.

· **Administrative expenses.**

The behavior is similar to the 2013 period, and the 4.1 million pesos variation is due to the liquidation of staff.

· **Other expenses and products.**

It presents a net decrease of 10.2 million pesos, for the creation of the reserve of foreclosed properties and other incomes for the sale of fixed assets, carried out by the SAE.

· **Subsidiaries.**

Less result from subsidiaries of 13.4 million pesos for the registration of the participation method with numbers from December 31, 2014, including the charge of dividends associated with the company Baja Bulk Carriers for an amount of 63.7 million pesos and Salt Exporter, by 40.3 million pesos.



d. Financial Indicators

As of December 31, 2014, the main financial indicators were as follows:

- **Delinquency rate.**

It dropped in 2013 from 8.9% to 3.5% towards the end of 2014, due to the credits transferred to memorandum accounts.

- **Coverage ratio.**

From the comparison of both periods, the non-performing loans in 2014 decreased 119.9 million pesos because of the transfer of credits mentioned in the previous point, corresponding to 2007, 2009, 2011, and 2012 fiscal years. The total coverage including the amount of liquid guarantees improved during 2014, increasing to 137.3% against 113.3% registered in 2013.

- **Liquidity.**

The liquidity index was 63.9 against 6.3 in 2013, due to the pre-payment of bonds, for a total amount of 308.5 million pesos, carried out on February 7, 2014.

- **Financial leverage.**

This indicator was 0.01 in 2014 against 0.08 registered the previous year, as consequence of the amortization of bonds noted in the previous point.

- **ROE.**

The performance on equity improved in 2014, with a value of 2.1% when compared to 1.8% of the previous period.

- **ROA.**

The performance indicator on assets also increased with a value of 2.0% for 2014 when compared to 1.6% registered in 2013.



Financial Indicators

As of December 31, 2014, the main financial indicators were as follows:

Ratio / formula	2014		2013	
Delinquency Rate	84.8	= 3.5%	204.7	= 8.9%
Nonperforming loans / total loan portfolio	2,410.9		2,309.6	
Coverage ratio	52.7	= 62.1%	175.0	= 85.5%
Loan loss reserve / Nonperforming loans	84.8		204.7	
Coverage ratio *	116.4	= 137.3%	231.9	= 113.3%
Loan loss reserve / Nonperforming loans	84.8		204.7	
* includes liquid guarantees of guarantee programs by 63.7 million pesos in 2014 and 56.9 million pesos in 2013				
Liquidity	1,948.7	= 63.9	2,193.3	= 6.3
Current assets + accounts receivable (1 year) / accounts payable - short-term	30.5		347.6	
Financial Leverage	30.5	= 0.01	347.6	= 0.08
Liabilities / Stockholder's equity	4,644.3		4,566.9	
ROE	98.4	= 2.1%	84.3	= 1.8%
Net income / Stockholder's equity	4,651.1		4,588.0	
ROA	98.4	= 2.0%	84.3	= 1.6%
Net Income / Total assets	4,885.9		5,275.0	

e. Statement of Cash Flows 2014

MINING DEVELOPMENT BANK

4

Non-Consolidated Income Statements

As of December 31, 2014 and 2013

(In Mexican pesos)

	2014	2013
Operating activities		
Net income	96,366,837	84,266,366
Items related to investment activities		
Depreciation	3,862,447	2,922,239
Gain on sale of property, plant and equipment	(3,261,595)	(478,456)
Increase (decrease) in the preventive provision for credit risks	13,076,581	21,659,657
Increase in the provision for value loss of foreclosed assets	31,425,510	-
Equity in the results of associated and affiliated companies	(131,580,991)	(145,709,660)
Exchange update	(2,621,422)	-
Adjustment due to appraisal updates	-	(13,289,042)
Sum	9,267,367	(50,628,896)
Decrease (increase) in the loan portfolio	(236,736,929)	1,057,386,559
Decrease (increase) in other accounts receivable	(12,057,889)	5,531,556
(Decrease) increase in suppliers	522,637	28,154
Increase in sundry creditors and other accounts payable	(7,865,644)	(159,117)
(Decrease) in taxes payable	(506,027)	(204,956)
Decrease (increase) in investments in securities	435,847,558	(532,508,720)
Decrease (increase) in other assets	14,167,235	14,443,475
- Increase (decrease) in deferred credits and advanced collections	(756,250)	(1,419,262)
Net cash provided by (used in) operating activities	201,882,058	492,368,794
Investment activities		
Dividends received from associates	103,988,401	89,496,468
Acquisitions (Removals) in foreclosed assets	(3,200,665)	18,003,802
Acquisitions of property, plant and equipment	3,062,944	5,382,793
Net cash used in investing activities	103,850,680	112,883,063
Cash surplus before financing activities	305,732,738	605,251,857
Financing activities		
Debt certificates issued	(308,517,265)	(492,710,735)
Loans from banks and other institutions	-	(120,752,435)
Net cash used in financing activities	(308,517,265)	(613,463,170)
Net (decrease) increase in cash and cash equivalents	(2,784,527)	(8,211,313)
Cash and cash equivalents at the beginning of year	4,625,469	12,836,782
Cash and cash equivalents at end of year	1,840,942	4,625,469

"These statements of cash flows, were prepared in accordance with the accounting criteria applicable for Development Entities issued by the National Banking and Securities Commission pursuant to Articles 99, 101 and 102 of the Law for Credit Institutions, which are of general and mandatory nature, must be applied consistently and reflect the income and expenses resulting from the transactions performed by the Mining Development Bank during the above period, which were realized and valued according to sound banking practices and applicable legal and administrative dispositions."

These statements of cash flows will be presented in its own due time to the Technical Committee for its respective approval

DR. ARMANDO PEREZ GEA
Director General

C. P. LUZ MARIA SALAZAR
Directora de Crédito, Finanzas y Administración

LIC. ALFONSO SALINAS RUIZ
Subdirector de Finanzas y Administración

LIC. y C. P. SERGIO MORENO VAZQUEZ
Gerente de Presupuesto y Contabilidad

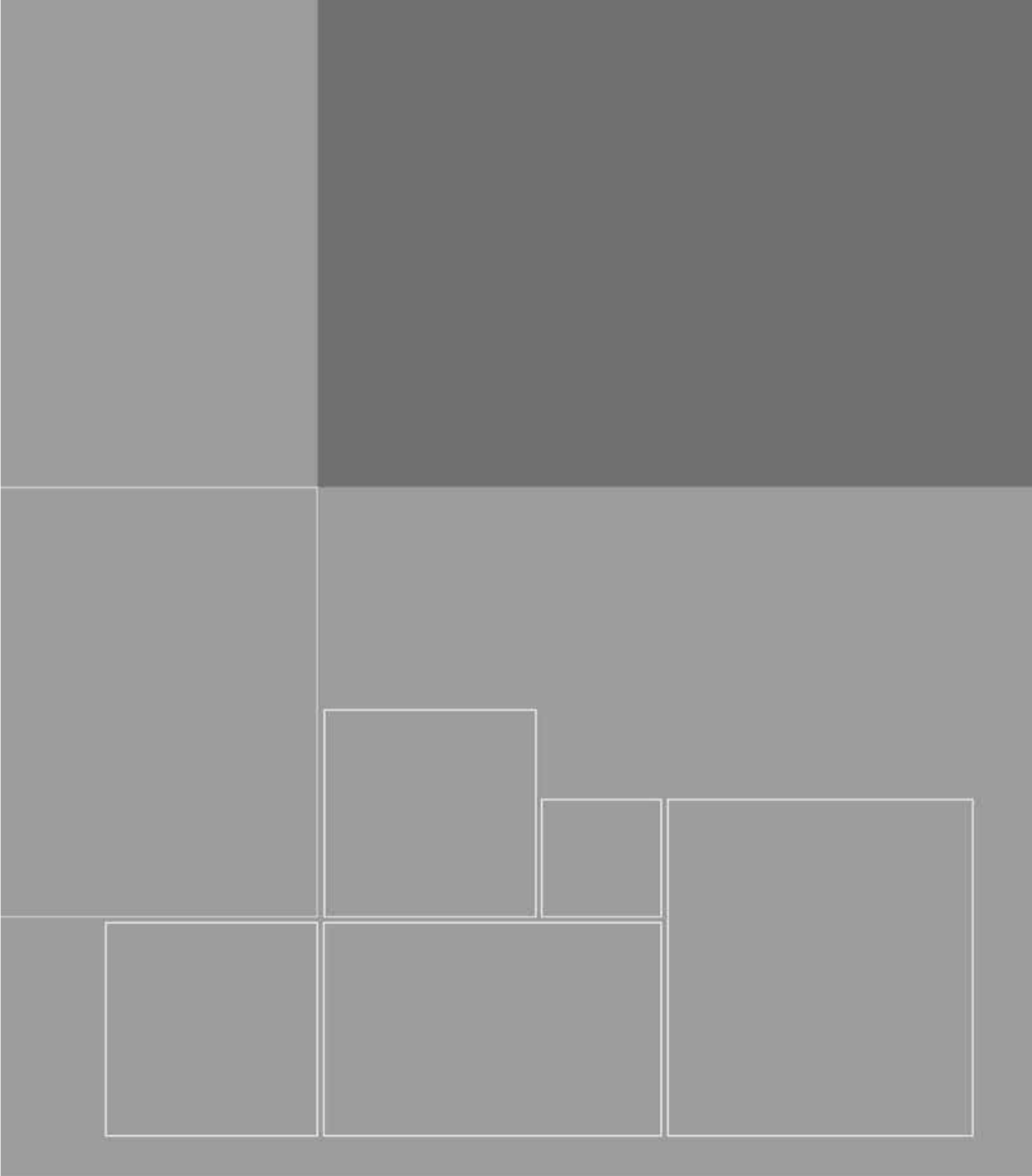


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